Annual Report 2007

It´s always
worth taking
a closer look

Financial highlights

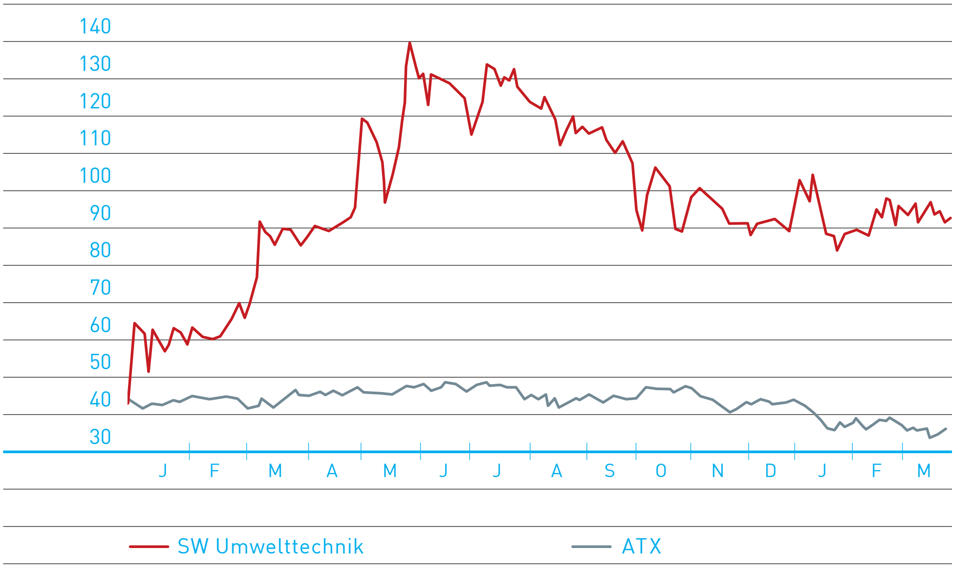
Financial highlights		2007	2006	2005
Revenue	EUR m	96,1	101,9	91,2
Hungary	EUR m	57,2	67,5	58,2
Austria	EUR m	19,4	25,6	25,7
Romania	EUR m	8,6	7,8	3,9
Total output	EUR m	98,8	103,2	91,7
EBITDA	EUR m	9,4	9,2	8,6
EBIT	EUR m	4,6	4,1	3,9
POA	EUR m	1,2	2,9	1,9
Profit after tax	EUR m	1,8	2,1	1,4
Profit for the period	EUR m	26,4	15,8	10,2
Capital expenditure	EUR m	27,2	26,5	24,3
Equity ratio (inc. minorities)	%	22,6	27,7	30,2
Employees		797	836	800
Hungary		545	583	556
Austria		153	193	209
Romania		99	60	35

Key share performance indicators

Key share performance indicators				
Dividend per share	EUR	0,30	0,30	0,25
Earnings per share	EUR	2,7	3,2	2,2
Weighted average number of shares		659.999	659.999	621.289
High	EUR	140	44	49
Low	EUR	42	35	24
Year-end closing price	EUR	100	41	41

Share price

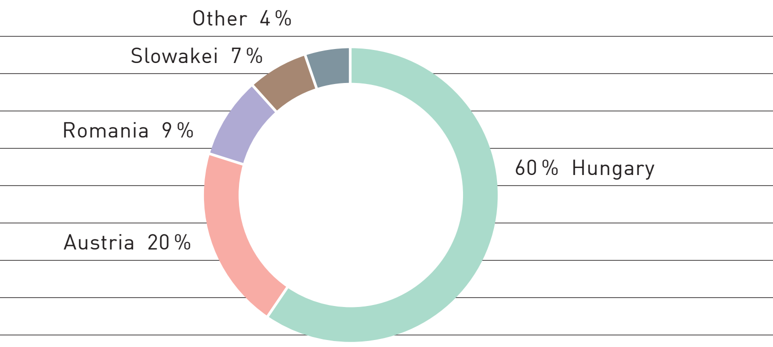
SW-Umwelttechnik — Jan. 2007 – March 2008



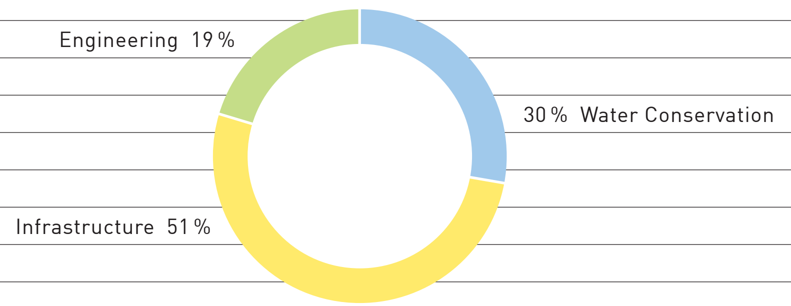
Annual Report 2007

SW Umwelttechnik
STOISER & WOLSCHNER AG

Revenue by geographical markets

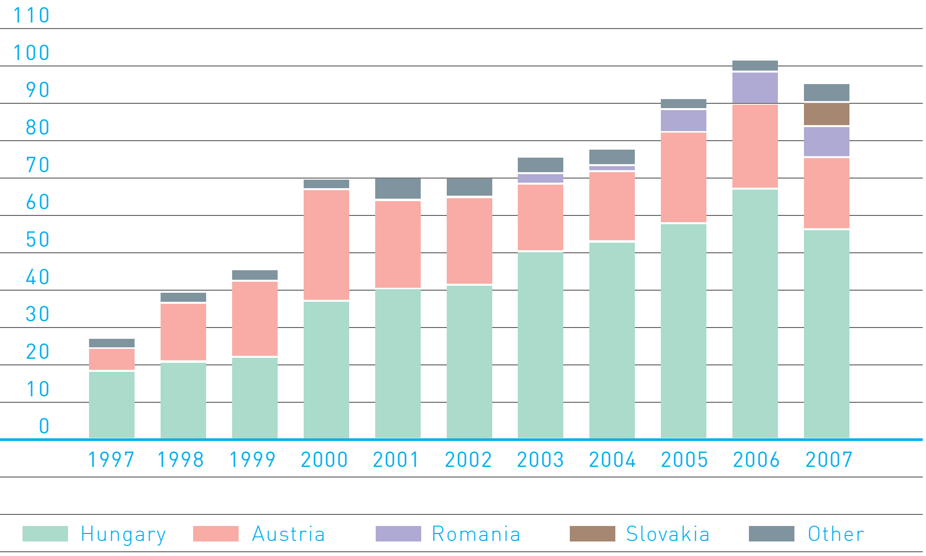


Revenue by business sectors



Revenue, 1997–2007

in Mio. €



A clear view
of the past means
a sharper eye for
tomorrow's decisions

On the face of it, 2007 was not much to write home about.

Psst!

This time we have "dog-eared" pages that investors should definitely not skip.

But on closer inspection there
was plenty of good news.

Top stock in 2007: top share price p
return to the Vienna Stock Exchang
Anniversary: ten years since initial l
Record EUR 46m order backlog as
Record EUR 26m investment progr
Austria: turnaround achieved
Hungary: expansion and modernisa
successfully completed
Romania: production start-up in Bu
New products: Water inlet channels
for cattle farms, and Rescon ultra h

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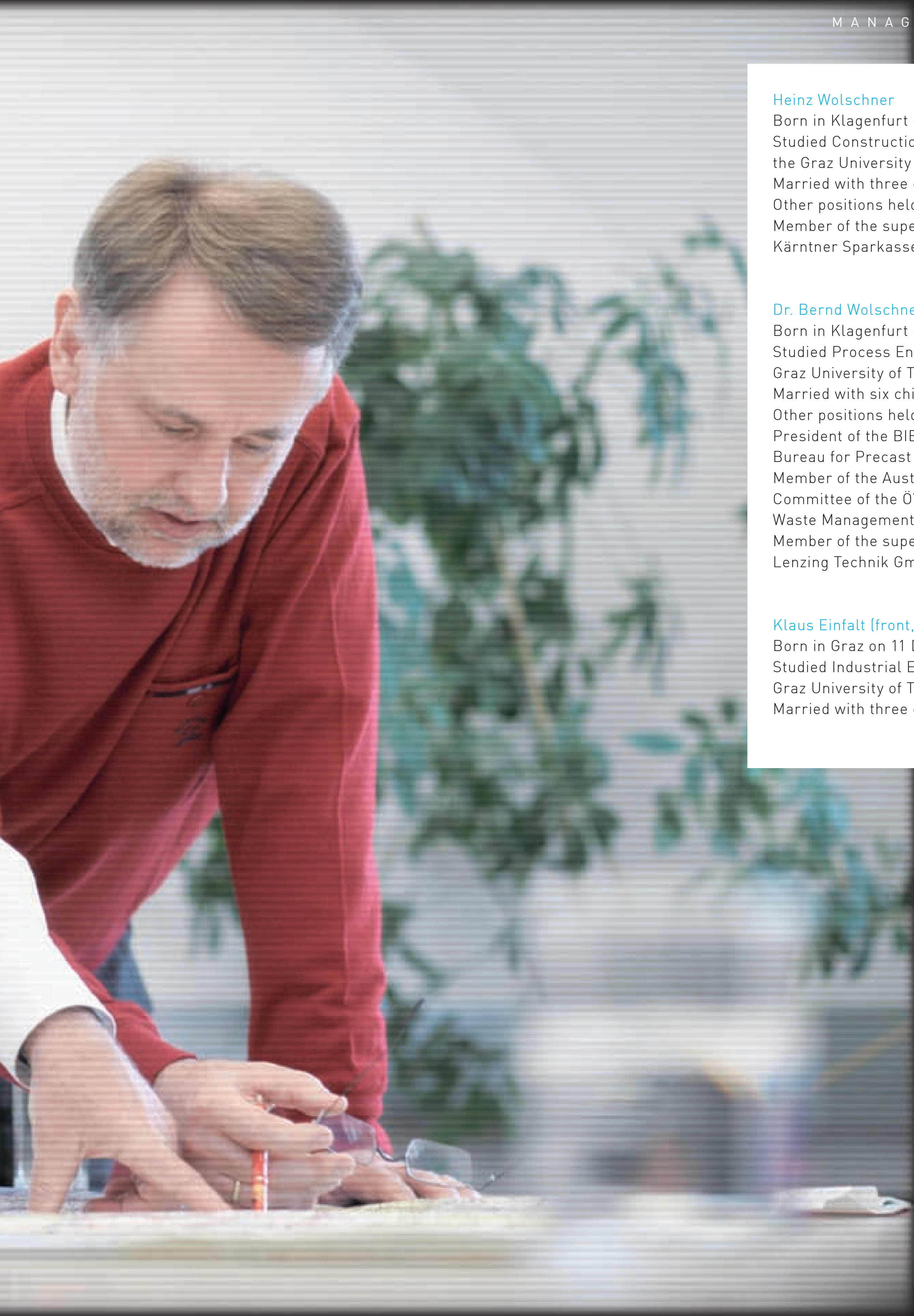
isting on the Vienna Stock Exchange
at 31 December 2007
amme

tion programmes at all sites

charest
for fish ladders, modular systems
igh performance concrete



Heinz Wolschner
Born in Klagenfurt on 3 November 1945.
Studied Construction Engineering at the Graz University of Technology.
Married with three children.
Other positions held:
Member of the supervisory board of Kärntner Sparkasse AG.

Dr. Bernd Wolschner (front, right)
Born in Klagenfurt on 1 November 1951.
Studied Process Engineering at the Graz University of Technology.
Married with six children.
Other positions held:
President of the BIBM (International Bureau for Precast Concrete).
Member of the Austrian National Committee of the ÖWAV (Water and Waste Management Association).
Member of the supervisory board of Lenzing Technik GmbH&Co KG.

Klaus Einfalt (front, left)
Born in Graz on 11 December 1969.
Studied Industrial Engineering at the Graz University of Technology.
Married with three children.

Dear shareholder,

There are some things one can see coming, but with the rest it is a question of reacting decisively to the unexpected. The fact that we are in a position to announce respectable results for the 2007 financial year, despite a surprisingly challenging and in part adverse trading environment in our core Hungarian and Romanian markets, is a reflection of the resolute action taken in recent months.

Difficult trading environment — strong response

2007 was far from being the easy year we had been counting on. Contrary to our expectations revenue fell by 6%, from EUR 101.9 million (m) to EUR 96.1m. The main reasons for this were harsh public spending cuts in Hungary due to the government's deficit reduction efforts, which led to a sharp decline in municipal contract awards, as well as hold-ups in EU funded infrastructure projects in Romania. We responded to these challenging conditions by expanding our sales to commercial and industrial clients, and our exports to neighbouring countries.

While the revenue share generated in Romania was below forecast owing to the failure of the government to take advantage of available EU funding, we succeeded in boosting our exports from Hungary to Slovakia to EUR 6.6m (2006: EUR 1.0m). Meanwhile the revenue contribution from "other" countries (Croatia, Germany, Italy and Slovenia) almost doubled.

The success of restructuring initiatives in Austria brought turnaround. However, as we had anticipated revenue declined to EUR 19m as a result of the works closures.

Record order backlog despite adverse market conditions

We are especially proud of the EUR 46.0m order backlog as at balance sheet date – the highest in our history. Order books rose to EUR 30m in Hungary (2006: EUR 17m) and to EUR 12m in Romania (2006: EUR 6m). The order intake trend is particularly gratifying in view of the tough demand conditions in Hungary and Romania.

Record investment programme

We stepped up our investment spending in 2007, and this was the main focus of our activities during the year. Our record EUR 26m investment programme was implemented in full. We built new factories in Romania, expanded and modernised all the Hungarian plants, and pressed ahead with restructuring at our Austrian sites.

We also continued to pursue our policy of using sales of surplus property acquired in connection with investments in new locations to help finance future capital expenditure. In 2007 this concerned the disposal of the land on Csepel Island in Budapest, which is no longer required for operations, and the same will apply in 2008.

The price is right!

We met our announced target of returning to the Vienna Stock Exchange prime market in 2007 at the end of May. The outstanding performance of our share price, which put on 144% in 2007, demonstrates investors’ confidence in our Group’s long-term strategy. SW Umwelttechnik was the top performer on the prime market in 2007.

In the light of the developments I have described we have decided to recommend an unchanged dividend of EUR 0.30 per share for the 2007 financial year to the Annual General Meeting.

Looking good

We have started out in good heart in 2008 – a year in which our efforts will centre on achieving earnings growth. In view of the highly positive order book situation, our heavy investment and the restructuring initiatives that have now been completed, we anticipate marked year-on-year increases in revenue, EBIT, profit after tax and earnings per share.

I should like to thank our people for the hard work and commitment that have enabled us to continue to expand, and hit our targets. A particular debt of gratitude is owed to Heinz Wolschner, who will be replaced by Klaus Einfalt in January 2008 when he steps down after 30 successful years on the Management Board.

We will do all in our power to continue to earn the trust of our shareholders, clients, suppliers and lending banks, and are determined to work with them to maintain the momentum of our strategy of solid growth in Central and Southeastern Europe. There is every sign that we shall succeed in doing so.

Klagenfurt, 18 March 2008
The Management Board

Dr. Bernd Wolschner

Klaus Einfalt

Supervisory Board

Dr. Heinz Taferner (second from left),
Chairman of the Supervisory Board. Born in 1944. Studied Commerce at the Vienna University of Economics and Business Administration. A member of the management board (CFO) of RHI AG, Vienna until June 1996. CEO of Kärntner Energieholding GmbH until December 2001. A member of the supervisory board of KELAG. CEO of Kärntner Landes- und Hypothekenbank Holding and a member of the supervisory board of Hypo Alpe Adria Bank AG until December 2003. Currently chairman of the supervisory board of the Wietersdorfer Group and a member of the management boards of a number of private and public interest private foundations.

Hans Kostwein (first left),
Deputy Chairman. Born in Klagenfurt in 1951. Studied Industrial Engineering at the Graz University of Technology. Joined the family firm, Kostwein Maschinenbau KG in 1975. Chairman of the supervisory board of Kärntner Sparkasse AG.

Dr. Wolfgang Streicher (third from left),
Deputy Chairman. Born in 1940. Studied Chemistry at the University of Vienna. Worked in pharmaceutical research at the Sandoz Research Institute, Vienna from 1971–1988. Authorised signatory, head of R&D and head of HSEQ at Krems Chemie from 1989–2002.

Otto Umlauft (fourth from left).
Born in 1950. Studied Business Administration in Vienna. CEO of Umlauft Textilservice GmbH. A member of the supervisory boards of Stadtwerke Klagenfurt and Kärntner Sparkasse AG. Secretary of the Josefinum, and of Stadtrichter zu Clagenfurth.

SW Umwelttechnik is holding to its course of solid growth in Central and Southeastern Europe (CSE). The policies pursued by it in these markets in 2007 have led to an exceptionally healthy order book position. Together with a large-scale investment programme and well targeted strategic restructuring initiatives, this points to a bright future for the Group.

Staying on track with expansion in Central and Southeastern Europe

The Supervisory Board supports SW Umwelttechnik's strategy of accelerated expansion in the CSE region. We believe that the coming wave of state investment in infrastructure and environmental protection should bring the Group sustained growth.

EU funding for investment in the new EU member countries is already assured until 2013, and is certain to continue to be available for essential improvements in infrastructure beyond the end of the current budget period. As 2007 showed, experience alone is not enough in these markets – flexibility is essential, too. During the year SW Umwelttechnik not only adapted to uphill trading conditions in Hungary and Romania but actually used them to improve the order book situation.

Seizing the opportunities in Central and Southeastern Europe

The immense opportunities created by market opening in Central and Southeastern Europe remain intact, and SW Umwelttechnik is well on the way to making the most of them. The Group is among the regional leaders in its markets. It combines the advantages of a family business, in terms of quick decision making and the patience to pursue long-term visions with the transparent information policies of a listed company.

On the behalf of the Supervisory Board, I should like to thank everyone who has played a part in the good progress made by SW Umwelttechnik. Among the main contributors are the shareholders, who have provided the Group with its equity base. Their confidence and their investments are a spur to success.

Our gratitude is also due to the Management Board and the Group's executives. A special word of thanks is owed to the workforce. Without their efforts SW Umwelttechnik's achievements would be unthinkable.

Klagenfurt, 18 March 2008

Dr. Heinz Taferner
Chairman of the Supervisory Board

STELLAR PERFORMANCE!

In 2007 we not only made a return to the prime market but also became one of its star performers. In its tenth year of listing on the Vienna Stock Exchange our share hit an all-time high of EUR 140.

ROCKY ROAD

During the second half of 2007 our share price put in a weak performance compared to the first. A falling star?

LOCATIONS AND MARKETS

The main focus of the Group's operations is on Central and Southeastern Europe, and its core markets are Austria, Hungary, Romania and Slovakia.

- Five sites in Hungary (four production facilities)
- Four sites in Austria (four production facilities)
- Three sites in Romania (two production facilities)
- Two sites in Slovakia

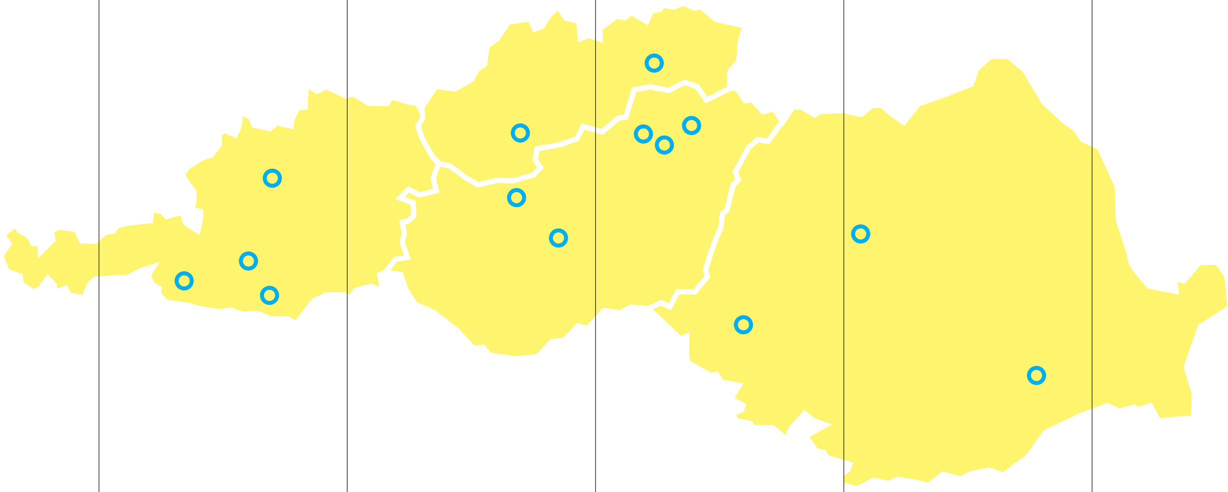
Production relocation to Budapest completed/Turnaround in Austria/ Production start-up in Bucharest

In Hungary, we completed the massive expansion of the South Budapest site and modernisation of the Alsoszolca works in 2007, further strengthening our market position. In Austria, we achieved turnaround after the closure of two factories (due to the shrinking sewerage construction market). New developments and products underpin our continued strength in our home market. In Romania, phase 1 production started up at the new Bucharest plant in November 2007, just 14 months after work began on it. In 2009 another plant will be built at our third site in the country, at Targu Mures in central Romania, acquired at the beginning of 2007.

The geographical dispersion of our operations enables us to adjust to country trading conditions, and make informed decisions about our markets. It also allows us to meet the demand for our environmental solutions locally, avoiding the need to transport goods over long distances. Due to our closeness to market we are able to be highly responsive to customer requirements. Our familiarity with local cultures gives us a significant competitive advantage in the markets we serve.

Entry to the Bulgarian, Moldavian, Serbian and Ukrainian markets

As in Romania, we are now making inroads in the rapidly growing Bulgarian, Moldavian and Ukrainian markets by exporting to them. At the same time we are evaluating new production sites in these countries ahead of the next phase of market development. By stepping up our efforts in the CSE region we aim to steadily grow our revenue and continue to improve our trading performance.



→ Austria

4 sites

Revenue EUR 19.4m

→ Hungary

5 sites

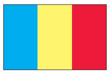
Revenue EUR 57.2m

→ Slovakia

2 sites

Revenue EUR 6.6m

→ Romania



3 sites

Revenue EUR 8.6m

→ Going East

WATER CONSERVATION SECTOR

We develop innovative products that protect groundwater, rivers and lakes, purify wastewater and conserve drinking water resources.

The Water Conservation sector manufactures products for the protection of groundwater, rivers and lakes, for wastewater treatment, and for the conservation of drinking water resources. By collaborating closely with our clients we can pinpoint environmental problems, and come up with custom solutions wherever action is needed.

PRODUCTS

Wastewater collection, transportation and disposal
Concrete, reinforced concrete and jacking pipes; shafts; stormwater infiltration systems; wastewater collection systems; and pumping stations for sewerage systems.

Wastewater treatment
Wastewater treatment plants:

Fully biological decentralised wastewater treatment plants with capacities from 5–500 population equivalent (PE): solid phase filter plants; AQUAmax mini plant; and Pulsar activated sludge plant.

Separation technology:

Oil separators for filling stations and garages, used to separate light hydrocarbon liquids from wastewater; surface water protection systems for motorways in environmentally sensitive areas; and grease separators to remove grease from wastewater emitted by commercial kitchens.

Rain and spring water
Rainwater recycling systems for household and commercial use; stormwater drainage systems for roads; systems for purifying (removing organic substances and heavy metals) and infiltrating roof water run-off in urban areas; spring water capture and storage systems.

MARKET POSITION

In 2007 we extended our leadership of the Hungarian concrete, reinforced concrete and jacking pipe, and sewer shaft system market segments. In Austria, too, we defended our leadership of the separation equipment (pumping stations, fully biological mini wastewater treatment plants, oil separators and roof water treatment systems), tank, rainwater recovery system and springwater collection system market segments.

MAJOR CONTRACTS

- ↗ Feeder to a collecting sewer in Budapest, built using trenchless technology
- ↗ Surface water protection system for the port of Monfalcone in Italy
- ↗ Surface water protection system for the Zeltweg military airport (Eurofighter base) in Austria

TRADING PERFORMANCE

In 2007 the Water Conservation sector suffered only a slight decline in revenue, despite a severe fall-off in demand in Hungary, and accounted for almost one-third of overall revenue. Exports from Hungary to Slovakia, and early stage operations in Romania made up much of the lost ground in Hungary.

RESEARCH AND DEVELOPMENT

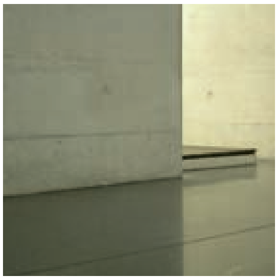
Fish passes

EU legislation requires all dams and weirs in flowing water bodies to be made passable by bypasses or fish ladders by 2015. SW Umwelttechnik has joined forces with the Vienna University of Natural Resources and Applied Life Sciences, the Carinthian Institute for Lake Research, the University of Kassel and the University of Weimar to develop precast concrete ladders for fish and other river organisms. We can now offer systems that provide affordable solutions even in constricted spaces, by keeping water losses to a minimum.

Rescon ultra high performance concrete

Working in collaboration with the University of Kassel and the Carinthia University of Applied Sciences, SW Umwelttechnik has succeeded in developing an ultra high performance concrete (UHPC) with identical properties to competing products (immense compressive strength of over 200N/mm^2, high freeze-thaw resistance, and resistance to de-icing salt and chemical attack from road run-off) but much lower production costs. We will start using this concrete – mainly for architectural and bridge building applications – in 2008.

INFRASTRUCTURE SECTOR



We supply key products for the transport infrastructure (road and rail), and industrial and residential buildings that are the backbone of modern life.

The huge demand for the Infrastructure products presents a significant growth opportunity for SW Umwelttechnik, which we are well placed to exploit because of our experience and expertise in this area. Thanks to our cost leadership and a steady flow of innovative product developments our strong market position is not in danger.

PRODUCTS

Industrial and commercial buildings

The mainstays of this line of business are precast elements for foundations, pillar systems, wall and floor elements. There is also a good market for industrial and commercial portal frame buildings. SW Umwelttechnik can offer special solutions for structures in the earthquake prone regions in Romania.

Transport and energy infrastructure

Investment in upgrading basic services is particularly urgent in Hungary and Romania. SW Umwelttechnik markets important road construction products in the shape of traffic control systems, bridge supports and noise barriers, and provides Hungarian power utilities with the improved masts they need to enhance electricity supply quality. These products are also manufactured at the Bucharest works. The strongest demand in Romania comes from the industrial and road construction sectors.

In Austria, the Infrastructure sector supplies custom gradient stabilisation solutions, and special bridge systems for alpine roads.

Natural building materials

SW Umwelttechnik manufactures environment-friendly wood-concrete building blocks. These combine the benefits of wood in terms of healthy buildings with the structural advantages of concrete, resulting in cost-effective construction and maximum comfort.

MARKET POSITION

In Hungary, the South Budapest site plays a large part in the Infrastructure sector's cost and market leadership in concrete system buildings, floor elements for commercial and industrial buildings, road safety barriers, and electricity and telephone poles.

In Austria, SW Umwelttechnik is a major local player in the bridge element and gradient stabilisation system segments.

There is a large potential market for infrastructure products in Romania. We expect industrial and commercial buildings, and transport infrastructure construction and rehabilitation to make a significant contribution to results in future.

MAJOR CONTRACTS

- Max Prešov shopping centre, Prešov, Slovakia (27,000sqm)
- Nokia factory, Cluj, Romania (12,000sqm)
- Korzó Ütletközpont shopping centre, Korzó Ütletközpont, Nyíregyháza, Hungary (35,000sqm)

TRADING PERFORMANCE

The Infrastructure sector recorded strong growth in 2007. For the first time its revenue contribution topped 50%. Early trends in Romania show that there will be very strong demand for infrastructure products there. With Water Conservation and Engineering facing contracting markets we are steadily strengthening our focus on the Infrastructure sector.

In 2007 this enabled us to make up most of the slack from the decline in public sector orders.

ENGINEERING SECTOR

Through OMS Hungaria Kft we are one of the top five suppliers of wastewater treatment plants, and wastewater and stormwater sewerage systems in Hungary

In addition to its wastewater treatment plant, and sewerage, flood protection and drinking water supply system engineering and contracting activities, this sector also acts as a general contractor for projects of this type, as well as letting and selling property.

OUR PRODUCTS

Water and wastewater

OMS Hungária specialises in custom, central and decentralised municipal wastewater plants with capacities of between 500–60,000 PE. The manner in which the company manages and implements engineering projects is a key competitive advantage. Its services range from engineering design, construction and the arrangement of finance through to turnkey projects and plant operation.

Property

Property surplus to operational requirements, often acquired in connection with the construction of new plants, is resold, thus helping to finance further investments.

MARKET POSITION

Through OMS Hungária Kft SW Umwelttechnik is one of the top five Hungarian contractors for wastewater treatment plants, and wastewater and stormwater sewerage systems. Now that we have gained a foothold in Romania the Engineering sector, too, is excellently placed to penetrate this market.

MAJOR CONTRACTS

- ↗ Sewer network in Cegléd, Hungary (70km of sewer pipes and 5km of pressure pipes)
- ↗ Drinking water purification plant in Samtid Sâlaj, Romania: purification equipment and 63km of mains

TRADING PERFORMANCE

The Engineering sector’s revenue contribution fell from 25% to just under 19% in 2007. This mainly reflected the situation in Hungary, and the position is unlikely to improve until the latter part of 2008, when large EU-funded projects will be implemented.

OUR SHARE

Our share stands for investment in the environment, in the growth markets of Central and South-eastern Europe, and in a long-term strategy based on infrastructure renewal in CSE countries. Most of our shareholders are institutional (environmental, ethical, CEE and growth funds) and priv-ate investors looking for sustainable, ethical and environmental shares.

SUSTAINABLE INVESTMENT

Sustainable funds are expected to continue to perform well, and to claim a growing share of the investment market. Pursuing our mission of sustainable development and demonstrably honouring our voluntary commitments is crucial to attracting investment from this source. SW Umwelttech-nik was included in the Austrian Sustainability Index in 2006. This share index consists of all the listed Austrian companies that are playing a leading role in terms of their social and environmental contributions.

VÖNIX
Nachhaltigkeitsindex

Sustainability brings brings. SW is listed in the VÖNIX sustainability index.

SHARE PRICE PERFORMANCE

Our share went into 2007 on EUR 42, but the price climbed to EUR 60 within the first few days of the year. By the time of our return to the Vienna Stock Exchange prime market on 21 May 2007 the price had already broken through the EUR 100 barrier. After hitting an all-time high of EUR 148 on the Frankfurt Stock Exchange the share drifted down to about EUR 90 during the latter part of the year, during which markets were overshadowed by the international financial crisis. This positive overall perf-ormance was further proof that our strategy plays well with investors, and that we are excellently positioned on the equity market.

Star performer in 2007

INVESTOR RELATIONS

Our investor relations activities are focused on providing analysts and investors with comprehens-ive, transparent and timely information.In recent years we have launched key initiatives aimed at improving our communications. SW Umwelttechnik is now our brand name across all our markets. While the subsidiaries also bear the names of the respective countries in the local languages (SW Umwelttechnik Österreich, Magyarország, Romania and Slovensko) the company name is centre stage. Our branding is supported by a corporate design that embraces not only this report but also our price lists, image brochures, advertisements and websites.

Transparency and clarity throughout

In order to communicate with all our stakeholders and keep them informed, our corporate website is designed to cater for different interests. Information on our IR activities is carried on this site (www.sw-umwelttechnik.com). There is a comprehensive archive of press releases, stock exchange announcements and photographs. The country organisations have their own websites which highlight the products marketed within their territories. Roadshows are regularly held to put investors in the picture about the Group.

SHAREHOLDER ANALYSIS AS AT 31 DECEMBER 2007

Share price performance shows sustainability reaps rewards

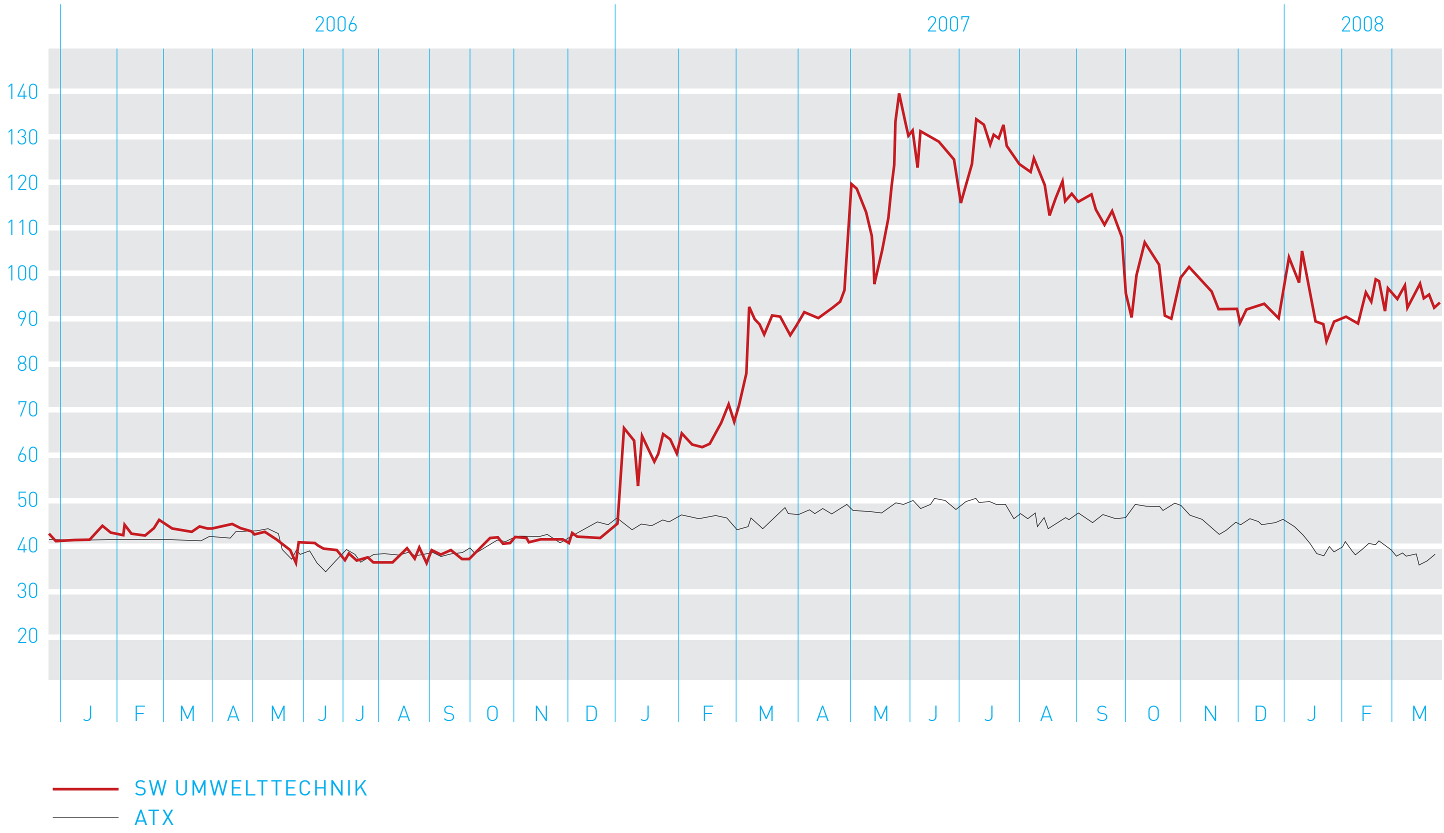
SW Umwelttechnik is listed on the Vienna Stock Exchange prime market. The Company has 659,999 shares, corresponding to a share capital of EUR 4,798,000. As at 31 December 2007 the Wolschner Private Foundation held an interest of 46.4% in the Company directly, and a majority of 50% plus one share through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

DIVIDEND

SW Umwelttechnik strives to maintain a consistent dividend policy that gives shareholders the assurance of a minimum return on their invested capital. In recognition of the Company's positive performance, at the Annual General Meeting the Management Board will be recommending the payment from the retained earnings of EUR 3,629,110.01 of a dividend of EUR 0.30 per share — a total of EUR 197,999.70 — on the share capital of EUR 4,798,192.73, and carrying forward of the remaining EUR 3,431,110.31 to new account.

SHARE PERFORMANCE INDICATORS

		2007	2006	2005
Earnings	EUR	2.71	3.21	2.21
Dividend	EUR	0.30	0.30	0.25
High	EUR	140	44	49
Low	EUR	42	35	24
Year-end closing price	EUR	100	41	41
Weighted average number of shares		659,999	659,999	621,289


2006
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J F M A M J J A S O N D J F M A M J J A S O N D J F M
SW UMWELTTECHNIK
ATX

CORPORATE GOVERNANCE

SW Umwelttechnik is committed to complying with the Austrian Code of Corporate Governance

SW Umwelttechnik has committed itself to compliance with the Austrian Code of Corporate Governance. Adherence to these rules results in transparent communications with our investors, customers and stakeholders. It enhances the quality of collaboration between the supervisory and management boards, and shareholders, as well as increasing the independence of the Company's governing bodies, and enabling us to align our strategy towards sustainable, long-term value creation.

