SW Umwelttechnik
STOISER & WOLSCHNER AG

ANNUAL FINANCIAL REPORT 2007

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2007

ASSETS

	Note	31. Dec. 2007 EUR ´000	31. Dec. 2006 EUR ´000
Non-current assets			
Intangible assets	4.1.1.	945	871
Property, plant and equipment	4.1.1.	72,808	56,173
Financial investments	4.1.2.	759	836
		74,512	57,880
Other non-current assets			
Deferred tax assets	4.1.3.	1,195	31
		75,707	57,911
Current assets			
Inventories	4.1.4.	16,779	12,087
Construction contracts- gross amount due from customers	4.1.5.	1,596	4,037
Receivables and other assets	4.1.6.	22,991	20,807
Cash and cash equivalents	4.1.7.	3,121	632
		44,487	37,563
		120,194	95,474

EQUITY AND LIABILITIES

	Note	31. Dec. 2007 EUR ´000	31. Dec. 2006 EUR ´000
Equity			
Share capital	4.2.1.	4,798	4,798
Capital reserve	4.2.1.	5,956	5,956
Translation reserve	4.2.2.	–1,528	–772
Retained earnings		14,649	12,692
		23,875	22,674
Minority interests		3,336	3,816
		27,211	26,490
Non-current liabilities			
Long-term borrowings	4.2.3.	37,674	21,342
Deferred tax liabilities	4.1.3.	1,243	1,044
Provisions for termination and retirement benefits	4.2.4.	2,236	2,436
Government grants		0	11
		41,153	24,833
Current liabilities			
Short-term borrowings	4.2.3.	34,536	29,075
Construction contracts-gross amount due to customers	4.1.5.	1,363	285
Tax provisions		31	0
Other provisions	4.2.5.	119	409
Other liabilities	4.2.6.	15,781	14,382
		51,830	44,151
		120,194	95,474

CONSOLIDATED NON-CURRENT ASSETS MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 DECEMBER 2007

EUR ´000	Cost					
Item	At 1 Jan. 2007	Ex-change differ-ences	Changes scope of consol-idation	Add-itions	Dis-posals	Re-classif-ications +/-
I. Intangible assets						
1. Concessions, industrial property rights and similar rights, and licences thereto	1,063	–6	–18	169	20	0
2. Goodwill	687	–6	0	0	0	0
Intangible assets	1,750	–12	–18	169	20	0
II. Property, plant and equipment						
1. Land, land rights and buildings, including buildings on land owned by others						
a) Land	7,165	–51	0	165	1,449	2
b) Buildings	27,439	–230	–24	3,790	3,797	3,608
	34,604	–281	–24	3,955	5,246	3,610
2. Plant and equipment	38,473	–296	–10	5,290	1,279	–7
3. Other equipment, furniture and fixtures	7,201	–50	–81	1,205	250	–309
4. Prepayments and assets under construction	8,832	–268	0	15,809	52	–3,294
Property, plant and equipment	89,110	–895	–115	26,259	6,827	0
III. Financial investments						
1. Investments in Group companies	52	1	0	310	0	0
2. Investments in associates	36	0	–1	0	0	0
3. Other investments	788	0	–7	0	106	0
Investments	876	1	–8	310	106	0
Total non-current Assets	91,736	–906	–141	26,738	6,953	0

See Notes 3.5. for information on item I.2. goodwill.

	Depreciation and amortisation							Carrying	Carrying
At 31 Dec. 2007	At 1 Jan. 2007	Ex-change-differ-ences	Changes scope of consol-idation	Add-itions	Dis-posals	Re-classif-ications +/-	At At 31 Dec. 2007	amount at 31 Dec. 2007	amount at 31 Dec. 2006
1,188	879	–5	–10	80	20	0	924	264	184
681	0	0	0	0	0	0	0	681	687
1,869	879	–5	–10	80	20	0	924	945	871
5,832	24	0	0	0	24	0	0	5,832	7,141
30,786	9,341	–16	–24	880	1,497	4	8,688	22,098	18,098
36,618	9,365	–16	–24	880	1,521	4	8,688	27,930	25,239
42,171	19,026	–1,350	–2	2,935	–518	–1,272	19,855	22,316	19,447
7,716	4,546	–14	–42	901	478	–134	4,779	2,937	2,655
21,027	0	0	0	0	0	1,402	1,402	19,625	8,832
107,532	32,937	–1,380	–68	4,716	1,481	0	34,724	72,808	56,173
363	7	1	0	275	0	0	283	80	45
35	19	0	0	0	0	0	19	16	17
675	14	0	0	0	2	0	12	663	774
1,073	40	1	0	275	2	0	314	759	836
110,474	33,856	–1,384	–78	5,071	1,503	0	35,962	74,512	57,880

CONSOLIDATED NON-CURRENT ASSETS MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 DECEMBER 2006

EUR ´000	Cost					
Item	At 1 Jan. 2006	Ex-change differ-ences	Changes scope of consol-idation	Add-itions	Dis-posals	Re-classif-ications +/-
I. Intangible assets						
1. Concessions, industrial property rights and similar rights, and licences thereto	1,669	3	0	62	673	2
2. Goodwill	934	4	0	0	251	0
Intangible assets	2,603	7	0	62	924	2
II. Property, plant and equipment						
1. Land, land rights and buildings, including buildings on land owned by others						
a) Land	6,741	23	0	401	20	20
b) Buildings	22,594	49	0	1,370	110	3,536
	29,335	72	0	1,771	130	3,556
2. Plant and equipment	34,968	85	0	2,061	2,675	4,034
3. Other equipment, furniture and fixtures	7,455	14	0	1,005	1,302	29
4. Prepayments and assets under construction	5,430	120	0	10,903	0	–7,621
Property, plant and equipment	77,188	291	0	15,740	4,107	–2
III. Financial investments						
1. Investments in Group companies	72	–1	0	1	19	–1
2. Investments in associates	35	0	0	0	0	1
3. Other investments	839	0	0	1	52	0
Investments	946	–1	0	2	71	0
Total non-current Assets	80,737	297	0	15,804	5,102	0

See Notes 3.5. for information on item I.2. goodwill.

	Depreciation and amortisation							Carrying	Carrying
At 31 Dec. 2006	At 1 Jan. 2006	Ex-change-differ-ences	Changes scope of consol-idation	Add-itions	Dis-posals	Re-classif-ications +/-	At At 31 Dec. 2006	amount at 31 Dec. 2006	amount at 31 Dec. 2005
1,063	1,145	3	0	402	673	2	879	184	524
687	0	0	0	251	251	0	0	687	934
1,750	1,145	3	0	653	924	2	879	871	1,458
7,165	24	0	0	0	0	0	24	7,141	6,717
27,439	8,666	7	0	736	68	0	9,341	18,098	13,928
34,604	8,690	7	0	736	68	0	9,365	25,239	20,645
38,473	18,611	32	0	2,810	2,427	0	19,026	19,447	16,357
7,201	4,851	6	0	916	1,225	−2	4,546	2,655	2,604
8,832	0	0	0	0	0	0	0	8,832	5,430
89,110	32,152	45	0	4,462	3,720	−2	32,937	56,173	45,036
52	12	0	0	2	7	0	7	45	60
36	0	0	0	19	0	0	19	17	35
788	4	0	0	22	12	0	14	774	835
876	16	0	0	43	19	0	40	836	930
91,736	33,313	48	0	5,158	4,663	0	33,856	57,880	47,424

CONSOLIDATED NON-CURRENT ASSETS MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 DECEMBER 2005

EUR ´000	Cost					
Item	At 1 Jan. 2005	Ex-change differ-ences	Changes scope of consol-idation	Add-itions	Dis-posals	Re-classif-ications +/-
I. Intangible assets						
1. Concessions, industrial property rights and similar rights, and licences thereto	951	–18	681	104	49	0
2. Goodwill	1,304	–18	0	2	354	0
Intangible assets	2,255	–36	681	106	403	0
II. Property, plant and equipment						
1. Land, land rights and buildings, including buildings on land owned by others						
a) Land	6,615	–99	92	347	214	0
b) Buildings	21,683	–286	0	1,533	728	392
	28,298	–385	92	1,880	942	392
2. Plant and equipment	33,334	–530	1,014	2,132	1,635	653
3. Other equipment, furniture and fixtures	6,947	–72	682	1,024	821	–305
4. Prepayments and assets under construction	1,117	–30	1	5,082	0	–740
Property, plant and equipment	69,696	–1,017	1,789	10,118	3,398	0
III. Financial investments						
1. Investments in Group companies	164	–1	–92	1	0	0
2. Investments in associates	36	–1	0	0	0	0
3. Other investments	789	0	76	0	26	0
Investments	989	–2	–16	1	26	0
Total non-current Assets	72,940	–1,055	2,454	10,225	3,827	0

See Notes 3.5. for information on item I.2. goodwill.

	Depreciation and amortisation							Carrying	Carrying
At 31 Dec. 2005	At 1 Jan. 2005	Ex- change- differ- ences	Changes scope of consol- idation	Add- itions	Dis- posals	Re- classif- ications +/-	At At 31 Dec. 2005	amount at 31 Dec. 2005	amount at 31 Dec. 2004
1,669	767	−15	218	221	46	0	1,145	524	184
934	0	0	0	354	354	0	0	934	1,304
2,603	767	−15	218	575	400	0	1,145	1,458	1,488
6,741	26	0	0	0	2	0	24	6,717	6,589
22,594	8,367	−43	0	656	349	35	8,666	13,928	13,316
29,335	8,393	−43	0	656	351	35	8,690	20,645	19,905
34,968	17,086	−184	338	2,645	1,349	75	18,611	16,357	16,248
7,455	4,673	−41	244	804	719	−110	4,851	2,604	2,274
5,430	0	0	0	0	0	0	0	5,430	1,117
77,188	30,152	−268	582	4,105	2,419	0	32,152	45,036	39,544
72	4	0	0	8	0	0	12	60	160
35	0	0	0	0	0	0	0	35	36
839	30	0	0	0	26	0	4	835	759
946	34	0	0	8	26	0	16	930	955
80,737	30,953	−283	800	4,688	2,845	0	33,313	47,424	41,987

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 EUR ´000	2006 EUR ´000
1. Revenue	5.1.1.	96,067	101,933
2. Work performed by the entity and capitalised		594	441
3. Other operating income	5.1.2.	607	446
4. Changes in work in progress, finished goods and services not yet invoiced		2,090	789
5. Materials and external services	5.1.3.	–53,513	–58,076
6. Staff costs	5.1.4.	–17,359	–17,562
7. Depreciation and amortisation expense	5.1.5.	–4,796	–5,115
8. Other operating expenses	5.1.6.	–19,123	–18,773
9. Operating profit	5.1.7.	4,567	4,083
10. Net finance costs	5.1.8.	–3,363	–1,210
11. Share of profit of associates	5.1.9.	15	11
12. Profit before tax		1,219	2,884
13. Income tax expense	5.1.10.	588	–852
14. Profit after tax		1,807	2,032
15. Minority interests		–18	85
16. Profit for the period		1,789	2,117
Earnings per share (diluted and undiluted)	5.1.11.	EUR 2.71	EUR 3.21

