

# 2007/2008

ANNUAL REPORT

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a TRADITION of INNOVATION

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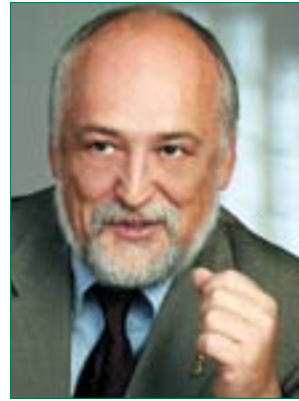
***Annual Report for the year ended 30 June 2008***

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# Focusing on the economy



*Mag. Edmund Müller*  
*Managing Director*



*Hon.-Prof. Dr. Bernhard Pelzl*  
*Managing Director*

**J**OANNEUM RESEARCH is an entrepreneurial innovation and technology provider with a high real net output ratio and a core mission to position itself in Styria as an outstanding technology provider. To meet these demands, we must provide top-quality, internationally visible research with a high relevance for the Styrian science and business sectors.

This mission is defined in the »Strategic Framework Plan« that was discussed in-depth and was subsequently approved by the Province of Styria (the majority owner), by the Provincial Government in June and the Provincial Parliament in October. This document is now the basis for the future development of our institution.

At a time of economic slowdown, research in general and JOANNEUM RESEARCH in particular attains a new level of significance. We see our role as that of an instrument to safeguard the competitive power of Styria as a research and business location. There are definite opportunities in sight, as Styria is a leading research location.

According to the latest available studies, Styria's R&D quota has reached a record level of 3.9%. Thus Styria ranks ahead of the rest of Austria's provinces by a considerable mar-

gin and is well above the Austrian average of 2.46%. For several years running, Styria has also significantly exceeded the research quota of 3% specified by the EU in the Barcelona Target for 2010. The province thus ranks among the leading research regions in Europe and is on course towards achieving the quota of 4% defined by the Styrian Research Strategy as its target for 2010. JOANNEUM RESEARCH aims to continue its efforts to support this trend.

# Pioneering research



*Mag. Kristina Edlinger-Ploder  
Regional Minister for Science & Research,  
Transport and Technology*

**R**esearch and development are the two main engines of social development and economic growth. According to the Austrian Institute of Economic Research, approximately two-thirds of our wealth are derived directly or indirectly from research and development, technology and innovation.

The growing international dimension in the research world and the enormous political significance of R&D clearly highlight the need for regional strategies. In addition to overarching guidelines (such as the Styrian Research Strategy) and consulting from external experts (Styrian Research Council), the development of a business and research location also depends on the presence of an efficient implementation system. The sooner the protagonists that are needed for success can set to work on specific tasks, the faster and more sustainable the development of R&D for our location will be. Our research facility, JOANNEUM RESEARCH, acts as a strong and reliable partner in this continuous growth process.