Compliance with the Code ensures that our corporate governance is geared to responsibility, quality and sustained success. Management has pledged to respect shareholders' right to reasonable returns on their investment. The Code is central to dialogue between investors and management, as it establishes core principles on which management is to base its conduct. Compliance with the mandatory rules and recommendations adds to investor satisfaction and helps increase the Company's market valuation. While adherence to these standards of good practice is voluntary, SW Umwelttechnik recognises them as a guide to good corporate management. The Group strives to comply with the majority of the rules. SW Umwelttechnik deviates from the following "comply or explain" (C) rules, for the reasons given below:

RULE 18

In the interests of efficiency, internal auditing is not performed by a separate staff unit, but by a unit within the Corporate Controlling Department.

RULE 40

Because of its small size (four members), the Supervisory Board has not set up an accounts committee, and this function is jointly performed.

RULE 42

The Supervisory Board has not established a strategy committee. Strategic issues are discussed by the entire board as regular agenda items.

RULE 43

The Supervisory Board does not have a human resources committee. Human resources issues relating to the Management Board are dealt with by the executive committee of the Supervisory Board. This consists of the chairman and his deputies.

RULE 51

A member of the Supervisory Board has not been appointed to represent the interests of minority shareholders as the Investor Relations Department acts as a point of contact for them and passes on their representations to the entire Board.

RULE 65

SW Umwelttechnik publishes consolidated financial statements and management reviews of operations in German and English within four months, and quarterly reports within two months of the ends of the respective reporting periods, and posts these documents on its website (www.sw-umwelttechnik.com). The parent entity financial statements are not published on the website as they do not contain information material to investors' judgments.

CORPORATE STRATEGY

OUR VISION

We want our products and services to contribute to infrastructure upgrading and environmental protection in Central and Southeastern Europe in a manner that is both sustainable and commercially successful. Our vision and the strategies derived from it guide our actions across all our business sectors.

OUR STRATEGY

WE ARE WORKING TO CAPITALISE ON THE GROWTH OPPORTUNITIES IN EU ACCESSION STATES, CANDIDATES AND POTENTIAL CANDIDATES IN CENTRAL AND SOUTHEASTERN EUROPE.

WE AIM TO RANK AMONG THE TOP THREE SUPPLIERS IN THESE LUCRATIVE MARKET SEGMENTS.

WE FOCUS ON OUR WATER CONSERVATION, INFRASTRUCTURE AND ENGINEERING BUSINESS SECTORS.

OUR OBJECTIVES

CSE Exploit the growth opportunities generated by EU enlargement, in the form of EU-funded municipal projects and investments by industry. Achieve leadership of the markets for our product groups. Focus on market development in Romania, using exports from Hungary and Romania to gain a foothold in the markets in neighbouring Bulgaria, Moldova, Serbia and Ukraine.

EARNINGS Work for sustainable earnings growth. Outperform our peer group by raising our EBITDA margin to over 12% and our EBIT margin to over 6%.

CAPITAL EXPENDITURE Make use of the historic opportunities created by EU enlargement by investing in growing, profitable markets.

PRODUCTION Continuously improve our production processes by means of benchmarking, so as to attain cost leadership whilst enhancing quality.

HUMAN RESOURCES Foster initiative and empower employees by providing focused training and development programmes. Delegate responsibility and continuously monitor performance, so as to promote employees' ability to work independently, shoulder responsibility and take quick decisions.

FINANCE Keep our equity ratio (including minority interests) at between 25–30%.

SHAREHOLDERS Deliver outstanding performance in terms of our share price and dividends.

INFORMATION Maintain an open and transparent information policy.

CORPORATE MISSION STATEMENT

EMPLOYEES We believe that the best decisions are reached by well informed employees who are empowered to work independently, and we therefore delegate responsibility. Our staff are given a stake in the Group's profits, so as to align their interests with those of the business. Because of this, they are also kept up to date with the Group's targets and with current business developments.

MARKET We offer water conservation, infrastructure and engineering products and services in Central and Southeastern Europe, and aim to be among the acknowledged market leaders in these segments.

CLIENTS We solve our clients' problems to the best of our ability, and build up long-term business relationships with them.

QUALITY Our goal is quality leadership in our industry, and we therefore develop products that are tailored to our clients' requirements.

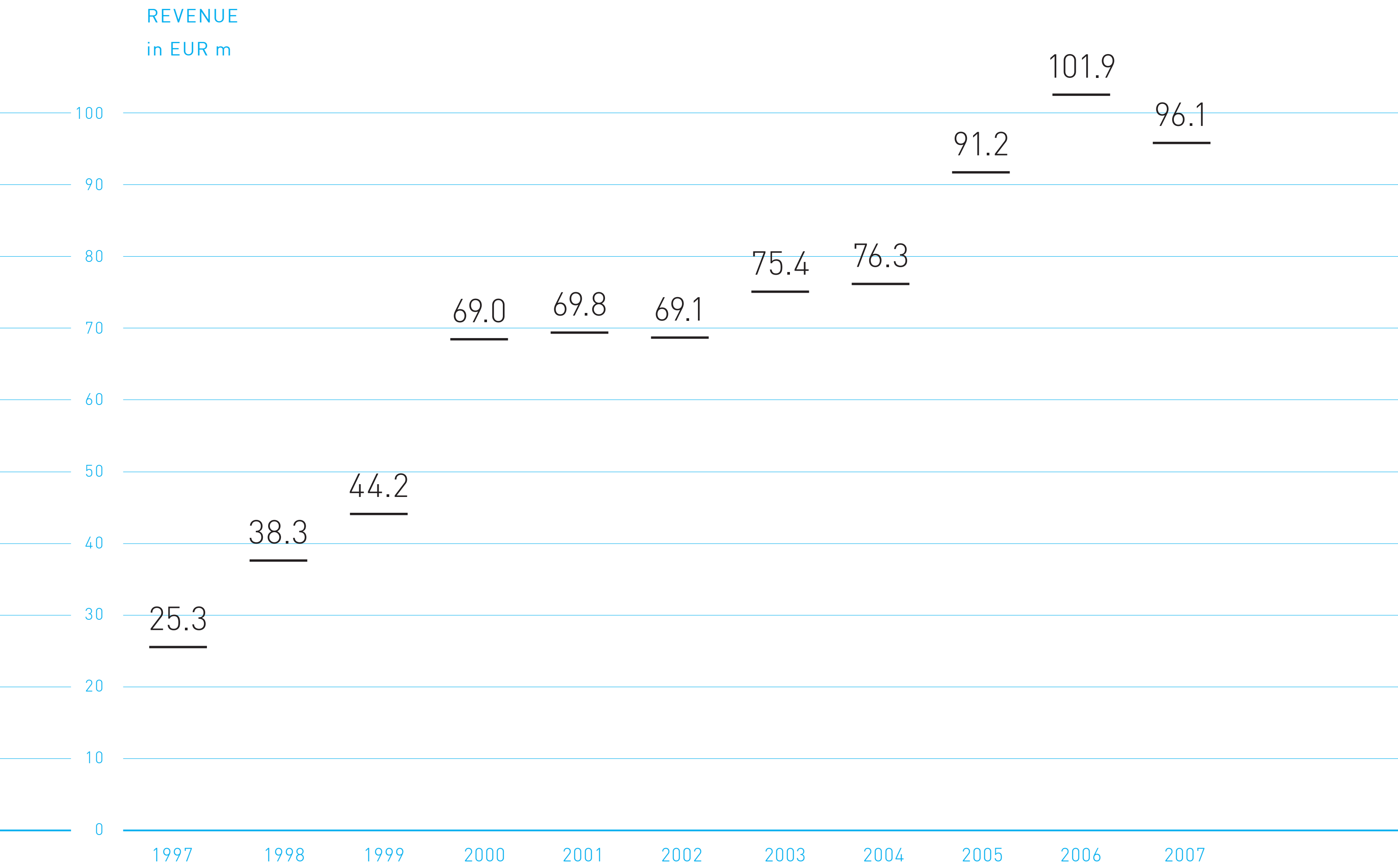
INNOVATION We continuously improve our products in collaboration with our clients, public agencies and scientific institutions, so as to maintain our technological lead.

FINANCE We regularly provide our financiers (shareholders and banks) with up-to-date information on our business performance.

ENVIRONMENT Protecting the environment and contributing to higher environmental standards is central to our activities in all the market segments we serve. In our own operations, too, we are constantly working to improve our environmental performance.

ETHICS We endeavour to be an example to others, and always keep our word. We work towards our commercial objectives without prejudicing our role as a socially and environmentally responsible neighbour.

EARNINGS We intend to continue to deliver POA and cash flow that are above average for our industry.



MOVING IN THE RIGHT DIRECTION

Since our initial listing in 2007 sustainable business policies and successful expansion in Central and Southeastern Europe have brought sustained revenue growth.

WHICH WAY IS REVENUE HEADING?

The economic situation in Hungary led to temporary revenue declines. Has all our determination been a wasted effort?

SUSTAINABILITY IN ALL AREAS

Conserving natural resources

Sustainable business policies are a matter of reconciling environmental, economic and social considerations. However, sustainability adds up to far more than the mere interaction of these three elements. The idea behind it is that of husbanding resources and meeting our needs in such a way that future generations will be able to do so, too. Sustainable development places equal demands on all three areas of performance. To be sustainable, activities must be environmentally sound, help underpin today's prosperity and promote social cohesion.

One-sided concentration on any one of these cornerstones of sustainability creates an imbalance. Only if profit maximisation, concern for social welfare and active environmental protection intermesh with each other will a business be sustainable in the long term. We always strive to strike a good balance between commercial success, social justice and environmental compatibility, so as to meet all three needs.

Sustainable development – a balancing act between profit and planet

Sustainability creates enduring values in all areas of social life. Our approach to sustainability involves constantly redefining and improving our relationships with employees, clients, suppliers, neighbours and Nature. Sustainable enterprise has always been central to SW Umwelttechnik's activities since its foundation in 1910. Long before environmentalism came to the fore we were already seeking to strike a balance between economic considerations and environmental responsibility. Our products have always married economics and ecology, and they create both forms of value for our clients over their entire life cycle. There is nothing new for us about the notion of sustainable products and development, and making a reality of it – all that has changed is the need for accountability to ourselves and society.

Management bears the overall responsibility for the Group's sustainability policy. This report sets out the principles behind that policy. Integrated management systems are used to put them into practice.

SW Umwelttechnik is committed to innovative engineering based on resource conservation. We judge our products and our internal processes by their energy and resource efficiency.

Our stakeholders are taking a growing interest in the sustainability of our operations, in terms of their economic, environmental and social dimensions. Our sustainability report enables us to give a clear and explicit account of our sustainability performance. It allows us to portray our achievements, and our contribution to economic growth, environmental balance and social justice, whilst being open about the hurdles faced in some areas of operations.

Merging the people, planet and profit dimensions of our thinking and action

Merging the people, planet and profit dimensions of our thinking and action safeguards the environment and the future of our Group.

Engagement with sustainability issues, and the resultant attention to the economic, social and environmental aspects of our business makes for more accurate forecasts and greater planning certainty. Concern for the "triple bottom line" is not merely a matter of image maintenance, it sets an example of good business practice.

CODE OF CONDUCT

Living up to our values

Multicultural businesses like SW Umwelttechnik are increasingly judged by their respect for social values and their sense of responsibility. A common view of what constitutes ethical business practices, shared by the entire workforce, is the key to operating successfully across borders. The values embodied by our Code of Conduct are fundamental to our corporate behaviour. The detailed and concise formulations of these core values contained in the code regulate our day-to-day treatment of clients, employees, shareholders, competitors, the environment and the community. Our commitment to living up to this catalogue of values and constantly adjusting it to current developments is integral to our business approach.

WE ABIDE BY THE FOLLOWING PRINCIPLES:

Sustainability
We are committed to trustworthy stewardship of all the resources we use. We accept our health, safety and environmental responsibilities.

Equal opportunities
We are committed to equal opportunities for all, regardless of gender, age, culture, faith, education, social origins or nationality.

Clear code of conduct

Adherence to contracts and legal compliance
We fulfil our agreements and contracts, and respect the law.

Job quality and security
We seek to develop our human capital by offering training and development, fair pay and other incentives.

Confidentiality
We protect confidential information and our Group's intellectual property.

Performance management

We promote joint goal setting as a means of increasing staff motivation.

Stakeholder relationships

We maintain collaborative relationships with our business partners and other stakeholders, based on trust, fairness and reliability.

Business relationships

We expect a high level of professionalism from our suppliers in terms of quality, prices and reliability, and set out to be a good customer in return.

Communication

We attempt to account for our actions and explain the thinking behind them in an accessible and transparent fashion. We are aware that the expectations placed in us and our obligations in terms of disclosures going beyond purely financial data will grow. Readers are referred to the information on the key environmental and social impacts of our operations contained in this report.

ENVIRONMENTAL PERFORMANCE REPORT

Taking responsibility for the environment and conserving natural resources

Due to the shift towards a knowledge based economy companies are now increasingly compelled to interact more closely with their surroundings. In particular, local infrastructure and an unharmed environment in the area they operate in are growing in importance. By accepting their responsibilities to their neighbours and the environment, firms can build bridges with the community, and this in turn brings business benefits.

Acceptance of our environmental responsibilities is fundamental to our corporate philosophy. This attitude is reflected in everything we do, and a proactive approach to environmental protection is embedded in the management systems at all levels of our corporate hierarchy and in all our business sectors. In fact, the purpose of every one of our products and services is environmental protection.

Sustainability through good environmental management

Conducting our own operations in an environmentally benign manner is another means of protecting the environment. Closing the material loops in our production processes is one of our goals, because using resources efficiently and reducing the number of by-products not only cuts waste and emissions, but costs as well. From materials procurement through to waste disposal, we audit and evaluate the environmental impacts of all our activities. Waste avoidance, recycling and correct disposal are integral to our production methods.

Having a good environmental management system in place gives us the tools we need to play our part in sustainable development.

Beyond legal compliance

By staying at the cutting edge of technology SW Umwelttechnik is able to continuously improve the development, production and application of its products. Their environmental performance is optimised to the maximum extent attainable with economically feasible best available technology. Renowned research institutes and universities collaborate closely with us on finding new solutions to environmental problems, as well as using raw materials more efficiently and improving existing production technologies.

Compliance with statutory health, safety and environment (HSE) regulations is a given. Adherence to these standards goes without saying, because we believe that thinking ahead and taking a responsible attitude to the environment and the communities we work in is essential. We formulate, implement and review policies aimed at continuous improvement of our HSE performance that go beyond the dictates of the law.

Recognising room for improvement — and acting accordingly

Identifying and eliminating environmental and economic weaknesses is an investment in the environment and an important source of cost savings.

We engage in an ongoing dialogue with government, public authorities and stakeholders in order to spread the word about our environmental policies and efforts. This communication is just as important as the deployment of new environmental technologies and products because it contributes to behavioural change.

All our people are aware of their responsibility for protecting the environment and maintaining the high quality of our products, and of the importance of setting an example for others. One of our key concerns is motivating them to keep adding to their knowledge of these issues.

These principles commit us to the continuous improvement of our operational environmental standards.

ENVIRONMENTAL MANAGEMENT

Regular reviews

SW Umwelttechnik implements its quality and environmental policies by means of an environmental management system (EMS) that establishes the relevant lines of responsibility and reporting relationships. Our strategic environmental planning and management controls are analysed and improved at regular meetings, using a set of performance indicators. These meetings are also used to uncover and resolve environmental problems. They drive a robust EMS that is the platform for the implementation of all areas of environmental policy and further improvements to our environmental performance standards. We plan to install such systems at all Group production and R&D sites. They are to be based either on the EU's Eco-Management and Audit Scheme (EMAS) or on the international ISO 14001 standard.

Our environmental management approach is based on the following principles:

- ASSURING AND VERIFYING ENVIRONMENTALLY SOUND PLANT OPERATION
- CONTINUOUSLY IMPROVING ENVIRONMENTAL PERFORMANCE
- MONITORING THE LEGAL POSITION AND ENSURING THAT LEGAL COMPLIANCE IS MAINTAINED
- ENGAGING IN A COLLABORATIVE DIALOGUE WITH PUBLIC AUTHORITIES
- MINIMISING WASTE, THEREBY REDUCING WASTE DISPOSAL COSTS
- CUTTING PRODUCTION COSTS BY IMPROVING PRODUCT EFFICIENCY AND RELIABILITY
- REDUCING THE CONSUMPTION OF NATURAL RESOURCES (WATER AND ENERGY) AND EMISSIONS

Successful environmental management at SW Umwelttechnik site

SW Umwelttechnik is committed to fulfilling its environmental responsibilities to society and future generations. In terms of our production operations this means continuous improvement of all processes, particularly those relating to HSE. We achieve this by:

- FORMULATING AND IMPLEMENTING ENVIRONMENTAL POLICIES
- MONITORING ATTAINMENT OF ENVIRONMENTAL TARGETS
- DETERMINING THE NECESSARY ORGANISATIONAL STRUCTURES AND PROCESSES
- DELEGATING THE TASKS INVOLVED TO COMPETENT STAFF MEMBERS
- PERIODICALLY EVALUATING THE EFFECTIVENESS OF THE EMS

SW Umwelttechnik attaches particular importance to motivating all its employees to act in an environmentally responsible manner within the scope of their duties. Empowerment and environmentally aware behaviour are promoted at all levels of the organisation.

ENVIRONMENTAL PERFORMANCE INDICATORS

Rapidly rising energy costs are encouraging the deployment of innovative energy and resource saving technologies. Their clear economic benefits give the lie to the prejudice that environmental protection is expensive.

A look at our environmental performance indicators shows just how well our sustainability policies are working.

The figures set out below are aggregated from the performance indicators of all the engineering and production sites material to reporting. Monitoring of the effectiveness of the EMS by means of internal audits identifies shortcomings and enables us to take steps to rectify them. Corrective and preventive action can then be taken immediately.

INPUTS		2007	2006	2005
Sand and gravel	t	587,321	562,157	544,900
Steel	t	16,722	11,476	10,096
Water	cu m	74,268	71,000	85,400
Energy	kWh m	5.65	5.53	4.92
Binding agents	t	104,385	98,166	83,716
Additives	t	659	809	900
Form oil	t	100	106	80
Other chemicals	t	49	52	46

OUTPUTS		2007	2006	2005
Concrete	cu m	300,479	286,874	259,389
Recyclable production waste	cu m	8,864	8,250	7,650
Non-recyclable production waste	cu m	715	665	650
Wastewater	cu m	8,320	8,040	7,500

Environmental impacts are ascertained by systematic monitoring of the various resource streams – air, water, waste and materials.

Environmental performance indicators — the test of how sustainability policies are working

Chemicals: Alternative solutions are employed in order to reduce the use of chemicals. For instance, the production equipment is mostly cleaned by means of high-pressure hosing. The concrete additives and shuttering oils bind with the products.

Binding agents: The cement is procured from local works, and is carried by silo trucks, meaning that transportation to our factories gives rise to no dust emissions and is thus environmentally sound.

Additives: The use of additives cuts consumption of binding agents, improves workability and enhances product quality.

Form oils: Form oils are used to release the concrete from the shuttering. Ongoing process optimisation and intensive training programmes have reduced the consumption of form oils.

Water and wastewater: Wherever possible the water we use is drawn from our own wells. Process water is purified on site and recycled to production. Wastewater from staff facilities is discharged to the public sewer network or treated in on-site biological plants.

Wastes: Rubble is a significant waste stream, representing about 5% of total output. Some 95% of this waste is crushed and recycled to production. The disposal of industrial waste and hazardous substances is restricted to licensed disposal companies, and we ensure that all the official regulations and recording requirements are complied with.

ENVIRONMENTAL OBJECTIVES

Implementing sustainable solutions depends on an ability to measure their performance. SW Umwelttechnik achieves this by drawing up a checklist of clearly defined environmental targets. Compliance and effectiveness are reviewed on an annual basis. Potential for improvements is exploited wherever possible.

SELECTED ENVIRONMENTAL OBJECTIVES ATTAINED IN 2007

HSE issue	HSE objective	Actions	Status
Energy	Reduced use of artificial light	Use of transparent roofing strips (about 30% of the building area) used in new factory buildings	Target 100% attained
Energy	Reduced energy use	Closure of works wastewater treatment plant during first half of the year	Target 100% attained in HY2
Energy	Reduced energy use	Replacement of the old transformer in Alsózsolca by a new, more efficient one	Operating permit obtained from electricity utility
Energy	Reduced energy use	Connection to the public water network, thus saving the energy consumed by the water treatment plant	Target attained
Water	Reduced water use	Connection to the public water network in Alsózsolca resulting in replacement of very old water pipes and an end to leakages	75% of target attained

SELECTED ENVIRONMENTAL OBJECTIVES FOR 2008

HSE issue	HSE objective	Actions	Deadline	Responsibility of
Energy	Reduced energy use	Installation of the approved transformer	HY1	Works manager
Wastewater	Reduced energy and water use	Installation of washing water recycling systems at the mixing plants in S. Budapest	HY2	Works manager
Wastewater	Reduced energy and water use	Installation of washing water recycling systems at the mixing plants in Bucharest	HY2	Works manager
Water	Reduced water use	Upgrading of the staff facilities in Alsózsolca: increased efficiency and reduced pipe leakages	HY1	Works manager
Energy	Reduced energy use	Heat insulating jacket for the aggregate silo in Bodrogkeresztúr: no more need to heat aggregate during the winter	HY2	Works manager
Dust emissions	Reduced dust emissions	Optimisation of the extraction pipes leading to the cyclone filter in the chip production unit in Klagenfurt, thereby increasing the efficiency of the equipment	HY1	Works manager

ENVIRONMENTAL ASPECTS OF BUSINESS SECTOR PERFORMANCE

Environment protection from the outset

Sustainability is an important yardstick for product development at SW Umwelttechnik. Product stewardship is exercised over the entire life cycle. Our products are durable, meet high quality standards, bring our clients returns on their investment, are ergonomic and operator friendly, reduce environmental loading during their operational lives and are recyclable thereafter.

ENVIRONMENTAL ASPECTS OF THE WATER CONSERVATION AND INFRASTRUCTURE SECTORS

The products of the Water Conservation and Infrastructure sectors are manufactured in-house. The basics of the production processes of the two businesses are fundamentally identical, and they are therefore discussed together below.

Environmental aspects of production processes

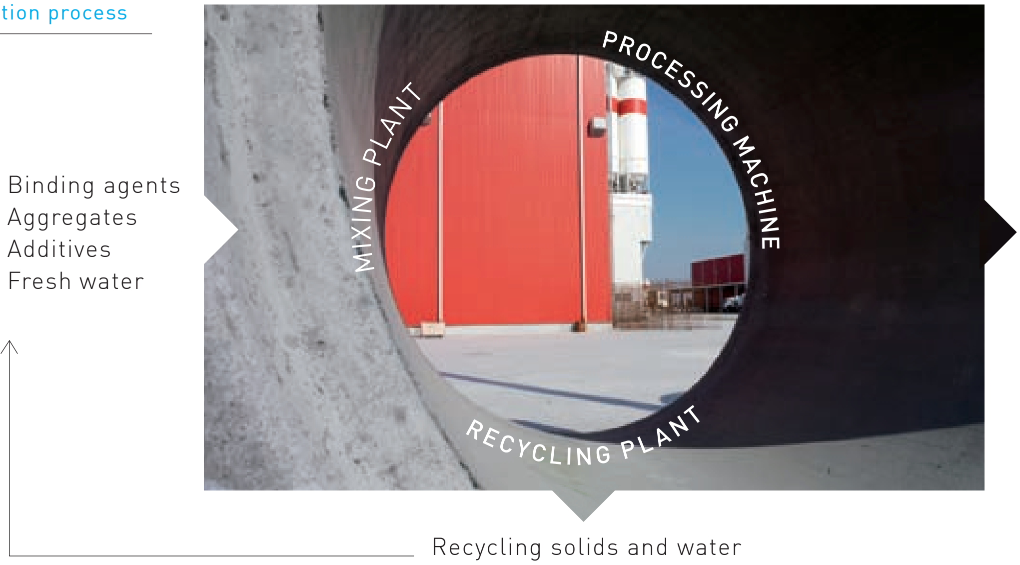
Using raw materials carefully and avoiding or recycling wastes

The raw materials are delivered by road from nearby suppliers, and are stored in silos. Highly efficient, self-cleaning filter units are installed in order to prevent dust emissions. The water needed for the production processes is pumped from the recycling plants, and fresh water or in some cases rainwater added to achieve the required amount. The materials are combined in the mixing plants, intensively purified with additives and recycling solids, and then transported to the processing points. The various base products are manufactured on semi or fully-automated machinery. Small amounts of steam or hot air are used to accelerate the setting process.

The machinery and forms must be cleaned at least once a day; the run-off goes to the recycling plants for re-use in the mixing plant. Wherever possible, rejects and any production waste are run through the recycling plants, and otherwise they are returned to the suppliers. The latter have no difficulty in processing these innocuous materials and re-using them. The semi-finished products are taken to the testing bays, and transported to the assembly areas where the internals and other additional components are installed, and further quality inspections are made. Finally the products are taken to the storage areas, where they are loaded on to trucks or railway wagons for transportation to the customer.

Nature shows how — closing the material cycle

Production process



ENVIRONMENTAL ASPECTS OF THE ENGINEERING SECTOR

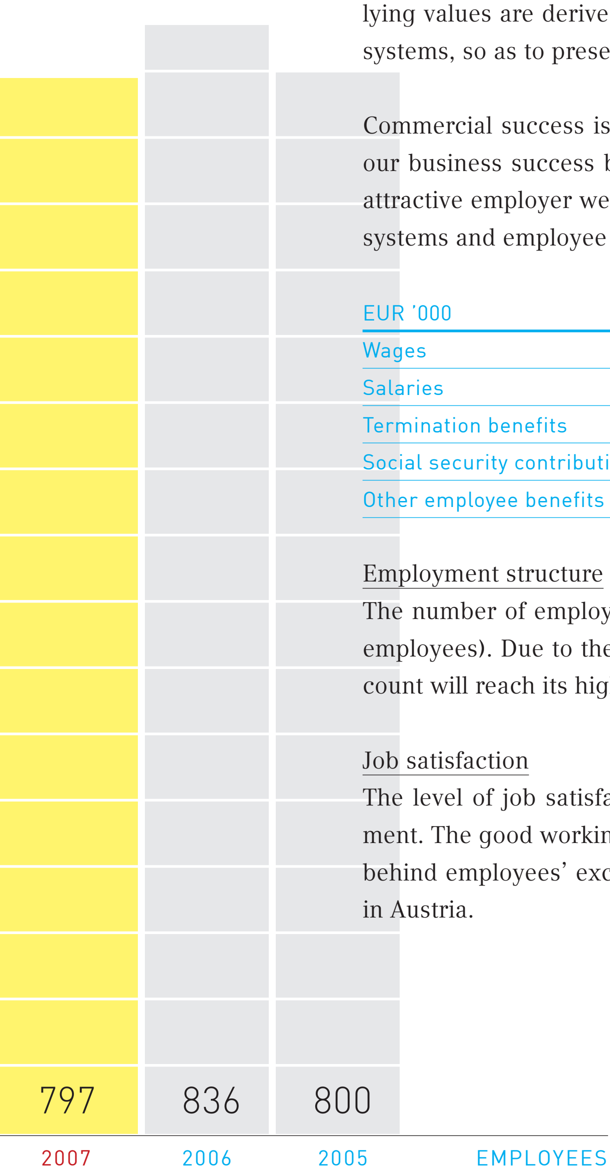
The Engineering sector does not give rise to any significant emissions. The main environmental concern for SW Umwelttechnik with regard to this business is the application of products that bring major reductions in environmental burdens.

SOCIAL RESPONSIBILITY REVIEW

Corporate social responsibility (CSR) is a concept whereby companies adopt responsible and reliable business practices, and seek to improve their communication with stakeholders. Our underlying values are derived from best practice CSR models. We are working to extend our reporting systems, so as to present our performance in a more measurable and transparent way.

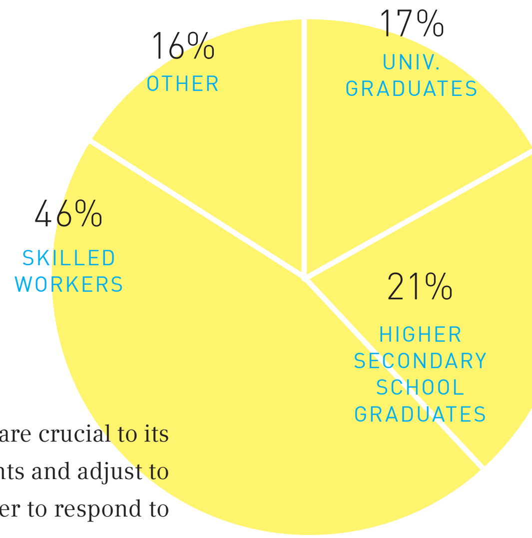
Commercial success is a prime objective for any company, ours included. Most of the credit for our business success belongs to our people's efforts and motivation. In order to be a still more attractive employer we give high priority to staff development programmes, competitive payment systems and employee benefits.

EUR '000	2007	2006	2005	2004
Wages	6,786	6,864	6,590	5,536
Salaries	6,139	6,099	6,086	5,081
Termination benefits	94	340	232	295
Social security contributions	4,138	4,184	4,434	3,298
Other employee benefits	202	75	80	55



Employment structure
The number of employees fell by almost 5% in 2007, to 797 (540 non-salaried and 257 salaried employees). Due to the steadily growing number of staff at the new Romanian factories the head count will reach its highest level ever in the course of 2008.

Job satisfaction
The level of job satisfaction at SW Umwelttechnik is reflected in the average length of employment. The good working atmosphere and the choice of working time systems are the main factors behind employees' exceptional loyalty. They stay with the Group for an average of over 11 years in Austria.



EMPLOYEE QUALIFICATIONS

Motivation through flexible working time

SW Umwelttechnik attaches great importance to flexible working practices, which are crucial to its business success. Flexibility is essential, both to meet special customer requirements and adjust to fluctuations in demand, and to accommodate employees' individual wishes. In order to respond to the latter we offer our team a variety of flexible working time arrangements.

Training and development

Investment in staff training and development is central to our corporate philosophy. These training courses and seminars strengthen employee motivation and identification with the Group, resulting in improved quality and thus, in turn, in higher sales. Since the markets we operate in are increasingly fiercely contested it is vital for employees to have a strong sense of commitment to their work, and we therefore constantly invest in training. Spending in 2007 was EUR 58,000.

We have stepped up induction training activities designed to ensure that the know-how of long serving salaried and non-salaried staff is passed on to new recruits. In addition there are external courses and special cross-company programmes. A multi-stage, personalised development programme for up-and-coming executives is also in place. It contains both management and personality training elements.

Career and succession planning

Efficient career and succession planning is crucial to our expansion strategy, and we therefore maintain ongoing internal management and expert development programmes. There is a clearly defined process for filling key positions, which was specially developed for our Group. Expansion in Southeastern Europe offers our people international career opportunities in emerging markets, and interesting and varied business environments.

Promoting internal staff development

Remuneration policy

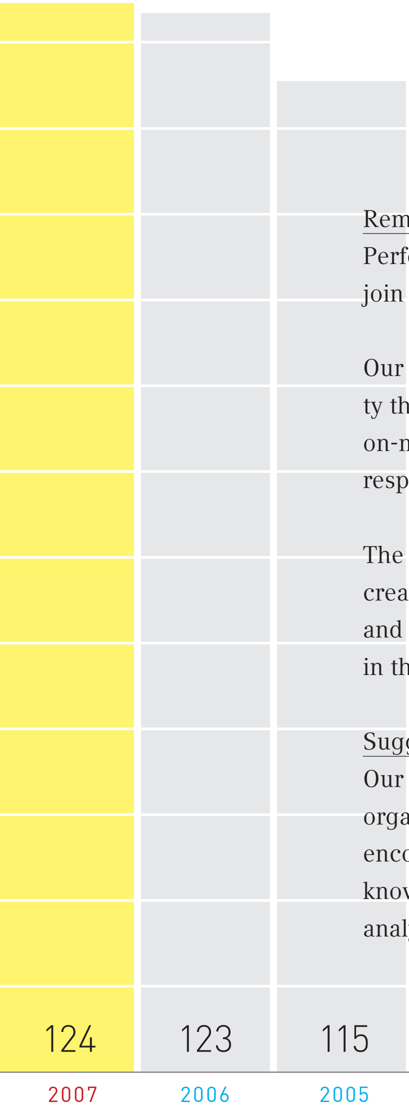
Performance related pay is another means of enhancing employee motivation. The opportunity to join the employee profit sharing scheme fosters team sprit and loyalty to the Group.

Our people welcome empowerment and encouragement to show initiative, and take the opportunity this offers them to play a key role in the Group's success. They are consulted early on in decision-making processes, so as to make the most of their expertise. All employees have clear areas of responsibility, and are encouraged and helped to show initiative.

The targets set by the Group – revenue and earnings growth on the sales, and productivity increases and cost reductions on the production side – are seen as key drivers of staff development and train employees to accept responsibility. Staff are free to decide how to meet their objectives in the areas of operations assigned to them.

Suggestion scheme

Our well established suggestion scheme stimulates communication between different levels of the organisation. The Internal ideas management system promotes identification with the Group and encourages employees to contribute actively to the business by making proposals based on their knowledge of current customer requirements, experience gained from production processes, and analysis of quality and process data.



TOTAL OUTPUT PER EMPLOYEE IN EUR '000

Management system

SW Umwelttechnik has a simple and flat management hierarchy, which ensures quick decision making and information flows, and clear lines of responsibility. In order to avoid overlapping responsibilities, each Management Board member is in charge of given subsidiaries. The managers of the various operations have sole responsibility for all technical and commercial matters, and report directly to the Management Board member responsible. The success of our business depends on constant information exchanges between staff at all levels.

Transparent internal relations are furthered by posting up-to-date news and information on changes on the corporate website (www.sw-umwelttechnik.com). Vacancies are advertised under the “Karriere” (careers) link.

Health and safety

SW Umwelttechnik sees it as its duty to work for its employees’ health and safety in order to keep them at peak performance and to enhance their general well-being. We have succeeded in improving our health and safety record by paying attention to good workplace design and taking wide-ranging preventive health care measures. We do our utmost to prevent accidents and hazards in the workplace, and to ensure that our people‘s working conditions are second to none. Austrian statutory health and safety standards are observed at all our factories, and this has led to wide-ranging improvements in working conditions at the sites in the new EU member states. Training courses, modern safety equipment and the enforcement of a strict safety code have created optimum conditions for a reduction in the accident rate.

Equal opportunities

As of 31 December 2007 we had 29 female and 511 male non-salaried employees, as well as 89 female and 168 male salaried staff, for Group totals of 118 women and 679 men.

Overall female workforce participation was 17%. Female participation in senior management was constant at 14%, and was only lower in the production operations (approx. 6%) due to the nature of the work. SW Umwelttechnik paid EUR 22,000 in compensation to disabled employees in 2007.