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 EUR ´000	2006 EUR ´000
Profit on ordinary activities		1,219	2,884
+ Depreciation and amortisation		5,071	5,158
+ Losses/gains on disposal of non-current assets		98	76
+ Net interest paid/received		2,436	1,741
– Interest paid		–2,823	–1,764
+ Interest received		58	53
– Change in long-term provisions		–200	–471
– Income taxes paid		–346	–516
Operating profit before working capital changes		5.513	7,161
– Change in inventories and construction contracts		–364	–3,249
– Change in receivables and other assets		–2,184	–809
+ Change in liabilities		1,388	1,707
+/– Change in short-term provisions and accrued liabilities		788	–179
Net cash from operating activities		5,141	4,631
+ Deconsolidation of subsidiaries	6.2.	63	0
– Acquisition of property, plant and equipment and intangible non-current assets		–26,428	–15,802
– Acquisition of financial investments		–310	–2
+ Proceeds from sale of non-current assets		3.465	363
Net cash used in investing activities		–23,210	–15,441
– Dividends paid		–198	–165
– Purchase of minority interests		–120	0
+ Change in long-term borrowings		16,332	4,630
+ Change in short-term borrowings		5,790	6,670
Net cash from financing activities		21,804	11,135
Net change in cash and cash equivalents	6.1.	3,735	325
+ Cash and cash equivalents at beginning of year		632	204
+ Net change in cash and cash equivalents		3,735	325
–/+ Foreign exchange differences		–1,246	103
Cash and cash equivalents at end of year		3,121	632

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Share capital	Capital reserve	Translation reserve	Retained earnings	Minoritiy interests	Total
		EUR ´000	EUR ´000	EUR ´000	EUR ´000	EUR ´000	EUR ´000
At 1 January 2006		4,798	5,956	–1,120	10,740	3,897	24,271
Profit for the period/ minority interests		0	0	0	2,117	–85	2,032
Foreign currency translation		0	0	313	0	4	317
Effects of net investment approach	4.2.2.	0	0	35	0	0	35
Total recognised income and expense for the period		0	0	348	2,117	–81	2,384
Dividends		0	0	0	–165	0	–165
At 31 December 2006		4,798	5,956	–772	12,692	3,816	26,490
At 1 January 2007		4,798	5,956	–772	12,692	3,816	26,490
Profit for the period/ minority interests		0	0	0	1,789	18	1,807
Foreign currency translation		0	0	–286	0	–12	–298
Effects of net investment approach	4.2.2.	0	0	–470	0	0	–470
Total recognised income and expense for the period		0	0	–756	1,789	6	1,039
Purchase of minority interests		0	0	0	366	–486	–120
Dividends		0	0	0	–198	0	–198
At 31 December 2007		4,798	5,956	–1,528	14,649	3,336	27,211

NOTES
TO THE 2007 CONSOLIDATED
FINANCIAL STATEMENTS →

1. GENERAL INFORMATION

1.1. The Company is registered as SW Umwelttechnik Stoiser & Wolschner AG in the Register of Companies at the Provincial Court in Klagenfurt, Austria, under register number 109859 h. The registered office of the Company is at Bahnstrasse 87, A-9021 Klagenfurt, Austria.

1.2. The Group's activities relate to water conservation and infrastructure products, and engineering projects. For further details readers are referred to Note 7.1.

2. SCOPE OF CONSOLIDATION

2.1. The consolidated annual financial statements include SW Umwelttechnik Stoiser & Wolschner AG, Klagenfurt and the following Group companies:

Company	Location	31 Dec. 2007	31 Dec. 2006	
Consolidation		% interest.	% interest.	
SW Umwelttechnik Magyarország Kft	Hungary		100.00	
SW Umwelttechnik Csepel Kft.	Hungary	100.00	0,00	1)
OMS Hungária Kft.	Hungary	60.07	51.00	2)
Kvadrát-Eger Kft.	Hungary	0.00	100.00	3)
Dor Kft.	Hungary	100.00	100.00	
SW Umwelttechnik Romania SRL	Romania	100.00	100.00	
SW Umwelttechnik Österreich GmbH	Austria	74.00	74.00	
Oberdrautaler Baustoff- und Fertigteilwerke Franz Nageler GmbH & Co KG	Austria	74.00	74.00	4)
UT Immobilienverwaltungsges.m.b.H.	Germany	100.00	100.00	

1) Demerged from SW Umwelttechnik Magyarország Kft. as at 30 June 2007.
2) Acquired own shares equal to 15.04% of its capital during the 2007 financial year.
3) Merged with Dor Kft. as acquiring company during the 2007 financial year.
4) The interests in Oberdrautaler Baustoff- und Fertigteilwerke Franz Nageler GmbH & Co KG are held by SW Umwelttechnik Österreich GmbH

Company	Location	31 Dec. 2007	31 Dec. 2006
Deconsolidation		% interest.	% interest.
Biogest Umwelttechnik GmbH	Austria	100.00	100.00

Biogest Umwelttechnik GmbH was deconsolidated on 1 January 2007.

Company	Location	31 Dec. 2007	31 Dec. 2006
Proportionate consolidation		% interest.	% interest.
ISO-SPAN Baustoffwerk Gesellschaft m.b.H.	Austria	50.00	50.00

2.2. Additional disclosures on changes in equity investments are made in Notes 7.3. and 7.4.
Group companies not included in consolidation are listed in Note 4.1.2. a). There were no acquisitions during the 2007 financial year.

3. ACCOUNTING AND VALUATION POLICIES

3.1. General accounting policies

The consolidated financial statements for the year ended 31 December 2007 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU.

No standards were applied before their effective dates in the year under review or the previous year.

New standards adopted by the IASB but not yet applied

At the time of the approval of the consolidated financial statements by the Supervisory Board the IASB had adopted the new and revised standards and interpretations, listed below, which will not enter into effect until later and were not prematurely applied in the present statements. Their effects on the consolidated financial statements of the SW Umwelttechnik Group have not been systematically analysed, and the anticipated effects set out below thus merely represent a preliminary assess ment by the Group's management.

Effective date 1 March 2007 / planned application in the 2008 financial year
↗ *IFRIC 13 Customer Loyalty Programmes* [1]

Effective date 1 January 2008 / planned application in the 2008 financial year
↗ *IFRIC 12 Service Concession Arrangements* [1]
↗ *IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* [1]

Effective date 1 July 2008 / planned application in the 2009 financial year
↗ *IFRIC 13 Customer Loyalty Programmes* [1]

Effective date 1 January 2009 / planned application in the 2009 financial year
↗ *Revised IAS 1 Presentation of Financial Statements* [2]
↗ *IFRS 8 Operating Segments* [2]
↗ *Amended IAS 1, Presentation of Financial Statements: Capital Disclosures* [2]

Effective date 1 July 2009 / planned application in the 2010 financial year
↗ *Revised IFRS 3 Business Combinations* [3]
↗ *Amended IAS 27 Consolidated and Separate Financial Statements* [3]

[1] Either no effects at all or no significant effects on the consolidated financial statements of the SW Umwelttechnik Group are anticipated.
[2] The main anticipated effect is that of a duty to make additional disclosures.
[3] It is not yet possible to determine the effects on the consolidated financial statements with sufficient certainty.

All balance sheet items are shown at their values at the respective balance sheet dates.

3.2. CONSOLIDATION PRINCIPLES

Group companies are included in consolidation from the date of effective assumption of control by the parent company.

Group companies are consolidated either in full or proportionately (see Note 2.1).

3.3. CONSOLIDATION POLICIES

The consolidation procedures are in accordance with IFRS 3. The cost of the acquirer's interest in the consolidated companies is offset against the proportionate fair value of the equity acquired, based on the value of the assets and liabilities of these companies at the time of the transfer of control. The excess of the corresponding equity reported over the cost of interests in subsidiaries is disclosed as goodwill under intangible assets. IFRS 3 requires the immediate recognition of negative differences as income.

Pursuant to IFRS 3 the new rules are applied only prospectively to business combinations with agreement dates on or after 31 March 2004. Under IFRS 3 paragraph 85 the new requirements of IFRS 3 may be applied retrospectively provided that the information needed is available, and that IAS 36 and 38 (as revised) are applied. The Company has been applying the new and revised requirements of IFRS 3, IAS 36 and IAS 38 since 1 January 2004.

Where proportionate consolidation is applied, only the Group's attributable share of the assets and liabilities, and the income and expenses of joint ventures is included. Intragroup receivables and payables, income and expenses, and any intragroup profits or losses are eliminated, to the extent that they are material to the presentation of a true and fair view of the assets, finances and earnings of the Group.

3.4. FOREIGN CURRENCY TRANSLATION

Translation of foreign financial statements

The Group's functional currency is the euro, and those of the foreign subsidiaries are the respective local currencies

The annual financial statements of foreign subsidiaries and joint ventures have hence been translated as follows, using the modified closing rate method, in accordance with IAS 21:

- Assets and liabilities at the closing rate at the balance sheet date;
- Income and expenses at the average rate for the year;
- Equity items at the exchange rate at the date of the transaction.

Dabei kamen folgende Kurse zur Anwendung:

Currency	Rate at balance sheet date		Average rate for year	
	2007	2006	2007	2006
	EUR 1	EUR 1	EUR 1	EUR 1
HUF (Hungarian forint)	253.7	251.8	251.4	264.1
RON (Romanian lei)	3.61	3.38	3.34	3.51

In accordance with IFRS 3, goodwill and adjustments arising from the use of fair values in the consolidation of foreign subsidiaries or joint ventures are treated as assets or liabilities of the businesses acquired, and are therefore translated at the closing rate at the balance sheet date.

Exchange differences arising on the translation of annual results are not recognised as income or expenses but are carried under equity.

Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rate at the date of the transaction. At balance sheet date, monetary items are translated at closing rates and non-monetary items at historic rates.

Exchange differences arising on translation of transactions in foreign currencies are recognised as income or expenses.

3.5. INTANGIBLE ASSETS

Goodwill

The calculation of goodwill is explained in Note 3.3. Goodwill amortisation was discontinued in 2004 as required by IFRS 3.

The carrying amounts are reviewed annually, and impairment losses recognised under IAS 36 if necessary.

IAS 36 defines a cash-generating unit (CGU) as the smallest identifiable group of assets in an entity that generates cash inflows from continuing use which are largely independent of the cash inflows from other assets or groups of assets. Allocation to CGUs is according to the Company's internal reporting structure, and also reflects regional aspects determined by the supply areas of products.

The carrying amounts of goodwill are: Engineering sector in Hungary (EUR 0.4m); Water Conservation and Infrastructure sectors in Hungary EUR 0.3m.

The recoverable amounts of CGUs are measured in accordance with value in use. The value in use of the CGUs is calculated according to the traditional approach (IAS 36 A4–6 [2004]) on the basis of the cash flows predicted by the budget forecasts for the next three years. Under the traditional approach a single discount rate, reflecting all the uncertainties associated with the expected cash flows, is applied to them. The interest rates used to discount cash flows are based on a weighted average cost of capital (WACC) of 9.5% (2006: 9.0%), determined by the capital asset pricing model (CAPM). The cash flow forecasts are based on Group companies' business plans, which reflect both past experience and external information (e.g. economic forecasts).

Other intangible assets

Intangible assets acquired for consideration are recognised at cost less straight-line amortisation based on expected useful life. For IT hardware and software the useful life is three to five years, for rental rights four years and for registered trademarks ten years.

3.6. RESEARCH AND DEVELOPMENT

Since the conditions for capitalisation in accordance with IAS 38 are not satisfied, all research and development costs are recognised as expenditure. Research and development expenses amounting to EUR 677,000 (2006: EUR 510,000) are disclosed in the income statement.

3.7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is shown at cost less depreciation. Construction costs include direct costs and an appropriate proportion of indirect materials and production overheads. General administrative costs and distribution costs are not capitalised. Property, plant and equipment is depreciated on a straight-line basis over the expected useful lives of the assets. Impairment losses under IAS 36 are recognised where necessary.

Uniform rates of depreciation throughout the Group are based on the following useful lives:

Buildings	10–50 years
Plant and equipment	3–15 years
Fixtures and fittings, tools and equipment	3–15 years

Repair and maintenance costs are expensed as incurred.

3.8. LEASED ASSETS

Finance leasing

Leased assets which from an economic point of view are effectively owned (since substantially all the risks and rewards incident to ownership of the asset are transferred to the lessee) are capitalised at the inception of the lease at the present value of the future lease payments. At the same time a leasing liability in the same amount is recognised.

The depreciation of leased assets complies with the requirements of IAS 17, under which it is spread over the useful life in the event of the automatic transfer of title at the end of the lease term or of a bargain purchase option, and in all other cases over the shorter of the lease term or useful life.

Operating leases

Lease instalments are expensed, in the main on a straight-line basis.

3.9. GOVERNMENT GRANTS

Grants related to assets, in the form of investment subsidies, are accrued as liabilities in accordance with IAS 20 and reversed in the income statement over the useful life of the assets in question.

Grants related to income are treated as income for the period in which the entitlement arises.

3.10. ASSOCIATES

Under IAS 28, equity investments are classified as investments in associates where the investor has a significant influence (as opposed to a controlling influence in the meaning of IAS 27 or joint control in that of IAS 31) over the operating policies of the investee. The existence of significant influence is presumed (unless its absence can be clearly demonstrated) where the investor holds, directly or indirectly, 20% or more of the voting power.

Unless the holding is immaterial to the presentation of a true and fair view of the assets, finances and earnings of the Group, associates are accounted for using the equity method. The balance sheet therefore shows the proportionate share of the net assets of associates, including goodwill arising on acquisition.

A schedule of principal investments in associates is shown in Note 4.1.2 b).

3.11. INVESTMENTS

The Company's investments consist of equity interests in non-consolidated subsidiaries and associates, as well as available-for-sale securities (see Note 4.1.2. for detailed schedules). They are accounted for in accordance with IAS 39, and are classified as available for sale. Investments are recognised at fair value at the time of the acquisition. In subsequent periods unrealised gains and losses are recognised in equity, and not in profit or loss. On disposal the realised gain or loss previously recognised in equity is taken to profit or loss. Where a loss in value is expected to be permanent it is recognised as an impairment loss.

3.12. INVENTORIES

In accordance with IAS 2 inventories are stated at the lower of the costs of purchase or conversion, or net realisable value.

In general, the moving average cost method is used for measuring inventories. The costs of conversion of work in progress and finished goods include costs directly related thereto, and an allocation of indirect materials costs and production overheads based on normal activity levels. They do not include finance costs, and general administrative and distribution costs. Inventory risks associated with slow-moving or unsaleable goods are recognised by writing the items down accordingly.

3.13. CONSTRUCTION CONTRACTS

Pursuant to IAS 11, profit on construction contracts is recognised as soon as it can be reliably estimated. The Group uses the percentage of completion method to calculate profits. In projects relating to wastewater treatment plants, the stage of completion is represented by the ratio of costs incurred at balance sheet date to the estimated total cost of the project. In respect of sewerage projects, however, the stage of completion is established by reference to the length of pipe laid (in metres) at balance sheet date. Losses are recognised in full as soon as they are identified.

The amounts recognised for contracts in the balance sheet are made up of the costs accumulated at balance sheet date plus the (proportional) profit estimated using the percentage of completion method or the (full) loss compared with the amounts invoiced. The net balances are shown under current assets or current liabilities.

Unprocessed raw materials and other costs relating to future activities are not included in the above calculations but are reported under inventories as work in progress.

3.14. RECEIVABLES AND OTHER ASSETS

Receivables and other current assets are shown at amortised cost net of any provisions required.

3.15. PROVISIONS

In accordance with IAS 37, provisions are made where the Group has a present legal or constructive obligation as a result of past events, where it is probable that resources will be needed to satisfy the obligation and where the amount can be reliably estimated. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation.

3.16. PROVISIONS FOR TERMINATION AND RETIREMENT BENEFITS

The provisions for termination and retirement benefits are long-term employee benefit obligations, and are calculated actuarially, using the projected unit credit method, as prescribed by IAS 19. The present value of defined benefit obligations is calculated on the basis of years of service, expected salary increases and (in the case of pensions) projected pension increases.

Termination benefits are one-time settlements payable by the employer under Austrian labour law on termination of employment or on entering pensionable retirement. The amounts of the payments are determined by years of service and remuneration.

The “corridor” method is used to calculate the provision for termination benefits.

There are individual agreements with the Management Board providing for supplementary pensions on entering retirement. The carrying value of the provisions for pensions is calculated on the same basis as the provisions for termination benefits. Actuarial gains and losses in respect of the provision for retirement benefits are immediately recognised in profit or loss.

3.17. LIABILITIES

Liabilities are shown at amortised cost.

Financial liabilities are stated at the amount of the actual proceeds. A premium, discount or other difference between the amount received and the amount repayable is amortised over the life of the liability, applying the effective interest method, and reported under net finance costs (at amortised cost).

3.18. REVENUE

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods supplied have been transferred to the buyer; discounts and any other reductions in the consideration received are deducted. Revenue arising from the rendering of services other than those related to construction contracts is recognised in accordance with the extent of the services rendered as at balance sheet date. Revenue relating to construction contracts as defined by IAS 11 is recognised in accordance with the percentage of completion method (see Note 3.13).

Other revenue is measured as follows: interest income is recognised on an accruals basis taking the effective rate of interest into account; rental income is accrued; and dividends are recognised when the resolutions to distribute are adopted.

3.19. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the acquisition or construction cost of that asset in accordance with IAS 23 paragraph 11. During the 2007 financial year EUR 519,000 (2006: EUR 155,000) in borrowing costs were capitalised. Other borrowing costs are recognised as expense for the period in which they arise.

3.20. INCOME TAX EXPENSE

Income tax expense is recognised in the period in which it arises, on the basis of the taxable profits for the year. Deferred taxation is calculated using the balance sheet liability method.

Deferred taxation is calculated in accordance with IAS 12, on the basis of the temporary differences between the tax bases and the IFRS carrying amounts of all assets and liabilities, and using the tax rates applicable in the respective countries (between 16–25%). Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the deductible temporary difference can be utilised. Deferred tax assets are shown under non-current assets, and deferred tax liabilities under non-current liabilities.

Temporary differences arise in the main from depreciation and amortisation of assets, construction contracts, provisions for pensions and other post-employment benefits, and tax loss carryforwards.

3.21. CHANGES IN ACCOUNTING AND VALUATION POLICIES

There were no changes in accounting and valuation policies during the 2007 financial year.

4. NOTES TO THE BALANCE SHEET

4.1. ASSETS

4.1.1. NON-CURRENT ASSETS

The changes in non-current assets during the year are shown in the consolidated non-current assets movement schedule.

A machine acquired under a lease purchase agreement which has been capitalised, with no further carrying value (2006: EUR 480,000) is subject to retention of title by the vendor until all the lease instalments have been paid. The last outstanding instalment was paid during the 2007 financial year.

Obligations in respect of capital goods ordered but not yet delivered amounted to EUR 1,059,000 at balance sheet date (2006: EUR 492,000).

4.1.2. INVESTMENTS

	2007	2006
	EUR ´000	EUR ´000
a) Investments in Group companies	80	45
b) Investments in associates	16	17
c) Other investments	663	774
Total investments	759	836

a) Investments in Group companies

The following Group companies have been excluded from consolidation because, on the basis of revenue and profits/losses for the period, they are neither individually nor collectively material to the presentation of a true and fair view of the assets, finances and earnings of the Group.

	Percentage value		Percentage interest	
	2007	2006	2007	2006
	EUR ´000	EUR ´000	%	%
Dural Kft., Tata	7	7	51.0	51.0
OMS Timisoara s.r.l., Timisoara[1]	0	0	0	100.0
OMS Romania s.r.l., Cluj	0	0	75.0	75.0
OMS-Slovensko s.r.o., Levice	3	3	51.0	51.0
SW Umwelttechnik s.r.l., Chisinau	4	0	100.0	0.0
SW Umwelttechnik Bulgaria EOOD, Sofia	31	0	100.0	0.0
SW Umwelttechnik Slovensko s.r.o., Kosice	5	5	100.0	100.0
Biogest Hungária Kft., Miskolc	12	12	100.0	100.0
SW Umwelttechnik Tuburi s.r.l., Timis	0	0	100.0	0
Biogest Umwelttechnik GmbH, Sierning	0	0	100.0	100.0
Oberdrautaler Baustoff- und Fertigteilwerke Franz Nageler GmbH, Lienz	18	18	74.0	74.0
	80	45		

[1] Disposal in 2007.

b) Investments in associates

	2007	2006
	EUR ´000	EUR ´000
At 1 January	17	36
whereof: investments accounted for by the equity method	0	0
investments accounted for by the cost method	17	36
Exchange differences	0	0
Change in scope of consolidation	–1	0
Impairment	0	–19
At 31 December	16	17
whereof: investments accounted for by the equity method	0	0
investments accounted for by the cost method	16	17

The associates, none of which are listed companies, are as follows:

	Location	Percentage interest 2007	Percentage interest 2006
		%	%
Cellviz Kft[1)]	Hungary	49.0	49.0
AT-Abwassertechnik GmbH	Austria	45.0	45.0

[1] In liquidation.

c) Other investments

	2007	2006
	EUR ´000	EUR ´000
At 1 January	774	835
Additions	0	1
Disposals	–111	–40
Impairment	0	–22
At 31 December	663	774

The other investments are securities (bonds) used as plan assets to fund the provisions for termination and retirement benefits.

4.1.3. DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following balance sheet items:

	2007	2006
	EUR ´000	EUR ´000
Intangible assets	0	0
Property, plant and equipment	–965	–796
Financial assets	0	0
Inventories	–192	–146
Other current assets	30	–8
Tax loss carryforwards	1.038	31
Provisions	41	–94
Liabilities	0	0
Deferred tax (net)	–48	–1,013

Aggregate deferred tax assets and liabilities were as follows:

	2007	2006
	EUR ´000	EUR ´000
Deferred tax assets	1,195	31
Deferred tax assets	–1,243	–1,044
	-48	–1,013

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which they can be utilised. Deferred tax assets not recognised in respect of tax loss carryforwards amount to EUR 2,871,000 (2006: EUR 4,901,000). These tax losses can be carried forward indefinitely.

On the basis of existing tax regulations it may be assumed that the differences between the values of investments for tax purposes and the proportionate share of the equity of the companies carried in the consolidated financial statements will continue to be largely tax exempt. For this reason no deferred tax has been recognised for such differences.

4.1.4. INVENTORIES

	2007	2006
	EUR ´000	EUR ´000
Raw materials and consumables at cost	3,851	3,507
Raw materials and consumables at LCM	17	0
Work in progress at cost	1,573	1,392
Finished goods at cost	11,170	6,858
Finished goods at LCM	146	161
Prepayments	22	169
	16,779	12,087

LCM = lower of cost and market value

A property owned by SW Umwelttechnik Csepel Kft., valued at EUR 2,047,000, is reported under finished goods. The company forms part of the engineering segment. An option of the purchase of the land was sold for EUR 1,225,000. The consideration for the option will be recognised over the life of the option and reported under revenue (EUR 841,000 in 2007 and EUR 384,000 in 2008). The price of exercise of the option for the purchase of the land is EUR 5,744,000.