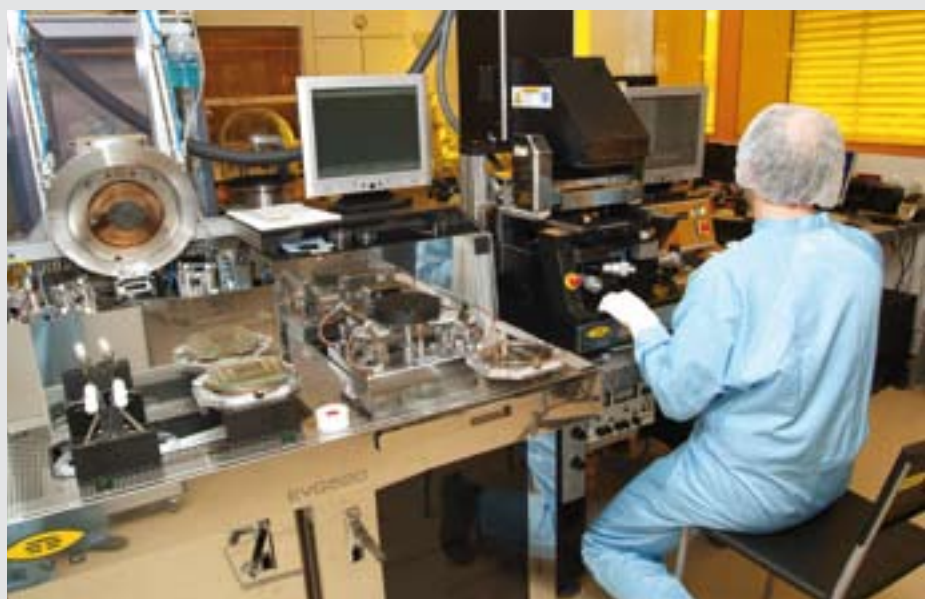
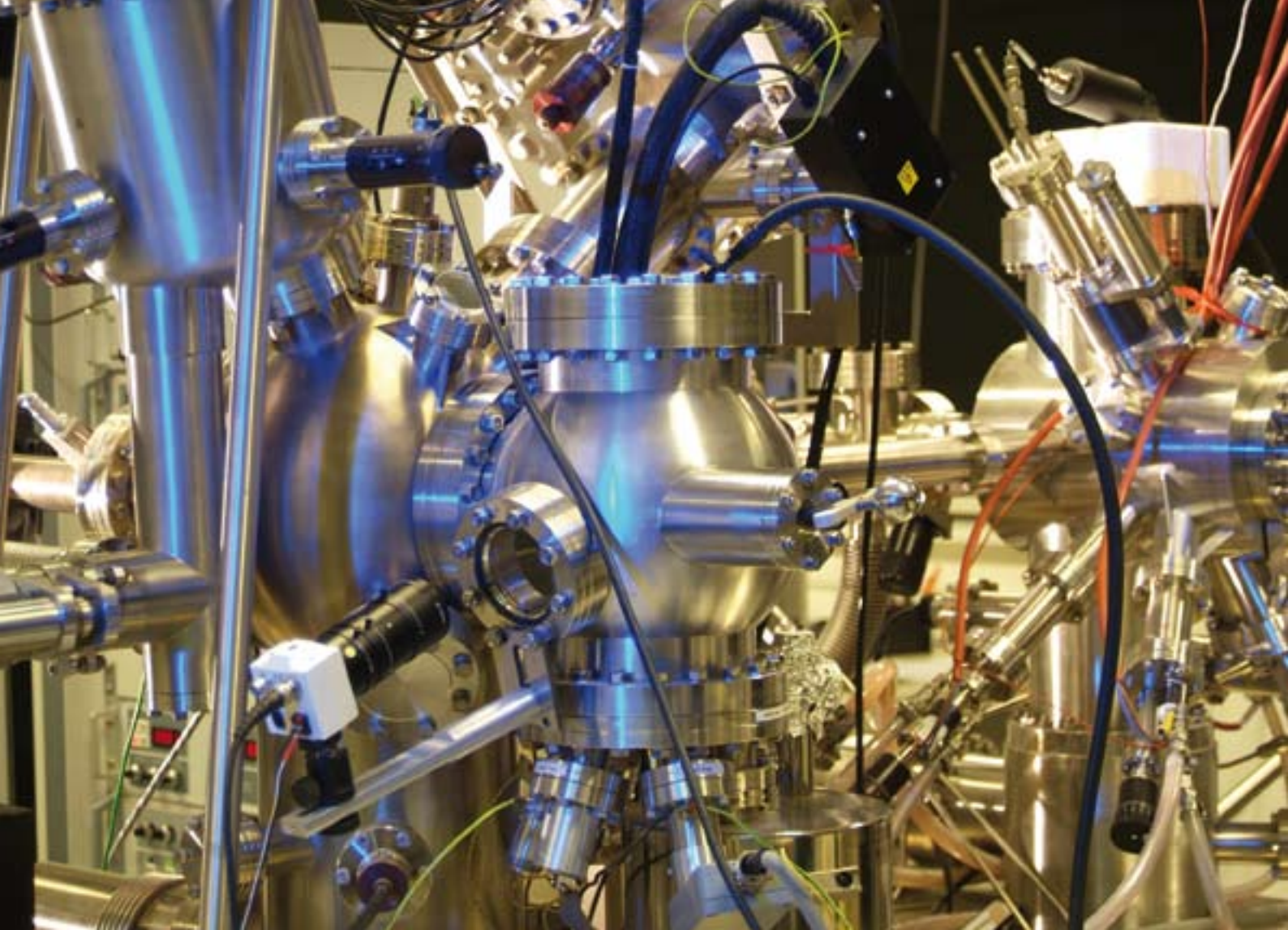
As Austria's leading research region, Styria has the highest R&D quota of all the Austrian provinces. It has an especially high density of competent research facilities which exhibit an

