

EnviTec...

... in dialogue

EnviTec Biogas



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# Financials at a glance

At a glance		(EURm)	2006	2007	Change
Sales		100,7	132,4	+31,5 %	
Germany		97,8	124,2	+27,0 %	
Abroad		2,9	8,2	+180,0 %	
EBITDA		19,3	19,8	+2,6 %	
EBIT		18,5	18,1	-2,5 %	
EBIT margin	(in %)	18,4	13,6	-	
Net income		11,5	14,3	+24,0 %	
Total assets		38,4	200,2		
Equity		15,8	174,2		
Equity ratio		41,2	87,0		
Liquid funds		4,8	115,1		
Installed modules	(number)	131	236	+105,0	
Installed electrical capacity	(MW)	62	114	+52,0	
Orders on hand at year end		85,7	122,8	+37,1	
Employees	(number)	197	279	+82,0	

## FINANCIAL DATES 2008

30. April 2008  
Report on the business year 2007

10. Juli 2008  
Annual General Meeting

29. May 2008  
Interim report 1. quarter 2008

# Annual report 2007

**ENVITEC BIOGAS AG**



# Contents

<b>EnviTec Interview</b>	<b>6</b>
<b>The future belongs to renewable energy sources</b>	<b>22</b>
<b>Biogas — Tomorrow's technology</b>	<b>26</b>
<b>International successes</b>	<b>28</b>
<b>Report of the Supervisory Board</b>	<b>32</b>
<b>Corporate Governance Report</b>	<b>34</b>
<b>Consolidated Management Report</b>	<b>40</b>
<b>Consolidated Financial Statements</b>	<b>60</b>
<b>Notes to the 2007 Consolidated Financial Statements</b>	<b>68</b>
<b>Glossary</b>	<b>109</b>
<b>Imprint</b>	<b>113</b>





INTERVIEW WITH THE MANAGEMENT

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“Where are we going ...  
... Mister von Lehmden?”

An interview by the journalist Anja Steinbuch with the executive board of EnviTec Biogas  
on renewable energies and biogas

# EnviTec interview

“ OLAF VON LEHMDEN, CEO  
Responsible for Strategy, Law, Human Resources and International Sales

“ KUNIBERT RUHE, CTO  
Responsible for Technology, Research and Development, Acquisition, National Sales

“ JÖRG FISCHER, CFO  
Responsible for Controlling, Finance, IT, Investor Relations, Marketing/PR

“ ANJA STEINBUCH, FREE JOURNALIST  
Anja Steinbuch is a free journalist from Hamburg and conducted the Interview with the management

**2007 was a momentous year for EnviTec Biogas, with sales increasing 32 percent and earnings up 24 percent. 82 new jobs were created in the same period. Through its international expansion and development of the Own Plant Operation segment, the company has achieved major strategic goals and won the contract to build the world's largest plant for feeding biogas into the natural gas grid. In July the company's IPO created the financial foundation necessary to make use of the opportunities provided by the growing biogas market.**

**Yet the euphoria surrounding the IPO was followed by deep distrust of the entire industry and a sharp downturn in the price of EnviTec shares. Where is EnviTec Biogas heading now? What will be the consequences of amending Germany's Renewable Energy Sources Act (EEG)? Does biogas have any future chances at all in view of current raw material prices? These and other questions were addressed to members of the company's Executive Board. On the following pages, they not only provide answers, but also outline the current situation, answer some of the criticism, clear up certain misunderstandings and explain the future potential. After all, the biogas success story is far away from its end: it has only just begun.**

“ **Anja Steinbuch (AS):** *Mr. von Lehmden, what is biogas actually?*

“ **Olaf von Lehmden:** Biogas is energy. Carbon dioxide and methane are produced when organic substances ferment. This gas is incinerated in a combined heat and power unit (CHP), where it is converted into heat and electricity. It can also be refined to natural gas standards and fed into the gas grid or used as a fuel for vehicles.

“ **AS:** *What are the advantages of biogas?*

“ **Kunibert Ruhe:** High energy efficiency. No other type of renewable energy can extract so much energy from raw materials. Another essential advantage of biogas is that it can be stored and can meet both baseload and peak load requirements. In other words, the time and location of energy consumption is independent

from its production. In addition, biogas plants help to overcome waste disposal problems in some countries by recycling by-products. Biogas plants also make it possible to supply heat and power locally, thus providing people with energy even when they live in remote and relatively inaccessible areas.

“ **AS:** *Yes, but do you really want to have such a plant in the neighbourhood? What about the smell?*

“ **Kunibert Ruhe:** The plants are built in accordance with the latest state of the art. We also have our own biogas plants and as a one-time farmer, I can assure you that the smell is no different from that on any other farm.



„**AS:** Can biogas really be produced from all organic substances?

„**Kunibert Ruhe:** Basically yes. This diversity is one of the biggest advantages over other renewable energy sources. Naturally there are some substances from which more energy can be produced than from others and which are more cost-efficient than others on account of the purchase prices and the remuneration paid.

„**AS:** Which substances are you referring to?

„**Kunibert Ruhe:** The most cost-efficient feed material in Germany is currently a combination of manure and such renewable raw materials as maize, while by-products and glycerine are the most economical combination in other countries. With these mixtures, our plants achieve a production efficiency of almost 92 percent, which is well above the industry average.

„**AS:** Sounds like there's not much room left for improvement.

„**Kunibert Ruhe:** As far as the fermentation process as such is concerned, we have indeed reached a level where there is little space for improvement. This places us one huge step ahead of our competitors.

„**AS:** Where do you see the remaining potentials?

„**Olaf von Lehmden:** Fermentation is just one link in the chain. We concentrate on the upstream and downstream processes, where there is still plenty of potential. For instance, we are cooperating with a subsidiary of KWS Saat to optimise the seed. The ideal moment to harvest a crop can also be optimised in order to obtain the maximum energy. We think about the best way to use the by-products remaining after fermentation. Last but not least, we are also testing new input materials, such as organic waste and other by-products.

„**AS:** Does that mean you will soon be collecting my organic waste to convert it into energy?

„**Kunibert Ruhe:** Not quite, but in the long term, organic household waste will no doubt also be used to produce energy.

„**AS:** At present, then, there is no alternative to such renewable raw materials as maize and cereals?

„**Olaf von Lehmden:** Germany's Nawaro bonus scheme means that these are still the most important input materials in this country. The situation in other countries is completely different. In Belgium, for instance, the remuneration for feeding energy into the grid is not dependent on the input material, with the result that we can fully exploit the flexibility of biogas and use what is the cheapest input material in that particular area. If that material happens to be waste, we often also receive an additional fee for disposing of the waste.

“THE TREND IS CLEARLY

TOWARDS LARGER PLANTS,

DIRECT GAS SUPPLY AND PROCESSING

OF THE FERMENTATION RESIDUES.

HERE WE ARE EXCELLENTLY

POSITIONED.”

Olaf von Lehmden



“ **AS:** Despite this, however, the cultivation of crops for renewable energy sources continues to compete with crops for food production?

“ **Olaf von Lehmden:** In Germany, roughly 1.8 million hectares were planted with energy crops in 2007: that is just 15 percent of the total arable area. According to forecasts by the Federal Ministry of Agriculture, this area could be extended to over 30 percent without disrupting the production of food and animal fodder. This leaves more than enough freedom for considerable growth in the coming years. The renewable energy sources with the maximum efficiency per unit area will become established in the middle term, and biogas is simply unbeatable here.

“ **AS:** What about the allegation that the high demand for biomass is promoting the trend towards monoculture?

“ **Kunibert Ruhe:** That allegation is quite simply wrong where biogas is concerned. The advantage of biogas lies in precisely the large range of crops that can be used: maize, grass, millet, sunflowers, even potatoes and sugar beet. They can all be used to produce energy. Monoculture can be avoided with intelligent crop rotation and the soil even protected against leaching by cultivating second crops.

“ **AS:** High commodities prices are making life difficult for the operators of biogas plants. Does biogas production pay off at all?

“ **Jörg Fischer:** In our view, more political action is needed here. We believe that biogas is the most effective form of producing energy from renewable energy sources. It should be promoted in such a way as to compensate the rise in raw material prices. However, operators should not rely solely on the remuneration paid for the

electricity supplied. There is a need for intelligent concepts which allow to use or market not only the electricity but also the process heat as well as to recycle the fermentation residues into fertiliser or more energy. This is where you need a partner with our experience.



“We believe that biogas is the most effective form of producing energy from renewable energy sources.”

Jörg Fischer

“



“Biogas is fundamentally different  
from biodiesel and bioethanol.”

Kunibert Ruhe



„RAW MATERIALS  
ARE USED MUCH MORE  
EFFECTIVELY WHEN  
PRODUCING BIOGAS.“

Kunibert Ruhe

„**AS:** *What makes EnviTec different from the competition?*

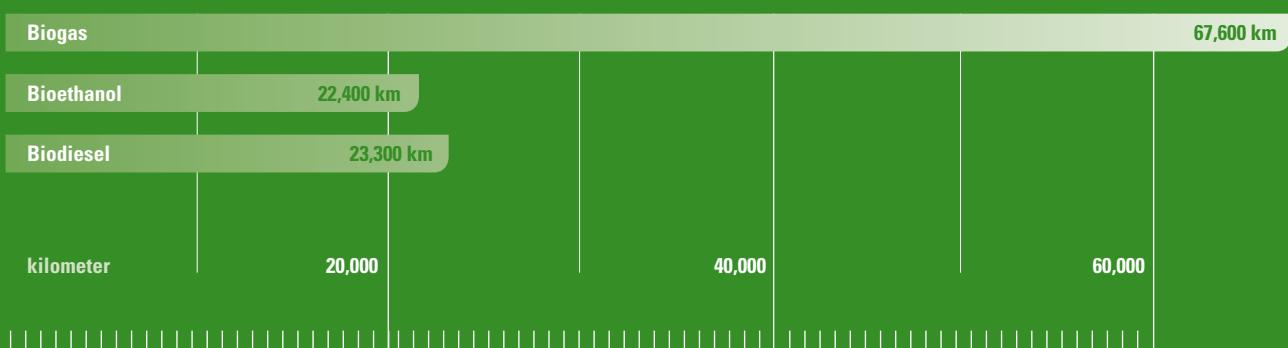
“**Olaf von Lehmden:** The efficiency of our plants. We do not know of any other manufacturer with a higher production efficiency. Then there is our standardised mode of construction. Others have the same technical know-how, but we were the first to introduce serial production in the construction of biogas plants. Our customers are the first to profit from this, for it allows us to guarantee low investment costs, shorter commissioning times and minimum subsequent costs. Our components are exclusively of high quality, with a long life cycle. In this way, we can establish the best possible conditions for predictable revenues in the long term and optimisation of the entire value chain. We have perfected this mass production for smaller plants with a capacity of up to 500 kilowatt and applied it to the larger plant types with up to

3.5 megawatt as well, for the trend is clearly towards larger plants, direct gas supply and processing of the fermentation residues. Our company is excellently positioned here.

„**AS:** *Rain forests are being cleared in Indonesia; in Mexico, people are demonstrating against the high prices charged for maize, allegedly because of the production of biodiesel and bioethanol. Does that also apply to biogas?*

“**Kunibert Ruhe:** This is a question with which we are frequently confronted. Yet biogas is not the same as biodiesel or bioethanol. It is fundamentally different from both of these, both in terms of production and as regards its use. Raw materials are used much more effectively when producing biogas: the entire plant is used, not just the fruit. In contrast, bioethanol production uses only the grain. Besides, as we have already pointed out, biogas can be produced

With biofuel around the world — performance of a car with the harvest of a hectare energy crops





**"THE RENEWABLE ENERGY SOURCES WITH THE MAXIMUM EFFICIENCY PER UNIT AREA WILL BECOME ESTABLISHED IN THE MIDDLE TERM, AND BIOGAS IS SIMPLY UNBEATABLE HERE."**

Olaf von Lehmden

from other materials as well as from renewable raw materials. We can help to solve waste disposal problems, for instance, and make efficient use of manure, sewage sludge or vegetable waste products. This gives biogas a clear advantage over biodiesel and bioethanol as regards the efficiency per unit area.

**“ AS: Meaning?**

**“ Jörg Fischer:** Quite simply that biogas from just one hectare of maize produces sufficient fuel to drive a car roughly 68,000 kilometres. The energy yield of biodiesel from the same area would only drive your car roughly 23,000 kilometres.

**“ AS:** Does that mean that all efforts should concentrate on biogas in future?

**“ Olaf von Lehmden:** No, fossil fuels can only be replaced by renewable energy sources as a whole. Biogas plays a vital part here on account of its advantages. Biogas is indispensable if we want to become less dependent on gas from Russia. Biogas can be stored, transported and is available 24 hours a day. It is not dependent on the weather. However, all renewable energy sources need reliable, plannable political conditions which unfortunately have not been in place in Germany for several months.

**“ AS:** You are presumably referring to the debate over amendment of the Renewable Energy Sources Act (EEG)?

**“ Olaf von Lehmden:** Indeed. That debate has been continuing for several months and is understandably causing considerable uncertainty. Nothing can be planned. However, we are now confident that the political decision-makers will soon arrive at a solution ensuring that Germany will

not be cut off from its supply of gas. With its objectives for climate protection, Germany has made a clear commitment in favour of protecting the environment and renewable energy sources. These objectives would be untenable without appropriate promotion and funding schemes.

**“ AS:** But surely a regular review of that promotion is only natural?

**“ Olaf von Lehmden:** Certainly. The objective is naturally to manage without financial support and still remain competitive. All these rumours and the public debate over the amount of future remuneration for feeding energy into the public grid are poison for the industry. What the farmers, key customers, investors and of course we, as a plant manufacturer, need is a quick decision in order to be able to plan for the future. One thing is perfectly clear: alternatives to our limited fossil fuels are urgently needed, otherwise we will be faced with a huge shortage in energy supplies.



**"OUR PLANTS ACHIEVE**

**A PRODUCTION EFFICIENCY**

**OF ALMOST 92 PERCENT,**

**WHICH IS WELL ABOVE**

**THE INDUSTRY AVERAGE."**

Kunibert Ruhe



**“ AS: What exactly do you mean?**

**“ Olaf von Lehmden:** In only a few years' time, demand for energy will outstrip supply by far. According to present estimates, more than eleven gigawatt of electricity will be lacking in Germany by 2020. Prices for oil and natural gas, etc. will therefore continue to rise in the coming years. Before long, biogas will be cheaper than natural gas.

**“ AS: When will that be?**

**“ Olaf von Lehmden:** Today's price is about 70 percent higher, but that is far less than it sounds. The price of oil has doubled in the space of just one year and tripled in the course of four years. On the other hand, further innovations will help to cut production costs for biogas. As you can see, this is not something for the far distant future, but could become reality before long.

**“ AS: What should happen before then, in your opinion?**

**“ Olaf von Lehmden:** What we need as soon as possible are sound basic conditions which will make the production of biogas economically attractive in the future too and permit further investment in research and development. That is also in the political interest, for it is the only way that our government can achieve the targets set by the European Union and its own climate protection objectives. This necessity has also been recognised and biomass has been declared to the third pillar renewable energy, along with the sun and the wind. We therefore expect the promotion of biogas to continue; the same tendency is also evident in the latest draft amendment.



„**AS:** High prices for raw materials will nevertheless make life difficult, while solar energy and wind energy are more or less free. How do you intend to make yourselves more independent?

„**Kunibert Ruhe:** Through research and progress. Our industry is a very young industry. EnviTec Biogas is only five years old, but we have already erected plants with a total installed capacity of more than 100 megawatt, including 52 megawatt which were only installed in 2007. Our public listing has improved our freedom of action considerably and the IPO proceeds are being invested in research and development, among other things.

#### “ONLY A FRACTION

OF THE POTENTIAL IS ACTUALLY

BEING USED AT PRESENT.

THIS WILL CHANGE.“

Olaf von Lehmden

„**AS:** Where do your main interests lie?

„**Kunibert Ruhe:** As already mentioned briefly, we consider the greatest potential to lie in the processes before and after the actual production of biogas as such. Such as in optimisation of the input materials. Together with other cooperation partners, including a subsidiary of KWS Saat, we are working to improve the seed of energy crop and are investigating the optimum time to harvest a crop as well as the best fertiliser to be used in order to obtain the maximum energy from a crop. At the same time, the output must be utilised as efficiently as possible. Refining biogas to natural gas standards will play a fundamental part in the future. A study by the Institute for Energy and Environment in Leipzig shows that Russian imports could be replaced completely in this way. The Güstrow contract is evidence of EnviTec's technological leadership. We were able to win the contract despite the competition of major companies and will now build the world's largest plant for feeding biogas into the natural gas grid. The use of biogas as a fuel also has great potential for the future. Our attention additionally focuses on the use of waste heat and further processing of the by-products. Fermentation residues are an outstanding fertiliser which can be dried for easy storage and transport to wherever they are needed. If that is too complicated,

they can be incinerated to produce additional energy.

„**AS:** You are saying that part of the revenues generated by going public are used for R&D. What about the rest?

**Olaf von Lehmden:** Our reasons for raising capital and going public were clearly stated from the outset. We intend to step up the construction of biogas plants, especially in other countries, and increasingly operate our own biogas plants there, also in cooperation with partners. This internationalisation also means setting up and developing subsidiaries, joint ventures and sales offices. The capital generated by going public is being employed to strengthen our good starting position so that new markets can be developed.

„**AS:** What progress have you made since then?

„**Olaf von Lehmden:** Major steps have been taken in the past few months both as regards operation of our own plants and with a view to becoming more international. We now have subsidiaries and sales offices in twelve countries, not only in Europe, but also in India and China.

"DESPITE THE DIFFICULT MARKET CONDITIONS,

WE INTEND TO CONTINUE OUR PROFITABLE GROWTH." Jörg Fischer

**„AS:** Has this international expansion also proved worthwhile financially?

**„Jörg Fischer:** Definitely. International sales were boosted to roughly 6 percent of total group sales in 2007 and that share is to be increased further in the present year. An impressive 30 percent of the total order volume of 123 million euros at year-end came from outside Germany. Many European countries have established an attractive framework for renewable energy sources from which we can benefit. For this reason, we have aggressively pushed ahead our international expansion and will continue to do so, especially in view of the present situation in Germany. The expansion of Own Plant Operation will naturally not be neglected in the process.

**„AS:** Which foreign markets are the most important at present?

**„Olaf von Lehmden:** Belgium, Italy and the Czech Republic will presumably be the most important this year, but the market is changing rapidly and interest in biogas is immense. Negotiations are under way for numerous projects, including some which are truly very large, so that the sales ratio can easily change very quickly.

**„AS:** You have already won your first major order in India — when will China follow suit?

**Olaf von Lehmden:** Both markets offer immense potential. The supply of energy cannot keep pace with the growing population. Security of supply cannot be taken for granted, especially in the more remote rural regions. There are no regional power plants and it is neither economically nor ecologically feasible to run power cables over thousands of kilometres. Biogas can be used as a local source of energy to fill this gap. The input materials, such as waste or renewable raw materials, are available virtually everywhere so that the energy can be produced right where it is needed.

India is a good example for showing how energy can be supplied in the future. Punjab is an agricultural state where a combination of biogas, solar energy and wind energy will be used to boost the regional supply by 160 MW from renewable energy sources. We are proud to be the biogas partner in this large-scale project. Such a concept could also be established in China. Negotiations over such projects naturally take time, but sometimes things go quicker than one would think.



“ **AS:** What about the USA?

*Americans are also beginning to discover that the environment needs protection.*

“ **Olaf von Lehmden:** We are keeping a very close eye on the US market, for we are certain that it also holds immense potential for biogas.

*Q: International success has already been achieved, but your Own Plant Operation has not yet made any significant contribution to sales and profit in 2007.*

“ **Jörg Fischer:** Nor was that our objective. Attention focused on building up this segment in 2007. This segment's cycle is also completely different from that of all our previous activities. In contrast to our Plant Construction activities, our Own Plant Operations mean we must first spend

capital and invest just like any other investor and operator. Following this initial investment phase, Own Plant Operation offers a predictable and regular cash flow as well as attractive margins. In the long term, Own Plant Operation will become an important pillar of our business, together with Plant Construction.

“ **Olaf von Lehmden:** The Own Plant Operation segment is also of great strategic importance for the future of EnviTec Biogas. You could call it the ice-breaker in international business, for our own plants allow us to demonstrate just how easy it is to earn money with biogas plants.

“ **AS:** What exactly do you mean?

“ **Olaf von Lehmden:** Many countries offer excellent conditions for using biogas due, not least, to the high remuneration paid for feeding energy into the grid. Yet biogas has not been able to gain a proper foothold in many places. Our approach is to build a local plant together with local partners. This plant then not only forms part of our Own Plant Operation segment, but also serves as a local showcase project where people can see the advantages of biogas for themselves.

“ **AS:** Does that really pay off?

“ **Jörg Fischer:** Certainly. We are earning money. 2007 we invested 18 million euros, took on 82 new employees and still managed to achieve an EBIT margin of 14 percent and a net

“We are earning money and are growing in a profitable manner.”

Jörg Fischer



**"WE WERE THE FIRST TO BUILT BIOGAS PLANTS IN MASS PRODUCTION. WE HAVE PERFECTED THIS FOR SMALLER PLANTS AND APPLIED IT TO THE LARGER PLANT TYPES WITH UP TO 3.5 MW BY NOW."**

Olaf von Lehmden

income of 14 million euros for the year. We are growing in a profitable manner.

**„AS:** Sounds like a good investment, yet what happened to the share price? Shareholders are very disappointed, and rightly too. Were you being too optimistic in the run-up to the IPO?

**„Olaf von Lehmden:** That is something that also greatly troubles us personally. Conditions at the time of going public were excellent and prices for raw materials were considerably lower than today. Then, in autumn, the situation changed dramatically. Raw material prices were already high, but in the last five months of 2007 they took another leap upwards. The price of rye, for instance, rose by 35 percent and that of grain maize by 22 percent. This massive increase in prices, the premature debate over an amendment of the Renewable Energy Sources Act and consequently over future promotion of renewable energy sources resulted in great uncertainty among all concerned. That uncertainty has proved a major burden for our industry, with the result that we have not grown quite as quickly as originally planned.

**„Jörg Fischer:** Despite the difficult conditions facing the industry in Germany, or maybe precisely because of these, we are pleased with our growth and particularly with our profitability.

**„AS:** But you have not been able to deliver on your forecasts and your margin has been declining in the past months.

**„Jörg Fischer:** We were indeed unable to meet our own expectations, and not happy about that. Yet our EBIT margin of 14 percent need not shun comparison, even outside our industry. Our company is one of the leaders in a market with enormous future potential — especially outside Germany. We are therefore geared to growth. Our structures are lean enough to generate revenues even in troubled times and sufficiently flexible to allow us to react promptly as soon as the market recovers its former strength.

**„AS:** How do you intend to ensure that the share price moves upwards again?

**„Olaf von Lehmden:** By rolling up our sleeves, continuing to work hard and seizing our opportunities. We are convinced of the potential inherent in biogas and have set ourselves many tasks for the coming years. International business is only just getting off the ground and business in Germany will also pick up again when the Renewable Energy Sources Act has been amended and the basic conditions have become clear again. Above all, the Own Plant Operation segment will for the first time make a tangible contribution to group sales in 2008. We are firmly convinced that our

financial success will also be reflected in the share price.

**„AS:** Could it not prove difficult to regain investors' confidence?

**„Jörg Fischer:** It could indeed, but we as management team are as sound and firmly rooted as the company itself. And that is what we also intend to put across in the future. We will highlight the potential and draw attention to risks in an open dialogue, but without engaging in blind activism. We intend to regain lost confidence through sound development of our business, reliable forecasts and transparent communication.

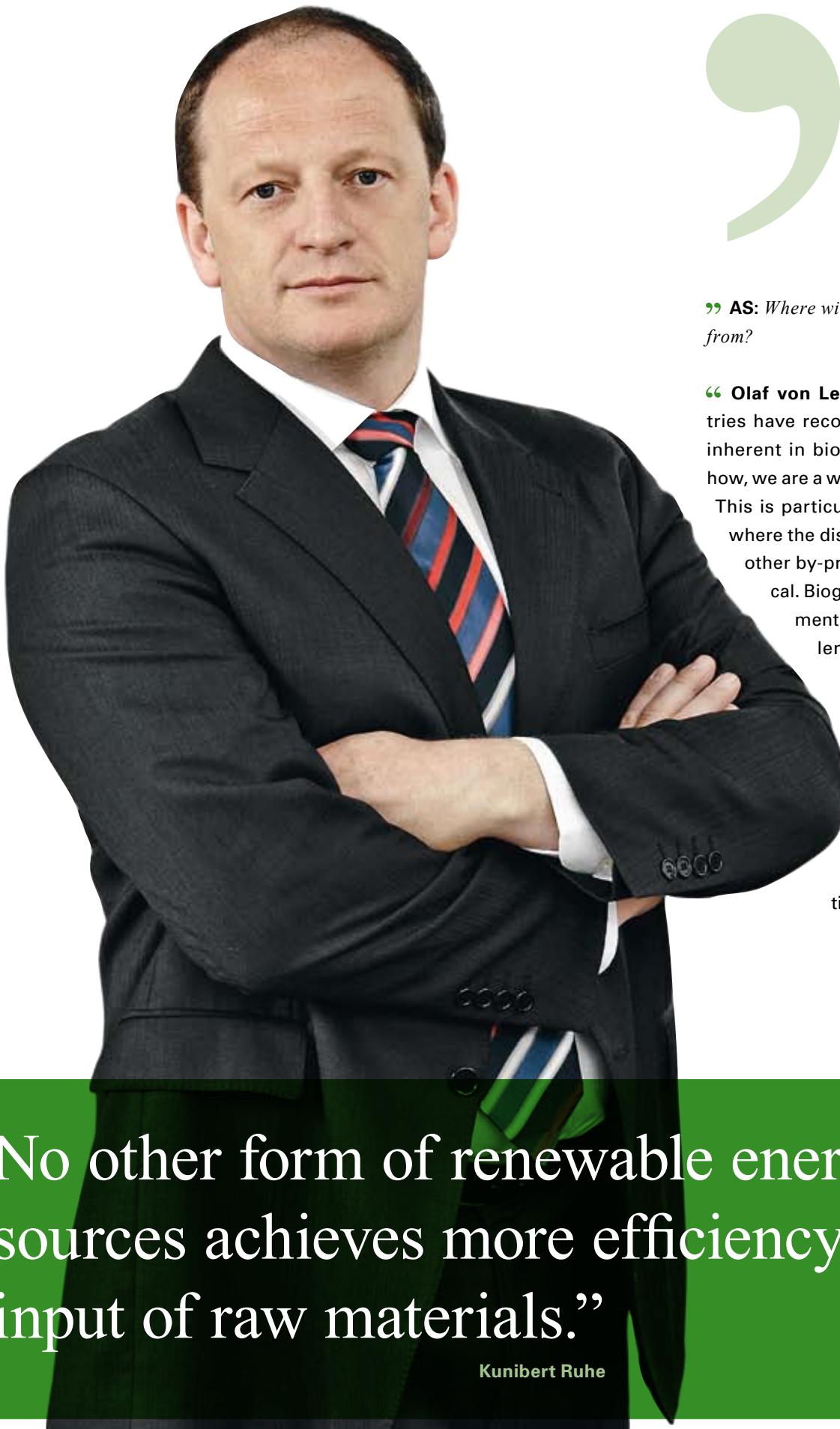
» **AS:** *We shall see how you fare. You therefore view the future optimistically?*

« **Olaf von Lehmden:** Certainly! And we have every reason to do so, too.