Corporate social responsibility

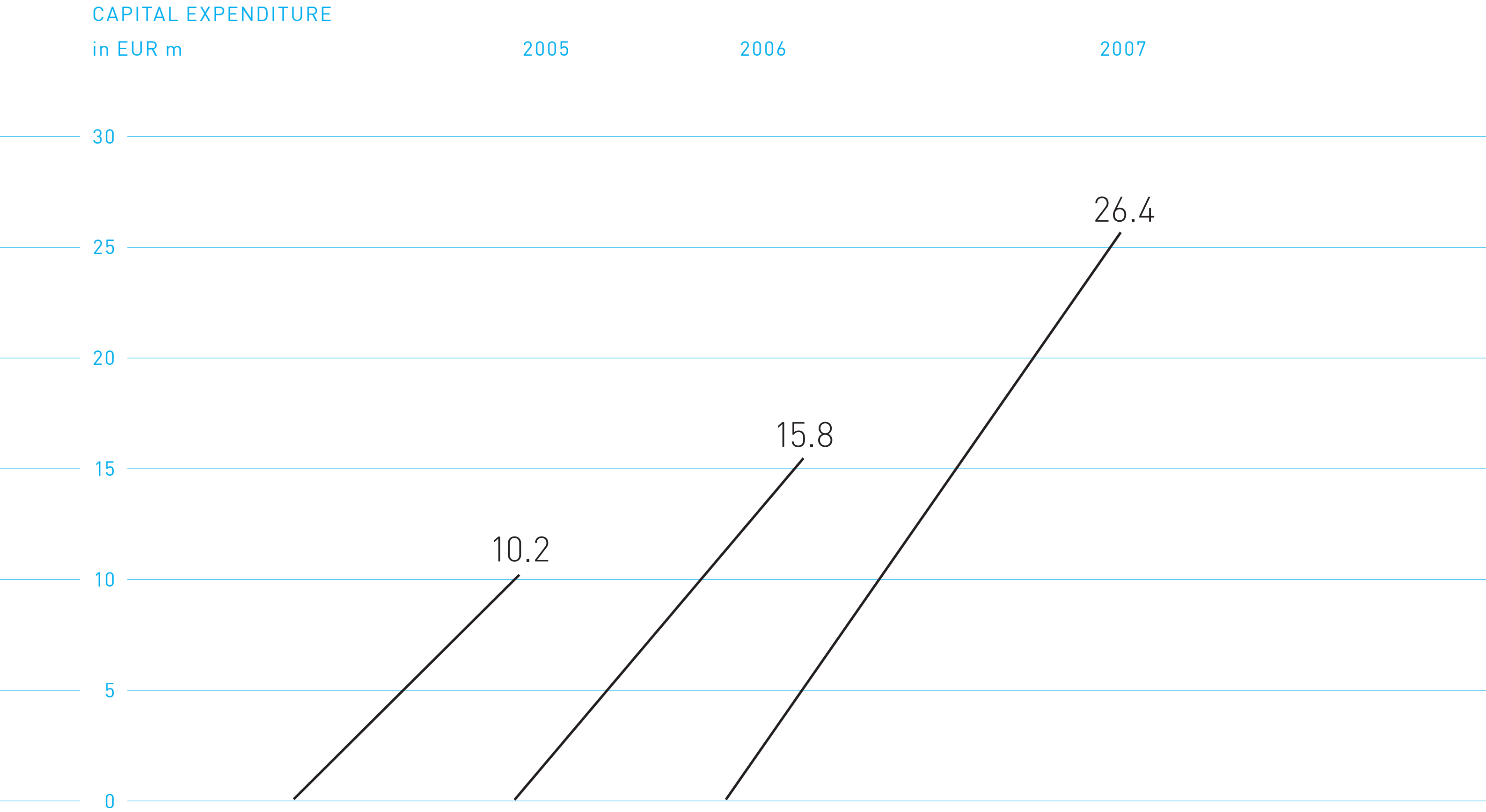
SW Umwelttechnik is conscious of its social responsibilities, and is not content merely to comply with the relevant legal regulations or voluntary industry codes of practice, but has made far-reaching self-imposed commitments. Our Group has pledged itself to transparent governance, including openness to employees. We attach high priority to supporting educational, youth, cultural, environmental, health and science projects in the vicinity of our sites.

Our people’s contribution

To make a reality of our plans and visions we need a strong and loyal workforce. Our people’s outstanding abilities give us a significant competitive edge. Our policies are aimed at creating an atmosphere that will ensure that they are happy and proud to be working for SW Umwelttechnik.

Thank-you to our employees

To make a reality of our plans and visions we need a strong and loyal workforce. Our people’s outstanding capabilities give us a significant competitive edge. Our policies are aimed at creating an atmosphere that will ensure that they are happy and proud to be working for SW Umwelttechnik.



SOARING!

In 2007 we launched a record EUR 26.4m investment programme. Two of the four planned production plants in Romania have already been commissioned, and a third is due to follow in 2009.

ON THE WAY UP OR HEADING FOR A FALL?

In the next few years we will be implementing promising large-scale projects with the help of EU funding. Are we ready for the challenge?

ECONOMIC CLIMATE

Austria:
construction seen stabilising

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.

Hungary :
reduced public sector contract awards

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.

Romania:
focus on industrial and commercial buildings due to delays in EU funded projects

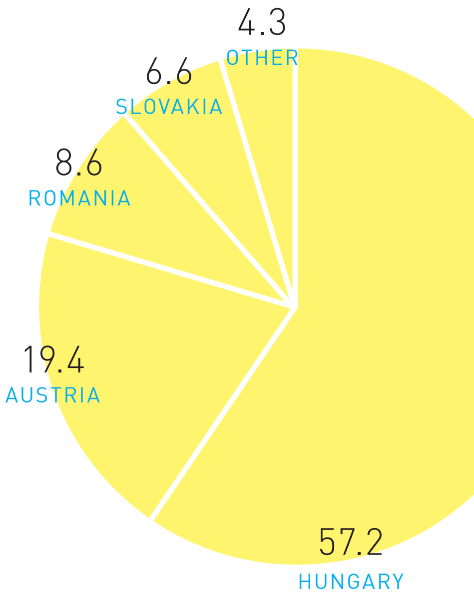
The Romanian economy expanded by 6% in 2007. Growth was partly driven by booming domestic demand, fuelled by rising wages, easier credit and a steadily appreciating currency. However the strongest push came from foreign direct investment; Austria is the number one source of inward investment. The heavy 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:
export opportunities exploited

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.

CSE region:
positive outlook

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.



REVENUE BY GEOGRAPHICAL MARKETS IN EUR M

TRADING PERFORMANCE

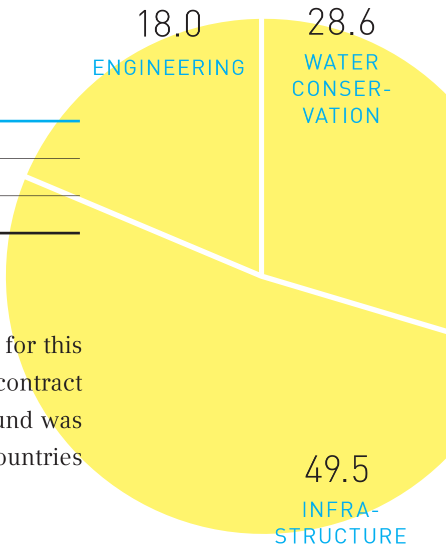
EARNINGS

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 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.

Revenue contribution from Croatia, Germany, Italy and Slovenia doubled

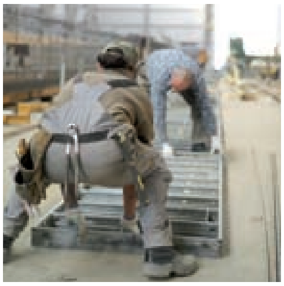
Our main geographical market, Hungary accounted for EUR 57.2m or 60% of total revenue in 2007, compared to EUR 67.5m or 66% in the previous year. As expected, the revenue contribution of the Austrian market shrank to EUR 19.3m or 20% (2006: EUR 23.0m; 23%), due to the works closures in 2006. The revenue 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%).

EBIT up by 12% despite challenging trading conditions

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.



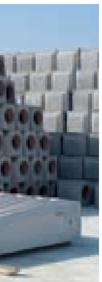
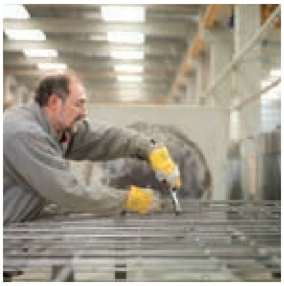



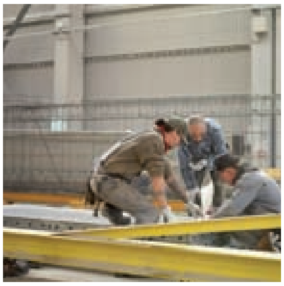
EBITDA was up by 2% to a record EUR 9.4m (2006: EUR 9.2m).

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).

Highest order books in Group history at EUR 46m

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.



Whatever the future brings, we will stay quick on our feet and keep right on working

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.

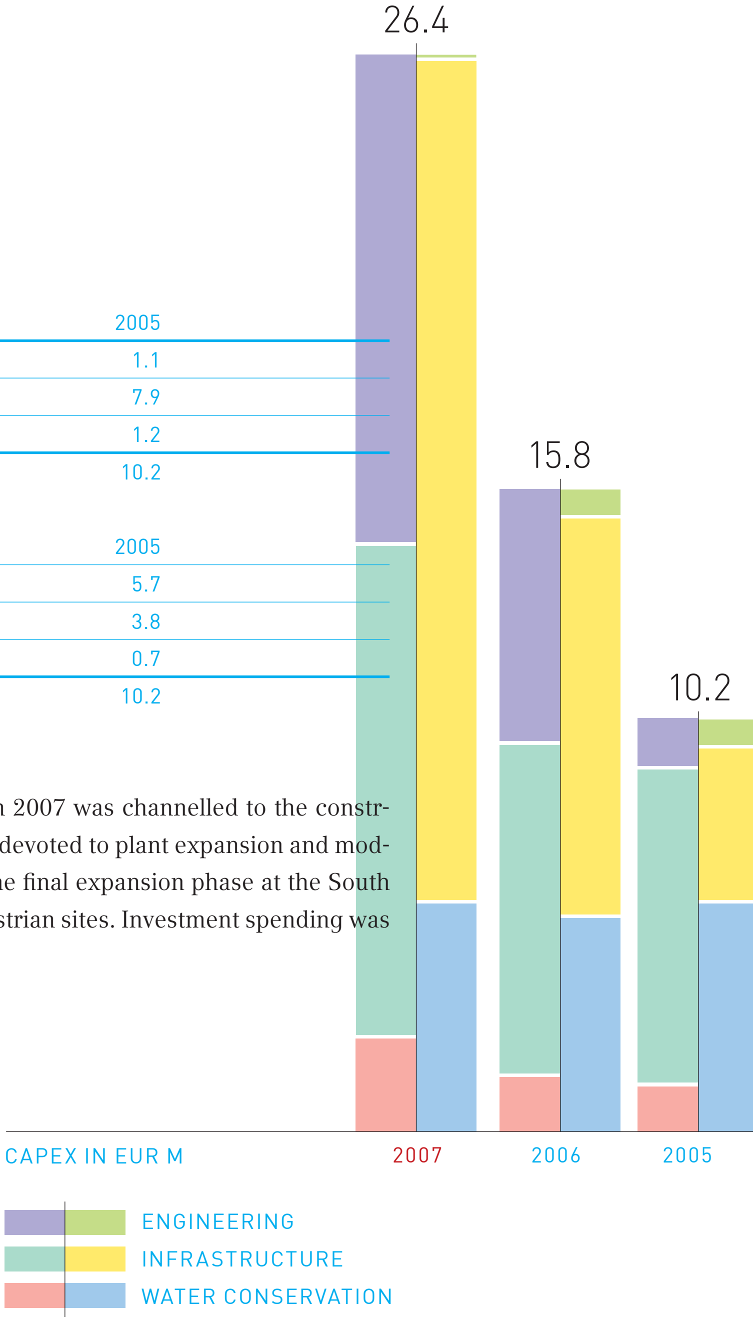
INVESTMENT

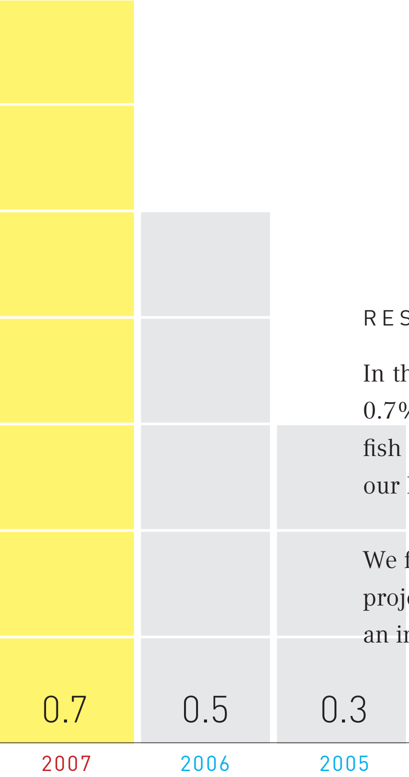
Capital expenditure

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 EUR M

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.

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.

Our people — our most valuable asset

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.

Countering risks quickly by spotting them early

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.

Minimising risk through sectoral structure and geographical diversification

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.

Internal control and benchmarking

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.

Preventive maintenance to keep plant running

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 contracts. 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.

Close cooperation with the banks based on ongoing dialogue

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 exch-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.

Psst!
A word to investors – you should not skip this page.

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.

Modest revenue growth seen in 2008

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.

Bulgaria, Serbia, Moldavia and Ukraine targeted

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, 21 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.

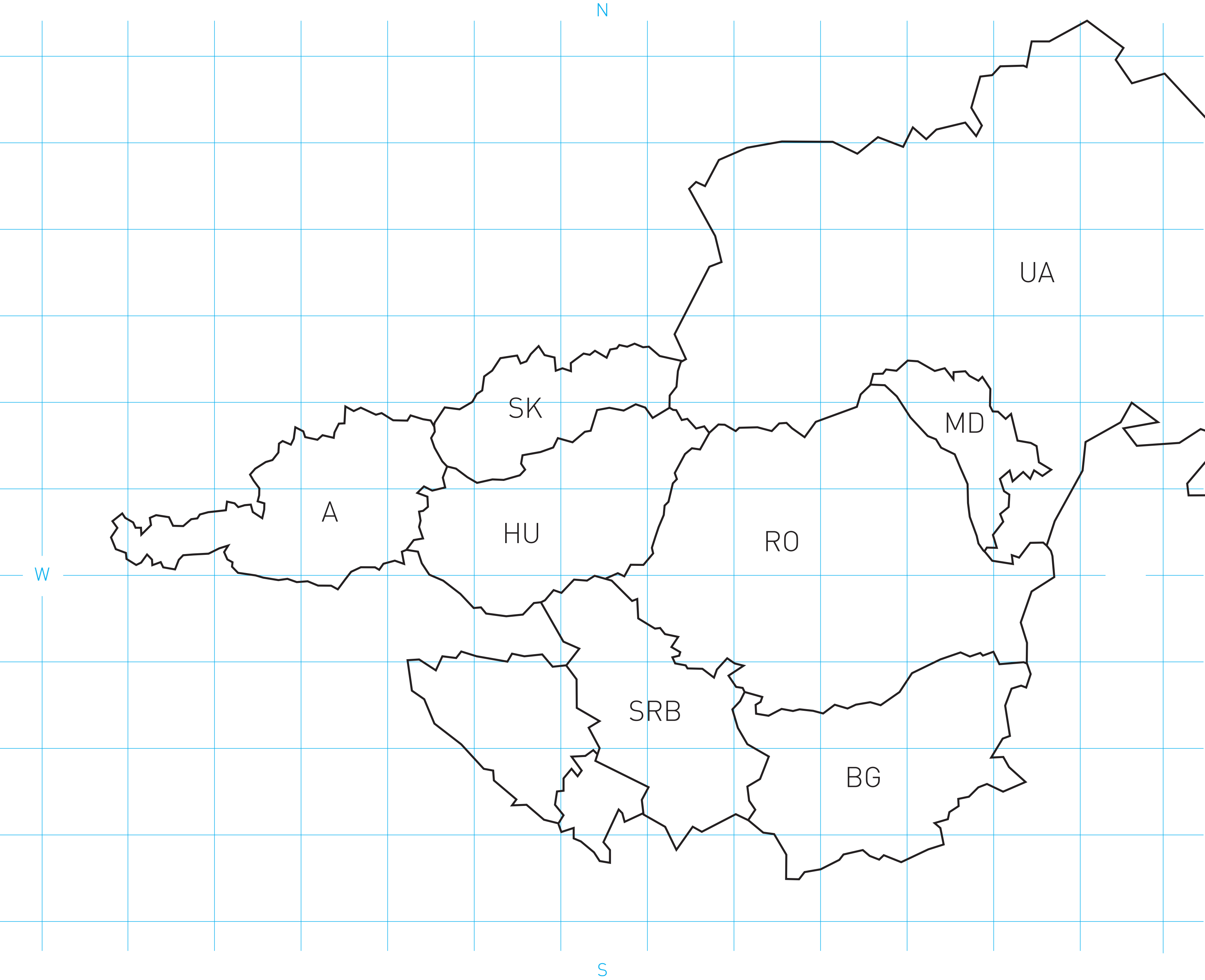
The Supervisory Board examined the annual financial statements submitted by the Management Board and the operational review for 2007, and approved the annual financial statements at its meeting on 21 March 2008. The annual financial statements are thus adopted in accordance with section 125(2) AktG (Austrian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



SAFE TOUCHDOWN

Since 2007 we have been making thorough preparations for entry to the Bulgarian, Moldavian, Serbian and Ukrainian markets.

WHERE WILL OUR ASCENT TAKE US?

SW Umwelttechnik will definitely go on expanding, but where?

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	Exchange differences	Changes scope of consolidation	Additions	Disposals	Reclassifications +/-
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	Exchange differences	Changes scope of consolidation	Additions	Disposals	Reclassifications +/-
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

Item	Cost					
	At 1 Jan. 2005	Exchange differences	Changes scope of consolidation	Additions	Disposals	Reclassifications +/-
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 Consolidation	Location	31 Dec. 2007 % interest.	31 Dec. 2006 % 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 Deconsolidation	Location	31 Dec. 2007 % interest.	31 Dec. 2006 % interest.
Biogest Umwelttechnik GmbH	Austria	100.00	100.00

Biogest Umwelttechnik GmbH was deconsolidated on 1 January 2007.

Company Proportionate consolidation	Location	31 Dec. 2007 % interest.	31 Dec. 2006 % 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 assessment 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 EUR ´000	2006 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 EUR ´000	2006 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 EUR ´000	2006 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 EUR ´000	2006 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 EUR ´000	2006 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 EUR ´000	2006 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 EUR ´000	Capital reserve EUR ´000	Treasury shares EUR ´000	Total 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 5.50% 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	2006
	EUR ´000	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	2006
	EUR ´000	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	2006
	EUR ´000	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	2006
	EUR ´000	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	2006
	EUR ´000	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	2006
	EUR ´000	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	2006
	EUR ´000	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	2006
	EUR ´000	EUR ´000
Dividend income	15	30
Impairment	0	–19
	15	11

5.1.10. INCOME TAX EXPENSE

	2007	2006
	EUR ´000	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 Carrying value	2007 Fair Value	Measure-ment	Category according to IAS 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 Carrying value	2007 Fair Value	Measure-ment	Category according to IAS 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
- ↗ 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

MULTI-YEAR SUMMARY

Summary consolidated balance sheet
(EUR m)

		2007	2006
ASSETS	A. Non-current assets	75.7	57.9
	B. Current assets	44.5	37.6
	Total assets	120.2	95.5
EQUITY AND LIABILITIES	A. Equity inc. minorities	27.2	26.5
	B. Borrowings	93.0	69.0
	Long term	41.2	24.8
	Short term	51.8	44.2
	Total equity and liabilities	120.2	95.5

Summary income statement
(EUR m)

	2007	2006
Revenue	96.1	101.9
Total output	98.8	103.2
Other operating income	0.6	0.5
Materials and external services	–53.5	–58.1
Staff costs	–17.4	–17.6
Depreciation and amortisation expense	–4.8	–5.1
Other operating expenses	–19.1	–18.8
Other non-recurring items	0	0
EBIT	4.6	4.1
Finance costs	–3.4	–1.2
POA	1.2	2.9
Profit before tax	1.8	2.0
Minority interests	0	0.1
Profit for the period	1.8	2.1

Financial performance indicators	2007	2006
EBIDTA (in EUR m)	9.4	9.2
EBIT margin[1] in %	4.8	4.0
Employees	797	836
Hungary	545	583
Austria	153	193
Romania	99	60
Capital employed (CE)	95.5	75.4
Historic CE	131.1	109.2
Net operating profit after tax (NOPAT)	4.0	2.9
CFROI	3.5%	3.7%
ROCE	4.2%	3.8%
Gearing	350%	290%
Interest cover (times)	1.9	2.2
Return on equity	4.5%	10.9%
Working capital (current assets - short-term borrowings)	27.2	22.5
Operating cash flow rate (cash flow from operating activities/revenue)	5.4%	4.5%

2005	2004	IAS 2003	2002	2001	2000	HGB 1999	1998	1997
47.4	42.0	41.2	43.4	42.2	37.1	25.4	18.7	13.6
33.1	26.1	30.2	26.9	23.1	19.9	15.9	14.7	13.4
80.5	68.1	71.4	70.3	65.3	57.0	41.3	33.5	27.0
24.3	20.0	18.0	20.2	22.9	20.8	19.1	20.3	18.3
56.2	48.1	53.4	50.1	42.4	36.2	22.2	13.0	8.5
20.3	16.6	17.1	13.5	8.3	8.7	5.5		
35.9	31.5	36.3	36.6	34.1	27.5	16.7		
80.5	68.1	71.4	70.3	65.3	57.0	41.3	33.5	27.0

2005	2004	2003	2002	2001	2000	1999	1998	1997
91.2	76.3	75.4	69.1	69.8	69.0	44.2	38.3	25.3
91.7	77.3	75.7	70.5	71.0	69.6	45.9	40.3	25.2
0.8	0.6	1.4	0.9	1.0	0.9	0.8	0.8	1.0
–50.0	–45.3	–43	–38.6	–40.2	–40.5	–25.6	–20.3	–9.4
–17.4	–14.3	–13.9	–14.3	–13.9	–12.2	–9.9	–8.7	–8.2
–4.7	–4.0	–3.8	–5.6	–3.8	–2.8	–2.0	–1.6	–1.4
–16.5	–12.0	–12.2	–12.4	–11.0	–10.0	–7.5	–7.7	–4.6
0	0	–0.8	0.7	–0.4				
3.9	2.3	3.4	1.2	2.7	5.0	1.7	2.8	2.6
–2.0	–0.3	–2.9	–0.8	–1.2	–1.0	–0.4	1.4	0.3
1.9	2.0	0.5	0.4	1.5	4.0	1.3	4.2	2.9
1.4	1.5	0.3	–1.2	1.5	2.9	1.1	3.7	1.6
0	0.2	–0.6	–0.4	–0.8	–0.8	–0.2	0.9	0.2
1.4	1.6	–0.3	–1.6	0.7	2.1	0.9	2.5 (1)	2.0 (1)

2005	2004	2003	2002	2001	2000	1999	1998	1997
8.6	6.2	7.2	6.8	6.5				
4.3	3.0	4.5	1.7	4.4	7.2	3.9	7.3	10.3
800	723	755	773	807	818	675	482	411
556	531	543	544	543	579	476	276	209
209	192	200	202	221	239	199	206	202
35								
62.2	52.9							
95.5	83.8							
2.8	1.7							
4.1%	2.7%							
4.5%	3.2%							
260%	270%							
2.6	1.2							
7.8%	9.8%							
19.6	15.8							
1.3%	13.7%							

[1] EBIT/revenue

GLOSSARY

ACB
Austrian Business Code

Acquisition
Purchase of a company or an interest in a company.

Equity-to-fixed assets ratio
Ratio of equity to non-current assets.

ATX
Austrian Traded Price Index the lead index of the Vienna Stock Exchange.

Capital employed (CE)
Equity plus interest bearing debt (inc. intragroup balances) minus cash and cash equivalents and financial assets. In other words, the value of all the interest bearing capital employed in the entity.

Capital employed (CE), historical cost basis
CE + cumulative depreciation.

CFROI
Cash flow return on investment, i.e. the ratio of EBITDA to capital employed at historical cost.

Deferred tax
Differences between carrying amounts for accounting and tax purposes, arising from timing differences and consolidation procedures, result in deferred tax.

Earnings per share
Consolidated profit/loss for the period divided by the average number of shares.

EBIT
Earnings before interest and tax.

EBIT margin
EBIT/revenue.

EBITDA
Earnings before interest, tax, depreciation and amortisation. EBITDA reflects the cash effect of the operating profit/loss.

EBITDA margin
EBIT + depreciation and amortisation/revenue.

Economic depreciation
The amount that must be earned each year in order to pay for replacement investments at the end of the useful life of the assets depreciated.

Equity ratio
Equity/total assets.

Environmental management system (EMS)
A process for planning, controlling, reviewing and improving an organisation's environmental protection measures, and incorporating environmental aspects into its operational and personnel management systems.

Environmental policies
A company's overall environmental goals and the principles on which it bases its actions, including regulatory compliance.

IFRS/IAS
International Financial Reporting Standards and International Accounting Standards

IFRS
International Financial Reporting Standards

Investment
Additions to property, plant and equipment, and intangible assets.

Interest cover
EBIT divided by interest expense: shows how often a company can pay the interest on its financial liabilities from its EBIT.

ISO 14001
A global ISO standard for the certification of environmental management systems.

PER
Price-earnings ratio.

Primary energy
Primary inputs to the energy conversion chain (mainly primary products such as coal, crude oil, water and wood).

Return on capital employed (ROCE)
EBIT x (1- group rate of taxation) / (capital employed Year n + capital employed Year n-1) x 0.5.

Return on equity
Profit after tax divided by equity.

Risk management
A systematic approach to the identification of potential risks, with a view to assessing and limiting them.

SAPARD
An EU programme that supports major environmental and transport projects. The aim is to accelerate adjustment to EU environmental standards, and to promote the upgrading of national transport networks and the creation of links with Trans-European networks (TENs).

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FINANCIAL CALENDAR

28 Feb. 2008	Announcement of preliminary results
23 April 2008	Annual results press conference
02 May 2008	Annual General Meeting
23 May 2008	Report on the first quarter
08 August 2008	Report on the second quarter
07 Nov. 2008	Report on the third quarter

SHAREHOLDER INFORMATION

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Reuters:	SWUT.VI
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