4.1.5. CONSTRUCTION CONTRACTS

	2007	2006
	EUR ´000	EUR ´000
Gross amount due from customers for contract work	1,596	4,037
Gross amount due to customers from contract work	1,363	285
Revenue from contract work for the period	13,769	25,229
Contracts in progress at balance sheet date:		
Cumulative contract costs plus realised profits based on stage of completion	33,068	34,597
Advances received in excess of work in progress	3,292	1,774
Customer retentions	1,091	2,787

4.1.6. RECEIVABLES AND OTHER ASSETS

	2007	2006
	EUR ´000	EUR ´000
Trade receivables	17,320	17,232
Receivables from Group companies (non-consolidated)	2,305	512
Receivables from associates	516	461
Other receivables and assets	2,760	2,498
Accruals	90	104
	22,991	20,807

The trade receivables do not include any amounts due from customers accounting for more than 20% of outstanding receivables at balance sheet date. As at balance sheet date there are no indications of any definite default risks.

Provisions for doubtful trade receivables were as follows:

	2007	2006
	EUR ´000	EUR ´000
At 1 January	679	702
Allocations	229	185
Utilisation	–150	–179
Reversals	–60	–29
At 31 December	698	679

The maturity structure of trade receivables was as follows:

	2007	2006
	EUR ´000	EUR ´000
Not overdue	11,936	14,415
Up to 90 days overdue	3,158	1,799
90–180 days overdue	543	540
180–360 days overdue	1,107	198
Over 360 days overdue	576	280
Total	17,320	17,232

Other receivables and assets largely comprise short-term loans for contract acquisition, extended in connection with long-term construction contracts, as well as tax credits and other accrued income. This item contains no sub-items comprising more than 20% of the total.

Provisions for other receivables and assets were as follows:

	2007	2006
	EUR ´000	EUR ´000
At 1 January	130	97
Allocations	3	33
Utilisation	0	0
Reversals	0	0
At 31 December	133	130

The maturity structure of other receivables and assets was as follows:

	2007	2006
	EUR ´000	EUR ´000
Not overdue	2,710	2,493
0–90 days overdue	5	5
90–180 days overdue	0	0
180–360 days overdue	0	0
Over 360 days overdue	45	0
Total	2,760	2,498

Receivables from Group companies and associates relate to goods and services supplied (EUR 2,158,000) and other charges (EUR 663,000).

4.1.7. CASH AND CASH EQUIVALENTS

	2007	2006
	EUR ´000	EUR ´000
Cash on hand	156	63
Bank balances	2,965	569
	3,121	632

4.2. EQUITY AND LIABILITIES

4.2.1. SHARE CAPITAL, CAPITAL RESERVE AND TREASURY SHARES

	Number of shares	Share capital	Capital reserve	Treasury shares	Total
		EUR ´000	EUR ´000	EUR ´000	EUR ´000
At 1 January 2006	659,999	4,798	5,956	0	10,754
At 31 December 2006	659,999	4,798	5,956	0	10,754
At 1 January 2007	659,999	4,798	5,956	0	10,754
At 31 December 2007	659,999	4,798	5,956	0	10,754

Changes in the Group's equity in 2006 and 2007 are presented in the statement of changes in equity.

A total of EUR 5,956,000 in premium arising on the issues in 1997 (EUR 4,445,000) and 2005 (EUR 1,511,000) is reported under the capital reserve. The capital increase in 2005 was effected by issuing a total of 59,999 new shares at a price of EUR 35. In all, there was a net increase in equity of EUR 1,947,000 in 2005.

The Company's authorised capital under the resolution of the Annual General Meeting adopted on 18 May 2004 is EUR 1,745,000 (2006: EUR 1,745,000). The Management Board's authorisation to increase the Company's capital under section 169 Companies Act is valid until 15 April 2010. All the capital is fully paid up.

A resolution pursuant to section 65(1)(5) Austrian Companies Act was passed at the Annual General Meeting of 20 May 1999 authorising a stock option plan for the management of the Company and the managements of fully and proportionately consolidated Group companies. As at balance sheet date no stock options had been issued or promised.

4.2.2. TRANSLATION RESERVE

This item relates to the effects of movements in the euro-forint and euro-lei exchange rates on the equity of the foreign subsidiaries.

Under IAS 21 exchange differences arising on monetary items that form part of a net investment in a foreign operation (net investment approach) are recognised in equity and not profit or loss in the IFRS consolidated statements. The effects of exchange rate movements on long-term loans to subsidiaries are disclosed under the translation reserve, using the net investment approach, and are not recognised in profit or loss.

4.2.3. BORROWINGS

	2007	2006
	EUR ´000	EUR ´000
Non-current:		
Bank loans	36,784	20,658
Other loans	305	317
Subsidised loans	585	367
	37,674	21,342
Current:		
Loans and advances by banks	34,536	28,525
Lease purchase liability	0	98
Subsidised loans	0	452
	34,536	29,075

Financial liabilities amounting to EUR 40,571,000 (2006: EUR 31,547,000) were secured by registered charges on land and by debt assignments of EUR 888,000 (2006: EUR 1,797,000). As at balance sheet date there were outstanding guarantees of EUR 3,608,000 (2006: nil). As at balance sheet date the Company's borrowings included liabilities denominated in Swiss francs, amounting to EUR 888,000, translated at the closing rate at balance sheet date (2006: EUR 1,280,000 in CHF and EUR 433,000 in HUF).

The borrowings are all at variable, Euribor based interest rates.

The effective rates of interest are as follows:

	2007	2006
	in %	in %
Loans and advances by banks	4.7–6.4	3.1–5.4
Lease purchase liability	4.8	4.8
Subsidised loans	2.0	2.0–2.5
Other loans	4.0	4.0

An analysis of future repayments and the future interest payable on existing borrowings at balance sheet date is shown below:

	Repayments	Interest
	EUR ´000	EUR ´000
Less than one year	34,537	2,805
Between one and five years	23,166	5,327
More than five years	14,507	2,422
	72,210	10,554

4.2.4. PROVISIONS FOR TERMINATION AND RETIREMENT BENEFITS

The provisions for termination and retirement benefits are as follows:

	2007 EUR ´000	2006 EUR ´000
Provisions for termination benefits	986	1,058
Provisions for retirement benefits	1,250	1,378
	2,236	2,436

a) Provisions for termination benefits

The carrying value of the provisions for termination benefits at balance sheet date was calculated on the basis of actuarial valuation using the projected unit credit method, and is made up as follows:

	2007 EUR ´000	2006 EUR ´000
Actuarial present value of termination benefit (defined benefit obligation)	1,219	1,345
Actuarial losses not yet recognised	–233	–287
	986	1,058

The increase in obligations during the year under review was as follows:

	2007 EUR ´000	2006 EUR ´000
At 1 January	1,058	1,457
Charged as expense in income statement	115	400
Current service costs	45	228
Interest costs	55	72
Actuarial losses	15	12
Losses from plan curtailments	0	88
Termination benefits	–187	–799
At 31 December	986	1,058
Actuarial present value of termination benefit obligation	1,219	1,345
Funding shortfall	19.1 %	21.3 %

The shortfall is calculated on a company by company basis. Where the shortfall exceeds the 10% threshold as defined by IAS 19 it is charged against income.

The actuarial assumptions are as follows:

	2007	2006
Discount rate	5.50%	4.50%
Salary increases	2.75%	2.75%
Staff turnover	0.4% / 3.8%	0.4% / 3.8%
Retirement age	56–65/61–65	56–65/61–65
Mortality table	AVÖ 1999-P, Arb./Ang.	AVÖ 1999-P, Arb./Ang.

In 2007 the discount rate was increased from 4.5% to 5.5% due to higher long-term interest rates at balance sheet date. The retirement age was assumed to be the earliest possible retirement age, taking account of transitional arrangements.

b) Provisions for retirement benefits

There are no plan assets as defined by IAS 19.

The income and expenses recognised in the income statement are as follows:

	2007	2006
	EUR ´000	EUR ´000
Current service cost	102	114
Interest cost	66	66
Actuarial gains (losses)	–296	–252
	–128	–72

In 2007 the retirement age for the second member of the Management Board was raised from 62 to 65. The resultant reduction in the provision for retirement benefits was fully recognised in the year under review. Due to the higher long-term interest rates as at balance sheet date the discount rate was increased from 4.5% to 5.5%. The actuarial assumptions are as follows:

	2007	2006
Discount rate	5.5%	4.5%
Salary increases	2.5%	2.5%
Pension increases	2.5%	2.5%
Staff turnover	2.0%	2.0%
Retirement age	65	62 bzw. 65
Mortality table	AVÖ 1999-P, Angestellte	AVÖ 1999-P, Angestellte

4.2.5. PROVISIONS

The breakdown of provisions is as follows:

Warranty claims	EUR ´000
At 1 January 2007	409
Additions	89
Reversals	0
Utilised during the year	–379
At 31 December 2007	119

The provisions for warranty claims relate to completed construction projects under long-term contracts and actual claims by customers, and are specific provisions.

4.2.6. OTHER LIABILITIES

	2007	2006
	EUR ´000	EUR ´000
Trade payables	11,940	10,563
Liabilities to non-consolidated Group companies	24	179
Advances received	219	141
Sundry liabilities	3,214	3,471
Accruals	384	28
	15,781	14,382

As in the previous year, the liabilities are all payable within one year.

Liabilities to non-consolidated Group companies consist of trade payables amounting to EUR 24,000 (2006: EUR 175,000); there are no payables for other services (2006: EUR 4,000).

The main components of sundry liabilities are: EUR 771,000 in taxes (2006: EUR 995,000); EUR 413,000 in social security contributions (2006: EUR 485,000); EUR 443,000 in wages and salaries (2006: 677,000); EUR 388,000 in expense accruals for unconsumed leave (2006: EUR 400,000); and EUR 139,000 in customer overpayments and sundry expense accruals (2006: EUR 156,000).

5. NOTES TO THE INCOME STATEMENT

5.1. OPERATING PROFIT

5.1.1. REVENUE

Details are shown in Note 7.1. (segment report).

5.1.2. OTHER OPERATING INCOME

	2007 EUR ´000	2006 EUR ´000
Income-related government grants	261	247
Damages and insurance proceeds	69	123
Gains on disposal of non-current assets	99	17
Gains from the reversal of provisions	0	3
Other	178	56
	607	446

5.1.3. MATERIALS AND EXTERNAL SERVICES

	2007 EUR ´000	2006 EUR ´000
Materials	34,268	35,934
External services	19,245	22,142
	53,513	58,076

Materials expenses include research and development costs amounting to EUR 171,000 (2006: EUR 256,000).

5.1.4. STAFF COSTS

	2007 EUR ´000	2006 EUR ´000
Wages	6,786	6,864
Salaries	6,139	6,099
Termination benefit expense	128	478
Retirement benefit expense	–34	–138
Expenses for social security contributions and other pay related contributions	4,138	4,184
Other employee benefits	202	75
	17,359	17,562

Staff costs include research and development expenses amounting to EUR 350,000 (2006: EUR 140,000).

Termination benefit expense includes contributions to statutory employee benefit funds (defined contribution plan for Austrian non-salaried and salaried staff commencing employment after 1 January 2003) amounting to EUR 22,000 (2006: EUR 21,000).

5.1.5. IMPAIRMENT

	2007 EUR ´000	2006 EUR ´000
Goodwill	0	251
Other intangible assets	80	402
Property. plant and equipment	4,716	4,462
	4,796	5,115

Pursuant to IAS 36, in 2006 goodwill impairment was recognised by reducing the carrying amounts to the lower of fair value less costs to sell or value in use. The impairment in question largely relates to the goodwill of the Austrian Water Conservation and Infrastructure cash-generating unit, which was written down to the value in use as a result of the difficult market situation. Impairment tests carried out during the 2007 financial year did not result in the recognition of any impairment.

Impairment losses include research and development expenses amounting to EUR 35,000 (2006: nil).

5.1.6. OTHER OPERATING EXPENSES

	2007 EUR ´000	2006 EUR ´000
Taxes other than income taxes	983	933
Other operating expenses:		
Freight-out expenses	6,441	6,021
Maintenance expenses	2,404	1,911
Advertising and marketing expenses	1,419	1,719
Consultancy, legal and auditing expenses	1,377	1,185
Fleet and travel expenses	1,501	1,569
Rentals	636	1,165
Office and telecommunications expenses	904	903
Bad debts, damage claims and guarantee costs	372	1,193
Insurance	452	506
Research and development expenses	172	114
Losses on disposal of non-current assets	197	26
Leasing expense under IAS 17	71	139
Other	2,194	1,389
	19,123	18,773

5.1.7. RESTRUCTURING

Operating profit reflects the impact of the following one-time closure costs:

	2007 EUR ´000	2006 EUR ´000
Impairment	0	233
Staff costs	0	536
Other expenses	0	355
Impairment of inventories	0	137
	0	1,261

In order to improve future profitability two Austrian factories were closed in 2006, and the Austrian operations of the Engineering sector relating to municipal wastewater treatment plants and biogas plants were discontinued.

5.1.8. NET FINANCE COSTS

	2007 EUR ´000	2006 EUR ´000
Income from financial assets	27	32
Other interest and similar income	205	79
Income from Group companies and joint ventures	14	17
Impairment of Group companies	–275	0
Impairment of other financial assets	0	–22
Exchange differences	–708	661
Interest and similar expenses	–2,626	–1,977
	–3,363	–1,210

Impairment of Group companies relates to a shareholder contribution to Biogest Umwelttechnik GmbH which was immediately written off in its entirety. This investment therefore continues to be recognised at a value of nil.

5.1.9. SHARE OF PROFIT OF ASSOCIATES

	2007 EUR ´000	2006 EUR ´000
Dividend income	15	30
Impairment	0	–19
	15	11

5.1.10. INCOME TAX EXPENSE

	2007 EUR ´000	2006 EUR ´000
Current tax expense	377	516
Deferred tax (income) / expense	–965	336
	–588	852
Reconciliation of effective Group tax rate:		
Profit from ordinary activities	1,219	2,884
Notional tax expense applying Austrian corporation tax at 25%	305	721
Differing foreign tax rates	158	–423
Differences other than temporary differences	–389	–282
Losses for which no deferred tax assets were recognised	95	676
Changes in rate of taxation	0	171
Recognition of deferred tax assets arising from tax loss carryforwards (previous years)	–541	0
Utilisation of tax loss carryforwards not recognised as deferred tax assets	–216	–11
Effective tax expense	–588	852
Effective tax rate in %	–48.2 %	29.5 %

5.1.11. EARNINGS PER SHARE

	2007	2006
Diluted and undiluted earnings per share are identical and are calculated as follows:		
Consolidated profit (EUR ´000)	1,789	2,117
Weighted average number of ordinary shares	659,999	659,999
Earnings per share (EUR)	2.71	3.21

6. NOTES TO THE CASH FLOW STATEMENT

6.1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as liquid funds, including cash on hand and bank balances.

In order to improve compliance with IAS 7 a more detailed classification has been adopted for the cash flow statement. The statement now starts with the profit before tax. Interest and tax payments are itemised in operating profit before working capital changes. The related adjustments are made under cash generated from operations and cash flows from financing activities. The previous year's figures for these items have been adjusted.

6.2. DECONSOLIDATION

The cash outflow due to the deconsolidation of subsidiaries arises from the deconsolidation of Biogest Umwelttechnik GmbH, Vienna.

7. SUPPLEMENTARY INFORMATION

7.1. SEGMENTAL REPORT

a) Primary segment information: business segments

Development, manufacture and marketing of plants and systems for:

Water Conservation:
Development, production and distribution of equipment for:

- Wastewater treatment (oil and grease separators, biological wastewater treatment plants, car park drainage systems and roof water treatment systems)
- Wastewater transportation and disposal (cesspits, seepage pits, stormwater and road drains, sewer pipes and shafts, and pumping stations)
- Rain water utilisation systems

Engineering:
Engineering design, and project management and execution as a general contractor in respect of civil engineering and building construction projects, as well as property management including the letting and sale of properties

Infrastructure
Development, manufacture and marketing of the following products:

- Retaining wall systems, telephone and electricity supply poles, and traffic control products
- Natural building materials (wood-concrete building blocks and sound insulation elements)
- Round structural masts
- Precast structural elements for the construction industry and factory buildings including turnkey commercial and industrial buildings

Each primary segment includes all directly attributable assets and liabilities. The presentation does not include segmental analyses of tax assets and liabilities, and financial investments and liabilities. "Other" relates only to the consolidation of liabilities.

The segment data for the 2006 and 2005 financial years is as follows:

2007	Water Conservation	Engineering	Infrastructure	Elimination	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Revenue	28,601	17,957	49,509	0	96,067
Segment result	223	13	4,326	0	4,562
Unallocated corporate expenses					5
Operating profit					4,567
Net finance costs					-3,363
Share of profits of associates	15	0	0	0	15
Profit from ordinary activities					1,219
Income taxes					588
Profit after tax					1,807
Minority interests					-18
Consolidated profit for the period					1,789
Segment assets	34,032	12,695	75,511	-3,239	118,999
Unallocated corporate assets					1,195
Consolidated total assets					120,194
Segment liabilities	7,630	3,639	11,504	–3,239	19,534
Unallocated corporate liabilities					73,449
Consolidated total liabilities					92,983
Capital expenditure	5,716	126	20,586	0	26,428
Depreciation and amortisation	1,912	331	2,553	0	4,796
Goodwill impairment loss under IAS 36	0	0	0	0	0
Restructuring expenses				0	0
Research and development expense	290	0	438	0	728

2006	Water Conservation	Engineering	Infrastructure	Elimination	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Revenue	32,000	25,935	43,998	0	101,933
Segment result	287	–73	3,876	0	4,090
Unallocated corporate expenses					–7
Operating profit					4,083
Net finance costs					–1,210
Share of profits of associates	30	–19	0	0	11
Profit from ordinary activities					2,884
Income taxes					–852
Profit after tax					2,032
Minority interests					85
Consolidated profit for the period					2,117
Segment assets	37,717	11,855	50,782	–4,910	95,443
Unallocated corporate assets					31
Consolidated total assets					95,474
Segment liabilities	8,412	3,989	10,020	–4,898	17,523
Unallocated corporate liabilities					51,461
Consolidated total liabilities					68,984
Capital expenditure	5,256	676	9,870	0	15,802
Depreciation and amortisation	2,761	400	1,703	0	4,864
Goodwill impairment loss under IAS 36	180	0	71	0	251
Restructuring expenses	609	411	241	0	1,261
Research and development expense	327	0	183	0	510

2005	Water Conservation	Engineering	Infrastructure	Elimination	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Revenue	29,494	24,468	37,223	0	91,185
Segment result	540	28	3,383	0	3,951
Unallocated corporate expenses					–20
Operating profit					3,931
Net finance costs					–2,031
Share of profits of associates	0	0	0	0	0
Profit from ordinary activities					1,900
Income taxes					–539
Profit after tax					1,361
Minority interests					11
Consolidated profit for the period					1,372
Segment assets	30,502	14,829	36,343	–1,172	80,501
Unallocated corporate assets					0
Consolidated total assets					80,501
Segment liabilities	6,784	3,256	7,597	–1,171	16,466
Unallocated corporate liabilities					39,764
Consolidated total liabilities					56,230
Capital expenditure	5,729	714	3,781	0	10,224
Depreciation and amortisation	2,276	418	1,632	0	4,326
Goodwill impairment loss under IAS 36	275	2	77	0	354
Research and development expense	145	58	141	0	344

Transactions between primary segments:

Revenue:	2007	2006	2005
	EUR '000	EUR '000	EUR '000
Water Conservation	3,152	2,057	3,189
Engineering	243	279	150
Infrastructure	1,097	2,789	745
	4,492	5,125	4,084

Transactions between primary segments are at normal market prices.

b) Secondary segment information: geographical segments

The Group operates mainly in five geographical markets (production locations): Austria, Hungary, Romania, Slovakia and "other" countries. The Group's complete product range is offered in all these markets. In the two previous years the segmental reports broke the geographical markets down into Austria, Hungary, Romania, other EU member states and other CSE countries. The comparative figures for these years have been adjusted to the changed segmentation.

The table below analyses the Group's revenue, assets and capital expenditure by geographical segments:

	Revenue			Total assets			Capital expenditure		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Austria	19,381	23,018	25,702	17,627	18,801	19,137	2,317	1,347	1,083
Hungary	57,197	67,540	58,234	79,302	67,415	59,502	12,138	8,047	7,927
Romania	8,608	7,793	3,899	24,839	12,906	1,654	11,973	6,408	1,160
Slovakia	6,610	1,005	1,413	260	0	0	0	0	0
Other	4,271	2,577	1,937	1,405	1,231	1,379	0	0	54
Elimination	0	0	0	–3,239	–4,879	–1,171	0	0	0
	96,067	101,933	91,185	120,194	95,474	80,501	26,428	15,802	10,224

Revenue is broken down by sales markets. Analysis by country of manufacture would not lead to materially different results. Total assets and capital expenditure are analysed according to the physical location of the assets involved.

During the 2005–2007 period the "other" segment comprised three EU member states – the Czech Republic, Germany and Italy – and various CSE countries.

Analysis of revenue:

	2007	2006	2005
	EUR '000	EUR '000	EUR '000
Sales of goods	82,298	76,704	68,414
Construction contracts	13,769	25,229	22,771
	96,067	101,933	91,185

7.2. DIVIDEND

The Management Board is recommending, and has announced payment of a dividend of EUR 0.30 per share for 2007 (2006: EUR 0.30), resulting in a total distribution of EUR 198,000 (2006: 198,000).

7.3. RELATED PARTY DISCLOSURES

Business relationships with related parties (related entities and individuals) as defined by IAS 24 are conducted on the same basis as those with independent third parties.

During the year under review the remuneration of the Management Board amounted to EUR 295,000 (2006: EUR 284,000). Variable components in the compensation of Management Board members, amounting to EUR 195,000 (2006: EUR 52,000) were recognised as staff costs in 2007. The compensation of members of the Supervisory Board for their activities in 2007 totalled EUR 5,000 (2006: EUR EUR 5,000).

At balance sheet date loans of EUR 100,000 (2006: EUR 350,000) to members of the Management Board and chief executives of Group companies were outstanding. They were at normal market rates of interest. The Company has guaranteed no other loans taken out by members of the Management or Supervisory Boards.

In the year under review the remuneration of the Management Board including pension contributions and provisions for termination benefits, and the compensation of the Supervisory Board amounted to EUR 371,000 (2006: EUR 386,000).

Intragroup related party transactions with non-consolidated companies totalled EUR 4,112,000 (2006: EUR 1,054,000). Transactions with associates were EUR 451,000 (2006: 306,000).

During the 2007 financial year a building was sold to a member of the management board of a Group company at normal third party terms, for about EUR 250,000.

7.4. Financial instruments

The table below shows an analysis of financial instruments disclosed in the balance sheet according to the classification in IAS 39. The categories are: loans and receivables (LR); financial liabilities (FL); available for sale (AFS), held to maturity (HTM) and at fair value through profit or loss (FVPL).

Assets	2007	2007	Measure-	Category according to IAS			
	Carrying value	Fair Value	ment	LR/FL	AF/S	HTM	FVPL
Other financial investments	759	759	FV	0	759	0	0
Trade receivables	17,320	17,320	AC	17,320	0	0	0
Other receivables and assets	1,568	1,568	AC	1,568	0	0	0
Cash and cash equivalents	3,121	3,121	AC	3,121	0	0	0
Liabilities							
Financial liabilities	72,210	72,210	AC	72,210	0	0	0
Trade payables	11,940	11,940	AC	11,940	0	0	0
Other liabilities	3,214	3,214	AC	1,235	0	0	0

Assets	2007	2007	Measure-	Category according to IAS			
	Carrying value	Fair Value	ment	LR/FL	AF/S	HTM	FVPL
Other financial investments	836	836	FV	0	836	0	0
Trade receivables	17,232	17,232	AC	17,232	0	0	0
Other receivables and assets	1,430	1,430	AC	1,430	0	0	0
Cash and cash equivalents	632	632	AC	632	0	0	0
Liabilities							
Financial liabilities	50,417	50,417	AC	50,417	0	0	0
Trade payables	10,563	10,563	AC	10,563	0	0	0
Other liabilities	3,471	3,471	AC	1,422	0	0	0

The net gains and losses, classified by measurement categories, are as follows:

	Interest	Subsequent measurement			Disposal	Net gains or losses
		FV [1]	CT [2]	RM [3]		2007
Loans and receivables	176	0	–83	0	0	93
Held-for-sale assets	0	0	0	0	0	0
Held-to-maturity investments	0	0	0	0	0	0
Financial assets at fair value through profit or loss	56	0	0	–275	0	–219
Financial liabilities	–2,626	0	–625	0	0	–3,251

	Interest	Subsequent measurement			Disposal	Net gains or losses
		FV 1)	CT 2)	RM 3)		2006
Loans and receivables	79	0	2	0	0	81
Held-for-sale assets	0	0	0	0	0	0
Held-to-maturity investments	0	0	0	0	0	0
Financial assets at fair value through profit or loss	81	0	0	–43	0	38
Financial liabilities	–1,839	0	659	0	0	–1,180

1 FV – fair value
2 CT – currency translation
3 RM – remeasurement

↗ Derivative financial instruments: At balance sheet date the Group held no derivative financial instruments (forwards, futures, options or swaps).

↗ Credit risk: There is no significant concentration of credit risks. Cash and cash equivalents are deposited with reputable banks. For information on customer default risk readers are referred to the table in Note 4.1.6. which shows the maturity structure of the trade receivables and other receivables.

↗ Interest rate risk: The 1% increase in interest rates impacted the profit on ordinary activities by EUR 613,000 (2006: EUR 448,000).

↗ Market risk: The main risk to which the Company is exposed is exchange risk. An movement of 5% in the euro-forint exchange rate would change profit on ordinary activities (POA) by EUR 870,000 (2006: EUR 570,000). A like movement in the euro-lei exchange rate would impact POA by EUR 830,000 (2006: EUR 277,000). A change of the same order in the Swiss franc-forint exchange rate would have an effect on POA of EUR 97,000 (2006: EUR 64,000).

↗ Liquidity risk: Existing liquidity requirements can be met from existing cash and cash equivalents, and credit facilities provided by banks. Readers are referred to Note 4.2.3. for information on future repayments of principal and interest payments on existing borrowings. Management believes that the short-term loans and advances can be refinanced by new loans and advances.

↗ Risk management: Risk management is performed centrally for all Group companies. The risk management system is designed to identify risks at an early stage, thereby minimising potential exposure.

7.5. FINANCIAL OBLIGATIONS

	2007	2006
	EUR '000	EUR '000
Commitments under rental and leasing agreements (operating leases in the meaning of IAS 17)		
payable within one year	398	765
payable within five years	507	1.067

There are also annual rental payments totalling EUR 170,000 under unlimited term rental and leasing agreements of (2006: EUR 26,000).

7.6. EMPLOYEES

The average number of employees during the year under review was as follows:

2007	Austria	Hungary	Romania	Total
Non-salaried staff	94	383	63	540
Salaried staff	59	162	36	257
	153	545	99	797

2006	Austria	Hungary	Romania	Total
Non-salaried staff	112	414	45	571
Salaried staff	81	169	15	265
	193	583	60	836

7.7. EVENTS AFTER THE BALANCE SHEET DATE

There were no events after the balance sheet date either affecting the present financial statements or otherwise of material importance.

7.8. OTHER SUPPLEMENTARY INFORMATION

Management and Supervisory Boards

During the 2007 financial year the membership of the Management Board was as follows:

- Karl-Heinz Wolschner (until 31 December 2007)
- Bernd Wolschner
- Klaus Einfalt (from 1 January 2008)

During the 2007 financial year the membership of the Supervisory Board was as follows:

- Dr. Heinz Taferner (Chairman)
- Dr. Wolfgang Streicher (Deputy Chairman)
- Hans Kostwein
- Dr. Andrea Schwartz (until May 2007)
- Otto Umlauft (from May 2007)

On 18 March 2008 the Management Board of SW Umwelttechnik Stoiser & Wolschner AG approved the consolidated annual financial statements for submission to the Supervisory Board. The Supervisory Board is responsible for reviewing and approving the statements.

Klagenfurt, 18 March 2008

Management Board:

Dr. Bernd Wolschner

Klaus Einfalt

AUDITORS´ REPORT

We have audited the consolidated annual financial statements of SW Umwelttechnik Stoiser & Wolschner AG, Klagenfurt, for the financial year ended 31 December 2007.

These statements comprise the consolidated balance sheet as at 31 December 2007, the consolidated income statement, cash flow statement and statement of changes in equity for the year ended 31 December 2007, a summary of the principal accounting and measurement policies applied, and other explanatory notes.

Responsibility of the Company's legal representatives for the consolidated annual financial statements

The Company's legal representatives are responsible for the preparation of consolidated annual financial statements which, to the maximum extent possible, present a true and fair view of the Group's assets, finances and earnings in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU. This responsibility includes: designing, implementing and maintaining an internal control system, to the extent that this is relevant to the preparation of consolidated annual financial statements and to the presentation of a true and fair view of the Group's assets, finances and earnings, such that those statements are free from material misstatements whether due to fraud or error; selecting and applying appropriate accounting and measurement methods; and making estimates which are reasonable in the circumstances.

Auditors' responsibilities

Our responsibility is to express an opinion on these consolidated annual financial statements based on our audit. In the case of the company financial statements on which the consolidated statements are based, our audit opinion relies on the opinions of other auditors. We conducted our audit in accordance with Austrian statutory requirements and the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These principles require that we comply with the relevant codes of professional conduct, and plan and perform the audit so as to obtain reasonable assurance that the financial statements are free from material misstatement. An audit involves the performance of audit procedures to obtain evidence about the amounts and other disclosures in the consolidated annual financial statements. The selection of these procedures is at the due discretion of the auditors, taking into account their assessment of the risk of material misstatement due to fraud or error. In making these risk assessments, the auditors consider the internal control system, to the extent relevant to the preparation of the consolidated financial statements, and the presentation of a true and fair view of the Group's assets, finances and earnings, in order to determine audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of that control system. An audit also includes assessing the reasonableness of the accounting and measurement methods applied and of significant estimates made by the Company's legal representatives, as well as evaluating the overall presentation of the consolidated annual financial statements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit gave rise to no objections. Based on the results of our audit, in our opinion the consolidated financial statements conform to the legal regulations, and to the maximum possible extent present a true and fair view of the Group's assets and finances as at 31 December 2007, as well as its earnings and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU.

Report on the operational review

Austrian legal regulations require us to audit the Group operational review to determine whether it is consistent with the consolidated financial statements and whether the other disclosures made in the operational review do not present a false view of the Group's position. In our opinion the operational review is consistent with the consolidated financial statements.

Klagenfurt, 18 March 2008

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Rainer Hassler Auditor	Helmut Kerschbaumer Auditor

OPERATIONAL REVIEW

ECONOMIC CLIMATE

In 2007 Austrian gross domestic product grew by 3.4%. This meant that economic growth in Austria was 0.8% higher than the Eurozone average. Due to the risks to growth from the turmoil on international financial markets the pace of expansion is forecast to slow to 2.7% in 2008.

Construction activity accelerated markedly in 2007, with both building construction and civil engineering contributing to the trend. Construction is seen stabilising at a high level in 2008.

The Hungarian economy grew by only 1.3% (2006: 3.9%). After surging by 16.1% in 2005 construction output contracted by 1.6% in 2006 and slumped by 20% in 2007. Due to the government's budget deficit reduction measures the sharp fall in public sector contract awards is likely to continue in 2008.

The Romanian economy expanded by 6% in 2007. Growth was partly driven by booming domestic demand, fuelled by rising wages, easier credit and a steadily appreciating currency. However the strongest push came from foreign direct investment; Austria is the number one source of inward investment. The heavy devaluation of the Romanian lei near the end of 2007 resulted in a marked increase in net finance costs due to an exchange loss on the investment loans as at balance sheet date.

Slovakia recorded exceptionally high economic growth in 2007, at over 10%. We are continuing to exploit the favourable market conditions in Slovakia by exporting to it from Hungary. In 2007 exports from Hungary to Slovakia soared from EUR 1.0m to EUR 6.6m.

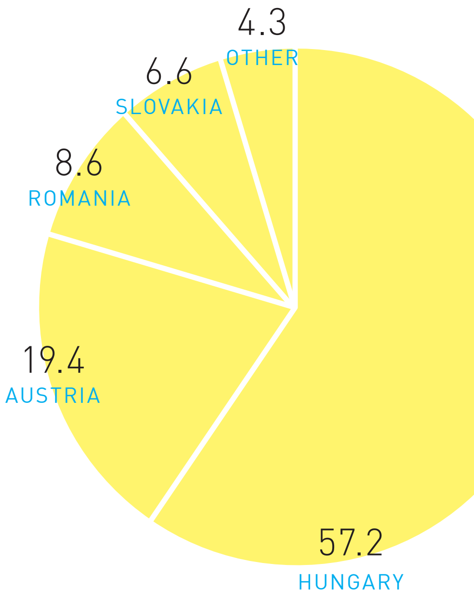
The overall outlook for the CSE region remains positive owing to the powerful economic upswing, despite increasing risks — especially from exchange rate instability. On top of robust domestic demand and investment activity, the region's economies are benefiting from rapidly rising exports fuelled by European demand and generally strong competitiveness.

TRADING PERFORMANCE

EARNINGS

Revenue by geographical markets

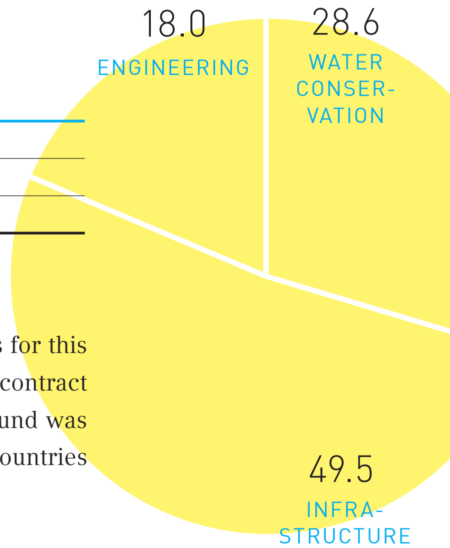
	2007	2006	2005
Hungary	57.2	67.5	58.2
Austria	19.4	23.0	25.7
Romania	8.6	7.8	3.9
Slovakia	6.6	1.0	1.4
Other	4.3	2.6	2.0
Total	96.1	101.9	91.2



REVENUE BY GEOGRAPHICAL MARKETS IN EUR M

Revenue by business segments in EUR m

	2007	2006	2005
Water Conservation	28.6	32.0	29.5
Infrastructure	49.5	44.0	37.2
Engineering	18.0	25.9	24.5
Total	96.1	101.9	91.2



REVENUE BY BUSINESS SEGMENTS IN EUR M

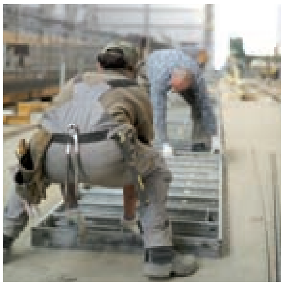
Revenue decreased by 6% to EUR 91.2m in 2007 (2006: EUR 101.9m). The main reasons for this were government spending cuts in Hungary which led to a sharp decline in municipal contract awards, as well as hold-ups in major EU funded projects in Romania. Part of the lost ground was made up by increased deliveries to commercial and industrial customers, and exports to countries bordering core markets.

Our main geographical market, Hungary accounted for EUR 57.2m or 60% of total revenue in 2007, compared to EUR 67.5m or 66% in the previous year. As expected, the revenue contribution of the Austrian market shrank to EUR 19.3m or 20% (2006: EUR 23.0m; 23%), due to the works closures in 2006. The revenue share generated in Romania was below forecast due to delays in EU projects, only edging up to EUR 8.6m or 9% (2006: EUR 7.8m). By contrast exports from Hungary to Slovakia jumped from EUR 1.0m to EUR 6.6m (7%), while the proportion of revenue derived from "other" countries (Croatia, Germany, Italy and Slovenia) almost doubled to EUR 4.0m or 4% (2006: EUR 2.3m).

Particularly satisfactory performance from the Infrastructure sector in 2007 boosted its revenue contribution to 51% from 43% in 2006. The main factor behind this success was strong order bookings from industrial and commercial clients. The proportion of revenue accounted for by the Water Conservation sector edged down to 30% (2006: 32%), while the Engineering sector was hardest hit by the public spending cuts in Hungary and its segmental contribution slid to 19% (2006: 25%).

Earnings before interest and tax (EBIT) improved again, by 12% to EUR 4.6m (2006: EUR 4.1m) despite the adverse trading environment. Some EUR 2m in non-capitalised start-up losses in Romania are recognised in this figure.

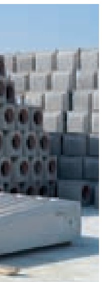
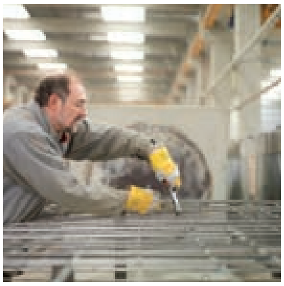


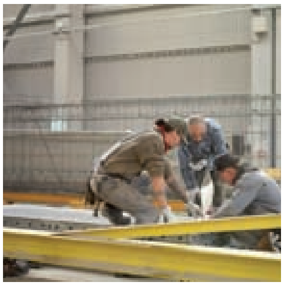



EBITDA was up by 2% to a record EUR 9.4m (2006: EUR 9.2m).

The sharp devaluation of the Romanian lei towards the end of 2007 resulted in a pronounced deterioration in net finance costs, as the remeasurement of the investment loans at balance sheet date led to an unrealised exchange loss. Due to this effect net finance costs increased to EUR 3.3m (2006: EUR 1.2m), cutting profit on ordinary activities (POA) to EUR 1.2m (2006: EUR 2.9m). Owing to positive earnings expectations deferred tax assets were recognised, and as a result the profit for the period held at EUR 1.7m (2006: EUR 2.1m).

Order backlog of EUR 46.0m at balance sheet date was the highest in SW Umwelttechnik's history, and represented a year-on-year gain of 77% (2006: EUR 25.9m). Order backlog climbed to EUR 30m in Hungary (2006: EUR 17m) and to EUR 12m in Romania (2006: EUR 6m). The upturn in order intake was particularly gratifying in the light of the difficult market conditions in Hungary and Romania.



ASSETS AND FINANCES

EUR '000	2007	AS % OF TOTAL	2006	AS % OF TOTAL	2005	AS % OF TOTAL
Assets	120,194	100.0	95,474	100.0	80,501	100.0
Non-current assets	75,707	63.0	57,911	60.7	47,424	58.9
Current assets	44,487	37.0	37,563	39.3	33,077	41.1
Equity and liabilities	120,194	100.0	95,474	100.0	80,501	100.0
Equity	27,211	22.6	26,490	27.7	24,271	30.1
Non-current liabilities	41,153	34.3	24,833	26.0	20,335	25.3
Current liabilities	51,830	43.1	44,151	46.3	35,895	44.6

Total assets rose by 26% to EUR 120.2m (2006: EUR 95.5m). The reasons for the increase lay in the heavy investment programme, as well as the reclassification of the property in Csepel, which is surplus to operational requirements and is being held for sale.

Non-current assets were up by 30.8% from EUR 57.9m to EUR 75.7m, reflecting the expanded investment programme amounting to EUR 26.4m. The effect on non-current assets of currency differences arising from movements in the HUF and RON exchange rates totalled EUR 0.5m (2006: EUR 0.7m).

Equity increased from EUR 26.5m to EUR 27.2m due to strong earnings. However the equity ratio slipped from 27.7% to 22.6%.

The extensive investment programme was financed by cash flows from operating activities and increased long-term borrowings.

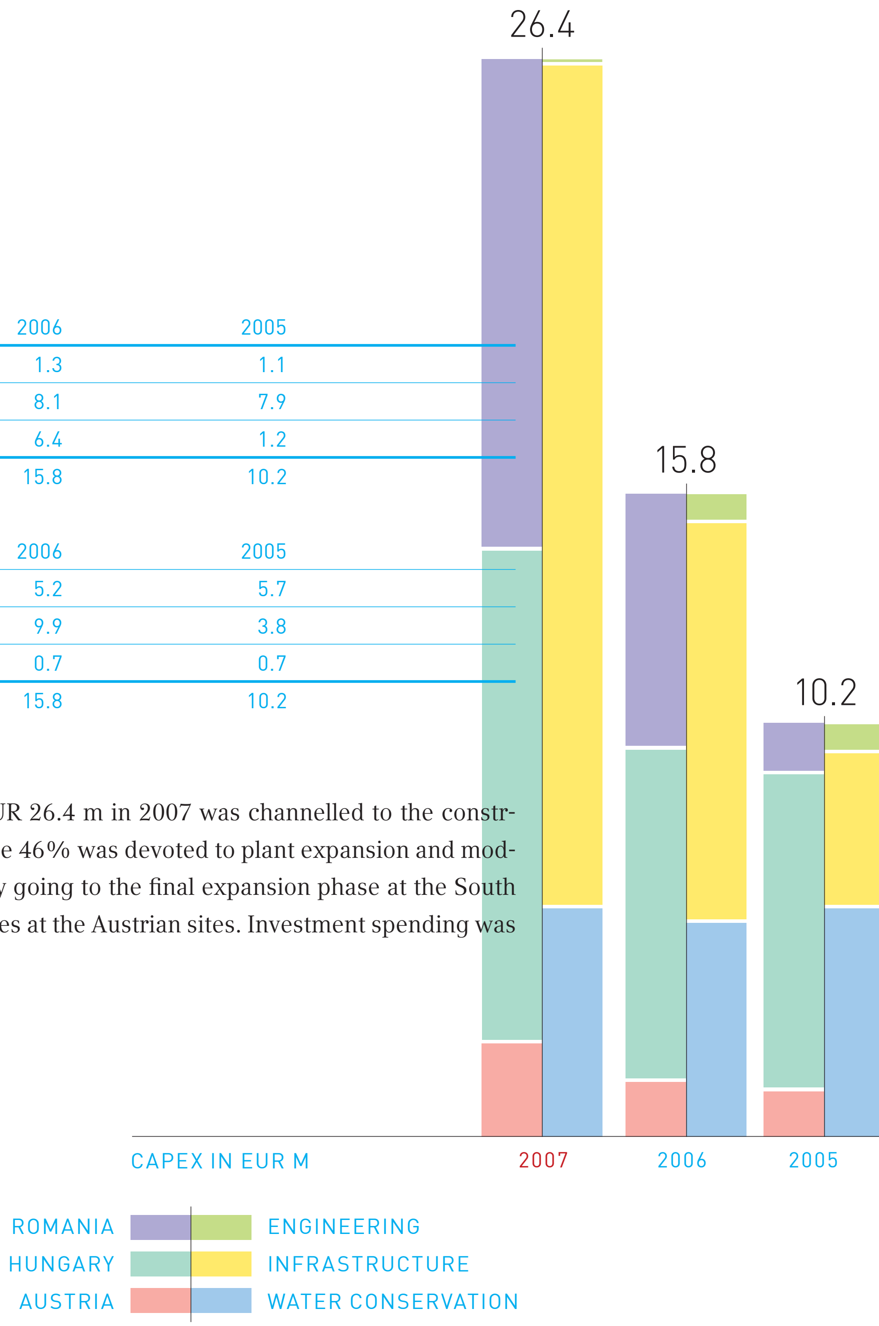
INVESTMENT

Capital expenditure

EUR M	2007	2006	2005
Austria	2.3	1.3	1.1
Hungary	12.1	8.1	7.9
Romania	12.0	6.4	1.2
Total	26.4	15.8	10.2

EUR M	2007	2006	2005
Water Conservation	5.7	5.2	5.7
Infrastructure	20.6	9.9	3.8
Engineering	0.1	0.7	0.7
Total	26.4	15.8	10.2

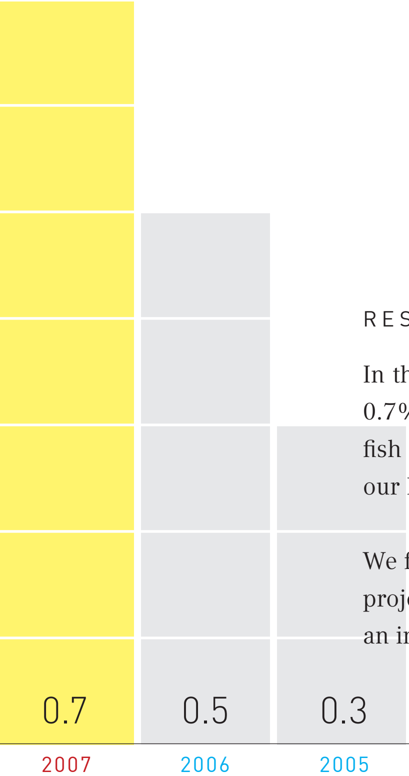
Some 46% of the record capital expenditure of EUR 26.4 m in 2007 was channelled to the construction of new production facilities in Romania, while 46% was devoted to plant expansion and modernisation projects in Hungary – most of the money going to the final expansion phase at the South Budapest site – and 8% to restructuring programmes at the Austrian sites. Investment spending was mainly focused on the Infrastructure sector.



RESEARCH AND DEVELOPMENT

In the year under review R&D expenditure was EUR 0.7m (2006: EUR 0.5m; 2005: EUR 0.3m) or 0.7% of revenue. The development and construction of a first reference water inlet channel for fish ladders and the continuation of the UHPC project initiated in 2006 were the main thrusts of our R&D effort in 2007.

We form a research group, drawn from staff with the operational departments concerned, for each project. Projects carried out in collaboration with universities and private research institutions play an important part in our R&D activities.



RESEARCH AND DEVELOPMENT IN EUR M

SUSTAINABILITY

A responsible approach to the environment is integral to our business philosophy. The whole purpose of our products and services is to protect the environment, and our production methods are also environmentally benign.

Readers are referred to the sustainability report for detailed information on this subject.

EMPLOYEES

The average head count decreased by 5% to 797 in 2007 (2006: 836) bringing it into line with reduced output. In 2007 the Austrian workforce averaged 153 (2006: 193), the Hungarian payroll 542 (2006: 583), and the number of employees in Romania 102 (2006: 60). The start-up of the new factory in Bucharest has expanded the Romanian labour force to about 200.

Our people are the key to our success. In order to enhance employee motivation we operate modern working time systems based on flextime and time bands, as well as performance and profit related payment systems. A decentralised management structure and flat hierarchies promote self-directed teamwork.

Output per employee rose slightly, to reach EUR 124,000 (2006: EUR 123,000). The spirit of active partnership at works level thus benefited the Company as well as the workforce.

For additional information on employees please refer to the social responsibility review.

DISCLOSURES PURSUANT TO SECTION 243A AUSTRIAN BUSINESS CODE (ACB)

SW Umwelttechnik is listed on the Vienna Stock Exchange prime market. The Company has 659,999 shares, corresponding to a share capital of EUR 4,798,000. As at 31 December 2007 the Wolschner Private Foundation held an interest of 46.4% in the Company directly, and a majority of 50% plus one share through a voting agreement. The other major shareholders, each with holdings of more than 5%, are Hansa Investment Funds AS and Swisscanto Asset Management AG; the remaining shares are in the float.

There are no restrictions on voting rights or the transfer of shares. There are no external or employee shareholders with special control rights.

The Company's articles of association do not contain any provisions, other than those required by the law, regarding the appointment and dismissal of members of the management and supervisory boards, or amendment of the articles.

The Management Board has been granted the following authorisations in respect of the issuance and repurchasing of shares: the Company's authorised capital under the resolution of the Annual General Meeting of 18 May 2006 is EUR 1,745,000 (2005: EUR 1,745,000). The Board's authorisation under section 169 Austrian Companies Act is valid until 15 April 2010.

The Company has entered into no agreements which come into effect, change or terminate in the event of a change of control as a result of a successful takeover bid.

There is no outstanding public takeover bid necessitating compensation agreements between the Company and the Management and Supervisory boards or employees.

RISK REPORT

Due to its expansion in Central and Southeastern Europe and the overall internationalisation of its operations, SW Umwelttechnik is confronted with a number of factors that are part of the ordinary course of business but in some cases represent risks. Modern risk management methods make it possible to quantify positive and negative deviations of performance from corporate targets. Identifying the variables that determine performance in good time, so as to modify them in such a way that the business opportunities they present can be exploited, is one of the central tasks of the Management Board and all of the Group's senior executives.

Our Group-wide risk management system is embedded in our organisational structures and processes. SW Umwelttechnik has a decentralised management structure which assigns clear responsibilities to Group companies. These report to the Management Board as part of a continuous internal control process, resulting in regular information exchanges with it and with the Supervisory Board.

The Management Board is responsible for establishing the Group's objectives and strategies, and applies operational and strategic risk management techniques to this task. Every Group company and every senior executive is personally responsible for monitoring and managing sources of risk. Where decisions involving significant risks must be taken, these are analysed and solutions developed at extended Management Board meetings, and the findings are recorded. The Corporate Controlling Department is responsible for coordinating and consolidating the Group's risk management and monitoring activities, and for reporting to the Management Board. Regular risk monitoring, and the resultant early identification of risks ensures that quick and effective countermeasures can be taken where necessary.

As at balance sheet date there were no recognisable risks likely to arise in 2008 posing a threat to the Group's survival, either individually or in combination with other risks.

LEGAL AND ECONOMIC ENVIRONMENT

Industry risk

SW Umwelttechnik operates in markets which are heavily influenced by environmental policies and legislation, by economic developments and by the availability of public finance. Earnings also depend in part on weather conditions, which can have a significant impact on the progress of construction projects. The broad geographical diversification of the Group's activities, and its division into three business sectors reduce exposure to seasonal and country demand fluctuations, and enable SW Umwelttechnik to profit from the differing potential exhibited by the various markets. The Group's structure also permits the flexible use of resources along the entire value chain.

Market risk

The support payments for projects in our EU growth markets are guaranteed until 2014. These EU subsidies are critical to the success of the Group's Infrastructure and Engineering sectors.

Competition on SW Umwelttechnik's Austrian core markets is likely to continue to intensify. In order to counter this challenge the Group strives to maintain its cost leadership, and it therefore continuously invests in rationalisation in all of the countries where it operates production facilities. Market risk is minimised by maintaining tight internal control and by benchmarking all our plants against each other. In addition, we regularly participate in anonymised benchmarking exercises together with German and Austrian industrial companies, with a view to achieving cost leadership in all the main areas of operations.

OPERATIONAL RISKS

Plant risk

SW Umwelttechnik's products are manufactured by means of continuous processes, at factories operating single and multi-shift systems. As a result, the Group is heavily dependent on the plant and machinery used. The risk of plant failures and outages is minimised by preventive maintenance programmes and intensive staff training. The potential impact of outages is also reduced by the possibility of switching production to other sites in the Group.

Procurement risk

SW Umwelttechnik is exposed to fluctuations in the prices of raw materials. The Group employs special procurement management methods to counter these risks. We minimise them by employing a structured supplier selection procedure and by continuously monitoring suppliers' performance.

Timeliness risk

Performance and milestone guarantees must sometimes be given in connection with large contr-acts. If a plant or system falls far short of the guaranteed performance there are various legal options open to the customer, including contract revocation or claiming penalty payments. A project monitoring system has been put in place in order to limit these risks.

IT risk

Decentralised, redundant systems minimise the risk of failures. In addition to these safeguards there are backup routines at the various sites.

Environmental risk

SW Umwelttechnik aims to produce environmental products in an environmentally friendly way. An extensive range of actions, including protective technical measures and the appointment of environmental officers, have been taken to limit exposure to environmental risks. In the industry in which the Group operates the risk of site contamination cannot be excluded, particularly when acquiring existing production sites. However it can be minimised by test drilling when properties are purchased.

For more information readers are referred to the sustainability report.

Personnel risk

Employees are involved in all improvement processes. Personnel and staff turnover risk is limited by wide-ranging incentive schemes.

For more information on this issue readers are referred to the social responsibility review.

FINANCIAL RISKS

Default risk

In Austria default risk is addressed by insuring receivables. In Hungary and Romania we normally set low credit limits which are subsequently raised as our familiarity with clients increases. This approach is backed up by very strict receivables management, which includes rapid recourse to the courts (applications for clients' liquidation).

Liquidity risk

The Group's risk exposures and the related ratings are regularly discussed in detail with the lending banks. Due to the transparent information provided by the Group and its collaborative communications with these banks, as well as the availability of alternative sources of finance on the equity and capital markets, the liquidity risk is very low.

Currency risk

Since foreign currency transactions amount to well under 10% of exports and imports, exposure to exchange risk potentially affecting cash flow is limited. Foreign exchange risk exposure chiefly arises from the translation of foreign company financial statements into the Group currency, the euro, and from intragroup loan repayments and dividends. The financing of the Hungarian and Romanian Group companies in euro gives rise to exchange risks, which are accepted because of the wide differentials between the base interest rates and the expectation that there will be little change in euro-forint and euro-lei exchange rates for some years to come. Nevertheless the ex-ch-ange risk has been reduced by making changes to the Group's financing arrangements.

SW Umwelttechnik only employs the financial instruments disclosed in the notes to the accounts, and no use is made of derivative financial instruments.

OUTLOOK

The markets in Central and Southeastern Europe continue to offer excellent prospects. Above-average growth rates are likely to persist for some years to come – especially in Romania. Our record investment programme has laid the groundwork for the long-term consolidation of our position in these markets.

During the year under review we pressed ahead with rigorous restructuring programmes in Austria, and turnaround was achieved. The increase in order backlog gives us a strong platform for a further improvement in the results of the Austrian operations in 2008.

Despite the collapse in construction activity in Hungary in 2007 we kept results in this market close to the previous year's levels thanks to hard work and good project management. We do not expect business to pick up in Hungary until the third quarter of 2008. Implementation of the major EU projects in the pipeline should begin in the autumn. Due to the excellent order books situation and the expectation of additional major contract wins, management expects at least modest year-on-year revenue growth, contrary to the forecasts for the industry as a whole.

In Romania, the commissioning of the Bucharest works in November 2007 has opened the way for the coming expansion phases. Implementation of Phase II in 2008 will bring capacity for the Water Conservation sector. Due to a number of delays in the EU support programmes many projects that were to have been implemented in 2007 have been put back to 2008 or beyond. The new Bucharest works should make a positive contribution to Group earnings. Due to the expected delays in EU funded projects management has shifted the focus in this market to industrial and commercial projects in 2008.

Development of the neighbouring Bulgarian, Moldavian, Serbian and Ukrainian markets will proceed, using products exported from Hungary and Romania. We plan to build additional factories in these countries, and the first negotiations on land purchases have been initiated. Our policy of using land that is surplus to operational requirements after new plants have been built and commissioned as an additional source of income remains in place.

There have been no events of particular significance after the balance sheet date that could influence the Group's assets, finances or earnings.

Klagenfurt, 18 March 2008

Dr. Bernd Wolschner / Klaus Einfalt

Report of the Supervisory Board

The Supervisory Board of SW Umwelttechnik Stoiser & Wolschner AG, Klagenfurt held seven meetings In 2007. At these meetings and at other times the Management Board reported to the Supervisory Board on important matters regarding the management of the Company, the course of business and the state of the Company's affairs. The Supervisory Board thus had sufficient opportunity to fulfil its duty to obtain information and supervise the management of the Company. The Supervisory Board found no reason to object to the conduct of business.

In 2007 the company financial statements of SW Umwelttechnik Stoiser & Wolschner AG and the consolidated annual financial statements were audited by KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Klagenfurt, who were reappointed as auditors by the tenth Annual General Meeting. The financial statements were given an unqualified auditors' certificate. The auditors also found that the operational review drawn up by the Management Board was consistent with the annual financial statements. Pursuant to section 273(3) Austrian Business Code the auditors' report was submitted to the Supervisory Board.

The Supervisory Board examined the annual financial statements submitted by the Management Board and the operational review for 2007, and approved the annual financial statements at its meeting on 21 March 2008. The annual financial statements are thus adopted in accordance with section 125(2) AktG (Austrian Companies Act).

The Supervisory Board is in agreement with the application of the profit for the period proposed by the Management Board.

Klagenfurt, 21 March 2008

Chairman of the Supervisory Board

Dr. Heinz Taferner

STATEMENT OF ALL MEMBERS OF THE MANAGEMENT BOARD

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Member of the Management Board

Dr. Bernd Wolschner

Klaus Einfalt