» **AS:** *What targets have you set for 2008?*

**Jörg Fischer:** The first six months will be a challenge. Many German customers are waiting for the Renewable Energy Sources Act to be amended before they place their orders. We expect a decision to be reached in mid-year, after which the investment backlog will begin to clear. Internationally, however, we expect further growth in business. In addition, we will continue to build and operate our own plants abroad. Orders on hand at year-end totalled roughly 123 million euros altogether. That is 36 million euros more than in the previous year — a sound basis for making 2008 a successful year.





“ AS: Where will the growth come from?

“ **Olaf von Lehmden:** Many countries have recognised the potential inherent in biogas. With our know-how, we are a welcome partner there. This is particularly true in regions where the disposal of manure and other by-products is problematic. Biogas is an important element in solving these problems and is promoted accordingly in these regions. Besides which, our Own Plant Operation segment will also make a tangible contribution to growth for the first time.

“No other form of renewable energy sources achieves more efficiency of the input of raw materials.”

Kunibert Ruhe

## "OUR INDUSTRY IS STILL VERY YOUNG. MANY INNOVATIONS WILL FURTHER

IMPROVE THE ENERGY EFFICIENCY IN THE NEXT YEARS."

Kunibert Ruhe

At the same time, our sales figures in Germany are excellent as well, although we are convinced that they can, and will, be boosted further.

**„AS:** Will the importance of individual customer groups change?

**„Kunibert Ruhe:** Our customers are farmers, professional investors and energy providers. That will also be the case in future. However, a new group is also showing a growing interest, namely industrial companies. Energy-intensive sectors in particular are suffering from rising prices and their dependence on local providers. This is where we can prove a serious alternative, for we build a biogas plant on site to supply heat and power at terms which are predictable for up to 20 years.

**„AS:** What is your forecast for 2008?

**„Jörg Fischer:** Despite the difficult market conditions, we intend to continue our profitable growth in the upcoming years. Many new markets were developed in 2007 and the international orders worth 37 million euros received last year show that we are heading in a very good direction. International sales totalled eight million euros last year. Nevertheless, the German market remains a very important market for us. The new rules for feeding biogas into the natural gas grid is a first positive signal for the industry. The latest draft amending the Renewable Energy Sources Act also points in the right direction; a reliable framework will be in place again when the law is passed and the present investment backlog will begin to clear. Then everything will be clear and we can make our forecasts more specific.

**„AS:** Let us conclude with a look to the future.

**„Olaf von Lehmden:** Only a fraction of the potential is actually being used at present, but this will change. Energy from biogas, water, the sun and the wind will one day be commonplace. A large part of the electricity from wall sockets will be produced from renewable sources, houses will be powered with solar power and biomass, and cars will drive on biogas. Materials which today require expensive waste management, such

as scrap meat and organic waste, will be used to produce energy in future. Germany will have become considerably less dependent on gas deliveries from Russia. In developing and emerging countries, biogas will help to ensure that even remote areas are supplied with energy locally and support their economic progress.

There are many things that we want to achieve in the coming years. As one of the leaders in this industry, we intend to make biogas THE source of energy for the future. We are fully aware of our responsibility towards our employees and investors and are confident that as many as possible will accompany us on our mission. Biogas is only just taking off and so is EnviTec Biogas AG.

“



# The future belongs to renewable energy sources

The foreseeable depletion of the earth's finite fossil fuel resources and the evident climate change make one thing particularly clear: the future belongs to renewable energy sources.

Recent years have seen dramatic increases in the price of fossil fuels, such as oil, gas and coal. In 2007, the price of one barrel of oil rose to almost 100 dollars. These increases in the price of oil, gas and coal are also reflected in the price of electricity. Prices quoted on the European Energy Exchange EEX have risen steadily in recent years.

Among other things, this development is due to worldwide economic growth and the associated higher demand for energy, especially in such newly developing countries as India and China. Diminishing worldwide oil and gas resources have also contributed to the higher prices, as demand for finite resources continues to rise.

Apart from such economic reasons, there is also another reason to look for alternative sources for tomorrow's energy supply, namely the need to protect the environment. The United Nations (UN) Climate Report published in 2007 has finally made it clear that climate change is in full swing and cannot be stopped — but it can be slowed down. The energy sector can and must make a major contribution to this end by improving energy efficiency and at the same

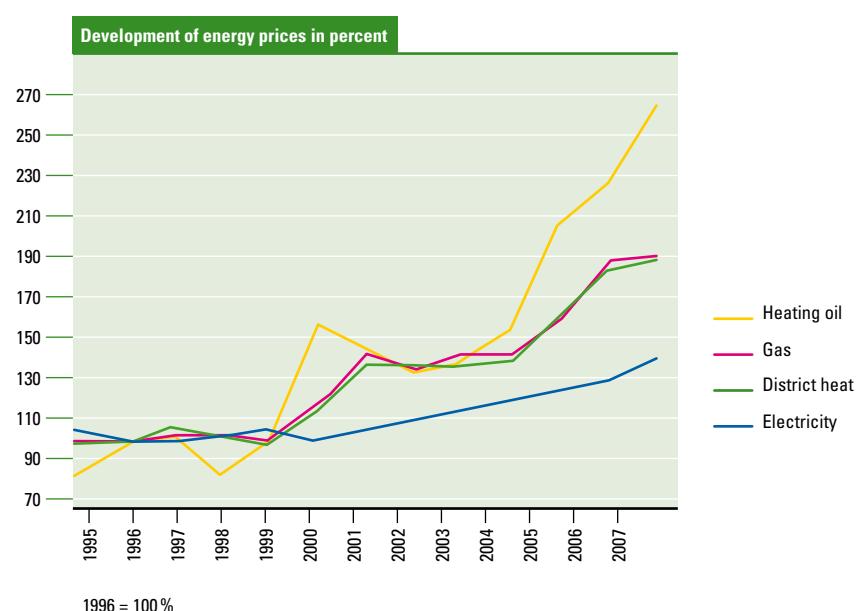
time making greater use of renewable sources, such as biogas, the sun and the wind.

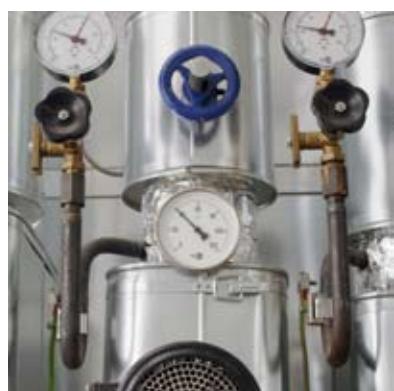
This has also been realised by governments throughout the world. Europe and particularly Germany have taken over a leading role in climate protection. The European Union has set itself the goal of reducing CO<sub>2</sub> emissions by 20 percent in relation to 1990 by the year 2020. To achieve this goal, energy efficiency is to be increased and the share of renewable energy sources more than doubled to an EU-wide average of 20 percent. The German government has set even more ambitious targets: CO<sub>2</sub> emissions are to be reduced by no less than 40 percent in the same period, a target that can only be achieved by using all renewable energy sources in combination.



Corn silage (left) and wheat (top).

Renewable resources are turned into precious energy. The optimisation of the seeds, the harvest and the silage can further increase the efficiency in the production of biogas.



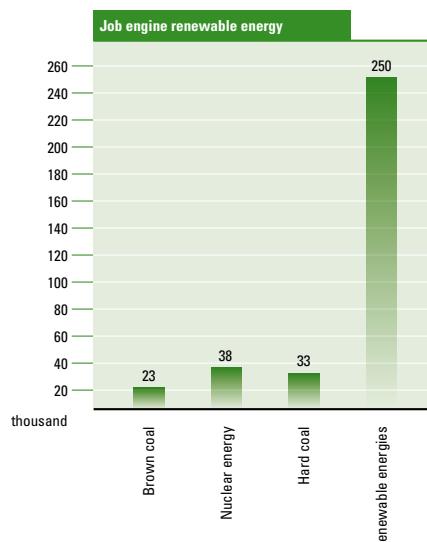
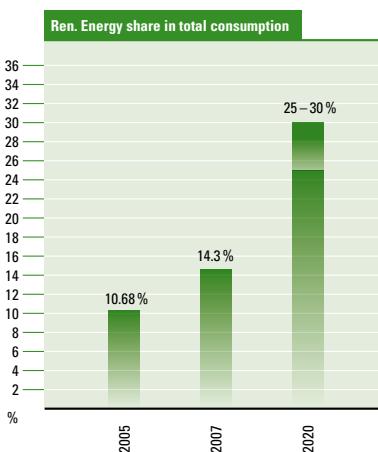
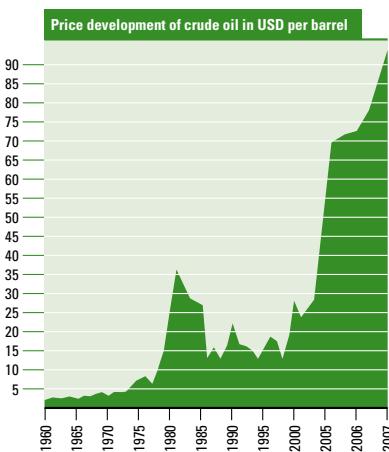


Even today, renewable energy sources already help to reduce our dependence on fossil energy sources and protect the climate. At the same time, they have also become a major sector of the economy.

In 2007, electricity, heat and fuel produced from biogas and consorts covered 9.1 percent of the total energy consumed in Germany and reduced CO<sub>2</sub> emissions by around 114 million tonnes.

Renewable energy sources are a genuine job engine: around 250,000 people now work in this sector, more than in the nuclear power and coal mining industries combined.

All these facts clearly demonstrate that renewable energy sources are a major element in tomorrow's energy supply if we intend to become less dependent on fossil energy sources, slow the pace of climate change and create new jobs.



# Biogas — Tomorrow's technology

**B**iogas is an extremely versatile resource — it can be used to produce electricity, heat, gas and transportation fuel. Its greatest advantage over other renewable energy sources is that biogas can cover both basic and peak loads and can also be stored efficiently. Yet that is not all. Biogas plants also help to solve completely different problems. By-products, such as animal manure and organic wastes which would otherwise have to be disposed of at great expense, can be used to produce energy. In addition, biogas can be used to supply power and heat on a local level. In this way, even people living in remote, inaccessible areas can be supplied with energy.

Biogas production is already highly efficient: biogas from just one hectare of maize produces enough fuel to drive a car roughly 68,000 kilometres. With biodiesel, on the other hand, it could only drive roughly 23,000 kilometres.

Biogas production is a very young industry and its technological development has only just begun. In the coming years, we can expect extensive innovations which will make the production of energy from biogas even more cost-efficient.

We see considerable potential in the processes before and after the actual fermentation process itself. A number of examples suffice to reveal the inherent potential:

## 1) Cultivation of substrates with higher energy efficiency

Biogas can be produced from numerous renewable raw materials. In addition to maize and cereals, millet, potatoes and simple grass can also be used, either as main crop or as intercrop. Different crops have different energy potentials, with the result that different amounts of biogas can be produced per hectare. Yet each plant species also includes many different qualities and we see tremendous potential here. We are working closely together with farmers and seed manufacturers in order to maximise the potential in each plant. In addition to optimising the seed, we are also testing different times for sowing and

harvesting. The potential is quite literally lurking in the soil.

## 2) Optimised refinement of biogas to natural gas standards

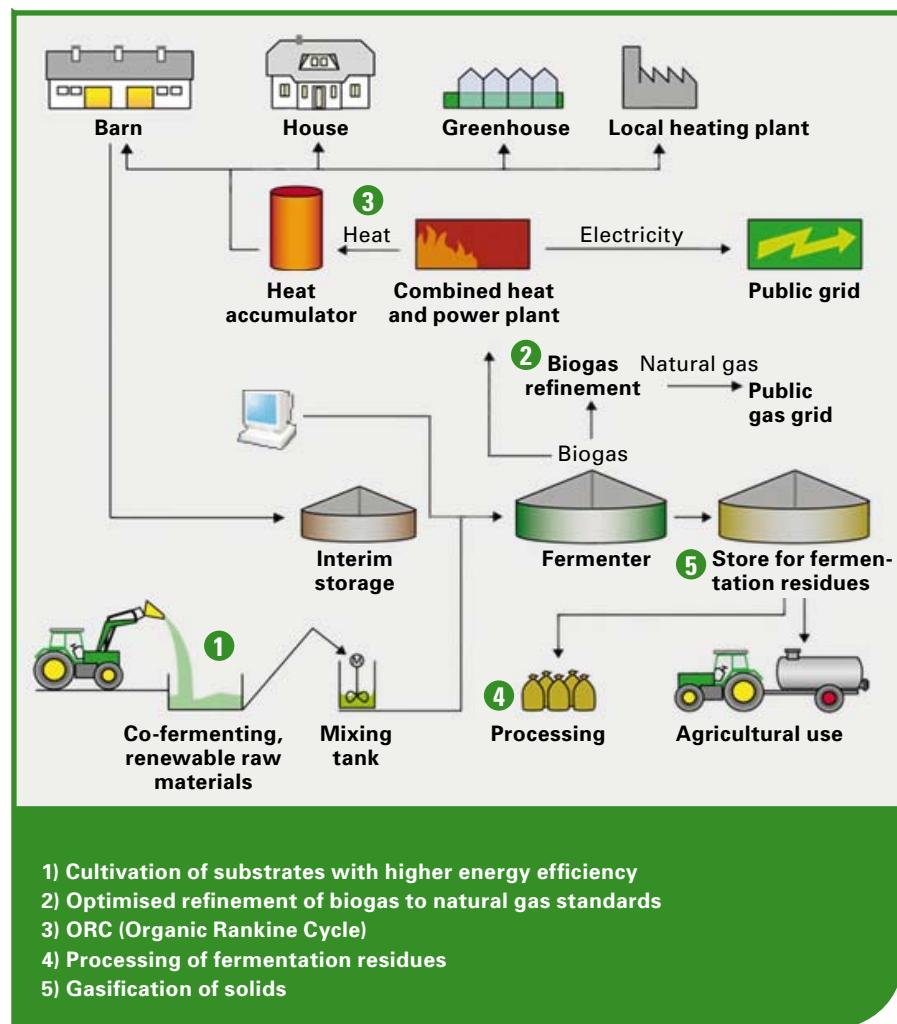
Biogas can be used as a substitute for conventional natural gas. This is a decisive advantage over all other renewable energy sources and will therefore make it an essential part of Germany's future energy supply, for it is the only way to ensure our independence from foreign gas supplies. The contract for the construction of the Güstrow biogas refinement plant proves that EnviTec Biogas has mastered this technology — an equivalent capacity of 22 megawatt makes this plant the largest of its kind worldwide. Yet even this technology can be optimised further. Refining biogas to natural gas standards can be made even more cost-efficient and feeding biogas into the natural gas grid can be improved even further.

### 3) ORC (Organic Rankine Cycle)

Heat is produced when biogas is converted into electricity. This heat can be used directly and sold to households or industry through district heating lines. However, this is not always economically viable. Indeed, it is often impossible. The Organic Rankine Cycle (ORC) refers to a process by which the heat is also converted into electricity, thus significantly increasing the efficiency of the biogas plant.

### 4) Processing of fermentation residues

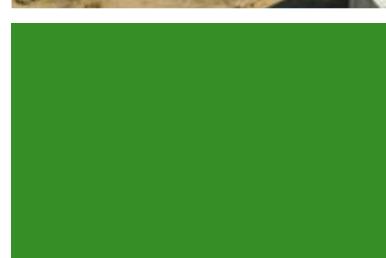
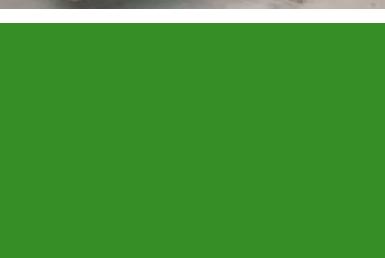
Biogas production not only gives rise to gas which is converted into heat and power, but also by-products. Known as fermentation residues, these by-products are normally used to fertilise local fields. Because some regions in Germany have a fertiliser surplus, the fermentation residues must be processed so that they can be transported. This takes place in the following stages: First of all, the solids are separated, dried, compressed and used by farmers as fertiliser. The remaining liquid phase passes through ultrafine filters known as ultrafiltration and reverse osmosis. This yields a liquid fertiliser which can be transported. Result: 100 percent fermentation residues produce roughly 15 percent compressed solids, 15 percent liquid fertiliser and 60 percent water.



### 5) Gasification of solids

The fermentation residues can also be used to produce gas. As when processing the fermentation residues, the solids are first separated. They are then burned to produce fresh gas in a process sharing certain similarities with wood gasification.

## International successes



## Orders from Belgium and India confirm expansion strategy

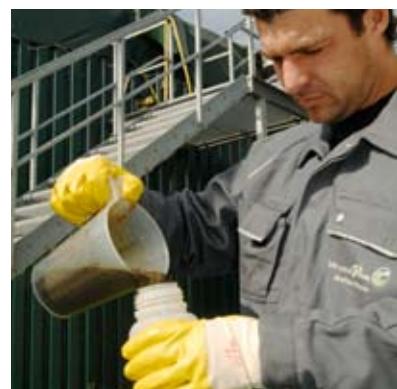
**A**s announced at the time of the IPO, we moved forward with our expansion strategy and pushed ahead our internationalisation with the aim to establish ourselves as a leading provider of biogas plants outside of Germany as well. Moreover, we plan to increasingly operate our own plants abroad in order to benefit from the attractive feed-in compensation paid in many neighbouring European countries such as the Netherlands, the Czech Republic and Belgium.

We entered the British market in June 2007. In line with our strategy, we formed a joint venture with a strong local partner, the Proctor Group (UK) Ltd., and hold 60 percent in this new company. The Proctor Group is a leading provider of stable equipment and technology for agricultural enterprises. In December 2007, we received our first order on the British Isles: We will build a biogas plant with a rated electrical output of 840 kilowatt for a family-owned company in Cornwall. In addition to the processing of fermentation residues, the plant will be equipped with a cogeneration plant whose heat output is planned to be fed to an "eco village" to be built in the vicinity. This order enabled us to gain a foothold in a market which in our opinion has a high potential due to its many agricultural areas, political framework and increasing energy demand. Agricultural enterprises in Great Britain benefit in particular from the fact that our biogas plants can

process not only energy crops but also liquid manure. This solves a waste disposal problem on the British Isles and generates additional income for farmers. As in many other European countries, the feeding-in of biogas is also subsidised in Great Britain where the compensation depends on several factors such as the size of the plant and amounts to approximately 11.5 cents per kWh on average.

Our earlier project in India is also bearing fruit: A 30 million euro order in this dynamically growing country marked a milestone in the history of EnviTec Biogas. The Punjab Energy Development Agency (PEDA), the local power authorities, have commissioned our 50 percent Indian joint venture, EnviTec Biogas India Pvt. Ltd., in Punjab, the country's biggest agricultural region, to install biogas plants with a total electrical output of 30 megawatt. India's energy requirements are enormous given that in rural areas every second household still has no power supply. With biogas plants as decentralised energy sources, we can make a major contribution to the development of these areas and at the same time establish ourselves on the Indian subcontinent.

Attractive conditions result in growing demand for biogas plants in Belgium. Several agricultural and industrial companies as well as financial investors have commissioned us to build plants for them. In addition to the





India's Energy Minister during a tour of an EnviTec biogas plant in September 2006.



feeding-in of electric power, these plants with a total electrical output of 12.6 megawatt will also be equipped with systems permitting the use of the waste heat and processing of fermentation residues. As a special feature, these plants will primarily process residual materials such as dung, glycerine, food waste and vegetable fats instead of the renewable resources generally used. This is possible thanks to the excellent framework conditions in Belgium mentioned above. The fact that the feeding-in compensation is paid irrespective of the input materials used gives plant operators more flexibility with respect to the choice of input materials and enables them to respond to rising prices for renewable resources. For EnviTec Biogas, this is a good example of the versatility of biogas. In Belgium, waste that would otherwise have to be expensively disposed is used to produce energy.

Today, we were represented by joint ventures, sales offices or subsidiaries in 16 foreign countries. Our international success is also reflected in our figures: Almost 30 percent of the orders on hand totalling 122.8 million euros at the end of fiscal 2007 were accounted for by foreign business.

Due to our expertise as a plant manufacturer and our financial resources, we are an attractive partner for the joint operation of biogas plants. We are therefore convinced that we will be able to further expand our Own

Plant Operation segment especially abroad.

We feel that the most recent orders confirm our internationalisation strategy. We have used the waiting period that resulted from the debate about the amendment of the Renewable Energies Act (EEG) in Germany to strengthen our position in other markets.



# Report of the Supervisory Board

## Dear Shareholders!

The most important event in fiscal year 2007 was the initial public offering (IPO) of EnviTec Biogas AG. In preparation for the IPO the shareholders meeting decided on 16 June 2007 to change the company's name from EnviTec Biogas GmbH to EnviTec Biogas AG.

The Supervisory Board was formed at its constituent meeting on 16 June 2007. During the past fiscal year, the Supervisory Board has performed all its legal and statutory tasks, regularly advised the Executive Board on management issues and supervised the management. Given that the Supervisory Board consists of only three members, no committees were formed. In fiscal year 2007, the Executive Board regularly informed us both in writing and verbally about the company's business development in a comprehensive and timely manner.

### ADVISORY ACTIVITIES

In connection with the formation of EnviTec Biogas AG, the Supervisory Board repeatedly dealt with the technical and legal requirements of the IPO. The Supervisory Board then convened with the Executive Board at its ordinary meetings on 16 October and 4 December 2007. In addition, we met with the Executive Board for project-related work sessions, separate decisions and several coordination talks which were partly held over the phone. All important business processes were discussed, including in particular the IPO and the subsequently required adjustment of the annual forecast. We were involved in all decisions of material importance for the company and took them together with the Executive Board.

At the Supervisory Board meeting on 16 October 2007, we dealt especially with the effects of the market and sales situation in view of the changed environment caused by the sharp increase in commodity prices, aspects of the risk management and the public debate about the amendment of the German Renewable Energy Sources Act (EEG). Moreover, the 2008 investment budget was

passed. At the Supervisory Board meeting on 4 December 2007, we discussed inter alia the draft for the amendment of the EEG, the medium-term strategy as well as the development of international activities. In addition, the Supervisory Board discussed a new bonus model for the Executive Board.

### CORPORATE GOVERNANCE

The Executive Board and the Supervisory Board support the initiative of the Government Commission on the German Corporate Governance Code which summarises the standards of good and responsible corporate governance. We attach great importance to the evolution of corporate governance at EnviTec Biogas AG. In connection with the IPO but also in the subsequent months, the company adopted numerous practices of good corporate governance. Save for a few exceptions, EnviTec Biogas AG complies with the recommendations of the German Corporate Governance Code as amended on 14 June 2007. The Executive Board and the Supervisory Board issued the statement of compliance pursuant to section 161 of the German Stock Corporation Act (AktG) for fiscal year 2007 and published it on the company's website. The detailed Corporate Governance Report can be found on page 34.

The Supervisory Board obtained the statement of independence pursuant to the German Corporate Governance Code from the auditor. In addition to the audit, the auditor worked for the company within the audit of the prospectus.

#### ANNUAL FINANCIAL STATEMENTS

The annual financial statements of EnviTec Biogas AG which were prepared in compliance with the German Commercial Code, the consolidated annual financial statements which were prepared in compliance with the International Financial Reporting Standards (IFRS) and the combined consolidated management report as well as the books of account were audited by Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, and received their unqualified audit opinion, which can be found on page 108.

The annual financial statements, the consolidated annual financial statements, the management reports as well as the audit report were submitted to all members of the Supervisory Board in time for the annual report meeting on 8 April 2008. At this meeting, the auditor informed us about the audit process and its results and was available to answer any questions and provide additional information. After thorough examination of the documents, the Supervisory Board endorsed the results of the auditor without objections. The Supervisory

Board approved the annual financial statements and consolidated annual financial statements prepared by the Executive Board of EnviTec Biogas AG. The annual financial statements for fiscal year 2007 were thus approved pursuant to section 172 of the German Stock Corporation Act (AktG). We support the Executive Board's proposal with respect to the use of the net profit for the year.

The report on relations with affiliated companies prepared by the Executive Board pursuant to section 312 of the German Stock Corporation Act (AktG) was examined by the Supervisory Board.

The examination of the dependent company report by the Supervisory Board has resulted in no objections. The Supervisory Board agrees with the results of the auditor and has no objections to the statement on relations with affiliated companies issued by the Executive Board based on the final results of its own examination.

#### MANAGEMENT CHANGE

Mr Jörg Fischer was appointed member of the Executive Board on 16 June 2007. He is responsible for finances, controlling, investor relations, IT and marketing.

The Supervisory Board would like to thank the Executive Board and all employees for their commitment in the past year. Moreover, we would

like to thank our customers, business partners and shareholders for their trust in us. Due to the continued debate about the amendment of the German Renewable Energy Sources Act (EEG) and the resulting uncertainty in the market, 2007 was not an easy year. We are, however, convinced of the excellent prospects for both the biogas market and EnviTec Biogas AG and look to the future with confidence.

Lohne, 15 April 2008



**Bernard Ellmann**

Chairman of the Supervisory Board

# Corporate Governance Report

We paid great attention to corporate governance issues both prior and subsequent to our IPO. EnviTec Biogas welcomes the German Corporate Governance Code. The aim of this code is to ensure responsible corporate governance that is transparent to the company's shareholders and the general public. We already comply with many recommendations of the code and will continue to examine the implementation of its guidelines, to constantly optimise our corporate governance and comply with recommendations of the code wherever this makes sense in our company's specific situation. EnviTec Biogas complies with the Corporate Governance Code as amended on 14 June 2007 with six exceptions. In April the statement of compliance was issued by the Executive Board and the Supervisory Board and published in the present annual report and on EnviTec Biogas' website.

## SHAREHOLDERS AND ANNUAL GENERAL MEETING

We inform our shareholders about important dates by means of a financial calendar which is published on our website and in our financial reports.

At the Annual General Meeting on 10 July 2008, we will report on the fiscal year 2007 and inform our shareholders about the continuing high potential of biogas and our company.

Prior to the Annual General Meeting, our annual report and our invitation to the Annual General Meeting will provide our shareholders with comprehensive information about the past fiscal year as well as individual items on the AGM agenda. Shareholders who cannot attend the Annual General Meeting are given the option to vote through a proxy of their choice or a representative of the company bound by their instructions. Additional information will also be published in time for the Annual General Meeting.

## TRANSPARENT COMMUNICATION

In order to ensure maximum transparency, timely and regular communication with all relevant target groups is a key element of our corporate governance. All ad hoc and press releases as well as various presentations are published on the Internet. A continuously updated financial calendar with important dates is also made available on our website.

In the reporting year, we published two ad hoc releases and six voting rights releases. Moreover, directors' dealings pursuant to section 15a of the German Securities Trading Act were published in the Corporate Governance/Directors' Dealings section of our website immediately after receipt of the notification:

**Company subject to reporting requirements: von Lehmden Beteiligungs GmbH**

Reason for the duty to report: Company closely related to an executive of the company

**Person triggering the duty to report: Olaf von Lehmden (member of the Executive Board)**

Date	Stock exchange	Type of transaction	Quantity	Price (in euros)	Transaction volume
11.07.2007	off the floor	loan on collateral securities	336,500	—	— Euro
11.07.2007	off the floor	sale	743,500	47.00	34,944,500.00 Euro
12.07.2007	off the floor	sale	336,500	47.00	15,815,500.00 Euro
30.08.2007	Xetra	buy	74,610	25.71	1,918,290.25 Euro
13.11.2007	Xetra	buy	589,442	16.94	9,982,200.27 Euro

**Company subject to reporting requirements: Ruhe Verwaltungs GmbH**

Reason for the duty to report: Company closely related to an executive of the company

**Person triggering the duty to report: Kunibert Ruhe (member of the Executive Board)**

Date	Stock exchange	Type of transaction	Quantity	Price (in euros)	Transaction volume
11.07.2007	off the floor	loan on collateral securities	112,167	—	— Euro
11.07.2007	off the floor	sale	247,833	47.00	11,648,151.00 Euro
12.07.2007	off the floor	sale	112,167	47.00	5,271,849.00 Euro
30.08.2007	Xetra	buy	18,652	25.71	479,559.71 Euro
13.11.2007	Xetra	buy	72,063	17.04	1,228,097.65 Euro

**Person subject to reporting requirements: Dagmar Ottmanns**

Reason for the duty to report: Natural person closely related to an executive of the company

**Person triggering the duty to report: Jörg Fischer (member of the Executive Board)**

Date	Stock exchange	Type of transaction	Quantity	Price (in euros)	Transaction volume
11.07.2007	off the floor	buy	15	47.00	705.00 Euro

**Person subject to reporting requirements: Jörg Fischer**

Reason for the duty to report: Executive of the company (executive body)

Date	Stock exchange	Type of transaction	Quantity	Price (in euros)	Transaction volume
11.07.2007	off the floor	buy	100	47.00	4,700.00 Euro
30.08.2007	Frankfurt	buy	400	24.35	9,740.00 Euro

**Person subject to reporting requirements: Hans-Joachim Jung**

Reason for the duty to report: Executive of the company (supervisory body)

Date	Stock exchange	Type of transaction	Quantity	Price (in euros)	Transaction volume
16.11.2007	EDM/V Munich	buy	1,000	17.67	17,670.00 Euro

In addition, all the above information is included in a document published annually at [www.envitec-biogas.de/corporate-governance](http://www.envitec-biogas.de/corporate-governance).

On 31 December 2007, the number of shares held directly and indirectly by the members of the Executive Board totalled 7,315,282, which corresponds to 48.8 percent of all shares. On the same date, the members of the Supervisory Board directly or indirectly held a total of 1,000 shares. EnviTec Biogas has no stock option programme.

## Remuneration of the members of the Supervisory Board

Supervisory Board member	Fixed remuneration	Variable remuneration*
Bernard Ellman (Chairman)	10,000.00 euros	3,000.00 euros
Michael Böging (Vice Chairman)	5,000.00 euros	3,000.00 euros
Hans-Joachim Jung	5,000.00 euros	3,000.00 euros

\*attendance fee

## COOPERATION BETWEEN THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

The common goal of the Executive Board and the Supervisory Board is to increase the company's value on a sustained basis. The Executive Board timely and comprehensively informs the Supervisory Board about the current business development, company planning, strategic development and the risk situation. In the past fiscal year, the members of the Executive Board and the Supervisory Board were not exposed to conflicts of interests requiring immediate disclosure to the Supervisory Board.

## EXECUTIVE BOARD

At the end of fiscal 2007, the Executive Board had three members. In June 2007, Jörg Fischer was appointed to the Executive Board. The new CFO is responsible for controlling, finances, IT, investor relations and marketing/PR.

## REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD

The structure of the remuneration system and the remuneration of the individual members of the Executive Board are decided by the Supervisory Board, which provides advice and regularly reviews the adequacy of the remuneration structure. Details on the remuneration of the members of the Executive Board can be found in the management report on page 54.

## SUPERVISORY BOARD

At the end of fiscal 2007, the Supervisory Board had three members, which is why no committees were formed. The composition of the Supervisory Board did not change during the reporting period. The term of office of the current members of the Supervisory Board ends at the end of the ordinary Annual General Meeting in 2012.

## REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

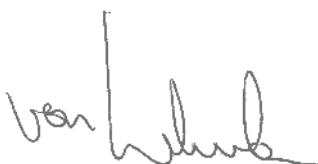
In deviation from the Corporate Governance Code, the remuneration of the Supervisory Board members contains no performance-based component nor does the Vice Chairman receive a higher remuneration.

## ACCOUNTING AND AUDITING

The consolidated interim reports on the periods ended 30 June and 30 September as well as the consolidated annual financial statements of the fiscal year ended 31 December were prepared in compliance to international accounting standards (IFRS).

Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, was commissioned to audit the annual financial statements of fiscal 2007. The Supervisory Board satisfied itself of the auditor's independence prior to the appointment.

*Lohne, April 2008*



**On behalf of the Executive Board of EnviTec Biogas AG**  
Olaf von Lehmden (CEO)



**On behalf of the Supervisory Board of EnviTec Biogas AG**  
Bernard Ellmann (Chairman)

# Declaration of conformity pursuant to section 161 of the German Stock Corporation Act (AktG)

Since its stock market flotation on 12 July 2007, EnviTec Biogas AG has complied with the recommendations of the German Corporate Governance Code as amended on 12 June 2006 and 14 June 2007, respectively, save for the deviations listed below, and intends to comply with the recommendations of the German Corporate Governance Code as amended on 14 June 2007 in future, unless stated otherwise below.

1. The company has taken out a D&O insurance for the members of its controlling bodies. Contrary to the recommendation in section 3.8 of the code, this insurance includes no deductible for the members of the Executive Board and the Supervisory Board. The terms and conditions of the D&O insurance are constantly reviewed, especially with regard to the deductible, because a associated advantage is not evident. Responsible action is an obvious duty for all members of the company's controlling bodies.
2. Sections 5.1.2 and 5.4.1 of the code recommend that an age limit for the members of the Executive Board and the Supervisory Board be specified. The Executive Board and the Supervisory Board do not appreciate why qualified people with comprehensive professional and private experience should not be eligible for reasons of age alone.
3. In accordance with the statutes of EnviTec Biogas AG, the company's Supervisory Board consists of three members. The company does therefore not comply with the recommendation in section 5.3 of the code to form committees. The Executive Board and the Supervisory Board are convinced that the formation of committees would not improve the controlling function of the Supervisory Board any further.
4. Contrary to section 5.4.7 of the code, the exercising of the Vice Chair position is not considered in the compensation. In the absence of committees, the membership in committees is not considered, either. A special compensation for the Vice Chairman is not considered to be necessary

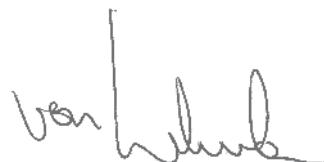
as long as this function requires no additional work. The company does not comply with the recommendation in section 5.4.7 to pay a performance-related compensation to the members of the Supervisory Board. The Executive Board and the Supervisory Board are of the opinion that a performance-related compensation would not help to improve the work of the Supervisory Board any further.

5. Contrary to section 7.1.2 of the code, the company does not disclose the consolidated financial statements within 90 days of the end of the financial year and the interim reports within 45 days of the end of the respective reporting period but within the statutory deadlines.

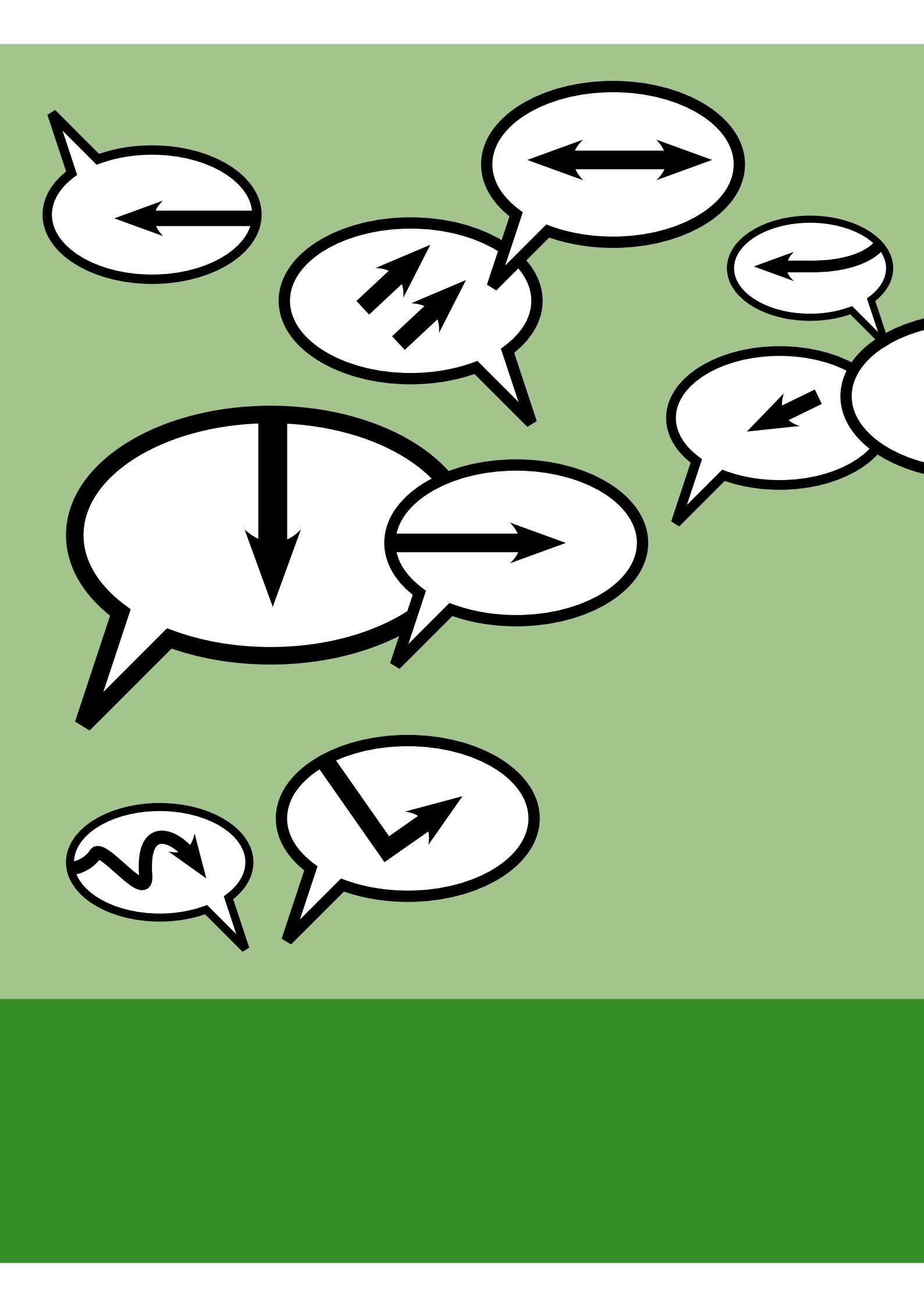
*Lohne, April 2008*



On behalf of the Supervisory Board  
gez. B. Ellmann (Chairman)



On behalf of the Executive Board  
gez. O. von Lehmden (Chairman)





# Consolidated Management Report of the EnviTec Group and EnviTec Biogas AG

## General information

### BUSINESS ACTIVITY AND STRUCTURE OF THE GROUP

In terms of rated electrical output and sales, EnviTec Biogas AG is one of Europe's leading suppliers of biogas plants. We cover the entire value chain for the production of biogas, from planning through turnkey construction to operation. EnviTec Biogas also operates own biogas plants.

The Plant Construction segment builds biogas plants for third parties. Customers include farmers, capital investors and utilities. As general contractor, we realise all processes up to and including turnkey handover to the customer, as well as the biological and technical services. From the outset, we have concentrated on high quality and a high level of standardisation in (modular) plant construction, which has made us a technological leader. Modular construction permits greater planning certainty, shorter construction times and efficient, reliable control and maintenance of the plants. Outstanding quality and high efficiency are further features of EnviTec plants whose efficiency — over 90 percent of the efficiency on average — is well above the industry average. We are also a leading supplier of large plants. In Güstrow, we will build the world's largest plant for feeding biogas into the natural gas grid. At the end of 2007, 236 EnviTec modules with a total nominal capacity of 113.9 megawatt were in operation altogether.

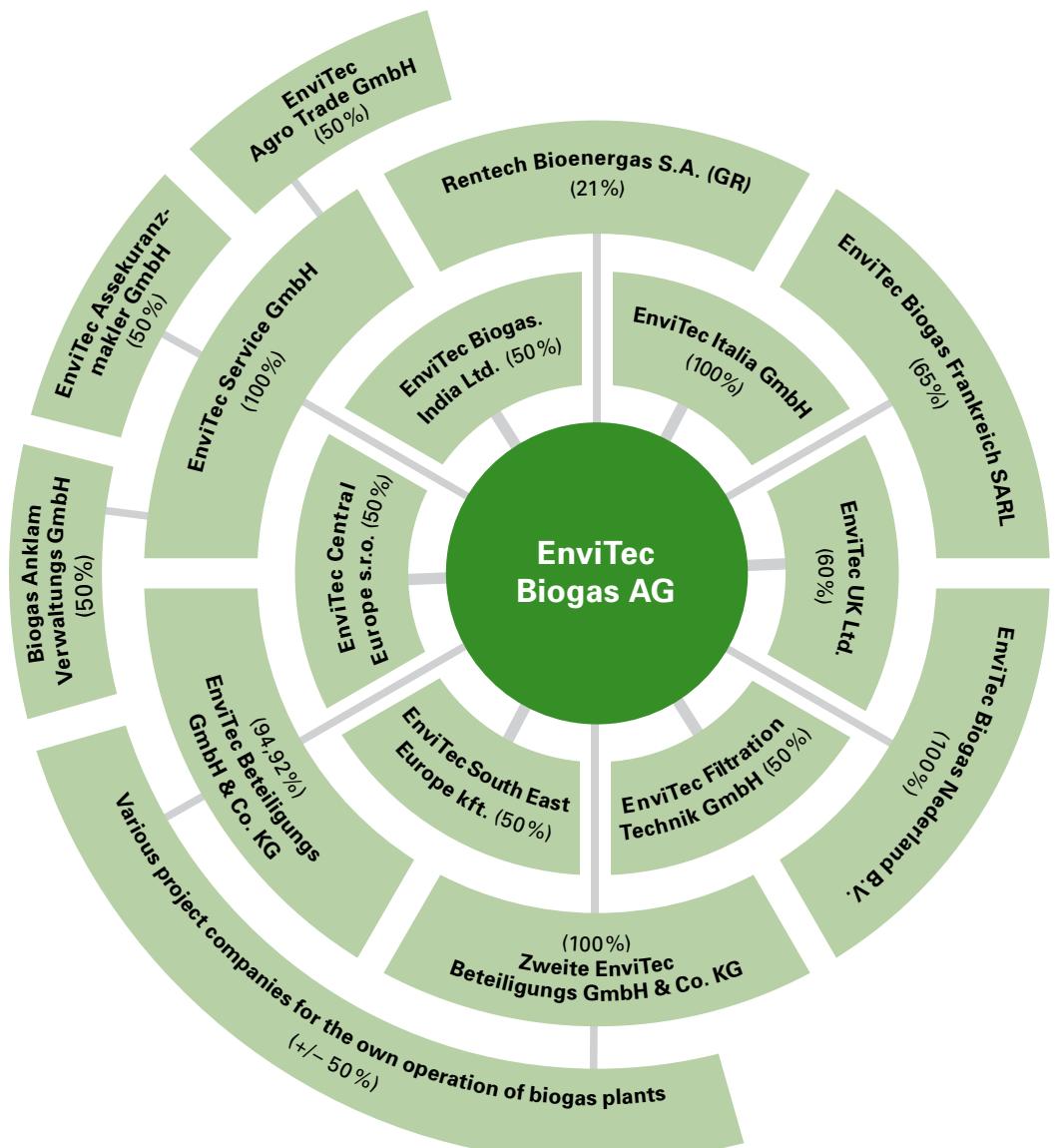
Our Own Plant Operation segment builds and operates own plants. This is done in cooperation with partners, such as farmers who operate the plants on their farms. In this way, we combine our technical know-how with their regional competence. This area of business encompasses the purchase of plants and their operation, including procurement of the input materials and utilisation or disposal of the fermentation residues, and feeding the generated energy into the power or heating grid. Attractive margins and seasonal independence are characteristic of this segment. Together with our partners, we currently operate biogas plants with total rated electrical output of 5.8 megawatt.

### The Executive Board is made up of three members:

**Olaf von Lehmden** (38) is founding shareholder and Chief Executive Officer (CEO) of EnviTec Biogas AG. Before setting up EnviTec Biogas together with Kunibert Ruhe in 2002, Mr von Lehmden was managing shareholder of OvL Kunststofftechnik GmbH & Co. KG. On the Board of EnviTec Biogas, he is responsible for strategy, law, human resources and international sales.

**Kunibert Ruhe** (42) is also a founding shareholder and Chief Technical Officer (CTO) of EnviTec Biogas AG. Before he set up EnviTec Biogas together with Olaf von Lehmden in 2002, Mr Ruhe was the managing shareholder of EnviTec-Mall Umweltsysteme GmbH and the Sommer/Ruhe GbR biogas plant. On the Board of EnviTec Biogas, he is responsible for research and development, technology, national sales and purchasing.

**Jörg Fischer** (37) has been Chief Financial Officer (CFO) of EnviTec Biogas AG since mid-June 2007. He worked for the Bremer Landesbank Kreditanstalt Oldenburg-Girozentrale before joining the company. On the Board of EnviTec Biogas, he is responsible for controlling, finance, IT, investor relations and marketing.



## STRUCTURE OF THE GROUP

EnviTec Biogas AG emerged from the company EnviTec Biogas GmbH by way of a conversion act. It was entered in the commercial register on 25 June 2007.

Prior to the company's IPO in July 2007, changes were made in the company's corporate structure. Own Plant Operation was also incorporated into the public limited company (AG). This led to changes in the shareholding structure; in June of the reporting year, the former shareholders contributed 94.92 percent of their holding in EnviTec Beteiligungs GmbH & Co. KG to the EnviTec Biogas AG. On 31 December 2007, EnviTec Biogas AG held a share of 95.12 percent in the limited liability company (GmbH) acting as the general partner in the GmbH & Co. KG.

## STRATEGY

Our attention focuses on sustainable, profitable growth. EnviTec Biogas is already highly profitable, not only in comparison to other firms in the industry. Our strategic goal is to further expand our strong market position as an integrated supplier and operator of biogas plants in Europe. We see ourselves as a partner for our customers: farmers, investors, project development firms and power supply companies. By covering the complete value chain, we not only establish the conditions necessary for a plant efficiency that is well above average, as well as revenues that remain calculable in the long term, but can also meet with our customers' changing wishes and needs.

## INTERNATIONAL EXPANSION

We intend to specifically expand our current international presence in countries offering an attractive environment for biogas production. At present, we already operate a large European network, as well as branches in India and China. When developing new markets, we normally work together with regional partners. In this way, we can combine long-standing experience in plant construction and operation with their knowledge of market conditions and special circumstances in the region.

## SPECIFIC EXPANSION OF OWN PLANT OPERATION, ESPECIALLY OUTSIDE GERMANY

In 2004, we began to use the know-how acquired in the construction and operation of biogas plants to operate our own biogas plants. Here too, we work together with cooperative partners, mostly farmers who operate the plants on their farms. The farmers deliver the input materials and take over the day-to-day running, while EnviTec Biogas is responsible for construction of the plant and its administration. At the same time, we are also working to build larger biogas plants abroad. These would then be operated predominantly by such regional partners as municipal authorities, investment companies and energy providers.

## BUILDING ON OUR INNOVATION AND TECHNOLOGICAL EXPERTISE

EnviTec Biogas plans to build on its high innovation and technological expertise through specific research and development efforts. EnviTec plants already achieve an efficiency of more than 90 percent, which is well above the industry average. In our view, there is still considerable potential for further development to be exploited in the processes before and after the actual fermentation process so that biogas can become even more cost-efficient. Among other things, these include improvements in the agricultural sector, such as optimisation of the harvesting time, fertilisation and seed development, as well as in

further processing of the fermentation residues. In addition, we are working together with partners to find ways of gasifying solids and further optimising the refinement of biogas to natural gas standards.

## COMPANY MANAGEMENT

The aim of EnviTec Biogas is to continue the company's strong past growth in the future, too. This calls for an experienced management team. All members of the Executive Board have many years of experience in the field of renewable energy sources, as well as in leading and managing a company. The second management tier is similarly characterised by many years of experience. Experienced staff have also been appointed to other areas which have arisen as a result of going public and as a result of our international expansion.

The company is managed firstly through regular Executive Board meetings which are routinely enlarged at certain intervals to include other executive staff. The company's strategic management and planning are discussed and decided at these meetings. In addition to these Executive Board meetings, the second management tier also meets at monthly intervals to discuss operational issues. These boards are supplied with various analyses so that decisions can be made and individual aspects planned. The Executive Board is additionally supplied with regular analyses of developments in sales, orders on hand, liquidity and costs.

# Economic environment

## MACROECONOMIC CONDITIONS

The world economy continued to grow dynamically in 2007, although the positive trend subsided somewhat towards the end of the year as the crisis on the US property and mortgage markets began to unfold. In the emerging economies, in particular, the economic upswing continued and led to an increase of 5.1 percent in global output.

US growth slowed appreciably from 2.9 percent to 2.2 percent. Provisional figures show a real increase of 2.5 percent in gross domestic product (GDP) for the euro-zone. The upswing also continued in Germany, with a real increase of 2.5 percent in gross domestic product. Exports grew less strongly, due to the rising price of the euro in relation to the US dollar. Despite this, however, robust domestic and foreign demand led to a rise in investments in machinery and equipment. The unemployment rate dropped to 8.1 percent, the lowest level in more than ten years. Consumption has not yet benefited from the increase in employment. According to experts, this is also due to the rise in value-added tax which came into force at the beginning of the year.

Prices for energy and raw materials were unimpressed by waning economic growth in the world and continued their rally. Within the space of twelve months, the price for one barrel of Brent oil rose from roughly 50 US dollars to 96 US dollars. Prices for agricultural raw materials also increased strongly, especially in the second half of the year.