impressive degree of networking that has come to be quoted among the EU regions as a best practice example. One of the reasons for this success story is Styria's commitment to forward thinking – both to determine new research topics and issues to focus on in the future and in drafting clear strategic goals.

From this position of strength we launched an intensive thinking and discussion process in 2007 about the future role and focus of JOANNEUM RESEARCH in Styria and its contributions to Styria as a research and business location.

The result was a framework plan which includes specific targets – such as areas of specialisation in our top-ranking institutes, technology transfer and regional impact – and which will help JOANNEUM RESEARCH to continue acting as one of the main driving forces of the economic development of the province. I should like to thank all the employees of JOANNEUM RESEARCH and the advisory bodies for their dedication to achieving our common goal: continuing to advance Styria's role as a top international research region.





# Research for the business sector

Meyers Lexikon Online, one of the largest German-language online encyclopaedias, integrates user-generated content with editorially reviewed articles to create an up-to-date, reliable knowledge base. Some of the key components of this innovative knowledge portal were developed by the Institute for Networked Media at JOANNEUM RESEARCH in cooperation with the Know Centre. Expertise from Graz also went into other products, such as the digital Brockhaus encyclopaedia and the recently published Brockhaus Multimedial 2009.

And one could fill an entire encyclopaedia just by documenting the many projects in which Styria's JOANNEUM RESEARCH performs R&D for the industrial sector or cooperates with businesses to perfect new developments. This represents a core commitment to our business location that is made possible by our internationally acknowledged expertise.

Take materials research, for example. The Institute of Nanostructured Materials and Photonics contributes exciting developments in this field. For instance, while white light is ubiquitous in everyday life and improves our well-being and our ability to concentrate, the full technical potential of LEDs as an artificial source of white light has not yet been realised. JOANNEUM RESEARCH has thus concluded a long-running research agreement with LEDON Lighting Jennersdorf GmbH, a member of the Zumtobel Group, to optimise and miniaturise technologies for generating white LED light.

The Leoben Laser Center focuses on the use of light as a tool. Over the past decade, laser welding has become established as one of the key technologies in the field of automobile manufacturing. JOANNEUM RESEARCH develops design concepts for laser-welded transmission and drive components for easier and more cost-effective manufacturing. Additionally, JOANNEUM RESEARCH cooperates with

Magna on a continual basis and manufactures small series of laser-welded transmission components for clients such as ZF-Steyr.

The Institute of Digital Image Processing developed a test method for high-quality rails using an automatic inspection system. Together with Knorr Technik of Kapfenberg, we are now working to expand this method to include a product recognition system for end clients in Spain and Poland.

Safety on the roads is one of the areas of study of the Institute of Applied Systems Technology. Acoustic tunnel monitoring can be used to automatically identify sounds and thus reduce the response time in the case of accidents. The system was developed together with ASFINAG and will now be further improved and brought to the market in cooperation with industrial partners. Sounds of a very different kind are the subject of a project for Atronic International GmbH in Unterpemstätten near Graz. In this project, which deals with sound design for gaming machines, focus groups are used to investigate the subjective perception of sounds. At the same time, the objective properties of the sound source are also analysed. The Institute of Applied Statistics and Systems Analysis uses this information to identify the interrelationships between the two aspects and determine the best possible sound.

Joint developments are also underway in cooperation with small, specialist businesses such as MediaServices GmbH and HS-ART Digital Service GmbH. For example, the Institute of Information Systems & Information Management is developing software that enables the efficient, automatic evaluation of the quality of digitised and original digital audio-visual media. This includes the development of new methods for quickly detecting image stability problems, flickering, and »frozen« or corrupted frames.







Sometimes research projects lead to the creation of new companies. This happened in the case of CLINICIP, an 11 million euro EU project on e-health that was carried out in the Sixth EU Framework Programme. Even healthy people can suffer a potentially lethal rise in blood sugar levels as a result of shock or trauma. The Institute of Medical Technologies and Health Management developed a system that automatically processes the patient's current blood sugar level to adjust the required insulin dose and that also communicates with other life-support systems. To continue the development of this system, the spin-off company »Smart Medical Solutions« was founded in 2008 by the Graz University of Technology, the Medical University of Graz and JOANNEUM RESEARCH. The company aims to build on this research work to develop and manufacture a glucose sensor for intensive care units.

The Institute of Non-Invasive Diagnosis deals with a very different branch of medicine. The institute used psychological and physiological parameters – reductions in heart rate, increases in vagal tone (a recovery parameter) and rhythmic coordination between heartbeat and breathing – to study the short-term and medium-term effects of wellness holidays at Carinthian lakes.

Quality control is also the speciality of the Institute of Chemical Process Development and Control. Working together with Kirchmayer Handel + Consulting GmbH, this institute examined the quality of crown caps in a project for the Brau Union brewery group using a procedure that enables the oxygen content of a full bottle to be measured without destroying the bottle. Oxygen content is an important parameter for the shelf life of beer and the tightness of the seal.

Environmental issues play a prominent role in the broad scope of R&D services provided by JOANNEUM RESEARCH. The Institute of Water Resources Management used a groundwater model for the Grazer Feld region to study the effects of the two planned hydroelectric plants on the River Mur, one in Gössendorf and the other in Kalsdorf, for the power utility company STEWEAG-STEAG, a subsidiary of Energie Steiermark. Assessments of this kind are performed throughout Austria.

»Green Brewery« is a project by the Institute of Sustainable Techniques and Systems that aims to minimise or even eliminate the emission of climate damaging carbon dioxide during beer production. This will be achieved by increasing efficiency, using renewable energy sources and developing innovative energy concepts for Austria's breweries.

The Institute of Energy Research is collaborating with Schiedel GmbH & Co. on the precipitation of particulate matter in biomass heating systems. The aim is to develop new filters for integrating into chimneys – and thus to create a completely new product.

The Institute of Technology and Regional Policy takes a different approach to environmental issues and represents the contribution of JOANNEUM RESEARCH to helping Austria's tourist destinations adapt to climate change. In a project for the Austrian Hoteliers Association, many worried tourism businesses were provided with the objective information that is needed for adapting to the new challenges.

# Highlights of the business year 2007/2008

## Effects of climate change



Dr. Franz Prettenthaler, JR Managing Director Hon.-Prof. Dr. Bernhard Pelzl, Regional Minister Johann Seitingner, Dr. Andreas Dalla-Via, Mag. Herwig Stöger

The JOANNEUM RESEARCH study »Wasser & Wirtschaft im Klimawandel« highlighting the impact of climate change on water and the economy was presented on the Mur Island in Graz on 1 August 2007.

## Energy Globe STYRIA AWARD



The award is presented to the research team

On 30 October 2007, the JOANNEUM RESEARCH Institute of Sustainable Techniques and Systems received the most prestigious regional energy award in the category »Innovative Energy Research« for the »Styrian Promise« project carried out in cooperation with AEE INTEC and Graz University of Technology.

## Nanotechnology research award



JR Managing Director Hon.-Prof. Dr. Bernhard Pelzl, Regional Minister Mag. