ANNUAL REPORT

TWO THOUSAND AND EIGHT

A·TEC INDUSTRIES

Key Indicators

Key financial performance indicators

(in EUR m)	2008	change	2007*	2006
Revenue	**3,256.9**	41.0 %	**2,310.1**	**1,594.4**
EBITDA	**77.3**	-45.1 %	**140.7**	**125.2**
EBIT	**19.4**	-72.7 %	**71.0**	**92.0**
EBIT margin	**0.6 %**	-	**3.1 %**	**5.8 %**
Profit before tax (EBT)	**-12.3**	-	**28.9**	**78.6**
Profit after tax	**-26.8**	-	**23.2**	**87.5**
Consolidated profit	**-33.7**	-	**6.3**	**80.3**
Cash flow from operating activities	**138.0**	969.8 %	**12.9**	**155.3**
Order intake	**3,583.7**	73.9 %	**2,060.4**	**1,775.0**
Order backlog as at 31 Dec.	**3,263.9**	37.6 %	**2,371.2**	**1,521.7**
Investments	**130.1**	83.0 %	**71.1**	**211.9**
in intangible assets and property, plant and equipment	**113.6**	88.1 %	**60.4**	**60.8**
in financial assets	**16.5**	52.8 %	**10.8**	**151.1**
Employees**	**12.989**	-5.2 %	**13.708**	**10.720**
Total assets	**2,752.0**	-10.7 %	**3,082.9**	**1,565.9**
Net debt***	**288.1**	-48.9 %	**563.3**	**67.0**
Equity	**311.6**	-16.9 %	**375.0**	**318.0**
Equity ratio	**11.3 %**	-	**12.2 %**	**20.3 %**
Gearing	**92.5 %**	-	**150.2 %**	**21.1 %**
ROE****	**-9.8 %**	-	**1.8 %**	**34.1 %**
ROCE*****	**1.9 %**	-	**7.9 %**	**20.0 %**

Business review of the divisions

(in EUR m; change in % to previous year)	Plant Construction	Drive Technology	Machine Tools	Minerals & Metals	Holding & Others
Revenue	1,631.1 (+56 %)	392.4 (+7 %)	370.1 (+75 %)	864.9 (+26 %)	-1.6 (-61 %)
EBITDA	77.6 (+27 %)	20.3 (-19 %)	44.6 (+77 %)	-48.2 (-)	-16.9 (-)
EBIT	68.2 (+25 %)	-2.9 (+87 %)	29.7 (+87 %)	-57.7 (-)	-17.9 (-)
EBT	73.7 (+27 %)	-24.6 (+38 %)	19.0 (+76 %)	-69.7 (-)	-10.7 (+9 %)
Ø Capital Employed	-5.0 (-60 %)	290.2 (+3 %)	240.9 (+27 %)	280.9 (+30 %)	204.6 (-8 %)
Order intake	2,534.2 (+92 %)	404.6 (-2 %)	404.9 (+95 %)	239.9 (+97 %)	-
Order backlog as at 31 Dec.	2,881.6 (+46 %)	136.7 (-5 %)	223.5 (+13 %)	22.1 (-55 %)	-
Employees	5,005 (+9 %)	5,174 (-18 %)	1,749 (+1 %)	1,039 (+0 %)	22 (+69 %)

Stock data****

(in EUR)	2008	change	2007	2006
Earnings per share	**-1.31**	-	**0.72**	**3.78**
Dividends per share*******	**-**	-	**-**	**0.75**
Payout ratio (%)	**-**	-	**-**	**24.6 %**
Share price year-end	**6.63**	-70.9 %	**22.78**	**25.63**
Highest price	**21.99**	-54.7 %	**48.58**	**25.63**
Lowest price	**6.52**	-67.0 %	**19.75**	**23.53**
Market capitalization as at 31 Dec.	**175,032,000**	-70.9 %	**601,260,000**	**676,500,000**
Share capital	**26,400,000**	0.0 %	**26,400,000**	**26,400,000**

Erläuterungen

*) The 2007 balance sheet was adjusted for changes arising from the adjustment of purchase price allocations. The 2007 income statement was also adjusted for the change in discontinued operations

**) Full-time employees at year end, including apprentices

***) Financial liabilities less cash and cash equivalents

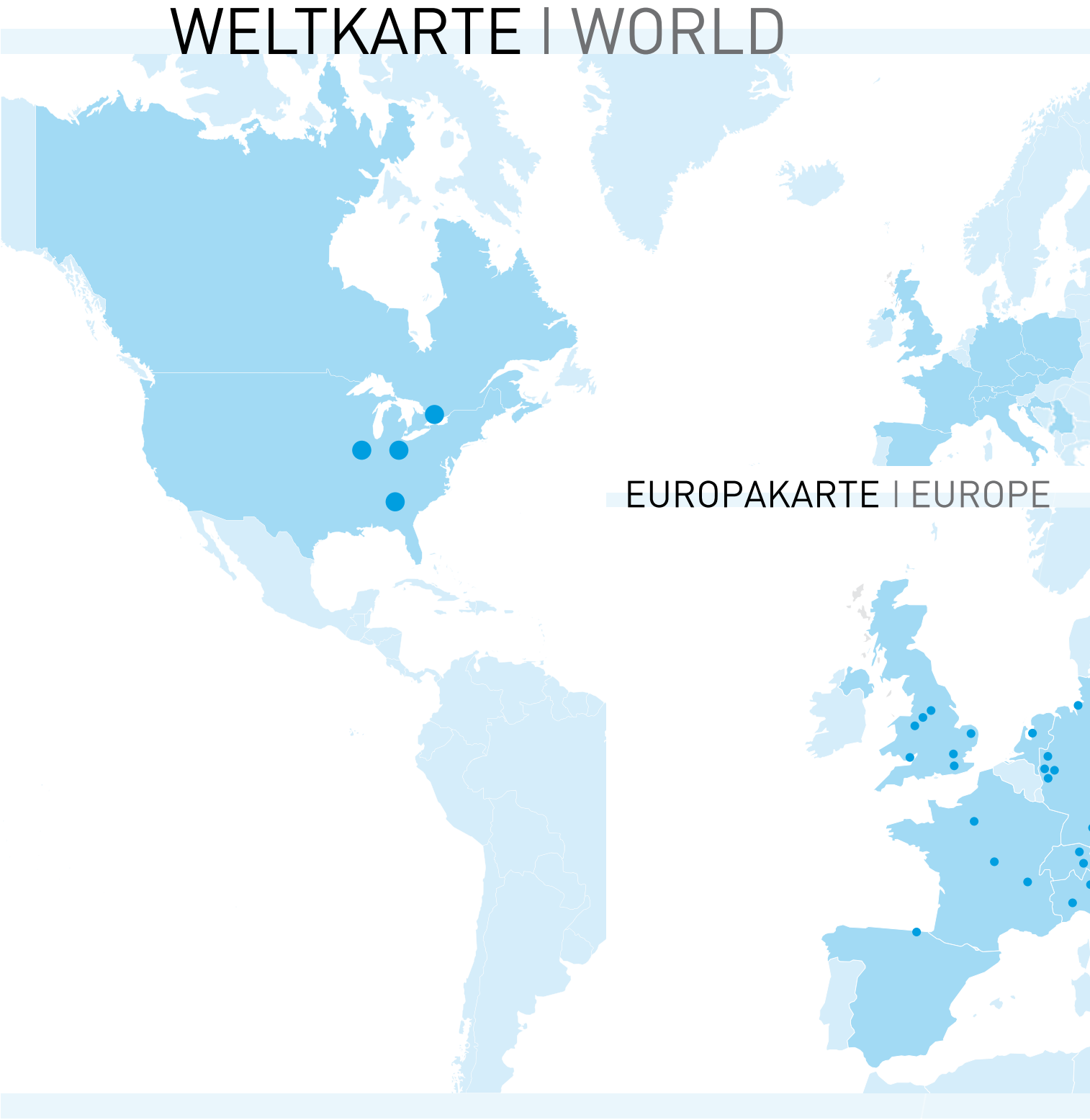
****) Return on equity (ROE) = consolidated profit for the period / equity

*****) ROCE = EBIT / average capital employed

******) Share performance indicators for 2006 and 2007 adjusted for changes in Company's share capital

*******) Recommendation to the Annual General Meeting

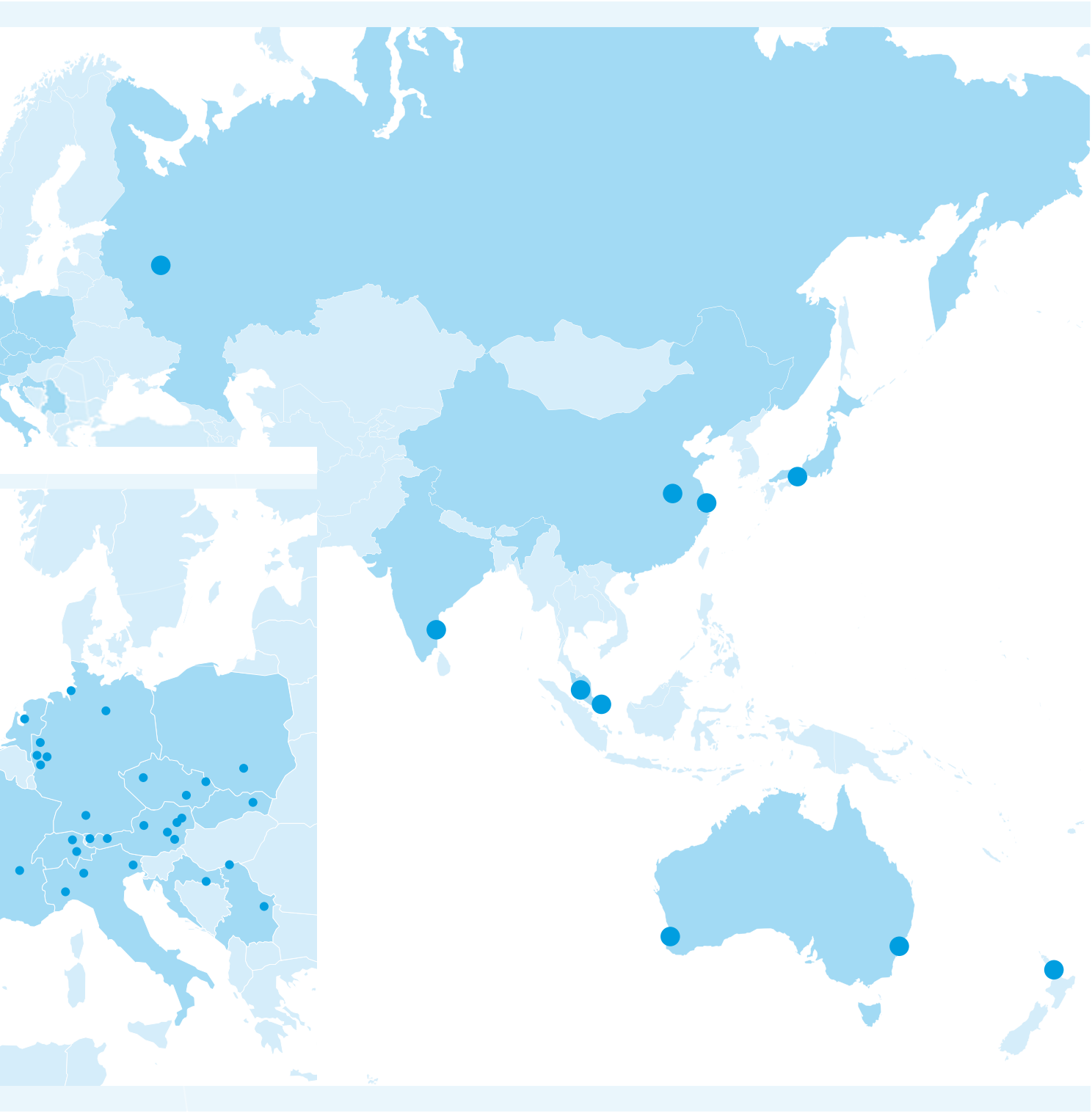
The A-TEC Industries AG in Overview



Corporate headquarters:
A-TEC INDUSTRIES AG
Wächtergasse 1, 1010 Vienna, Austria

Headquarters of subsidiaries:
ATB AUSTRIA ANTRIEBSTECHNIK AG
Hohenstaufengasse 7, 1010 Vienna, Austria

AUSTRIAN ENERGY & ENVIRONMENT AG
Brünner Straße 52, 1210 Vienna, Austria



MONTANWERKE BRIXLEGG AG
Werkstraße 1-3, 6230 Brixlegg, Austria

A-TEC Mechanical Engineering Holding GmbH
Wächtergasse 1, 1010 Vienna, Austria

Contents

Interview with the CEO

2008 was overshadowed by a global economic slowdown which also impacted A-TEC's performance. In spite of this, you posted a record order intake and revenues. What's the secret of your success?

A 41% increase in revenue to EUR 3.3bn and a 74% jump in order intake to EUR 3.6bn are cause for satisfaction. Two of our operations demonstrated a particularly strong progress in 2008: the Plant Construction Division – which accounted for over 50% of Group revenue and two-thirds of the order intake – and the Dörries Scharmann Technology (DST) Group's heavy machine tools business. But, we will not be resting on our laurels, as 2009 will undoubtedly be an extremely challenging year.

In contrast to these positive developments, the Group's earnings performance worsened. How do you explain these declines?

The reasons are simple. The copper price plummeted from its historic high of about USD 8,730/tonne (t) in April to USD 2,900/t at year end. A crash of this magnitude is unprecedented and could not have been foreseen. Inventory revaluation effects due to the copper price collapse led to a fall in EBIT of EUR 75m. While painful, this was beyond management's control. The Group's results are subject to sharp fluctuations due to copper prices, and our investors understand that. Once these one-time effects are stripped out, the operating performance is respectable.

You have named falling copper prices as one of the main factors. How do you see future copper price trends, and in the light of that, how do you expect the Minerals & Metals Division to perform?

For obvious reasons, it is difficult to answer that. However, we are optimistic that the lows in December 2008 represent the trough of the cycle. Analysts expect a run-up to about USD 5,000/t over the next one to two years. The price of copper has already rallied to around USD 4,000/t and we are back in the black. We anticipate a gradual rise in copper prices, though there will be wide swings. As recyclers, what matters to us is not so much absolute copper prices as the extreme volatility, as well as the unstable euro/dollar exchange rate. In fact, low copper prices improve our net finance cost as the cost of financing current assets goes along with the value of the inventories.

Turning to the other divisions, Plant Construction was the main growth driver in 2008. What is behind the division's strength?

Plant Construction is certainly our most important sub-group. The division is very well structured in international terms. It goes without saying that the global economic slowdown has not passed by this business. There have been isolated cases of delays to bank financed projects, but we do not see this as a major problem as world energy demand will continue to grow.

We are the European number one in energy from waste, and are also among the global market leaders in this segment. The USA will be among the growth markets for this technology, as environmental investments are now being heavily subsidised there. Other business areas, such as gas combined cycle power station projects backed by small investors, are harder hit by the crisis. As regards power generation technology as such, a decline from a high base is undoubtedly on the cards.

The division has very strong order books and will be running at full capacity far into 2010, so we are confident that it will weather the crisis well. Owning to our high order backlog, we await a further increase in sales for 2009. However, compared to 2008 and in view of the prevailing general conditions, order intake will probably demonstrate a sharp downturn.

Drive technology and machine tools are industries that have been particularly affected by the crisis. How will you counteract these trends?

Our Drive Technology Division has two business units. While the heavy and custom motor segment is performing excellently, the low voltage and industrial motor business has sustained falls in orders of up to 50% which inevitably lead to capacity utilisation issues. We have already responded, and further personnel reduction programmes may follow if the situation fails to improve – but we cannot put any figures on that at present. Meanwhile, the EMCO sub-group is facing declines of about 30% in orders for its mass produced machine tools. Here, too, we have already taken appropriate restructuring and workforce downsizing actions. We are forecasting a low single-digit EBIT for 2009, but we are far away from making losses.

Things are different with DST, where we are selling on technology and not on price. In 2008 the company recorded revenues of EUR 200m and a double-digit EBIT margin. High order backlog means that DST will be running at full capacity until well into 2010, so 2009 is already a known quantity.

Is a diversified group the best business model when it comes to surviving a crisis?

I am convinced that a broad-based line-up of four divisions, each with a different business model, can only be an advantage. We are not planning to make any changes to this structure at present.

Which geographical markets hold out the greatest potential for the Group?

Western Europe is our core market and will remain so for the foreseeable future. Of course, Asia is continuing to grow in importance, but North America could also turn out to be a growth market given the changed attitude to environmental technology and infrastructure upgrading, and the rapid economic recovery that I personally anticipate. While Eastern Europe is fundamentally attractive, investments will be on hold there in the near term because of the crisis. At just 6% this region currently contributes a relatively insignificant share of revenue.

After a run of rapid acquisition led growth, last year we heard less of A-TEC Industries in terms of takeover activities. Has your strategy changed?

Our expansion strategy remains in place, but we are operating in a different environment at present. It is a fact that acquisition finance is difficult to arrange at the moment. Nevertheless, we are continuing to monitor the M&A market, as we know from the past that a countercyclical approach can create opportunities. We are still basically interested in RTB Bor. And we are looking at a copper mine in Africa – Uganda, to be precise – but this is not due to be privatised until late 2009 at the earliest.

How do you intend to finance potential acquisitions? How high is net debt at present?

We are not planning any major acquisitions in 2009, although we are not ruling out smaller deals. Net debt was EUR 563m at the end of 2007, and we have run that down to EUR 288m. This equates to a gearing of 92.5%, and I am comfortable with that.

Can you give us an indication of what results for 2009 will be like?

Our 2009 guidance is for revenues at about EUR 3bn and an EBIT margin of around 3%. In my view, 85% of our business is safe in this year, despite the prevailing macroeconomic uncertainties. As with other companies, the remaining 15% is a hard call. Our budgets are based on the assumption that there will be no dramatic deterioration in the economic situation.

Governing bodies

Management Board

Mirko Kovats
Chairman
(since 9 March 2006)

Born in 1948. Studied at the Universität für Welthandel (now the Vienna University of Economics and Business Administration), obtaining a doctorate in 1971. Import-export business in Central and Eastern Europe focusing on machine tools. Acquisition of a 50% interest in the EMCO Group in 1997. Founder and majority owner of the A-TEC Industries Group. Expanded the Group through the takeovers of ATB, AE&E and Montanwerke Brixlegg. Chief Executive Officer (CEO) of A-TEC Industries since 2006.

Christian Schmidt
Deputy Chairman
(since 9 March 2006)

Born in 1957. Studied at the University of Natural Resources and Applied Life Sciences, Vienna and the Swiss Federal Institute of Technology Zurich, graduating in 1982. From 1983 on, management positions with industrial companies and consultancies. From 2001 onwards a co-owner of A-TEC Industries, involved in establishing and expanding the Group, and a member of the ATB and AE&E management boards. 2006 Chief Operating Officer (COO) of A-TEC Industries.

Christian Schrötter
Member of the Management Board
(since 1 January 2008)

Born in 1963. Studied Economics and Computer Science, and Business in Vienna and the USA, obtaining an Austrian MA and an MBA in 1987 and 1988, respectively. A senior manager at PricewaterhouseCoopers, various executive positions in the Republic Industries Group, CFO at ONE, the Siemens Elin Group and ATB, and since 1 January 2008 Chief Finance Officer (CFO) at A-TEC Industries.

Authorised signatories

Franz Fehringer
Independent tax advisor

The Supervisory Board

Freimut Dobretsberger
Chairman
(since 28 September 2006)
Independent*; CEO of Bank der Österreichischen Postsparkasse AG until 1999

Johannes Edelsbacher
Deputy Chairman
(since 28 September 2006)
Independent*; Chief Executive of an auditing and accountancy firm

Klaus Sernetz
Member of the Supervisory Board
(until 27 June 2008)
Independent*; CEO of Montana Tech Components since 2007; previously CEO of VA-Technologie AG

Gernot Grimm
Member of the Supervisory Board
(since 6 November 2006)
Independent*; Head of the Technology Transfer and Safety Reseach Unit at the Ministry of Transport, Innovation and Technology since 2005

Klaus Requat
Member of the Supervisory Board
(since 27 June 2008)
Independent*; Head of the Austria and Emerging Europe Division at Unicredit CAIB AG

Horst Wiesinger
Member of the Supervisory Board
(since 27 June 2008)
Independent*; Managing Partner at Horst Wiesinger Consulting GmbH

Helmuth Palzer
Member of the Supervisory Board
(since 27 June 2008)
Independent*; independent consultant; Chairman of Austrian Energy & Environment AG until 2005

*) Independent in the meaning of Rules 53 and 54 Austrian Corporate Governance Code

Christian Schmidt
Deputy Chairman of the Management Board

Mirko Kovats
Chairman of the Management Board

Christian Schrötter
Member of the Management Board

Group profile

A-TEC Industries AG is one of the leading Austrian-based industrial groups, with a worldwide workforce of about 13,000 employees and revenues of EUR 3.3bn in 2008. The Vienna Stock Exchange prime market listed company has a stable ownership structure. The M.U.S.T. and J.E. Loidold private foundations – established by CEO Mirko Kovats and COO Christian Schmidt – own a total of 73% of the shares, with the remaining 27% in free float.

Thanks to its strategy of rapid expansion, extensive experience, outstanding technical expertise, and strong contacts in the industries it works in, A-TEC has developed into a diversified multinational group in recent years. In 2008 around 63% of revenue (2007: 54%) were generated outside Austria, which demonstrates the increasing internationalisation of the A-TEC Group. On a construction contract accounting basis, the export ratio would be considerably higher.

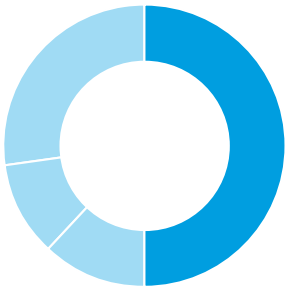
Amid the current global crisis, the Group's conglomerate structure with four different business models and projects in all of the world's major economic regions is proving to be an advantage, contributing to its long-term success. Although some of the Group's businesses are feeling the impacts of the economic downturn in the early stages of the cycle, the consequences will not be seen until later in other operations. This balancing effect is key to preserving the overall stability of the Group.

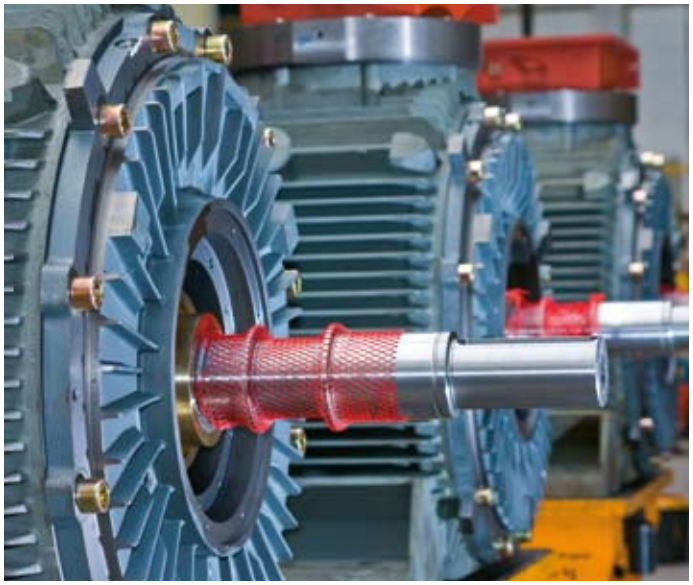
As a result of the challenging business environment, activities in 2008 focused on consolidation and integration of existing Group companies. Consequently, most of the expansion seen in the period under review was organic growth.

Plant Construction Division

The AE&E Group is a global leader in energy and environmental technology. The Division's portfolio covers six product segments: power plants, energy from waste plants, steam generators, flue gas cleaning systems, services and industrial equipment. Thanks to its comprehensive product and service portfolio, the Division is a one-stop shop for energy utilities, local authorities and large industrial companies which make up the majority of its clients.

Share of revenue

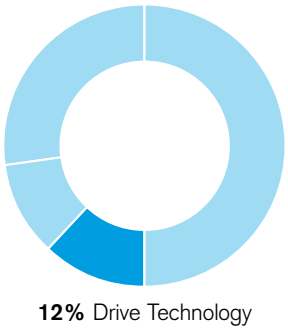




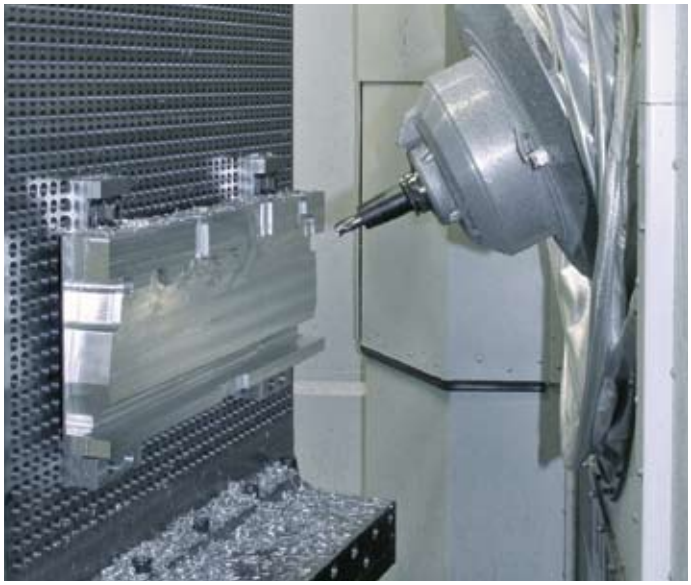
Drive Technology Division

The ATB Group is one of Europe's leading suppliers of electrical drive systems. Its product portfolio includes volume produced industrial motors, explosion-proof motors, motors for domestic and garden appliances, and custom special-purpose motors. The Division's main market is Europe, with 42% of revenue generated in Germany. ATB Austria Antriebstechnik AG is listed on the Vienna Stock Exchange, and is 98% owned by A-TEC Industries AG.

Share of revenue



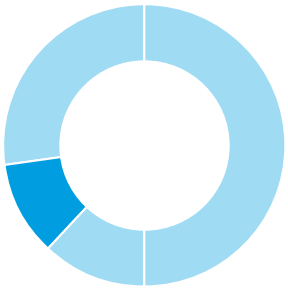
Gas combined cycle power plant Bandirma, Turkey



Machine Tools Division

The Machine Tools Division consists of the EMCO Group and Dörries Scharmann Technologie GmbH (DST). The EMCO Group produces conventional lathes and milling machines, fully automated CNC manufacturing cells, special purpose machine tools and modular training systems. The DST Group's comprehensive product range includes special machine tools for drilling, turning, milling and grinding. The Division's customers are mainly in the aerospace, general engineering, automotive and renewable energy industries.

Share of revenue



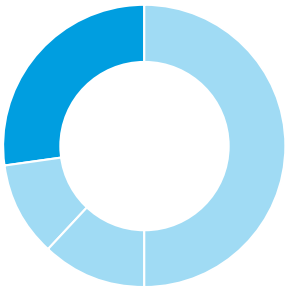
11% Machine Tools

Minerals & Metals Division

With a history stretching back more than 500 years, Montanwerke Brixlegg is one of Europe's largest secondary smelters, producing high grade copper, fungicides, abrasives and other precious metals from copper scrap, alloys and residues. Copper anodes as well as cast and rolled wire are produced at the Krompachy plant in Slovakia. The Division's products are used as basic materials for the electrical, the construction, the machine tool and plant engineering, the plating and the agricultural industries. The Gindre Group, a major copper processing company specialising in components and profiles, also forms part of the Division.

Share of revenue

27% Minerals & Metals



Strategy and business model

A-TEC Industries AG is a holding company that heads four operating divisions. The divisional managements largely act independently. The Group has a long-term expansion and acquisition strategy aimed at increasing shareholder value by acquiring company assets at below their carrying value and restructuring companies with a high turnaround potential. The broad based structure, and the existence of four different business models ensures that risks are diversified.
The ownership structure supports efficient and flexible decision making processes, and enables the divisions to respond swiftly to changes in trading conditions such as the current financial and economic crisis. It also puts the Group in a strong position to benefit from a future economic upswing.

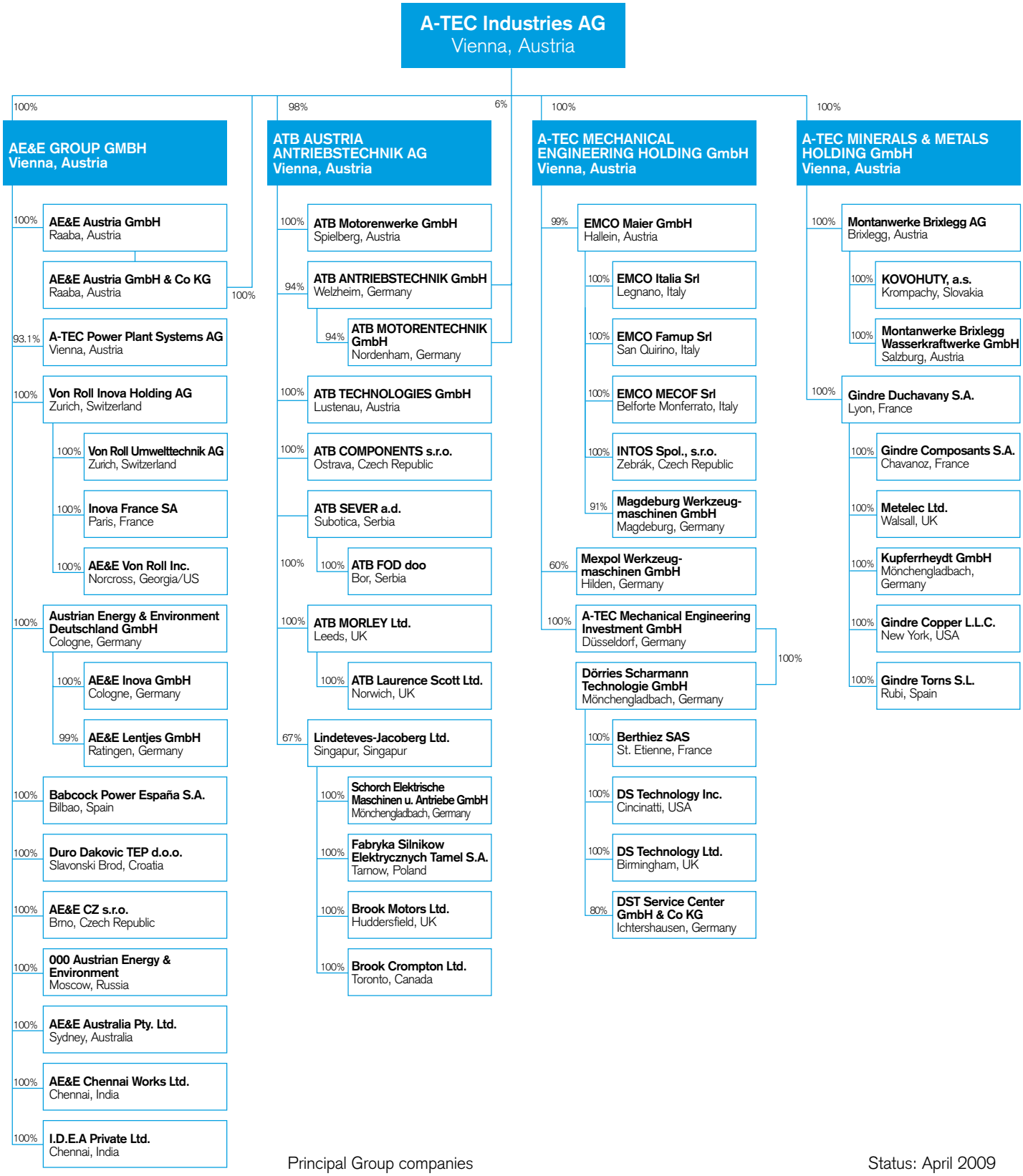
The Plant Construction Division is a leading international supplier of thermal power generation and environmental technology. The division‘s strategy centres on extending its already strong market position through complementary acquisitions and organic growth. The business model is based on a one-stop approach, and the division is capable of acting as everything from a service provider, and component and system supplier to a general contractor. The strategic focus is on exploiting the synergies between business units, strengthening the high-margin service business, and optimising procurement activities and project implementation.

The **Drive Technology** Division is one of Europe’s leading manufacturers of electrical drive systems. The division’s strategic goals include strengthening the high-margin Project Motors business, and developing new low cost and energy efficient applications. The white goods operation is now treated as non-core operation. The financial crisis and increased competition from Asia have led to restructuring and the introduction of measures to improve efficiency in the Industrial Motors business unit. Project Motors is capitalising on the strong demand for high voltage and special purpose motors, mainly from the infrastructure and energy sectors. After an extended period of acquisition led growth, the focus will now shift towards achieving turnaround.

The **Machine Tools** Division consists of the EMCO Group and German special purpose machine tool manufacturer Dörries Scharmann Technologie GmbH (DST). The EMCO Group concentrates on mass production of a wide range of machine tools, spanning the low and medium tech, and custom high-tech segments. The group’s product portfolio also includes modular training systems. It will continue to apply the “design to cost” principle to its development activities. DST produces short runs of complex custom machine tools for highly specialised niche markets such as the aerospace and wind turbine industries, as well as general purpose machine tools. DST focuses on meeting very high precision standards.

The **Minerals & Metals** Division’s business model is based on refining secondary materials containing copper to produce 99.99% pure copper, precious metals and by-products. The division’s profitability is determined by the levels of treatment charges, format and cathode premiums, and wire, profile and semi-finished product prices. The division also includes Slovakia‘s only producer of copper anodes which supplies anodes to Montanwerke Brixlegg. The division’s strategic goals include reducing its dependence on third-party power supplies, optimising production capacity, and extending the value chain to include processing of copper into components and profiles. In the near future it will extend its activities to resource rich regions of Africa.

Organisational structure



Principal Group companies

Status: April 2009

The A-TEC Industries share

Share price

2008 was shaped by the financial crisis, which spread from the USA to Europe in the course of the year. Our share price performance was not immune to this negative environment. Adjusted for capital actions and issue of bonus shares at a four for one ratio, our share price fell by 70.9% in 2008, to stand at EUR 6.63 at year end. The highest close during the period under review was EUR 21.99 (2007: EUR 48.58), and the lowest was EUR 6.52 (2007: EUR 19.75).

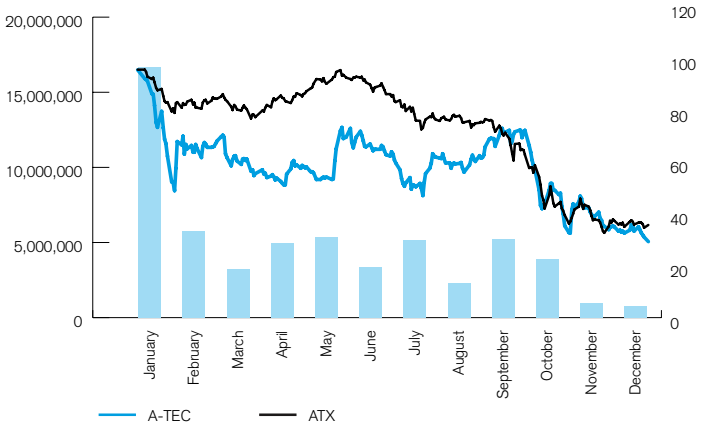
The investments and planned acquisitions in the Minerals & Metals Division were the main influence on our share price in the first half of 2008, due to the investor uncertainty and the delays in our financial reporting that they occasioned. Our share price performance in the second half was broadly in line with that of the Vienna Stock Exchange ATX Prime index (see chart). The ATX index of leading shares plunged 61.2% in 2008, while the ATX Prime was off by 63.8% in the year to 30 December 2008. These dramatic falls reflected worries among foreign investors about the economic outlook for the CEE region, and the indices' strong weighting towards banking and real estate shares.

In the year under review our share received analyst coverage from four leading banks. Deutsche Bank, Goldman Sachs, Erste Bank and UniCredit publish regular analysts' reports on our Company. The number of analysing institutions was unchanged, despite the harsh market environment.

Turnover

The daily trading volume (double counting) of A-TEC shares averaged 229,600 in 2008 (2007: 289,600), or EUR 3.3m (2007: EUR10m). The year-on-year declines in trading volume and liquidity reflect the turmoil on Austrian financial markets unleashed by the global crisis. The lowest daily turnover was 4,064 shares on 11 December 2008, and the highest 1,591,832 on 24 January 2008.

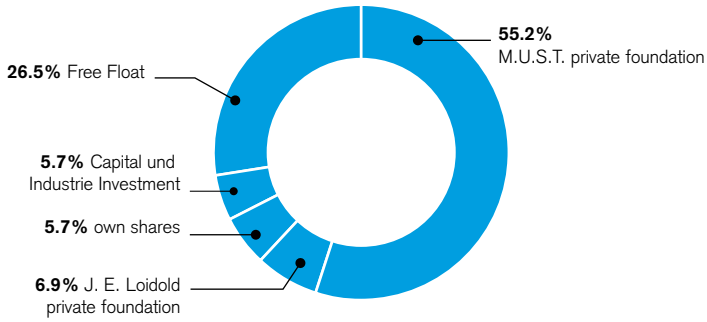
Turnover and share price performance vs. ATX



Shareholder structure

2008 saw several changes in the shareholder structure. The majority shareholders, Mirko Kovats and Christian Schmidt, increased their stakes in the company from 62% to 68% of the share capital at year-end 2008. The shares were purchased through their private foundations, M.U.S.T. and J.E. Loidold. On 30 September 2008, Capital und Industrie Investment AG, a wholly owned subsidiary of the M.U.S.T. private foundation, announced that its holding had surpassed the 5% mandatory reporting threshold. As part of the share repurchase scheme authorised by the last Annual General Meeting, the Company acquired 1.5m own shares, or 5.7% of the capital in 2008. The shares were sold on to Capital und Industrie Investment AG on 4 February 2009 at a price of EUR 6.29 per share, subject to a debtor warrant. Despite the share repurchase, the free float was unchanged at 26.5% as of 31 December 2008. The US investment company Capital Research and Management disposed of its holding of about 4.99% in its entirety during the period under review.

Shareholder structure at 31 December 2008



Share repurchase programme

In 2008 the Management Board made use of the authorisation of the Annual General Meeting to repurchase shares in the Company at prices of between EUR 10–25, up to a maximum of 10% of the share capital, over a period of 30 months. Between 9 July and 31 December 2008, 1,503,127 own shares or 5.69% of the share capital were acquired at an average price of EUR 14.64 per share. The total value of these shares was EUR 22m. The shares were sold to Capital und Industrie Investment AG in early February 2009 as a block trade.

Bonus shares

In order to increase the share capital and create a broader shareholder base, the Company completed a capital increase from own resources in October. Appropriated capital reserves were used in accordance with the Capital Adjustment Act. The new shares (bonus shares) were distributed to existing shareholders at a four to one ratio. The shares were allocated and began trading on the Vienna Stock Exchange Prime Market on 29 October 2008. As a result, the number of bearer shares in free float rose from 6.6m to 26.4m.

Investor relations activities

The Investor Relations Department continued to work closely with analysts and institutional and private investors in 2008. In the period under review A-TEC Industries attended four international roadshows and four investor conferences, including the Erste Bank conference in Stegersbach and the UniCredit conference in Kitzbühel. The department also conducted around 90 one-on-ones and 15 teleconferences. The Company organised its first international investors' day in June 2008 at the Montanwerke Brixlegg site. A factory tour and subsequent management presentation gave the visiting analysts a detailed insight into the copper production process. A similar event at the site of another subsidiary is planned for 2009.

Annual General Meeting (AGM)

The second Annual General Meeting of A-TEC Industries was held on 27 June 2008 at the MuseumsQuartier arts centre in Vienna. Around 120 shareholders, analysts and journalists were present. Shareholders representing 57.25% of the Company's capital were in attendance. There were votes on seven agenda items and all were passed, including resolutions that no dividend be distributed for the 2007 financial year and that the profit for 2007 be carried forward to new account.

Shareholder information

ISIN Code	AT00000ATEC 9
Ticker symbols	Reuters: ATEC.VI; Bloomberg: ATEC AV
Exchange	Vienna (prime market)
Initial listing	1 December 2006
Indices	ATX, ATX Prime and WBI
Number of shares	26,400,000
Free float	25.6%

	2008	**2007***
Year-end close	6.63	22.78
High	21.99	48.50
Low	6.52	19.75
Performance	-70.90%	-11.12%
Market capitalisation on 31 December (in '000)	175,032	601,260
Average daily turnover	225,270	289,600
ATX-Prime weighting	0.32%	0.45%

* adjusted for corporate actions

Financial calendar

30 April 2009	Announcement of results for the 2008 financial year
12 May 2009	Announcement of results for first quarter of 2009
28 May 2009	Annual General Meeting
18 August 2009	Announcement of results for first half of 2009
10 November 2009	Announcement of results for the first three quarters of 2009

Contact

A-TEC Industries Investor Relations
Gerald Wechselauer

Wächtergasse 1, A-1010 Vienna, Austria
Tel: +43 (0)1 22760130
E-mail: ir@a-tecindustries.com

Corporate governance report

Compulsory disclosures under section 243b

A-TEC Industries AG, a company listed on the Vienna Stock Exchange prime market, has voluntarily committed itself to compliance with the Austrian Code of Corporate Governance as amended in January 2009, which is posted on the Company's website www.a-tecindustries.com. An independent audit of compliance with the Code, as recommended by Rule 62, is planned for 2009.

In addition to the compensation report, the following explanations are given with regard to C rules:

Rule 27: The remuneration of the Management Board and certain members of senior management includes performance related components, but this is not the case with other senior employees of A-TEC Industries.

Rule 34: The rules of procedure of the Management and Supervisory boards are not published, either in their entirety or in extracts, since A-TEC Industries considers them to be confidential.

Rule 77: The consolidated financial statements are audited in accordance with the Austrian statutory provisions currently in force, and the standards and guidelines for generally accepted auditing practices established by the pronouncements of the professional associations of auditors in Austria. These conform to the International Standards on Auditing (ISA).

Disclosures on the composition

Management Board

In his capacity as Chief Executive Officer (CEO) and Chairman of the Management Board Mirko Kovats is responsible for the overall coordination and strategic alignment of the Company. As spokesman of the Management Board he is responsible for furnishing information to the Company's governing bodies, and for making declarations to its shareholders, the public and the media.

As Chief Operating Officer (COO) Christian Schmidt is responsible for the operational management of the various divisions. This concerns, in particular, the technology employed by, and development of the factories. He also heads the central human resources (HR) function.

As Chief Financial Officer (CFO) Christian Schrötter heads the finance function, and the accounting function including risk management. He is also in charge of corporate internal financial control, and the legal, insurance and IT functions.

Meetings of the Management Board are held at least once a month.

Supervisory Board

By virtue of the applicable legislation, the Company's articles of incorporation and its rules of procedure, the Supervisory Board is responsible for oversight of the Management Board of A-TEC Industries.

Composition of the Management Board

Name	Date of birth	Office	Date of initial appointment	End of current term of office	Supervisory board memberships*
Mirko Kovats	1948	Chairman	9 Mar. 2006	9 Mar. 2011	AURUM Immobilienverwaltungs AG; Capital und Industrie Investment AG
Christian Schmidt	1957	Deputy Chairman	1 Jan. 2008	31 Dec. 2012	-
Christian Schrötter	1963		1 Jan. 2008	31 Dec. 2010	-

* Memberships of supervisory boards other than those of consolidated domestic and foreign Group companies

Composition of the Supervisory Board

Name	Date of birth	Office	Date of initial appointment	End of current term of office	Supervisory board memberships**
Freimut Dobretsberger	1937	Chairman	9 Mar. 2006	AGM 2011	ATB Austria Antriebstechnik AG
Johannes Edelsbacher	1944	Deputy Chairman	9 Mar. 2006	AGM 2011	-
Klaus Sernetz	1951		28 Sep. 2006	resigned AGM 2008	-
Gernot Grimm	1957		6 Nov. 2006	AGM 2009	-
Klaus Requat	1959		27 Jun. 2008	AGM 2012	-
Horst Wiesinger	1940		27 Jun. 2008	AGM 2012	-
Helmuth Palzer	1942		27 Jun. 2008	AGM 2012	-

** Memberships of supervisory boards of listed domestic or foreign companies

Number and decision-making powers of committees

The Audit Committee consists of selected members of the Supervisory Board. The committee is chaired by Johannes Edelsbacher who is the managing director of an accountancy and audit firm. Deputy Chairman is Horst Wiesinger. Other members of the Audit Comittee are Freimut Dobretsberger and Klaus Requat. The decision-making powers of the Audit Committee are in accordance with their statutory duties.

The Executive Committee, consisting of the Chairman, Freimut Dobretsberger and the Deputy Chairman, Johannes Edelsbacher, also acts as a nomination and a compensation committee, in order to provide the Supervisory Board with improved information flows.

Number of meetings of the committees and the Supervisory Board

During the year under review the Supervisory Board met eight times; the meetings were well attended.

In the course of the year there were three meetings of the Audit Committee. These dealt with cooperation with the auditors, audit progress chasing, internal audit issues and the establishment of a risk management system.

The Executive Committee meetings took place regularly during the run-up and follow-up to plenary Supervisory Board meetings.

Declaration of independence

No members of the Supervisory Board have business or personal relationships with the Company or its Management Board, nor are any potentially influencable in their behaviour in the meaning of Rules 53 and 54 Austrian Code of Corporate Governance. The Supervisory Board has not defined independence criteria. There are circumstances constituting minor constraints on independence related to the provision of consultancy services and office held with foundations.

All of the members of the Supervisory Board have declared their independence, on their own responsibility, in the presence of the Chairman.

Disclosure of information on compensation

The remuneration of the members of the Management Board varies according to their duties, responsibilities and personal performance, and is also related to the Group's business performance. The main business performance measures applied are the operating result, in the form of EBIT or EBT, and order intake. A member of the Management Board was granted share options during the 2008 financial year (see note on page 99 for detail).

There are isolated instances of occupational pension arrangements governed by individual contracts in the divisions. Entitlements to termination benefits payable on separation are at competitive levels for the industries concerned. Directors' and officers' (D&O) insurance cover at normal industry levels has been taken out for the management boards. There were no significant changes in the Management Board's compensation in comparison to the previous year.

The remuneration of the Management Board is disclosed in the notes to the financial statements, on page 130, broken down according to fixed and variable components. It totalled EUR 1.09m during the year under review (2007: EUR 871,000) Of this amount fixed pay components accounted for EUR 995,000 (2007: EUR 650,000) and variable components for EUR 98,000 (2007: EUR 221,000). The increase in the Management Board's renumeration is explained by the expansion of the management team in 2008.

A-TEC Industries takes the view that disclosure of the remuneration of individual board members in accordance with C Rule 31 would be of no benefit to shareholders. The compensation of each Supervisory Board member is disclosed in the Articles of Incorporation which are posted on the A-TEC Industries website. The total compensation of the Supervisory Board was EUR 77,000 in 2008 (2007: EUR 63,000).

Compliance code

A-TEC Industries has introduced a binding Group-wide compliance code, based on current European and Austrian legislation, to prevent the abuse of inside information.

The code is applicable, without limitation, to all employees of the parent entity, the Supervisory Board, consultants and key executives with the various operating subsidiaries. The duties of the compliance officer include maintaining regular communication with the divisional compliance officers, issuing e-mails on blocking periods and trading prohibitions, and introducing new staff members to the code. The system is designed to ensure that those concerned are regularly kept up to date with compliance issues and sensitised to their importance.

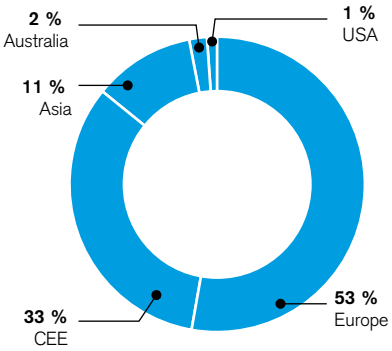
Where necessary, confidentiality areas are established for persons with project related access to inside information. A project related confidentiality area was set up in 2008.

A-TEC Industries posts information on directors' dealings on its website, via a link to the Austrian Financial Market Authority (FMA), as required by the law.

Human Resources (HR)

At year end A-TEC Industries employed 12,989 people, a drop of 5.2% on the previous year. The fall was mainly due to reductions in headcount in the Industrial Motors and Drive Technology divisions. In the latter division, which was particularly hard hit by the economic crisis and competition from Asia, there was an 18% reduction in the workforce to 5,174. This reflected restructuring, necessitated by shrinking demand for electric motors. Head count in the Plant Construction Division was up by 9% to 5,005. The British, Australian and Croatian subsidiaries recorded the most rapid growth. At balance sheet date 52.6% of all employees were based in Western Europe. The medium-term growth markets — Asia, Australia, the USA, and Central and Eastern Europe — already accounted for 47.4% of the labour force.

Employees by regions



Despite the economic downturn we plan to retain specialist staff in key positions to be well prepared for the future. Subsidiaries that are particularly exposed to the economic cycle, such as the EMCO Group and the Industrial Motors business unit at ATB Austria Antriebstechnik, have been compelled to adjust capacity and lay off staff in response to the global downturn.

Plant Construction Division

The Group Human Resources function in the Plant Construction Division was restructured in December 2008. Its main task is to create uniform structures and guidelines, and to streamline processes with the aim of promoting closer cooperation between AE&E Group HR managers. In particular, new approaches are to be taken to recruitment of key personnel and staff development. The division will continue to work closely with universities, universities of applied sciences, and technical and vocational colleges.

The successful international high-potentials programme for up-and-coming managers was continued into 2008. During the year under review the division created a management development programme focused on communication skills, motivation, coaching, and conflict and stress management. In 2008 the training effort also targeted the purchasing function, with staff from these departments attending regular workshops as part of a group-wide programme. The specialist courses were accompanied by training at the AE&E Academy. The aim is to promote information flows across the division, and create a broad knowledge base. The Academy offers professional training on more than 50 subjects.

As of 31 December 2008 the Division had 5,005 employees (2007: 4,582). 64% of the workforce were based in Europe, 16% in China, 19% in the Asia-Pacific region and 1% in America.

Head count at year end

	2008	Change	2007	2006
Plant Construction	**5,005**	9.2 %	**4,582**	**2,726**
Drive Technology	**5,174**	-18.4 %	**6,339**	**6,511**
Machine Tools	**1,749**	0.8 %	**1,735**	**942**
Minerals & Metals	**1,039**	0.0 %	**1,039**	**523**
Holding & other	**22**	69.2 %	**13**	**18**
Total	**12,989**	-5.2 %	**13,708**	**10,720**

Drive Technology Division

In addition to providing strong operational support for ATB Group companies, Group HR Management was also involved in the following strategic projects in 2008:

- Workforce downsizing projects in response to changed economic conditions;
- Introduction of a new remuneration system for executives and sales staff based on Group performance, and of professional appraisal interviews;
- Completion of the ATB Job & Career Centre, an online platform designed to professionalise staff recruitment and foster consistent employer branding;
- Finalisation of the ATB Personnel Controlling System, which supports improved group HR management and control.

In 2008 the Group HR Management's key activities included organisational improvements, optimising remuneration systems, enhancing internal communications, running executive development programmes and implementing succession planning.

At year end the division employed 5,174 people — a year-on-year decrease of 18.4%. Some 55% of the staff were located in Central and Eastern Europe, 44% in Western Europe and 1% in Asia.

Machine Tools Division

EMCO Group

The EMCO Group continued its drive to expand staff training and development programmes, and strengthen customer focus. A major priority was training courses for after sales staff. The division's apprentice trainee programme has been an integral part of its HR activities for several years. Young potential employees are identified and given specialist training. As befits an international group, language courses are at the heart of the training effort, along with familiarisation with standard computer applications. Partnerships with schools, universities of applied science and universities create ties with potential staff members while they are still undergoing secondary and tertiary education.

Dörries Scharmann Technologie GmbH

The need to work off order backlog and good prospects for increased order intake led to an increase in head count in 2008, particularly at the Bielefeld plant. In most cases the biggest challenge is finding employees with the necessary skills to make a short-term impact on capacity. Faced with a growing shortage of specialist staff, needs-based training and development – especially in technical trades – was an important means of maintaining the supply of skilled junior staff and thereby preserving competitiveness. The main focus of staff development activities was on training in the use of EPLAN engineering design software and the SolidWorks 3-D mechanical CAD program.

In 2008 the number of people in the division rose to 1,749, of whom 42% were employed in Germany, 24% in Austria, 16% in Italy and 18% in other countries.

Minerals & Metals Division

The HR management function in the Minerals & Metals Division mainly directed its efforts to internal management recruitment. To this end, specialised master craftsmen's programmes, as well as trainee and team development courses were introduced.

As all other divisions, the Minerals & Metals Division attaches great importance to employee health and safety, and this is reflected in a total of only 80 reportable workplace accidents (2007: 87). Employee health and safety officers have been appointed at all the companies in the division. Intra-divisional employee exchanges are an ideal way of promoting more flexible internal cooperation, and thus also positively impact divisional performance. The outstanding results of the division's apprentices in their final examinations is testimony to the high quality of their training.

The head count in the Minerals & Metals Division was unchanged at 1,039 at year end 2008. Some 27% of the division's staff are at work in Austria, 39% in France, 25% in Slovakia and 9% in other countries including Germany, Spain, the UK and the USA.

Management report
on the 2008 consolidated financial statements

Economic climate[1]

The global economy was in a relatively robust condition at the beginning of 2008, but growth slackened markedly over the course of the year. The downturn accelerated rapidly, and reached unprecedented proportions from September onwards. The financial crisis precipitated by the meltdown of the American sub-prime market weakened the entire international banking and finance system. Even in the emerging countries, which had contributed significantly to the economic boom of recent years, signs of a sharp slowdown were multiplying by year end. This contradicted the widely held belief that persistent growth in emerging economies would ease or even completely balance out any negative developments in the industrialised world. By the end of the year the effects of the crisis had spread to the emerging countries, which had been growing strongly until then. At 3.6% global economic growth in the year under review was well below the 5.0% recorded in 2007.

European economies were also severely affected by the financial turmoil, with most countries experiencing downturns in economic activity and steep declines in personal consumption. The economic problems in the USA and Asia hit export oriented European companies. The European Central Bank (ECB) made large amounts of capital available to the banking sector in an attempt to support liquidity. The ECB has cut interest rates by a total of 325 basis points since early October 2008, to 1.25% as of 2 April 2009.

Austria recorded a real GDP growth of 1.6%[2] in 2008, compared to 3% a year earlier. As a small export-led economy, it had no chance of bucking the international trend. Growth slowed from quarter to quarter in 2008, and the Austrian economy slipped into recession at the end of the year.

Business review

Order intake and backlog

Order intake rose to EUR 3,583.7 million (m) in 2008, well up on the previous year's high level (2007: EUR 2,060.4m). Order backlog stood at EUR 3,263.9m at balance sheet date – a year-on-year gain of 37.6% (2007: EUR 2,371.2m).

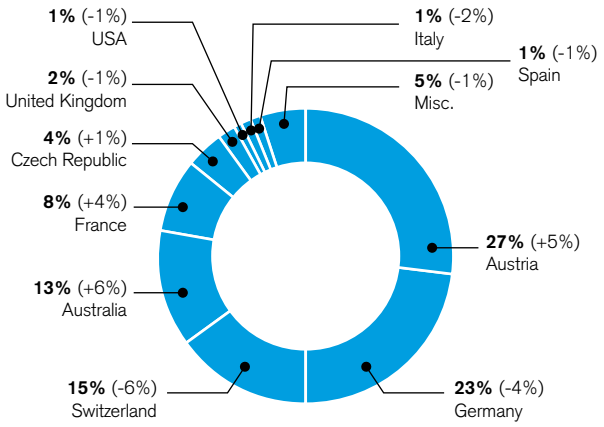
Thanks to its strong position as a full-line supplier in the energy and environment sector, prospects for the Plant Construction Division remain encouraging, with an order intake of EUR 2,534.2m (2007: EUR 1,319.3m) and an order backlog of EUR 2,881.6m (2007: EUR 1,980.4m).

Order intake in the Drive Technology Division edged down by 2% year-on-year to EUR 404.6m (2007: EUR 411.5m). Order backlog was also slightly lower at EUR 136.7m at balance sheet date (2007: EUR 143.7m).

Comparability of order intake and backlog in the Machine Tools Division is limited due to the contributions of Dörries Scharmann Technologie (DST), which was acquired in October 2007. As at year end the 2008 order backlog was EUR 223.5m (2007: EUR 198.5m), while order intake – including the DST Group for the first time – almost doubled to EUR 404.9m (2007: EUR 207.9m). The DST Group accounted for EUR 200.9m of order intake and EUR 170.5m of order backlog in 2008.

In the Minerals & Metals Division, order intake at the Gindre Group – a manufacturer of semi-finished products – amounted to EUR 239.9m (H2 2007: EUR 121.7m). At year end the 2008 order backlog was EUR 22.1m (2007: EUR 48.6m).

Order intake by regions (change in % points)



1) Austrian Institute of Economic Research (WIFO) forecasts for 2009 and 2010 (March 2009).
2) Current data on economic growth; Oesterreichische Nationalbank, March 2009.

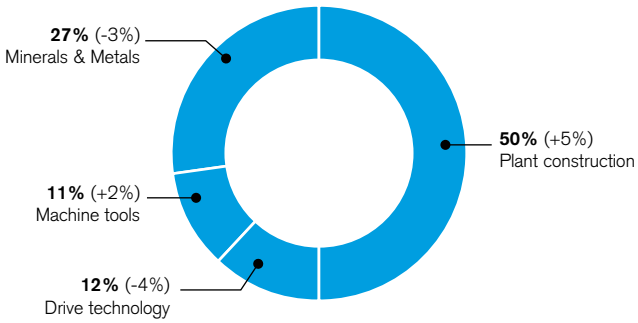
Profitability

Summary consolidated income statement

(in EUR m)	**2008**	2007	Change
Revenue	**3,256.9**	2,310.1	41.0%
Operating profit (EBIT)	**19.4**	71.0	-72.7%
Consolidated profit/loss before discontinued operations	**-26.8**	23.2	-
Loss from discontinued operations	**-6.9**	-16.9	59.2%
Consolidated profit/loss for the period	**-33.7**	6.3	-
Earnings per share (basic)	**-1.31**	0.72	-

Revenue rose by 41.0% year-on-year in the period under review, to EUR 946.8m, of which some EUR 445m was attributable to organic growth in the Plant Construction Division. First-time and first full-year consolidation of acquired companies and groups also played a major part in revenue growth. For instance, EUR 114.3m in revenue from the Lentjes Group, acquired at the end of 2007 was included in the income statement for the first time in 2008, and full-year consolidation of the DST and Gindre groups resulted in revenue increases versus 2007 of EUR 138.2m and EUR 164.3m, respectively.

Revenue by business segments (change in % points)



Earnings before interest and tax (EBIT) fell in 2008, mainly as a result of losses of EUR 57.7m in the Minerals & Metals Division, which were largely caused by collapsing copper prices in the fourth quarter of last year. The other divisions all recorded an EBIT growth in 2008. In the Drive Technology Division the improvement reflected a fall in impairment charges to EUR 5.7m (2007: EUR 29.0m), and in the Machine Tools Division it was driven by full-year consolidation of the DST Group, which contributed an additional EUR 14.6m in 2008. Non-recurring costs related to the bid for RTB Bor increased expenses at holding company level, weighing on Group EBIT, which turned negative by EUR 17.9m (positive by EUR 2.9m in 2007).

Net finance costs improved, chiefly as a result of gains on disposal of the interests in Cumerio S.A. and Norddeutsche Affinerie AG (EUR 11.1m after deduction of borrowing costs).

The Company swung into a pre-tax consolidated loss before discontinued operations of EUR 12.3m from a profit of EUR 28.9 in 2007. After discontinued operations – down by EUR 10.0m from 2007 – there was a consolidated loss of EUR 33.7m (2007: profit of EUR 6.3m).

Balance sheet

Summary consolidated balance sheet

(in EUR m)	**2008**	As % of total	2007	As % of total
ASSETS	**2,752.0**	**100%**	**3,082.9**	**100%**
Non-current assets	**864.7**	31%	828.1	27%
Current assets	**1,887.3**	69%	2,254.8	73%
EQUITY AND LIABILITIES	**2,752.0**	**100%**	**3,082.9**	**100%**
Equity	**311.6**	11%	375.0	12%
Non-current liabilities	**620.3**	23%	716.3	23%
Current liabilities	**1,820.0**	66%	1,991.6	65%

Total assets decreased by 10.7% to EUR 2,752.0m.

Management report
on the 2008 consolidated financial statements

Non-current assets rose by EUR 36.6m to EUR 864.7m. Property, plant and equipment was up by EUR 51m, mainly reflecting the purchase of an aircraft, additions to property related to the acquisition of the Voitsberg power plant, and other additions to plant and equipment.

Current assets declined by EUR 367.5m to EUR 1,887.3m. This resulted mainly from the disposal of the copper interests (Norddeutsche Affinerie AG and Cumerio S.A.) in 2008. Inventories fell due to write-downs in the Minerals & Metals Division.

Equity fell by EUR 63.4m to EUR 311.6m, primarily as a result of the consolidated loss for the period of EUR 33.7m and share repurchases (EUR 22.0m).

Debt decreased by EUR 267.6m as compared to 31 December 2007. Net debt more than halved to stand at EUR 288.1m, from EUR 563.3m at year end 2007. The proceeds of the disposal of the copper interests accounted for a large part of this reduction, as most of these funds were earmarked for repayments of borrowings.

Net debt

(in EUR m)	**31 December 2008**	31 December 2007	Change
Short-term financial debt	**309.1**	457.3	-32.4%
Long-term financial debt	**425.7**	506.1	-15.9%
Cash and cash equivalents	**-446.7**	-400.0	11.7%
Net debt	**288.1**	563.3	-48.9%

EUR 401.5m in cash and cash equivalents was accounted for by the Plant Construction division.

Financial situation

Summary cash flow statement

(in EUR m)	**2008**	2007
Cash flow from operating activities	**138.0**	12.9
Net cash from investing activities	**240.7**	-385.5
Net cash used in financing activities	**-326.6**	467.6

Despite the consolidated loss, operating cash flow rose from EUR 12.9m to EUR 138.0m as reductions in inventories, following the decline in copper prices, had a positive impact on working capital.

The change in net cash from investing activities can be traced back to the disposal of copper interests and acquisitions in 2007. The Company recorded net inflows of EUR 240.7m in the period under review (2007: EUR -385.5m).

The income from the disposal of copper interests was used for debt repayment. In addition, own shares valued at EUR 22m were repurchased, resulting in net cash outflows from financing activities of EUR 326.6m (2007: net cash inflows of EUR 467.6m).

Key performance indicators

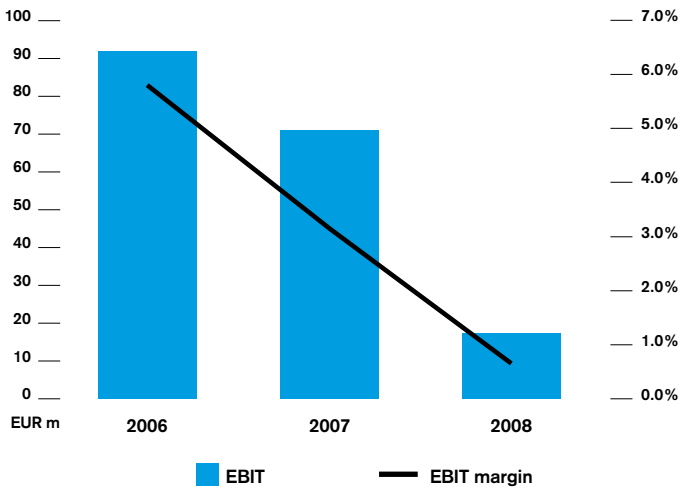
	Unit	**2008**	2007	Change
EBIT	EUR m	**19.4**	71.0	-72.7%
EBIT margin	%	**0.6**	3.1	-
EBITDA	EUR m	**77.3**	140.7	-45.1%
Net gearing	%	**92.5**	150.2	
Free cash flow	EUR m	**378.7**	-372.6	-

The EBIT margin – the ratio of operating profit to revenue – slipped by 0.6% compared to 2007. The fall was chiefly attributable to negative revaluation effects arising from the copper price crash.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) fell by EUR 63.4m to EUR 140.7m. Net gearing – the ratio of net debt to equity – improved from 150.2% to 92.5%.

The Group generated free cash flow of EUR 378.7m in the reporting period (2007: EUR -372.6m).

EBIT/EBIT margin



Financial strategy and finance

The responsibility for securing sufficient financing, and maintaining adequate liquidity reserves and financial flexibility lies with the divisions. Where necessary, A-TEC Industries AG steps in by issuing letters of comfort.

The A-TEC Group's short and long-term borrowings amounted to EUR 734.8m (2007: EUR 963.4m) as at 31 December 2008. The fair value of this financial debt was EUR 656.6m.

The average interest on bank payables is 6.5%. Some 21.8% of bank payables are at fixed and 78.2% at floating interest rates (2007: 14.1% and 85.9%, respectively).

Non-financial performance indicators

Employees

The Group head count including apprentices decreased by 5.2% in the course of 2008, from 13,708 at the end of 2007 to 12,989 at balance sheet date. The fall is mainly attributable to the liquidation of Brook Crompton Western Electric Motor (Dalian) and the restructuring actions in the Drive Technology division. In contrast, the increased volume of business in the Plant Construction Division pushed up the head count by 9.2%.

As at 31 December 2008 the divisional breakdown of employment was as follows: Plant Construction 5,005 (up by 9.2%); Drive Technology 5,174 (down by 18.4%); Machine Tools 1,749 (up by 0.8%); and Minerals & Metals 1,039 (unchanged).

Environmental protection

The A-TEC Group sees sustainable development as the reconciliation of "people, planet and profit" objectives.
The Group faces a variety of challenges with regard to sustainability and the environment, and thus also approaches these issues in varying ways. As a first step, a sustainability report was compiled at Montanwerke Brixlegg, in cooperation with the University of Innsbruck and the Tyrol provincial government.

Management report
on the 2008 consolidated financial statements

Divisions

Plant Construction

The AE&E Group is one of the world's leading suppliers of power generation and environmental technology systems. AE&E has six business units – Power Plants, Steam Generators, Flue Gas Cleaning, Energy from Waste, Industrial Equipment and Services – and is thus a full line supplier of all the technologies relevant to industrial and municipal utility energy generation. The Plant Construction Division delivers holistic engineering solutions from the development, fabrication, assembly and commissioning stages through to plant modernisation and operation.

Financial highlights

(in EUR m)	**2008**	2007	Change
Revenue	**1,631.1**	1,046.4	55.9%
EBITDA	**77.6**	61.0	27.2%
EBIT	**68.2**	54.6	25.0%
Investment	**22.0**	8.8	150.0%

Revenue was up by 55.9% year-on-year to EUR 1,631.1m (2007: EUR 1,046.4m). This increase was mainly due to a high order backlog carried over from the previous period, but also reflected the contributions of the German AE&E Lentjes Group and Chinese AE&E Nanjing Boiler acquisitions. The European market accounted for about 75% of revenue in 2008, compared to 73% in the preceding period. The increasingly important Asia Pacific region generated 20% of total revenue – up from 18% in 2007. Around 3% of consolidated revenue was accounted for by North America (2007: 4%), and 2% by Africa (2007: 5%). EBITDA advanced by 27.2 % to EUR 77.6m (2007: EUR 61.0m). EBIT also rose, to EUR 68.2m (2007: EUR 54.6m). However, the EBIT margin narrowed to 4.2% (2007: 5.2%), squeezed by higher material costs due to larger contracts and the growth in the number of projects in which the division acted as the general contractor, as well as sharp rises in the prices of input materials up to the end of the third quarter.

Drive Technology

The Drive Technology Division is one of Europe's leading suppliers of electrical drive systems. The product portfolio comprises custom and heavy motors, custom mass-produced and industrial motors, electric motors for garden appliances, permanent magnet motors, frequency inverters and alternative vehicle drive systems. In April 2008 the Home Appliances, New Businesses and Serial Motors business units were merged to form a new Industrial Motors (IM) segment. The Project Motors division was unaffected by the restructuring measures.

Financial highlights

(in EUR m)	**2008**	2007*	Change
Revenue	**392.4**	366.4	7.1%
EBITDA	**20.3**	25.0	-18.8%
EBIT	**-2.9**	-21.9	86.8%
Investment	**19.8**	14.1	40.4%

Revenue adjusted for the discontinuation of ATB Selni and two small Lindeteves Jacoberg subsidiaries rose modestly to EUR 392.4m (2007: EUR 366.4m). Revenue improved by 2.1% in Industrial Motors and by 15.8% in Project Motors. EBITDA declined from EUR 25.0m to EUR 20.3m as a result of the adverse trading environment. EBIT remained negative at EUR 2.9m. Like-for-like EBIT, adjusted for non-recurring effects (including impairments of intangible assets, personnel reduction expenses and debt write-downs in the previous year), climbed from EUR 6.1m to EUR 9.1m.

Adjusted EBIT

(in EUR m)	**2008**	2007*
EBIT	**-2.9**	-21.9
One-time adjustment of order book ATB Laurence Scott	**1.6**	1.7
Negative goodwill	**-2.3**	0.0
Impairment of intangible assets	**5.9**	29.0
Personnel restructuring costs	**6.8**	3.3
Adjusted EBIT before debt write-downs	**9.1**	**12.1**
Debt write-downs	**0.0**	-6.0
Adjusted EBIT after debt write-downs	**9.1**	**6.1**

The EBIT margin (the ratio of EBIT to revenue) remained negative at -0.7% (2007: -6.0%), but improved from 1.7% in 2007 to 2.3% in the period under review after adjustment for non-recurring effects.

* The 2007 cash flow and income statements were adjusted for the changes arising from the adjustment of acquisition cost allocations and discontinued operations.

Machine Tools

The Division comprises the EMCO Group, a manufacturer of light, volume produced machine tools, and Dörries Scharmann Technologie Group (DST) a manufacturer of precision special purpose machine tools. DST manufactures specialised machine tools based on standard components. The EMCO Group pursues a two-pronged strategy through its Intelligent CNC Technology and Industrial Training Systems divisions.

Financial highlights

(in EUR m)	**2008**	2007	Change
Revenue	**370.1**	211.8	74.7%
EBITDA	**44.6**	25.2	77.0%
EBIT	**29.7**	15.9	86.8%
Investment	**12.6**	5.0	152.0%

Revenue climbed by 74.7% to EUR 370.1m. DST contributed EUR 138.2m of the increase in its first full year of consolidation. Full-year consolidation of DST was also reflected in gains of 77.0% in EBITDA to EUR 44.6m and of 86.8% in EBIT to EUR 29.7m.

Minerals & Metals

The Minerals & Metals Division unites the Montanwerke Brixlegg secondary copper smelter, French semi-finished products manufacturer Gindre Duchavany and a recycling plant in Krompachy, Slovakia – three production sites with long histories. It also operates two small hydro power plants in Alpbach, with a third due for commissioning in April 2009.

The division's income streams come from pyrometallurgical processes and electrolysis, as well as its precious metals recovery equipment, and foundry and by-products. The product portfolio also includes reprocessed and bought-in cast and rolled wire.

Financial highlights

(in EUR m)	**2008**	2007	Change
Revenue	**864.9**	686.5	26.0%
EBITDA	**-48.2**	26.4	-
EBIT	**-57.7**	19.6	-
Investment	**25.4**	29.5	-13.9%

Revenue progressed by 26.0% to EUR 864.9m (2007: EUR 686.5m), driven by the strong run-up in copper prices over the first nine months of the year, higher cathode output and full-year consolidation of the Gindre Group. Combined with the 20.8% increase in material costs and the higher cost of using bought-in anodes, this turned EBITDA negative by EUR 48.3m (2007: EUR +26.4m). Depreciation and amortisation was up by 39.2% owing to past investments in expanding capacity. EBIT was negative by EUR 57.7m (2007: EUR +19.7m).

Revenue, material costs and the changes in inventory include exceptional and – and in management's opinion non-recurring – effects related to the collapse in copper prices in the fourth quarter of 2008. Taking into account past volatility, some EUR 43.5m of total write-downs amounting to EUR 75.1m[1] were accounted for by non-recurring losses outside the range of average copper price fluctuations. Adjusted for these non-recurring charges, EBIT was negative by EUR 14.2m in the period under review. For further details readers are referred to page 95 and 96 in the Notes.

Research and development

In 2008 the A-TEC Group increased its spending on research and development by 40.7% to EUR 20.0m (2007: EUR 14.2m). R&D expenditure grew in line with the expansion of the Group, remaining unchanged at 0.61% of total expenses. This investment is vital to the future competitiveness of the Group.

The Plant Construction Division kept up its drive to continuously improve its thermal generation and environmental technologies in 2008, relying on close cooperation with clients and universities. The emphasis in the environmental systems business was on further improvements in wet and dry flue gas desulphurisation and purification technologies. On the energy side, research centred on fluidised bed combustion systems (stationary and circulating fluidised bed combustion systems for biomass and substitute fuels) and optimisation of waste incineration plants. The division's latest projects focus on renewable energy (fluidised bed boilers for biomass and biowaste), improved plant efficiency and the development of carbon dioxide separation technologies. Many of these projects are backed by government grants. The division invested 0.39% of revenue in R&D activities in 2008 (2007: 0.46%).

R&D activities in the Drive Technology Division focused on three core areas. Work continued on development of the division's proprietary EC range of permanent magnet (PM) motors. The R&D departments at ATB Technologies GmbH concentrated on expanding their product line for 230 V applications with performances ranging from 250–1,500W, which reach production readiness in 2009.

* EBIT according to unaudited quarterly reports

Management report
on the 2008 consolidated financial statements

ATB also developed a range of compact frequency inverters in order to meet the growing demand for electronically controlled drives. Volume production of the first frequency inverter for motors with speeds of up to 90,000 rpm began in the spring of 2008. The third R&D thrust was the development of alternative vehicle drive systems. Besides ongoing projects, efforts to develop compact, high-speed compressor drive systems for fuel cell vehicles were stepped up in 2008. The Lustenau operation plans to deliver drive systems for several hundred fuel cell vehicles in the next few years. Last year also saw a large number of inquiries about drive systems capable of delivering reduced CO2 emissions and low fuel consumption, as well as electric motors as the primary propulsion system. The division invested 0.65% of its revenues in R&D during the year under review (2007: 4.70%).

R&D activities in the Machine Tools Division focused on a wide range of projects related to volume production of small machine tools, and large special-purpose machine tools. The main R&D goal of the EMCO Group in 2008 was upgrading the new vertical CNC machining centre for training purposes to include cutting-edge servo drive technology and a 20-slot tool magazine.

The DST Group depends on project based R&D activities related to specific orders. During the year DST's main priority was revamping its various machine lines, while development work on electronics software, and hardware and applications technologies also continued. In 2008 the division invested 2.8% of its revenue in R&D (2007: 0.76%).

Since October 2007 Montanwerke Brixlegg has been participating in a joint R&D project also sponsored by a number of other leading European copper producers. In 2008 research activities centred on the development of a bath melting process for processing materials with low copper content, with a strong focus on environmental performance and energy efficiency. In addition, the existing injection system was modernised and tested with a variety of fine materials. Trials aimed at reducing the amount of slag containing metals were also carried out. In the refining electrolysis area, improvements were made to the inlet boxes for electrolyte circulation in cells, and experiments were made with higher current densities, different anode thicknesses and weights, circulation rates and concentrations of electrolyte solutions. The division invested 0.08% of its revenues in R&D in the period under review (2007: 0.11%).

Risk Report

Because of its wide geographical reach the A-TEC Group is exposed to a wide range of risks in the normal course of business. These affect its divisions, assets and liabilities, and commercial plans.

The A-TEC Group's risk management policies are established by the Management Board and overseen by the Supervisory Board.

The implementation of the Group risk strategy and the actual use of hedging instruments is decentralised, and takes place at divisional level.

Below follows a description of risks that could have significant negative impacts on the Company's assets, finances and earnings, its share price and reputation. These are not necessarily the only risks to which the A-TEC Group is exposed. Contingencies that are as yet unknown or are still regarded as insignificant may also affect our business operations.

Risks related to overall economic developments

The business environment is influenced by both, regional and global economic conditions. In 2008 the equity, capital and credit markets experienced volatility and distortions on an unprecedented scale. If this volatility and these distortions continue or spread as a result of the financial crisis, there can be no assurance that they will not have material adverse effects on the A-TEC Group's assets, finances and earnings, and its ability to raise capital. The global economic downturn could lead to delays in the completion of current orders, and to delays or cancellations of ongoing projects. This could result in a decline in Group's order intake. Likewise, the possible cancellation of orders already received could have a negative impact on Group's order books. The current credit shortage could restrict our customers' access to finance, leading to changes, delays or cancellations of purchases of our products and services. Moreover, inadequate revenue or increased difficulty in gaining access to financial markets on the part of our customers could mean that they would be unable to settle existing obligations on time or in full. This could in turn adversely affect our earnings and cash flows.

The global financial and economic crisis may also necessitate the full or partial write-off of some goodwill arising from acquisitions if the targeted business performance cannot be not attained, and this could have a major impact on results.

Financial market risks

Liquidity risk

The key financial risks are insufficient liquidity and financing. The liquidity risk for the Group is the risk that it may be unable to meet its financial obligations, such as debt repayments, trade accounts and finance lease payments.

The potential economic effects of the financial crisis may influence future cash flows. In general, access to the equity and capital markets has become more difficult, as has obtaining extensions to existing credit lines. This could affect the generation of the necessary liquid funds. Borrowing conditions and the maintenance of credit lines are subject to compliance with certain covenants. As at the balance sheet date three Group companies were in breach of loan covenants, meaning that EUR 67.5m of long-term borrowings had to be reclassified as short-term borrowings.

The control and limitation of liquidity risk is normally performed on a decentralised basis, at divisional level, but if necessary the Group holding company A-TEC Industries AG assumes default risk on behalf of Group companies. The guarantees given and letters of comfort issued by the holding company on behalf of Group companies were for amounts totalling EUR 203.2m (2007: EUR 225.2m) at balance sheet date. In addition to these commitments the holding company has undertaken liability in letters of comfort to ensure that the Drive Technology Division is always capable of meeting its full obligations to third parties on maturity so as to preclude material grounds for insolvency under the Austrian Bankruptcy Code.

In recent years A-TEC Industries AG issued two bonds to finance acquisitions. The 2005–2010 bond, with an outstanding principal of some EUR 90m, matures on 2 November 2010. At present it appears that it will not be possible to finance redemption of the bond from current cash flows. A number of options, including follow-up financing and capital market transactions, are currently being reviewed. Provided that the situation on financial markets does not deteriorate further and the Group is not significantly impacted by risks from overall economic trends, the Management Board is confident that one of the refinancing options under consideration and timely redemption will be feasible.

The Management Board will pledge assets as collateral if this is necessary in order to raise loans.

Since the control and limitation of liquidity risk is normally performed on a decentralised basis, at divisional level, it is appropriate to take a differentiated view of the exposures in the various divisions.

The Plant Construction and Machine Tools divisions generate high cash flows, and the Plant Construction Division also has large cash holdings. This reflects the effectiveness of their net working capital and cash management.

The syndication of a EUR 700m bank guarantee facility was completed in August 2008. All the main AE&E Group companies have signed the agreement as borrowers, and as jointly and severally liable guarantors. The facility was only partially called down at the balance sheet date. Besides various covenants, the agreement also contains restrictions on distributions and disbursements by the Plant Construction Division.

The liquidity position in the Minerals & Metals Division is heavily dependent on copper prices. Some of the division's credit lines are explicitly linked to quoted copper prices. Revenue growth and the effect of high copper prices on current assets tied up a large amount of liquidity in the first three quarters. The unparalleled price collapse from September 2008 until the end of the year reduced the amount of credit available to finance current assets. In order to enable the division to meet the resultant repayment requirements and provide cash to pay for scrap deliveries, A-TEC Industries AG granted it a subordinate loan of EUR 26.1m up to year end 2008, and lent it a further EUR 9.0m by 19 February 2009. In addition, the parent promised to make a non-repayable shareholder contribution of EUR 33m. Long shutdowns at major customers over the Christmas break led to payment delays in January, but incoming payments have since normalised. Copper prices started to pick up again after the balance sheet date; at this price level the division's 2009 liquidity plans show a positive trend, partly as a result of positive knock-on effects of purchase contracts made in the final quarter of 2008. Liquidity is monitored by means of weekly financial status reviews to which the purchasing, sales and accounts departments contribute. In addition, the long-term financial plan is updated on a monthly basis.

In the Drive Technology Division liquidity risk is assessed by analysing the budgeted operational and financial cash inflows and outflows on a monthly basis, and forecasting net liquidity. The net liquidity forecasts are compared with existing cash deposits and borrowings, the maturities of the latter and existing liquidity reserves.

Unused credit lines at some companies are offset by unfunded capital requirements at other firms in the division.Due to the difficult situation on financial markets access to the necessary credit, and hence the continued existence of the ATB Group depends on backing from A-TEC Industries AG. A-TEC has therefore issued letters of comfort undertaking liability to ensure that ATB Antriebstechnik AG is at all times capable of meeting its present and future financial obligations at maturity, and to prevent the occurrence of material grounds for insolvency under the Austrian Bankruptcy Code. These commitments are valid until 31 December 2009. A-TEC Industries AG has also committed itself to providing financial support for ATB beyond this date if: (i) it is not in a position to make repayments of principal and interest on loans due in 2009 and 2010; (ii) ATB Austria itself is required to meet obligations under a letter

Management report
on the 2008 consolidated financial statements

of comfort issued on behalf of Lindeteves Jacoberg Ltd, Singapore; or if (iii) this is necessary to prevent the occurrence of material grounds for insolvency. This declaration is valid until 31 December 2010.

Currency risk
Currency risks in connection with financial instruments arise from receivables, payables, cash and cash equivalents which are not denominated in the functional currency of a Group company.

The Group's currency risk exposures arising from financial instruments primarily relate to the US dollar, the British pound, Australian dollar, the Czech crown, the Polish zloty, the Singapore dollar, the Slovak crown and the Serbian dinar. Although A-TEC strives to hedge the net currency positions arising from individual contracts, currency movements and resultant exchange losses may impact consolidated results. Exchange rate movements may also adversely affect revenue, which is translated into euro, and hence Group results.

There are also currency risks associated with foreign currency loans, since it is not always possible to obtain loans in local currencies.

To a limited extent currency risk exposures are hedged by derivative financial instruments.

Risks also arise from the translation of the separate financial statements of foreign subsidiaries into the Group currency, the euro. The revenue, profits and balance sheet items of Group companies located outside the euro area depend on the respective exchange rates against the euro.

Interest rate risk
The A-TEC Group's interest rate risk exposure largely relates to financial assets and liabilities with maturities of over one year. In the case of fixed rate financial instruments (e.g. fixed rate bonds) the risk of changes in market interest rates results in fair value risk as the fair values of these instruments are sensitive to movements in interest rates. In the case of floating rate instruments there is a cash flow risk, as the interest payments could increase.

Interest rate risks are analysed using sensitivity analyses.

Price risk
The A-TEC Group requires considerable quantities of raw materials and energy for its production processes. Raw material and energy prices can fluctuate widely, according to the market situations concerned. As has already happened in the past, there may be times when increases in input prices cannot be passed on to our customers.

As a result, the Company is exposed to raw material price risk (particularly in the Minerals & Metals Division) which may influence its assets, finances and earnings. In order to control raw material price risks, wherever possible, long-term contracts are made with suppliers. Limited use is also made of derivatives. These are mainly used to hedge copper prices. Incoming and outgoing quantities of metals arising from normal business are netted on a daily basis, and the differences arising from peak volumes are squared by exchange transactions.

The operational management of raw material price risk is the responsibility of the purchasing departments in the sub-groups.

Credit risk
The A-TEC Group's credit risk exposures largely arise from its operational business. Credit risk is the risk of the unexpected loss of financial assets, e.g. if a customer is unable to discharge its obligations when they fall due. Defaults affecting the Group's operational business are constantly monitored on a decentralised basis. Credit risk is accounted for by impairment provisions. The maximum credit risk is given by the carrying amounts of the financial assets stated on the face of the balance sheet. The A-TEC Group counters credit risk by performing creditworthiness analyses and by taking out credit insurance.

Personnel risk
Competition for highly qualified management and technical personnel is still intense in the industries and regions in which our divisions operate. Future success depends on the Group's ability to recruit and retain engineers and other professionals. The A-TEC Group cannot be sure of continuing to attract and retain highly qualified employees and other key personnel. Failure to do so could have considerable adverse effects on the Group's business operations and its ability to address necessary restructuring programmes.

Restructuring risk
The completion of the restructuring under way in the Drive Technology Division – particularly at the factories in Subotica, Serbia and Tarnów, Poland, is crucial to the division's ability to achieve a turnaround. The restructuring process involves making improvements to production methods, and sustainable savings on overheads.

Risks associated with major orders
Large contracts are particularly prevalent in the Plant Construction Division. The failure of the clients to fulfil their payment obligations under such contracts could have an adverse effect on the Group's financial and liquidity position. The Plant Construction Division addresses credit risk at the tendering stage, by measures built into its project management processes, including creditworthiness analyses, bank guarantees and export credit insurance.

The Plant Construction Division is frequently obliged to give contractual payment and delivery date guarantees in connection with deliveries of plants. In the event of non-conformity with guaranteed performance or deadline overruns penalties are normally payable or modifications must be made at the expense of the Group to attain agreed plant performance. In the event of severe delivery overruns or plant underperformance the client is entitled to withdraw from the contract.

Most of the division's business involves long-term, fixed price contracts. Large parts of the plants to be delivered are procured from subcontractors. The prices of such plant components and the materials used to manufacture them, and of other bought-in materials may fluctuate widely, depending on the market situation. These fluctuations in costs give rise to cost risk which can influence the division's assets, finances and earnings. In the past few years the Plant Construction Division has been faced with sharp purchasing price rises. As not all of these increases could be passed on to clients or compensated for by internal savings the division's earnings were adversely affected.

The Plant Construction Division is increasingly assuming full responsibility for the delivery, erection and commissioning of complete plants under turnkey or engineering-procurement-construction (EPC) contracts. Apart from the above exposures such contracts carry risks that arise from greater on site responsibility, e.g. environmental risks, risks related to local working conditions and risks associated with plant fabrication and assembly. The division is also exposed to risks from cooperation with third parties subcontracted to provide fabrication, erection and engineering services.

The Plant Construction Division has introduced a project risk management system that models such project risks at each project stage.

Legal risk
Some companies in the Plant Construction Division are involved in litigation or arbitration proceedings. Most of these proceedings are typical of the industries in which they operate. Provisions are made if a negative outcome is regarded as probable. However, there can be no certainty that such provisions will be sufficient.

Overall assessment of risk
The global economy has deteriorated considerably since our last assessment in 2007. Due to the volatility of financial markets it has become more difficult to forecast the Group's future assets, finances and earnings accurately. If the global economic crisis persists for longer than expected or worsens, not only will the A-TEC Group lose potential new business but the financial risks to which it is exposed will also increase.

Post balance sheet date events
On 4 February 2009 A-TEC Industries announced the sale of 1,497,227 own shares or 5.7% of its share capital to Capital und Industrie Investment AG, a wholly owned subsidiary of the M.U.S.T. private foundation. The price was EUR 6.29 per share, subject to a debtor warrant accorded for the next two years.

Pursuant to its declaration of 30 January 2009 and in accordance with article III of the Austrian Reorganisation Tax Act, A-TEC Industries contributed 247,488 shares in Montanwerke Brixlegg AG (equivalent to an interest of 91.66%) to A-TEC Minerals & Metals as a contribution in kind with a carrying value of EUR 10.3m based on the acquisition balance sheet of 30 September 2008.

In April 2009 the Group acquired the tender documents for the privatisation of the Serbian state-owned enterprise RTB (Rudarsko-topionicarski kombinat Bor) from the country's Agency for Privatisation.

Due to the current difficult economic situation some A-TEC Group subsidiaries have introduced working time arrangements (short-time working and temporary lay-offs) provided for by local legislation in the countries where they are based.

Management report
on the 2008 consolidated financial statements

Drive Technology Division: On 16 February 2009 Brook Crompton Western Electric Motor (Dalian) Corporation Ltd., Dalian sued Lindeteves Jacoberg Limited, Singapore for payment of an outstanding contribution of CNY 131m (EUR 13.8m). Lindeteves Jacoberg disputes the grounds for and the amount of the obligation to replenish the company's capital. In the opinion of the Lindeteves Jacoberg management any claims on the part of Brook Crompton Western Electric Motor (Dalian) Corporation Ltd., Dalian face offsetting counterclaims of CNY 285m (EUR 30.0m). Due to the uncertainties associated with Chinese law this obligation was recognised by a provision of EUR 8.5m. As the Chinese company was already shown as a discontinued operation in the previous year the allocation is reported under the "Loss from discontinued operations".

Scheme debts: In 2005 the Lindeteves-Jacoberg Group entered into a debt restructuring plan based on a scheme of arrangements between Lindeteves Jacoberg Limited and participating bank creditors. In March 2009 the remaining three scheme creditors stated their readiness to sell their shares of the scheme debts and the related voting rights. Once this transaction has been completed the restructuring of the scheme debts will have been concluded.

Outlook

The outlook for the global economy in 2009 is shrouded in uncertainty. Business confidence indicators have slumped around the world, in some cases to historic lows. Given the many factors weighing on the global economy at present an early end to current weakness is not in sight. The economic downturn in the USA and Western Europe is likely to cause lasting damage. However the emerging economies will probably continue to grow, albeit at much reduced rates. It is still too early to predict the impact on the global economy of the massive injections of government funding aimed at stabilising financial markets and supporting demand. Management anticipates that global economic growth will fall sharply in 2009, to a very low rate at best.

The challenging business environment and continuing uncertainty as to how long the current financial and economic crisis will last make reliable forecasts of the impact on the A-TEC Group – especially with regard to order intake – virtually impossible.

Order backlog in the Plant Construction Division should underpin good capacity utilisation well into 2009. Legislative changes (stricter emission limits, the EU Landfill Directive and growing demand for alternative energy forms) lead us to expect a continuation of the division's positive performance in 2009.

The Drive Technology Division faces an extremely testing trading environment in 2009. For the Industrial Motors business unit 2009 is likely to be another year of plunging demand for industrial motors, and drives for domestic and garden appliances. Depending on the severity of the crisis, double-digit declines in order intake are in prospect, and will affect revenue correspondingly.

The Project Motors business unit is continuing to enjoy a strong, stable order backlog. This strong platform, and the fact that the industries this business serves are holding up well should largely offset the impact of the negative trend in Industrial Motors. Management anticipates a slight fall in overall divisional revenue and a break-even EBIT performance.

In the Machine Tools Division, we see the economic and market situation leading to significant falls in order intake in the EMCO Group, leading to lower revenue. According to the VDMA (German Engineering Federation), order intake in the German machine tool and plant engineering industries was down by 54% year-on-year in the fourth quarter of 2008. However DST has so far been virtually untouched by the fallout from the recession, and management expects 2009 to be another successful year for the group.

In absolute terms, the collapse in copper prices over the last five months of 2008 (31 July 2008: EUR 5,200; 31 December 2008: EUR 2,100) was unparalleled in the history of the London Metal Exchange. Unless prices recover significantly another decline of such proportions can effectively be ruled out. In view of this management believes that the market passed its lows. Copper prices have rebounded since the turn of the year, but swings of up to USD 2,000 are expected in 2009. A volatile US dollar is another likely feature of this scenario. A significant short-term upturn in sales volume is unlikely given the challenging business environment. Government stimulus packages may have a positive impact on copper demand. As these measures focus on infrastructure extension and improvement, government support should benefit the building industry and boost car sales. This points to a recovery in the division's sales in the second half of 2009, but revenue for the year is expected to be well down on 2008 levels.

In the light of the overall trading environment and expectations for the various divisions, the A-TEC Group expects revenue of around EUR 3 billion for the 2009 financial year, excluding any acquisitions. The EBIT margin should be about 3%. If the financial and economic crisis deepens in 2009 or persists into 2010, in all probability additional restructuring expenses will be necessary and these will affect results.

Disclosures pursuant to section 243a UGB (Austrian Business Code)

The following information is disclosed pursuant to section 243a UGB (Austrian Business Code):

1. The Annual General Meeting held on 27 June 2008 authorised a capital increase from own resources of EUR 19,800,000, from EUR 6,600,000 to EUR 26,400,000. The share capital of A-TEC Industries amounts to EUR 26,400,000, subdivided into 26,400,000 no par shares. All shares carry the same rights and obligations.
2. The Company is not aware of any restrictions on voting rights or the transfer of shares.
3. The shareholder structure is as follows:

Shareholder structure

Shareholders	Interest
M.U.S.T. Privatstiftung	55.2%
Capital und Industrie Investment AG, Vienna	5.7%
A-TEC Industries AG, Vienna	5.7%
J.E. Loidold Privatstiftung, Vienna	6.9%
Free float	26.5%
Total	100.0%

4. Employee shareholders can exercise their voting rights directly at general meetings.
5. The Management and Supervisory boards are not subject to any regulations going beyond the requirements of the law. Neither are there any rules regarding amendments to the articles of association other than those deriving directly from the law.

6 a) The Company's share capital has been conditionally increased by EUR 10,000,000, by the issue of up to 10,000,000 no par bearer shares in accordance with section 159(2)(1) Companies Act. The capital increase is conditional upon the holders of the convertible bonds issued by resolution of the extraordinary General Meeting of 6 November 2006 exercising their right to convert the bonds into the Company's shares.

b) The extraordinary General Meeting of 6 November 2006 authorised the Management Board to increase the Company's share capital by up to EUR 0.5m in accordance with section 159(3) Companies Act by issuing up to 500,000 new no par bearer shares to satisfy share options granted to employees, senior employees and members of the Management Board (authorised capital). The Annual General Meeting held on 27 June 2008 authorised an increase in this amount to EUR 2m, in accordance with the Capital Adjustment Act. This authorisation may only be exercised in so far as the conditional capital has not already been utilised by granting conversion or subscription rights to holders of convertible bonds. The capital increase may only be effected to enable the holders of share options to exercise their options.

c) The extraordinary General Meeting of 6 November 2006 also authorised the Management Board to increase the then share capital of EUR 5m by a total of EUR 2.5m by 9 November 2011 (authorised capital). In accordance with this resolution, on 30 November 2006 the Management Board resolved to increase the Company's share capital by EUR 1.6m from EUR 5.0m to EUR 6.6m.

d) A resolution adopted by the Annual General Meeting on 27 June 2008 empowers the Management Board, subject to the approval of the Supervisory Board, for a period of five years following registration of this change in the articles of incorporation in the Register of Companies, to increase the Company's share capital by up to EUR 10.3m against contribution in cash or in kind by issuing up to 10,300,000 no par shares in one or more blocks, excluding subscription rights entirely or in part if necessary.

e) The Annual General Meeting held on 27 June 2008 empowered the Management Board to repurchase own shares up to the maximum amount permissible by law (currently 10% of the share capital) for a period of 30 months from the date of the resolution.

7. The Management and Supervisory boards are not subject to any regulations going beyond the requirements of the law. Neither are there any rules regarding amendments to the articles of association other than those deriving directly from the law.
8. No agreements regarding compensation in the meaning of section 243a(9) Austrian Business Code are in place.

Vienna, 24 April 2009

Christian Schmidt	Mirko Kovats	Christian Schrötter
Member of the Management Board	Chairman of the Management Board	Member of the Management Board

Plant Construction Division

Modernisation of the energy from waste plant
Mannheim/Germany

Turnkey biomass-fired power plant, Hallein/Austria

Energetic recycling plant for residual waste treatment, Erfurt/Germany

Flue gas desulphurisation plant, Ruien/Belgium

Business review
Plant Construction Division

Strategic positioning

The A-TEC Industries Plant Construction Division, comprising the AE&E Group, is one of the world's leading suppliers of thermal power generation and environmental technology systems. It has a worldwide head count of 5,005 people. AE&E heads a group of internationally successful companies, comprising: AE&E Austria and A-TEC PPS in Austria; the Swiss Von Roll Inova Group; AE&E Inova and AE&E Lentjes in Germany; Babcock Power España in Spain; AE&E CZ in the Czech Republic; Duro Dakovic in Croatia; AE&E Australia; AE&E Chennai Works and I.D.E.A in India; and AE&E Shanghai and AE&E Nanjing Boiler in China.

The division's clients include energy utilities, local authorities and large industrial companies. The stabilising effect of such a broad customer portfolio is particularly significant in the current global economic crisis. While difficulties in raising finance from banks have forced some industrial companies to put projects on hold, energy utilities have been less hard hit by the crisis.

Thanks to its extensive experience of energy and environmental technology, and the wide-ranging expertise of the subsidiaries, the division is capable of offering one-stop shopping for all of the technologies involved in industrial and municipal energy generation. In line with its approach as a full-line supplier, Plant Construction delivers holistic solutions, spanning design engineering, fabrication, erection and commissioning, and plant modernisation, servicing and operation. As a technology business, the division attaches great importance to maintaining a large-scale R&D effort, and continuously improves its products' efficiency and emission performance. Its goal is to offer tomorrow's products today.

Business units

The Plant Construction Division has six main product lines. The Energy from Waste product area provides tailored solutions for waste incinerators, from design engineering and construction through to plant operation and modernisation. The Steam Generators product area develops a wide range of liquid and solid fuel, and gas-fired boilers, including fluidised bed, grate, industrial, pulverised coal, waste heat and liquor boilers. The Flue Gas Cleaning product area specialises in wet, dry and multi-stage flue gas cleaning, and develops DeNOx units and sea water flue gas desulphurisation plants. The Services business offers a comprehensive range of services including design engineering, maintenance, and plant audits, optimisation and operation. The Industrial Equipment product area focuses on boiler pressure parts, pressure vessels, heat exchangers, valves and coal gasification components. The new Power Plants product area, established in 2008, develops turnkey plants including gas combined cycle, coal-fired, industrial and biomass power stations.

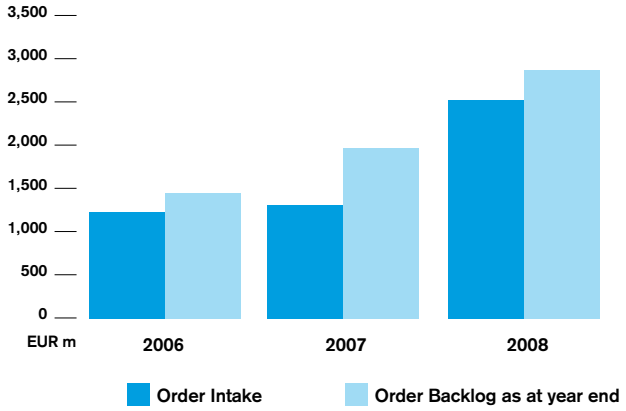
Business performance

Despite the deepening global financial crisis and its impact on the real economy, the Plant Construction Division enjoyed another highly successful year. Revenue was up by about 56% and order intake almost doubled.

2008 saw some small bolt-on acquisitions, but was mainly a year of consolidation and integration of subsidiaries acquired in previous years. As part of this process a new Asia Pacific Business Unit was set up to facilitate development of this promising market. As part of the restructuring programme concluded in December 2008, Austrian Energy & Environment (AE&E) AG changed its legal status from a public to a private limited company and was renamed AE&E Group GmbH.

Tighter emission limits and the increasingly awareness of climate change continued to drive growing demand for environmentally friendly energy generation solutions in 2008. These factors contributed to a 92.1% jump in order intake to EUR 2,534.2m (2007: EUR 1,319.3m). Demand for combined cycle generating stations, energy from waste facilities and steam generators for coal-fired power stations was particularly strong. The Power Stations business unit secured a major order for a combined cycle power station in Bandirma, Turkey. The Energy from Waste business won further large contracts in Western Europe, including orders for waste incinerators in Harlingen, Netherlands and for the Riverside Energy from Waste plant in London, UK. The Steam Generators business won a major order from Russia – a major emerging market for power generation equipment – for a waste heat boiler for a gas-fired power station in Krasnodar. It also registered notable success in its core European market and the Asia Pacific region. Most of the orders secured by the Flue Gas Cleaning business came from its core German market, although the unit also broke into the strategically important Romanian market, winning a contract to supply equipment for a power station in Turceni. Order intake reached an all-time high of EUR 2,881.6m at 31 December 2008, ensuring that capacity utilisation will remain high well into 2010 and creating an excellent platform for stable revenue in the following periods.

Order Intake/Order Backlog



Revenue was up by 55.9% year-on-year to EUR 1,621.8m (2007: 1,046.4m). This increase was mainly due to a high order backlog carried over from the previous period, but also reflected the contributions of the AE&E Lentjes and AE&E Nanjing Boiler acquisitions.

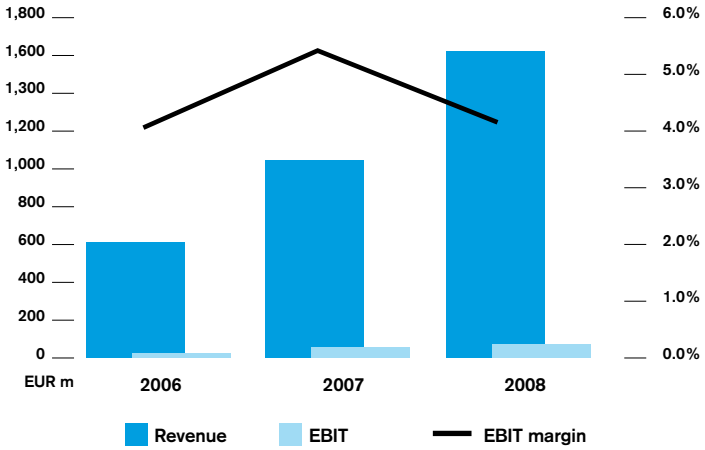
The European market accounted for about 75% of revenue in 2008, compared to 73% in the preceding year. The increasingly important Asia Pacific region generated 20% of total revenue – up from 18% in 2007. Around 3% of revenue was accounted for by North America (2007: 4%), 2% by Africa (2007: 5%).

EBITDA advanced by 27.2% to EUR 77.6m (2007: EUR 61.0m). EBIT also rose to EUR 68.2m (2007: EUR 54.6m). However, the EBIT margin narrowed to 4.2% (2007: 5.2%), squeezed by higher material costs due to larger contracts and the growth in the number of projects in which the division acted as the general contractor, as well as sharp rises in the prices of input materials up to the end of the third quarter.

Financial highlights

(EUR m)	**2008**	Change	2007	2006
Revenue	**1,631.1**	55.9%	1,046.4	613.1
EBITDA	**77.6**	27.2%	61.0	30.0
EBIT	**68.2**	25.0	54.6	25.4
EBIT margin	**4.2%**	-	5.2 %	4.1 %
EBT	**73.7**	26.2	58.4	31.6
Order intake	**2,534.2**	92.1 %	1,319.3	1,228.3
Order backlog as at 31 December	**2,881.6**	45.5 %	1,980.4	1,453.1

Revenue/EBIT/EBIT margin



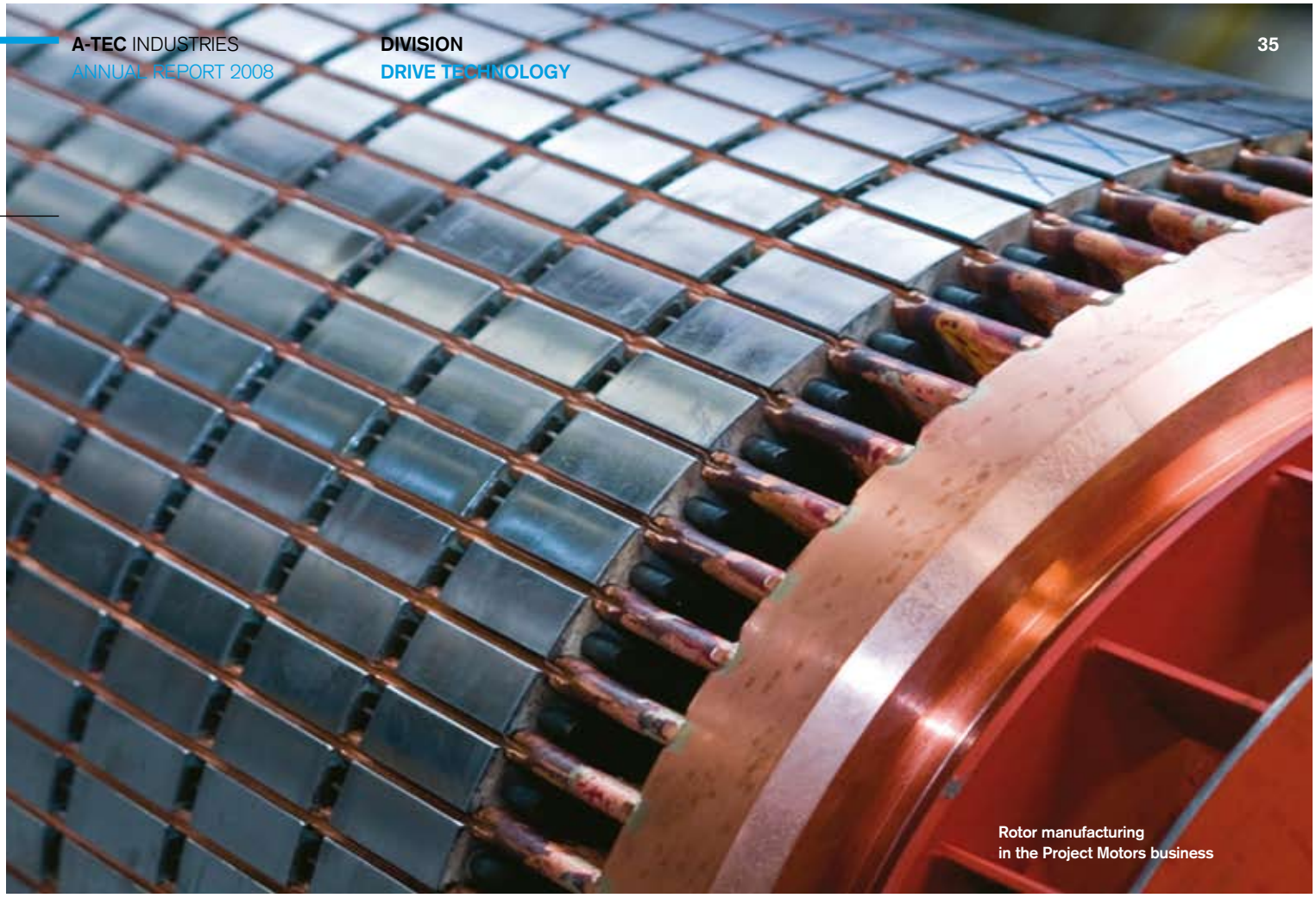
Outlook for 2009

In 2009 the strategic focus of the Plant Construction Division will again be on strengthening existing businesses and optimising the product portfolio. Thanks to the record order backlog at year end 2008, management anticipates further revenue growth. The current economic climate is likely to result in a slowdown in order intake, despite the compensatory effects of the division's broad and financially strong client base.

In the long term, there is likely to be a considerable need for investment in new power stations and plant modernisation in Europe. Unless the economic crisis causes a sustained slowdown in energy demand, Asia is likely to remain a high growth region for the Plant Construction Division.

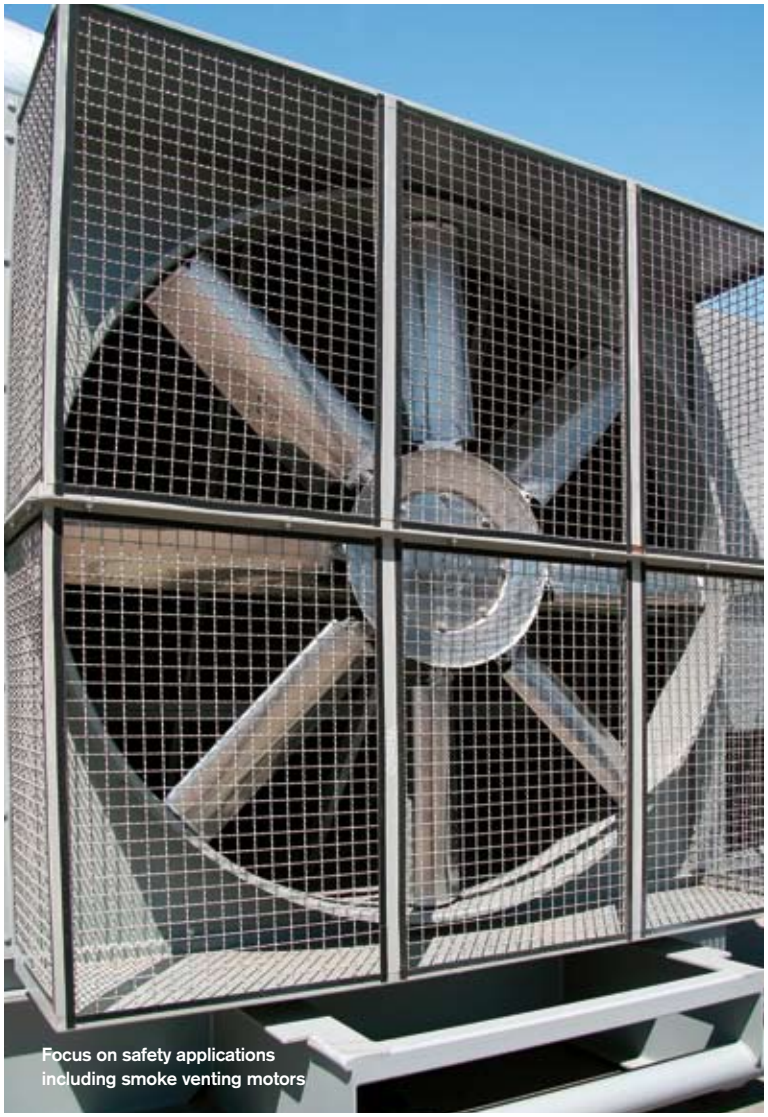
Drive Technology Division

Custom solutions for industrial and project motors



Rotor manufacturing
in the Project Motors business

Process optimisation
in rotor manufacturing



Focus on safety applications
including smoke venting motors

Business review
Drive Technology Division

Strategic positioning

The Drive Technology Division is one of Europe's leading suppliers of electrical drive systems. It has 5,174 employees. The product portfolio comprises custom and heavy duty motors, customer specific mass produced and industrial motors, electric motors for garden and home appliances, permanent magnet motors, frequency inverters and alternative vehicle drive systems.

In April 2008 the Home Appliances, New Businesses and Serial Motors business units were merged to form a new Industrial Motors (IM) division. The existing Project Motors business unit was unaffected.

In order to strengthen the division's focus on the Project Motors business and the higher-margin industrial motors segment, the decision was taken to dispose of ATB Selni SAS in June 2008. This subsidiary, based in Nevers, France, manufactures motors for white goods; it was acquired in 2004. The formal completion of the transaction is planned for the second quarter of 2009.

Business units

The Project Motors business unit's product portfolio includes customer and project specific low and high voltage motors and complex drive systems. The unit operates around the world, serving a wide variety of industrial and municipal customers. Project Motors specialises in oil and gas industry projects, working primarily with chemical and petrochemical companies, energy generators, mining companies, metallurgical companies and water utilities.

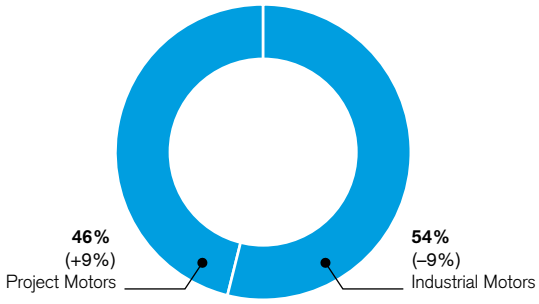
Despite the harsh global economic environment, Project Motors put in a good performance driven by strong demand in its core markets. The business also benefited from the operating subsidiaries' long experience, technological expertise, strong product portfolios, and ability to offer the delivery reliability and capacity that customers expect. Project Motors will be looking to build on these strengths in order to capitalise on current high levels of demand.

A sales drive in 2008 resulted in ATB's inclusion in several large customers' and contractors' approved vendor lists. This makes it possible to tender for contracts to supply motors for oil refinery, shipboard and similar applications. It also generates good opportunities for cross-selling with the Industrial Motors business unit, as both, tailored and industrial motors can be offered as part of the same tenders.

During the year under review the Industrial Motors business unit was exposed to strong competition from imports of standard motors for industrial applications from low-wage countries. Prices were the main reason why the business missed its ambitious targets for 2008. The main works, in Spielberg and Welzheim, improved their on-time delivery rate to over 90% in 2008. In the second half of the year – and in the fourth quarter in particular – demand for the Industrial Motors segment's products was generally weak. However, orders for explosion-proof motors from the Nordenham plant held up well.

Despite productivity increases, stock reductions, quality improvements and stable personnel costs, Industrial Motors recorded a disappointing EBIT margin. This was mainly due to soaring copper, steel and die casting prices. Fierce competition meant that it was virtually impossible to pass on these price increases. Several plants experienced capacity underutilisation as a result of a declining order intake. These factors led to an overall reduction in this segment's profitability.

Order intake by segments (change in % points)



The ATB Group continued to press ahead with the development of permanent magnet motors, frequency inverters and alternative vehicle drive systems at the Austrian innovation centre in Lustenau (formerly the New Businesses unit). Successful projects included the development of high-performance vacuum pumps and a modular drive system for EC motors, and further progress in drive electronics, compressor drive systems for fuel cell vehicles and prototyping. Work also commenced on the development of a motor/generator for hybrid drive systems.

Financial performance

Revenue adjusted for the discontinuation of ATB Selni and two small Lindeteves Jacoberg subsidiaries rose modestly to EUR 392.4m (2007: EUR 366.4m). Revenue in the Industrial Motors business unit edged up by 1.8% despite the sharp fall in orders due to the economic downswing, while the Project Motors division posted a 45.1% increase. Negative non-recurring effects and higher prices for materials such as electrical sheets combined to push down EBITDA 18.8%, from EUR 25.0m to EUR 20.3m. Like-for-like EBIT, adjusted for one-time effects (underlying EBIT) improved from EUR 6.1m in 2007 to EUR 9.1m. The loss before interest and tax improved by some 87% to stand at EUR 2.9m in 2008.

Net finance costs were EUR 21.7m, compared to EUR 17.8m in 2007, reflecting EUR 8.9m in exchange losses in Poland, Serbia and the UK. The loss before tax fell to EUR 24.6m (2007: EUR 39.8m).

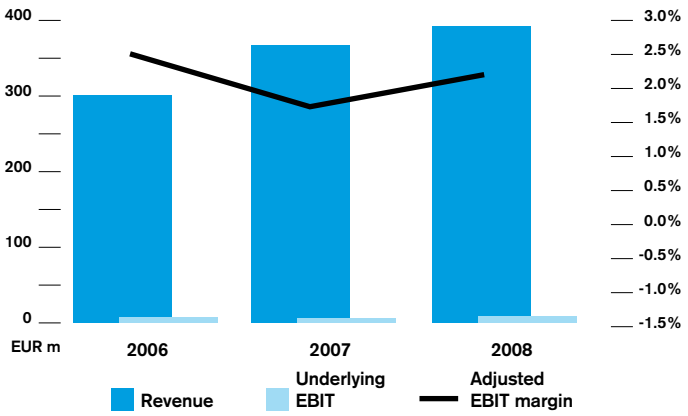
Financial highlights

(in EUR m)	**2008**	Change	2007*	2006*
Revenue	**392.4**	7.1%	366.4	300.9
EBITDA	**20.3**	-18.8%	25.0	25.4
Underlying EBIT**	**9.1**	-	6.1	7.6
EBIT	**-2.9**	86.8%	-21.9	9.0
Adjusted EBIT margin**	**2.3%**	-	1.7%	2.5%
EBT	**-24.6**	38.2%	-39.7	-0.8
Order intake	**404.6**	-1.7%	411.5	340.0
Order backlog as at 31 December	**136.7**	-4.9%	143.7	77.7

* Comparative period restated for changes in discontinuing operations and adjustments to order books.

** Underlying EBIT represents EBIT adjusted for non-recurring effects (impairments of intangible assets, personal reduction expenses and debt write-downs in the previous year).

Revenue/EBIT/EBIT margin



ATB share

The Drive Technology Division is listed in the standard market auction of the Vienna Stock Exchange as ATB Austria Antriebstechnik AG, under security ID number AT0000617832. At year end 2008 A-TEC Industries held 98.01% of the shares (2007: 97.02%), while the remainder was in free float. At the close on 31 December 2008 ATB was priced at EUR 13.00 (31 December 2007: EUR 12.60).

Outlook for 2009

The management of the Drive Technology Division anticipates a decline in revenues, and a balanced EBIT as a result of restructuring charges in 2009.

Despite the economic downturn, the Project Motors division is expected to continue to grow in line with the expected expansion in demand from the energy and infrastructure sectors. The ATB Group's strategic objectives for the coming years include strengthening the product portfolio by focusing more closely on large custom motors. In-house development of a range of asynchronous wind turbine generators could also help to drive growth.

Forecasting performance in the Industrial Motors business unit is complicated by the unexpected violence of the economic downturn. Most analysts see the market diminishing by about 30% in 2009, and this points to capacity underutilisation at all of the factories. The Industrial Motors business segment will be shifting resources into investment in growth areas such as auxiliary drives for wind turbines, smoke venting motors for tunnels and airports, and compressors. This strategy should enable Industrial Motors to capitalise on the rapid growth of the renewable energy sector, as well as profiting from infrastructure projects as part of economic stimulus packages.

Machine Tools Division

Sheet metal forming tools
for the automotive industry

Machining structural components for the aviation sector

Working area of the big-bore EMCOTURN E65

Pivot bearing manufacturing for offshore industry

Business review Machine Tools Division

Strategic positioning

The Machine Tools Division comprises the EMCO Group, a maker of light, volume produced machine tools, and Dörries Scharmann Technologie Group (DST) which manufactures precision special purpose machine tools.

The EMCO Group is a line-up of European machine tool companies. Its portfolio spans a broad range of products from the low-tech segment through to custom high-tech solutions. The group pursues a two-pronged strategy through its Intelligent CNC Technology and Industrial Training Systems divisions. The goal of both businesses is to help the engineering industry boost productivity. The group's product portfolio is aimed at a broad range of customers in the drive technology, automotive, energy and medical technology industries, among others.

DST manufactures specialised machine tools based on standard components. It produces sophisticated, quality machine tools for drilling, turning, grinding and milling medium-sized and large workpieces. The company is positioned in the premium segment, and mainly serves the Chinese, European, Indian, North American and Russian markets. Its customers are largely concentrated in the civil and military aviation, power generation (including wind power), oil, valve, tool and die, and general engineering industries, all of which have good long-term growth potential.

EMCO Group

While the first two quarters were marked by strong demand which caused acute strains on production capacity, and tested the group's ability to meet delivery deadlines to the limits, EMCO felt the effects of the economic crisis in the second half of the year. According to the VDMA (German Engineering Federation), order intake in the German machine tool and plant engineering industries was down by 54% year-on-year in the fourth quarter of 2008.

The EMCO Group responded to this challenging environment by raising its market profile, appearing as a direct exhibitor or on dealers' stands at 30 trade shows, including all the important European events. This formed part of the EMCO's drive to establish a presence throughout Europe. After opening sales offices in France and Spain, the group went on to establish after sales service organisations in those countries in 2008.

Large orders won by the Industrial Training Systems Division in Vietnam and China in December 2007 enter the delivery phase in 2008, and a start was also made with on-site training during the year. Overall, 2008 was a highly satisfactory year for Industrial Training Systems despite the adverse conditions on the machine tools market. Demand for the division's solutions has benefited from a growing awareness of the importance of good training due to shortages of skilled labour.

The EMCO Group's corporate design was revamped during the year. While continuing to communicate the group's existing values the new design gives it a more contemporary image. In the first quarter of 2009 this design concept will also be applied to the corporate website.

DST Group

2008 brought a repeat of the previous year's success for the DST Group, and it even improved slightly on the high order intake recorded in 2007.

This strong performance was again driven by vertical lathes. In 2008 these were once more in strong demand for precision manufacturing of wind turbine gearbox and power station components. The proportion of the DST Group's sales accounted for by the energy sector including wind power was about 25% in 2008 (2007: 23%).

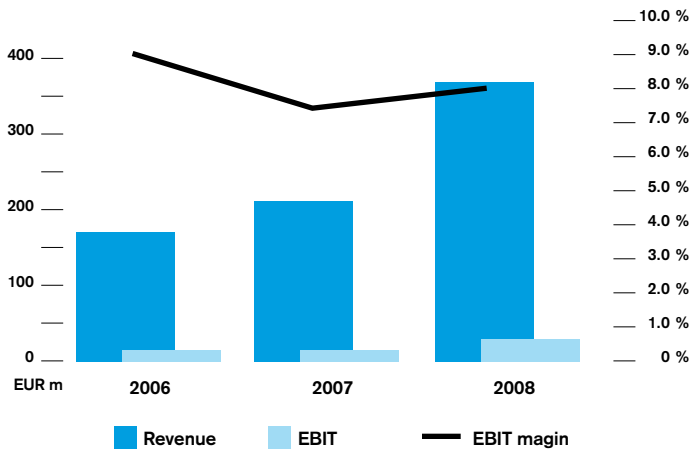
In technological terms, the trend towards complete machining gathered pace in 2008. The focus was on machines offering combined machining options, and thus greater productivity. DST has kept up with developments in this area by introducing a turning, drilling and milling head that can be built into a variety of models. This supports a single machine approach, which delivers many benefits for customers.

DST gave increased priority to Russian sales in 2008, and the opening of a representative office in Moscow underlined its long-term commitment to this market. The Russian sales drive was given further momentum by an appearance at the country's leading machine tool show, Metalloobrabotka. DST attaches great importance to staff training. In January 2008 this was honoured by an award from the Central Lower Rhine Chamber of Industry and Commerce for one of the region's best training programmes in 2007. Apprentices make up 7.4% of the workforce at the company.

Financial highlights

(in EUR m)	**2008**	Change	2007	2006
Revenue	**370.1**	74.7%	211.8	170.8
EBITDA	**44.6**	77.0%	25.2	21.4
EBIT	**29.7**	86.8%	15.9	15.2
EBIT margin (%)	**8.0%**	-	7.5%	8.9%
Earnings before tax (EBT)	**19.0**	75.9%	10.8	12.1
Order intake	**404.9**	94.8%	207.9	206.7
Order backlog as at 31 December	**223.5**	12.6 %	198.5	47.4

Revenue/EBIT/EBIT margin



Financial performance

Divisional revenue climbed by 74.7 % to stand at EUR 370.1m in 2008, lifted by full-year consolidation of DST. EBITDA improved as a result of strong capacity utilisation and an increased proportion of high margin retrofitting, replacement parts and services business. EBIT was EUR 29.7m – a 86.8% year-on-year gain reflecting lower depreciation, amortisation and impairment in the EMCO Group. The EBIT margin reached 8.0% (2008: 7.5%). Higher net finance costs at EMCO were mainly responsible for the fact that EBT lagged EBIT, growing by 75.9% to EUR 19.0m.

Divisional order backlog as at year end was EUR 223.5m – up by 12.6%. Order intake was maintained by full-year consolidation of DST, jumping by 94.8% to EUR 404.9m.

Outlook for 2009

The machine tool market will be highly challenging in 2009, with the extended boom of recent years giving way to a sharp downturn in investment. The VDW (German Machine Tool Builders' Association) is forecasting a 15% decline in production. The Machine Tools Division is therefore unlikely to reproduce last year's good figures. However, results should be supported by the DST Group's special purpose machinery, because of its strong foothold in the project market and the wide range of industries served.

Using flexible working time arrangements to keep the core workforce together will be one of the EMCO Group's key policies, as skilled employees will be needed in the coming upswing. The main aim in 2009 will be to make further advances in EMCO's core markets, in which the EMCO Group has to face a slowdown in order intake. A premium dealership system will be used to drive this process forward. Research and development work on developments in the turning and milling, conventional lathe and industrial training areas is going ahead at full steam.

Despite today's difficult trading environment, which significantly impacts on investment by DST's customers, the outlook for the Division remains positive. Order intake from domestic and abroad remained robust as of February 2009, and was in line with management expectations. Orders were won in Asia and North America, as well as in Europe. Management expects strong order intakes throughout 2009, giving the DST a good planning visibility for subsequent years.

Minerals & Metals Division

Castings from the smelting furnace at the foundry in Brixlegg

High quality copper formats

Finished and batched cathodes with a 99.9% copper content

Charging the reverbatory anode furnace in Kovohuty with copper scrap

Business review: Minerals & Metals Division

Strategic positioning

The Minerals & Metals Division unites the Montanwerke Brixlegg secondary copper smelter, French semi-finished products manufacturer Gindre Duchavany and a recycling plant in Krompachy, Slovakia – three production sites with long histories. It also operates two small hydro power plants in Alpbach, near Brixlegg, with a third due for commissioning in April 2009.

The division's income streams come from pyrometallurgical processes (smelting in a shaft furnace, converter and anode ovens) and electrolysis, as well as its precious metals recovery equipment, foundry and by-products (nickel sulphate, oxychloride, abrasives, filter dust, zinc sulphate and zinc oxide). The product portfolio also includes reprocessed and bought-in cast and rolled wire.

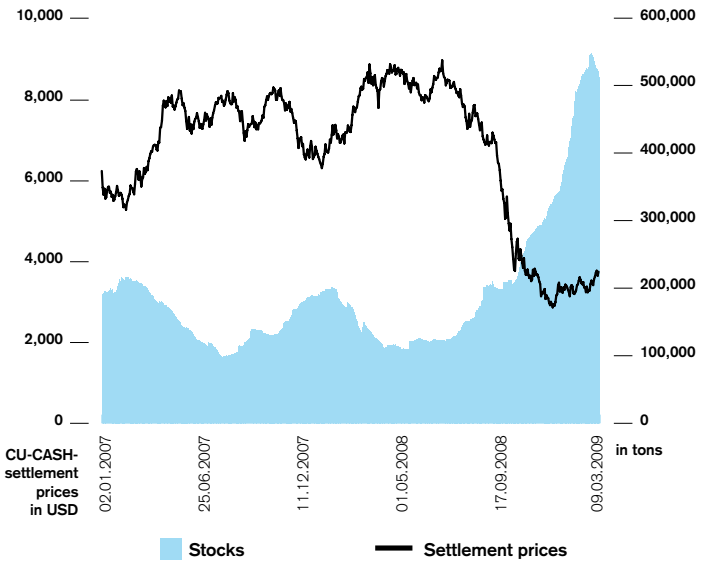
Montanwerke Brixlegg is capable of responding rapidly and flexibly to customer requirements, including low volume orders. It can supply its home market, and its core export markets in Bavaria, France, Northern Italy and Switzerland quickly and at low cost.

The division's strategy of forward and backward integration from the purchase of mines creates the end-to-end supply chain from raw materials (ore and scrap) through to finished copper products (including cast and rolled wire, bars and profiles, and components), underpinning the sustainability of its business model. The acquisition of the Jinja copper smelter in Uganda marks its first venture on the resource-rich continent of Africa. Its ultimate goal is to mine precious metals and copper in regions with well developed infrastructure and logistics.

Copper price trends

The main features of trading in 2008 were high volatility – particularly from August onwards – and an unprecedented price collapse on the London Metal Exchange (LME). Copper prices ranged between an all time high of USD 8,985 per tonne (t) on 3 July 2008 and a multiyear low of USD 2,770/t on 24 December 2008. The backwardation prevailing up to October 2008 tipped into a contango of up to USD 60/t. The EUR/USD exchange rate ranged from 1.5778 in July 2008 to 1.2742 in November 2008.

LME copper prices and inventories



The division's copper products are used by a wide spectrum of industries including electronics, construction, machine tools and automotive and component suppliers, all of which are affected by the economic downturn to varying degrees. Demand from the energy sector should be relatively stable, with economic stimulus programmes and infrastructure development projects in the pipeline.

Montanwerke Brixlegg and Kovohuty

Good scrap availability and the fact that anode production ran flat-out at Kovohuty a.s. in Krompachy meant that electrolysis capacity was fully utilised in 2008. Cathode production increased to 106,668 t in 2008 (2007: 81,372 t), while production of formats declined slightly to 94,899 t (2007: 97,209 t). A modern, high-performance 100,000 t/year anode oven, complying with all the applicable environmental standards, was brought into service in Krompachy in 2008 at a cost of about EUR 22m.

In 2008 investment in environmental equipment totalled EUR 3.9m (2007: EUR 3.5m). The spending mainly went to filter systems for the sampling furnaces, extraction units for the smelter, software for visualisation of environmental measuring data, and waste heat recovery equipment. ISO 14001:2004 certification of the environmental management system ensures that all aspects of environmental management conform to clear guidelines and enable the division to meet its self-imposed targets. A sustainability report was prepared for the first time in 2008.

Gindre Duchavany

Production of semi-finished products and components was about 43,000 t (up by approx. 7%) – a new record. The factory building completed in 2007 was in production for the first full year during the period under review, bringing considerable increases in output and efficiency, and making it possible to extend the product range.

Vertical integration with Montanwerke Brixlegg was strengthened by optimising logistics and delivery times. On the technical side, closer co-operation on special fabrications made it easier to meet complex customer specifications.

Financial performance

The division's financial performance indicators were heavily distorted by EUR 75.1m in write-downs arising from the copper price collapse, and do not reflect operating performance in the view of the A-TEC Industries Management Board.

Revenue advanced by 26.0% to EUR 864.9m (2007: EUR 686.5m), driven by the strong run-up in copper prices over the first nine months of the year, higher cathode output and full-year consolidation of the Gindre Group. However, the dramatic drop in copper prices in the fourth quarter of 2008 led to heavy write-downs of copper inventories, and finished and semi-finished products, knock-on effects from purchasing contracts and negative effects of the measurement of open hedge positions, totalling EUR 75.1m. Combined with the 20.8% increase in the cost of materials and the higher cost of using more expensive bought-in anodes, this turned EBITDA negative by EUR 48.2m (2007: EUR 26.4m).

Depreciation, amortisation and impairment was up by 39.2% owing to past investments in expanding capacity. EBIT was negative with EUR 57.7m (2007: EUR 19.6m). EBIT for the period adjusted for exceptional losses outside the average historic copper volatility range was negative by EUR 14.2m in the period under review (2007: EUR 19.6m).

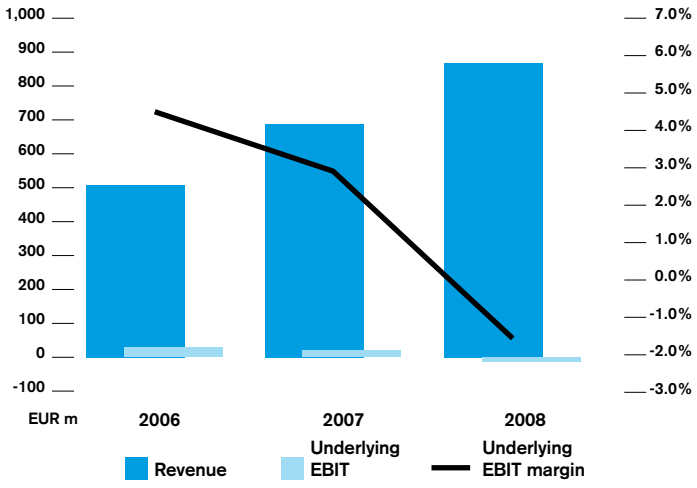
Increased use of credit lines to satisfy higher working capital requirements due to the electrolysis expansion, coupled with increased use of factoring by the Gindre Group, raised net finance cost from EUR 8.4m to EUR 12.0m, resulting in a loss before tax of EUR 69.7m (2007: EUR +11.2m).

Financial highlights

(in EUR m)	**2008**	Veränderung	2007	2006
Revenue	**864.9**	26.0%	686.5	506.1
EBITDA	**-48.2**	-	26.4	48.4
EBIT	**-57.7**	-	19.6	43.5
Underlying EBIT*	**-14.2**	-	19.6	22.9
Adjusted EBIT margin*	**-1.6%**	-	2.9%	4.5%
EBT	**-69.7**	-	11.2	40.2
Order intake	**239.9**	97.1%	121.7	-
Order backlog	**22.1**	-54.5%	48.6	-

* Underlying EBIT is defined as EBIT adjusted for non-recurring effects from the collapse in copper prices.

Revenue/Underlying EBIT/Underlying EBIT margin



Outlook for 2009

Copper price has recovered significantly since the start of 2009 until mid of April to over USD 4,000/t. Prices are forecast not to fall below this level for some years to come. However, the predicted copper price rally is expected to be accompanied by considerable volatility.

In the longer term, the massive bank rescue and stimulus packages, which apart from supporting consumption are also aimed at expanding and modernising infrastructure – particularly in the USA and the Far East – should boost copper demand. Meanwhile, production cuts, delays in new mine projects, energy shortages and worsening ore grades have changed the picture on the supply side. Opinions differ as to the likely impact of these factors, but the copper market is unlikely to be heavily over-supplied in 2009 and 2010.

Low prices mean that the Minerals & Metals Division is assured of sufficient supplies of high-grade copper scrap in 2009. It will continue to watch market developments closely, particularly with regard to the Serbian copper company RTB Bor and a copper mine in Africa.

Report of the Supervisory Board

In 2008 the Supervisory Board held eight meetings, thereby discharging the duties incumbent on it. It received regular, timely and comprehensive reports from the Management Board, both written and oral, on all matters relevant to the course of business, situation and strategy of the parent company and the principal subsidiaries, as well as the risk situation and the Group's risk management activities. All planned Group investments, such as the acquisitions of the Voitsberg power station and RTB Bor, where discussed in detail at meetings. The Supervisory Board and the Management Board discussed the Group's future strategic development and personnel matters, and interim subgroup results at the meetings, and gave close attention to the Group's financial and budget planning.

In 2008 three meetings of the Audit Committee were held pursuant to section 92(4a) Austrian Companies Act. An auditor assisted the committee in examining the parent entity and consolidated financial statements for the 2008 financial year. The committee also investigated the Group-wide risk and opportunity management system.

Management and Supervisory Board changes

At the start of 2008 the Executive Committee of the Supervisory Board, which also acts as a nominations committee, appointed Christian Schrötter to the Management Board as Chief Financial Officer. This appointment has turned out to be particularly helpful in the current phase of economic upheavals and complex financial issues.

On 27 June 2008 Klaus Sernetz stepped down from the Supervisory Board due to his time-consuming role as CEO of Montana Tech Components AG. During the year Helmuth Palzer, Klaus Requat and Horst Wiesinger were appointed to the Supervisory Board. Helmuth Palzer was a member of the Management Board of Austrian Energy & Environment AG until 2005, since having worked as an independent consultant. Klaus Requat heads the Austria and Emerging Europe Department at Unicredit CAIB AG. Horst Wiesinger – a former member of the VA Technologies AG Management Board – is managing partner at Horst Wiesinger Consulting GmbH.

Annual financial statements and Audit Committee

The company financial statements and management report, and the International Financial Reporting Standards (IFRS) consolidated financial statements and management report for the 2008 financial year were audited and granted an unqualified audit certificate by the auditors, BDO Salzburg Wirtschaftsprüfungs GmbH.

The auditors reported on the results in writing, and stated that the Management Board had provided the explanations and documentary evidence requested by them. The auditors found that the accounting records, and company and consolidated financial statements comply with the statutory regulations. They are in conformity with generally accepted accounting principles, and as far as possible present a true and fair view of the assets, finances and earnings of the Company and the Group. They also found that the parent company and Group management reports are consistent with the company and consolidated financial statements.

After a thorough examination and discussion by the Audit Committee and internal discussions, the Supervisory Board approved the annual financial statements for the 2008 financial year submitted to it by the Management Board, thereby adopting those statements in accordance with section 125(2) Austrian Companies Act. The Supervisory Board also approved the Management Board's parent company management report and its dividend proposal. The Board took note of, and stated its agreement with the consolidated financial statements and Group management report.

The Supervisory Board wishes to thank the Management Board and employees of A-TEC Industries AG for their hard work, which made a major contribution to the Group's sound performance during the year under review.

Vienna, 24 April 2009

Freimut Dobretsberger
Chairman of the Supervisory Board

Financial statement 2008

A. Consolidated income statement
for the years ended 31 December 2008 and 2007

	Notes	Year to 31 December 2008 EUR '000	2007[1] EUR '000
Revenue	**J.1**	**3,256,868**	**2,310,081**
Changes in inventories and work in progress	J.12	-52,601	17,809
Own work capitalised		11,025	11,720
Raw material and services used	J.12	-2,399,161	-1,694,814
Gross profit		**816,131**	**644,796**
Staff costs	J.3	-501,875	-357,388
Depreciation and amortisation		-57,875	-69,624
Other operating expenses	J.4	-294,361	-199,780
Other operating income	J.4	57,381	53,044
Operating profit		**19,401**	**71,048**
Share of profit of entities accounted for using the equity method	J.10	-200	400
Finance income	J.5	53,184	14,830
Finance costs	J.5	-84,700	-57,389
Net finance costs		**-31,716**	**-42,159**
Profit before tax		**-12,315**	**28,889**
Income tax expense	J.6	-14,444	-5,733
Consolidated profit/loss before discontinued operations		**-26,759**	**23,156**
Loss from discontinued operations	J.20	-6,902	-16,886
Consolidated profit/loss for the period		**-33,661**	**6,270**
Attributable to minority interests		**220**	**-12,701**
Attributable to equity holders of the parent		**-33,881**	**18,971**
Basic earnings/loss per share before the loss of discontinued operations, in EUR	J.27	**-1.04**	**1.16**
Diluted earnings/loss per share before the loss of discontinued operations, in EUR	J.27	**-0.61**	**1.29**
Basic earnings/loss per share of discontinued operations, in EUR	J.27	**-0.27**	**-0.44**
Diluted earnings/loss per share of discontinued operations, in EUR	J.27	**-0.24**	**-0.41**

1) The comparative period was adjusted for the changes arising from the adjustment of purchase price allocations (see Note J. 29) and discontinued operations (see Note J. 20).

B. Consolidated balance sheet
as at 31 December 2008 and 2007

ASSETS	Notes	31 December 2008 EUR '000	31 December 2007[1] EUR '000
Non-current assets			
Property, plant and equipment	J.8	518,138	466,931
Intangible assets	J.9	272,489	286,210
Investments in associates	J.10	2,971	2,978
Other financial assets	J.11	16,572	15,199
Deferred tax	J.22	54,569	56,816
		864,739	**828,134**
Current assets			
Inventories	J.12	263,095	333,370
Trade and other receivables	J.13	920,383	1,004,622
Amounts due from construction contracts	J.2	220,477	163,521
Other financial assets	J.11	18,158	340,017
Cash and cash equivalents	J.14	446,735	400,038
Subtotal		**1,868,848**	**2,241,568**
Current and non-current assets held for sale	J.20	18,402	13,222
		1,887,250	**2,254,790**
TOTAL ASSETS		**2,751,989**	**3,082,924**

1) The comparative period was adjusted for the changes arising from the adjustment of purchase price allocations (see Note J. 29).

EQUITY AND LIABILITIES	Notes	31 December 2008 EUR '000	31 December 2007[1] EUR '000
Equity			
Share capital	J.15.1	26,400	6,600
Capital reserves	J.15.2	157,855	177,627
Retained earnings		99,450	135,874
Total income and expense recognised directly in equity	J.15.3-J.15.6	46,609	51,843
Own shares		-22,037	0
Equity attributable to equity holders of the parent		**308,277**	**371,944**
Minority interests		3,300	3,080
Equity		**311,577**	**375,024**
Non-current liabilities			
Employee benefit obligations	J.23	86,952	88,205
Financial debt	J.21	425,720	506,117
Other provisions	J.24	57,449	65,749
Deferred tax	J.22	50,148	56,219
		620,269	**716,290**
Current liabilities			
Trade payables	J.16	725,945	409,177
Amounts due for construction contracts	J.17	468,594	417,156
Financial debt	J.21	279,904	442,146
Other provisions	J.24	67,279	366,803
Other financial liabilities	J.18	29,180	15,117
Other liabilities	J.19	208,858	293,906
Current tax payable		22,103	13,545
Subtotal		**1,801,863**	**1,957,850**
Liabilities arising from current and non-current assets held for sale	J.20	18,280	33,760
		1,820,143	**1,991,610**
Total equity and liabilities		**2,751,989**	**3,082,924**

The notes to the accounts are an integral part of the consolidated financial statements.

1) The comparative period was adjusted for the changes arising from the adjustment of purchase price allocations (see Note J. 29).

C. Consolidated statement of changes in equity
for the years ended 31 December 2007 and 2008

Note	Share capital	Capital reserves	Revaluation reserves	Hedge reserve
	EUR '000			
Adjusted balance at 31 December 2006	**6,600**	**152,095**	**0**	**0**
Consolidated profit and profit attributable to minority interests	0	0	0	0
Unrealised gains/losses on fair value measurement of financial assets, less deferred tax	0	0	0	0
Unrealised gains/losses on fair value measurement of land and buildings, less deferred tax	0	0	68,986	0
Dividend	0	0	0	0
Currency reserve	0	0	0	0
Convertible bond	0	25,532	0	0
Additions to/disposals of minority interests	0	0	0	0
Other changes	0	0	0	0
Balance at 31 December 2007	**6,600**	**177,627**	**68,986**	**0**
Adjustment in accordance with IFRS 3 para. 62	0	0	0	0
Adjusted balance at 31 December 2007	**6,600**	**177,627**	**68,986**	**0**
Consolidated profit and profit attributable to minority interests	0	0	0	0
Unrealised gains/losses on fair value measurement of financial assets, less deferred tax	0	0	0	0
Realised gains/losses on fair value measurement of financial assets, less deferred tax	0	0	0	0
Unrealised gains/losses on fair value measurement of hedges, less deferred tax	0	0	0	-2,896
Distribution to minority interests	0	0	0	0
Currency reserve	0	0	0	0
Capital increases	19,800	-19,800	0	0
Stock options	0	28	0	0
Repurchase of own shares	0	0	0	0
Reversal of revaluation reserve in accordance with IFRS 5 / change in tax rate	0	0	-1,447	0
Additions to/disposals of minority interests	0	0	0	0
Balance at 31 December 2008	**26,400**	**157,855**	**67,539**	**-2,896**

Fair value measurement of securities	Translation reserve	Retained earnings	Own shares	Interests attributable to equity holders of the parent	Minority interests	Equity
			EUR '000			
56	**-3,790**	**148,113**	**0**	**303,074**	**14,955**	**318,029**
0	0	40,376	0	40,376	-12,701	27,675
-12,518	0	0	0	-12,518	0	-12,518
0	0	0	0	68,986	0	68,986
0	0	-19,800	0	-19,800	-40	-19,840
2	-1,002	0	0	-1,000	-229	-1,229
0	0	0	0	25,532	0	25,532
0	0	-11,580	0	-11,580	1,095	-10,485
0	0	170	0	170		170
-12,460	**-4,792**	**157,279**	**0**	**393,240**	**3,080**	**396,320**
-2	111	-21,405	0	-21,296	0	-21,296
-12,462	**-4,681**	**135,874**	**0**	**371,944**	**3,080**	**375,024**
0	0	-33,881	0	-33,881	220	-33,661
-262	0	0	0	-262	0	-262
12,561	0	0	0	12,561	0	12,561
0	0	0	0	-2,896	0	-2,896
0	0	0	0	0	-109	-109
0	-13,190	0	0	-13,190	1,213	-11,977
0	0	0	0	0	0	0
0	0	0	0	28	0	28
0	0	0	-22,037	-22,037	0	-22,037
0	0	0	0	-1,447	0	-1,447
0	0	-2,543	0	-2,543	-1,104	-3,647
-163	**-17,871**	**99,450**	**-22,037**	**308,277**	**3,300**	**311,577**

D. Consolidated cash flow statement
for the years ended 31 December 2008 and 2007

	2008 EUR '000	2007[1)] EUR '000
Profit before tax	**-12,315**	**28,889**
Adjustments for:		
Interest expense	31,516	40,840
Income from associates	200	-400
Depreciation and amortisation	57,875	69,624
Impairment of non-current financial assets	-1,527	5,787
Reversal of negative goodwill	-2,302	-23,562
Gains on debt write-downs	0	-17,712
Gains/losses on disposal of property, plant and equipment, and intangible assets	353	-68
Changes in inventories	65,507	-30,261
Changes in trade and other receivables	2,996	-208,450
Changes in payables and provisions (other than tax provisions)	4,211	168,206
Net cash from discontinued operations	759	-6,480
Income taxes paid	-9,272	-13,538
Net cash from operating activities	**138,001**	**12,875**
Purchase of intangible assets, and property, plant and equipment	-126,038	-72,397
Proceeds from sale of property, plant and equipment	2,099	864
Net cash provided by acquisitions and disposals	-32,748	19,878
Investment in financial assets	-699	-351,757
Proceeds from sale of financial assets	369,213	7,006
Dividends received	3,174	0
Interest received	25,735	10,910
Net cash from investing activities	**240,736**	**-385,496**
Purchase of minority interests	-1,016	-10,485
Proceeds of bond issue	0	176,570
Repurchase of own shares	-22,037	0
Change in financial liabilities	-229,636	358,104
Change in derivative financial instruments	119	-30
Repayments to dormant partners	-947	-615
Net cash in discontinued operations	-5,746	0
Dividends paid	-109	-19,840
Interest paid	-67,232	-36,077
Net cash from financing activities	**-326,604**	**467,627**
Available cash and cash equivalents at beginning of period	**320,905**	**223,892**
Decrease/increase in cash and cash equivalents	52,133	95,006
Effects of exchange rate changes	-8,701	2,007
Change in cash and cash equivalents due to reclassifications as discontinued operations	-1,543	0
Available cash and cash equivalents at end of period	**362,794**	**320,905**
Restricted cash and cash equivalents at end of period	83,941	79,133
Total cash and cash equivalents at end of period	**446,735**	**400,038**

1) The comparative period was adjusted for the changes arising from the adjustment of purchase price allocations (see Note J. 29) and discontinued operations (see Note J. 20).

E. The Group

A-TEC Industries AG (hereafter referred to as "A-TEC" or the "Company") is domiciled at Wächtergasse 1/3/1, 1010 Vienna, Austria, and has been registered under number FN 216262 h in the register of companies at the Vienna commercial court since 28 November 2001.

On 1 December 2006 the Company's capital was increased by EUR 1,600,000, from EUR 5,000,000 to EUR 6,600,000, by way of an initial public offering. The capital increase from company resources was authorised by the Annual General Meeting on 27 June 2008 and was implemented at the opening bell at the Vienna Stock Exchange on 29 October 2008. The share capital was quadrupled by the issue of new shares (bonus shares), and at the same time the price of A-TEC Industries shares was reduced to one-quarter of that on the previous day. As at 31 December 2008 the share capital of A-TEC INDUSTRIES AG amounted to EUR 26,400,000 (2007: EUR 6,600,000) subdivided into 26,400,000 (2007: 6,600,000) no-par shares.

The Company is listed on the Vienna Stock Exchange.

A-TEC is a registered *Aktiengesellschaft* (public limited company). It operates in over 25 countries, through its Plant Construction, Drive Technology, Machine Tools and Minerals & Metals divisions.

The Group's principal activities are those of the four divisions:

Plant engineering: Plant Construction Division headed by Austrian Energy & Environment AG

- The marketing, engineering design, construction and commissioning of plants — particularly power generation and environmental plants — including project management and general contracting;
- Plant, iron and steel, boiler, apparatus and machine tools, metal refining, and the operation of iron, steel and non-ferrous metal foundries;
- Trade in, and the arrangement of transactions concerning goods of all kinds — particularly power generation and environmental plants;
- Research into, and development and commercialisation of technologies, particularly in the fields of power generation and environmental technology.

Electric motor manufacturing: Drive Technology Division headed by ATB Austria Antriebstechnik AG

- Development and production of electrical drive systems for industrial applications and appliances;
- Marketing of industrial motors, motors for domestic and garden appliances, and explosion proof motors.

Machine tool manufacturing: Machine Tools Division headed by A-TEC Mechanical Engineering Holding GmbH

- Engineering design, development, manufacturing, testing and marketing of technical equipment, electrical and computer aided plant and machinery, as well as parts thereof;
- Machine tool manufacturing, focusing on the production of turning and milling equipment;

Copper production: Minerals & Metals Division headed by Minerals & Metals Holding GmbH

- Production of copper, raw materials and supplies, plastics and composite materials;
- Operation of mines, smelters, chemical and electrochemical plants, foundries, rolling mills, press shops, processing plants, forges, and rod, bar, profile, tube and wire drawing plants;
- Processing, marketing and trading of chemical and metallurgical products, raw materials and supplies, precious metals, non-ferrous metals, iron and steel;
- Manufacturing of semi-finished copper products (rods and profiles), as well as parts and components for the electrical industry.

F. Restructuring activities in the A-TEC Group

The following restructuring activities took place during the 2008 financial year (Note J. 29).

1 Restructuring actions in A-TEC

During the 2008 financial year A-TEC Industries AG formed E-TEC Beteiligungsverwaltungs GmbH, Vienna, A-TEC Central Asia Resources GmbH, Vienna and Jet Express Anlagenvermietungs GmbH, Vienna. Three non-consolidated Group companies, A-TEC Beteiligungs GmbH, Mönchengladbach, Germany, A-TEC Beteiligungs GmbH, Vienna and A-TEC Liegenschaftsverwaltungs GmbH, Vienna were consolidated during the year.

2 Restructuring actions in the Drive Technology Division

Under a sale and purchase agreement made on 14 November 2008 interests in Lindeteves Engineering Pte Ltd., Singapore and Linberg Philippines Inc., Philippines, held by Lindeteves-Jacoberg Ltd, Singapore, were sold to Nuovo Capital Pte Ltd., Singapore at a price of USD 1.00 per share.

At the same time the redemption of outstanding bonds issued by Lindeteves Engineering Pte Ltd., Singapore with a face value of USD 13.5m at a price of USD 10.6m was agreed under a deed of settlement, dated 14 November 2008, freeing the direct and indirect shareholder in the company from all liability for the bonds and constituting a reciprocal waiver of claims.

BOR GmbH sold the assets to ATB Sever AD, Serbia under an agreement concluded on 18 April 2008. The assets in question largely concern properties and production equipment. The purchase price was RSD 206.8m (EUR 2.5m). ATB FOD d.o.o., Belgrade, a limited company, was formed on 2 April 2008. The capital of ATB FOD d.o.o. was increased by means of a EUR 7.7m shareholder contribution in kind, under a shareholder resolution of 30 December 2008.

An application for the liquidation of Brook Crompton Western Electric Motor Corporation, Dalian, China was filed on 19 May 2008. The Group no longer controls this company, and it was therefore deconsolidated.

ATB BHG GmbH, Vienna was formed by the adoption of articles of association on 22 October 2008. ATB Austria Antriebstechnik AG, Vienna is the sole shareholder. The claims of A-TEC Industries AG, Vienna against Lindeteves Jacoberg Limited, Singapore were assigned to ATB BHG GmbH, Vienna by way of a shareholder contribution, with effect from 31 October 2008. The value of the claims in question totals EUR 64.2m. The contribution also involved the transfer of shares in Lindeteves Jacoberg Limited, Singapore, leading to an increase in the voting rights directly and indirectly held by ATB Austria Antriebstechnik from 59.69% to 66.67%.

Under an agreement dated 19 December 2008 ATB Motorentechnik GmbH, Nordenham acquired the business operations, assets and liabilities of ATB Motorentechnik (Asia) Pte Ltd., Singapore at their carrying amounts. ATB Motorentechnik (Asia) Pte Ltd., Singapore is to be closed in 2009. As the business activities of ATB Motorentechnik (Asia) Pte Ltd., Singapore had already been attributable to ATB Motorentechnik GmbH, Nordenham and the latter is continuing to conduct them presentation in accordance with IFRS 5 is not required.

There were no other significant restructuring actions in the Drive Technology Division during the year under review.

3 Restructuring actions in the Plant Construction Division

The restructuring actions in the AE&E Group discussed below resulted in a change in the parent company. The parent entity that drew up the consolidated financial statements had hitherto been AE&E Austria GmbH (previously named Austrian Energy & Environment AG). In consequence of the internal reorganisation undertaken during the year the parent is now AE&E Group GmbH. The restructuring action in question represents a transaction subject to joint control. The transactions were conducted at Group carrying values.

The reorganisation was effected by way of the following steps.

AE&E Austria GmbH & Co KG (formerly Austrian Energy & Environment AG & Co KG) contributed its 100% interest in AE&E Group GmbH to A-TEC Industries AG with effect from 30 November 2008, by way of a contribution agreement dated 1 December 2008.

By way of a contribution agreement dated 1 December 2008 A-TEC Industries AG contributed its 100% interest in AE&E Austria GmbH (formerly Austrian Energy & Environment AG) to AE&E Group GmbH.

By way of a contribution agreement concluded on 2 December 2008 AE&E Austria GmbH (formerly Austrian Energy & Environment AG) contributed its entire business operations to AE&E Group GmbH with effect from 30 June 2008 whilst retaining its interest as unlimited partner in AE&E Austria GmbH & Co KG (formerly Austrian Energy & Environment AG & Co KG).

In addition, the following significant internal restructuring actions were carried out.

A-TEC Industries AG contributed its 93.1% interest in A-TEC Power Plant Systems AG to AE&E Group GmbH with effect from 30 June 2008, by way of a contributed agreement made on 11 July 2008. The contribution was accounted for at the level of AE&E Austria GmbH & Co KG (formerly Austrian Energy & Environment AG & Co KG).

AE&E Group GmbH contributed its 100% interest in AE&E Inova GmbH, Cologne to Austrian Energy & Environment Deutschland GmbH, Cologne with effect from 31 October 2008 by way of a contribution agreement dated 25 November 2008. Due to the capital increase involved the contribution is subject to the German Reorganisation Tax Act, resulting in a revaluation of the investment in Germany for tax purposes. The contribution is tax neutral in Austria.

In January 2008 the AE&E Group fully acquired KRB Kessel- und Rohrleitungsbau AG, Switzerland.

In February 2008 the Group fully acquired Mechanical Installations International Ltd., UK.

Babcock Montajes S.A., Spain was sold to Isastur Servicios S.L., Spain in September 2008.

There were no other significant restructuring actions in the Plant Construction Division during the year under review.

4 Restructuring actions in the Machine Tools Division

There were no significant restructuring actions in the Machine Tools Division in 2008.

5 Restructuring actions in the Minerals & Metals Division

The entire assets of Montanwerke Brixlegg Wasserkraft Alpbach Gesellschaft mbH, Salzburg were transferred to Montanwerke Brixlegg Wasserkraftwerk Reith Gesellschaft mbH, Salzburg by way of universal succession under a merger agreement concluded on 23 September 2008. The effective date of the merger was 31 December 2007. By resolution of the extraordinary general meeting held on 23 September 2008 the name of the company was changed to Montanwerke Brixlegg Wasserkraftwerke GmbH and its domicile moved from Salzburg to Brixlegg. The new entity was registered on 27 January 2009.

There were no other significant restructuring actions in the Minerals & Metals Division during the year under review.

G. Principal accounting policies

1 Basis of preparation

The Company's consolidated financial statements for the year ended 31 December 2008 have been prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the Standards Interpretation Committee (SIC) as adopted by the European Union (EU), and the company law provisions of section 245a UGB (Austrian Business Code), and to the maximum possible extent given a true and fair view of the Company's assets, finances and earnings.

The consolidated financial statements are drawn up to the balance sheet date of the parent entity annual financial statements. The latter's financial year ends on 31 December.

The consolidated financial statements are presented in euro. Unless otherwise stated all amounts are expressed in thousands of euro ("EUR '000"), rounded to the nearest thousand. The aggregation of rounded amounts and percentages may result in rounding differences due to the use of automated calculation aids.

The separate financial statements of all domestic and foreign consolidated Group companies compulsorily or voluntarily audited in accordance with national regulations are drawn up to the balance sheet date of the consolidated statements, and have been reviewed by independent auditors for their conformity with IFRS.

Some income statement and balance sheet items are aggregated in the interests of clarity. These are presented separately in the notes. The income statement is presented using the nature of expense method. The classification of balance sheet items is according to the maturities of the assets and liabilities. Assets and liabilities are classified as current if they are due to be sold or settled within one year or within the normal operating cycle of the entity or Group. The operating cycle is the time between the procurement of resources for processing and the receipt of cash or cash equivalents as consideration for the goods or services produced in the process in question. Trade receivables and payables, tax assets and liabilities, and inventories are normally reported as current. Deferred tax assets and liabilities, pension, termination benefit and jubilee benefit obligations are usually presented as non-current.

Changes in accounting policies are disclosed in the notes. The retrospective application of new or revised standards requires adjustment of the previous year's results and the opening balances of comparatives as if the new accounting methods had always been applied, unless such standards provide otherwise.

The Management Board approved the consolidated financial statements on 24 April 2009.

Due to the acquisitions made during the 2007 and 2008 financial years the consolidated income statement, balance sheet, statement of changes in equity and cash flow statement are not fully comparable with those for the previous period (see Note J.29).

2 New accounting pronouncements

The International Accounting Standards Board (IASB) has adopted a number of amendments to existing standards, and issued new standards and interpretations which are required to be applied from 1 January 2008. These standards, which are applicable in the EU, are as follows:

New and revised standards and interpretations applicable for the first time		Effective date
- IAS 39	Financial instruments: Recognition and Measurement	1 July 2008
- IFRS 7	Financial Instruments: Disclosures	1 July 2008
- IFRIC 11	IFRS 2 — Group and Treasury Share Transactions	1 March 2007
- IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

New accounting standards not yet applied		Effective date
Standards and interpretetations already adopted by the EU[1)]		
- IAS 1	Presentation of Financial Statements	1 January 2009
- IAS 23	Borrowing Costs	1 January 2009
- IAS 32	Financial instruments: Presentation (Puttable Financial Instruments and Obligations Arising on Liquidation)	1 January 2009
- IFRS 2	Share-based Payment	1 January 2009
- IFRS 8	Operating Segments	1 January 2009
- IFRIC 13	Customer Loyalty Programmes	1 July 2008
Standards and interpretations not yet adopted by the EU[2)]		
- IAS 27	Consolidated and Separate Financial Statements	1 July 2009
- IAS 39	Financial instruments: Recognition and Measurement	1 July 2009
- IFRS 1	First-time Adoption of International Financial Reporting Standards	1 January 2009
- IFRS 3	Business Combinations	1 January 2009
- IFRIC 12	Service Concession Agreements	1 January 2008
- IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
- IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
- IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009
- IFRIC 18	Transfers of Assets from Customers	1 July 2008

2.1 First-time application of new accounting standards

The following standards and interpretations have changed as compared to the situation pertaining at year end 2007, or have become mandatory and applicable for the first time as a result of their adoption by the EU or entry into effect.

- Amendments to IAS 39 and IFRS 7: Reclassification of Financial Instruments: In October 2008 amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, were published in consolidated form as Reclassification of Financial Assets, and on 16 October 2008 they were adopted by the EU. These amendments entered into force with retroactive effect from 1 July 2008. The amendments to IAS 39 permit reclassifications of non-derivative financial assets (apart from those for which the fair value option has been chosen) from the at fair value through profit or loss category, as well as reclassifications of available-for-sale assets as loans and receivables under certain circumstances. This applies in particular to financial instruments that originally met the definition of loans and receivables due to the fact that they were not designated as held for trading or available for sale. The amendments to IFRS 7 extend the disclosure requirements for companies that have reclassified financial assets pursuant to the amendments to IAS 39. Such reclassifications are not currently being made in the Group.

1) Standard applicable to periods beginning on or after the effective date, according to the Official Journal of the European Union.
2) Standards not yet adopted by the EU which are applicable to periods on or after the effective date, according to the IASB.

- IFRIC 11 IFRS 2 — Group and Treasury Share Transactions (applicable to annual periods beginning on or after 1 March 2007): This interpretation provides guidance on the application of IFRS 2, and addresses the issue as to how the standard is applicable to share based payment arrangements under which employees are granted equity instruments of the parent or of another entity in the same group. As IFRS 2 is not currently being applied in the Group this interpretation has no effect on the Company's assets, finances, earnings or cash flows.

- IFRIC Interpretation 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (applicable to annual periods beginning on or after 1 January 2008). IFRIC 14c deals with the effects of minimum funding requirements for pension plans on the limits on measurement of defined benefit assets and liabilities established by IAS 19 para. 58, and clarifies various related issues. In particular, it addresses the determination of the limit to the recognition of refunds of pension fund surpluses as assets under IAS 19, the effects of legal or contractual minimum funding requirements on plan assets and liabilities, and the conditions for recognition of a liability arising from minimum funding requirements. IFRIC 14 is immaterial to the A-TEC Group.

2.2 New accounting standards not yet applied

The IASB has issued additional standards or amendments to standards and interpretations, the application of which was not yet mandatory in 2008.

The following standards and interpretations have been adopted by the IASB and had already been adopted by the EU at the time of writing. Unless otherwise stated the Company is currently in the process of assessing the potential impact of their application on its assets, finances, earnings or cash flows.

These standards and interpretations were not applied early.

- The revised IAS 1 Presentation of Financial Statements (applicable to annual periods beginning on or after 1 January 2009) contains recommendations for changes to the titles of some financial statements, and obligations to present a balance sheet as at the beginning of the earliest comparative period, to present all non-owner changes in equity separately, to present amounts recognised in income or expense that were previously reported in equity separately by components, and to disclose income tax relating to each component of the statement of recognised income and expense.

- The revised IAS 23 Borrowing Costs (applicable to annual periods beginning on or after 1 January 2009) deals with the capitalisation of borrowing costs arising from the acquisition, construction or production of qualifying assets. It removes the previous option of immediately recognising borrowing costs as an expense. Since the Group does not construct or produce qualifying assets to a significant extent this amendment is unlikely to have a material effect on the Group's assets, finances or earnings.

- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (applicable to annual periods beginning on or after 1 January 2009) focuses on the balance sheet classification of puttable financial instruments as equity or liability instruments. Prior to these amendments the shareholders' liquidation rights meant that the instruments concerned had to be reported as liabilities. In future it will be possible to classify such puttable instruments as equity under certain circumstances. Since the A-TEC does not currently carry any puttable financial instruments on its balance sheet this change is unlikely to have any material influence on the Company's finances or earnings.

- Amendments to IFRS 2 Share Based Payment (applicable to annual periods beginning on or after 1 January 2009). Since there are very few instances of share based payment in the Group these amendments have no significant effects on its assets, finances, earnings or cash flows.

- IFRS 8 Operating Segments (applicable to annual periods beginning on or after 1 January 2009). IFRS 8 requires companies to provide financial and descriptive information on its reportable segments. Reportable segments are operating segments or groups of operating segments that fulfil certain aggregation criteria. An operating segment is a component of an entity for which discrete financial information is available, and whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. In general financial reporting is to be on the basis of the internal control system used to assess the performance of operating segments and make decisions about the allocation of resources. These amendments have no material effects on the Company's assets, finances, earnings or cash flows.

- IFRIC 13 Customer Loyalty Programmes (applicable to annual periods beginning on or after 1 July 2008), deals with the deferral of expenses and recognition of income arising from customer loyalty programmes. Since the A-TEC Group does not employ any customer loyalty programmes IFRIC 13 has no implications for the Group.

The following standards, amendments to standards and interpretations have been adopted by the IASB but had not yet been adopted by the EU at the time of preparation of the consolidated financial statements. Unless otherwise stated the Company is currently in the process of assessing the potential impact of their application on its assets, finances, earnings or cash flows.

- Eligible Hedged Items (Amendment to IAS 39 Financial Instruments): This amendment to IAS 39 Financial Instruments: Recognition and Measurement relates to the principles for designation of inflation risks and one-sided risks (options) as underlying items in hedge accounting. A one-sided risk occurs where a company designates only changes in cash flows or fair value of a hedged item above or below a specified price or other variable. This amendment has no implications for the Group since it does not employ hedge accounting in this manner.

- IFRS 1 – First-time Adoption of IFRS: The amendments to IFRS 1 have brought simplifications in connection with the application of the cost method under IAS 27. Since it concerns first-time adoption this IFRS is not relevant to the Group.

- The revised IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements were published in January 2008. IFRS now offers an alternative accounting treatment of non-controlling interests. There is a choice between measurement at fair value and at the proportionate share of the acquiree's identifiable net assets. This change affects the recognition of a non-controlling interest's share of goodwill and its reporting in equity. IAS 27 contains rules for consolidation and the treatment of changes in ownership interests. Under these, investments retained in former subsidiaries are measured at fair value on initial recognition and any resulting differences is recognised in profit or loss. These changes will affect the presentation of future acquisitions.

- IFRIC 12 Service Concession Agreements (applicable to annual periods beginning on or after 1 January 2008) addresses the issue as to how companies operating under public-to-private service concession arrangements should account for the resultant obligations and rights. as the standard in question is not applied in the Group.

- IFRIC 15 Agreements for the Construction of Real Estate: This interpretation defines construction contracts and deals with revenue recognition under IAS 11, or IAS 18 where an agreement for the construction of real estate falls with the scope of the latter. The main effect will be s shift from application of the percentage of completion method to revenue realisation on completion in the case of certain types of contract that are currently accounted for under IAS 11. Since no consolidated companies engage in property development there are no effects on the Group.

- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation. IFRIC 16 is applicable to any company wishing to hedge its net investment in a foreign operation against exchange rate movements. IFRIC 16 is an aid to interpretation in: (a) identification of the exchange risks that can be hedged against; (b) where to hold hedging instruments designated as such in a group; (c) how to determine the amounts to reclassified from equity to profit or loss. Since the Group currently makes only limited use of hedge accounting in accordance with IAS 39 this new interpretation is not expected to have any significant effects.

- IFRIC 17 – Distribution of Non-Cash Assets to Owners. IFRIC 17 requires recognition of a dividend payable when the dividend is appropriately authorised, measurement of a dividend payable at the fair value of the net assets to be distributed, and recognition of the difference between the carrying amount of the assets distributed and that of the dividend payable in profit or loss. This interpretation is not expected to have any implications for the A-TEC Group.

- IFRIC 18 - Transfers of Assets from Customers: IFRIC 18 was published in January 2009. This interpretation deals with the accounting treatment of agreements in which an entity receives property, plant and equipment or cash from a customer to invest in

an item of property, plant and equipment to be used to connect the customer to a network to provide the customer with ongoing access to a supply of goods or services. The interpretation determines the circumstances under which the entity receiving the item of property, plant and equipment must recognise it as an asset, the timing of recognition and the amount to be recognised. IFRIC 18 also states how the entity's obligation to provide one or more separately identifiable services in exchange for the transfer is to be identified, and whether and when income must be recognised. IFRIC 18 must be applied prospectively to transfers of assets from customers received on or after 1 July 2009.

First-time adoption of accounting standards takes place only when there is an obligation to the do so.

3 Consolidation

The consolidated financial statements include the accounts of all of the Company's subsidiaries and associates. Subsidiaries are entities in which A-TEC Industries AG either directly or indirectly holds a majority of the voting rights, or is able to obtain the greater part of the benefit and bears the greater part of the risk by virtue of its control. This is normally manifested in an ownership share of over 50 percent. Consolidation commences at the date when the possibility of control exists. Deconsolidation occurs when the possibility of control ceases to exist.

Associates are valued using the equity method. These are generally entities in which A-TEC AG exercises a significant influence by virtue of an interest of between 30 and 50 percent.

Investments that do not have a material influence on the Company's assets, finances and earnings, either individually or in aggregate, are not consolidated.

A scheduled of consolidated subsidiaries, associates accounted for using the equity method and other investments is shown in Annex 1.

Number of consolidated companies

	Domestic	Foreign	Total
31 December 2007	**17**	**86**	**103**
Consolidated during the year under review	7	4	11
Deconsolidated during the year under review	0	4	4
31 December 2008	**24**	**86**	**110**

Three companies accounted for using the equity method were consolidated as at 31 December 2008.

During the 2008 financial year A-TEC Industries AG formed E-TEC Beteiligungsverwaltungs GmbH, Vienna, A-TEC Central Asia Resources GmbH, Vienna and Jet Express Anlagenvermietungs GmbH, Vienna. Three non-consolidated Group companies, A-TEC Beteiligungs GmbH, Mönchengladbach, Germany, A-TEC Beteiligungs GmbH, Vienna and A-TEC Liegenschaftsverwaltungs GmbH, Vienna were consolidated during the year.

The changes in the scope of consolidation in the Drive Technology Division relate to the consolidation of ATB FOD d.o.o., Belgrade, Serbia due to its acquisition, and the formation of ATB BHG GmbH, Vienna and Brook Motors International Ltd., Singapore, as well as the deconsolidation of Lindeteves Engineering PTE, Ltd., Singapore, Linberg Philippines Inc., Philippines and Brook Crompton Western Electric Motor (Dalian), Dalian, China (see Note J. 29.3).

In the Plant Construction Division, KRB Kessel- und Rohrleitungsbau AG, Switzerland and Mechanical Installations International Ltd., UK were acquired and consolidated with effect from 1 January 2008 (see Note J. 29.2). During the 2008 financial year Babcock Montajes S.A., Spain was disposed of (see Note J.20).

The assets and liabilities of acquirees are measured at fair value at the acquisition date. If the acquisition cost exceeds the fair value of the acquiree's identifiable assets and liabilities, including the contingent liabilities, the excess is reported as goodwill. All negative differences between the acquisition cost, and the identifiable assets and liabilities acquired, including the contingent liabilities, are recognised in profit or loss for the period in which the acquisition takes place.

Intragroup transactions, receivables, payables and unrealised profits are eliminated.

Entities formed to achieve narrow and well defined objectives are treated as special purpose entities in the meaning of SIC 12. A special purpose entity (SPE) is consolidated when the commercial substance of the relationship between the SPE and the Company indicates that the SPE is controlled by the Company (see Note J.30).

4 Segmental information

IAS 14 Segment Reporting requires separate presentation of financial information according to business segments and geographical areas, the segmentation being based on the entity's internal reporting system.

The A-TEC Group is run through four divisions (Plant Construction, Drive Technology, Machine Tools and Minerals & Metals) which have been identified as reportable segments on the basis of the economic characteristics of their business, the nature of their products and their production processes.

There are no material transactions between the sub-groups. The parent entity charges the costs incurred in connection with corporate activities on to the sub-groups.

Financial information presented according to business and geographical segments is set out in Note J 1.

5 Translation reserve

In the separate financial statements of foreign subsidiaries, all receivables and payables in currencies other than the functional currencies are measured at the exchange rate prevailing at balance sheet date. The exchange rate differences arising on the measurement of foreign currency items are recognised in profit or loss. The functional currency is usually the local currency, as these entities carry on their business independently in financial, commercial and organisational terms.

The assets and liabilities of the foreign subsidiaries are translated at the respective closing rates at the beginning and end of the year, and any changes during the year, as well as income and expenses, are translated into euro at the annual average rates. The equity components relating to foreign operations are translated at the historical rates at the time of first-time recognition in Group equity.

Differences as compared to translation at closing rates are separately reported under the "Currency translation reserve" item. Translation differences recognised in equity during a company's membership of the Group are reversed to income upon its deconsolidation.

Under IAS 21 para. 15, receivables from or liabilities to foreign operations for which settlement is neither planned nor likely to occur in the foreseeable future are treated as part of the net investment in those operations. Exchange differences arising on monetary items are treated as part of the net investment and are recognised in a separate component of equity, and are only recognised in profit or loss on the disposal of the foreign operation (IAS 21 para. 48).

Movements in the euro exchange rates of currencies of importance to Group were as follows:

	Closing rates on 31 December		Average rates	
	2008	2007	2008	2007
Norwegian krone (NOK)	9.7500	7.9630	8.2269	8.0036
Croatian koruna (HRK)	7.3555	7.3400	7.2241	7.3279
Czech crown (CZK)	26.8750	26.5300	24.9588	27.7433
Japanese yen (JPY)	126.1400	164.7500	152.2432	161.2667
Slovak koruna (SKK)	30.1260	33.5800	31.2729	33.7800
Swiss franc (CHF)	1.4850	1.6540	1.5868	1.6418
US dollar (USD)	1.3917	1.4698	1.4700	1.3760
Swedish kronor (SEK)	10.8700	9.4150	9.6176	9.2465
Singapore dollar (SGD)	2.0040	2.1150	2.0757	2.0652
British pound (GBP)	0.9525	0.7342	0.7965	0.6864
Australian dollar (AUD)	2.0274	1.6743	1.7425	1.6340
Polish zloty (PLN)	4.1535	3.5900	3.5159	3.7721
Serbian dinar (RSD)	88.6010	79.2362	81.4834	79.9234

6 Property, plant and equipment

Land and buildings chiefly comprise factories, distribution warehouses and office buildings. Use is made of the option under IAS 16 of measuring these assets at fair value, less any subsequent accumulated depreciation in the case of buildings. Increases in fair value are credited directly to equity under the "Revaluation reserve" item. Decreases that reverse previous increases are debited directly to equity under a revaluation reserve. All other decreases are recognised in profit or loss. Land and buildings are initially recognised at cost, and are subsequently remeasured to fair value less depreciation of the buildings based on periodic appraisals by independent valuers.

Land is not depreciated. The Company has been applying the revaluation model set out in IAS 16 since the 2007 financial year. Land is revalued in order to realistically reflect the fair values of non-depreciable land, and of the depreciable buildings standing on it. Revaluation resulted in a write-up of land and buildings. Appraisals of major assets revalued in the previous year were obtained in 2008, and the carrying amounts determined in 2007 were retained on the basis on these reports.

The valuation was carried out by independent experts. All values in the expert appraisals are broken down into land and buildings.

Land valuations were performed using the comparative and guideline methods. The comparative method rests on the assumption that comparable plots of land can be sold within a comparable period, and that the expert can obtain information on the proceeds.

In some cases buildings were valued using the cost approach. Some reports also included comparisons of the value in terms of income flows and the asset value. The building value represents the sum of the values of all buildings on the land, and is normally calculated on the basis of the construction cost.

Construction cost is the notional cost of replacing a building with a new one on the valuation date. This amount is then discounted for wear and tear, always taking into consideration the normal and residual useful life of the building.

Under the investment method, the value of the asset is ascertained by capitalising the net income flows realised or to be expected in the period after the measurement date at an appropriate discount rate and in accordance with the expected useful life. In this case, the calculations were based on the actual income flows generated by the asset (gross income).

Net income is calculated by deducting actual operating, maintenance and management expenses, and depreciation from the gross amount. Depreciation is only charged to the extent that this did not take place upon capitalisation. When calculating net income default risk, and any possible liquidation proceeds and costs must also be taken into consideration.

The differences in depreciation recognised as profit or loss in the income statement arising from the revaluation of property, plant and equipment, and the depreciation of those assets based on their historical cost are not transferred from the revaluation reserve to retained earnings.

The carrying amounts are regularly reviewed.

All other property, plant and equipment purchased or self-constructed (e.g. plant and machinery, furniture and fixtures, and office equipment) is carried at cost less any usage based depreciation and impairment losses.

The acquisition or construction costs include certain expenses that arise during the construction and operation of the assets, such as material and staff costs, directly attributable overheads, and the present value of obligations arising from asset dismantlement, removal and restoration. Input tax deductible value added tax invoiced by suppliers is not included in acquisition or construction costs. Borrowing costs are recorded as current expense, and are not included in acquisition and construction costs.

Depreciation is according to the straight-line method. The acquisition cost is written down to the residual value over the expected useful lives of assets, which are as follows:

Land and leasehold rights, buildings and buildings on land owned by others	20–76 years
Plant and machinery	3–34 years
Other equipment, furniture and fixtures, and office equipment	2–20 years

If the carrying value of an asset is greater than the fair value impairment is recognised.

When an item of property, plant and equipment is disposed of, the acquisition cost and accumulated depreciation are shown as a disposal, and the difference between the net disposal proceeds and the net carrying amount is recognised in profit or loss, under the operating profit or loss. If an item of property, plant and equipment that has been revalued is disposed of the relevant amount is transferred from the revaluation reserve to retained earnings.

7 Intangible assets

The intangible assets comprise software, licences and similar rights, goodwill, trademarks, capitalised technology, customer relationships and development costs.

Goodwill is the excess of the cost over the fair value of the Group's interest in the identifiable net assets of an acquiree at the date of the acquisition. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to that entity.

Goodwill and other intangible assets with indefinite useful lives (trademarks) and intangible assets with finite useful lives that have not yet been used are not amortised, but are tested for impairment at least once a year in accordance with IAS 36 Impairment of Assets. If there is evidence indicating that an asset may be impaired, impairment testing is also carried out during the period. Intangible assets with determinable useful lives are amortised to their residual values, and are tested for impairment whenever there are indications that an impairment loss may have occurred.

In order to test goodwill acquired in a business combination for impairment, it is allocated to those cash generating units or groups of cash generating units that are expected to generate cash flows and to benefit from the synergies of the combination at the acquisition date. The allocation is irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Cash generating units with goodwill from which cash flows are expected are tested for impairment on an annual basis. Tests are also performed whenever there are any indications of impairment. Testing is performed by comparing the cash generating unit's carrying amount, including the goodwill allocated to it, with its recoverable amount. If the recoverable amount of the unit exceeds its carrying amount, neither the unit nor the goodwill allocated to it are impaired.

Annual impairment testing of goodwill and intangible assets with indefinite useful lives takes place in the fourth quarter of the financial year.

Intangible assets with determinable useful lives are carried at cost less accumulated amortisation. Intangible assets are amortised on a straight-line basis over the shorter of the contract term or the estimated useful life.

Amortisation is based on the following useful lives:

Software, licences and similar rights	3–10 years
Trademarks	10–30 years
Technology	10–15 years
Customer relationships	3–18 years
Development costs	3–5 years

Amortisation is reported under “Depreciation, amortisation and impairment” in the consolidated income statement.

8 Research and development

Research expenditure is recognised as an expense when it is incurred. Expenditure arising from a development project (attributable to the design and testing of new or improved products) is recognised as an intangible asset if there is an intention and ability to complete and use an identifiable intangible asset controlled by the reporting entity, if it is probable that the project will generate future economic benefits, if the project is technically and financially feasible, and if the expenditure can be reliably measured. Other development expenditure is recognised as an expense when incurred.

Development expenditure recognised as an expense in a previous period is not subsequently recognised as an asset. Development expenditure that will generate future economic benefits is recognised as an asset, and amortised over the expected useful life, but not more than 15 years, using the straight-line method, starting with the inception of commercial manufacturing of the product.

Expenditure related to the development or installation of software is recognised as an asset when incurred, provided that the conditions for capitalisation are met, and amortised over a maximum of 12 years.

Pursuant to IAS 36 (revised), development expenditure is impairment tested on an annual basis until the assets are available for use (see Note G.7).

9 Impairment of property, plant and equipment, and intangible assets

Property, plant and equipment, and amortised intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount exceeds the recoverable amount (the higher of fair value less costs to sell and value in use). Value in use is the present value of the future net cash flows expected to be derived from continuing use of an asset and from its disposal at the end of its useful life.

In the case of assets held for sale the impairment test is performed in accordance with IFRS 5, by comparing the carrying amount with the fair value less costs to sell.

Impairment losses are recognised under “Other operating expenses”.

Decisions to classify intangible assets as assets with an indefinite useful life are reviewed on an annual basis. If the review reveals that an intangible asset originally classed as having an indefinite useful life now has a finite useful life, then the carrying amount is reduced to the recoverable amount, if lower, and it is amortised over the estimated remaining useful life. The impairment test is performed by comparing the recoverable amount with the carrying amount. The excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

If there is any indication that an impairment no longer exists, then the Company is required to reverse it in part or in full.

10 Non-current assets held for sale and discontinued operations

In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, a distinction is drawn between continuing and discontinued operations, and non-current assets held for sale. Discontinued operations and non-current assets held for sale are reported as separate, aggregated items in the balance sheet, the income statement and the cash flow statement. Amortisation of discontinued operations and depreciation or amortisation of non-current assets held for sale cease when the disposals are announced. Unless otherwise stated, the information presented in the notes relates to continuing operations.

11 Financial assets

Financial assets comprise loans and receivables, acquired equity and debt instruments, cash and cash equivalents, and derivatives with positive fair values.

Financial instruments are accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement. They are accordingly recognised in the balance sheet if the A-TEC Group has a contractual right to receive cash or other financial assets from another party. Initial recognition is at fair value plus any transaction costs. Transaction costs arising on the acquisition of financial assets at fair value through profit or loss are immediately recognised as expense. Subsequent measurement is in accordance with the following classification:

- Financial assets at fair value through profit or loss, which comprise financial assets held for trading. This measurement category mainly includes “Other financial assets" and receivables arising from other financial instruments. Changes in the fair value of this class of financial assets are recognised in profit or loss at the time of the increase or decrease in value.
- Loans and receivables, which are non-derivative financial assets that are not quoted in an active market. Loans and receivables are measured at amortised cost. This measurement category includes the trade receivables, the receivables reported under “Other financial assets”, and cash and cash equivalents. Interest income from items in this asset category is calculated using the effective interest method unless the items concerned are short-term receivables and the time value of money is insignificant.
- Held-to-maturity investments, which are non-derivative financial assets with fixed or determinable payments and fixed maturities. A-TEC has no financial assets in this measurement category.
- Available-for-sale financial assets, which comprise those non-derivative financial assets that are not classified in any of the above categories. These include the equity instruments measured at fair value and debt instruments not held to maturity which are reported under “Other financial assets”. Changes in the fair value of available-for-sale financial assets are recognised directly in equity, and only recognised in profit or loss when the assets are sold. Where the market price of equity and debt instruments can be established they are stated at fair value. If there is no quoted market price and a reliable estimate of fair value cannot be made these financial assets are recognised at cost less impairment losses.

If there is convincing objective evidence of the impairment of financial assets in the loans and receivables, and available-for-sale categories a test is performed to determine whether the carrying amount exceeds the fair value. If this is so an impairment loss equal to the difference is recognised.

Financial assets are derecognised when the contractual rights to the cash flows from the assets expire, or substantially all the risks and rewards of ownership of the assets are transferred.

Investments in non-consolidated Group companies and other investments that do not have a quoted market price in an active market are measured at the lower of cost or — in the event of anticipated impairment — fair value. Associates are accounted for using the equity method.

12 Financial liabilities

Financial liabilities comprise the underlying liabilities and the negative fair values of derivative financial instruments.

The underlying liabilities are recognised in the balance sheet if the A-TEC Group has a contractual obligation to transfer cash or other financial assets to another party. Initial recognition of an underlying liability is at the fair value of noncash consideration received and/or the value of cash received less any transaction costs. Subsequent measurement is at amortised cost, using the effective interest method. Finance lease liabilities are carried at the present value of the minimum lease payments.

Convertible bonds are compound instruments consisting of a debt and an equity component. The fair value of the debt component at the issue date is measured using one of the market interest rates for comparable non-convertible instruments prevailing at the time. The difference between the proceeds of the convertible bond issue and the fair value of the debt component yields the value of the option to convert the liability into equity, which is reported under equity.

Derivative financial instruments are measured at fair value through profit or loss. The negative fair values of derivative financial instruments are included in “Other financial liabilities”.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

13 Hedge accounting

Derivative financial instruments that do not qualify for hedge accounting are designated either as hedges of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment (fair value hedges) or as hedges of the exposure to variability in cash flows associated with assets or liabilities (cash flow hedges) at inception.

Where a fair value hedge is effective the change in the fair value not just of the derivative but also of the hedged item is recognised in profit or loss. In the case of a perfect hedge the variations in fair value exactly balance each other.

Where derivatives are used to hedge future cash flows the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised in profit or loss. The effective portion of the gain or loss on the hedging instrument that is recognised in equity is reclassified into profit or loss when the forecast transaction is settled. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset the gain or loss directly recognised in equity is offset against the cost of the asset. If the forecast transaction is no longer expected to occur the related gains or losses previously recognised directly in equity are recognised in profit or loss.

Derivatives used to hedge net investments in foreign operations are measured at fair value, which is divided into effective and ineffective portions. The effective portion of the gain or loss is recognised directly in equity, under the “Hedge reserve” item until the forecast transaction occurs. The ineffective portion is recognised in profit or loss. When the forecast transaction occurs the effect recognised in equity is recognised in profit or loss, and the hedge accounting is terminated.

The hedge accounting rules for cash flow hedges of net investments in foreign operations were applied for the first time in 2008.

The rules for fair value hedges and other cash flow hedges are not currently applied in the A-TEC Group.

14 Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are determined using the moving average cost method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of work in progress and finished goods comprises materials, direct labour, and other production overheads (based on normal operating capacity) directly attributable to the cost of conversion. It excludes borrowing costs.

Services not yet invoiced are normally carried at cost.

15 Trade receivables

Trade receivables are initially recognised at fair value, and are thereafter measured at amortised cost using the effective interest method, less impairment provisions. Impairment provisions are recognised if there is objective evidence that the Group will be unable to collect all the receivables at the original payment dates. Significant financial difficulties on the part of the debtor, the probability that the debtor will enter bankruptcy or other financial reorganisation, and default or delinquency in payments are regarded as evidence that a trade receivable is impaired. The impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the effective interest rate. Impairment losses are recognised under "Other operating expenses" in the income statement. If a receivable is uncollectible it is written off by means of an impairment provision. If a receivable that has previously been written off is subsequently received the payment is deducted from "Other operating expenses".

16 Construction contracts

The Group accounts for construction contracts according to the percentage of completion, in order to determine the deferred income. The percentage of completion is measured by reference to the proportion that the costs incurred to date bear to the estimated total cost of each contract. Costs that relate to future activity on a contract are not included in the calculation of the percentage of completion. Depending on their nature they are reported as inventories, prepayments or other assets. Contract costs are recognised as incurred.

If the outcome of a construction contract cannot be reliably estimated revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

If the outcome can be reliably estimated and it is probable that the contract will be profitable, then revenue is recognised over the duration of the contract. When it is probable that total contract costs will exceed total contract revenue the expected loss is recognised as an expense immediately. The Group reports the gross amount due from customers for all contract work in progress as an asset. The gross amount due from customers is the net amount of costs incurred plus recognised profits (less the sum of recognised losses) where these exceed progress billings. Advances are deducted from the gross amount due to customers. Progress billings that have not yet been paid by customers are reported under "Trade and other receivables".

The Group reports the gross amount due to customers for all contract work in progress as a liability. The gross amount due to customers is the net amount of costs incurred plus recognised profits (less the sum of recognised losses) where these are exceeded by progress billings. Advances are likewise deducted.

In 2008 the Group began reporting contract receivables and payables under a separate balance sheet item.

17 Cash and cash equivalents

Cash and cash equivalents comprise cash in domestic and foreign currency, sight deposits and other short-term, highly liquid investments with original maturities of no more than three months. Overdrafts are recognised as current financial liabilities.

Restricted cash and cash equivalents arise from contract advances — primarily in the Plant Construction Division and also partly in the Machine Tools and Drive Technology divisions — which may not be used for other purposes or projects. The restricted cash and cash equivalents act as collateral for guarantees.

18 Stock options

In 2008 A-TEC Industries AG granted a member of the Management Board 44,000 share options (following the share split: see Note J.15.1) in the form of an equity settled plan.

In order to exercise the options the participant must normally both be an active employee of the Company at the time of exercise and have been in its employ for at least three years.

The fair value of the options granted is recognised both as "Staff costs" and in equity. The fair value is measured at grant date and expensed over the period during which the employees concerned acquire an unconditional right to the options granted (vesting period).

The fair value of the options granted is determined using the standard Black Scholes model and assuming a plain vanilla European call, and taking account of the terms and conditions of the option grant.

19 Government grants

Government grants are recognised at fair value if there is a reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate.

Investment grants are reported under "Other liabilities" in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, and recognised as income on a systematic basis over the useful life of the asset.

20 Leases

Leases on property, plant and equipment under which substantially all the risks and rewards incidental to ownership of the assets are transferred to the Group are reported as finance leases. Such assets are recognised at the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The lease obligations less the finance charge are reported under short and long-term borrowings. The interest is recognised as expense over the lease term.

Property, plant and equipment acquired under finance leases is depreciated over the expected useful lives of the assets.

There are also operating leases on business furnishings, and these are recognised as expense.

21 Income taxes and deferred tax

The income taxes reported are the taxes levied on taxable profits in the countries where the Group operates and the change in deferred tax. Current tax is recognised on the basis of the relevant enacted or substantively enacted legislation at balance sheet date, in the amounts expected to be payable.

The corporation tax rate applicable to the parent company, A-TEC Industries AG was 25% at balance sheet date.

Deferred tax assets and liabilities are recognised for all temporary differences, with the important exception of the initial recognition of goodwill using the liability method. Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax is also provided for current losses and tax loss carryforwards.

Deferred tax assets for deductible temporary differences and tax loss carryforwards are recognised to the extent that it is probable that taxable profit will be available against which the current tax losses and tax loss carryforwards can be utilised. The value of deferred tax assets arising from temporary differences and tax loss carryforwards is assessed on the basis of forecasts for individual Group companies, which take the latter's future earnings situations into account.

Deferred tax assets and liabilities are calculated at the rates enacted or substantively enacted at balance sheet date. If profits or losses are recognised directly in equity then the same applies to the related deferred tax assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off the recognised amounts and they relate to income taxes levied by the same taxation authority.

Reference is also made to Note J 22.

22 Long-term employee benefit obligations

Provisions for long-term employee benefits (pensions and jubilee benefits) and benefits falling due upon termination of employment (termination benefits) are measured in accordance with IAS 19, using the projected unit credit method.

22.1 Pension obligations

Group companies operate both defined contribution and defined benefit pension plans. Under the defined contribution schemes the Group makes contributions, determined by legal or contractual requirements, or on a voluntary basis, to public or private pension insurance plans. The Group has no obligations over and above these amounts. The contributions are recognised as staff costs as incurred. Prepayments are recognised as assets to the extent that there is a right to a refund or a reduction in future payments. All the other pension schemes are defined benefit plans.

Contributions to defined contribution plans are expensed in the income statement as incurred.

There are long-term obligations under defined benefit plans in respect of some Group employees. The pension agreements in the Group vary widely, and comprise both entitlements to nominal amounts and commitments taking account of expected pay increases up to retirement, as well as cost-of-living adjustments to the pensions payable on retirement. The pension obligations arise either from legal requirements or from individual contractual commitments.

In accounting for obligations under defined benefit plans, all expenses and income apart from the interest components and the expected return on plan assets are netted and recognised as staff costs. Both the interest component and the expected return on plan assets are reported under “Net finance costs”.

Past service cost is recognised immediately unless changes in the pension plan depend on the employee’s remaining with the company for a specified period (the period until vesting). In the latter case the past service cost is recognised as an expense on a straight-line basis over the period until the benefits become vested.

The provision for defined benefit plans recognised in the balance sheet corresponds to the present value of the defined benefit obligation (DBO) at balance sheet date, less the fair value of plan assets, adjusted for the cumulative unrecognised net actuarial losses and past service cost, as well as the plan assets not recognised as assets pursuant to IAS 19 para. 58 (b). If plan assets exceed the corresponding benefit obligation the excess is reported in the balance sheet, under “Trade and other receivables”, subject to the limit specified by IAS 19 Employee Benefits.

The present value of the defined benefit obligations is measured annually, using actuarial techniques. Apart from assumptions regarding life expectancy and staff turnover, other parameters are relevant to these calculations. The rate used to discount anticipated future cash outflows is determined by reference to the market yields of high quality corporate bonds denominated in currencies and with terms consistent with those of the pension obligations. These calculations are largely based on assumptions regarding the discount rate, the expected returns on plan assets, and future wage and salary increases. In addition, recourse is made to statistical information such as employee turnover and mortality tables in order to estimate expenditure and obligations related to pension plans. Actuarial gains and losses that fall outside a “corridor” of 10% of the greater of the present value of the pension obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the employees concerned.

Plant Construction Division

The provision for pensions at Inova France S.A and Socrit S.A. covers pension commitments under collective agreements, made to senior executives and to all the other employees. The entitlements under both pension plans are based on remuneration and length of service.

The insurance plan of the pension fund for employees of Von Roll Inova Holding AG is governed by detailed rules adopted on 1 January 2001, and amended on 1 January 2004 and 1 April 2004. The following mandatory disclosures are made on the calculation of the obligations:

- The insured salary corresponds to 13 monthly salaries less a coordination deduction of 50% of the maximum AHV (Swiss Federal Old Age and Survivors' Insurance scheme) retirement pension (currently EUR 8,000). The maximum insured salary is EUR 78,000.
- The contributions are determined by contributors’ age according to the BVG (Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans) scale.

At AE&E Lentjes GmbH employees are entitled to fixed pension payments per year of service. These are based on remuneration and length of service. One of the company’s foreign subsidiaries has a local pension plan which is partly funded by a pension fund. Following the acquisition of AE&E Lentjes GmbH on 21 December 2007 membership of the seller’s pension fund was terminated and the accrued entitlements transferred to an external fund by means of a “buy-out”.

The provision for pensions at AE&E Inova GmbH under the 2001 social code contains arrangements under which each employee of the company acquires pension entitlements under an individual contract. Benefits are only paid after a minimum of ten years' service.

Drive Technology Division

The provision for pensions at ATB Motorenwerke GmbH, Spielberg recognises the entitlements of all the former employees of Bauknecht Austria GmbH. These are fixed nominal amounts. These defined benefit obligations correspond to the present value at the measurement date of the difference between the percentage entitlements relative to the insurance term and the expected salary when the benefit becomes payable.

The provision for pensions at ATB Antriebstechnik GmbH, Welzheim, Germany relates to individual contractual pension commitments to some senior executives and loyalty bonuses for other employees, established by internal regulations. These defined benefit obligations correspond to the present value at the measurement date of the pension entitlements of the senior executives, taking account of expected salary increases up to retirement and cost-of-living adjustments to the pensions payable on retirement.

The provision for pensions at Schorch Elektrische Maschinen und Antriebe GmbH, Mönchengladbach, Germany is for a defined benefit plan for individual staff members, the legal basis of which is two pension plans dating back to 1977 and 1988, respectively. The benefits under the plan depend on pension groups and length of service, and provide for entitlements in the event of separation and eligibility for a state pension, and of disability. The scheme also provides for a widow's or widower's pension (60% of the entitlement). Employees who joined the company after 30 September 1996 are not subject to the rules of the 1988 plan.

The provision for pensions at Brook Crompton Ltd., Toronto, Canada relates to a defined benefit scheme for employees, the legal basis of which is the Brook Crompton Pension Plan for Canadian Employees. This replaced the BTR Pension Plan for Canadian Employees and the Registered Pension Plan for the Employees of Brook Hansen (Canada) Inc. in 1996. The plan assets are invested in a mixed fund (equities and fixed income securities) managed by Jarislowsky Fraser (JF) Ltd. Employees are eligible for plan membership after one year's service, and are entitled to benefits after two years' plan membership. Company pension payments start on the first day of the month after the employee's 65th birthday. Early retirement (minimum age 55) results in reduced pension payments. Annual pension payments may not exceed the maximum pension limit under Canadian income tax regulations.

The provision for pensions at ATB Motorentechnik GmbH, Nordenham, Germany concerns a defined benefit pension plan, the legal basis of which is the works agreement of 27 September 1996 and Annex 3 of the works agreement of 15 January 1986. The plan was previously pay and service related. Under an amendment to the works agreement of 25 March 2004, from that year onwards no further pension increases have been awarded to any employees.

The provision for pensions at Morley Electrical Engineering Co Ltd., Leeds, UK covers the entitlements of all employees. The existing defined benefit pension plan provides for retirement at 60 by employees who joined the company before 6 April 1994 without the agreement of the company. Entitlements arising before 17 May 1990 are reduced in the event of retirement before the age of 65. Employees whose service began after 6 April 1994 are not entitled to retire before reaching the age of 65 without the company's consent, and pension payments are reduced in the event of early retirement.

Machine Tools Division

The provision for pensions at EMCO Maier GmbH & Co KG includes an individual contractual pension commitment to a former employee.

The provision for pensions at Berthiez SAS includes pension commitments under French law.

Minerals & Metals Division

The provision for pensions at Montanwerke Brixlegg Aktiengesellschaft is recognised in the amount of the individual contractual commitments.

The provision for pensions at Etablissements Gindre Duchavany S.A., Gindre Composants S.A. and Kupferheydt GmbH covers pension commitments under collective agreements, made to senior executives and to all the other employees. Entitlements are based on remuneration and length of service.

22.2 Termination benefits

Under Austrian employment law termination benefits must be paid to employees on termination of their employment in certain cases, one of which is retirement. The payments are related to remuneration and years of service. They are one-time payments which must be accounted for as defined benefit obligations, in the same way as pension obligations under defined benefit plans.

Due to the requirements of the betriebliches Mitarbeitervorsorgegesetz (Employee Benefits Act), the Group's operations in Austria have converted from defined benefit to defined contribution based entitlements, which are being transferred to employee benefit funds. The change in the legal position applies to employment contracts concluded on or after 1 January 2003 and contracts under which voluntary migration to the new system took place by mutual consent. Under the new Act the employer must contribute 1.53% of the employee's salary entitlement to the employee benefit fund but there is no obligation to make top-up payments.

ATB SEVER a.d., Subotica, Serbia recognised a termination benefit provision in the acquisition balance sheet drawn up to 1 January 2005, due to an obligation under a collective agreement. The projected unit credit method was used to calculate the obligations. Account was taken of the influence of expected future salary increases on entitlements.

The provisions for termination benefits at Global Power Asia Ltd., China are calculated on the basis of local legislation. This essentially involves providing for entitlements to termination benefits and other settlement payments.

22.3 Jubilee benefits

Jubilee benefit obligations are among the other long-term obligations to employees. The projected unit credit method is used to calculate these obligations. The "corridor" method under IAS 19 is not applied.

The employees of the Austrian, French, German, Polish, Serbian, Spanish and Swiss Group companies receive jubilee bonuses or long service awards under the provisions of collective or other agreements. The amounts are determined by length of service and salary at the time of the disbursement of the benefits.

22.4 Termination gratuities

Termination gratuities are payable upon the termination of employment by the Group before an employee's normal retirement age or if an employee separates voluntarily in return for such a payment. The Group recognises such gratuities if it is demonstrably committed to a termination under a formal plan and is without realistic possibility of withdrawal, or to providing benefits in order to encourage voluntary redundancy. Payments due more than 12 months after balance sheet are discounted to present value.

23 Other provisions

A provision must be recognised if the Group has a present obligation, legal or constructive, as a result of a past event, if it is probable that an outflow of resources will be required to settle the obligation, and if a reliable estimate can be made of the latter.

Where there are a number of similar obligations the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Even if the likelihood of an outflow for any one item is small, a provision is recognised if, in the light of the law of large numbers, it appears probable that an outflow of resources will be needed to settle the class of obligations as a whole.

If an obligation is not expected to result in outflows of resources for more than a year the amount of the provision recognised is the present value of the expenditure expected to be required to settle it. Expected reimbursements of provisions by third parties are recognised as separate assets provided that they are virtually certain to be realised.

If a changed risk assessment results in a reduction in the estimate of an obligation the provision is proportionately reversed, and the gain allocated to the area of expenditure originally charged.

The Company recognises provisions for warranties and product returns when the revenue is recognised or a constructive obligation arises. The warranty provision is recognised on the basis of the Company's best estimates of the amounts required to settle present and future claims in respect of products sold as at balance sheet date. The provision for product returns is based on the Group's past experience.

The restructuring provisions largely relate to future obligations to pay termination gratuities or continue to pay the salaries of certain employees given early retirement. These expenses are recognised in profit or loss in the periods in which the Group is obliged to make payments. Such obligations are only recognised if there is an underlying agreement stating the reasons for the restructuring actions and the number of employees affected, and according to which the employees concerned are informed about the measures in question.

24 Revenue recognition

Revenue derived from the sale of goods is recognised if the amount can be measured reliably, if it is sufficiently probable that the economic benefits associated with the transaction will flow to the Company, and if the costs incurred or to be incurred in respect of the transaction can be measured reliably. The Company thus recognises revenue from the sale of goods when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

Revenue is shown net of value added tax and other taxes, as well as any rebates or discounts. Estimates of discounts, rebates and product returns are also made at the time of revenue recognition, and reductions in revenue provided for. Estimates of reductions in revenue are mainly based on experience of the revenue performance of individual segments.

Contract revenue is recognised in accordance with the percentage of completion (PoC) method (see Note G. 16).

Revenue from the rendering of services is recognised in profit or loss by reference to the percentage of completion in the financial years in which the services are rendered, provided that the outcome of the transaction can be reliably estimated.

Interest income is recognised by allocating it over the relevant period, in accordance with the effective interest method.

25 Earnings per share

Basic earnings per share are calculated by dividing the consolidated profit for the period attributable to A-TEC shareholders by the weighted average number of shares in circulation. Earnings per share may be diluted by “potential shares” arising from convertible bonds. In 2008 the number of shares was increased by the issue of bonus shares (see Note J.15).

26 Capital management

The Company’s capital consists of debt and equity attributable to the shareholders of the parent; the equity reported in the consolidated balance sheet is regarded as economic capital. At balance sheet date the Company’s equity ratio was 11.20% (2007: 11.91%).

The Company’s capital management is aimed at maximising shareholder returns whilst ensuring that all of the subsidiaries remain going concerns by optimising their debt/equity structure. Currency risk exposures arising from the existence of Group companies outside the Eurozone are managed by appropriate measures to the extent that the cost is not prohibitive.

At Group level management seeks to optimise the ratio of net debt to EBITDA. At balance sheet date this was 3.73 (2007: 3.98) (for net debt calculation see Note I.1.).

Management levers include borrowing and debt reduction, and strengthening the Group’s equity base by reinvesting profits.

Whilst pursuing these objectives management works to reconcile growth with shareholder returns by focusing exclusively on profitable growth opportunities.

H. Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires the Group to make certain estimates and judgements that affect its reported assets and liabilities, income and expenses, and contingent liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events which are believed to be reasonable under the circumstances.

The Group makes estimates and judgements regarding events expected to occur in the future. Inevitably, the amounts stated on the basis of these estimates rarely conform to actual events. Estimates and assumptions that bear a substantial risk of causing significant adjustments to the carrying amounts of assets and liabilities in coming financial years relate to the following issues:

(a) Construction contracts

Estimates connected with construction contracts relate in particular to expected costs and realisable revenue. Changes in estimates and deviations of actual from estimated costs have a direct effect on profits from construction contracts. Such changes in estimates tend, in particular, to concern revenue, contract receivables and payables, as well as "Other long-term provisions" and contingent liabilities. Assessments of the likely outcome of litigation arising from construction contacts may also have a significant influence on the Group's assets, finances and earnings.

(b) Estimation of useful lives

Determination of the expected useful lives of amortisable intangible assets and depreciable property, plant and equipment calls for numerous estimates at the time of initial recognition. These include assumptions as to intended use, physical wear and tear, maintenance requirements, possible changes in markets, product life cycles, and the actions and reactions of competitors. These estimates must be reviewed annually and adjusted in accordance with IAS 8 where necessary.

(c) Estimation of impairment of goodwill and intangible assets with indefinite useful lives

The Group assesses the possibility that impairment may need to be recognised in respect of goodwill and intangible assets with indefinite useful lives at least once a year, in accordance with the accounting policy set out in Note G.7. Property, plant and equipment, and amortised intangible assets are also reviewed for impairment if events or changes in circumstances indicate that the carrying amount exceeds the recoverable amount (the higher of fair value less costs to sell and value in use). The recoverable amounts of cash-generating units are determined on the basis of calculations of useful lives and techniques for measuring fair value based on net present value. These calculations require the use of estimates.

Even if the operating profit for the year ended 31 December 2008 assumed for the calculations was 10% lower in future than estimated by management the Group would not need to reduce the carrying value of the goodwill, other intangible assets and property, plant and equipment of the companies in the Plant Construction, Drive Technology and Minerals & Metals divisions, or the DST (2007: EUR 4,244,000) or EMCO sub-groups of the Machine Tools Division. The carrying amount of the Industrial Motors cash-generating unit in the Drive Technology Division would have to be reduced by EUR 14,681,000. However, the Group has reserves of EUR 27,009,000 in respect of property, plant and equipment, which are reported as a revaluation reserve.

If the pre-tax discount rate applied to the discounted cash flows was 10% higher than estimated by management, then the carrying amount of the Industrial Motors cash-generating unit would have to be reduced by EUR 20,260,000 (2007: EUR 206,000). However, the Group has reserves of EUR 27,009,000 in respect of property, plant and equipment, which are reported as a revaluation reserve. There would be no need to recognise an impairment loss in respect of the DST sub-group of the Machine Tools Division (2007: EUR 7,103,000).

(d) Income tax expense

The Group is liable to income tax in many jurisdictions. Estimates are necessary to determine the amount of the global income tax provision. There are many transactions and calculations for which the ultimate tax burden in the ordinary course of business is uncertain. The Group recognises provisions for anticipated problems arising from tax inspections on the basis of estimates as to whether additional tax will be payable. If the ultimate tax assessment differs from the amounts originally stated these differences affect income tax expense and deferred tax in the relevant period.

In addition judgements as to the value of deferred tax assets call for estimates of the future earnings positions of the Group companies concerned for accounting and tax purposes. Changes in estimates and deviations of actual results from estimates may necessitate adjustments — particularly to the carrying amounts of deferred tax assets arising from tax loss carryforwards (see Note J.22).

(e) Actuarial assumptions regarding provisions for pensions and other post-employment benefits

The Group makes actuarial assumptions on the basis of current market conditions.

The Group uses statistical and actuarial calculations by actuaries to predict future developments in connection with post-employment benefit obligations. Actuarial assumptions and estimates are essential for these calculations. These assumptions and estimates are made on the basis of current market conditions. The calculations in question are mainly based on assumptions about the discount rates, the anticipated return on plan assets, salary and pension trends and life expectancy. These actuarial assumptions may diverge widely from actual developments due to changed market and economic conditions, resulting in material changes in pension and similar obligations. In the event that the pre-tax discount rate was 10% lower than estimated the Group's obligations (after the deduction of plan assets) would be EUR 8,816,000 (2007: EUR 7,242,000) higher.

(f) Other long-term provisions

A provision must be recognised if the Group has a present obligation, legal or constructive, as a result of a past event, if it is probable that an outflow of resources will be required to settle the obligation, and if a reliable estimate can be made of the latter. The Group's past experience is reflected in its assessments of the probability of future outflows of resources and of the reliability of the estimates of those outflows (see Note J.24).

(g) Trade and other receivables

"Trade and other receivables" are normally measured at amortised cost. This is the invoiced amount less an impairment provision for bad and doubtful debts. Uncollectible receivables are derecognised as soon as they are identified as such. The Group's previous experience regarding the recoverability of receivables is reflected in the calculation of the impairment provision for bad and doubtful debts. If the assumptions as to collectibility were varied by 10% to the disfavour of the Group an additional impairment provision of EUR 3,778,000 (2007: EUR 4,493,000) would be required. However management believes that the receivables are not currently subject to any default risks in excess of those provided for.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale. A change of 10% in the impairment assumptions would require an additional write-down of EUR 6,070,000 (2007: EUR 2,268,000).

I. Risk management

Because of its wide geographical reach the A-TEC Group is exposed to a variety of risks in the normal course of business. These affect its divisions, assets and liabilities, and commercial plans.

The A-TEC Group's risk management policies are established by the Management Board and overseen by the Supervisory Board.

The implementation of Group risk strategy and the actual use of hedging instruments is decentralised, and takes place at divisional level.

Risks that could materially affect the Group's assets, finances and earnings, share price and reputation are outlined below. These are not necessarily the only risks to which the Group is exposed. Contingencies that are not yet known to us or are still regarded as insignificant may also affect our business operations.

Risks related to the general economic situation

The business environment in which we are operating may be influenced both by regional and by global economic conditions. In 2008 the equity, capital and credit markets were subject to unprecedented volatility and distortions. If this volatility and these distortions continue or spread, there can no assurance that they will not have material adverse effects on the Group's assets, finances and earnings, and its ability to raise capital. The global recession could lead to delays in existing contracts, and to delays or cancellations of ongoing projects. This could result in a decline in Group order intake. The possible cancellation of existing orders could also negatively impact Group order backlog. The current credit shortage could restrict our customers' access to finance, leading to changes, delays or cancellations of purchases of our products and services. Moreover, inadequate revenue or increased difficulty in gaining access to financial markets on the part of our customers could mean that they are unable to settle existing obligations on time or in full. This could in turn adversely affect our earnings and cash flows.

The global financial and economic crisis may also necessitate the full or partial write-off of some goodwill arising on acquisitions if the targeted business performance cannot be not attained, and this could have a major impact on results.

Financial market risk

Due to the nature of its activities the Group is subject to a variety of financial risks, including those associated with the impacts of movements in market prices, exchange and interest rates.

1 Liquidity risk

The main financial risks arise from inadequate liquidity and finance. The Group's liquidity risk is the risk that it may be unable to meet financial obligations such as debt repayments, the settlement of obligations arising from acquisitions, and obligations arising from finance leases.

The potential economic effects of the financial crisis may influence future cash flows. In general, access to financial markets has become more difficult, as has the extension of existing credit lines. This could affect the generation of the necessary liquid resources. Borrowing conditions and the maintenance of credit lines are subject to compliance with certain covenants. As at the balance sheet date three Group companies were in breach of loan covenants, meaning that EUR 67.5m of long-term borrowings had to be reclassified as short-term borrowings.

The overall liquidity and debt picture is shaped by net liquidity and net debt. Net liquidity and net debt are given by total cash and cash equivalents less borrowings as reported on the face of the balance sheet.

	Year to 31 December	
	2008	2007[1]
	EUR '000	EUR '000
Short-term financial debt	309,084	457,263
Long-term financial debt	425,720	506,117
Cash and cash equivalents	-446,735	-400,038
Net debt	**288,069**	**563,342**

1) The comparative period was adjusted for the changes arising from the adjustment of purchase price allocations (see Note J. 29).

The control and limitation of liquidity risk is normally performed on a decentralised basis, at divisional level, but if necessary the Group holding company A-TEC Industries AG assumes default risk on behalf of Group companies. The guarantees given and letters of comfort issued by the holding company on behalf of Group companies totalled EUR 203.2m (2007: EUR 225.2m) at balance sheet date. In addition to these liabilities the holding company has undertaken liability in letters of comfort to ensure that the Drive Technology Division is always capable of meeting its full debt obligations to third parties on maturity so as to preclude material grounds for insolvency under the Austrian Bankruptcy Code.

In recent years A-TEC Industries AG has floated two bond issues in order to finance acquisitions. The 2005–2010 bond, with an outstanding principal of about EUR 90m, is due for redemption on 2 November 2010. At present it appears that it will not be possible to finance redemption of the bond out of current cash flows. We are currently examining a number of options, including follow-up loans and capital market transactions. Provided that the situation on financial markets does not deteriorate further and that the Group is not significantly impacted by risks related to overall economic trends the Management Board expects one of the refinancing options under evaluation and timely redemption of the bond to be feasible.

The Management Board will pledge assets as collateral if this is necessary in order to raise loans.

Since the control and limitation of liquidity risk is normally performed on a decentralised basis, at divisional level, it is appropriate to take a differentiated view of the exposures in the various divisions.

The Plant Construction and Machine Tools divisions generate high cash flows, and the Plant Construction Division also has large cash holdings. This reflects the effectiveness of their net working capital and cash management.

The syndication of a EUR 700m bank guarantee facility was completed in August 2008. All the main AE&E Group companies have signed the agreement as borrowers, and jointly and severally liable guarantors. The facility had only partly been used by the balance sheet date. Apart from various covenants the agreement also imposes restrictions on distributions and disbursements by the AE&E Group.

The liquidity position in the Minerals & Metals Division is heavily dependent on copper prices. Some of the division's credit lines are explicitly tied to quoted copper prices. Revenue growth and the effect of high copper prices on current assets tied up a large amount of liquidity in the first three quarters. The unparalleled price collapse from September 2008 until the end of the year reduced the amount of credit available to finance current assets. In order to enable the division to meet the resultant repayment requirements and provide cash to pay for scrap deliveries, A-TEC Industries AG granted it a subordinate loan of EUR 26.1m up to year end 2008. A further EUR 9m in loans were extended up to 19 February 2009. In addition, the parent promised to make a non-repayable shareholder contribution of EUR 33m. Long shutdowns at major customers over the Christmas break led to payment delays in January, but incoming payments have since normalised.

Copper prices stabilised in the weeks after the balance sheet date. The division's liquidity plans for 2009 show a favourable trend at this price level, partly as a result of positive knock-on effects of purchase contracts made in the final quarter of 2008. Liquidity is monitored by means of weekly financial status reviews to which the purchasing, sales and accounts departments contribute. In addition, the long-term financial plan is updated on a monthly basis.

In the Drive Technology Division liquidity risk is assessed by analysing the budgeted operational and financial cash inflows and outflows on a monthly basis, and forecasting net liquidity. The net liquidity forecasts are compared with existing cash deposits and borrowings, the maturities of the latter and existing liquidity reserves.

Unused credit lines at some companies are offset by unfunded capital requirements at other firms in the division. Due to the difficult situation on financial markets access to the necessary credit, and hence the continued existence of the ATB Group depends on backing from A-TEC Industries AG. A-TEC has therefore issued letters of comfort undertaking liability to ensure that ATB Antriebstechnik AG is at all times capable of meeting its present and future financial obligations at maturity, and to prevent the occurrence of material grounds for insolvency under the Austrian Bankruptcy Code. These undertakings are valid until 31 December 2009. A-TEC Industries AG has also committed itself to providing financial support for ATB beyond this date if: (i) ATB is unable to make repayments of principal and interest on loans due in 2009 and 2010; (ii) ATB Austria itself is required to meet obligations under a letter of comfort issued on behalf of Lindeteves Jacoberg Ltd, Singapore; or (iii) this is necessary to prevent the occurrence of material grounds for insolvency. This declaration is valid until 31 December 2010.

2 Currency risk

As the A-TEC Group does a sizeable part of its business outside the euro area exchange rate movements can have a material influence on results. Currency risks in connection with financial instruments arise from receivables, payables, and cash and cash equivalents which are not denominated in the functional currency of a Group company.

The Group's currency risk exposures arising from financial instruments primarily relate to the US dollar, the British pound, Australian dollar, the Czech crown, the Polish zloty, the Singapore dollar, the Slovak crown and the Serbian dinar. Although A-TEC strives to hedge the net currency positions arising from individual contracts, currency movements and resultant exchange losses may impact consolidated results. Exchange rate movements may also adversely affect revenue, which is translated into euro, and hence Group results.

There are also currency risks associated with foreign currency loans, since it is not always possible to obtain loans in local currencies.

To a limited extent currency risk exposures are hedged by derivative financial instruments.

Risks also arise from the translation of the separate financial statements of foreign subsidiaries into the Group currency, the euro. The revenue, profits and balance sheet items of Group companies located outside the euro area depend on the respective exchange rates against the euro.

Risks likewise arise from the translation of financial receivables and payables into the functional currencies of subsidiaries. Some exchange losses are taken to profit or loss and others are reflected in the net investments in subsidiaries recognised in the balance sheet. A 10% devaluation of transaction currencies against Group companies' functional currencies would have the following effects on reported consolidated profits and equity:

	EUR '000					
	EUR	**USD**	**GBP**	**SGD**	**Other**	**TOTAL**
Recognised in profit or loss	-11,766	-2,687	-2,788	-305	-1,788	-19,334
Recognised directly in equity	4,814	333	23	-1,987	818	4,001

3 Interest rate risk

The A-TEC Group's interest rate risk exposure largely relates to financial assets and liabilities with maturities of over one year. In the case of fixed rate financial instruments (e.g. fixed rate bonds) the risk of changes in market interest rates results in fair value risk as the fair values of these instruments are sensitive to movements in interest rates. In the case of floating rate instruments there is a cash flow risk, as the interest payments could increase.

Interest rate risk is disclosed in accordance with IFRS 7, using sensitivity analyses. These show how interest income and expense, and equity at balance sheet date would be affected by a change in market interest rates. Here, the interest rate risk is viewed as a cash flow risk. A hypothetical increase in the interest rates applicable to liabilities in the main currencies of 100 base points over the year (at constant exchange rates) would have increased interest expense for 2008 by EUR 1,392,000 (2007: EUR 3,038,000) and reduced equity by the same amount.

4 Price risk

The A-TEC Group requires considerable quantities of raw materials and energy for its production processes. Raw material and energy prices can fluctuate widely, according to the market situations concerned. As has already happened in the past, there may be times when increases in input prices cannot be passed on to customers.

As a result, the Company is exposed to raw material price risk (particularly in the Minerals & Metals Division) which may influence its assets, finances and earnings. In order to control raw material price risks, wherever possible long-term contracts are made with suppliers. Limited use is also made of derivatives. These are chiefly used to hedge copper prices. Incoming and outgoing quantities of metals arising from normal business are netted on a daily basis, and the differences arising from peak volumes are squared by exchange transactions.

The operational management of raw material price risk is the responsibility of the divisional purchasing departments.

The sensitivity analysis required by IFRS 7 for financial instruments is restricted to hypothetical changes in the market prices of derivative instruments, which the Group only uses for copper.

Reference is made to Note J.25 for information on price risk associated with derivative financial instruments.

5 Credit risk

The A-TEC Group's credit risk exposures largely arise from its operational business. Credit risk is the risk of the unexpected loss of financial assets, e.g. if a customer is unable to discharge its obligations when they fall due. Defaults affecting the Group's operational business are constantly monitored on a decentralised basis. Credit risk is accounted for by impairment provisions. The maximum credit risk is given by the carrying amounts of the financial assets stated on the face of the balance sheet. The A-TEC Group counters credit risk by performing creditworthiness analyses and by taking out credit insurance.

The maximum credit risk is as follows:

	Year to 31 December	
	2008	2007
	EUR '000	EUR '000
Trade and other receivables	920,383	1,004,622
Other financial assets	28,950	348,305
Cash and cash equivalents	445,661	399,145
Credit risk	**1,394,994**	**1,752,072**

6 Personnel risk

Competition for highly qualified management and technical personnel is still intense in the industries and regions in which our divisions operate. Our future success depends on our ability to recruit and retain engineers and other professionals. We cannot be sure of continuing to attract and retain highly qualified employees and competence carriers. Failure to do so could have considerable adverse effects on the Group's business operations and its ability to address necessary restructuring programmes.

7 Restructuring risk

The completion of the restructuring under way in the Drive Technology Division — particularly at the factories in Subotica, Serbia and Tarnów, Poland — is crucial to the division's ability to achieve turnaround. The restructuring process involves making improvements to production methods, and sustainable savings on overheads and sustain these changes.

Risks related to major contracts

Large contracts are particularly prevalent in the Plant Construction Division. The failure of the clients concerned to fulfil their payment obligations under such contracts could have an adverse effect on the Group's financial and liquidity position. The Plant Construction Division counters credit risk at the tendering stage, by measures built into its project management processes, including creditworthiness analyses, bank guarantees and export credit insurance. The Plant Construction Division is frequently obliged to give contractual payment and delivery date guarantees in connection with deliveries of plants. In the event of non-conformity with guaranteed performance or deadline overruns penalties are normally payable or modifications must be made at the expense of the Group to attain agreed plant performance. In the event of severe delivery overruns or plant underperformance the client is entitled to withdraw from the contract. The Plant Construction Division has implemented a project risk management system designed to manage and minimise such project risks at each project stage.

Most of the division's business involves long-term, fixed price contracts. Large parts of the plants to be delivered are procured from subcontractors. The prices of such plant components and the materials used to manufacture them, and of other bought-in materials may fluctuate widely, depending on the market situation. These fluctuations in costs give rise to cost risk which can influence the division's assets, finances and earnings. In the past few years the Plant Construction Division has been faced with sharp purchasing price rises. As not all of these increases could be passed on to clients or compensated for by internal savings the division's earnings were adversely affected.

The Plant Construction Division is increasingly assuming full responsibility for the delivery, erection and commissioning of complete plants under turnkey or engineering-procurement-construction (EPC) contracts. Apart from the above exposures such contracts carry risks that arise from greater on site responsibility, e.g. environmental risks, risks related to local working conditions and risks associated with plant fabrication and erection. The division is also exposed to risks connected with cooperation with third parties subcontracted to provide fabrication, assembly and engineering services.

The Plant Construction Division has implemented a project risk management system designed to manage and minimise such project risks at each project stage.

Legal risk

Some companies in the Plant Construction Division are involved in litigation or arbitration proceedings. Most of these proceedings are typical of the industries in which they operate. Provisions are made if a negative outcome is regarded as probable. However, there can be no certainty that such provisions will be sufficient.

Overall assessment of risk

The global economy has deteriorated considerably since our last assessment in 2007. Due to the volatility of financial markets it has become more difficult to forecast the Group's future assets, finances and earnings accurately. If the global economic crisis persists for longer than expected or worsens, not only will the A-TEC Group lose potential new business but the financial risks to which it is exposed will also increase.

J. Notes to the consolidated financial statements

Comparability with the previous year is limited due to changes in the scope of consolidation. For a detailed explanation readers are referred to Note J.29.

1 Segmental analysis

IAS 14 Segment Reporting requires separate presentation of financial information by geographical areas and business segments, the segmentation being based on the entity's internal reporting system.

The A-TEC Group is run via divisions which are organised around the characteristics of their business, the nature of their products and their production processes. These constitute the reportable segments, namely: Plant Construction; Drive Technology; Machine Tools; and Minerals & Metals.

The segment information was prepared in conformity with the accounting policies adopted for the consolidated financial statements.

Primary reporting format: business segments

2008

EUR '000	Plant Construction	Drive Technology	Machine Tools	Minerals & Metals	Investments and Other	Total
Revenue	1,631,084	392,365	370,101	864,931	-1,613	3,256,868
Operating profit	68,201	-2,863	29,722	-57,728	-17,931	19,401
Net finance costs/income	5,537	-21,766	-10,728	-11,993	7,234	-31,716
Profit before tax	73,738	-24,629	18,994	-69,721	-10,697	-12,315
Income tax expense	-11,332	-4,942	-7,811	10,182	-541	-14,444
Profit/loss from discontinued operations	4,412	-11,314	0	0	0	-6,902
Profit/loss for the period	**66,818**	**-40,885**	**11,183**	**-59,539**	**-11,238**	**-33,661**
Depreciation, amortisation and impairment	-9,388	-23,144	-14,853	-9,473	-1,017	-57,875
Non-cash expenses	-19,189	0	-1,688	-75	-31	-20,983
Non-cash income	13,786	2,302	603	121	0	16,812
Segment assets	1,633,729	393,838	355,462	305,594	63,366	2,751,989
Liabilities	1,394,657	338,909	282,989	261,640	162,134	2,440,329
Additions to non-current assets	22,037	19,794	12,574	25,390	50,270	130,065

2007[1)]

EUR '000	Plant Construction	Drive Technology	Machine Tools	Minerals & Metals	Investments and Other	Total
Revenue	1,046,413	366,396	211,751	686,523	-1,002	2,310,081
Operating profit	54,580	-21,904	15,893	19,593	2,886	71,048
Net finance costs/income	3,867	-17,846	-5,087	-8,430	-14,663	-42,159
Profit before tax	58,447	-39,750	10,806	11,163	-11,777	28,889
Income tax expense	-2,550	333	-5,019	27	1,476	-5,733
Loss from discontinued operations	-1,520	-15,366	0	0	0	-16,886
Profit/loss for the period	**54,377**	**-54,783**	**5,787**	**11,190**	**-10,301**	**6,270**
Depreciation, amortisation and impairment	-6,410	-46,924	-9,335	-6,807	-148	-69,624
Non-cash expenses	0	-4,647	-21	0	-1,249	-5,917
Non-cash income	10,420	6,037	0	13,272	11,675	41,404
Segment assets	1,592,944	426,980	369,297	338,967	354,736	3,082,924
Liabilities	1,398,652	390,075	308,021	270,628	340,524	2,707,900
Additions to non-current assets	8,808	14,146	5,014	29,547	8,075	65,590

The "Investments and Other" segment largely relates to the financing and activities of the Group holding company.

Secondary reporting format: geographical segments

The analysis by geographical segments is as follows:

2008

EUR '000	European Union	Rest of Europe	North America	Australia	Asia	Rest of world and cons.	Total
Revenue	2,419,497	233,248	89,799	228,336	213,800	72,188	**3,256,868**
Assets	2,204,081	300,434	33,513	143,083	48,494	22,384	**2,751,989**
Investment	121,375	5,066	303	1,658	492	1,171	**130,065**

2007[1)]

EUR '000	European Union	Rest of Europe	North America	Australia	Asia	Rest of world and cons.	Total
Revenue	1,770,261	152,660	57,629	66,341	175,004	88,186	**2,310,081**
Assets	2,469,128	336,562	37,543	160,289	54,326	25,076	**3,082,924**
Investment	61,208	2,555	153	836	248	591	**65,590**

1) The comparative period was adjusted for the changes arising from the adjustment of purchase price allocations (see Note J. 29) and discontinued operations (see Note J. 20).

2 Construction contracts

Construction contracts, which are accounted for according to IAS 11, were as follows:

	Year to 31 December	
	2008	2007[1]
	EUR '000	EUR '000
Capitalised contract expenses	1,503,067	952,249
less progress billings	1,282,590	788,728
Due from customers for contract work	**220,477**	**163,521**
Due to customers for contract work	**-444,542**	**-407,123**
Total	**-224,065**	**-243,602**
Revenue	**1,585,656**	**1,200,687**

3 Staff costs

An analysis of staff costs is shown below:

	Year to 31 December	
	2008	2007[1]
	EUR '000	EUR '000
Wages and salaries	415,530	293,930
Expenses for termination benefits and payments to company pension funds	1,879	1,546
Expenses for pensions	6,585	6,018
Expenses for social security contributions and other pay related contributions	75,148	54,156
Other staff costs	2,733	1,738
Total	**501,875**	**357,388**

Staff costs include EUR 11,360,000 (2007: EUR 6,335,000) in restructuring expenses, as well as gains on reversal of employee benefit provisions of EUR 9,900,000 (2007: nil).

The average number of employees in 2008 was 12,933, of whom 209 (2007: 1,002) were at discontinued operations.

1) The comparative period was adjusted for the changes arising from the adjustment of purchase price allocations (see Note J. 29) and discontinued operations (see Note J. 20).

4 Other operating income and expenses

An analysis of "Other operating income and expenses" is as follows:

	Year to 31 December	
	2008	2007[1)]
	EUR '000	EUR '000
Other operating income		
Exchange gains inc. expenses and income arising from hedging	17,696	613
Gains on reversal of other provisions	13,857	0
Other non-recurring income	5,950	0
Insurance proceeds	3,289	865
Gains on reversal of negative goodwill	2,302	23,562
Rental income	622	437
Proceeds from the sale of assets other than financial assets	464	873
Gains on debt write-downs	0	17,712
Sundry other operating income	13,201	8,982
	57,381	**53,044**
Other operating expenses		
Legal, auditing and consultancy fees and other external services	64,589	41,235
Travel expenses and mileage	32,718	18,257
Lease payments and rentals	27,028	17,467
Transport costs	25,022	22,008
Maintenance and servicing expenses	20,782	15,563
Insurance	19,286	16,405
Commissions	18,546	7,506
Bidding expenses in respect of RTB Bor	10,556	0
IT expenses	8,438	5,850
Advertising expenses	6,113	4,550
Accruals from invoiced orders	5,768	776
Postal and telephone charges	5,506	4,075
Taxes not recognised as income tax expense	5,110	3,423
Payment costs	4,378	6,251
Warranty expenses	4,126	0
Office supplies	4,087	2,442
Bad debts, and allocations to and reversal of impairment provisions	3,711	1,061
Staff training and development	3,275	1,756
Energy costs	1,408	2,097
Licences, know-how and engineering expenses	957	1,021
Losses on the disposal of assets other than financial assets	817	678
Other restructuring expenses	175	3,029
Exchange losses	0	3,063
Sundry other operating expenses	21,965	21,267
	294,361	**199,780**

1) The comparative period was adjusted for the changes arising from the adjustment of purchase price allocations and discontinued operations (see Note J. 20).

"Sundry other operating income" in the main relates to income from completed contracts (approx. EUR 8.8m).

Reference is made to Note J.29.2.1 for information on "Gains on reversal of negative goodwill" in the amount of EUR 10,290,000 in 2007.

"Gains on debt write-downs" of EUR 17,712,000 in 2007 arose entirely from write-downs obtained by the Company and its subsidiaries on loan repurchases from the creditor banks of Lindeteves-Jacoberg Ltd., Singapore.

5 Net finance costs

The following is an analysis of finance costs and income:

	Year to 31 December	
	2008	**2007[1)]**
	EUR '000	**EUR '000**
Interest and similar expenses		
Interest and similar expenses arising from borrowings	-68,159	-47,794
Interest expense arising from long-term provisions for employee benefits	-7,457	-5,896
Exchange differences	-7,889	0
Other expenses arising on disposal and measurement of financial instruments	-1,195	-3,699
	-84,700	**-57,389**
Interest and similar income		
Bank interest	25,554	10,459
Income from financial assets and similar income (inc. plan assets held to fund long-term provisions for employee benefits)	8,659	3,189
Gains on disposal of financial assets measured at fair value through profit or loss	9,659	0
Gains on disposal of available-for-sale financial assets	9,312	639
Exchange differences	0	543
	53,184	**14,830**
Share of profit of entities accounted for using the equity method	**-200**	**400**
Net finance costs	**-31,716**	**-42,159**

"Income from financial assets and similar income" includes EUR 3,174,000 in dividends from Norddeutsche Affinerie AG.

"Gains on disposal of financial assets measured at fair value through profit or loss" amounting to EUR 9,659,000 resulted from the disposal of the shares in Cumerio S.A. The finance costs incurred in connection with the transaction were EUR 2,365,000, resulting in a net gain of EUR 7,294,000 on the sale of the Cumerio shares.

"Gains on disposal of available-for-sale financial assets" of EUR 9,312,000 relate to the disposal of the shares in Norddeutsche Affinerie AG. The related finance costs were EUR 5,459,000, yielding a net gain of EUR 3,853,000.

1) The comparative period was adjusted for the changes arising from the adjustment of discontinued operations (see Note J. 20).

6 Income tax expense

	Year to 31 December	
	2008	2007[1]
	EUR '000	EUR '000
Current tax expense	-17,917	-13,476
Deferred tax income	3,473	7,743
Total	**-14,444**	**-5,733**

The tables below are reconciliations of the Austrian corporation tax rate and the effective tax rate based on the tax expense recognised in the consolidated financial statements.

2008	**EUR '000**
Profit before tax	-12,315
Imputed income tax expense	3,079
Differences in tax rates	-4,410
Other non-deductible expenses	-2,346
Other tax-free income	3,020
Reduction in current tax expense through utilisation of unused temporary differences and tax losses	1,397
Reduction in deferred tax expense on initial recognition of deferred tax	3,236
Deferred tax expense due to changes in tax rates	-232
Difference between tax rates in the reporting period and anticipated future tax rates upon realisation/repayment	109
Uncapitalised losses and temporary differences during the reporting period	-20,800
Tax refunds	4,331
Taxes from previous periods	-340
Other	-1,489
Income tax expense	**-14,444**

1) The comparative period was adjusted for the changes arising from the adjustment of purchase price allocations (see Note J. 29) and discontinued operations (see Note J. 20).

2007[1]	EUR '000
Profit before tax	28,889
Imputed income tax expense	-7,222
Differences in tax rates	-2,106
Non-taxable impairments	-3,576
Other non-deductible expenses	-3,522
Negative goodwill	5,915
Other tax-free income	6,646
Reduction in current tax expense through utilisation of unused temporary differences and tax losses	932
Reduction in deferred tax expense on initial recognition of deferred tax	8,973
Deferred tax expense due to changes in tax rates	-1,326
Difference between tax rates in the reporting period and anticipated future tax rates upon realisation/repayment	-935
Uncapitalised losses and temporary differences during the reporting period	-7,845
Other	-1,667
Income tax expense	**-5,733**

Readers are referred to Note J.22 for information on deferred tax.

7 Research and development costs

Research and development costs recognised as expense totalled EUR 19,950,000 (2007: EUR 14,175,000) or 0.61% (2007: 0.61%) of revenue.

	Year to 31 December	
	2008 EUR '000	2007 EUR '000
Raw material and services used	2,768	2,437
Staff costs	8,258	6,872
Depreciation and amortisation	5,198	2,606
Other operating income and expenses	3,726	2,260
Total	**19,950**	**14,175**

Development costs of EUR 5,431,000 (2007: EUR 7,219,000) were recognised as assets in 2008.

8 Property, plant and equipment

Movements in property, plant and equipment are shown in Annex 2.

Impairments arising from the revaluation of land in 2007 amounted to EUR 1,750,000. No impairments were recognised in 2008.

The carrying amount of land and buildings would have been EUR 197,996,000 in 2008 (2007: EUR 171,436,000) if the cost method had been applied.

"Other operating income" for the period includes gains of EUR 464,000 (2008: EUR 873,000) and losses of EUR 817,000 (2007: EUR 678,000) on the disposal of property, plant and equipment.

Reference is made to Note J.21.1.3 for information on property, plant and equipment pledged as collateral.

1) The comparative period was adjusted for the changes arising from the adjustment of purchase price allocations (see Note J. 29) and discontinued operations (see Note J. 20).

9 Intangible assets

The development of intangible assets is shown in Annex 2.

The carrying amounts of intangible assets were as follows:

31 December 2008

Segment	Plant Construction Division EUR '000	Drive Technology Division EUR '000	Machine Tools Division EUR '000	Minerals & Metals Division EUR '000	Holding company EUR '000	Total EUR '000
Software, licences and similar rights	7,725	3,486	2,475	629	31	14,346
Goodwill	104,034	29,188	41,113	3,000	0	177,335
Trademarks	0	18,239	6,947	0	0	25,186
Technology	2,267	12,340	9,556	0	0	24,163
Customer relationships	654	0	6,103	0	0	6,757
Development costs	1,994	8,271	9,113	0	0	19,378
Prepayments	180	2,903	2,241	0	0	5,324
Total	**116,854**	**74,427**	**77,548**	**3,629**	**31**	**272,489**

31 December 2007[1)]

Segment	Plant Construction Division EUR '000	Drive Technology Division EUR '000	Machine Tools Division EUR '000	Minerals & Metals Division EUR '000	Holding company EUR '000	Total EUR '000
Software, licences and similar rights	8,116	2,600	3,757	503	42	15,018
Goodwill	106,359	38,641	41,124	3,000	0	189,124
Trademarks	0	21,232	7,614	0	0	28,846
Technology	0	13,334	9,173	0	0	22,507
Customer relationships	0	1,129	8,865	0	0	9,994
Development costs	2,097	5,338	12,033	0	0	19,468
Prepayments	0	23	1,230	0	0	1,253
Total	**116,572**	**82,297**	**83,796**	**3,503**	**42**	**286,210**

In the Drive Technology Division the capitalised trademarks, technologies and customer relationships recognised as assets are largely attributable to the acquisition of the Lindeteves-Jacoberg Group, and in the Machine Tools Division they arise from that of the Dörries Scharmann Technologie Group.

The carrying value of trademarks with indefinite useful lives was EUR 18,239,000 (2007: 21,232,000). The useful lives are indefinite when these trademarks are not subject to loss of value, due to appropriate investments and maintenance. The difference from the previous year reflects currency translation differences.

Technologies recognised as assets are amortised over 10–15 years.

1) The comparative period was adjusted for the changes arising from the adjustment of purchase price allocations (see Note J. 29).

9.1 Goodwill and intangible assets with indefinite useful lives

Movements in goodwill were as follows:

Segment	Plant Construction Division EUR '000	Drive Technology Division EUR '000	Machine Tools Division EUR '000	Minerals & Metals Division EUR '000	Total EUR '000
Carrying value at 31 December 2006	**91,081**	**44,465**	**23,312**	**2,580**	**161,438**
Additions	11,608	5,173	19,975	0	36,756
Adjustment in accordance with IFRS 3 para. 62	5,304	0	0	0	5,304
Impairment provisions	0	-6,712	0	0	-6,712
Currency translation differences/ other changes Changes	-151	-1,564	319	420	-976
Carrying amount at 31 December 2007	**107,842**	**41,362**	**43,606**	**3,000**	**195,810**
Adjustment in accordance with IFRS 3 para. 62	-1,483	-2,721	-2,482	0	-6,686
Carrying amount at 31 December 2007 after adjustments	**106,359**	**38,641**	**41,124**	**3,000**	**189,124**
Additions	6,558	0	0	0	6,558
Disposals	-3,373	0	0	0	-3,373
Impairment provisions	0	-5,940	0	0	-5,940
Currency translation differences/ other changes	-5,510	-3,513	-11	0	-9,034
Carrying amount at 31 December 2008	**104,034**	**29,188**	**41,113**	**3,000**	**177,335**

The goodwill in the Plant Construction Division largely results from the acquisitions of the Alstom operations in Australia (2005), and the Czech Republic and Germany (2006), of Global Power Asia Ltd. (2007, see Note J.29.2.2), of Mechanical Installations International Limited (2008, see Note J.29.2.4) and of KRB Kessel- und Rohrleitungsbau AG (2008, see Note J.29.2.3).

Intangible assets in the Drive Technology Division chiefly relate to the acquisitions of the Lindeteves-Jacoberg Group and ATB Sever.

Intangible assets in the Machine Tools Division arise from the acquisitions of the EMCO and the Dörries Scharmann Technologie groups.

Pursuant to IAS 36, goodwill and intangible assets with indefinite useful lives are impairment tested in the fourth quarter of each year, and also at other times whenever there is internal or external evidence of potential impairment. Impairment losses are recognised under "Depreciation, amortisation and impairment".

Goodwill arising on acquisitions is allocated to those cash-generating units (CGUs) that enjoy the potential synergies resulting from the business combination. CGUs constitute the lowest Group reporting level at which goodwill is monitored by management for internal control purposes.

Due to the strategic realignment of the Drive Technology Division in 2008 the Home Appliance, New Business and Serial Motors CGUs were combined in the Industrial Motors segment. Owing to the integration of these units during the year under review the impairment test was performed at segment level. Goodwill of EUR 5,940,000 was attributed to the Industrial Motors CGU, and goodwill of EUR 29,188,000 to the Project Motors CGU. The goodwill in Industrial Motors was written off in full as a result of the impairment test.

The EMCO Group (goodwill EUR 23,312,000) and the Dörries Scharmann Technologie Group (goodwill EUR 17,493,000) were identified as the CGUs in the Machine Tools Division. The change in goodwill in the Dörries Scharmann Technologie Group arose entirely from the adjustment of the purchase price allocation (see Note J.29.4.1).

In the Minerals & Metals Division the goodwill was attributed to the segment, as it was identified as the CGU.

In line with the new organisational structure the goodwill previously attributed to the Plant Construction Division was reallocated to the Australia and Asia-Pacific, ex-Alstom Czech Republic and Germany, and Von Roll Group CGUs.

To test for impairment a CGU's recoverable amount is calculated and compared with its carrying amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and its value in use.

With the exception of Industrial Motors the recoverable amounts of all CGUs were determined by calculating value in use, using the discounted cash flow (DCF) method. In the case of the Industrial Motors CGU the recoverable amount was ascertained by calculating fair value using the DCF method).

Future payment surpluses are based on internal budgets approved by management. Detailed budgets were drawn up for periods of one to three years, with simplified versions produced for the following two to three (Industrial Motors CGU) years.

Value in use and fair value were calculated on the basis of the following critical assumptions:

Segment	**Plant Construction Division**	**Drive Technology Division**	**Machine Tools Division**	**Minerals & Metals Division**
EBIT margin (budgeted operating profit)	4.7–6.1%	(0.1)–9.1%	5.3–9.7%	0.6–4.0%
Growth rate	0.0%	1.5%	0.0–1.0%	0.0%
Discount rate before tax	11.2–13.8%	13.6%	10.1–10.4%	13.2%

Impairment tests in the Serial Motors CGU in the Drive Technology Division revealed a need to recognise impairment of EUR 6,035,000 (2007: EUR 29,000,000).

These impairments affect the following assets:

	2008 EUR '000
Goodwill	5,940
Development costs	95
Total	**6,035**

The effect of the changed estimates of budgeted profits and discount rates on the impairment tests for the remaining CGUs is presented in section H.(b).

10 Investments in associates

Changes in the carrying amounts of investments in associates were as follows:

	2008 EUR '000	2007 EUR '000
At 1 January	**2.978**	**0**
Acquisitions	158	2,578
Pro rata capital increase	130	0
Disposals	-95	0
Share of profit after tax	-200	400
At 31 December	**2,971**	**2,978**

The following table provides a summary of the aggregated income statement for investments in associates accounted for using the equity method.

	2008 EUR '000	2007 EUR '000
Revenue	357	102
Gains on reversal of negative goodwill	0	1,070
Expenses	-858	-787
Profit for the period	-501	996
Share of profit before tax	-200	400
Profit before tax from investments in associates	**-200**	**400**

The following table provides a summary of the aggregated balance sheet for investments in associates accounted for using the equity method.

	2008 EUR '000	2007 EUR '000
Assets	10,125	9,116
Liabilities	2,597	1,673
Equity	7,528	7,443
Share of equity	2,971	2,978
Carrying amount of investments in associates	**2,971**	**2,978**

11 Other financial assets

The carrying amounts of "Other financial assets" are as follows:

31 December 2008	At fair value through profit or loss EUR '000	At fair value through equity EUR '000	At amortised cost EUR '000	Total carrying amounts EUR '000	Current EUR '000	Non-current EUR '000
Investments in unquoted equity instruments	0	0	1,517	**1,517**	0	1,517
Loans	0	0	10,792	**10,792**	0	10,792
Derivatives	18,158	0	0	**18,158**	18,158	0
Available-for-sale financial assets	0	3,263	0	**3,263**	0	3,263
Other	0	0	1,000	**1,000**	0	1,000
	18,158	**3,263**	**13,309**	**34,730**	**18,158**	**16,572**

31 December 2007[1)]	At fair value through profit or loss EUR '000	At fair value through equity EUR '000	At amortised cost EUR '000	Total carrying amounts EUR '000	Current EUR '000	Non-current EUR '000
Investments in unquoted equity instruments	185,093	150,317	1,915	**337,325**	335,411	1,914
Loans	0	0	8,293	**8,293**	0	8,293
Derivatives	4,606	0	0	**4,606**	4,606	0
Available-for-sale financial assets	0	3,342	0	**3,342**	0	3,342
Other	0	0	1,650	**1,650**	0	1,650
	189,699	**153,659**	**11,858**	**355,216**	**340,017**	**15,199**

With the exception of investments in non-consolidated companies that do not have a quoted market price, which are shown at cost, the carrying amounts of "Other financial assets" correspond to their fair value.

At present there are no plans to dispose of financial assets classified as available for sale.

Readers are referred to Note J.21.1.3 for information on other financial assets used as collateral for bank loans.

11.1. Financial assets measured at fair value through profit or loss

The carrying amount of financial assets measured at fair value through profit or loss was EUR 18,158,000 at balance sheet date. Receivables arising from currency futures transactions accounted for EUR 12,482,000 and receivables from commodity derivatives for EUR 5,592,000 of this amount.

In 2007 the A-TEC Group acquired an interest of 25% plus one share in Cumerio S.A. for a total price of EUR 186,056,000. In February 2008 the A-TEC Industries Management Board decided to accept a bid from Norddeutsche Affinerie AG for the Cumerio shares.

1) The comparative period was adjusted for the changes arising from the adjustment of purchase price allocations (see Note J. 29).

11.2. Financial assets measured at fair value through equity

The financial assets measured at fair value through equity consist of marketable equity instruments, and are measured at fair value at balance sheet date.

In a ruling issued on 27 February 2008, the German Federal Cartel Office prohibited the merger of A-TEC Industries AG and Norddeutsche Affinerie AG and ordered the reversal of all completed merger activities.

Thereafter the A-TEC Group successively sold all its shares in Norddeutsche Affinerie AG, partly on the stock exchange and partly by way of direct placement.

11.3. Financial assets measured at amortised cost

Loans receivable include EUR 6,378,000 in cash and cash equivalents that are restricted until 2010 as a result of litigation.

12 Inventories

Inventories were made up as follows:

		31 December
	2008	2007[1]
	EUR '000	EUR '000
Raw materials and supplies	85,952	115,510
Work in progress	62,166	85,002
Finished goods and merchandise	98,257	108,478
Uninvoiced services	8,536	4,542
Prepayments	8,184	19,838
	263,095	**333,370**

Inventories reflect write-downs of EUR 60,702,000 (2007: EUR 22,675,000).

Raw material amounting to EUR 2,024,945,000 (2007: EUR 1,459,476,000) is recognised in the income statement. "Changes in inventories" were negative by EUR 52,601,000 (2007: increase of EUR 17,809,000).

Revenue, "Raw material and consumables used" and "Changes in inventories" reflect extraordinary — in the Company's opinion non-recurring — effects related to the collapse of copper prices in the fourth quarter of 2008.

In the Company's view these negative effects are fully captured by the negative EBIT of EUR 75,075,000 recognised in the Minerals & Metals Division in the fourth quarter of 2008[2].

A five-year comparison shows that copper price volatility was considerably higher in the fourth quarter of 2008 than the average for previous periods.

Taking two-month copper options as a basis of calculation (this corresponds to the average cycle time in the production process) volatility in the fourth quarter of 2008 was as follows.

Some 42% of price movements were within the average volatility range for the past five years, and about 58% were outside this range.

1) The comparative period was adjusted for the changes arising from the adjustment of purchase price allocations (see Note J. 29).
2) EBIT (unaudited quarterly reporting).

Of the aforementioned negative effects of EUR 75,075,000 in the fourth quarter of 2008 some EUR 31,532,000 related to copper price volatility within the average volatility range.

The remainder was attributable to price falls outside the average volatility over the past five years.

In management's view these exceptional losses, amounting to EUR 43,543,000 arose from non-recurring events.

With regard to inventories pledged as collateral, reference is made to Note J.21.1.3.

13 Trade and other receivables

The breakdown of "Trade and other receivables" was as follows:

	31 December 2008			31 Dezember 2007[1]		
		Maturity			Maturity	
	Total	Due in less than one year	More than one year	Total	Due in less than one year	More than one year
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Trade receivables	352,513	350,970	1,543	391,442	343,159	48,283
Less impairment provision for bad and doubtful debts	-37,783	-37,783	0	-44,927	-10,546	-34,381
Net trade receivables	314,730	313,187	1,543	346,515	332,613	13,902
Receivables from taxation authorities	64,813	63,054	1,759	36,487	36,487	0
Receivables from associates	533	533	0	1,072	1,072	0
Advances on salaries and travel expenses	1,028	930	98	992	992	0
Receivables from non-consolidated Group companies	0	0	0	376	376	0
Prepayments	239,244	239,244	0	172,398	172,398	0
Other receivables and assets	300,035	291,412	8,624	446,782	437,313	9,469
Total	**920,383**	**908,359**	**12,024**	**1,004,622**	**981,251**	**23,371**

"Other receivables and assets" include obligations, relating to the acquisition of Lentjes GmbH, Cologne, Germany, on the part of Lurgi Lentjes Plant Engineering AG, Ratingen, Germany to assume losses arising from impending and actual contract risks and to adjust the purchase price due to exchange rate fluctuations. These obligations total EUR 245,390,000 (2007: EUR 200,611,000) (see Note J.29.2.1).

"Trade receivables" include EUR 26,071,000 (2007: 12,070,000) in receivables prefinanced by means of factoring. As not all the significant risks were transferred to the factor, this item is shown both under "Trade and other receivables" and under "Short-term borrowings" in the balance sheet.

With regard to Group trade receivables from third parties pledged as collateral for bank loans, reference is made to Note J.21.1.3.

The Group's previous experience regarding the recoverability of receivables is reflected in the calculation of the allowance for bad and doubtful debts. Management believes that the receivables are not currently subject to any default risks in excess of those provided for.

1) The comparative period was adjusted for the changes arising from the adjustment of purchase price allocations (see Note J. 29). Beginning with the financial year 2008, amounts due from construction contracts have their own balance sheet position. The previous was adjusted correspondingly.

An analysis of the movements for allowances for bad and doubtful debt is shown below.

	31 December 2008 EUR '000	31 December 2007 EUR '000
Allowance at 1 January	**44,927**	**23,885**
Adjustment in accordance with IFRS 3 para. 62	53	0
At 1 January after adjustment	**44,980**	**23,885**
Changes in the scope of consolidation	-2,454	26,988
Currency translation differences	-64	341
Allocations	4,744	4,384
Utilisation	-5,667	-6,448
Reversals	-3,756	-4,223
Allowance at 31 December	**37,783**	**44,927**

The age analysis of trade receivables is shown below:

	31 December 2008			
	Carrying amount EUR '000	Unimpaired EUR '000	Impaired EUR '000	Impairment provision EUR '000
Not overdue	220,472	217,636	2,836	334
Past due between 0 and 30 days	36,736	36,162	574	6
Past due between 31 and 60 days	9,887	9,771	116	30
Past due between 61 and 90 days	6,955	6,691	264	54
Past due between 91 and 180 days	7,185	6,173	1,012	709
Past due between 181 and 360 days	10,306	8,419	1,887	564
Past due over 360 days	23,189	6,338	16,851	36,086
Total	**314,730**	**291,190**	**23,540**	**37,783**

	31 December 2007[1)]			
	Carrying amount EUR '000	Unimpaired EUR '000	Impaired EUR '000	Impairment provision EUR '000
Not overdue	245,408	164,937	80,471	2,185
Overdue in between 0 and 30 days	36,589	35,367	1,222	247
Overdue in between 31 and 60 days	12,943	11,846	1,097	21
Overdue in between 61 and 90 days	8,288	7,885	403	350
Overdue in between 91 and 180 days	8,433	6,340	2,093	2,327
Overdue in between 181 and 360 days	5,817	4,126	1,691	5,416
Overdue in over 360 days	29,037	15,135	13,902	34,381
Total	**346,515**	**245,636**	**100,879**	**44,927**

Receivables from related parties are discussed in Note J.28.

1) The comparative period was adjusted for the changes arising from the adjustment of purchaser price allocations (see Note J. 29).

14 Cash and cash equivalents

The composition of cash and cash equivalents was as follows:

	2008 EUR '000	31 December 2007[1] EUR '000
Cash on hand	1,074	893
Bank balances	361,720	320,012
Restricted cash	83,941	79,133
	446,735	**400,038**

Reference is made to Note G.17 with regard to the restricted cash and cash equivalents.

15 Equity

Changes in Group equity in the 2008 and 2007 financial years are presented in C. Consolidated statement of changes in equity.

15.1. Share capital

The share capital of A-TEC Industries AG amounts to EUR 26,400,000 (2007: EUR 6,600,000) divided into 26,400,000 (2007: 6,600,000) no par shares. In 2008 the Company's capital was increased by EUR 19,800,000 by converting the corresponding portion of the appropriated capital reserves as at 31 December 2007 in accordance with the Kapitalberichtigungsgesetz (Capital Adjustment Act). The four-for-one share split authorised by the Annual General Meeting on 27 June 2008 took place on 29 October 2008, increasing the number of no par shares from 6,600,000 to 26,400,000.

There are no different classes of shares, and neither are there any shares carrying special control rights.

At balance sheet date the following shareholders held interests in the Company's share capital:

Shareholders	Shares	%
M.U.S.T Privatstiftung, Vienna	14,578,896	55.2
Capital und Industrie Investment AG, Vienna	1,507,396	5.7
A-TEC Industries AG, Vienna	1,503,127	5.7
J.E. Loidold Privatstiftung, Vienna	1,833,320	6.9
Free float	6,977,261	26.5
	26,400,000	**100.0**

By resolution of the extraordinary General Meeting on 6 November 2006 the Company's share capital was conditionally increased by EUR 2,500,000, by the issue of 2,500,000 no par bearer shares in accordance with section 159(2)(1) Companies Act. By resolution of the Annual General Meeting held on 27 June 2008 this amount was increased from EUR 2,500,000 to EUR 10,000,000 and the number of shares was increased to 10,000,000 in accordance with the Capital Adjustment Act. The conditional capital increase may only be effected in so far as holders of the convertible bonds issued pursuant to the resolution of the General Meeting on 6 November 2006 exercise their right to convert the bonds into shares.

The extraordinary General Meeting held on 6 November 2006 also authorised the Management Board to increase the Company's share capital by up to EUR 500,000 in accordance with section 159(3) Companies Act by issuing up to 500,000 new no par bearer shares to satisfy share options granted to employees, senior employees and members of the Management Board of the Company or Group companies (authorised conditional capital). By resolution of the Annual General Meeting on 27 June 2008 this amount was increased from EUR 500,000 to EUR 2,000,000 and the number of shares to 2,000,000 Capital Adjustment Act. The Management Board's authorisation may only be exercised up to the legal maximum

1) The comparative period was adjusted for the changes arising from the adjustment of purchase price allocations (see Note J. 29).

under section 159(4) Companies Act and in so far as the conditional capital has not already been utilised by granting conversion or subscription rights to holders of convertible bonds. The capital increase may only be effected to enable the holders of share options to exercise their options.

The extraordinary General Meeting of 6 November 2006 also authorised the Management Board to increase the then share capital of EUR 5,000,000 by a total of EUR 2,500,000 by 9 November 2011 (authorised capital). In accordance with this resolution, on 30 November 2006 the Management Board resolved to increase the Company's share capital by EUR 1,600,000 to EUR 6,600,000. In contrast to the conditional capital, this capital increase from own resources did not increase the authorised capital.

A resolution adopted by the Annual General Meeting on 27 June 2008 empowers the Management Board to increase the Company's share capital by up to EUR 10,300,000 by issuing up to 10,300,000 no par shares against contribution in cash or in kind, subject to the approval of the Supervisory Board, excluding subscription rights if necessary (authorised capital).

The Annual General Meeting held on 27 June 2008 empowered the Management Board to repurchase own shares at prices not lower than EUR 10.00 or higher than EUR 25.00 per share. This authorisation is valid until 27 December 2010. Under a Management Board resolution adopted on 3 July 2008 the Company has repurchased 1,513,080 own shares (corresponding to 5.7% of the share capital) at an average price of EUR 14.60 and a total cost of EUR 22,115,000. Following some minor sales (proceeds EUR 78,000), the Company held 1,503,127 treasury shares at balance sheet date.

15.2. Capital reserves

Movements in capital reserves were as follows:

		31 December
	2008	**2007**
	EUR '000	**EUR '000**
At 1 January	**177,627**	**152,095**
Convertible bond	0	25,902
less issue expenses (less tax effect)	0	-370
Increase in share capital from own resources	-19,800	0
Share options	28	0
At 31 December	**157,855**	**177,627**

The capital reserves declined by EUR 19,772,000, largely as a result of the capital increase from own resources (EUR 19,800,000).

Total issue expenses in respect of the convertible bond were EUR 3,430,000, of which EUR 493,000 was contributed by equity. The tax effect on the issue expenses was EUR 123,000.

In 2008 A-TEC Industries AG granted a member of the Management Board 44,000 share options (following the share split) in the form of an equity settled plan. In order to exercise the options the participant must normally both be an active employee of the Company at the time of exercise and have been in its employ for at least three years. The fair value of the options granted is reported both under "Staff costs" and the capital reserve. The fair value is measured at grant date and expensed over the period during which the participant concerned acquires an unconditional right to the options granted (vesting period). The fair value of the options granted is determined using the standard Black Scholes model and assuming a plain vanilla European call, and taking account of the terms and conditions of the option grant.

15.3 Revaluation reserve

Revaluation reserve movements were as follows:

	31 December 2008 EUR '000	31 December 2007 EUR '000
At 1 January	**95,660**	**0**
Additions from revaluation	0	97,410
less impairment	0	-1,750
Reclassifications to discontinued operations	-2,234	0
Revaluation before deferred tax	**93,426**	**95,660**
At 1 January	-26,674	0
Allocations	0	-26,674
Change in rate of taxation	43	0
Reclassifications to discontinued operations	744	0
less deferred tax	**-25,887**	**-26,674**
At 31 December	**67,539**	**68,986**

The revaluation reserve for plant, property and equipment resulted from the remeasurement of land and buildings. The remeasurement effects were included in the revaluation reserve, taking the tax effects into account, and were not recognised in profit or loss.

In the event of the disposal of remeasured land and buildings the portion of the revaluation reserve represented by these assets is taken to retained earnings.

Reference is also made to Note J.8.

15.4 Hedge reserve

The table below shows the movements in the hedge reserve directly recognised in equity.

	31 December 2008 EUR '000	31 December 2007 EUR '000
At 1 January	**0**	**0**
Gains and losses on changes in fair value	-3,861	0
Whereof attributable to deferred tax	965	0
Transfer to the income statement	0	0
Whereof attributable to deferred tax	0	0
At 31 December	**-2,896**	**0**

The derivative instruments that qualify for hedge accounting are exclusively used to hedge net investments in foreign operations (cash flow hedges as defined by IAS 39 para. 102).

These investments have nominal values of about CHF 73m and AUD 16m, respectively, and form part of the Plant Construction Division.

Losses of EUR 4,974,000 and gains of EUR 1,113,000 (offset: EUR 3,861,000) on currency derivatives, less deferred tax of EUR 965,000 attributable thereto, were recognised at balance sheet date.

15.5 Market valuation of financial assets (available-for-sale reserve)

The table below shows the movements in the available-for-sale reserve directly recognised in equity.

	31 December 2008 EUR '000	31 December 2007 EUR '000
At 1 January	**-12,462**	**56**
Gains and losses on changes in fair value	-206	-12,518
Whereof attributable to deferred tax	-56	0
Transfer to the income statement	12,561	0
Whereof attributable to deferred tax	0	0
At 31 December	**-163**	**-12,462**

15.6 Currency translation reserve

The currency reserve recognises foreign currency measurement effects arising on translation of net investments in foreign operations in the form of loans in the functional currencies of the companies concerned, amounting to EUR 13,188,000 (2007: nil).

16 Trade payables

The composition of "Trade payables" was as follows:

	31 December			
	2008		2007	
	Carrying amount EUR '000	Short term EUR '000	Carrying amount EUR '000	Short term EUR '000
Trade payables	725,945	725,945	409,177	368,106
	725,945	**725,945**	**409,177**	**368,106**

17 Amounts due for construction contracts and prepayments

	31 December			
	2008		2007[1]	
	Carrying amount EUR '000	Short term EUR '000	Carrying amount EUR '000	Short term EUR '000
Amounts due for construction contracts	444,542	444,542	407,123	407,123
Prepayments	24,052	24,052	10,033	10,033
	468,594	**468,594**	**417,156**	**417,156**

Construction contract payables and prepayments resulted mainly from contracts undertaken by the Plant Construction Division.

1) Beginning with the financial year 2008, amounts due for construction contracts have their own balance sheet position. The previous year was adjusted correspondingly.

18 Other financial liabilities

An analysis of "Other financial liabilities" is shown below.

	31 December			
	2008		2007	
	Total EUR '000	Short term EUR '000	Total EUR '000	Short term EUR '000
Derivative financial instruments	22,379	22,379	4,099	4,099
Accrued interest	6,801	6,801	11,018	11,018
	29,180	**29,180**	**15,117**	**15,117**

19 Other liabilities

Other liabilities are broken down as follows:

	31 December			
	2008		2007	
	Carrying amount EUR '000	Short term EUR '000	Carrying amount EUR '000	Short term EUR '000
Liabilities arising from follow-up costs	58,440	58,440	156,590	156,590
Staff liabilities	71,816	71,816	68,737	65,967
Other tax liabilities	17,353	17,353	16,177	16,177
Sundry other liabilities	61,249	61,249	52,402	52,186
	208,858	**208,858**	**293,906**	**290,920**

"Liabilities arising from follow-up costs" mainly relate to services rendered to the Plant Construction Division in connection with construction contract business which have not yet been invoiced.

"Staff liabilities" relate to wages, salaries and social security contributions unpaid at balance sheet date, and accruals for unconsumed leave, and Christmas and annual bonuses.

"Sundry other liabilities" include accrued expenses amounting to EUR 11,696,000 (2007: EUR 16,369,000), all of which are current.

As in the previous year, there were no "Sundry other liabilities" to associates.

20 Assets and liabilities held for sale

As required by IFRS 5, assets held for sale and disposal groups, as well as liabilities directly associated with them are included in the consolidated financial statements at fair value less costs to sell (see Notes F.1-F.5). The assets and liabilities as at 31 December shown below, which are classified as held for sale, and the assets and liabilities of disposal groups are not contained in the notes to the other balance sheet items.

	31 December 2008		2008
	Current and non-current assets held for sale EUR '000	Liabilities associated with current and non-current assets held for sale EUR '000	Profits/losses from discontinued operations less tax (nil) EUR '000
Drive Technology segment	18,402	18,280	-11,313
Plant Construction segment	0	0	4,412
Total	**18,402**	**18,280**	**-6,902**

	31 December 2007		2007[1)]
	Current and non-current assets held for sale EUR '000	Liabilities associated with current and non-current assets held for sale EUR '000	Profits/losses from discontinued operations less tax (nil) EUR '000
Drive Technology segment	3,330	10,368	-15,367
Machine Tools segment	795	0	0
Plant Construction segment	9,097	23,392	-1,519
Total	**13,222**	**33,760**	**-16,886**

1) The comparative period was adjusted for the changes arising from discontinued operations.

20.1 Discontinued operations in the Drive Technology segment

Brook Crompton Western Electric Motor (Dalian) Corporation Ltd., China
An application for liquidation of this company was filed on 19 May 2008. The Group no longer controls this company, and it was therefore deconsolidated.

There are gains on deconsolidation of EUR 6,110,000 arising from the fact that the derecognised liabilities exceed the assets.

On 16 February 2009 Brook Crompton Western Electric Motor (Dalian) Corporation Ltd., Dalian sued Lindeteves Jacoberg Limited, Singapore for payment of an outstanding contribution of CNY 131m (EUR 13.8m). Lindeteves Jacoberg disputes the grounds for and amount of the obligation to replenish the company's capital. In the opinion of the Lindeteves Jacoberg management any claims on the part of Brook Crompton Western Electric Motor (Dalian) Corporation Ltd., Dalian face offsetting counterclaims of CNY 285m (EUR 30.0m). Due to the uncertainties associated with Chinese law this obligation was recognised by a provision of EUR 8.5m. As the Chinese company was already shown as a discontinued operation in the previous year the allocation is reported under the "Loss from discontinued operations".

After providing for provisions in the amount of EUR 8.5m there was a resulting net loss of EUR 2.4m.

Lindeteves Engineering Pte Ltd., Singapore and Linberg Philippines Inc., Philippines
Under a sale and purchase agreement made on 14 November 2008 interests in Lindeteves Engineering Pte Ltd., Singapore and Linberg Philippines Inc., Philippines, held by Lindeteves-Jacoberg Ltd, Singapore, were sold to Nuovo Capital Pte Ltd., Singapore at a price of USD 1.00 per share.

The business activities of these companies largely concerned the operation of a power station. As their disposal means that the Group no longer has any operations in this area the loss is reported under "Loss from discontinued operations". The previous year's result was also reclassified to this item in accordance with IFRS 5.

The disposal of Lindeteves Engineering Pte Ltd., Singapore and Linberg Philippines Inc., Philippines had the following effects on the income statement:

	EUR '000
Derecognition of assets and liabilities	-7.253
Write-off of net receivables	535
	-6.718

ATB SELNI SAS, Nevers, France
Due to the Group's withdrawal from the home appliance business a decision was taken in June 2008 to dispose of this company, and it has been reported as a discontinued operation since 30 June 2008. The income statement for the comparative period was adjusted accordingly.

On 18 February 2009 a binding agreement was made for the sale of a 70% interest in ATB Selni SAS, Nevers for EUR 1. Once the legally required statement on the transaction has been made by the works council the purchase agreement will be formally signed. The purchaser has undertaken to acquire the remaining 30% interest after six months. The transaction is expected to be formally completed by the end of April 2009.

ATB Motors (Shanghai) Corporation Ltd., China
This company has been in the process of liquidation since 2007, and is therefore reported as a discontinued operation.

The cash flows, assets, liabilities and profits/losses of the above discontinued operations in the Drive Technology Division were as follows:

(a) Cash flow statement of discontinued operations:

	31 December	
	2008	2007[1]
	EUR '000	EUR '000
Cash flows from operating activities	2,811	1,796
Cash flows from investing activities	-1,534	-1183
Cash flows from financing activities	-1,702	-1,188
	-425	**-575**

(b) Assets of discontinued operations:

	31 December	
	2008	2007
	EUR '000	EUR '000
Property, plant and equipment	5,964	10
Other intangible assets	171	0
Inventories	2,904	1,579
Trade receivables	7,929	1,136
Other current assets	1,434	605
	18,402	**3,330**

(c) Liabilities of discontinued operations:

	31 December	
	2008	2007
	EUR '000	EUR '000
Trade payables	9,507	7,040
Other liabilities	8,773	3,328
	18,280	**10,368**

(d) Income statement of discontinued operations:

	Year to 31 December	
	2008	2007[1)]
	EUR '000	EUR '000
Revenue	42,087	54,834
Expenses	-43,171	-65,740
Gain/loss on measurement to fair value	-10,162	-5,549
Profit/loss before tax	**-11,246**	**-16,455**
Income tax expense	-67	1,088
Profit/loss after tax	**-11,313**	**-15,367**

1) The comparative period was adjusted for the changes arising from discontinued operations.

20.2 Assets held for sale in the Plant Construction Division

Babcock Montajes S.A., Erandio, Spain

The disposal of Babcock Montajes S.A., Erandio, Spain took place in September 2008. The gain on disposal and the company's profit for the period, together amounting to EUR 4,412,000, are reported under the "Profit/loss from discontinued operations" item.

(a) Assets held for sale:

		31 December
	2008	2007
	EUR '000	EUR '000
Non-current assets	0	2,227
Current assets	0	6,870
	0	**9,097**

(b) Liabilities directly associated with assets held for sale:

		31 December
	2008	2007
	EUR '000	EUR '000
Provisions	0	7,024
Liabilities	0	16,368
	0	**23,392**

(c) The profit/loss from discontinued operations and gain/loss on measurement to fair value of held-for-sale assets and disposal groups was as follows:

		Year to 31 December
	2008	2007
	EUR '000	EUR '000
Revenue	16,892	29,242
Expenses	-15,873	-30,761
Profit/loss for the period of discontinued operations	**1,019**	**-1,519**
Gain on disposal	3,393	0
Gain/loss on discontinued operations	**4,412**	**-1,519**

20.3 Assets held for sale in the Machine Tools Division

It was not possible to dispose of the surplus land owned by EMCO Italia s.r.l., Legnano — classified as held for sale in 2007 — as planned, and it was therefore reclassified to the continuing operation in 2008 (carrying amount EUR 795,000).

1) The comparative period was adjusted for the changes arising from the adjustment for discontinued operations.

21 Long-term financial debt

An analysis of borrowings is as follows:

At 31 December 2008	Carrying amount EUR '000	Short term EUR '000
Bank borrowings	380,081	244,399
Bonds	248,273	0
Finance leases	38,186	3,987
Other borrowings	39,084	31,518
	705,624	**279,904**

At 31 December 2007	Carrying amount EUR '000	Short term EUR '000
Bank borrowings	576,808	358,252
Bonds	243,888	0
Finance leases	40,934	3,899
Other borrowings	86,633	79,995
	948,263	**442,146**

As in the previous year, there were no borrowings from associates.

21.1 Bank borrowings

21.1.1 Interest rates

The breakdown of the carrying values of bank borrowings into floating and fixed interest rates was as follows:

	Year to 31 December	
	2008	2007
	EUR '000	EUR '000
Floating rate	297,266	495,266
Fixed rate	82,815	81,542
Total	**380,081**	**576,808**

The weighted average rate of interest on bank borrowings was 6.53% (2007: 6.2%). Interest rates of between 1.11% and 13.06% (2007: 2.40–12.12%) were agreed.

21.1.2 Covenant clauses

Some of the loan agreements contain covenants which largely concern equity ratios and indicators of net gearing, and entitle the contractual parties to foreclose in the event of non-compliance. As at balance sheet date the Company was in breach of the covenants in respect of the following loans:

- Loans to A-TEC Beteiligungs GmbH und A-TEC Mechanical Engineering Investment GmbH: Carrying amount of the loans: EUR 61,889,000 (2007: EUR 77,000,000); nature of breach of covenant: Group gearing may not exceed 2. At the time when the clause was agreed it was assumed that A-TEC would issue a hybrid bond, thereby increasing its equity. Negotiations on amendment of the covenant are in progress. The prospect of a waiver for EUR 42,528,000 has been held out.
- Loans to Montanwerke Brixlegg and Kovohuty a.s.: Carrying amount of the loans: EUR 24,844,000 (2007: EUR 21,000,000); nature of breach of covenant: ratio of net bank borrowings to EBITDA may not exceed 4.5/4. Renegotiation prior to publication of the financial statements prevented foreclosure. A waiver was granted on condition that other credit lines are maintained.
- At ATB Sever AD negotiations on an extension for a EUR 2.0m loan due on 28 December 2008 ended without agreement in January 2009. The loan was repaid on 19 January 2009.

Due to the above covenant breaches a total of EUR 67,489,000 was transferred from long-term to the short-term bank borrowings. An adjustment of EUR 80,044,000 was made to the previous year's figures.

21.1.3 Collateral

The following assets been pledged as collateral for the bank borrowings:

Collateral at 31 December 2008
EUR '000

Bank borrowings	380,081	
Land and buildings		141,034
Financial assets		15,841
Inventories		49,729
Receivables		43,396
Other assets		135,261
Plant		10,626
	380,081	**395,887**

As at 31 December 2008 collateral in the form of "Other assets" included the entire assets of:

- Schorch Elektrische Maschinen und Antriebe GmbH: EUR 59,370,000;
- Brook Motors Limited: EUR 33,145,000.

Collateral at 31 December 2007
EUR '000

Bank borrowings	576,808	
Land and buildings		63,277
Financial assets		282,436
Inventories		90,060
Receivables		26,690
Cash and cash equivalents		60
Other assets		223,732
	576,808	**686,255**

As at 31 December 2007 collateral in the form of "Other assets" included the entire assets of:

- Dörries Scharmann Technologie GmbH: EUR 84,379,000;
- Schorch Elektrische Maschinen und Antriebe GmbH: EUR 53,622,000;
- Brook Motors Limited: EUR 33,145,000;
- Lindeteves Engineering Pte. Ltd: EUR 18,486,000;
- Linberg Phillippines Inc.: EUR 34,100,000.

21.2. Bonds

21.2.1 Bond 2005–2010

On 2 November 2005 the company floated a bond (ISIN AT0000499272) with a volume and nominal value of EUR 100,000,000 and a denomination of EUR 10,000. The bond carries a fixed interest rate of 5.75%. The interest is due annually on 2 November, and is payable retroactively. The redemption date is 2 November 2010.

At 31 December 2008 the Company held own bonds with a nominal value of EUR 9,240,000. The carrying amount of the bond at balance sheet date was EUR 90,296,000 (2007: 90,031,000).

The issue discount of EUR 1,593,000 and other finance costs totalling EUR 457,000 are recognised as interest expense over the maturity of the bond in accordance with the effective interest rate method.

The effective interest rate of the bond is 8.31%.

21.2.2 Convertible bond 2007–2014

On 3 May 2007 the Company issued a seven-year bond (ISIN AT0000A05CS2) convertible into ordinary bearer shares to a total value of EUR 180,000, using a book building process. The bonds were placed with institutional investors. The proceeds, net of the issue costs of EUR 3,430,000, were EUR 176,570,000. At balance sheet date the carrying amount of the convertible bond amounted to EUR 157,977,000 (2008: 153,857,000). The equity component of the convertible bond amounted to EUR 25,532,000 (EUR 25,902,000 less pro rata costs [less tax effect] of EUR 370,000) and is reported under the capital reserves. The bond has a fixed interest rate of 2.75% per annum. Interest is due annually on the coupon date, and is payable retroactively. The first interest payment was made on 10 May 2008, and the second is due on 10 May 2009.

Bondholders have the right to convert every bond into shares at the conversion price (EUR 225.00 per share) during the conversion period (20 June 2007 to 18 April 2014). Since 29 October 2008 the conversion price has been EUR 56.25 per share due to the capital increase from own resources effected in 2008. No use had been made of the conversion rights as at balance sheet date.

The bond has a maturity of seven years and the full nominal value is payable on 10 May 2014. Holders are entitled to early redemption of the bond at face value after five years. A-TEC Industries AG has the right to premature redemption of the bond after 30 May 2011 at a threshold value of 130% of the conversion price.

21.3 Finance leases

The current portion of the finance lease liabilities was EUR 3,987,000 (2007: EUR 3,899,000).

The non-current portion was EUR 34,199,000 (2007: EUR 37,035,000).

Finance lease liabilities: minimum lease payments:

	31 December	
	2008	2007
	EUR '000	EUR '000
Not later than one year	5,202	5,226
Later than one year and not later than five years	13,698	16,235
Later than five years	26,913	30,853
Minimum lease payments	45,813	52,314
Future finance costs arising from finance leases	-7,627	-11,380
Present value of finance lease liabilities	**38,186**	**40,934**

An analysis of capitalised finance lease assets is shown below.

	31 December	
	2008	2007
	EUR '000	EUR '000
Land and buildings	32,954	33,766
Plant and machinery	3,745	4,153
Furniture and fixtures, and office equipment	1,489	1,779
Total	**38,188**	**39,698**

21.4 Other borrowings

The maturities of "Other borrowings" were as follows:

	31 December	
	2008	2007
	EUR '000	EUR '000
Short term	31,518	79,995
Long term	7,566	6,638
Total	**39,084**	**86,633**

Short-term "Other borrowings" also include a liability arising from the forfeiting of lease receivables amounting to EUR 24,193,000 (2007: EUR 29,802,000).

The EUR 46,590,000 loan from Capital- und Industrie Investment AG outstanding on 31 December 2007 was repaid after the sale of the Norddeutsche Affinerie AG and Cumerio S.A. shares.

21.5 Liquidity analysis

The tables below show the contractual undiscounted payments of principal and interest on underlying and derivative financial instruments.

EUR '000		Cash flows in 2009		
	Carrying amount 31 Dec. 2008	Total	Interest	Repayments
Financial liabilities				
Bond	**90,296**	-101,228	-5,219	
Convertible bond	**157,977**	-209,700	-4,950	
Trade payables	**725,945**	-725,945		-725,945
Bank borrowings	**380,081**	-423,280	-19,382	-244,399
Finance lease liabilities	**38,186**	-45,813	-1,215	-3,987
Other borrowings and other financial liabilities	**45,871**	-48,340	-460	-38,305
Other current liabilities	**118,727**	-118,727		-118,727
Derivative financial liabilities				
Derivatives not subject to hedge accounting	**22,394**	-22,394		-22,394

EUR '000		Cash flows in 2008		
	Carrying amount 31 Dec. 2007	Total	Interest	Repayments
Financial liabilities				
Bond	**90,031**	-106,417	-5,219	
Convertible bond	**153,857**	-214,650	-4,950	
Trade payables	**409,177**	-409,177		-409,177
Bank borrowings	**576,808**	-656,967	-26,318	-278,208
Finance lease liabilities	**40,934**	-52,314	-1,327	-3,899
Other borrowings and other financial liabilities	**90,367**	-92,795	-676	-83,730
Other current liabilities	**131,081**	-131,081		-131,081
Derivative financial liabilities				
Derivatives not subject to hedge accounting	**4,099**	-4,099		-4,099

Cash flows in 2010		Cash flows from 2011–2013		Cash flows from 2014–2017		Cash flows > 2018	
Interest	Repayments	Interest	Repayments	Interest	Repayments	Interest	Repayments
-5,219	-90,790						
-4,950		-14,850		-4,950	-180,000		
-5,099	-22,277	-10,690	-75,238	-5,787	-30,229	-2,241	-7,938
-1,021	-4,406	-2,263	-7,024	-2,360	-7,387	-767	-15,382
-278	-1,445	-664	-4,195	-628	-1,156	-439	-770

Cash flows in 2009		Cash flows from 2010–2012		Cash flows from 2013–2016		Cash flows > 2017	
Interest	Repayments	Interest	Repayments	Interest	Repayments	Interest	Repayments
-5,219		-5,219	-90,760				
-4,950		-14,850		-9,900	-180,000		
-16,615	-68,727	-31,206	-196,088	-4,723	-29,617	-1,297	-4,168
-1,174	-4,623	-2,917	-6,888	-3,328	-7,468	-2,634	-18,056
-355	-1,710	-668	-1,983	-553	-1,711	-176	-1,233

22 Deferred tax

The deferred tax assets and liabilities principally relate to the initial remeasurement of land and buildings (see Notes J 8 and J 15.3), the remeasurement of assets and liabilities on consolidation, and of intangible assets identified in the process, construction contract receivables, and temporary differences in termination and jubilee benefit, and pension provisions, and other provisions, as well as the potential benefit of tax loss carryforwards.

The change in deferred tax as a result of acquisitions is disclosed in Note J 29.

The deferred tax assets and liabilities arising on the acquisitions of Global Power Asia Ltd., China, AE&E Lentjes GmbH, Germany, ATB Laurence Scott, UK and Dörries Scharmann Technologie GmbH, Germany in 2007 were remeasured in connection with retroactive purchase price adjustments (see Note J.29).

The discontinued operations are discussed in Note J.20.

Taking the adjustments into account, the change in net deferred tax was as follows:

		31 December
	2008	**2007**
	EUR '000	**EUR '000**
At 1 January	-974	34,179
Adjustment in accordance with IFRS 3 para. 62	1,571	0
At 1 January after adjustments	**597**	**34,179**
Currency translation differences	552	482
Change in scope of consolidation	-2,112	-12,354
Reclassification of discontinued operations	900	0
Recognised in profit or loss	3,473	9,345
Recognised in equity	1,011	-32,626
At 31 December	**4,421**	**-974**

Deferred tax assets were recognised for tax loss carryforwards to the extent that it was probable that the related benefit would be realised. The Group recognised EUR 67,596,000 (2007: EUR 52,845,000) in deferred tax assets which can be offset against future taxable income and temporary differences. The tax loss carryforwards were reduced as a result of uncertainties as to whether they could be utilised. The Group refrained from recognising deferred tax assets in respect of tax loss carryforwards where realisation of the benefit was not probable. A total of EUR 753,324,000 (2007: EUR 462,138,000) in deferred tax in respect of tax loss carryforwards was not recognised. This includes EUR 427,332,000 in tax loss carryforwards attributable to Lentjes GmbH, Ratingen, Germany.

Movements in deferred tax assets and liabilities (before offsetting where these related to the same taxation authority) were as follows:

Deferred tax liabilities	Non-current assets EUR '000	Receivables EUR '000	Tax benefits EUR '000	Provisions/ liabilities EUR '000	Total EUR '000
At 1 January 2007	**35,090**	**40,017**	**0**	**14,040**	**89,147**
Additions arising on acquisitions	14,166	3,724	0	2,772	**20,662**
Directly recognised in equity	31,374	4	0	0	**31,378**
Credited/charged to the income statement	-14,057	-4,617	0	-8,120	**-26,794**
Exchange differences	-203	54	0	3	**-146**
At 31 December 2007	**66,370**	**39,182**	**0**	**8,695**	**114,247**
Adjustment in accordance with IFRS 3 para. 62	0	143	0	0	143
At 31 December 2007 after adjustments	**66,370**	**39,325**	**0**	**8,695**	**114,390**
Additions arising on acquisitions	647	78	0	1,560	2,285
Reclassification of discontinued operations	-1,937	0	0	-29	-1,965
Directly recognised in equity	-36	0	0	690	654
Credited/charged to the income statement	1,870	17,495	0	-2,303	17,063
Exchange differences	-1,218	309	0	-7	-916
At 31 December 2008	**65,697**	**57,207**	**0**	**8,606**	**131,510**

Deferred tax assets	Non-current assets EUR '000	Tax loss carry-forwards EUR '000	Long-term provisions EUR '000	Short-term provisions/ current liabilities EUR '000	Receivables / other accruals EUR '000	Total EUR '000
At 1 January 2007	**4,699**	**49,341**	**12,023**	**33,494**	**23,769**	**123,326**
Additions arising on acquisitions	-288	1,295	5,503	1,701	97	**8,308**
Directly recognised in equity	-276	0	-904	-68	0	**-1,248**
Credited/charged to the income statement	-3,090	1,869	-2,044	4,277	-18,461	**-17,449**
Exchange differences	-47	340	-63	28	78	**336**
At 31 December 2007	**998**	**52,845**	**14,515**	**39,432**	**5,483**	**113,273**
Adjustment in accordance with IFRS 3 para. 62	32	1,681	0	0	0	**1,713**
At 31 December 2007 after adjustments	**1,030**	**54,526**	**14,515**	**39,432**	**5,483**	**114,986**
Additions arising on acquisitions	0	147	26	0	0	**173**
Reclassification of discontinued operations	0	-319	-14	0	-731	**-1,065**
Directly recognised in equity	0	0	975	-229	919	**1,665**
Credited/charged to the income statement	-194	13,305	-2,657	5,788	4,294	**20,536**
Exchange differences	210	-63	-32	-533	51	**-368**
At 31 December 2008	**1,045**	**67,596**	**12,813**	**44,458**	**10,015**	**135,927**

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off actual tax refund entitlements against actual tax liabilities, and if the deferred income taxes are levied by the same taxation authority.

The following amounts are shown in the consolidated balance sheet:

	31 December 2008 EUR '000	31 December 2007[1] EUR '000
Deferred tax liabilities	50,148	56,219
Deferred tax assets	54,569	56,816

The amounts shown in the balance sheet include:

	31 December 2008 EUR '000	31 December 2007[1] EUR '000
Deferred tax liabilities expected to be offset after more than 12 months	67,034	74,329
Deferred tax assets expected to be offset after more than 12 months	81,453	70,071

23 Employee benefit obligations

Employee benefit obligations were as follows:

	31 December 2008 EUR '000	31 December 2007 EUR '000
Provision for pensions	55,589	55,718
Provision for termination benefits	24,424	24,904
Provision for jubilee benefits	6,939	7,583
Total	**86,952**	**88,205**

23.1 Pension obligations

The amounts shown in the balance sheet are as follows:

	31 December 2008 EUR '000	31 December 2007 EUR '000
Present value of obligations (including plan assets)	156,407	119,825
- fair value of plan assets	-108,068	-115,713
Obligations in excess of plan assets	48,339	4,113
Present value of obligations (excluding plan assets)	632	28,277
Unrecognised plan assets	0	18,935
Unrecognised past service costs	0	-85
Unrecognised actuarial gains/losses	6,618	4,478
Liabilities shown in the balance sheet	**55,589**	**55,718**

1) The comparative period was adjusted for the changes arising from the adjustment of purchase price allocations (see Note J. 29).

The amounts shown in the income statement were calculated as follows:

	31 December	
	2008	2007
	EUR '000	EUR '000
Current service cost	4,565	3,506
Interest expense	5,785	4,414
Expected return on plan assets	-5,021	-3,931
Actuarial gains/losses recognised during the year	20,576	-3,357
Limit on unrecognised plan assets	-19,589	6,485
Past service costs	59	-1,630
Changes in pension plans	-19	11
Total	**6,356**	**5,498**

Current service costs, past service costs, limits on unrecognised plan assets, changes in pension plans, and actuarial gains and losses — to the extent that they are recognised in accordance with the "corridor" method — are recognised in the income statement under "Staff costs", whereas interest expense and returns on plan assets relating to pension obligations are shown under "Net finance costs".

Movements in the liabilities recognised in the balance sheet were as follows:

	31 December	
	2008	2007
	EUR '000	EUR '000
At 1 January	55,718	37,913
Reclassification of discontinued operations	-1,166	0
At 1 January after adjustments	54,552	37,913
Additions arising on acquisitions	130	15,888
Pension expenses	6,356	5,498
Employer's contributions	-500	-676
Amounts paid	-1,485	-1,512
Exchange differences	-3,506	-1,393
Changes in plans	42	0
At 31 December	**55,589**	**55,718**

The additions in 2008 arise from the acquisition of KRB Kessel- und Rohrleitungsbau AG, Switzerland (EUR 130,000).

The additions in 2007 related primarily to the acquisition of AE&E Lentjes GmbH, Germany, which accounted for EUR 12,636,000 of the total, that of Dörries Scharmann Technologies GmbH, which accounted for EUR 228,000, and that of the Gindre Duchavany Group, which was responsible for EUR 2,921,000.

Movements in plan assets were as follows:

	31 December 2008 EUR '000	31 December 2007 EUR '000
At 1 January	115,713	100,030
Additions arising on acquisitions	419	3,412
Actual loss/return on plan assets	-16,865	4,471
Employer's contributions	3,201	3,298
Employee contributions	2,213	1,628
Amounts paid	-3,167	7,216
Transfer of assets	1,432	-1,073
Exchange differences	5,123	-3,269
At 31 December	**108,068**	**115,713**

The additions reported in 2008 arise from the acquisition of KRB Kessel- und Rohrleitungsbau AG, Switzerland (EUR 419,000).

The additions in 2007 chiefly related to the acquisition of AE&E Lentjes GmbH, Germany, which gave rise to an amount of EUR 3,098,000.

The key actuarial assumptions applied at balance sheet date were as follows:

	31 December 2008	31 December 2007
Discount rate	2.75–6.7%	3.25–5.7%
Future wage and salary increases	0–4.0%	1.75–5.5%
Turnover of non-salaried and salaried employees	0–4.0%	0–4.5%
Return on plan assets	approx. 4%	approx. 4%
Retirement age	60–65	60–65
Life expectancy	Country-specific demographic mortality tables	

In 2008 the Company incurred non-recurring pension expenses of EUR 986,000 (2007: EUR 1,059,000).

23.2 Termination benefits

The amounts shown in the balance sheet are as follows:

	31 December 2008 EUR '000	31 December 2007 EUR '000
Present value of obligations	28,520	28,599
Unrecognised past service costs	3	159
Unrecognised actuarial losses	-4,099	-3,854
Liabilities shown in the balance sheet	**24,424**	**24,904**

The components of the defined benefit plans reported in the income statement were as follows:

	31 December	
	2008	2007
	EUR '000	EUR '000
Current service cost	889	822
Interest expense	1,388	1,234
Actuarial gains/losses	133	-173
Effects of plan curtailments	240	-260
Effects of transfers	1,179	0
Total	**3,828**	**1,623**

Current service costs, actuarial gains and losses, and the effects of plan curtailments are recognised in the income statement, under "Staff costs", while interest expense relating to termination benefits is recognised under "Net finance costs".

Movements in the liabilities recognised in the balance sheet were as follows:

	31 December	
	2008	2007
	EUR '000	EUR '000
At 1 January	24,904	21,941
Additions arising on acquisitions	682	3,459
Termination benefit expenses	3,828	1,623
Amounts paid	-5,070	-2,135
Exchange differences	79	16
At 31 December	**24,424**	**24,904**

The additions reported in 2008 arise from the acquisition of ATB FOD d.o.o., Belgrade, Serbia (EUR 682,000).

The additions in 2007 related mainly to the acquisition of Global Power Asia Ltd., China, which accounted for EUR 3,090,000 of the total.

The key actuarial assumptions applied at balance sheet date were as follows:

	31 December	
	2008	2007
Discount rate[1)]	3.0–5.75%	3.25–5.25%
Future wage and salary increases	2.0–6.35%	2.0–3.5%
Non-salaried/salaried staff turnover[2)]	0–4.59%	0–6%
Retirement age	58–65	60–65
Life expectancy	Country-specific demographic mortality tables	

1) A discount rate of 12% is applied in Serbia (ATB Sever a.d., Subotica and ATB FOD d.o.o., Belgrade).
2) Staff turnover of 13% was assumed for Slovakia (Kovohuty a.s., Krompachy).

23.3 Jubilee benefits

The components of the defined benefit plans reported in the income statement were as follows:

	31 December	
	2008	2007
	EUR '000	EUR '000
Current service cost	355	339
Interest expense	256	267
Past service costs	23	311
Actuarial gains/losses	129	-219
Effects of plan curtailments	-334	0
Total	**428**	**699**

Current service costs, past service costs, and actuarial gains and losses are recognised in the income statement under "Staff costs", while interest expense arising from jubilee benefit obligations are recognised under "Net finance costs".

Movements in the liabilities recognised in the balance sheet were as follows:

	31 December	
	2008	2007
	EUR '000	EUR '000
At 1 January	7,583	6,450
Reclassification of discontinued operations	-97	0
At 1 January after adjustments	7,486	6,450
Additions arising on acquisitions	1	589
Jubilee benefit expenses	428	699
Amounts paid	-469	-293
Changes in plans	-39	0
Exchange differences	-469	138
At 31 December	**6,939**	**7,583**

The additions in 2007 chiefly related to the acquisition of AE&E Lentjes GmbH, Germany, which gave rise to an amount of EUR 404,000.

The key actuarial assumptions applied at balance sheet date were as follows:

	31 December	
	2008	2007
Discount rate	2.5–6.5%	3.25–5.25%
Future wage and salary increases	1.0–3.0%	2.0–4.0%
Turnover of non-salaried and salaried employees	1.0–8.5%	0–6%
Retirement age	60–67	60–65
Life expectancy	Country-specific demographic mortality tables	

24 Other long-term provisions

The provisions recognised in the balance sheet as at 31 December 2008 (excluding long-term employee benefit obligations) relate mainly to provisions for warranties, contingent losses, environmental restoration and restructuring costs. An analysis is shown below.

	Provisions for warranties EUR '000	Provisions for contingent losses EUR '000	Provisions for restructuring costs EUR '000	Provisions for environmental restoration EUR '000	Other long-term provisions EUR '000	Total EUR '000
At 31 December 2006	**45,607**	**14,237**	**15,079**	**840**	**9,532**	**85,295**
Changes arising on acquisitions	6,194	111,958	0	0	19,323	137,475
Reclassifications	-276	-103	0	0	379	0
Allocations	23,601	2,267	122	0	10,596	36,586
Utilisation	-11,911	-4,557	-505	0	-6,305	-23,278
Reversals	-5,797	-259	-76	0	-3,722	-9,854
Exchange differences	-709	-87	0	-2	399	-399
At 31 December 2007	**56,709**	**123,456**	**14,620**	**838**	**30,202**	**225,825**
Adjustment in accordance with IFRS 3 para. 62	0	207,099	0	0	-372	206,727
At 31 December 2007 after adjustments	**56,709**	**330,555**	**14,620**	**838**	**29,830**	**432,552**
Changes arising on acquisitions	0	-38	1,504	487	58	2,011
Reclassifications	1,994	0	0	238	-2,233	0
Allocations	23,570	14,694	8,176	542	19,768	66,750
Utilisation	-14,184	-312,349	-3,223	0	-4,069	-333,825
Reversals	-10,754	-7,658	-11,778	-476	-14,507	-45,174
Exchange differences	1,752	-68	-59	-137	926	2,415
At 31 December 2008	**59,087**	**25,135**	**9,241**	**1,493**	**29,773**	**124,728**

The analysis by maturities is as follows:

	31 December 2008		31 December 2007[1)]	
	Total EUR '000	Short term EUR '000	Total EUR '000	Short term EUR '000
Provisions for contingent losses	25,135	23,985	330,555	329,865
Provisions for warranties	59,087	20,496	56,709	16,273
Provisions for restructuring costs	9,241	6,970	14,620	14,497
Provisions for environmental restoration	1,493	0	838	0
Sundry other provisions	29,773	15,827	29,830	6,168
	124,728	**67,279**	**432,552**	**366,803**

The **warranty provisions** are chiefly recognised for construction contracts in the Plant Construction Division (EUR 50,782,000; 2007: EUR 51,651,000), after receipt of complaints and their assessment by quality management departments. Revenue based provisions are recognised for the other divisions (2008: EUR 8,305,000; 2007: EUR 5,058,000); the amounts are based on past experience. The main changes related to: the allocations to provisions for AE&E Austria GmbH & Co. KG, Graz, Duro Dakovic TEP d.o.o., Von Roll Umwelttechnik AG and AE&E Inova GmbH, Germany; the utilisation of provisions by AE&E Lentjes GmbH, Von Roll Umwelttechnik AG and AE&E Inova GmbH, and the reversal of unused

1) The comparative period was adjusted for the changes arising from the adjustment of purchase price allocations (see Note J. 29).

provisions previously recognised for AE&E Austria GmbH & Co. KG, Von Roll Umwelttechnik AG and AE&E Inova GmbH.

The Company recognises provisions for warranties and construction contract performance guarantees when the revenue is recognised or a constructive obligation arises. The provisions for warranties are recognised on the basis of the Company's best estimates of the amounts required to settle present and future claims. The performance guarantees relate to conformity with certain plant and product performance parameters, and are in line with normal industry practices. The warranties generally have terms of between one and three years from acceptance.

The provisions for contract related **contingent losses** and risks is largely made for losses on uncompleted construction projects in the Plant Construction Division. In 2008 an adjustment was made to the provisional fair value carrying amounts in respect of the AE&E Lentjes GmbH acquisition. This increased the provision for contingent losses by EUR 207,099,000 (see Note J.29.2.1). Most of the allocations to the provisions related to AE&E Lentjes GmbH, Germany and Von Roll Umwelttechnik AG, Switzerland. Utilisation principally reflected the provision for contingent losses recognised in connection with the purchase price adjustment, and the reclassification of the gross amount due from customers in accordance with IAS 11 para. 43. Unused provisions recognised for AE&E Austria GmbH & Co. KG, Graz and Von Roll Umwelttechnik AG were reversed.

In 2008 EUR 4,602,000 in **restructuring provisions** were recognised for AE&E Lentjes GmbH. These mainly relate to obligations in respect of redundancy plans and expenses arising from an early retirement plan for certain employees. In addition, a restructuring provision was recognised for ATB Antriebstechnik GmbH, Welzheim for the first time. An allocation of EUR 2,270,000 was made to provide for redundancy plans. Unused provisions of EUR 9,900,000 at Babcock Power Espana S.A., Spain were reversed.

The **environmental provisions** were chiefly made for environmental damage at various sites operated by ATB Sever a.d., Subotica, Serbia, and for ATB FOD a.d., Bor, acquired in 2008.

The **"Sundry other provisions"** include EUR 8.5m allocated to provide for litigation involving Lindeteves Jacoberg Limited, Singapore (see Note J.31). Due to an out-of-court settlement with Alstom S.A. the provisions recognised for AE&E Inova GmbH and AE&E CZ s.r.o. were reversed. Other reversals concerned Von Roll Umwelttechnik AG and Babcock Power Espana S.A.

25 Financial instruments

The table below shows the carrying amounts and fair values of financial assets and liabilities by categories of financial instruments, and reconciles them with the corresponding balance sheet items.

EUR '000		At amortised cost			At fair value				
	Carrying amount on 31 Dec. 2008	Loans and receivables	At amortised Cost	Available for sale	Through profit and loss	Held for trading	Non-financial	Carrying amounts of financial instruments	Fair value of financial instruments
Non-current assets									
Other financial assets	16,572	10,792	2,517	3,263				16,572	16,716
Current assets									
Trade and other receivables	920,383	551,531					368,852	551,531	551,531
Other financial assets	18,158					18,158		18,158	18,158
Cash and cash equivalents	446,735	446,735						446,735	454,151
Non-current liabilities									
Financial debt	425,720		425,720					425,720	353,443
Current liabilities									
Trade payables	725,945		725,945					725,945	725,945
Other financial liabilities	29,180		6,801			22,379		29,180	29,180
Financial debt	279,904		279,889			15		279,904	273,999
Other liabilities	208,858		118,727				90,131	118,727	118,727

EUR '000		At amortised cost		At fair value					
	Carrying amount on 31 Dec. 2007[1]	Loans and receivables	At amortised Cost	Available for sale	Through profit and loss	Held for trading	Non-financial	Carrying amounts of financial instruments	Fair value of financial instruments
Non-current assets									
Other financial assets	15,199	9,942	1,915	3,342				15,199	15,199
Current assets									
Trade and other receivables	1,004,622	594,416					410,206	594,416	594,416
Other financial assets	340,017			150,318		189,699		340,017	340,017
Cash and cash equivalents	400,038	400,038						400,038	400,038
Non-current liabilities									
Financial debt	506,117		506,117					506,117	495,696
Current liabilities									
Trade payables	409,177		409,177					409,177	409,177
Other financial liabilities	15,117		11,018			4,099		15,117	15,117
Financial debt	442,146		442,146					442,146	442,146
Other liabilities	293,906		131,081				162,825	131,081	131,081

The fair values of the various financial instruments were based on market values. The fair values of financial instruments for which there is no active market were established by discounting future cash flows by the interest rates on comparable instruments with the same maturities at balance sheet date.

Net gains/losses by measurement categories

The income and expenses arising from, and gains and losses on financial instruments are analysed by measurement categories in the following table:

EUR '000	2008		2007	
	Recognised in profit/loss	Recognised in equity	Recognised in profit/loss	Recognised in equity
Loans and receivables	-4,066	0	-969	0
Held for trading	11,266	0	-1,712	0
Available for sale	9,312	-4,133	65	-12,701
At amortised cost	450	0	17,712	0
Total	**16,962**	**-4,133**	**15,096**	**-12,701**

Net gains or losses on loans and receivables include changes in impairments, gains or losses on derecognition, payments received and reversals of impairment losses.

Net gains and losses on held-for-trading instruments include changes in the market prices of financial assets and liabilities, and changes in the fair value of derivative financial instruments to which hedge accounting is not applied. Interest expense arising from held-for-trading financial instruments, amounting to EUR 2,365,000, was taken into account.

1) The comparative period was adjusted for the changes arising from the adjustment of purchase price allocations (see Note J. 29).

The net gains of EUR 9,312,000 on disposal of available-for-sale financial assets arose from the sale of the interests in Norddeutsche Affinerie AG. Losses of EUR 12,561,000 were recycled from equity, and gains of EUR 21,874,000 were recognised in profit and loss. Dividend payments received were not included.

The net result excludes negative exchange differences of EUR 7,889,000 (2007: EUR -2,866,000), most of which arose from financial liabilities. In addition, exchange losses of EUR 14,233,000 were directly recognised in equity.

Total interest expense and income are reported as finance costs and income.

Interest income from financial assets not recognised at fair value through profit or loss totalled EUR 25,554,000 (2007: EUR 10,459,000), while interest expense arising from financial assets and liabilities not recognised at fair value through profit or loss amounted to EUR 65,794,000 (2007: EUR 47,340,000). Net finance cost arising from financial instruments was hence EUR 40,240,000 (2007: EUR 36,881,000).

The market values of the various forms of derivative financial instruments were as follows:

EUR '000	31 December 2008		31 December 2007	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange futures	12,482	13,762	3,320	3,455
Commodity derivatives	5,592	8,618	1,282	644
Other	84	14	4	0
Total	**18,158**	**22,394**	**4,606**	**4,099**

Management regards the price risk associated with the currency futures transactions as insignificant, as the underlying transactions balance the effects.

Copper prices represent a significant price risk for the A-TEC Group; these exposures are partly hedged by commodity derivatives. The estimated effect on the income statement of a 10% increase in copper prices due to the commodity derivative transactions is EUR 1,075,000. The opposing effects of the underlying transactions would considerably reduce this effect.

26 Contingent liabilities and other financial obligations

26.1 Contingent liabilities

Contingent liabilities are possible obligations that arise from past events. Contingent liabilities in the case of which an outflow of resources embodying economic benefits is not regarded as improbable amounted to EUR 344,166,000 at balance sheet date (2007: EUR 741,260,000).

In the normal course of business contractual partners are given bank and company guarantees which assure them of the performance of the contractual obligations concerned. The terms of such guarantees depend on their purpose and the underlying contracts, and generally ranges between six months and three years. Most of the guarantees are given to banks and customers of Group companies, and do not give rise to contingent liabilities on the part of the A-TEC Group.

The syndication of a EUR 700m bank guarantee facility for the Plant Construction Division was completed in August 2008. All the main AE&E Group companies have signed the agreement as borrowers, and jointly and severally liable guarantors. The signatory companies are jointly and severally liable for the obligations arising from utilisation of the guarantee facility. As at 31 December 2008 utilisation of the facility totalled EUR 482,694,000. Recourse to this guarantee facility does not normally result in contingent liabilities on the part of the Plant Construction Division or the A-TEC Group.

Some companies in the Plant Construction Division are liable for the performances of third parties forming part of consortia established to execute projects. If a consortium partner is in default of its obligations the resultant claims, in proportion to that partner's non-performance, pass to the AE&E Group companies concerned. These claims are offset by counter-indemnities arising from the consortium agreements. Liabilities of this sort amounted to EUR 326,441,000 at balance sheet date (2007: EUR 715,990.000).

Contingent liabilities consisted solely of obligations to third parties, and related to:

	31 December	
	2008	**2007**
	EUR '000	**EUR '000**
Guarantees	326,441	715,990
Other liabilities	17,725	24,470
Other	0	800
	344,166	**741,260**

"Other liabilities" in 2007 include a bid bond related the privatisation of RTB Bor d.o.o., Serbia, amounting to USD 10,000,000 (EUR 6,804,000) which was drawn in the second quarter of 2008. In addition, under a lease agreement with GE Lisca AG, Zurich, Switzerland, in 2004, the Company undertook to purchase a leased aircraft at its market price in the event that Jet-Invest Anlagenvermietungs GmbH, Vienna fails to meet its obligations under the lease agreement. The original acquisition cost of the aircraft was USD 22,015,000/EUR 15,819,000 (2007: USD 22,015,000/EUR 14,978,000).

26.2 Other financial obligations

The Company's other financial obligations as at 31 December 2008 were as follows.

Future minimum lease commitments comprise:

	31 December	
	2008	**2007**
	EUR '000	**EUR '000**
Due in less than one year	9,705	9,963
Due in between one and five years	24,001	23,131
Due in over five years	15,730	19,047
	49,436	**52,141**

Other financial obligations comprise:

	31 December	
	2008	**2007**
	EUR '000	**EUR '000**
Investment commitment to Serbia	3,160	8,408
Investment commitment given by A-TEC Industries AG	128,282	54,198
	131,442	**62,606**

27 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of no par shares outstanding during the year. Treasury shares are excluded from the calculation (Note J. 15).

Diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company, adjusted for the interest expense related to the convertible bond (EUR 9,070,000; 2007: EUR 5,883,000), by the weighted average number of no par shares outstanding during the year plus the average number of ordinary shares that would be issued on conversion of all the potential no par shares.

The number of shares in issue was adjusted to reflect the capital increase from own resources (bonus shares) in 2008. Pursuant to IAS 33 para. 28, this adjustment has been made as though the issue had taken place at the start of 2007. The previous year's profit was corrected for the adjustments made on finalisation of acquisition balance sheets.

The options granted in 2008 were not included in calculation of diluted earnings per share as the value of the shares does not exceed the exercise price of the options.

	31 December	
	2008	**2007[1)]**
	EUR '000	**EUR '000**
Basic consolidated profit/loss for the period before loss from discontinued operations (attributable to the equity holders of the parent entity)	-26,979	30,714
Diluted consolidated profit/loss for the period before loss from discontinued operations (attributable to the equity holders of the parent entity)	-17,909	36,597
Basic and diluted loss from discontinued operations (attributable to the equity holders of the parent entity)	-6,902	-11,743
Basic consolidated profit/loss for the period (attributable to the equity holders of the parent entity)	-33,881	18,971
Diluted consolidated profit/loss for the period (attributable to the equity holders of the parent entity)	-24,811	24,854
Weighted average number of ordinary shares used in calculating basic earnings per share	25,958	26,400
Weighted average number of ordinary shares used in calculating diluted earnings per share	29,158	28,445
Basic consolidated profit/loss for the period before loss from discontinued operations (attributable to the equity holders of the parent entity) per share in EUR	-1.04	1.16
Diluted consolidated profit/loss for the period before loss from discontinued operations (attributable to the equity holders of the parent entity) per share in EUR	-0.61	1.29
Basic loss from discontinued operations (attributable to the equity holders of the parent entity) per share in EUR	-0.27	-0.44
Diluted loss from discontinued operations (attributable to the equity holders of the parent entity) per share in EUR	-0.24	-0.41
Basic consolidated profit/loss for the period per share in EUR	-1.31	0.72
Diluted consolidated profit/loss for the period per share in EUR	-0.85	0.87

1) The comparative period was adjusted for the changes arising from the adjustment of purchase price allocations (see Note J. 29) and discontinued operations (see Note J. 20).

28 Related party transactions

Related parties comprise:

- All Group companies and associates;
- The Management Board and Supervisory Board of A-TEC Industries AG and their families; and
- All companies in which members of the Management Board or Supervisory Board are senior executives or shareholders.

A list of Group companies is shown in Annex 1.

The following material transactions took place between the Group and related parties:

31 December 2008

Groups of persons/transactions	Non-consolidated subsidiaries EUR '000	Board members EUR '000	Other related parties EUR '000
Income from services and onward charging	**263**	**0**	**2,914**
Purchased services and onward charging	**814**	**523**	**3,006**
Receivables from related parties	**559**	**0**	**3,888**
Annual interest rate	0%	n.a.	0–6%
Payables to related parties	**363**	**208**	**382**
Annual interest rate	0%	n.a.	n.a.
Guarantees	**0**	**0**	**15,819**

Notes to the main transactions referred to above

Under an agreement concluded in December 2006, Airo Tower Immobilienverwaltungs GmbH receives payment in return for management services.

In 2005 A-TEC Industries AG, Vienna extended a loan to Jet-Invest Anlagenvermietungs GmbH, Vienna — a wholly owned subsidiary of M.U.S.T. Privatstiftung, Vienna. The outstanding amount including interest at balance sheet date was EUR 3,372,000 (2007: EUR 2,778,000). The loan bears an interest rate of 6%.

In 2007 Capital- und Industrie-Investment AG — a wholly owned subsidiary of M.U.S.T. Privatstiftung — extended a loan to A-TEC Industries AG, Vienna for the purchase of shares in Norddeutsche Affinerie AG and Cumerio S.A. The loan Company repaid the loan including interest in 2008.

Under a lease agreement with GE Lisca AG, Zurich, Switzerland, in 2004, the Company undertook to purchase a leased aircraft at its market price in the event that Jet-Invest Anlagenvermietungs GmbH, Vienna failed to meet its obligations under the lease agreement. The original acquisition cost of the aircraft was USD 22,015,000.

In 2007 a Group subsidiary acquired 77.22% of the share capital of Magdeburg Werkzeugmaschinen AG, Magdeburg, Germany from Abaco Immobilienverwaltungs GmbH. The shareholders of Abaco Immobilienverwaltungs GmbH are Mrs Ulrike Kovats (wife of Mirko Kovats), with a holding of 99% and Mr Mirko Kovats with 1% of the share capital. The purchase price was EUR 1. Under an earn-out agreement, in the case of a sale, sale and leaseback or other transaction involving the real property of Magdeburg Werkzeugmaschinen AG, the seller is entitled to an increased payment equal to the difference between the carrying amount and the fair value of the property. The seller is also entitled to an improved payment if no transaction takes place. This amount is payable by 31 December 2017 at the latest. The earn-out agreement only comes into force if the value of the shares at the transfer date (1 December 2007) reaches or exceeds the contract value. The circumstances are such that it has not been possible to account for this transaction to date.

31 December 2007

Groups of persons/transactions	Non-consolidated subsidiaries EUR '000	Board members EUR '000	Other related parties EUR '000
Income from services and onward charging	**0**	**0**	**448**
Purchased services and onward charging	**0**	**263**	**1,077**
Receivables from related parties	**1,072**	**0**	**4,485**
Annual interest rate	0–6%	n.a.	0–6%
Receivables from related parties	**0**	**56**	**48,177**
Annual interest rate	n.a.	0%	0–7.5%
Guarantees	**0**	**0**	**14,978**

In 2007 interest expense arising from related party transactions amounted to EUR 1,967,000, and interest income EUR 180,000.

In 2007 the Company purchased various bank loans extended to the Lindeteves-Jacoberg Group. A write-down of about 40% of this debt was agreed with the lending banks, and the amount of EUR 17,712,000 was recognised in profit or loss, under "Other operating income".

In 2007 the Company sold 735,000 shares in Cumerio S.A. to Capital- und Industrie-Investment Aktiengesellschaft as part of a share repurchase agreement. As agreed, this transaction is being reversed at an interest rate of 7.5%.

Remuneration of the Supervisory Board
The remuneration of the Supervisory Board totalled EUR 77,000 (2007: EUR 63,000).

The remuneration of the Supervisory Board comprised:

	2008 EUR '000	2007 EUR '000
Annual expense allowances	65	55
Attendance fees	12	8
	77	**63**

Remuneration of the Management Board
The total remuneration of the Management Board in 2008 amounted to EUR 1,093,000 (2007: EUR 871,000).

	2008 EUR '000	2007 EUR '000
Fixed components	995	650
Variable components	70	221
Share options	28	0
	1.093	**871**
Whereof for previous years	0	121

29 Acquisitions

As IFRS valuations were not available or calculable for most of the acquirees at the time of acquisition, disclosure of the carrying values immediately before acquisition, and of revenue, and profit or loss for the year, on the assumption that the acquisition dates of all business combinations are at the beginning of the reporting period, is effectively impossible. However the revenue and earnings contributions of acquirees in the year of acquisition, reported in the consolidated income statement are presented below.

29.1 Acquisitions by A-TEC Industries AG

29.1.1 Acquisition of shares from minority shareholders of Montanwerke Brixlegg AG

In 2008 financial year the Company acquired a 2.0% interest in Montanwerke Brixlegg AG from a manager at a purchase price of EUR 1,000,000.

The total interest in Montanwerke Brixlegg AG at the balance sheet date amounted to 99.99%.

A-TEC Industries AG extended a EUR 33,000,000 loan to Montanwerke Brixlegg AG in 2008; the loan was subordinated in January 2009.

29.2 Acquisitions and disposals of companies in the Plant Construction Division

29.2.1 Acquisition of Lentjes GmbH, Germany

The company was consolidated on 31 December 2007.

Provisional accounting in accordance with IFRS 3 para. 62 yielded negative goodwill of EUR 29,479,000, which was recognised as "Other operating income", applying IFRS 3 para. 56. On the basis of the final fair values negative goodwill in 2007 was EUR 10,290,000. Significant changes resulted from adjustments of EUR 187,910,000 to "Other receivables" and of EUR 207,099,000 to "Other provisions". The adjustment to "Other receivables" arose from additional obligations on the part of Lurgi Lentjes Plant Engineering AG to assume losses and from an acquisition price adjustment due to exchange rate movements. The adjustment led to an increase of EUR 207,099,000 in the provisions for impending losses carried under "Other provisions".

In 2008 the acquiree contributed EUR 114,340,000 to revenue and made a negative contribution to profit before tax of EUR 11,549,000.

Negative goodwill is calculated as follows:

	31 December 2007 Ultimate fair value of the acquiree EUR '000	**31 December 2007 Carrying value of the acquiree EUR '000**
Acquisition price	0	0
Incidental acquisition costs	1,236	1,236
Total acquisition price	**1,236**	**1,236**
less:		
Assets	-578,923	-391,013
Liabilities	567,397	360,298
Negative goodwill	**-10,290**	**-29,479**

An analysis of the fair value of the net assets at the acquisition date is shown below:

	31 December 2007 EUR '000
Non-current assets	
Property, plant and equipment	1,512
Intangible assets	403
Other financial assets	5,059
Current assets	
Inventories	5,525
Trade and other receivables	436,339
Cash and cash equivalents	130,085
Non-current liabilities	
Employee benefit obligations	-12,636
Long-term borrowings	-20,132
Other long-term provisions	-404
Current liabilities	
Trade payables	-139,443
Other short-term provisions	-331,635
Other current liabilities	-63,108
Current tax payable	-39
Fair value of net assets	**-11,526**
Negative goodwill	**-10,290**
Total acquisition price	**1,236**

29.2.2 Acquisition of Global Power Asia Ltd., China

A 90 % interest in Global Power Asia Ltd. (name of operational unit: AE&E Nanjing Boiler Co. Ltd.) was acquired with effect from 17 October 2007. The purchase price was EUR 18,772,000.

Global Power Asia Ltd., China has expanded the Plant Construction Division's power generation portfolio, complementing the engineering activities, and provides additional resources for further expansion in the booming Asian market.

The potential for joint market development and the synergies created by the acquisition are also the basis of goodwill recognition.

The company was consolidated with effect from 31 December 2007. Due to the closeness of the transaction to the balance sheet date the fair values of the assets, liabilities and contingent liabilities acquired were accounted for provisionally in accordance with IFRS 3 para. 62.

The original purchase price was based on a provisional balance sheet for the first month after the acquisition. After completion of the accounting and an exchange rate adjustment the acquisition price was reduced in accordance with the agreed adjustment clauses. This reduction in the purchase price and the fair values finally arrived at yielded goodwill of EUR 10,125,000 (2007: EUR 11,608,000).

In 2008 the acquiree contributed EUR 31,791,000 to revenue and EUR 2,430,000 to profit before tax.

	31 December 2007 Ultimate fair value of the acquiree EUR '000	**31 December 2007 Carrying value of the acquiree EUR '000**
Acquisition price	17,284	18,772
Incidental acquisition costs	862	857
Total acquisition price	**18,146**	**19,629**
less:		
Assets	-25,049	-27,603
Liabilities	17,028	19,582
Goodwill	**10,125**	**11,608**

An analysis of the fair value of the net assets at the acquisition date is shown below:

	31 December 2007 EUR '000
Non-current assets	
Property, plant and equipment	10,283
Intangible assets	1,170
Other financial assets	52
Current assets	
Inventories	6,015
Trade and other receivables	3,133
Cash and cash equivalents	4,396
Non-current liabilities	
Employee benefit obligations	-3,353
Current liabilities	
Trade payables	-6,661
Other short-term provisions	-577
Other current liabilities	-6,437
Fair value of net assets	**8,021**
Goodwill	**10,125**
Total acquisition price	**18,146**

29.2.3 Acquisition of KRB Kessel- und Rohrleitungsbau AG, Switzerland

The Company fully acquired KRB Kessel- und Rohrleitungsbau AG with effect from 1 January 2008. The purchase price was EUR 2,190,000.

KRB Kessel- und Rohrleitungsbau AG specialises in energy from waste plant maintenance and steam generator rehabilitation. The firm also has a strong reputation for specialised welding work. This expertise, and a well equipped factory in Buchs makes the acquiree an excellent match for the AE&E Group's service operations.

The company was consolidated on 1 January 2008, and contributed EUR 6,865,000 to revenue and EUR 181,000 to profit before tax in the year under review.

Goodwill of EUR 840,000 is calculated as follows:

	1 January 2008 EUR '000
Total acquisition price	**2,190**
less:	
Assets	-3,008
Liabilities	1,658
Goodwill	**840**

An analysis of the fair value of the net assets at the acquisition date is shown below:

	1 January 2008 EUR '000
Non-current assets	
Property, plant and equipment	787
Intangible assets	611
Other non-current assets	28
Current assets	
Inventories	606
Trade and other receivables	966
Cash and cash equivalents	10
Non-current liabilities	
Long-term provisions	-128
Other non-current liabilities	-320
Current liabilities	
Trade payables	-810
Other current liabilities	-400
Fair value of net assets	**1,350**
Goodwill	**840**
Total acquisition price	**2,190**

29.2.4 Acquisition of Mechanical Installations International Limited, UK

Mechanical Installations International Limited, UK was acquired on 26 February 2008, and was consolidated on 1 April 2008.

The company specialises in the installation, construction, maintenance and service of machinery and industrial plant, as well as steel and pipeline construction in Europe. The acquisition of MII has also bolstered AE&E's expertise as a full-line supplier, and enables it to provide maintenance and services for energy from waste plants through a local partner as well as building and commissioning such facilities.

The potential demand for such services given joint market development, and the synergies created by the acquisition are also the basis of goodwill recognition.

In 2008 the acquiree contributed EUR 13,778,000 to revenue and made a negative contribution to profit before tax of EUR 1,776,000.

	1 April 2008 EUR '000
Total acquisition price	**8,075**
less:	
Assets	-9,132
Liabilities	6,775
Goodwill	**5,718**

An analysis of the fair value of the net assets at the acquisition date is shown below:

	1 April 2008 EUR '000
Non-current assets	
Property, plant and equipment	959
Intangible assets	1,545
Current assets	
Inventories	38
Trade and other receivables	6,541
Cash and cash equivalents	49
Non-current liabilities	
Other non-current liabilities	-342
Current liabilities	
Trade payables	-3,953
Other current liabilities	-2,480
Fair value of net assets	**2,357**
Goodwill	**5,718**
Total acquisition price	**8,075**

29.2.5 Disposals in the Plant Construction Division

Babcock Montajes S.A. was sold to Isastur Servicios S.L, Spain in September 2008.

29.3 Acquisitions in the Drive Technology Division

29.3.1 Acquisition of ATB Laurence Scott, UK

Accounting for the assets and liabilities acquired with ATB Laurence Scott, Norwich, UK in 2007 was completed in accordance with IFRS 3 para. 62, and revealed a need to adjust the value of the order books acquired as a result of the transaction. The change in the carrying amount was treated as adjustments to goodwill and order books in 2007.

The company contributed EUR 25,324,000 to revenue and EUR 3,164,000 to profit before tax in 2008.

The adjustments had the following effects:

	EUR '000
Goodwill before adjustment	4,830
Reclassification of order backlog	-2,966
Foreign currency remeasurement	-154
Goodwill at 1 January 2008 after adjustment	**1,710**
Order books	2,966
Depreciation, amortisation and impairment in 2007	-1,702
Foreign currency effect	-134
Order books at 1 January 2008 after adjustment	**1,130**
Deferred tax assets	34
Effects of currency translation	-2
Deferred tax assets at 1 January 2008 after adjustment	**32**
Write-downs of order books	-1,702
Deferred tax	34
Write-downs of receivables	**-1,668**

The following assets and liabilities were acquired:

	EUR '000
Property, plant and equipment	846
Order books	2,966
Inventories	4,956
Provisions	-1,584
Other liabilities	-4,302
Net assets acquired	**2,882**
Total purchase price	4,747
Share of net assets acquired	2,882
Goodwill	**1,865**

29.3.2 Acquisition of ATB FOD d.o.o., Serbia

Together with the assets FOD Bor the Company also acquired the right to operate the acquiree as a going concern. This means that the transaction is classified as an acquisition under IFRS 3 para. 3. ATB SEVER a.d., Subotica was identified as the acquirer. Since the purchase agreement contains a limited-term commitment to continue to employee staff a corresponding liability was recognised when allocating the cost of the acquisition.

The following assets and liabilities were identified in accordance with IFRS 3:

	EUR '000
Land and buildings	5,352
Prepayments for assets under construction	71
Plant and machinery	1,390
Software, licences and similar rights	872
Provisions	-1,351
Liabilities	-1,566
Net assets acquired	**4,768**
Total purchase price	2,466
Share of net assets acquired	4,768
Negative goodwill	**-2,302**

After the several reviews the negative goodwill was confirmed as correct and recognised in profit or loss.

As all the company's assets and liabilities were acquired through a privatisation process it was not possible to determine the original carrying amounts.

In 2008 ATB FOD d.o.o. contributed EUR 6,380,000 to revenue and EUR 383,000 to profit before tax.

29.3.3 Formation of Brook Motors International Ltd., Singapore

The consolidation of Brook Motors International Ltd., Singapore had no effect on the consolidated financial statements as the company was formed in 2008.

29.4 Adjustments in the Machine Tools Division

29.4.1 Acquisition of Dörries Scharmann Technologie GmbH, Germany

With effect from 18 October 2007, the Company acquired Dörries Scharmann Technologie GmbH (DST) and its subsidiaries in France, Germany, the UK and the USA. The DST Group was consolidated with effect from 1 November 2007.

Due to the closeness of the transaction to the balance sheet date the fair values of the assets, liabilities and contingent liabilities acquired were recognised at provisional values in the consolidated financial statements for 2007.

Goodwill is lower than in the provisional acquisition accounts at EUR 19,975,000, due to a EUR 2,482,000 downward adjustment of deferred tax to EUR 17,493,000.

Finalisation of the acquisition accounts also resulted in a EUR 548,000 adjustment to the profit for 2007.

The goodwill arises from the strong market presence of Dörries Scharmann Technologie GmbH. The company's strong position on key industrial markets around the world offers outstanding potential for increased order intake from existing and new customers in coming years.

Dörries Scharmann Technologie is a good fit for the product portfolio of the EMCO Group, and adds special purpose machine tools to the Machine Tools Division's range.

The company contributed EUR 177,337,000 to revenue and EUR 11,756,000 to profit before tax in 2008.

Goodwill is calculated as follows:

	31 December 2007 EUR '000
Acquisition price	64,122
Incidental acquisition costs	200
Total acquisition price	**64,322**
less:	
Assets	-128,689
Liabilities	81,860
Goodwill	**17,493**

An analysis of the fair value of the net assets at the acquisition date is shown below.

	31 October 2007 EUR '000
Non-current assets	
Property, plant and equipment	27,625
Intangible assets	22,171
Other financial assets	1,033
Deferred tax assets	5,859
Current assets	
Inventories	20,680
Trade and other receivables	45,546
Cash and cash equivalents	5,775
Non-current liabilities	
Minority interests	-49
Employee benefit obligations	-801
Long-term borrowings	-11,858
Other long-term provisions	-1,363
Deferred tax liabilities	-14,566
Current liabilities	
Trade payables	-29,394
Other financial liabilities	-23,829
Fair value of net assets	**46,829**
Goodwill	**17,493**
Acquisition price	**64,322**

30 Special purpose entities (SPEs)

A-TEC Immobilienvermietung GmbH was established to assume responsibility for the Group's leasing transactions. The company has concluded the following lease agreements, both of which involve finance leases:

- Lease agreement regarding an office building with a carrying amount of EUR 11,436,000 (2007: EUR 11,832,000) and a plot of land with a carrying amount of EUR 1,629,000 (2007: TEUR 1,629,000) used by the Plant Construction Division.

- Lease agreement regarding a building with a carrying amount of EUR 8,301,000 (2007: EUR 8,569,000) and a plot of land with a carrying amount of EUR 1,334,000 (2007: TEUR 1,334,000) used by the Drive Technology Division.

31 Post balance sheet events

On 4 February 2009 A-TEC Industries AG announced the sale of 1,497,227 own shares or 5.7% of the Company's share capital to Capital und Industrie Investment AG — a wholly owned subsidiary of M.U.S.T Privatstiftung. The price was EUR 6.29 per share, subject to a debtor warrant for the next two years.

On 30 January 2009 A-TEC Industries AG, Vienna announced the contribution in kind to A-TEC Minerals & Metals Holding GmbH, Vienna, in accordance with Article III Vienna Reorganisation Tax Act, of 247,488 no par shares (equal to a holding of 91.66%) in Montanwerke Brixlegg AG, Brixlegg with a carrying value of EUR 10,323,000 on the basis of the contribution balance sheet of 30 September 2008.

In April 2009 A-TEC Industries AG obtained the tender documents for the privatisation of Rudasko-topionicarski kombinat Bor (RTB), a Serbian state enterprise, from the Serbian privatisation agency.

Due to the difficult economic situation some A-TEC Group subsidiaries are making use of the legal scope in the countries where they operate for short-time working and temporary lay-offs.

Drive Technology Division

On 16 February 2009 Brook Crompton Western Electric Motor (Dalian) Corporation Ltd., Dalian sued Lindeteves Jacoberg Limited, Singapore for payment of an outstanding contribution of CNY 131m (EUR 13.8m). Lindeteves Jacoberg disputes the grounds for, and amount of the obligation to replenish the company's capital. In the opinion of the Lindeteves Jacoberg management any claims on the part of Brook Crompton Western Electric Motor (Dalian) Corporation Ltd., Dalian face offsetting counterclaims of CNY 285m (EUR 30.0m). Due to the uncertainties associated with Chinese law this obligation was recognised by a provision of EUR 8.5m. As the Chinese company was already shown as a discontinued operation in the previous year the allocation is reported under the "Loss from discontinued operations".

Due to the Group's withdrawal from the home appliance business a decision was taken in June 2008 to dispose of ATB Selni SAS, Nevers. On 18 February 2009 a binding agreement was made for the sale of a 70% interest in ATB Selni SAS for EUR 1. Once the legally required statement on the transaction has been made by the works council the purchase agreement will be formally signed. The acquirer has undertaken to purchase the remaining 30% interest after six months. The transaction is expected to be formally completed by the end of April 2009.

Scheme debts: In 2005 the Lindeteves-Jacoberg Group entered into a debt restructuring plan based on a scheme of arrangement between Lindeteves Jacoberg Limited and participating bank creditors. In March 2009 the remaining three scheme creditors stated their readiness to sell their shares of the scheme debts and the related voting rights. Once this transaction has been completed the restructuring of the scheme debts will have been concluded.

Vienna, 24 April 2009

Mirko Kovats

Chairman of the Management Board

Christian Schmidt

Member of the Management Board

Christian Schrötter

Member of the Management Board

Declaration by the Management Board in accordance with section 82(4)(3) BörseG (Stock Exchange Act)

Declaration by all of the Company's legal representatives

We hereby confirm that to the best of our knowledge that the consolidated financial statements to the maximum extent possible give a true and fair view of the Group's assets, liabilities, finances and earnings as required by the applicable accounting standards, and that the Group management report gives a true and fair view of the course of the Group's business, and its results and financial condition, such that the report to the maximum extent possible gives a true and fair view of the Group's assets, finances and earnings, and describes the principal risks and uncertainties to which the Group is exposed.

We confirm that to the best of our knowledge that the company financial statements of the parent entity to the maximum extent possible give a true and fair view of the Company's assets, liabilities, finances and earnings as required by the applicable accounting standards, and that the company management report gives a true and fair view of the course of the Company's business, and its results and financial condition, such that the report to the maximum extent possible gives a true and fair view of the Company's assets, finances and earnings, and describes the principal risks and uncertainties to which the Company is exposed.

Vienna, 24 April 2009

Mirko Kovats

Chairman of the Management Board

Christian Schmidt

Member of the Management Board

Christian Schrötter

Member of the Management Board

Investments in consolidated and non-consolidated companies

The following companies are included in consolidation:

Company	As % of total	Holding	Consolidation
Plant Construction Division			
AE&E Group GmbH, Vienna, Austria	100.00%	direct	c
AE&E GmbH & Co KG, Raaba, Austria	100.00%	direct	c
AE&E Austria GmbH, Raaba, Austria	100.00%	indirect	c
AE&E Shanghai Engineering and Consulting Co. Ltd., Shanghai, People's Republic of China	100.00%	indirect	c
Austrian Energy and Environment Thailand Ltd., Bangkok, Thailand	48.50%	indirect	c
Austrian Energy & Environment NL B.V., Zevenbergen, Netherlands	100.00%	indirect	c
AE&E Hungaria Kft., Budapest, Hungary	100.00%	indirect	c
AE&E Polska Sp. z o.o., Warsaw, Poland	100.00%	indirect	c
OOO Austrian Energy and Environment, Moscow, Russia	100.00%	indirect	c
A-TEC POWER PLANT SYSTEMS AG, Vienna, Austria	93.10%	indirect	c
A-TEC Enerji Sistemleri Insaat Limited Sirketi, Ankara, Turkey	93.17%	indirect	c
Austrian Energy & Environment Germany GmbH, Cologne, Germany	100.00%	indirect	c
AE&E Inova GmbH, Cologne, Germany	100.00%	indirect	c
AE&E Lentjes GmbH, Ratingen, Germany	99.00%	indirect	c
Lentjes Belgiè N.V., Schoten, Belgium	99.00%	indirect	c
Lentjes Nederland B.V., Alkmaar, Netherlands	99.00%	indirect	c
Lentjes UK Ltd., Surrey, United Kingdom	99.00%	indirect	c
Lentjes Praha s.r.o., Prague, Czech Republic	99.00%	indirect	c
Austrian Energy & Environment CZ s.r.o., Brno, Czech Republic	100.00%	indirect	c
Babcock Power España S.A., Valle de Trabaga, Spain	100.00%	indirect	c
Duro Dakovic TEP d.o.o., Slavonski Brod, Croatia	100.00%	indirect	c
Intercontinental Development & Engineering AE&E Private Limited (I.D.E.A), Chennai, India	100.00%	indirect	c
AE&E Chennai Works Ltd., Chennai, India	100.00%	indirect	c
Austrian Energy & Environment (Australia) Pty. Ltd., Sydney, Australia	100.00%	indirect	c
Von Roll Inova Holding AG, Zürich, Switzerland	100.00%	indirect	c
Von Roll Environmental Technology AG, Zürich, Switzerland	100.00%	indirect	c
Global Power Asia Ltd., Hong Kong, People's Republic of China	100.00%	indirect	c
AE&E Nanjing Boiler Co. Ltd., Nanjing, People's Republic of China	90.00%	indirect	c
KRB Kessel- und Rohrleitungsbau AG, Buchs, Switzerland	100.00%	indirect	c
Inova France SA, Rueil-Malmaison, France	100.00%	indirect	c
AEE Maintenance France SAS, Etoile-sur-Rhone, France	100.00%	indirect	c
Inova (CR) s.r.o., Prague, Czech Republic	100.00%	indirect	c
Von Roll Inc., Norcross, USA	100.00%	indirect	c
Svenska Von Roll AB, Täby, Sweden	100.00%	indirect	c
Nihon de Roll Japan Ltd., Osaka, Japan	100.00%	indirect	c
Von Roll Inova Limited, Crawley, United Kingdom	100.00%	indirect	c
M.I.I. Mechanical Installations International Ltd., Newport, United Kingdom	100.00%	indirect	c
Callergie S.A.S., Paris, France	19.00%	indirect	e
Mellergies S.A.S., Melle, France	50.00%	indirect	e
Babcock Engenharia de projetos Latinamerica Ltda, Sao Paulo, Brazil	100.00%	indirect	n
AE Energietechnik GmbH, Raaba, Austria	100.00%	indirect	n
Particeps d.o.o., Zagreb, Croatia	100.00%	indirect	n
Austrian Energy & Environment (Queensland) Pty., Queensland, Australia	100.00%	indirect	n
AE&E Boilers Engineering doo, Belgrade, Serbia	100.00%	indirect	n
AE&E North America Inc., Delaware, USA	100.00%	indirect	n

Company	As % of total	Holding	Consolidation
Drive Technology Division			
ATB Austria Antriebstechnik AG, Vienna, Austria	98.01%	direct	c
ATB BHG GmbH, Vienna, Austria	98.01%	indirect	c
ATB Motorenwerke GmbH, Spielberg, Austria	98.01%	indirect	c
ATB Technologies GmbH, Lustenau, Austria	98.01%	indirect	c
ATB COMPONENTS s.r.o., Ostrava, Czech Republic	98.01%	indirect	c
ATB BENELUX B.V., Ijsselmuiden, Netherlands	98.01%	indirect	c
ATB SELNI SAS, Nevers, France	98.01%	indirect	c
ATB MORLEY LIMITED, Leeds, United Kingdom	98.01%	indirect	c
ATB Laurence Scott Ltd., Norwich, United Kingdom	98.01%	indirect	c
ATB Motors (Shanghai) Co. Ltd., Shanghai, People's Republic of China	98.01%	indirect	c
ATB Switzerland AG, Lenzburg, Switzerland	97.23%	indirect	c
ATB Antriebstechnik GmbH, Welzheim, Germany	98.13%	indirect	c
ATB Motorentechnik GmbH, Nordenham, Germany	92.24%	indirect	c
ATB Motorentechnik (Asia) Pte Ltd., Singapore	92.24%	indirect	c
ATB France S.A.R.L., Gonesse, France	98.01%	indirect	c
ATB SEVER a.d., Subotica, Serbia	70.74%	indirect	c
ATB FOD d.o.o., Bor, Serbia	70.74%	indirect	c
Lindeteves-Jacoberg Ltd., Singapore	65.34%	indirect	c
Lindeteves Marketing Services Pte Ltd., Singapore	65.34%	indirect	c
Lindeteves Jacoberg Malaysia Sdn Bhd, Kuala Lumpur, Malaysia	65.34%	indirect	c
WE Motor Sdn Bhd, Kuala Lumpur, Malaysia	65.34%	indirect	c
Lindeteves Jacoberg Tradings Sdn Bhd, Singapore	65.34%	indirect	c
Lindeteves Jacoberg Holdings GmbH, Mönchengladbach, Germany	65.34%	indirect	c
SCHORCH Elektrische Maschinen und Antriebe GmbH, Mönchengladbach, Germany	65.34%	indirect	c
Fabryka Silnikow Elektrycznych Tamel SA, Tarnow, Poland	65.34%	indirect	c
Linberg Sdn Bhd, Malaysia	65.34%	indirect	c
Brook Crompton International Pte Ltd., Singapore	65.34%	indirect	c
Brook Motors International Pte Ltd., Singapore	65.34%	indirect	c
Brook Motors Ltd., Huddersfield, United Kingdom	65.34%	indirect	c
Brook Crompton Motor USA Inc., Arlington Heights, USA	65.34%	indirect	c
Brook Crompton Ltd., Toronto, Canada	65.34%	indirect	c
Western Electric Asia Pte. Ltd., Singapore	65.34%	indirect	c
Brook Crompton B.V., Breda, Netherlands	65.34%	indirect	c
Western Electric Australia Pte Ltd., Granville, Australia	65.34%	indirect	c
Western Electric New Zealand, Auckland, NeW Zealand	65.34%	indirect	c
Western Electric Pacific Ltd., Hongkong, People's Republic of China	65.34%	indirect	c
ATB Sever MAK dooel, Skopje, Macedonia	98.01%	indirect	n
ATB Austria Antriebstechnik Vertriebsgesellschaft mbH, Welzheim, Germany	98.01%	indirect	n
David McLure Ltd., Stockport, United Kingdom	98.01%	indirect	n
Dabatera Sdn Bhd,Kuala Lumpur, Malaysia	19.60%	indirect	n
Brook Crompton Greaves Ltd., Maharashtra, India	33.33%	indirect	n
Metals & Minerals Division			
A-TEC Minerals & Metals Holding GmbH, Vienna, Austria	100.00%	direct	c
Montanwerke Brixlegg Aktiengesellschaft, Brixlegg, Austria	99.99%	direct	c
A-TEC Investment GmbH, Düsseldorf, Germany	100.00%	indirect	c
Kupferhütte Kovohuty a.s., Krompachy, Slovakia	99.99%	indirect	c
Montanwerke Brixlegg Wasserkraftwerk Ges.m.b.H., Salzburg, Austria	99.99%	indirect	c
Gindre Duchavany S.A., Lyon, France	100.00%	indirect	c
Gindre Composants S.A., Chavanoz, France	100.00%	indirect	c

Company	As % of total	Holding	Consolidation
Gindre Torns S.L., Rubi Barcelona, Spain	75.00%	indirect	c
Gindre Copper L.L.C., New York, USA	100.00%	indirect	c
Metelec Limited, West Midlands, United Kingdom	100.00%	indirect	c
Kupferrheydt GmbH, Mönchengladbach, Germany	100.00%	indirect	c
Crown Investment GmbH, Mönchengladbach, Germany	100.00%	indirect	n
Metals Investment GmbH, Mönchengladbach, Germany	100.00%	indirect	n
A-TEC Petro GmbH, Vienna, Austria	90.00%	indirect	n
Machine Tools Division			
A-TEC Mechanical Engineering Holding GmbH, Vienna, Austria	100.00%	direct	c
EMCO MAIER GESELLSCHAFT M.B.H., Hallein, Austria	99.01%	indirect	c
Emco Maier GmbH & Co. KG, Pleidelsheim, Germany	99.01%	indirect	c
Emco Maier GmbH, Traunstein, Germany	99.01%	indirect	c
Emco Maier Corporation-USA, Ohio, USA	99.01%	indirect	c
EMCO Italia Srl., Legnano, Italy	99.01%	indirect	c
Emco Famup S.r.l., San Quirino, Italy	99.01%	indirect	c
INTOS Žebrák spol. s r.o., Žebrák, Czech Republic	99.01%	indirect	c
Magdeburg Werkzeugmaschinen AG, Magdeburg, Germany	91.37%	indirect	c
Mecof S.r.l., Belforte, Italy	99.01%	indirect	c
A-TEC Mechanical Engineering Investment GmbH, Mönchengladbach, Germany	100.00%	indirect	c
Dörries Scharmann Technologie GmbH, Mönchengladbach, Germany	100.00%	indirect	c
Berthiez SAS, St. Etienne, France	100.00%	indirect	c
DS Technology (USA) Inc., Cincinnati, USA	100.00%	indirect	c
DS Technology (UK) Ltd., Birmingham, United Kingdom	100.00%	indirect	c
DS Technologie Service Center GmbH & Co KG, Erfurt, Germany	80.00%	indirect	c
DS Grundstückvermietungsgesmbh & Co KG, Mönchengladbach, Germany	100.00%	indirect	c
FIRMUS Grundstücksvermietungsgmbh & Co KG,Mönchengladbach, Germany	94.00%	indirect	c
Scharmann GmbH, Mönchengladbach, Germany	100.00%	indirect	c
MEXPOL Werkzeugmaschinen GmbH, Hilden, Germany	100.00%	indirect	c
A-TEC Group			
A-Tec Central Asia Resources GmbH, Vienna, Austria	100.00%	direct	c
A-TEC Beteiligungs GmbH, Mönchengladbach, Germany	100.00%	direct	c
E-TEC Beteiligungsverwaltungs GmbH, Vienna, Austria	100.00%	direct	c
A-TEC Beteiligungs GmbH, Vienna, Austria	100.00%	direct/indirect	c
A-TEC Liegenschaftsverwaltungs GmbH, Vienna, Austria	100.00%	direct/indirect	c
Jet Express Anlagenvermietungs GmbH, Vienna, Austria	100.00%	indirect	c
Sil-TEC Industries AG, Sofia, Bulgaria	40.00%	direct	e
A-TEC Industries Middle East FZE (undergoing formation), Dubai, United Arab Emirates	100.00%	direct	n
A-Jet Aviation & Aircraft Management GmbH, Vienna, Austria	80.00%	direct	n
A-TEC Industries ooo, Moscow, Russia	90.00%	direct	n
C&C Tankers BV, Amsterdam, Netherlands	100.00%	direct	n
Denmeji Financiering BV, Amsterdam, Netherlands	100.00%	direct	n
iDream Media Services GmbH, Vienna, Austria	90.00%	direct	n
A-TEC Industries Uganda Ltd., Kampala, Uganda	100.00%	direct	n
RTB Minerals & Metals doo, Belgrade, Serbia	100.00%	direct	n
Kilembe Copper Smelter Ltd., Jinja, Uganda	100.00%	indirect	n
Special purpose entities			
A-TEC Immobilienvermietung GmbH, Vienna, Austria	100.00%	indirect	n

Consolidated statement of movements in non-current assets as at 31 December 2008

A-TEC INDUSTRIES Group

		At 1 Jan. 2008[1]	Exchange differences	Additions	Reclassifications	Change in consolidation	Disposals
		EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
I.	**Intangible assets**						
1.	Goodwill	197,626	-10,407	0	0	6,558	-3.373
2.	Concessions, patents and similar rights, and licences thereto	117,772	-9,814	5,294	111	3,492	-1.418
3.	Capitalised development costs	38,970	-221	5,431	-102	96	-146
4.	Prepayments for intangible assets	1,253	-46	5,753	-54	0	-1.559
		355,621	**-20,488**	**16,478**	**-45**	**10,146**	**-6.496**
II.	**Property, plant and equipment**						
1.	Land, land rights and buildings on land owned by others	431,419	-9,380	24,234	8,094	5,617	-1.883
2.	Land, land rights and buildings on land owned by others held under finance leases	36,310	0	443	0	0	-283
3.	Plant and machinery	459,746	-14,833	64,293	2,660	2,190	-6.021
4.	Plant and machinery held under finance leases	5,342	-270	1,450	175	0	-784
5.	Other equipment, furniture and fixtures, and office equipment	66,377	-1,404	7,566	318	494	-2.619
6.	Other equipment, furniture and fixtures, and office equipment held under finance leases	3,005	-15	536	-136	0	-510
7.	Prepayments and assets under construction	15,888	-324	15,063	-11,066	67	-715
		1,018,087	**-26,226**	**113,585**	**45**	**8,368**	**-12.815**
Total		**1.373.708**	**-46,714**	**130,063**	**0**	**18,514**	**-19,311**

1) The comparative period was adjusted for the changes from the adjustment of purchase price allocations (see Note J. 29) and discontinued operations (see Note J. 20).

Reclassifications of discontinued operations	At 31 Dec. 2008	Accumulated depreciation and amortisation at 1 Jan. 2008	Depreciation and amortisation in current year	Impairment	Exchange differences	Disposals	Reclassifications of discontinued operations	Accumulated depreciation and amortisation at 31 Dec. 2008	Carrying value at 31 Dec. 2008	Carrying value at 1 Jan. 2008
EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
-474	189,930	8,503	0	5,940	-1,374	0	-474	12,595	177,335	189,123
-27	115,410	41,405	9,421	0	-5,352	-496	-21	44,957	70,453	76,367
0	44,028	19,503	5,178	95	-125	0	0	24,651	19,377	19,467
-23	5,324	0	0	0	0	0	0	0	5,324	1,253
-524	**354,692**	**69,411**	**14,599**	**6,035**	**-6,851**	**-496**	**-495**	**82,203**	**272,489**	**286,210**
-3,924	454,177	161,806	7,755	0	-4,160	-218	-964	164,219	289,958	269,613
0	36,470	2,544	972	0	0	0	0	3,516	32,954	33,766
-44,485	463,550	333,288	21,941	0	-12,439	-5,220	-28,253	309,317	154,233	126,458
-632	5,281	1,213	854	0	-41	-478	0	1,548	3,733	4,129
-373	70,359	51,080	5,196	0	-671	-2,214	-116	53,275	17,084	15,297
0	2,880	1,225	522	0	-19	-337	0	1,391	1,489	1,780
-226	18,687	0	0	0	0	0	0	0	18,687	15,888
-49,640	**1,051,404**	**551,156**	**37,240**	**0**	**-17,330**	**-8,467**	**-29,333**	**533,266**	**518,138**	**466,931**
-50,164	**1,406,096**	**620,567**	**51,839**	**6,035**	**-24,181**	**-8,963**	**-29,828**	**615,469**	**790,627**	**753,141**

Consolidated statement of movements in non-current assets as at 31 December 2007

A-TEC INDUSTRIES Group

		At 1 Jan. 2007	Adjustment under IAS 8 para. 42	At 1 Jan. 2007 after adjustment	Exchange differences	Additions	Reclassifications
		EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
I.	**Intangible assets**						
1.	Goodwill	163,128	-1,110	162,018	234	399	0
2.	Concessions, patents and similar rights, and licences thereto	87,488	0	87,488	-2,422	2,202	118
3.	Capitalised development costs	30,228	0	30,228	-223	7,219	0
4.	Intangible assets held under finance leases	64	0	64	0	0	0
5.	Prepayments for intangible assets	308	0	308	0	945	0
		281,216	**-1,110**	**280,106**	**-2,411**	**10,765**	**118**
II.	**Property, plant and equipment**						
1.	Land, land rights and buildings on land owned by others	279,122	0	279,122	1,167	4,805	3,843
2.	Land, land rights and buildings on land owned by others held under finance leases	36,250	0	36,250	0	60	0
3.	Plant and machinery	367,650	0	367,650	-881	35,762	36,502
4.	Plant and machinery held under finance leases	39,283	0	39,283	-775	1,479	-33,706
5.	Other equipment, furniture and fixtures, and office equipment	55,096	0	55,096	-161	5,130	-330
6.	Other equipment, furniture and fixtures, and office equipment held under finance leases	2,885	0	2,885	-2	407	0
7.	Prepayments and assets under construction	9,460	0	9,460	117	12,738	-6,427
		789,746	**0**	**789,746**	**-535**	**60,381**	**-118**
Total		**1.070.962**	**-1,110**	**1,069,852**	**-2,946**	**71,146**	**0**

Revalauation	Changes in consolidation	Disposals	At 31 Dec. 2007	Accumulated depreciation and amortisation at 1 Jan. 2007	Depreciation and amortisation in current year	Write-down	Accumulated depreciation and amortisation at 31 Dec. 2007	Carrying value at 31 Dec. 2007	Carrying value at 1 Jan. 2007
EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
0	41,661	0	204,312	-580	-79	-6,712	-8,502	195,809	161,438
0	26,656	-134	113,908	-12,235	-7,123	-19,651	-39,814	74,094	75,254
0	1,778	-32	38,970	-12,148	-4,898	-2,637	-19,502	19,468	18,081
0	0	-64	0	-64	0	0	0	0	0
0	0	0	1,253	0	0	0	0	1,253	308
0	**70,095**	**-230**	**358,443**	**-25,027**	**-12,100**	**-29,000**	**-67,818**	**290,624**	**255,081**
97,410	46,767	-1,695	431,419	-146,535	-9,643	-1,750	-161,806	269,613	132,587
0	0	0	36,310	-1,548	-601	0	-2,544	33,766	34,702
0	40,214	-18,358	460,889	-293,258	-16,721	0	-333,287	127,602	74,392
0	0	-871	5,410	-20,948	-622	0	-1,257	4,153	18,335
0	10,320	-3,678	66,377	-45,371	-3,743	0	-51,080	15,297	9,725
0	0	-286	3,005	-923	-550	0	-1,225	1,779	1,962
0	0	0	15,888	0	0	0	0	15,888	9,460
97,410	**97,301**	**-24,888**	**1,019,297**	**-508,583**	**-31,880**	**-1,750**	**-551,199**	**468,098**	**281,163**
97,410	**167,396**	**-25,118**	**1,377,740**	**-533,610**	**-43,980**	**-30,750**	**-619,017**	**758,722**	**536,244**

Auditors' report
Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of A-TEC Industries AG, Vienna for the financial year from January 1, 2008 to December 31, 2008. These consolidated financial statements comprise the consolidated balance sheet as at December 31, 2008, the consolidated income statement, the cash flow statement and the statement of changes in equity for the year ended December 31, 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibilities

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves the performance of audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management , as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. Based on the results of our audit, in our opinion the consolidated financial statements of A-TEC Industries AG are in conformity with the legal regulations and present fairly, in all material respects, the financial position of the Group as of December 31, 2008, and of its financial performance and its cash flows for the financial year from January 1, 2008 to December 31, 2008, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Report on the management report

Laws and regulations applicable in Austria require us to perform audit procedures whether the consolidated management report is consistent with the consolidated annual financial statements and whether the other disclosures made in the management report do not give rise to misconception of the position of the group.

In our opinion, the consolidated management report for the group is consistent with the consolidated financial statements.

Salzburg, April 24 2009
BDO Salzburg Wirtschaftsprüfungs GmbH

Margit Widinski
Certified Public Accountant

Klemens Eiter
Certified Public Accountant

In the event of the publication or passing on of the annual financial statements in a version other than that certified (e.g. abridged or translated into other languages) the auditors` report may not cited and our audit may not be referred to.

Contacts

For further information please contact us at:

A-TEC Industries AG
Wächtergasse 1
1010 Vienna, Austria
Phone: +43 1 22760
Fax: +43 1 22760 160
E-Mail: office@a-tecindustries.com
www.a-tecindustries.com

AE&E Group GmbH
Brünner Straße 52
1210 Vienna, Austria
Phone: +43 1 90235 0
Fax: +43 1 90235 1103
E-Mail: info@aee-group.com
www.aee-group.com

EMCO Maier GmbH
Salzburger Straße 80
5400 Hallein, Austria
Phone: +43 6245 869 65
Fax: +43 6245 869 65
E-Mail: info@emco.at
www.emco.at

ATB Austria Antriebstechnik AG
Hohenstaufengasse 7
1010 Vienna , Austria
Phone: +43 1 90250 0
Fax: +43 1 90250 110
E-Mail: info@atb-motors.com
www.atb-motors.com

Montanwerke Brixlegg AG
Werkstraße 1–3
6230 Brixlegg, Austria
Phone: +43 5337 6151
Fax: +43 5337 6151 102
E-Mail: office@montanwerke-brixlegg.com
www.montanwerke-brixlegg.com

Dörries Scharmann Technologie GmbH
Hugo-Junkers-Straße 12–32
41236 Mönchengladbach, Germany
Phone: +49 21 664 54 0
Fax: +49 21 664 54 300
E-Mail: service@ds-technologie.de
www.ds-technologie.de

This annual report is available for download at www.a-tecindustries.com.

Imprint:

Published by:
A-TEC Industries AG
www.a-tecindustries.com

Editorial consultants:
Pleon Publico Public
Relations & Lobbying
www.pleon-publico.at

Concept and graphic design:
section.d
www.sectiond.at

Balance sheet
produced inhouse with
FIRE.sys
www.konrad.de

A-TEC INDUSTRIES AG

Wächtergasse 1
1010 Vienna, Austria
Tel.: +43 1 227 60 0
Fax: +43 1 227 60 160
E-Mail: office@a-tecindustries.com
www.a-tecindustries.com