## INDUSTRY ENVIRONMENT

In January 2008, the European Commission presented its package on climate protection, imposing fixed targets for all EU member states to reduce greenhouse gases by 2020. By 2020, emissions are to be reduced by 20 percent in relation to the base year 1990. The share of renewable energy sources in total energy consumption is to rise to 20 percent at the same time.

The German government has gone one step further. A package of climate and energy measures jointly prepared by the Ministry of Economics and the Environment Ministry was adopted by the cabinet in late August 2007. This package sets higher targets for reducing emissions of greenhouse gases. CO<sub>2</sub> emissions, for example, are to be reduced by 40 percent. Promotion of renewable energy sources is a fundamental element towards achieving these goals. The share of renewable energy sources in total power consumption is to rise from 14 percent at present to between 25 and 30 percent by 2020. 14 percent of the required heat is to be covered by renewable energy sources (previous year: 6.4 percent).

The German biogas market did not profit from these positive political signals in 2007. The Fachverband Biogas industry association estimates that roughly 200 new plants went on-line in 2007 altogether. This is well below the figure of 500 to 800 plants estimated at the beginning of the year and is primarily attributed to the higher prices for renewable raw materials which have more than doubled in some cases.

In addition, the government has also taken first steps towards the amendment of the German Renewable Energy Sources Act (EEG). This has led to considerable uncertainty in the biogas market and many investors have postponed their decision to invest on account of the lack of planning certainty.

# Business performance 2007

The business performance of EnviTec Biogas was dictated by very different developments in 2007. While demand for biogas plants remained very high in the first six months, customers displayed considerable reluctance to invest in autumn and winter, especially in Germany, due to the debate over the amendment of the German Renewable Energy Sources Act (EEG) and the high raw material prices. We were therefore compelled to adjust our original forecast in November and were also unable to meet our own targets. Despite this, however, sales growth of over 30 percent for the full year is distinctly better than that of our industry as a whole in Germany. Our growth remains profitable. Even in these difficult times, we were able to keep the EBIT margin at the sound level of 14 percent and achieved major strategic objectives, including international expansion and the expansion of Own Plant Operation. In view of these difficult conditions, our business performance can be described as satisfactory. Our structures are lean and profitable; with a sound financial basis, we can concentrate all our energy on implementing our growth strategy.

In 2007, we installed 105 modules altogether (previous year: 80 modules) with a total rated electrical output of 52 MW (previous year: 40 MW).

The contract for erection of the world's largest plant for refining biogas to natural gas standards in Güstrow marks a milestone in the company's history. The contract encompasses the complete technology and hardware of the refinery which will generate 10,000 cubic metres of biogas per hour, refine these to natural gas standards and feed them into the natural gas grid in future. This corresponds to a rated electrical output of roughly 22 megawatt per hour. The first refined biogas is scheduled to be fed into the natural gas grid in autumn 2008. As this contract shows, the technical know-how and experience of EnviTec Biogas in realising major projects are acknowledged by the industry.

## ACTIVE IN 16 FOREIGN MARKETS

Foreign business expanded 180 percent to EUR 8.2 million in the financial year 2007. The strategic progress made is even more important. Our strategy of concentrating on exports from an early stage has proved correct particularly in light of the challenging market conditions in Germany. To strengthen our leading international position, new branches, sales offices and joint ventures were set up in France, the Netherlands, the United Kingdom, China, Greece, Poland, Romania, Spain and Ukraine during the reporting period. Our foreign share is to be increased still further in the present financial year. At year-end, 30 percent of the orders on hand had been placed by foreign customers.

## OWN PLANT OPERATION WITH 8.4 MW ON-LINE OR UNDER CONSTRUCTION

Expansion of Own Plant Operation was stepped up in the financial year 2007. By the end of December, plants with a total output of 8.4 megawatt were either already on-line or under construction. Further projects with a total capacity of 3.5 megawatt are in the planning stage (as of February 2008). Characterised by regular, plannable cash flows and attractive margins, this segment's expansion will be consistently continued in the future.

## IPO

EnviTec Biogas was already a profitable company with a sound capital structure even before going public. The company's equity base was strengthened and our financial leeway considerably improved by going public, thus establishing the conditions necessary to make use of the opportunities offered by the biogas market and continue our growth both nationally and internationally. As of 31 December 2007, the company's liquid funds amounted to 115.1 million euros, with the equity ratio standing at 87.0 percent.

## EMPLOYEES

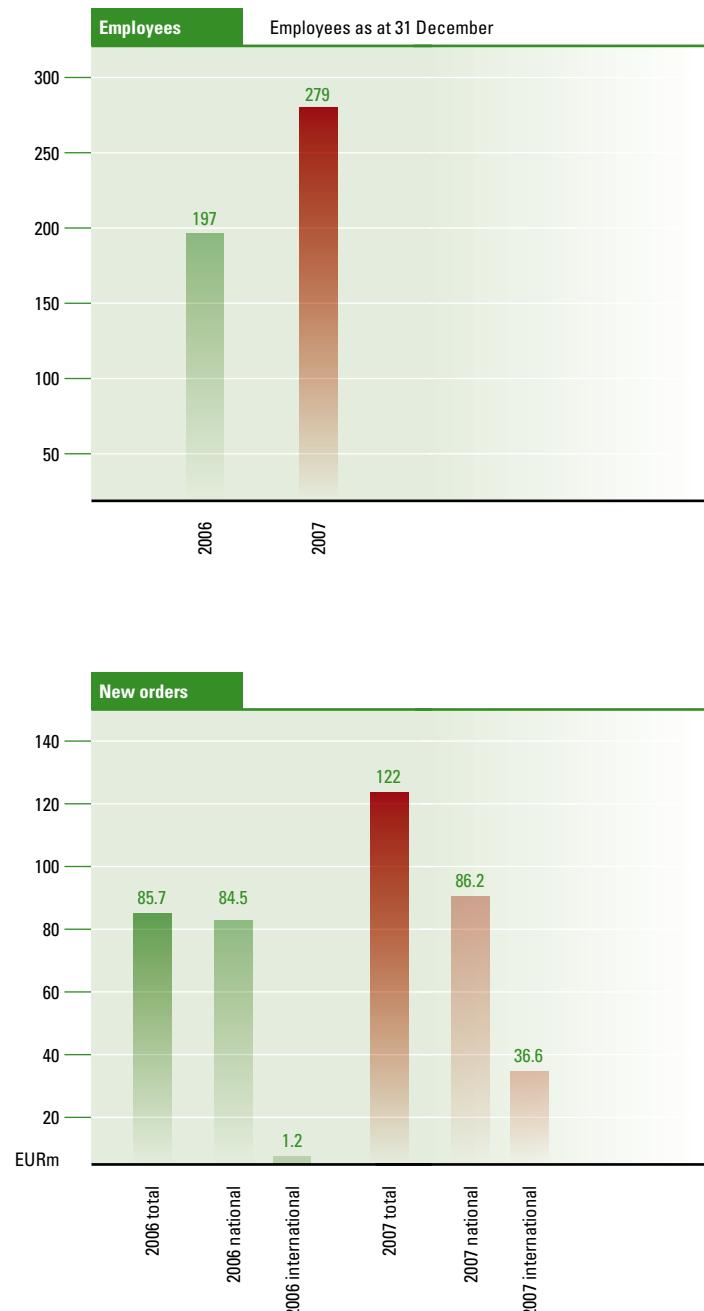
The growth of EnviTec Biogas was also reflected in the development of its workforce. In 2007, 82 new jobs were created in the Group; the number of employees rose from 197 to 279 on 31 December 2007. Of these, 255 were employed at the German locations in Lohne, Saerbeck and Kiel, the other 24 being employed in branches, joint ventures and sales offices abroad. Most of the employees work in process technology and project management.

## RESEARCH AND DEVELOPMENT

The efficiency of biogas technology is expected to increase considerably in the future, particularly in areas before and after the actual fermentation process as such. In its research and development activities, EnviTec Biogas cooperates closely with partners in industry and agriculture. Development times can be shortened and costs optimised by all partners contributing their specific expertise to the project. Examples of innovations can be found on page 26 pp. of this Annual Report.

## NEW ORDERS

New orders developed very satisfactorily in 2007. At the end of the financial year, orders on hand totalled 122.8 million euros; this rise of 43.3 percent over the previous year (85.7 million euros) reflects the positive development outside Germany. Many European countries now offer an attractive environment for biogas. All in all, international orders worth 36.6 million euros were on hand at the end of December. Many German customers have postponed their orders due to the uncertainty surrounding the German Renewable Energy Sources Act (EEG). Domestic orders are expected to pick up appreciably as soon as a reliable and attractive environment has been restored.



## THE SHARE

The EnviTec share was issued on the Prime Standard of the Frankfurt Stock Exchange at a price of 47 euros on 12 July 2007. In the course of the year, the share price suffered considerably as a result of external factors; rising raw material prices and the uncertainty over the amendment of the German Renewable Energy Sources Act (EEG) caused many customers to hold back. As a result of this wait-and-see attitude by German customers, but also by some foreign customers, our sales and earnings projections for 2007 had to be adjusted in November. By year-end, the share price had dropped to 25.99 euros, a loss of 44.7 percent in value. Market capitalisation amounted to 389.85 million euros at year-end.

These negative trends were intensified by the generally deteriorating mood on the capital markets. In the second half of the year, rising energy prices and the US property and mortgage crisis with its potential impact on the global economy caused considerable uncertainty among investors, with share prices declining worldwide. Despite this, DAX® and TecDAX® reported a rise of 22 percent and 23.5 percent, respectively, at the end of 2007.

### SHAREHOLDER STRUCTURE

von Lehmden Beteiligungs GmbH	37.2%
TS Holding GmbH	21.9%
Ruhe Verwaltungs GmbH	11.5%
Free float	29.4%

### BASIC INFORMATION ON THE SHARE

ISIN	DE000A0MVL88
WKN	A0MVL8
Stock exchange symbol	ETG
Industry	Renewable energy sources
52-week high	EUR 57.60
52-week low	EUR 15.76
Year-end price	EUR 25.99
Number of shares	15,000,000 shares
Earnings per share	EUR 1.79 <sup>1)</sup>
Free float	29.4%
First day of trading	12 July 2007
Trading segment	Prime Standard

1) Determined on the basis of the weighted average number of shares outstanding during the financial year.

## EARNINGS SITUATION

### SALES

In the financial year 2007, sales rose from 100.7 million euros to 132.4 million euros, an increase of 31.5 percent over the previous year.

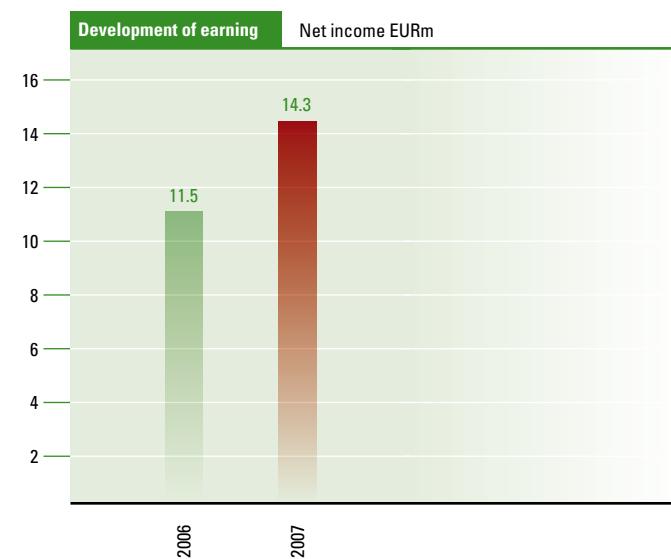
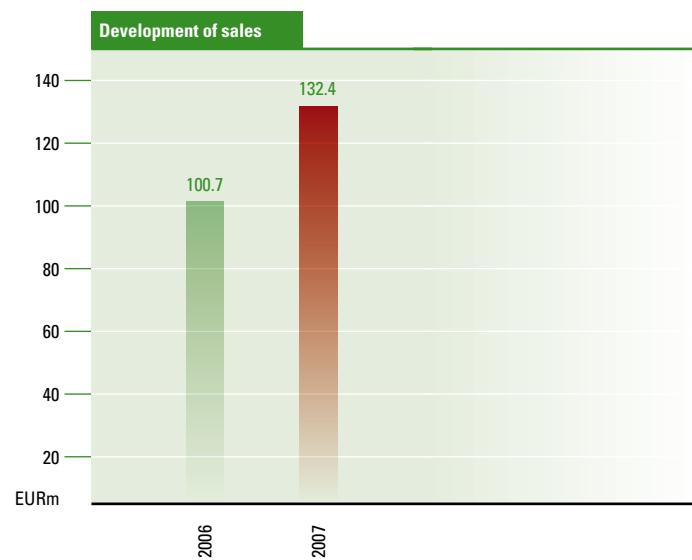
Plant Construction, accounting for sales of 128.4 million euros, remains by far the most important business segment. EnviTec Biogas will therefore not present segment reports for this financial year. This will presumably change in the coming year, when Service and particularly Own Plant Operation will make a stronger contribution to the overall sales and earnings performance.

International expansion proceeded satisfactorily. Although EnviTec Biogas continues to generate most of its Group revenues in Germany, 6.2 percent of its revenues are already achieved abroad. Foreign sales rose 180 percent to 8.2 million euros. The most important export markets are currently the Benelux countries, the Czech Republic and Italy.

At 91.9 million euros, the sales revenues of EnviTec Biogas AG, determined in accordance with the German Commercial Code, were up by 43.1 million euros on the previous year.

### COSTS

The cost of materials is the most important expense item for EnviTec Biogas. It essentially comprises the cost of materials for the construction of biogas plants, the cost of substrates and project planning costs. In the financial year 2007, the cost of materials rose 34.7 percent to 92.4 million euros. This disproportionately large increase in relation to sales is due above all to higher prices, which could not be passed on completely to the customers. The cost of materials as a percentage of sales rose from 68.2 percent to 69.8 percent. Gross income totalled 41.0 million euros, as compared with 32.4 million euros in the previous year.



The higher number of employees was also reflected in increased personnel expenses, which rose 73.3 percent to 11.1 million euros (previous year: 6.4 million euros). Personnel expenses as a percentage of sales climbed from 6.4 percent in the financial year 2006 to 8.4 percent in the year under review, reflecting the business growth and particularly the international expansion. In addition, a number of new commercial employees were hired. Today's workforce means we are excellently positioned to seize opportunities for growth as they arise.

Other operating expenses rose from 6.7 million euros to 10.1 million euros and essentially comprised selling expenses and other operating costs.

## EARNINGS

The reluctance displayed by customers on account of the difficult industry environment also had a tangible effect on earnings, as the higher expenses for international expansion and Own Plant Operation were not fully compensated by higher sales.

At 18.1 million euros, earnings before interest and tax (EBIT) were 2.5 percent lower than in the financial year 2006 (18.5 million euros). However, our profitability remains high, as reflected in an EBIT margin of 13.6 percent (previous year: 18.4 percent).

The financial result improved considerably from a negative 0.3 million euros to 2.4 million euros. This is primarily attributable to the proceeds from the IPO. Earnings before tax (EBT) increased correspondingly, from 18.3 million euros to 20.1 million euros.

Income tax expenditure declined from 6.8 million euros to 5.8 million euros. The tax ratio amounted to 28.9 percent, as compared with 37.0 percent in the previous year. All in all, net income for the year rose considerably, by 24.0 percent, from 11.5 million euros to 14.3 million euros. This is equivalent to earnings per share of 1.79 euros (weighted

average of shares). Based on the number of shares outstanding, earnings per share amounted to 0.96 euros.

EnviTec Biogas AG's net profit for the year, determined in accordance with the German Commercial Code (HGB), amounted to 6.0 million euros, compared to 4.2 million euros in the previous year. The main differences between the result to IFRS and the result to HGB are attributable, on the one hand, to the application of the percentage-of-completion method under IAS 11 and, on the other hand, to the IPO expenses, which were recognised in equity under IFRS. These expenses are shown under extraordinary expenses in the HGB accounts of EnviTec Biogas AG.

## FINANCIAL POSITION

The capital structure of EnviTec Biogas was dominated by the IPO during the reporting period. As a result of the capital increase and gross proceeds of 141 million euros, the company's equity ratio — which was already sound before going public — improved even further and liquidity increased.

As a result, the equity ratio in the group rose from 41.2 percent to 87.0 percent. The share capital of EnviTec Biogas AG increased by 14.85 million euros. Another 134.9 million euros was allocated to the capital reserve.

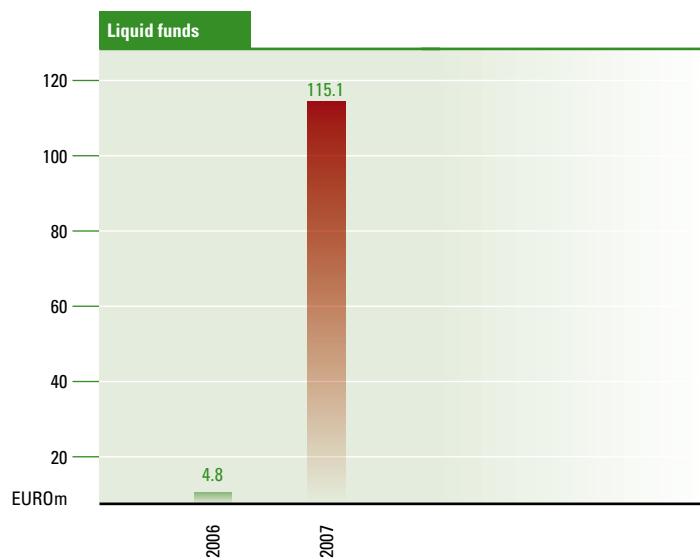
The equity ratio of EnviTec Biogas AG increased from 28.8 percent in the previous year to 92.0 percent in fiscal year 2007.

Due to the considerably larger volume of business and the resultant larger inventories, accounts receivable and other current assets, the operating cash flow at year-end amounted to a negative -20.0 euros million (previous year: 4.9 million euros). The outflow of funds from investing activities is essentially due to the implementation of the strategic objective of expanding the Own Plant Operation business. This segment will contribute to our profitable

growth in future. The cash flow from financing activities was strongly influenced by the inflow of funds from the IPO, which yielded 141 million euros. This figure also includes the IPO costs of 6.5 million euros, which were recognised in equity. Cash flow from financing activities consequently increased from 2.7 million euros to 139.0 million euros.

The working capital ratio, i.e. the relation between current assets in the amount of 176.4 million euros and current liabilities in the amount of only 13.9 million euros, clearly indicates a very sound liquidity situation for EnviTec Biogas.

EnviTec Biogas invested considerably in the expansion of its business segments in the financial year 2007. Investments totalled 17.8 million euros in the period under review. These funds were primarily invested in the expansion of the Own Plant Operation business.



## NET WORTH

On the assets side, non-current assets rose 206 percent to 23.8 million euros. This is primarily attributable to the increase of 15.1 million euros in property, plant and equipment. Current assets totalled 176.4 million euros on the balance sheet date, as compared with 30.6 million euros in the previous year. This sharp increase is due above all to the inflow of funds from the IPO, with liquid funds increasing by roughly 110 million euros to 115.1 million euros. Capitalised construction contracts rose from 21.2 million euros to 40.7 million euros.

Total assets in the separate financial statements of EnviTec Biogas AG increased by 153.0 million euros from 21.3 million euros to 174.4 million euros. At 148.6 million euros, current assets accounted for most of this increase. Financial assets rose by 3.8 million euros.

## RISK REPORT

The Executive Board of EnviTec Biogas is committed to risk-conscious management in which top priority is always given to ensuring the continued existence of the company as a whole. Early recognition of risks for proactive risk control is continuously improved and the profile of opportunities and risks constantly optimised through the risk management system implemented by the Executive Board.

Ours is a rapidly growing company with worldwide activities. This gives rise to risks which are inextricably linked with our business activities. As a matter of principle, risks cannot be entirely avoided by changing the basic framework or through technological development. The objective of our risk management is to accept only such risks which are offset by corresponding opportunities to create added value and increase corporate value in the long term. The Group does not undertake any risks which are unrelated to its core or supporting processes. Core processes are defined as concerning the development and implementation of our business model, the procurement of goods and services, and ensuring liquidity. Profit risks are acceptable only if they support prospects of appropriate returns.

Within the framework of risk management, the principles underlying our risk policy are set out in a risk manual defining the risks and describing the entire process. The risk officers in the respective part-areas are responsible for taking appropriate measures to control the risks in their particular areas of responsibility. To this end, a risk inventory is compiled which must be reviewed and if necessary revised at quarterly intervals. Reports to the Supervisory Board also include regular reports on the essential risks and their changes. Identified risks and the measures taken to control such risks are discussed at regular meetings and the findings reported.

Any risks which arise ad hoc and have a notable impact on the company's business performance and overall performance, as well as on corporate value, are immediately reported to the Executive Board.

The Executive Board has no knowledge of any risks jeopardising our continued existence. Individual risks capable of jeopardising our business performance and corporate value are described below.

## ENVIRONMENT AND INDUSTRY RISKS

The financial success of the products and services offered by EnviTec Biogas is dependent on the promotion of renewable energy sources through such political frameworks as the German Renewable Energy Sources Act (EEG). This legislation is currently being revised. We take a generally positive view of the proposed amendments which are being discussed. Most of the other EU member states and a number of non-EU countries have also put in place regulations comparable to the German Renewable Energy Sources Act (EEG). These regulations are also of decisive importance for the success of the biogas sector in these countries.

Regulations under construction law and pollution control law must be observed both when building or enlarging biogas plants and when operating such plants. Some of these regulations place biogas plants in a privileged position in relation to other plants; in particular, they provide for size-related simplification of the licensing procedure when erecting such plants in outdoor areas as defined by construction law. Any changes in the statutory conditions governing the erection, enlargement and operation of biogas plants, both in Germany and in other countries, may therefore have a negative effect on the net worth, financial and earnings position of EnviTec Biogas.

We intend to expand our international activities. This gives rise to a number of risks, such as the general political, economic, social, legal, cultural and fiscal conditions prevailing in individual countries, unexpected changes in regulatory requirements and compliance with a large number of foreign laws and regulations. Some countries in which we are already active or plan to become active, especially in Asia, are considerably less stable in economic, political and legal terms than the member states of the European Union. Under-developed legal and administrative systems may make it more difficult or even impossible to obtain official permits; they may make it difficult to carry out customers' orders or jeopardise the enforcement of financial and other claims.

### COMPETITIVE RISKS

The market for biogas plants offers attractive prospects for the future. For this reason, both existing competitors and new competitors could attempt to win additional market shares by way of aggressive pricing policies. This competition is made even fiercer by the continuous reduction in minimum remuneration paid for electricity which is fed into the public grid from biogas plants in accordance with the German Renewable Energy Sources Act (EEG) and the associated imperative to permanently cut costs, as well as by similar trends in other countries.

### TECHNOLOGICAL RISKS

Biogas plants are subject to rapid technological change and the market for biogas plants is characterised by the frequent introduction of new or improved products and services, short product life cycles and frequently changing customer requirements. We assume that this tendency will also continue in the future. Competitors could acquire an advantage, for example by introducing new products or services earlier or at a lower price than EnviTec Biogas, or they could secure exclusive rights to new technologies. The future success of EnviTec Biogas therefore depends on its ability to continuously develop new products and

services meeting the customers' requirements and to introduce these on the market in good time.

### PROCUREMENT RISKS

The components needed to build biogas plants are to a large extent purchased from suppliers. Particularly the combined heat and power units used in biogas plants are only produced and supplied by a small number of manufacturers worldwide. This could give rise to supply bottlenecks or rising prices for the components. Shortages in delivery may also arise as a result of environmental catastrophes or poor weather conditions affecting large areas and lost harvests attributable to other causes, also in the case of the substrates (renewable raw materials and organic by-products) used for operating biogas plants. Prices for the required input materials may rise as a result of the high demand. This could jeopardise the cost-efficiency of the biogas plants operated by EnviTec's Own Plant Operation segment. Among other things, long-term delivery contracts are concluded with regional agricultural operations in order to reduce this risk. Particularly outside Germany, the strategy of EnviTec Biogas is to involve regional farmers directly in the operation of the plants, as partners, and thus assure the supply of raw materials.

### INTERNAL RISKS

The necessary expansion of internal organisational structures and management processes, which has kept pace with EnviTec Biogas growth in the recent past and will continue to do so in the future, as well as the development of an organisation for financial accounting according to IFRS and the necessary IT, have imposed considerable demands on the company and tied up significant management resources.

## PERSONNEL RISKS

The growth of EnviTec Biogas depends first and foremost on the creation of a workforce of highly qualified employees. Growth will be slowed if it is not possible to hire qualified employees as soon as possible. This risk is countered through the continuous and intensive use of personnel marketing tools, as well as through close consultation with the departments to establish their personnel needs.

## RISKS FROM FINANCIAL INSTRUMENTS

Risks which are related to financial instruments are shown in the consolidated notes.

## POST-BALANCE SHEET EVENTS

In February 2008, EnviTec Biogas AG won a contract for the construction of biogas plants with a total rated electrical output of 30 megawatt through its 50 percent joint venture in India.

The total order volume for the joint venture amounts to more than 30 million euros. It is planned to erect 30 plants with a capacity of 1 megawatt each throughout the Punjab region in the next two years.

## FORECAST

### INDUSTRY OUTLOOK

Experts presume that oil and gas prices will continue to rise. The price of electricity will no doubt also pick up worldwide and come closer to that of biogas. The growing demand for energy in such threshold countries as India and China is also expected to persist. In the light of this situation, packages of climate and energy measures have been adopted throughout Europe and the rest of the world. These packages will have a positive effect on the

development of renewable energy sources in 2008 and for a long time afterwards.

At the same time, however, we expect the situation in the biogas market to remain challenging in the first six months of 2008. Particularly in Germany, there is great uncertainty as to the future promotion of biogas; there is clearly a lack of planning certainty where the operation of biogas plants is concerned. What is important now is that the German Renewable Energy Sources Act (EEG) be amended soon so that reliable conditions are once again established as regards the remuneration for electricity. Such conditions will also make it possible to realise the potential of biogas in the future and will permit reliable planning by all market players. A positive decision is expected in mid-2008. A regulation defining the statutory framework for feeding biogas into the natural gas grid was passed by the German government in March 2008. Among other things, the new regulation stipulates that the network operators must bear a reasonable share of the costs. As a result, they will be required to absorb half the costs for connecting facilities to the grid up to a distance of ten kilometres in future. This is a first positive signal for the industry and will make it more attractive for biogas producers to feed biogas directly into the natural gas grid.

Demand for biogas plants should continue to increase dynamically in other countries. Many European countries have recognised the potential inherent in biogas and have either already established attractive frameworks or are planning to do so. In Asia, biogas is perceived as an important element especially for local energy supplies.

### COMPANY OUTLOOK

Despite the difficult market conditions, we intend to continue our profitable growth in the coming years. However, the business environment prevailing this year will present a challenge for EnviTec Biogas, too. While sales will increase considerably in 2008, the German market will still have a major bearing on business performance in

2008. On the basis of the current draft bill, the amendment of the German Renewable Energy Sources Act (EEG) should already have a positive effect on operational business in the second half of the year. We expect the backlog of investments in Germany to clear completely in 2009, with dynamic growth continuing abroad at the same time. EnviTec Biogas covers the complete value chain and is therefore in an excellent position to profit from the opportunities presented by the biogas market and to grow more strongly than the rest of the industry. Our sales and performance forecasts will be made more specific as soon as a reliable environment has been restored.

Foreign business is expected to develop very dynamically. Many new markets were established in 2007 and the international orders on hand worth 37 million euros at the end of the reporting period show that we are heading in the right direction. The Czech Republic, Italy and the Benelux countries will be our most important foreign markets this year. The contract in India is indicative of the potential in Asian markets.

The efficiency of our plants is well above the industry average. Moreover, we are working on numerous innovations, especially in the processes before and after the actual fermentation process, in order to boost the efficiency and flexibility of biogas production and reduce the dependence on individual raw materials. We are also a leading supplier when it comes to feeding biogas into the natural gas grid. Although the structures of EnviTec Biogas are geared to growth, they are sufficiently lean to remain profitable even in difficult times. Own Plant Operation will also contribute here; its expansion will be continued, especially abroad, and will remain the focus of our investment activities in 2008.

Large plants will be another important segment in future. Such plants are used, among other things, for feeding biogas into the natural gas grid. We are a leading supplier in this specific market. Our standardised production of units

with a capacity of up to 3.5 megawatt means that we will clearly profit from this trend.

## OVERALL FUTURE DEVELOPMENT

In short, excellent opportunities continue to exist for strong and profitable growth in the future. With liquid funds in the amount of 115 million euros, we are in a very sound position to achieve our goals. Dwindling resources of fossil energy sources and simultaneously rising demand make renewable energy sources an important element in tomorrow's energy supply. Biogas will play a major part in this process on account of its numerous advantages.

The market situation today is challenging, but we are in an excellent position to master it and to leave the competition even further behind. Our company remains resolved to grow on its own resources and to improve its profitability. We have shown that we can operate profitably even in difficult times and we look to the future with optimism.

EnviTec Biogas is now represented in 16 countries and will continue to expand, especially abroad. However, the German market should also regain its former strength. In addition, Own Plant Operation of biogas plants will make a tangible contribution to sales and above all earnings in future, delivering not only attractive margins, but also regular and plannable cash flows. These factors should lead to an appreciable rise in sales and earnings, especially in 2009.

## OTHER INFORMATION

### RELATED PARTY DISCLOSURES

In accordance with section 312 of the German Stock Corporation Act (AktG), the company published related party disclosures, which ended with the following statement: "Each of the transactions mentioned in the related party disclosures was made on terms equivalent to those that prevail in arm's length transactions, based on the circumstances known to us at the time when such transactions were made. There were no reportable measures at the instigation or in the interest of the controlling company." The auditors of EnviTec Biogas AG, Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft, audited the related party disclosures and issued an unqualified audit certificate.

### COMBINED MANAGEMENT REPORT

In accordance with section 298 para. 3 in conjunction with section 315 para. 3 of the German Commercial Code (HGB), the management report for the separate financial statements of EnviTec Biogas AG for the year ended 31 December 2007 was combined with the management report for the consolidated financial statements for the year ended 31 December 2007.

### COMPENSATION OF THE EXECUTIVE BOARD

As required by section 289 para. 2 no. 5 of the German Commercial Code (HGB) and section 315 para. 2 no. 4 of the German Commercial Code (HGB), the basic elements of the compensation system for the emoluments paid to the Executive Board and Supervisory Board of EnviTec Biogas AG, Lohne, in accordance with section 285 sentence 1 no. 9 of the German Commercial Code (HGB) and section 314 para. 1 no. 6 of the German Commercial Code (HGB), are explained below.

In keeping with the German Corporate Governance Code, the total compensation paid to the Executive Board is essentially made up of two components: a fixed annual compensation and a variable short-term compensation.

For Mr. von Lehmden and Mr. Ruhe, the variable short-term compensation for 2007 comprises an annual bonus, the amount of which is decided at the discretion of the Supervisory Board and which reflects both the company's financial position and the performances of the respective Board members. The variable compensation was paid pro rata temporis in 2007.

The variable short-term compensation in the form of an annual bonus for Mr. Fischer amounts to 0.25 percent of the net income before tax for the sum exceeding EUR 15 million, but not more than 24,000 euros altogether. According to a decision of the Supervisory Board an additional bonus will be paid for 2007. The variable compensation was paid pro rata temporis in 2007.

In addition, the Board members received fringe benefits in the form of a company car which can also be used for personal purposes. EnviTec Biogas AG also pays the premiums for an existing D&O insurance cover.

The service contracts concluded with the members of the Executive Board run for a fixed term until 31 December 2011.

The compensation paid to the individual Board members in 2007 is shown in the following table:

	Basic compensation		Variable compensation	Other emoluments <sup>1)</sup>	Total
	in Euro	in Euro	in Euro	in Euro	in Euro
Olaf von Lehmden	67,500	16,666		1,003	85,169
Kunibert Ruhe	67,500	16,666		4,603	88,769
Jörg Fischer	48,000	16,666		8,307	72,973

1) Other emoluments comprise the non-cash benefits from use of a company car and the share of D&O insurance attributable to the respective members of the Executive Board.

Other long-term payments or commitments were not made in the financial year 2007.

#### COMPENSATION OF THE SUPERVISORY BOARD

With regard to the compensation paid to members of the Supervisory Board, please refer to the compensation report in the Corporate Governance Report and the Notes to the Group financial statements.

#### INFORMATION PURSUANT TO SECTION 289 PARA. 4 OF THE GERMAN COMMERCIAL CODE (HGB) AND SECTION 315 PARA. 4 OF THE GERMAN COMMERCIAL CODE (HGB)

##### Composition of the subscribed capital

The share capital of EnviTec Biogas AG is made up of 15,000,000 registered no-par-value bearer shares. There are no different share classes. Each share is fully entitled to vote and share in the dividends. Each share held is entitled to one vote at the Annual General Meeting.

##### Restrictions on transfer and voting rights

Under an agreement with the underwriting banks, the company may not undertake or commission any capital increases or similar equity transactions or sell further existing shares without the written consent of Dresdner Bank for a period of 12 months as from the day of the

official listing (i.e. until 12 July 2008). In addition, the former shareholders have agreed to refrain from all capital increases or similar equity transactions by the company and not to sell further existing shares for a period of 12 months as from the day of the official listing (i.e. until 12 July 2008) and, in addition, not to undertake or commission such transactions without the written consent of Dresdner Bank for a further period of 12 months. This does not apply to transfers of shares to companies fully controlled by the former shareholders or related persons, provided that such companies undertake to comply with the above restrictions on sale.

**Direct or indirect equity holdings exceeding 10 percent of the voting rights**

Von Lehmden Beteiligungs GmbH (shares held directly)	37.2%
TS Holding GmbH (shares held directly)	21.9%
Ruhe Verwaltungs GmbH (shares held directly)	11.5%

On 27 June 2007, the three old shareholders of von Lehmden Beteiligungs GmbH, TS Holding GmbH and Ruhe Verwaltungs GmbH signed a consortium agreement. Under this agreement, all voting rights that are attributable to an old shareholder are also attributable to the other old shareholders in addition to their own voting shares. As a result, 70.6 percent of the voting rights in the company were attributable to each old shareholder as of 31 December 2007.

Under the consortium agreement, each of the old shareholders agreed to transfer the shares in the company held by itself to a joint investment company at the request of another old shareholder under certain conditions. In this case, all shares attributable to von Lehmden Beteiligungs GmbH, Ruhe Verwaltungs GmbH and TS Holding GmbH would be transferred to the joint investment company.

**Shares with special rights granting powers of control**

There are no shares with special rights.

**Voting controls if employees hold equity shares and do not exercise their right of control directly**

There are no voting controls.

**Statutory regulations and provisions in the statutes concerning the appointment and dismissal of members of the Executive Board and amendment of the statutes**

According to section 84 para. 1 of the German Stock Corporations Act (AktG), the Supervisory Board appoints the members of the Executive Board and determines their number and their period of office. According to section 84 para. 2 of the German Stock Corporations Act (AktG), the Supervisory Board may appoint a member of the Executive Board to act as chairman.

Section 179 para. 1 sentence 1 of the German Stock Corporations Act (AktG) stipulates that a resolution must be adopted by the Annual General Meeting for every amendment of the statutes. Resolutions by the Annual General Meeting can only be adopted by a majority representing at least three quarters of the capital present when the resolution is adopted. The statutes may stipulate a different majority, although the majority stipulated for the amendments of the object of the company can only be higher than set out above (section 179 para. 2 of the German Stock Corporations Act (AktG)).

No. 11 of the statutes of EnviTec Biogas AG authorises the Supervisory Board to decide on amendments of the statutes which only relate to the wording of the statutes.

**Powers of the Executive Board, particularly with regard to the possibility of issuing or buying back shares**

According to No. 4.3 of the statutes, the Executive Board is authorised to increase the company's share capital, with the consent of the Supervisory Board, by up to EUR 6,000,000 altogether, on one or more occasions until 1 June 2012, through cash or non-cash contributions, by

issuing new bearer shares with a calculated share in the company's share capital of EUR 1.00 each (authorised capital I). The Executive Board is also authorised to decide on exclusion of the shareholders' statutory subscription rights, with the consent of the Supervisory Board in each case. However, subscription rights may only be excluded in the following cases:

- > In the case of a capital increase through cash contributions, if the issuing price of the new shares is not significantly lower — as defined by section 203 para. 1 and 2, and section 186 para. 3 sentence 4 of the German Stock Corporations Act (AktG) — than the listed price of company shares with the same features at the time of specifying the issuing price. This exclusion of subscription rights is limited in each case to not more than 10 percent of the company's share capital at the time of exercising this authority. Shares which are sold or issued with exclusion of subscription rights on the basis of other authorisations in direct or corresponding application of section 186 para. 3 sentence 4 of the German Stock Corporations Act (AktG) during the term of this authorisation must be included in this limitation;
- > In the case of a capital increase through non-cash contributions, in particular for the purpose of acquiring other companies, equity holdings in other companies or parts of other companies;
- > When settling fractional amounts;
- > When granting subscription rights to holders of conversion and option rights to be issued from debentures;
- > For the purpose of issuing shares as staff shares for employees of the company or affiliated companies

**Significant agreements concluded by the company subject to the condition of a change of control following a takeover bid, and the resultant consequences**

There are no significant agreements concluded by the company subject to the condition of a change of control following a takeover bid.

**Agreements on compensation concluded by the company with members of the Executive Board or employees in the event of a takeover bid**

There are no such agreements at EnviTec Biogas AG.





**20,145,568**

**CONSOLIDATED  
FINANCIAL STATEMENTS**



**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
FOR FINANCIAL YEAR 2007

	<b>Euro</b>	<b>2007 in Euro</b>	<b>2006 in Euro</b>	<b>notes</b>
1. Sales		132,408,671	100,683,287	20.
2. Other operating income		1,001,050	287,976	21.
<b>Total performance</b>		<b>133,409,721</b>	<b>100,971,263</b>	
3. Cost of materials		92,447,386	68,622,272	22.
<b>Gross result</b>		<b>40,962,335</b>	<b>32,348,991</b>	
4. Staff costs				23.
a) Wages and salaries	9,173,458		5,287,727	
b) Social security, pensions and other benefits	1,934,608		1,122,584	
		11,108,066	6,410,311	
5. Depreciation		1,699,968	742,365	24.
6. Other operating expenses		10,104,066	6,678,439	25.
<b>Operating income</b>		<b>18,050,235</b>	<b>18,517,876</b>	
7. Result from at-equity valued participations		-279,781	87,923	26.
8. Interest earnings		2,815,496	88,343	27.
9. Interest expenses		440,382	365,831	28.
<b>Pre-tax income</b>		<b>20,145,568</b>	<b>18,328,311</b>	
10. Income tax expense		5,827,331	6,778,478	29.
<b>11. Net income</b>		<b>14,318,237</b>	<b>11,549,833</b>	
12. Income inputable to minority interests		-38,365	0,00	
<b>13. Consolidated profit</b>		<b>14,356,602</b>	<b>11,549,833</b>	
<b>Earnings per share in EUR</b>				30.
Earnings per share in EUR (basic)		1.79	77.00	
Earnings per share in EUR (diluted)		1.79	77.00	
<b>Weighted average shares outstanding</b>				
Basic		8,032,603	150,000	
Diluted		8,032,603	150,000	

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

### ASSETS

A. Fixed assets		31 Dec 2007 in Euro	31 Dec 2006 in Euro	notes
I.	Intangible Assets	109,112	50,545	
II.	Tangible Assets	22,491,043	7,403,281	6.
III.	Shares in at-equity valuation of participations	1,041,868	330,099	7.
IV.	Shares in affiliated companies	0	1	8.
V.	Other long-term receivables	24,103	0	
VI.	Deferred taxes	163,864	0	
<b>Total fixed assets</b>		<b>23,829,990</b>	<b>7,783,926</b>	
B. Current assets				
I.	Stocks	3,543,633	767,888	10.
II.	Receivables from long-term construction contracts	40,728,523	21,213,327	9.
III.	Trade receivables	8,014,518	3,088,992	11.
IV.	Other short-term financial assets	8,230,692	721,081	12.
V.	Tax receivables	786,631	1,339	
VI.	Liquid funds	115,103,036	4,798,836	32.
<b>Total current assets</b>		<b>176,407,033</b>	<b>30,591,463</b>	
<b>Total assets</b>		<b>200,237,023</b>	<b>38,375,389</b>	

## EQUITY AND LIABILITIES

A. Equity	31 Dec 2007 in Euro	31 Dec 2006 in Euro	notes
I. Subscribed capital	15,000,000	150,000	
II. Capital reserves	134,927,281	0	
III. Revenue reserves			
1. Currency translation reserves	–384		
2. Other reserves	508,563	508,563	
IV. Retained earnings brought forward	9,268,465	3,618,632	
V. Minority interests	135,042	0	
VI. Consolidated profit	14,356,602	11,549,833	
<b>Total equity</b>	<b>174,195,569</b>	<b>15,827,028</b>	13.
B. Non-current Liabilities			
I. Long-term provisions	346,635	121,000	14.
II. Long-term financial liabilities	6,421,031	3,786,250	15.
III. Deferred taxes	5,332,323	5,512,341	
<b>Total non-current liabilities</b>	<b>12,099,989</b>	<b>9,419,591</b>	
C. Current liabilities			
I. Short-term provisions	2,839,378	371,947	14.
II. Short-term financial liabilities	1,618,633	2,641,556	15.
III. Trade payables	5,962,838	5,730,525	16.
IV. Liabilities from long-term construction orders	0	1,558,567	9.
V. Other short-term liabilities	3,072,503	1,271,675	17.
VI. Tax liabilities	448,113	1,554,500	
<b>Total current liabilities</b>	<b>13,941,465</b>	<b>13,128,770</b>	
<b>Total equity and liabilities</b>	<b>200,237,023</b>	<b>38,375,389</b>	

## CONSOLIDATED CASH FLOW STATEMENT FOR FINANCIAL YEAR 2007

	2007 in Euro	2006 in Euro
Consolidated net income before minority interests	14,318,237	11,549,833
Income tax expenses	5,827,331	6,778,478
Net interest income	-2,375,114	277,488
Profit (-) losses (+) from at-equity companies	279,781	-87,923
Paid income tax	-4,809,038	-1,917,546
Depreciation on tangible and intangible assets	1,699,968	742,365
Increase of other provisions	2,662,774	88,951
Profit (-) losses (+) on the sale of tangible assets	-89,825	11,416
<b>Gross cash flow</b>	<b>17,514,114</b>	<b>17,443,062</b>
Increase of stocks	-2,167,220	-542,700
Increase of receivables from long-term construction contracts	-19,515,196	-17,578,381
Decrease/increase of liabilities from long-term construction orders	-1,558,567	1,046,702
Increase/decrease of trade receivables	-4,850,026	818,775
Decrease/increase of trade payables	-318,113	3,325,975
Increase of other short-term financial assets	-12,034,520	-346,188
Increase of other long-term receivables	-13,017	0
Increase of deferred taxes	-163,864	0
Increase of other long-term liabilities	400,573	88,369
Increase of other short-term liabilities	1,449,254	132,252
Decrease of tax liabilities	-128,730	0
Decrease/increase of liabilities from transaction tax and tax deductions	-1,344,477	380,915
Other non-cash payments	0	8,958
Interest received	2,815,496	88,343
<b>Flow from operative activities (net cash-flow)</b>	<b>-19,914,293</b>	<b>4,866,082</b>

	2007 in Euro	2006 in Euro
Payments for intangible assets	-104,880	-60,243
Proceeds from disposals of tangible assets	222,147	7,156
Payments for tangible assets	-9,592,084	-5,830,961
Proceeds from payments in consolidated companies	1,303,831	0
Proceeds from disposals of at-equity investments	3,000	8,811
Payments for at-equity investments	-626,802	-103,600
Payments for shares in affiliated companies	0	-1
<b>Flow from investment activities</b>	<b>-8,794,788</b>	<b>-5,978,838</b>
Proceeds from bank loans	2,041,656	2,645,000
Payments for debt redemption	-1,367,996	-384,165
Proceeds from shareholders	9,398,150	0
Payments to shareholders	-2,000,000	0
Proceeds from initial public offering	141,000,000	0
Payments for capital raising	-6,556,082	0
Decrease/increase of other short-term financial liabilities (without short-term bank loans and overdrafts)	-3,062,065	777,545
Interest paid	-440,382	-365,831
<b>Inflow from financial activities</b>	<b>139,013,281</b>	<b>2,672,549</b>
<b>Change in cash and cash equivalents</b>	<b>110,304,200</b>	<b>1,559,793</b>
<b>Cash balance on January 1</b>	<b>4,798,836</b>	<b>3,239,043</b>
<b>Cash and cash equivalents balance on december 31</b>	<b>115,103,036</b>	<b>4,798,836</b>

## STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2007

	Subscribed capital in Euro	Capital-reserves in Euro	Retained earnings Reserves from first-times application of IFRS in Euro
<b>Balance at 01/01/06</b>	<b>150,000</b>	<b>0</b>	<b>508,563</b>
Reclassifications	0	0	0
Consolidated profit 2006	0	0	0
<b>Balance at 12/31/2006</b>	<b>150,000</b>	<b>0</b>	<b>508,563</b>
Reclassifications	0	0	0
Increase of capital from company funds	3,900,000	0	0
Increase of non-cash capital	7,950,000	0	0
Contribution EnviTec Beteiligungs GmbH & Co. KG	0	1,423,800	0
Contribution EnviTec Verwaltungs GmbH	0	24,350	0
Profit distribution	0	0	0
Increase of capital from cash contribution	3,000,000	138,000,000	0
Transactions costs	0	-4,520,869	0
Translation of foreign currencies	0	0	0
Minority interests	0	0	0
Consolidated profit 2007	0	0	0
<b>Balance at 12/31/2007</b>	<b>15,000,000</b>	<b>134,927,281</b>	<b>508,563</b>

Currency translation reserves in Euro	Retained earnings brought forward in Euro	Consolidated profit in Euro	Minority interests in Euro	Total in Euro
0	202,204	3,416,428	0	4,277,195
0	3,416,428	-3,416,428	0	0
0	0	11,549,833	0	11,549,833
0	3,618,632	11,549,833	0	15,827,028
0	11,549,833	-11,549,833	0	0
0	-3,900,000	0	0	0
0	0	0	0	7,950,000
0	0	0	0	1,423,800
0	0	0	0	24,350
0	-2,000,000	0	0	-2,000,000
0	0	0	0	141,000,000
0	0	0	0	-4,520,869
-384	0	0	0	-384
0	0	0	172,505	172,505
0	0	14,356,602	-37,463	14,319,139
-384	9,268,465	14,356,602	135,042	174,195,569

# Notes to the 2007 Consolidated Financial Statements

## 1. GENERAL INFORMATION

In accordance with section 315a of the German Commercial Code (HGB), the consolidated financial statements of EnviTec Biogas AG for the year ending 31 December 2007 were prepared to the International Financial Reporting Standards (IFRS) of the International Accounting Standard's Board (IASB), London, valid at the balance sheet date and recognised by the European Union, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

EnviTec Biogas AG is a Germany-based company operating on an international scale, whose main activity is the construction and sale of biogas plants; through its subsidiaries, the company also operates its own biogas plants and provides technical and biological services. EnviTec Biogas AG emerged from the company EnviTec Biogas GmbH by way of a conversion act. It was entered in the commercial register on 25 June 2007.

Headquartered in Lohne, Industriering 10a, Germany, EnviTec Biogas AG is the parent company of the EnviTec Group and adopted the status of a listed joint stock company under German law in July 2007. The consolidated financial statements and the Group Management Report of EnviTec Biogas AG for the year ended 31 December 2007 are available via the electronic Federal Gazette and the Company Register as well as our website [www.envitec-biogas.de](http://www.envitec-biogas.de).

On 4 April 2008, the Executive Board of EnviTec Biogas AG released the consolidated financial statements for presentation to the company's Supervisory Board. The latter has the task to review the consolidated financial statements and to declare whether they are approved.

The information below comprises disclosures and comments which, in addition to the income statement, the balance sheet, the statement of changes in equity and the cash flow statement, must be included in the consolidated financial statements as notes in accordance with IFRS.

The financial statements were prepared in euros. Unless otherwise stipulated, all amounts are rounded to full euros.

In the income statement, as well as in the balance sheet, individual items are combined for purposes of clarity; and explained in the Notes. The nature of expense method was used to prepare the income statement. Assets and liabilities are classified in the balance sheet in accordance with their maturities. Assets and liabilities are regarded as current if they are due or to be sold within one year; accordingly, assets and liabilities are classified as non-current if they are likely to be held by the company for more than one year. Trade receivables and payables as well as inventories and construction contracts are generally recognised as current items. Deferred taxes are generally recognised as non-current.

## 2. EFFECTS OF NEW FINANCIAL REPORTING STANDARDS

### 2.1. FINANCIAL REPORTING STANDARDS FIRST APPLIED IN THE FISCAL YEAR

The following reporting standards and interpretations were first applied in 2007. None of the new reporting standards had a material impact on the net worth, financial and earnings position or on earnings per share in the reporting period.

In August 2005, the IASB amended IAS 1 (Presentation of Financial Statements). Under the revised standard, information must be disclosed in the financial statements which allow the user to evaluate an entity's objectives, policies and processes for managing capital. This standard is to be applied for annual periods beginning on or after 1 January 2007.

IFRS 7 (Financial Instruments: Disclosures) requires an entity to disclose information on the significance of financial instruments for its net worth, financial and earnings position and on the nature and extents of the risks arising from the financial instruments and how they are managed. According to the first-time application of IFRS see disclosures on financial instruments under point 19.

IFRIC 10 (Interim Financial Reporting and Impairment) was published in July 2006. This interpretation rules that an impairment loss recognised in a previous interim period may not be reversed. The first-time application of IFRIC 10 had no impact on the consolidated financial statements.

IFRIC 7 (Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies) addresses questions relating to the application of IAS 29 in cases that a country whose currency is the functional currency of the reporting entity becomes hyperinflationary. The first-time application of IFRIC 7 had no impact on the consolidated financial statements.

IFRIC 8 (Scope of IFRS 2) clarifies that IFRS 2 (Share-based Payment) applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. The first-time application of IFRIC 8 had no impact on the consolidated financial statements.

IFRIC 9 (Reassessment of Embedded Derivatives) clarifies that an entity must assess whether an embedded derivative as defined in IAS 39 exists only when the entity first becomes a party to the contract or when the terms of the contract change significantly. The first-time application of IFRIC 9 had no impact on the consolidated financial statements.

### 2.2. NEWLY PUBLISHED FINANCIAL REPORTING STANDARDS

At the end of 2006, the IASB published IFRS 8 (Operating Segments). This standard is to be applied for annual periods beginning on or after 1 January 2009. The structure and contents of the segment report will then be based on the information used by management. We do not expect the application of this standard to have a material impact on the presentation of the net worth, financial and earnings position.

IFRIC 11 (IFRS 2 — Group and Treasury Share Transactions) was published in November 2006. This interpretation provides guidance on how IFRS 2 is to be applied to share-based payments involving an entity's own equity instruments or equity instruments of another group company. The interpretation is to be applied for annual periods beginning on or after 1 March 2007.

IFRIC 12 (Service Concession Arrangements) was also published in November 2006. IFRIC 12 provides guidance on the accounting treatment of contracts for the supply of public services granted by the public sector to a private entity. This interpretation is to be applied for annual periods beginning on or after 1 January 2008. The impact on the application of the new interpretation on the consolidated financial statements is currently being examined.

The revised IAS 23 (Borrowing Costs) was published by the IASB in March 2007. It stipulates that interest on borrowings that is attributable to the acquisition, construction or production of a qualifying asset must be capitalised. The option to expense these costs in the period in which they are incurred no longer applies. The standard is to be applied for annual periods beginning on or after 1 January 2009. The impact on the application of the new interpretation on the consolidated financial statements is currently being examined.

IFRIC 13 (Customer Loyalty Programmes) was published in June 2007. The interpretation clarifies the recognition of revenues generated in conjunction with customer loyalty programmes. The interpretation is to be applied for annual periods beginning on or after 1 July 2008 and has no impact on the presentation of the net worth, financial and earnings position in the consolidated financial statements.

Interpretation IFRIC 14 (IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) was also published in 2007. This interpretation addresses details of the accounting treatment of pension plans. It is to be applied for annual periods beginning on or after 1 January 2008. IFRIC 14 is currently not relevant for the EnviTec Group.

A revised IAS 1 (Presentation of Financial Statements) was issued by the IAS in September 2007. The amendments include proposals for changing the titles of the individual components of financial statements, the obligation to present, under certain circumstances, a statement of financial position (balance sheet) as at the beginning of the earliest comparative period, the separate presentation of equity transactions with owners from non-owner changes in equity, the separate reporting of the amounts per component captured in income/loss and previously captured in equity and the disclosure of income tax relating to each component of other comprehensive income. The revised standard is to be applied for periods beginning on or after 1 January 2009. The impact of the revised standard on the net worth, financial and earnings position of the EnviTec Group is currently being examined.

IFRS 3 (Business Combinations) and IAS 27 (Consolidated and Separate Financial Statements) were published in January 2008. The new IFRS 3 includes revised provisions on the accounting treatment of acquisitions. It contains rules relating to the scope, the purchase price components, the treatment of non-controlling interests and goodwill and on the scope of the assets, liabilities and contingent liabilities to be recognised. The standard also includes rules on the accounting of losses carried forward and the classification of contracts of the acquired entity.

The revised IAS 27 amended the provisions for the accounting treatment of transactions between non-controlling and controlling owners of a group and the accounting treatment of a loss of control over a subsidiary. IFRS 3 and IAS 27 must be applied for annual periods beginning on or after 1 July 2009. Early application is permitted if both revised standards are applied at the same time. The impact on the application of the new standards on the consolidated financial statements of the EnviTec Group is currently being examined.

Amendments to IFRS 2 (Vesting Conditions and Cancellations) were published in 2008. The new regulations include a more precise definition of vesting conditions for share-based payments and rule that all cancellations of share-based payment arrangements must be accounted for in the same way. The amendments to IFRS 2 are to be applied for annual periods beginning on or after 1 January 2009. IFRS 2 is currently not relevant for the consolidated financial statements.

In February 2008, the IASB adopted the revised IAS 32 (Financial Instruments: Presentation) and the amendments to IAS 1 (Presentation of Financial Statements). They primarily relate to the distinction between equity and debt capital in the accounting treatment of withdrawable capital. In the past, this withdrawable capital put up by shareholders had to be classified as a liability. Going forward, so-called puttable instruments may be classified as equity capital under certain circumstances. The amendments are to be applied for annual periods beginning on or after 1 January 2009. The impact of the application of the amendments on the net worth, financial and earnings position of the EnviTec Group is currently being examined.

### 3. BASIC PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3.1. BASIS OF CONSOLIDATION AND CONSOLIDATION METHODS

The consolidated financial statements of EnviTec Biogas AG include those companies in which EnviTec Biogas AG has either directly or indirectly the majority of the voting rights (subsidiaries), insofar as their influence on the assets, profitability and financial position of the Group is not of subordinate significance. Inclusion is from that point in time when the possibility of control comes into existence. It is terminated when the possibility of control no longer exists.

Business combinations are accounted for in accordance with IAS 27 (Consolidated Financial Statements and Accounting for Investments in Subsidiaries) using the purchase method by netting the carrying amounts of the investments with the remeasured equity capital of the subsidiaries at the time of their acquisition. Assets, liabilities and contingent liabilities of acquired subsidiaries are recognised at their respective fair values. A positive difference remaining after the purchase price allocation is capitalised as goodwill, while negative differences are immediately recognised in profit or loss upon subsequent review.

Receivables and liabilities between the consolidated companies are netted. Unrealised results of intragroup transactions are eliminated and deferred tax assets and liabilities resulting from consolidation recognised in profit or loss are taken into account. Intragroup sales as well as all intra-group earnings are netted with the respective expenses and recognised in equity.

The equity method is used to measure joint ventures and associated companies which are under the joint management (joint ventures) or controlling influence (associated companies) of EnviTec Biogas AG. The cost of investments consolidated at equity is increased or reduced each year

by the equity changes that correspond to EnviTec's share in the capital. Upon the initial consolidation of investments using the equity method, differences resulting from the initial consolidation are treated according to the principles of full consolidation. The changes in pro-rated equity which are recognised in profit or loss are shown separately in the income statement. The Notes to the consolidated financial statements include additional information on the EnviTec Group's at-equity investments. Goodwill included in a recognised investment is tested for impairment only if there is an indication that the full investment recognised may be impaired.

The same consolidation methods as in the previous year were applied.

Changes in the basis of consolidation and the consolidated companies are addressed below.

### 3.2. BASIS OF CONSOLIDATION

The basis of consolidation in the period from 31 December 2006 until 31 December 2007 had developed as follows:

	Germany	Abroad	Total
<b>EnviTec Biogas AG and consolidated companies</b>			
31 Dec. 2006	2	0	2
Additions of subsidiaries	24	3	27
Disposal of subsidiaries	0	0	0
<b>31 Dec. 2006</b>	<b>26</b>	<b>3</b>	<b>29</b>
	Germany	Abroad	Total
<b>Companies valued at-equity</b>			
31 Dec. 2006	5	3	8
Additions of companies valued at equity	11	1	12
Disposal of companies valued at equity	0	0	0
<b>31 Dec. 2007</b>	<b>16</b>	<b>4</b>	<b>20</b>

As at the balance sheet date, the EnviTec Group comprised 49 (previous year: 10) companies, including EnviTec Biogas AG, of which 29 (previous year: 2) are fully consolidated. For a list of the subsidiaries and associated companies,

refer to pages 84f. The list of shareholdings is published in the electronic Federal Gazette. The changes to the basis of consolidation in the fiscal year 2007 are shown in the table below:

Name and head offices of the company	Capital share in %
<b>Germany</b>	
EnviTec Beteiligungs GmbH & Co. KG, Lohne	94.92
EnviTec Verwaltungs GmbH, Lohne	95.12
Zweite EnviTec Beteiligungs GmbH & Co. KG, Lohne	100.00
Zweite EnviTec Verwaltungs GmbH, Lohne	100.00
Auressio GmbH, Rieste <sup>1)</sup>	87.50
O + E Projektentwicklungs GmbH, Lohne	60.00
RePro Beber GmbH & Co. KG, Lohne	64.60
RePro Beber Verwaltungs GmbH, Lohne	64.60
Biogas Schönthal GmbH & Co. KG, Willebadessen	79.00
Biogas Schönthal Verwaltungs GmbH, Willebadessen	79.00
Biogas Thomasburg GmbH & Co. KG, Lohne	65.60
Biogas Thomasburg Verwaltungs GmbH, Lohne	65.60
Biogas Wanzleben Verwaltungs GmbH, Wanzleben	70.00
Biogas Nieheim GmbH & Co. KG, Lohne	64.80
Biogas Nieheim Verwaltungs GmbH, Lohne	64.80
Biogas Heilemann GmbH & Co. KG, Rotenburg/Wümme	70.00
Biogas Heilemann Verwaltungs GmbH, Rotenburg/Wümme	70.00
Biogas Friedland GmbH & Co. KG, Lohne	87.50
Biogas Friedland Verwaltungs GmbH, Lohne	87.40
Biogas Angern GmbH & Co. KG, Lohne	75.00
Biogas Angern Verwaltungs GmbH, Lohne	75.00
Biogas Hirl GmbH & Co. KG, Bresegard	64.00
Biogas Hirl Verwaltungs GmbH, Bresegard	64.00
Agro Trade GmbH, Lohne	100.00

1) fiscal year from 1 August to 31 July 2007

Name and head offices of the company	Capital share in %
<b>Outside Germany</b>	
EnviTec France sarl, Tregueux/Frankreich	65.00
EnviTec Biogas Nederland B.V., Enter/Niederlande	100.00
EnviTec Biogas UK Ltd., Rugeley/Großbritannien	60.00

With effect from 1 June 2007, the old shareholders contributed all their limited partner's contribution holdings in EnviTec Beteiligungs GmbH & Co. KG in a total amount of EUR 474,000.00 as well as all their shares in its unlimited partner, EnviTec Verwaltungs GmbH, in a total amount of EUR 24,350.00 to EnviTec Biogas AG without receiving compensation in the form of shares in the company. The limited liability capital of EnviTec Beteiligungs GmbH & Co. KG amounts to EUR 500,000.00 and the share capital of EnviTec Verwaltungs GmbH to EUR 25,600.00. Therefore EnviTec Biogas AG holds a share of 94.92 percent in EnviTec Beteiligungs GmbH & Co. KG and a share of 95.12 percent in EnviTec Verwaltungs GmbH.

The non-cash contributions of the old shareholders were made at book value. The contributions by EnviTec Beteiligungs GmbH & Co. KG and EnviTec Verwaltungs GmbH were recognised in the capital reserve in amounts of EUR 1,424k, and EUR 24k, respectively.

The essential effects of the purchase of the subgroup EnviTec Beteiligungs GmbH & Co. KG on the balanced assets and liabilities of the consolidated balance sheet are shown subsequently. To make it comparable, the figures are lead over as of 31 December 2006.

Assets and liabilities	As of 31 Dec. 2006	Purchase subgroup EURk	As of 31 Dec. 2006
	primary EURk		adapted EURk
Intangible Assets	7,403	7,282	14,685
Shares in at- equity valuation of participations	330	676	1,006
Stocks	768	609	1,377
Other short-term financial assets	721	555	1,276
Long-term financial liabilities	3,786	1,936	5,722

The subgroup EnviTec Beteiligungs GmbH & Co. KG had a consolidated net loss of EUR 427k since the purchase date. The net loss is contained in the consolidated financial statement

Zweite EnviTec Beteiligungs GmbH & Co. KG, Lohne, was established on 4 July 2007. The purpose of the company is the investment in project and operating companies in the field of biomass plants for the generation of energy. The limited liability capital totals EUR 1,000,000.00 and is held in full by EnviTec Biogas AG.

These two companies and their investments in twelve project companies and the respective general partners basically represent the Own Plant Operation segment. The business purpose of each of the project companies is the operation of biogas plants at a site in Germany.

On 16 April 2007, EnviTec Biogas AG signed a joint venture agreement with Arm Buildings Ltd., Staffordshire/UK, under which EnviTec Biogas UK Ltd. was established. According to the partnership agreement, the joint venture has a paid-in capital of GBP 100,000.00. EnviTec Biogas AG holds GBP 60,000.00 or 60 percent of the joint venture.

With effect from 20 July 2007, EnviTec Biogas AG established EnviTec Biogas Nederland B.V., Enter/Netherlands. The company's paid-in capital amounts to EUR 18,000.00 and is held in full by EnviTec Biogas AG. The purpose of the company is the development and realisation of sustainable energy projects, especially the installation of biogas plants and the trade in base materials for the production of biogas.

On 18 July 2007, EnviTec Biogas AG established EnviTec Biogas France sarl together with a partner. The company is headquartered in Tregueux/France. According to the partnership agreement, the company's paid-in capital amounts to EUR 100,000.00. EnviTec Biogas AG holds EUR 65,000.00 or 65 percent in the company.

O + E Projektentwicklungs GmbH, Lohne, was established on 4 October 2007. The company has a share capital of EUR 50,000.00, of which EnviTec Biogas AG holds 60 percent.

EnviTec Biogas AG has established and funded these domestic and foreign companies with a view to developing new output markets for biogas plants.

Four (previous year: three) joint ventures as well as 16 (previous year: five) companies in which EnviTec holds more than 20 percent are consolidated at equity pursuant to IAS 31.

In the past fiscal year, the exemption rule provided for in section 264b of the German Commercial Code (HGB) was applied by the following fully consolidated Group companies:

#### Name and head offices of the company

EnviTec Beteiligungs GmbH & Co. KG, Lohne
Zweite EnviTec Beteiligungs GmbH & Co. KG, Lohne
RePro Beber GmbH & Co. KG, Lohne
Biogas Schönthal GmbH & Co. KG, Willebadessen
Biogas Thomasburg GmbH & Co. KG, Lohne
Biogas Nieheim GmbH & Co. KG, Lohne
Biogas Heilemann GmbH & Co. KG, Rotenburg/Wümme
Biogas Friedland GmbH & Co. KG, Lohne
Biogas Angern GmbH & Co. KG, Lohne
Biogas Hirl GmbH & Co. KG, Bresegard

### 3.3. CURRENCY TRANSLATION

Receivables and liabilities generally arise on a euro basis, which means that no currency translation is required. The financial statements of the consolidated companies are prepared in euros save for one exception. The equity is translated at the historical rates, the assets and liabilities in the foreign-currency financial statements are translated at the mean rates on the balance sheet date. Expense and income items are translated at average annual exchange rates. Exchange differences are recognised in equity. The foreign-currency financial statements of the companies valued at equity are translated using the closing rate method.

### 3.4. GENERAL ACCOUNTING AND VALUATION PRINCIPLES

The financial statements of the companies included in the consolidated financial statements are based on consistent accounting and valuation methods.

The acquisition cost principle was used as the general measurement concept in the consolidated financial statements. Where other measurement principles are required under IFRS, these are used. In the following information on the measurement of asset and liability items, this is specifically mentioned.

#### Sales revenues or other operating income

Sales revenues from the sale of completed biogas plants — after tax and sales deductions — are realised at the time delivery is taken of the plants. Sales revenues from construction contracts for biogas plants that have not been completed or of which delivery has not been taken as of the balance sheet date are determined using the percentage-of-completion (POC) method. In this context, both the percentage of the work completed in relation to the total volume of the contract and the profit from the complete contract are estimated. Sales revenues from services provided and from the operation of own biogas plants — after tax and, if applicable, sales deductions — are realised at the time the service is provided and if there is sufficient

likelihood that the resulting economic benefit will flow to the company.

#### Intangible assets

Purchased intangible assets are capitalised at cost. They are written off over their useful economic lives of three years using the straight-line method.

Self-constructed intangible assets are not capitalised.

Research and development expenses were not capitalised pursuant to IAS 38, as the conditions for their capitalisation were not in place as at the balance sheet date.

#### Property, plant and equipment

Property, plant and equipment are carried at acquisition of production costs less accumulated straight-line depreciation and impairment losses.

Acquisition costs comprise the purchase price, ancillary costs and subsequent acquisition expenditure as well as cost reductions.

Production costs include all direct costs attributable to the production process and a reasonable portion of the production-related overheads. Financing costs are not recognised.

The cost of the repair of property, plant and equipment, such as current maintenance expenses, are generally recognised in profit or loss. Subsequent costs are capitalised if the costs relating to the property, plant or equipment will result in a future economic benefit.

Accumulated depreciation of property, plant and equipment is performed according to the straight-line method.

The useful lives on which depreciation is based reflect the estimated/anticipated useful lives for the Group and are shown in the table below:

Useful life	
Buildings	20 to 40 years
Other buildings	10 to 20 years
Technical equipment	6 to 20 years
Machinery and appliances	6 to 12 years
Operating and office equipment	3 to 11 years
Vehicles	5 to 8 years
EDP equipment	3 to 5 years

### Financial assets

Financial assets are generally divided into the following categories:

- > financial assets measured at fair value
- > loans and receivables
- > held-to-maturity investments
- > available-for-sale financial assets.

The classification of a financial asset into a given category depends on the purpose for which the financial asset was acquired.

### Financial assets measured at fair value

Financial assets measured at fair value comprise financial assets held for trading as well as all financial assets that are to be measured at fair value by the management from the very beginning at the time of acquisition. No financial assets of this category are recognised in the 2007 financial statements of EnviTec Biogas AG.

### Loans and receivables

Loans and receivables are original or acquired loans and receivables with fixed or determinable payments, which are not listed in an active market. They are usually created by the enterprise by providing money, goods or services to third parties. They form part of the current assets, with the exception of those loans and receivables that are due more than twelve months after the balance sheet date. Financial instruments of this category are measured at amortised cost. If there are indications that a receivable is impaired, it is written down to the present value of the expected future cash flows. Indications of an impairment include, in particular, several years in which the entity reported operating losses, a substantial deterioration in creditworthiness, a high probability of bankruptcy or other forms of financial reorganisation of the debtor. Loans and receivables are shown under trade receivables and other current assets.

### Held-to-maturity investments

Held-to-maturity investments are characterised by: fixed or determinable payments, fixed maturity and the intent and ability of EnviTec Biogas AG to hold these investments to maturity. No assets of this category are recognised in the 2007 financial statements of EnviTec Biogas AG.

### Available-for-sale financial assets

This category comprises all financial assets that do not fall in any of the other three categories or that are subjectively classified by management as available-for-sale financial assets. No assets of this category are recognised in the 2007 financial statements of EnviTec Biogas AG.

## Inventories

In accordance with IAS 2 (Inventories), assets that are consumed in the execution of construction contracts (materials or supplies) are recognised under inventories. Inventories are measured at the average costs of purchase or conversion. If the current purchase price is lower than the average costs of purchase, inventories are recognised at the lower value. Borrowing costs are not capitalised.

The costs of purchase include all costs incurred to convey the inventories to their present place and to put them in their present state.

## Construction contracts in progress

In accordance with IAS 11, construction contracts are accounted for using the percentage-of-completion (POC) method. The underlying stage of completion is determined using the cost-to-cost method. Contracts whose revenues exceed the advance payments received as at the balance sheet date are recognised under the gross amount due from customers for contract work. Contracts whose advance payments received exceed the revenues as at the balance sheet date are recognised under the gross amount due to customers for contract work.

## Deferred taxes, tax liabilities

Taxes imposed on the companies' taxable income and the changes to deferred taxes are recognised as income taxes. Current income taxes are measured on the basis of the statutory regulations enacted or substantially enacted as at the balance sheet date at the amount in which they are expected to be paid.

Other taxes such as motor vehicles tax and real property tax are included in other operating expenses.

Deferred taxes are calculated in accordance with IAS 12 (Income Taxes). Deferred taxes are determined for temporary differences between the asset and liability amounts recognised in the IFRS balance sheet (carrying amounts) and the tax balance sheet (tax base), for consolidation as

well as for tax loss carryforwards that are likely to be utilised. The calculation is based on the tax rates expected to apply at the time of utilisation. These are based on the tax laws that are applicable on the balance sheet date. Deferred tax assets and liabilities are offset if they refer to taxes levied by the same tax authority.

Deferred tax assets for deductible temporary differences and tax loss carryforwards are capitalised if it is probable that future taxable profit will be available against which the tax loss carryforwards can be utilised. The assessment of the value of deferred tax assets resulting from temporary differences and tax loss carryforwards are subject to an entity's individual projections, e.g. regarding the future profit situation of the respective Group company.

For more information on income taxes, refer to (29) in the Notes.

## Provisions

Provisions are established for obligations resulting from past events that will probably lead to an outflow of resources and whose amount can be estimated reliably.

Other provisions are measured in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), with the best estimate of the expenses that would be needed to meet the current obligation as at the balance sheet date.

Potential legal disputes and administrative proceedings are examined on a case-to-case basis. We assess the possible outcomes of such legal disputes on the basis of available information and following consultation with our lawyers.

### **Financial liabilities**

Financial liabilities relate to original liabilities.

Liabilities are measured at amortised cost. This means that current liabilities are recognised at the repayment or settlement amount. Non-current financial liabilities are recognised at amortised cost.

Derivative financial instruments are recognised at the fair value in profit or loss, as the possibility for hedge accounting was made no use.

Financial liabilities are derecognised if the contractual obligation is discharged, cancelled or expires.

### **Other assets and other liabilities**

Deferrals, advance payments as well as non-financial assets and liabilities are recognised at amortised cost. They are released on a straight-line basis or in accordance with the performance of the service.

### **3.5. STATEMENT OF CASH FLOWS**

The statement of cash flows shows the changes in cash and cash equivalents in the course of the fiscal year as a result of the inflow and outflow of funds. In accordance with IAS 7, a distinction is made between cash flows from operating, investing and financing activities. The liquidity shown in the capital finance account includes cash in hand, cheques as well as cash in banks.

### **3.6. SEGMENT REPORTING**

EnviTec Biogas AG comprises three business areas, namely Plant Construction, Own Plant Operation and Service. Given that the revenues, earnings and assets of the Own Plant Operation and Service segments represent less than 10 percent of the total, segment reporting by business areas has been dispensed with for reasons of materiality.

No segment reporting by regions is provided given that the Group's business activities are confined to the German market save for a few exceptions.

### **3.7. IMPAIRMENT TEST**

There were no indications of impairment as defined in IAS 36 (Impairment of Assets) at the balance sheet date.

## 4. UNCERTAINTY OF ESTIMATES

Consolidated financial statements are prepared on the basis of certain assumptions and estimates which have an effect on the amount and presentation of the reported assets, liabilities, income and expenses. Assumptions and estimates primarily relate to the definition of the useful lives of fixed assets, the measurement of construction contracts and the provisions for guarantees. Our estimates are based on past experience and other assumptions that are regarded as realistic under the given circumstances. The actual values may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis.

Accounting and valuation principles are regarded as being important to the extent that they have a material impact on the presentation of the net worth, financial and earnings position and the cash flows of the Group and require a difficult, subjective and complex assessment of facts and circumstances, which are often uncertain by nature and may change in subsequent reporting periods and whose consequences are therefore difficult to assess. The most important accounting and valuation principles are described in point 3.4 of the Notes. Not all important accounting rules require a difficult, subjective or complex assessment of facts and circumstances. The following accounting and valuation principles may nevertheless be regarded as being important:

### Intangible assets and property, plant and equipment

Intangible assets with certain useful lives and property, plant and equipment are amortised/depreciated over their expected useful lives. The expected useful life is based on estimates in the period in which the intangible assets or property, plant and equipment generate cash flows.

Intangible assets with certain useful lives and property, plant and equipment must be tested for impairment if certain events or changed circumstances indicate that the carrying amount of the asset may be impaired.

Management considers the estimates of the expected useful lives of certain assets and the assumptions regarding the macroeconomic environment and development of the sector in which the company operates to be appropriate. Nevertheless, corrections may be required as a result of changes in assumptions or circumstances. These may lead to impairment losses or reversals of impairment losses if the developments anticipated by the company change.

### Sales revenues

The Group's sales revenues are also the result of revenues under construction contracts as defined in IAS 11 (biogas plants). To measure the sales revenues of the contracts in progress (projects) as at the balance sheet date, it is necessary to determine the total profit and the stage of completion. To determine these figures, the individual project calculations and the documents of the project management department are used. These documents necessarily include estimates, as the total profit and the stage of completion of projects in progress depend on the development of the projects after the balance sheet date.

# Notes to the Consolidated Balance Sheet

## 6. PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment in the fiscal year 2007 is shown in the fixed-asset movement schedule. Due to the initial consolidation of EnviTec Beteiligungs GmbH & Co. KG, property, plant and equipment increased noticeably compared to the previous year. Land and buildings primarily include office buildings on the company's own land in Saerbeck and Lohne. Plant and machinery mainly comprise the own biogas plants operated by the company. Fixtures and fittings primarily include equipment for the construction of biogas plants and motor vehicles as well as equipment for the provision of services.

Additions attributable to initial consolidation in an amount of EUR 6,875k relate to biogas plants and biogas plants in progress. The latter were completely taken into service as at the balance sheet date.

Property, plant and equipment in an amount of EUR 6,541k (previous year: EUR 3,996k) are subject to restraints on disposal in the form of land charges and property assignments. The disposals of property, plant and equipment resulted from the sale of assets.

## 7. INVESTMENTS IN COMPANIES VALUED AT EQUITY

The changes in investments in companies valued at equity in the fiscal year 2007 is shown in the fixed-asset movement schedule.

The tables below summarise the aggregated financial information (income statements and balance sheets) of the companies consolidated at equity in the consolidated financial statements.

The list of shareholdings to be prepared pursuant to section 313 para. 4 of the German Commercial Code (HGB) contains additional information on investments in companies valued at equity.

## 8. INVESTMENTS IN AFFILIATED COMPANIES

The changes in investments in affiliated companies in the fiscal year 2007 is shown in the fixed-asset movement schedule below. Investments in affiliated companies are recognised at cost.

The list of shareholdings to be prepared pursuant to section 313 para. 4 of the German Commercial Code (HGB) contains additional information on investments in affiliated companies.

# Financial information of the companies valued at equity

as of 31 December 2007

## Results of the companies valued at equity

	2007	Euro	2006	Euro
Sales revenues	7,989,076		8,840,602	
Gross profit	1,728,717		2,086,897	
Net income for the year	147,188		231,433	
<b>Result from companies accounted for at-equity</b>	<b>-279,781</b>		<b>87,923</b>	

## Balance sheet figures of the companies valued at equity

	2007	Euro	2006	Euro
Non-current assets	6,330,317		805,617	
Current assets	5,623,279		3,336,290	
Non-current liabilities	4,853,989		490,187	
Current liabilities	5,164,211		3,061,857	
Equity capital	1,935,396		488,434	
<b>Carrying amount of investments valued at equity</b>	<b>1,041,868</b>		<b>330,099</b>	

# List of shareholdings

**List of consolidated companies  
and other equity investments as of 31 December 2007**

I. Subsidiaries	Group share	IFRS		IFRS Result
		Equity capital in %	in Euro	
EnviTec Service GmbH, Lohne	100.00	955,488	179,157	
Zweite EnviTec Beteiligungs GmbH & Co. KG, Lohne	100.00	1,013,695	13,695	
Zweite EnviTec Verwaltungs GmbH, Lohne	100.00	24,038	-962	
Agro Trade GmbH, Lohne	100.00	25,000	0	
EnviTec Biogas Nederland B.V., Enter/Niederlande	100.00	-58,659	-76,659	
EnviTec Beteiligungs GmbH & Co. KG, Lohne	94.92	1,950,864	437,634	
EnviTec Verwaltungs GmbH, Lohne	95.12	24,342	68	
Auressio GmbH, Rieste	87.50	706,354	708,706	
Biogas Friedland GmbH & Co. KG, Lohne	87.50	1,119,153	-249,534	
Biogas Friedland Verwaltungs GmbH, Lohne	87.40	20,289	-12,999	
Biogas Schönthal GmbH & Co. KG, Willebadessen	79.00	52,032	55,797	
Biogas Schönthal Verwaltungs GmbH, Willebadessen	79.00	23,478	-1,017	
Biogas Angern GmbH & Co. KG, Lohne	75.00	313,417	49,481	
Biogas Angern Verwaltungs GmbH, Lohne	75.00	23,690	-399	
Biogas Wanzleben Verwaltungs GmbH, Wanzleben	70.00	23,946	-1,054	
Biogas Heilemann GmbH & Co. KG, Rotenburg/Wümme	70.00	242,673	-86,441	
Biogas Heilemann Verwaltungs GmbH, Rotenburg/Wümme	70.00	23,400	-527	
EnviTec France sarl, Tregueux/Frankreich	65.00	37,204	-62,796	
Biogas Thomasburg GmbH & Co. KG, Lohne	65.60	71,857	-2,847	
Biogas Thomasburg Verwaltungs GmbH, Lohne	65.60	23,651	-256	
Biogas Nieheim GmbH & Co. KG, Lohne	64.80	66,431	-8,110	
Biogas Nieheim Verwaltungs GmbH, Lohne	64.80	23,037	-886	
RePro Beber GmbH & Co. KG, Lohne	64.60	211,567	-53,666	
RePro Beber Verwaltungs GmbH, Lohne	64.60	23,184	-749	
Biogas Hirl GmbH & Co. KG, Bresegard	64.00	62,844	-8,959	
Biogas Hirl Verwaltungs GmbH, Bresegard	64.00	24,013	-987	
O + E Projektentwicklungs GmbH, Lohne	60.00	13,813	-36,187	
EnviTec Biogas UK Ltd, Rugeley/Großbritannien	60.00	104,803	-31,557	

	Group share	IFRS Equity capital	IFRS Result
II. Joint ventures	in %	in Euro	in Euro
EnviTec Biogas kft., Ungarn	50.00	50,524	21,438
EnviTec Biogas Central Europe s.r.o., Tschechien	50.00	-86,550	-87,637
EnviTec Biogas (India) Private Limited, Indien	50.00	85,271	-85,582
ETFT EnviTec Filtration Technik GmbH, Lohne	50.00	46,609	-3,391
<b>III. Associated companies</b>			
EnviTec Italia GmbH	100.00	-37,177	-32,238
Biogas Lüken-Feldmann KG, Harkebrügge	50.00	0	35,363
EnviTec Assekuranzmakler GmbH, Lohne	50.00	28,675	27,474
Biogas Anklam Verwaltungs-GmbH, Lohne	50.00	187,344	101,363
Biogas Neu Sterley GmbH & Co. KG, Lohne	50.00	471,112	229,448
Biogas Neu Sterley Verwaltungs GmbH, Lohne	50.00	25,865	310
Biogas Spekendorf GmbH & Co. KG, Lohne	50.00	280,577	38,298
Biogas Spekendorf Verwaltung GmbH, Lohne	50.00	27,012	1,316
Biogas Güntner GmbH & Co. KG, Barßel-Harkebrügge	44.00	260,454	-77,368
Biogas Güntner Verwaltungs GmbH, Barßel-Harkebrügge	44.00	25,394	1,144
Biogas Löschenrod GmbH & Co. KG, Lohne	44.00	37,740	-4,651
Biogas Löschenrod Verwaltungs GmbH, Lohne	44.00	25,563	1,242
Biogas Anklam GbR, Wolgast	30.00	13,176	-322
EWS Biogas Projektentwicklungs-GmbH & Co. KG, Lohne	30.00	114,193	26,638
EWS Biogas Projektentwicklung Verwaltungs GmbH, Lohne	30.00	26,647	1,378
Rentech Bioenergas S.A., Athen/Griechenland	21.00	352,966	-47,034

## 9. CONSTRUCTION CONTRACTS

The table below shows the construction contracts as of 31 December 2007:

	2007	Euro	2006	Euro
<b>Gross amount due from customers for biogas plant contract work in progress</b>				
Contract revenue recognised in the fiscal year	119,465,131		61,840,105	
Accumulated costs incurred	90,847,382		51,182,196	
Accumulated profits recognised	19,774,885		13,261,192	
Accumulated advance payments received including progress billings	-69,893,744		-43,230,061	
<b>Gross amount due from customers for contract work</b>	<b>40,728,523</b>		<b>21,213,327</b>	

	2007	Euro	2006	Euro
<b>Gross amount due to customers for biogas plant contract work in progress</b>				
Contract revenues recognised in the fiscal year	0		8,225,937	
Accumulated costs incurred	0		-6,559,878	
Accumulated profits recognised	0		-1,841,377	
Accumulated advance payments received including progress billings	0		9,959,822	
<b>Gross amount due to customers for contract work</b>	<b>0</b>		<b>1,558,567</b>	

## 10. INVENTORIES

Inventories comprise the following:

	2007	Euro	2006	Euro
Raw materials and supplies	3,334,795		667,888	
Advance payments	208,838		100,000	
	<b>3,543,633</b>		<b>767,888</b>	

No valuation allowances on inventories were recognised.

## 11. TRADE RECEIVABLES

All trade receivables are due within one year. The table below shows the changes in itemised allowances on receivables:

	2007 Euro	2006 Euro
Accumulated allowances as at 1 Jan.	156,000	38,800
Additions	48,000	0
Releases	155,000	117,200
<b>Accumulated allowances as at 31 Dec.</b>	<b>49,000</b>	<b>156,000</b>

Itemised allowances were made on delinquent receivables. On the accounting date there no further delinquent receivables

## 12. OTHER CURRENT ASSETS

Other current assets comprise the following:

	2007 Euro	2006 Euro
Loans to third parties	4,269,487	511,209
Receivables from associated companies	2,752,917	69,838
Interest claims	363,522	0
Prepaid expenses	277,542	86,678
Creditors with debit balances	115,450	0
Receivables from employees	78,225	42,000
Other short-term receivables	373,549	11,356
<b>Total</b>	<b>8,230,692</b>	<b>721,081</b>

## 13. EQUITY

### CHANGES IN EQUITY

The individual equity components and their changes in 2006 and 2007 are shown in the statement of changes in equity.

The company's share capital amounts to EUR 15,000,000.00. It is divided into 15,000,000 bearer shares with a par value of EUR 1.00 per share. The company holds no own shares. For changes in equity, please refer to the statement of changes in equity.

The Annual General Meeting of 26 June 2007 authorised a conditional increase in the share capital by an amount of up to EUR 4,500,000.00 (authorised capital 2007/I). The purpose of the conditional capital increase is to enable the issue of shares to the holders and creditors of bonds with warrants and/or convertible bonds that will be issued by the company or a subordinated Group company by 25 June 2012 once or several times based on the authorisation granted by the Annual General Meeting on 26 June 2007. The shares will be issued at the warrant exercise or conversion price to be determined in accordance with the above authorisation. The conditional capital increase must be effected only to the extent that option and/or conversion rights arising from bonds issued against cash are exercised and/or conversion obligations from such bonds are met and no cash compensation is granted or own shares are used to meet such obligations. The Executive Board is authorised to define the further details of the conditional capital increase.

The capital reserve primarily relates to the premium of the IPO on 12 July 2007. As a result, the capital reserve after deduction of IPO expenses pursuant to IAS 32.37 increased by EUR 133,479k. For further details of the capital reserve, please refer to the statement of changes in equity.

The currency translation reserve in an amount of EUR 384 exclusively comprises the difference resulting from the translation of the financial statements of the fully consolidated EnviTec Biogas UK Ltd.

Other reserves comprise the effects of the adoption of IFRS as of 1 January 2005 in an amount of EUR 509k and mainly relate to the capitalisation of construction contracts.

The balancing item for minority interests in an amount of EUR 135k comprises minority interests in fully consolidated Group companies.

## CAPITAL MANAGEMENT

EnviTec Biogas AG manages its capital with the aim of maximising the return on capital. This also includes optimising the debt-to-equity ratio. The focus is on long-term value creation in the interest of investors, employees and customers.

The relevant equity capital comprises equity capital and financial liabilities. Equity capital includes the subscribed capital, the capital reserve, retained earnings, the profit carried forward, minority interests as well as the net profit for the year.

In the fiscal year 2007, equity capital rose by 1001% over the previous year. This is almost entirely attributable to the increase in subscribed capital and the premium resulting from the IPO. As of 31 December 2007, the equity ratio stood at 87% (previous year: 41%).

EnviTec Biogas AG is not subject to any capital requirements in its statutes.

External minimum capital requirements apply to a credit line in an amount of EUR 15,000k, for which a minimum equity ratio of 25% was agreed.

For more information, please refer to the disclosures on risk management in the management report.

## 14. PROVISIONS

The table below shows the changes in the individual provision categories in the fiscal year 2007:

	As of 1 Jan. 2007 EUR	Use 2007 EUR	Allocation 2007 Euro	As of 31 Dec. 2007 EUR
Provisions for unbilled work	0	0	2,214,346	2,214,346
thereof current	0	0	2,214,346	2,214,346
Warranty and goodwill provisions	381,000	260,000	593,935	714,935
thereof current	260,000	260,000	368,300	368,300
Other provisions	111,947	111,947	256,732	256,732
thereof current	111,947	111,947	256,732	256,732
	<b>492,947</b>	<b>371,947</b>	<b>3,065,013</b>	<b>3,186,013</b>
thereof current	371,947	371,947	2,839,378	2,839,378

The expected cash flows for the provisions recognised in 2006 and 2007 are shown below:

Expected outflow of funds	31 Dec. 2007 EUR	Expected outflow of funds	31 Dec. 2006 EUR
2008	2,839,378	2007	371,947
2009	346,635	2008	121,000
	<b>3,186,013</b>		<b>492,947</b>

The provisions for unbilled work refer to work performed by third parties for which no invoices had been received by the balance sheet date.

The warranty and goodwill provisions refer to contractually agreed warranties on biogas plants built and sold.

## 15. FINANCIAL LIABILITIES

Financial liabilities are composed as shown below:

	31 Dec. 2007		31 Dec. 2006	
	Total Euro	Thereof current Euro	Total Euro	Thereof current Euro
Liabilities to banks	6,744,095	723,625	4,005,254	219,004
Liabilities to associated companies	0	0	90,000	90,000
Liabilities to shareholders	1,189,914	789,352	772,552	772,552
Other financial liabilities	105,655	105,655	1,560,000	1,560,000
	<b>8,039,664</b>	<b>1,618,633</b>	<b>6,427,806</b>	<b>2,641,556</b>

Financial liabilities have the following maturities:

Due in	31 Dec. 2007 Euro	Due in	31 Dec. 2006 Euro
2008	1,618,633	2007	2,641,556
2009	910,064	2008	619,543
2010	846,107	2009	634,439
2011	690,885	2010	462,046
2012	659,565	2011	297,442
2013 and thereafter	3,314,410	2012 and thereafter	1,772,780
	<b>8,039,664</b>		<b>6,427,806</b>

Current financial liabilities totalled EUR 1,618,633 (previous year: EUR 2,641,556). The weighted average interest rate was 4.8 percent.

A EUR 500,000 loan raised from Bremer Landesbank, Bremen, in 2006 carried a variable interest rate. Interest was calculated on the basis of the 3-month EURIBOR plus a credit spread of 1.10 percent p.a. The loan was repaid prematurely on 31 August 2007.

In 2006, a subsidiary that was initially consolidated in 2007 raised a loan from Landessparkasse zu Oldenburg, Oldenburg, in an original amount of EUR 1,140,000.00. Interest is based on the 3-months EURIBOR plus a credit spread of 1.25 percent p.a.

Non-current liabilities to banks primarily comprise loans for the financing of office buildings, biogas plants as well as fixtures and fittings. Liabilities to banks are secured by land charges and property assignments.

As of 31 December 2007, the following securities for liabilities to banks existed:

Lenders	Liability as at 31 Dec. 2007	Type of security	Carrying amount of the security
Bremer Landesbank	192,500	Assignment of concrete moulds for production	250,000
Bremer Landesbank	417,116	First priority registered land charge of EUR 900,000 in the property in Lohne , Industriering 10a	400,000
Landessparkasse zu Oldenburg	449,313	First priority land charge of EUR 1,300,000 in the property in Saerbeck, Boschstrasse 2	450,000
Landessparkasse zu Oldenburg	612,848	First priority land charge of EUR 1,300,000 in the property in Saerbeck, Boschstrasse 2	670,000
Landessparkasse zu Oldenburg	259,589	Subordinated land charge of EUR 1,300,000 in the property in Saerbeck, Boschstrasse 2	330,000
Landessparkasse zu Oldenburg	584,539	Subordinated land charge of EUR 1,300,000 in the property in Saerbeck, Boschstrasse 2	630,000
Landessparkasse zu Oldenburg	112,395	Subordinated land charge of EUR 1,300,000 in the property in Saerbeck, Boschstrasse 2	150,000
Landessparkasse zu Oldenburg	500,000	Subordinated land charge of EUR 1,430,000 in the property in Rotenburg, Kesselhofskamp 2 Assignment of biogas plants including machinery and equipment Assignment of claims of electricity producers	639,000
Landessparkasse zu Oldenburg	795,000	Subordinated land charge of EUR 1,430,000 in the property in Rotenburg, Kesselhofskamp 2 Assignment of biogas plants including machinery and equipment Assignment of claims of electricity producers	1,016,000
Landessparkasse zu Oldenburg	135,000	Subordinated land charge of EUR 1,430,000 in the property in Rotenburg, Kesselhofskamp 2 Assignment of biogas plants including machinery and equipment Assignment of claims of electricity producers	173,000

Lenders	Liability as at 31 Dec. 2007	Type of security	Carrying amount of the security
Landessparkasse zu Oldenburg	949,998	First priority registered land charge of EUR 1,100,000.00 EUR in the property in Angern, Loi- tscher Weg 5 Assignment of biogas plant including machi- nery and equipment Assignment of claims of electricity producers	1,068,000
Bremer Landesbank	1,725,000	First priority registered land charge of EUR 1,725,000.00 in the property in Friedland, Am Schwarzen Weg Assignment of biogas plants Assignment of claims towards utilities	4,360,000
	<b>6,733,298</b>		<b>10,136,000</b>

Liabilities to shareholders in an amount of EUR 740,000.00 relate to short-term loans granted by minority shareholders in the context of the liquidity management for the company's own biogas plants. These loans carry an interest rate of 5 percent. An amount of EUR 400,562.40 relates to compensation claims of minority interests. Other financial liabilities in an amount of EUR 72,210.00 represent liabilities from the purchase of limited partner's shares of fully consolidated subsidiaries. An amount of EUR 33,445.28 represents expenses incurred by a minority shareholder.

## 16. TRADE PAYABLES

All trade payables are due within one year.

## 17. OTHER CURRENT FINANCIAL LIABILITIES

Other current financial liabilities comprise the following:

	31 Dec. 2007 Total Euro	31 Dec. 2006 Total Euro
Payroll liabilities	777,689	363,054
Social security liabilities	12,024	1,069
Liabilities from transaction taxes and amounts of withholding taxes	1,709,982	905,696
Other current liabilities	572,808	1,856
	<b>3,072,503</b>	<b>1,271,675</b>

The liabilities from transaction taxes and amounts of withholding tax represent turnover tax and wage and church tax due as at the balance sheet date.

Other current liabilities mainly relate to short-term loans granted by third parties to the company's own biogas plants. The loans carry an interest rate of 5 percent p.a. and are used for short-term liquidity management.

## 18. TAX LIABILITIES

Tax liabilities relate to income tax of the current fiscal year, which has not yet been paid to the tax authorities. They are recognised at the amount in which they are expected to be paid.

## 19. DISCLOSURES ON FINANCIAL INSTRUMENTS

### 19.1. FINANCIAL RISK MANAGEMENT

Due to non-current financial liabilities carrying variable interest rates, EnviTec Biogas AG is exposed to an interest rate risk, i.e. changes in the value of future payments under a financial instrument. The interest rate risk is managed and analysed by the company's management. Derivative financial instruments are used to hedge the interest rate risk. Fixed interest rates have been agreed for long-term loans exposed to a fair value risk. Accordingly, possible interest rate increases represent no significant risk for the company. A variable interest rate based on the EURIBOR has been agreed for a loan currently amounting to EUR 949,998. For the related hedging instrument, please refer to point 19.2 Due to a lack of materiality, no sensitivity analysis is performed.

Sales and purchases are generally effected in the company currency. Therefore, no material currency risks exist.

Liquidity risks are mitigated by advance payments from customers, which are matched to the specific contract and the stage of completion. The construction of the properties in Lohne and Saerbeck was financed with long-term bank loans carrying fixed interest rates. Due to the liquid funds from the IPO, no liquidity risks exist.

### 19.2. HEDGING INSTRUMENTS AND HEDGE ACCOUNTING

The table below shows the market value and the maturity of an interest cap contract that existed as of the end of the year to hedge the interest rate risk of a transaction.

	Nominal value Euro	Positive fair value Euro	Negative fair value Euro	Maturity
Interest cap	1,100,000	45,607	0	2013

The payer of the variable amount is Landessparkasse zu Oldenburg, Oldenburg. The payer of the fixed amount is Biogas Angern GmbH & Co. KG. The fixed amounts are calculated on the basis of the 3-month EURIBOR plus a margin of 1.25 percent. As at the balance sheet date, the interest rate was 6.02 percent.

The cap contract serves to hedge the interest rate risk of a floating-rate loan raised from Landessparkasse zu Oldenburg.

Economically speaking, the interest cap contract represents a hedge. By the possibility of hedge accounting is made no use. Changes in the fair value of this financial instrument are immediately recognised in the income statement taking deferred taxes into account.

### 19.3. PRESENTATION OF FINANCIAL INSTRUMENTS

The table below shows the measurement categories and carrying amounts of financial assets and liabilities:

Carrying amounts by measurement categories in EURk	31 Dec. 2007	31 Dec. 2006
Available-for-sale financial assets	0	–
Loans and receivables	131,372	8,609
Liabilities held at amortised cost	14,003	12,158

# Disclosures on the consolidated income statement

## 20. SALES REVENUES

Sales revenues are primarily generated from the manufacture and sale of biogas plants. Sales revenues also include revenues from projects in progress as at the balance sheet date based on the stage of completion of these projects. Sales revenues comprise service revenues in an amount of EUR 1,889k (previous year: EUR 414k) as well as income from the feeding in of electricity in an amount of EUR 2.076k (previous year: 0k). The table below shows the changes in sales revenues.

2007	2006	Change	
Euro	Euro	EURk	%
132,408,671	100,683,287	+31,725	+31.5

Sales revenues from the manufacture and sale of biogas plants include invoiced sales in an amount of EUR 91,915k (previous year: EUR 48,833k) and revenues under long-term construction contracts in an amount of EUR 36,529k (previous year: EUR 51,425k). The plants are sold to farmers and industrial investors.

## 21. OTHER OPERATING INCOME

Other operating income primarily includes income on consolidation in an amount of EUR 396k (previous year: EUR 0k), employee deductions for non-monetary compensation in an amount of EUR 216k (previous year: EUR 194k), income from the release of itemised allowances on receivables in an amount of EUR 107k (previous year: EUR 34k), income from the disposal of fixed assets in an amount of EUR 90k (previous year: EUR 0k) as well as income from insurance claims in an amount of EUR 55k (previous year: EUR 0k).

2007	2006	Change	
Euro	Euro	EURk	%
1,001,050	287,976	+ 713	+ 247.6

## 22. COST OF MATERIALS

The cost of materials primarily includes material costs (EUR 87,164k, previous year: EUR 66,876k) as well as the cost of outside services for the construction and operation of biogas plants (EUR 3,887k, previous year: EUR 1,932k). This item also includes project planning expenses (EUR 604k, previous year: EUR 684k) as well as expenses for substrates (EUR 792k, previous year: EUR 0k). The changes in the cost of materials are shown below:

2007	2006	Change	
Euro	Euro	EURk	%
92,447,386	68,622,272	+ 23,825	+ 34.7

## 23. PERSONNEL EXPENSES AND EMPLOYEES

### Personnel expenses

Personnel expenses include wages and salaries in an amount of EUR 9,173k (previous year: EUR 5,287k) as well as social security expenses and pension and support expenses in an amount of EUR 1,935k (previous year: EUR 1,122k). Special payments to employees in an amount of EUR 779k are also included in personnel expenses. Due to the strong expansion of the production and sales activities and the requirements of the IPO, personnel expenses increased sharply and developed as follows:

2007	2006	Change	
Euro	Euro	EURk	%
11,108,066	6,410,311	+ 4,698	+ 73.3

### Employees

An average of 259 people were employed in 2007 (previous year: 152), which represents an increase of 70.4 percent over the previous year. Most employees are employed in the production and technology departments. Part of the increase is attributable to the expansion of the company's international activities.

## 24. AMORTISATION AND DEPRECIATION

As a result of the expansion of the production activities and the first-time inclusion of the own biogas plants and the related increase in investments in property, plant and equipment depreciation and amortisation increased as shown below:

2007	2006	Change	
Euro	Euro	EURk	%
1,699,968	742,365	+958	+ 129.1

For further details on depreciation and amortisation, please refer to the fixed-asset movement schedule.

## 25. OTHER OPERATING EXPENSES

Other operating expenses comprise operating expenses, administrative expenses and selling expenses. Selling expenses increased by EUR 1,838k to EUR 5,182k, primarily because of the strong expansion of the national and international distribution activities. Amounting to EUR 3,155k (previous year: EUR 2,802k), sales commissions were the main item contained in selling expenses. Administrative expenses rose by EUR 1.177k to EUR 2.073k primarily due to increased legal and consulting expenses in conjunction with the international expansion and the IPO. The changes in other operating expenses are shown below.

2007	2006	Change	
Euro	Euro	EURk	%
10,104,066	6,678,439	+3,426	+51.3

Other operating expenses comprise the following items:

	2007	2006
	Euro	Euro
Operating expenses	2,849,801	2,438,427
Selling expenses	5,181,753	3,343,818
Administrative expenses	2,072,512	896,194
<b>Total</b>	<b>10,104,066</b>	<b>6,678,439</b>

## 26. RESULT FROM COMPANIES VALUED AT EQUITY

The result from companies consolidated at equity comprises the pro-rated results of 20 companies.

2007	2006	Change	
Euro	Euro	EURk	%
-279,781	87,923	-368	+ 418.2

## 27. INTEREST INCOME

Other interest income primarily relates to interest on time deposits. The increase is exclusively attributable to the liquidity generated by the IPO. The changes in other financial income are shown below:

2007	2006	Change	
Euro	Euro	EURk	%
2,815,496	88,343	+2,727	+3,087

## 28. INTEREST EXPENSE

Interest expenses include interest and similar expenses, especially for bank liabilities and current liabilities for the liquidity management of related parties. The increase is primarily attributable to borrowing costs for the own plants included for the first time. The changes in other financial expenses are shown below:

2007	2006	Change	
Euro	Euro	EURk	%
440,382	365,831	+75	+20.4

A breakdown of interest expenses into non-current financial liabilities, current financial liabilities and other liabilities is provided below:

	2007	2006
	Euro	Euro
Non-current financial liabilities	247,158	116,409
Current financial liabilities	192,805	248,150
Other liabilities	419	1,272
<b>Total</b>	<b>440,382</b>	<b>365,831</b>

## 29. INCOME TAXES

### Tax expenses

Income taxes paid or due as well as deferred taxes are shown as income taxes. In the fiscal year and the previous year, deferred taxes resulted from taxable temporary differences between the carrying amounts and the tax bases of the balance sheet items "gross amount due from and to customers for contract work". Tax changes in tax expenses are shown below:

2007	2006	Change	
Euro	Euro	EURk	%
5,827,331	6,778,478	-951	-14

Tax expenses break down as follows:

	2007	2006
	Euro	Euro
Deferred tax liabilities	2,204,236	4,158,331
Income taxes paid or due	3,623,095	2,620,147
<b>Total</b>	<b>5,827,331</b>	<b>6,778,478</b>

The income taxes of companies that were consolidated for the first time totalled EUR 148k.

### Tax reconciliation

Current tax expenses of the year 2007 in an amount of EUR 5,827k (previous year: EUR 6,778k) deviated by EUR 1,477k (previous year: EUR 133k) from the expected tax expenses in an amount of EUR 7,304k (previous year: EUR 6,645k), which would result from application of an average tax rate on the company's pre-tax profit. This average tax rate is determined on the basis of corporate income tax (25 percent), solidarity surcharge (5.5 percent) and a trade tax rate of 310 percent. After the coming into force of the German Tax Reform Act 2008, the deferred tax rate on temporary differences reversing in subsequent years will be fixed at 28.08 percent. It is based on a corporate

income tax rate of 15 percent, a solidarity surcharge of 5.5 percent and a trade tax rate of 350 percent. The reasons for the difference between expected and current tax expenses is illustrated below:

	2007	2006
	Euro	Euro
<b>Expected tax expenses</b>	<b>7,303,776</b>	<b>6,644,929</b>
Tax rate changes in Germany	-1,966,478	0
Result on consolidation	-138,176	0
Tax-free income	-27,061	0
Loss carryforwards that cannot be used and/or use of unrecognised loss carryforwards and depreciation of loss carryforwards	232,831	0
Difference between expected and current trade tax rates	116,957	88,077
Profits attributable for tax purposes only	102,928	0
Result from companies valued at equity	101,435	-31,880
Non-deductible expenses	86,866	1,859
Miscellaneous	14,253	75,493
<b>Current tax expenses</b>	<b>5,827,331</b>	<b>6,778,478</b>

The table below shows the deferred tax assets and liabilities as of 31 December 2007 and 31 December 2006:

	31.12.2007	31.12.2006
	EURk	EURk
Tax loss carryforwards	164	0
<b>Deferred tax assets</b>	<b>164</b>	<b>0</b>
Property, plant and equipment	422	103
Construction contracts	4,841	5,340
Other provisions	69	69
<b>Deferred tax liabilities</b>	<b>5,332</b>	<b>5,512</b>

The change in deferred taxes was recognised in full in the income statement.

### 30. EARNINGS PER SHARE

Basic earnings per share are the quotient of the Group profit and the weighted average of the shares outstanding in the fiscal year.

No incidents that could lead to diluted earnings per share in a different amount occurred in the fiscal year.

# Disclosures on the statement of cash flows

## 31. CASH INFLOWS / OUTFLOWS FROM OPERATING ACTIVITIES

The gross cash flow in an amount of EUR 17,514k (previous year: EUR 17,443k) shows the operating cash flow before any changes in working capital. The outflow of funds from operating activities (net cash flow) in an amount of EUR 19,914k (previous year: inflow of EUR 4,866k) additionally reflects the changes in working capital, especially in conjunction with construction contracts, and in other net assets.

## 32. CASH OUTFLOWS FROM INVESTING ACTIVITIES

The outflow of funds from investing activities amounted to EUR 8,795k in 2007 (previous year: EUR 5,979k) and mainly related to investments in property, plant and equipment (technical/biogas plants) as well as fixtures and fittings.

## 33. CASH INFLOWS FROM FINANCING ACTIVITIES

Cash inflows from financing activities amounted to EUR 139,013k (previous year: EUR 2,672k) and primarily include the proceeds from the IPO as well as the pre-IPO capital increases.

## 34. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and cash at banks. The latter includes fixed-term deposits in an amount of EUR 60,000k (previous year: EUR 2,748k). Contrary to the previous year, the fixed-term deposits were not subject to any restraints on disposal.

# Other disclosures

## 35. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

### Contingent liabilities

As of the balance sheet date, the Group had issued a letter of comfort to a foreign customer in an amount of EUR 1,100k.

### Other financial obligations

As of the balance sheet date, the company had other financial liabilities from purchase commitments in an amount of EUR 6,171k (previous year: EUR 21,227k). They are due within one year.

In the context of its operations, EnviTec Biogas AG sources materials, inventories and services from numerous business partners. These also include companies that are related to controlling bodies or shareholders of the company. Transactions with these companies are made on terms equivalent to those that prevail in arm's length transactions. EnviTec Biogas AG was not involved in any material transactions whose conditions were unusual for the company itself or its related parties and does not intend to do so in future.

Related parties include the parties listed below. No material transactions with other related parties were made in the fiscal year.

## 36. RELATED PARTY DISCLOSURES

### Individuals in key positions

Please refer to "Disclosures on Corporate Officers".

### Subsidiaries, joint ventures and associated companies

Please refer to "Basis of consolidation and consolidation methods" and to shareholdings.

In accordance with IAS 24, parties that have the ability to exercise influence over EnviTec Biogas AG or may be influenced by EnviTec Biogas AG are regarded as related parties.

Transactions with related parties in 2007	Transaction Amount in Euro	Receivable Amount in Euro	Liability Amount in Euro
<b>Shareholders</b>			
Ruhe Verwaltungs GmbH	-59,715	93	0
von Lehmden Beteiligungs GmbH	-13,531	250	1,535
<b>Associated companies</b>			
Biogas Anklam Verwaltungs GmbH	214,463	86,776	0
Biogas Neu Sterley GmbH & Co. KG	413,815	10,505	0
EnviTec Biogas kft.	159,452	2,037	0
<b>Related parties</b>			
Schulz Systemtechnik GmbH	-9,172,829	9,114	343,899
Agrico Handelsgesellschaft mbH	-144,209	875	9,401
BGF GmbH & Co. KG	525,586	493	0

Transactions with related parties in 2006	Transaction Amount in Euro	Receivable Amount in Euro	Liability Amount in Euro
<b>Shareholders</b>			
Ruhe Verwaltungs GmbH	-118,664	0	411,054
von Lehmden Beteiligungs GmbH	-40,709	0	384,053
<b>Associated companies</b>			
Biogas Anklam Verwaltungs GmbH	82,194	50,288	90,367
Biogas Neu Sterley GmbH & Co. KG	20,769	20,288	0
EnviTec Biogas kft.	-95,255	15,715	0
<b>Related parties</b>			
Schulz Systemtechnik GmbH	-4,922,368	46	764,775
Agrico Handelsgesellschaft mbH	-138,526	199	61,803
BGF GmbH & Co. KG	10,546	0	0

The liabilities shown for the above transactions related to services, goods and interest invoiced.

Income from transactions with related parties mainly result from services provided by EnviTec Service GmbH as well as from the construction of plants.

## 37. AUDITOR'S FEES

The audit fees for Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Munich, recognised as an expense in the fiscal year 2007 amounted to EUR 229k (previous year: Kohl & Zerhusen GmbH, EUR 37k) and include the fees for the statutory audit of the separate and consolidated financial statements as well as for services provided in conjunction with the securities prospectus. This amount does not include the passed-on insurance premium.

The compensation of the Executive Board consists of the following components:

- > Fixed compensation in the form of a monthly salary
- > Variable compensation based on the operating result of the EnviTec Group and the achievement of personal targets

## 38. DISCLOSURES ON CORPORATE OFFICERS

### Executive Board

The Executive Board had the following members in the fiscal year 2007:

Olaf von Lehmden, Lohne  
CEO (Chairman)  
since 1 July 2007

Kunibert Ruhe, Bakum  
CTO (Vice Chairman)  
since 1 July 2007

Jörg Fischer, Bremen  
CFO  
since 1 July 2007

The members of the Executive Board held no other mandates.

The following compensation was paid to the members of the Executive Board in the fiscal year 2007:

	Fixed compensation in Euro	Variable compensation in Euro	Other <sup>1)</sup> in Euro	Total in Euro
Olaf von Lehmden	67,500	16,666	1,003	85,169
Kunibert Ruhe	67,500	16,666	4,603	88,769
Jörg Fischer	48,000	16,666	8,307	72,973

1) Other compensation includes benefits in money's worth resulting from the use of company cars as well as the portions of the D&O insurance attributable to the Executive Board members

The compensation for Mr von Lehmden and Mr Ruhe in 2006 and in the period from 1 January to 30 June 2007 was paid under invoices issued by the companies controlled by the institutional management to EnviTec Biogas AG (formerly EnviTec Biogas GmbH) for the performance of the management tasks. This resulting in total expenses in an amount of EUR 167,080 (previous year: EUR 182,000) for the company in the fiscal year 2007.

#### Supervisory Board

Appointees to the Supervisory Board in the reporting period:

- > Bernard Ellmann (Chairman)  
Group Vice President of Unilever Group, Hamburg,  
(until 15 February 2008)  
Member of the Supervisory Board of Glidat Strauss  
Ltd., Israel
- > Hans-Joachim Jung (Vice Chairman)  
Member of the Executive Board of KELAG Kärntner-  
Elektrizität Aktiengesellschaft (until 30 June 2007)
- > Michael Böging  
Managing Partner of Unternehmensgruppe  
Weiße Köpfe GmbH, Vechta

The expenses for the compensation of the Supervisory Board in the fiscal year 2007 include fixed compensation for the Supervisory Board activity at EnviTec Biogas AG in an amount of EUR 20,000.

Other compensation (meeting attendance fees) totalled EUR 9,000.

#### 39. POST-BALANCE SHEET EVENTS

In February 2008, EnviTec Biogas AG won a contract for the construction of biogas plants with a total rated electrical output of 30 megawatt through its 50 percent joint venture in India.

The total contract volume for the joint venture exceeds EUR 30 million. It is planned to build 30 plants with a capacity of 1 MW each, which will be erected throughout the state of Punjab in the next two years.

*Lohne, 18 March 2008*

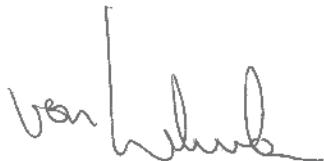
**Olaf von Lehmden Kunibert Ruhe Jörg Fischer**

## Responsibility statement

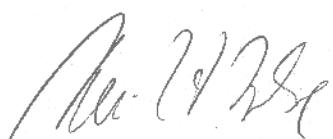
To the best of our knowledge, and in accordance with the applicable reporting principles, the 2007 consolidated financial statements give a true and fair view of the assets, liabilities, financial positions and profit and loss of the EnviTec Biogas Group, and the 2007 Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Lohne, April 2008

**The Executive Board**



Olaf von Lehmden



Kunibert Ruhe



Jörg Fischer

## FIXED ASSET SCHEDULE AS AT 31 DEZEMBER 2007

	Historical costs				
	Balance at 01/01/07 in Euro	Addition 2007 in Euro	Additions due to changes in the scope of consolidation 2007 in Euro	Disposals 2007 in Euro	Rebooking 2007 in Euro
<b>A. Fixed Assets</b>					
I. Intangible Assets	66,215	104,880	0	417	0
II. Tangible Assets					
1. Land, similar rights and buildings including buildings on leasehold hand	3,847,714	698,215	315,707	20,908	477,286
2. Technical equipment and machinery	76,302	5,147,167	1,345,330	0	4,811,803
3. Other equipment, factory and office equipment	4,590,034	2,608,877	90,538	168,485	202,080
4. Prepayments and construction in process	91,233	1,137,824	5,530,081	0	-5,491,169
	<b>8,605,283</b>	<b>9,592,084</b>	<b>7,281,656</b>	<b>189,392</b>	<b>0</b>
III. Financial Assets					
1. Shares in affiliated companies	1	0	0	1	0
2. Shares in at- equity valuation of participations	224,990	319,000	675,550	3,000	0
	<b>224,991</b>	<b>319,000</b>	<b>675,550</b>	<b>3,001</b>	<b>0</b>
	<b>8,896,489</b>	<b>10,015,964</b>	<b>7,957,206</b>	<b>192,810</b>	<b>0</b>

Depreciation					Book Value			
Balance at 12/31/07 in Euro	Balance at 01/01/07 in Euro	Addition 2007 in Euro	Additions/ Disposals due to equity accounting 2007 in Euro	Disposals 2007 in Euro	Balance at 12/31/07 in Euro	Balance at 12/31/07 in Euro	Balance at 12/31/07 in Euro	
170,678	15,670	45,942	0	46	61,566	109,112	50,545	
5,318,015	103,004	168,323	0	0	271,327	5,046,688	3,744,710	
11,380,602	7,439	396,398	0	0	403,837	10,976,765	68,863	
7,323,045	1,091,559	1,089,305	0	57,441	2,123,424	5,199,621	3,498,475	
1,267,969	0	0	0	0	0	1,267,969	91,233	
<b>25,289,630</b>	<b>1,202,002</b>	<b>1,654,026</b>	<b>0</b>	<b>57,441</b>	<b>2,798,587</b>	<b>22,491,043</b>	<b>7,403,281</b>	
0	0	0	0	0	0	0	1	
1,216,540	-105,109	0	-279,781	0	174,672	1,041,868	330,099	
<b>1,216,540</b>	<b>-105,109</b>	<b>0</b>	<b>-279,781</b>	<b>0</b>	<b>174,672</b>	<b>1,041,868</b>	<b>330,100</b>	
<b>26,676,848</b>	<b>1,112,563</b>	<b>1,699,968</b>	<b>-279,781</b>	<b>57,487</b>	<b>3,034,825</b>	<b>23,642,023</b>	<b>7,783,926</b>	

# Independent Auditor's Report

We have audited the consolidated financial statements prepared by the EnviTec Biogas AG, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 01/01/2007 to 12/31/2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to §315a Abs. 1 HGB (and supplementary provisions of the articles of incorporation) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation,

the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion. Our audit has not led to any reservations. In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB (and supplementary provisions of the articles of incorporation) and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 28 March 2008

**Rödl & Partner GmbH**  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

**Dr. Hegenloh**  
Wirtschaftsprüfer  
[German Public Auditor]

**Prof. Dr. Jordan**  
Wirtschaftsprüfer  
[German Public Auditor]

# Glossary

A	B	C	D
<b>Acetic Acid</b> The oldest known and most important carbonic acid to this very day, it is an important precursor for methane accumulation	<b>Bacterium</b> A single-celled, microscopic prokaryotic organism: a single cell organism without a distinct nucleus	<b>Biogas</b> Gas which develops during the anaerobic decomposition of organic substances	<b>Condensation</b> Compression of gas or vapour into liquids
<b>Acid level</b> The total acid in the fermenter. High loads in the fermenter in the starting phase lead to very high concentration of acid.	<b>BHKW (Blockheizkraftwerk)</b> Block heat and power plant	<b>Biogas Cleaning</b> Precipitation of humidity and corrosive gas from the biogas to protect the engine	<b>Container load</b> <i>&gt; Digestor load</i>
<b>Adaptation</b> Ability of microorganisms to adapt to an elevated pH-value without experiencing disturbances in the process biology	<b>Biomass</b> Energy source from organic substances, where scorched biomass releases only the amount of CO <sub>2</sub> which it has taken from the atmosphere during growth. That's why the energy production does not contribute to the greenhouse effect.	<b>Block heat and power plant</b> Engine with an attached generator for production of electricity and heat	<b>Corn acceptance</b> Accepting technique for supply inventory and consistent feeding of a biogas plant with corn silage
<b>Aerobe</b> A microorganism that grows in the presence of oxygen. See Anaerobe organisms.	<b>Biodegradation</b> Process of decomposition of organic substances by microorganisms	<b>Corrosion</b> Chemical alterations in the material at the surface of solid bodies, i.e. the fermenter	<b>Crusher</b> Conditioning method with the target to increase the accessible surface of the material
<b>Agitator</b> Machine for the consistent mixing of substances in tanks	<b>Bioethanol</b> Ethanol produced from biomass	<b>Decomposition speed</b> Speed of decomposition of the organic substance. It depends on the condition, surface and composition of the basic substances as well as the temperature in the fermenter.	<b>Deodorisation</b> Removal of disturbing odors of odor intensive substances to avoid emission
<b>Air Pollution Prevention</b> In some countries it may be necessary to observe the emissions of odours, harmful substances and dust.	<b>Biofertiliser</b> Fertiliser produced from biomass	<b>Deposits</b> Procedure that occurs especially in heterogeneous substances which tend to segregate and which can be avoided in a container with smooth walls, agitator and a flow temperature that is not too high	<b>Desulphurisation</b> Precipitation of hydrosulphide from biogas
<b>Amino acid</b> Any of 20 basic building blocks of proteins. Composed of a free amino (NH <sub>2</sub> ) end, a free carboxyl (COOH) end, and a side group (R).	<b>Carbon dioxide</b> Gas that develops when fossil combustibles like coal, oil or natural gas are used. CO <sub>2</sub> is the main cause for the greenhouse effect that changes the climate.	<b>Coal</b> Fossil energy source with low energy content. Almost two thirds of the electricity used in Germany is produced in coal power plants. In comparison to all other energy sources coal causes the highest CO <sub>2</sub> emissions.	<b>Digestion</b> <i>&gt; Fermentation</i>
<b>Anaerobic organisms</b> Organisms which can temporarily or continuously live without free oxygen. Anaerobic bacteria convert biomass into fermentation (bio) gas.	<b>Cellulose</b> Cell membranes which are hard to decompose microbially	<b>Colonisation surfaces</b> Serve bacteria as location/surface habitat	<b>Digestor load</b> Amount of additives consisting of organic dry substances per cubic meter of fermenter volume and day
<b>Anhydrous mass</b> Organic and inorganic components of the input material. Only the organic part of the anhydrous mass can be used for methane production.	<b>Combustion engine system</b> Engine for the production of electricity, steam, warm water and process heat	<b>Combustion heat output</b> Amount of energy from a BHKW that is necessary for a full load operation	<b>Dry fermentation</b> Plant in which predominantly dry substrates are fermented to become compact and which cannot be agitated. This supplies less gas than wet fermentation.
<b>Anionic trash</b> Substances that can impair the functionality of the plant and are removed manually or mechanically	<b>Condensation</b> Humidity that is separated from biogas through condensation	<b>DVGW-Codes</b> Codes for the manufacturing of gas containers	
<b>Antibiotics</b> A class of natural and synthetic compounds that inhibit the growth of or kill other microorganisms. Also used as feed additives that inhibit the process biology and aeration similar to the inhibitors NH <sub>4</sub> respectively NH <sub>3</sub> as well as the heavy metals copper and zinc.	<b>Condensate shaft</b> Shaft for collecting and pumping down of the accumulating condensate		

**E****Ecology**

The study of the interactions of organisms with their environment and with each other

**Ecosystem**

The organisms in a plant population and the biotic and abiotic factors which impact on them

**Electricity home requirements**

Electricity requirement of the plant in order to hold up the operation

**Emission**

Releasing of harmful substances or odours into the environment

**Enzymes**

Proteins that control the various steps in all chemical reactions

**F****Fermentation**

Process of turning biomass into biogas with the aid of microorganisms

**Fermenter**

Airtight heated tank for the anaerobic decomposition of organic substances

**Fermenter-heater**

Heating system in the fermenter for acceleration of decomposition of anaerobic substances

**Fermenting**

Biochemical process where organic substances are decomposed through anaerobic microorganisms and energy is obtained

**Fermenting residue processing**

Separation of the fermenting residue into solids, fertiliser concentrate and water inspecial treatment plants

**Federal-Immission-Protection-Law (BlmSchG)**

A german law with the goal to protect people, animals, plants, soil, water, atmosphere, cultural and other real assets from harmful environmental effects.

**Fertilising Value**

Quality of the fermenting residue regarding certain substances of content i. e. nitrate, phosphate or potash

**Flare**

Safety device for safe combustion of excess gas

**Flexo-Roof**

Roof cover made of foil for fermenters and storage tanks with or without gas storage bubble

**Flow temperature**

Temperature in the heating water before the heat is withdrawn in heat usage

**FOS (volatile organic acids)**

Amount of different acids in the fermenter measured in mg/l

**Fossil energy sources**

Energy source which, in contrast to renewable raw materials, does not grow again. Brown coal, anthracite, natural gas and crude oil are such fossil energy sources.

**Fuel Cell**

It turns hydrogen and oxygen into water by releasing energy and heat.

**G****Gas engine**

Piston-power machine that is driven by combustible gas. It is used et al. for power- and heat generation in block heat and power plants and biogas plants as well as drive for vehicles.

**Gas injection**

Method for mixing different substances in the fermenter. Biogas is compressed by high pressure through injectors at the bottom of the fermenter.

**Gasmembrane**

Gas-tight foil for collecting and storing the biogas

**Generation of Methane**

Process that occurs during the production of biogas

**Generation time**

Time it takes for reproduction of bacterial cultures

**H****Hammermühle (hammer-mill)**

Electrical device for processing input substances by crushing the material

**Heat exchanger**

Apparatus for conveying heat between two heating systems

**Heat Value**

Energy contents of fuel-gas; unit: kilowatt hour per norm cubic metre

**Hydrolyse**

One of a total of four biochemical singleprocesses in the fermenting of biomass. With the aid of microorganisms amongst others the biopolymers are separated into monomeric basic modules or other soluble decomposition products.

**Hydrosulphide**

Type of gas that is generated during the biogas production and has to be separated from biogas through desulphurization before it can be used because it can cause corrosion damage in the engine

**Hygienisation**

Pasteurising, i.e. heating of the input material to 70 degrees centigrade for one hour to kill the bacteria and germs.

**I****Immission-protection Law**

Regulation for plants for biological treatment of waste products. According to this regulation it may not come to a dangerous impact on humans, animals or nature

**Immersion agitator**

Fast running propellers which mix the input substances evenly at 300–400rpm. Variable position within the fermenter.

**Inhibition**

Process which reduces the generation of methane i.e. through acids

**Input material**

Substances which are suitable for the operation of a biogas plant, like liquid manure, dung, bio waste, renewable raw products et al.

**Insulation**

Heat insulation of components against frost, protection against loss of heat and prevention of temperature fluctuation

**L****Lignin**

Wood substance or an element in the wood which cannot be decomposed in the anaerobic process

**Long-distance heating**

Heat that develops during the power production in heating- or block heat and power plants. It gets to the consumer by help of steam or hot water through pipelines.

<b>M</b>		
<b>Maintenance</b>		<b>Pressure control device for pipes</b> Safety equipment for pressure monitoring
<b>Manhole</b>		<b>Propagation calculation</b>
<b>Membrane technique</b> Filtration technique with pore-membranes for cleaning of the waste water		Calculation of the immission prognosis of pollutants and odours. It considers wind direction, wind velocity, vertical temperature layers et al.
<b>Methane</b> Combustible type of gas, which is generated during the bacterial decomposition of biomass. Methane is the substance in biomass that can be used for energy production. The higher its proportion the more valuable i. e. higher in energy is the biogas.		<b>Propionic acid</b> Type of acid which is not desired in the process. It is generally enriched in process failures and is an additional obstruction for the aerobic metabolism.
<b>N</b>		<b>Protein</b>
<b>NaWaRos (Nachwachsende Rohstoffe)</b> > <i>Renewable primary products</i>		Proteins are generally based on amino acids which are the most important input substances next to carbohydrates and fats.
<b>Natural gas</b> Fossil fuel. Natural gas is considered the cleanest fossil energy source because it contains the lowest amount of carbon in comparison to coal and crude oil and thus generates the least CO <sub>2</sub> emissions.		<b>R</b>
<b>Noise emission</b> In the process of licensing the plant some countries have noise emission levels that should not be exceeded.		<b>Raw glycerin</b> Substance that accrues when bio diesel is made
<b>Noise reduction</b> In some countries it may be necessary to consider the location, building materials and the execution of the construction because of the noise emission limitations.		<b>Recirculation shaft</b> Insulated tank which holds fermenting substrate after it is taken from the fermenter. It is necessary for example when fermenting substrate is used for mixing the fermenter input material.
<b>Nuclear energy</b> Heat energy that is released when splitting uranium-atomic cores. 27% of the electricity in Germany comes from nuclear power plants. Because of the risks in splitting atomic cores and disposing of the fuel rods the last German nuclear power plant is planned to be taken off the net in 2025.		<b>Regenerative energy sources</b> Resources which are not limited in comparison to fossil energy sources, i. e. water, wind, photovoltaics and biomass. On top of this they are climate- and environment friendly.
<b>P</b>		<b>Renewable energies</b> > <i>Regenerative energy sources</i>
<b>Pasteurising</b> > <i>Hygienisation</i>		<b>Renewable primary products</b> Products from agriculture or forestry operations used for industry or the production of heat, electricity and other forms of energy.
<b>PH-Value</b>		<b>Retention period</b> Time period that the substance remains in the fermenter and is incumbent to the organic decomposition
<b>Photovoltaics</b>		<b>Reverse cooling</b> Process where the substances that are heated during hygienisation are cooled before being fed into the fermenter
<b>Pilot injection gas engine</b>		<b>Risk material</b> Input material that cannot be used for fermenting because of its risk potential Rotary piston pump Device for inserting substances into the fermenter
<b>Placing into operation</b>		
<b>Plant safety</b>		
<b>Power-heat</b>		

**S****Sedimentation**

> *Sedimentary deposition*

**Sewage sludge regulation**

Regulation which determines the limit value for the pollution of sewage sludge with heavy metal and other harmful substances among others

**Stable disinfectant**

Substances that can retard the biogas production when overdosed

**Steam production plant**

Plant for production of hot steam and process steam

**Squeeze ramming separator**

Device for dehydrating substrates

**Switching room**

Location of the central control station of a biogas plant

**T****TA air**

Technical manual for air pollution prevention

**TA noise**

Technical manual for the evaluation of sonic immissions

**Total Acid Concentration**

Amount of the different acids in the fermenter, measured in milligramme per litre

**U****Ultrafiltration**

Procedure for the conditioning of fermenting residue. It normally takes place after the first compact/liquid separation and is the precursor of reverse osmosis.

**V****Vaporising facility**

Facility for vaporising i.e. water, to lower the water contents in a product

**Vertical flow**

Vertical movements of substrates in a tank

**W****Water power**

Natural power source for the electricity production. More than 20% of the electricity worldwide originates from water power plants. Only 20% of the water power assets worldwide are used.

**Watt**

Unit of measurement for electric power capacity according to James Watt (1736–1819), the inventor of the steam engine. 1 kilowatt = 1,000 watts; 1 megawatt (mw) = 1,000,000 watts.

**Wet Fermentation Plant**

Reactor where substrates are fermented when they are wet

**Wind power**

Inexhaustible energy source where the natural current energy of the wind is used for electricity production

# Imprint

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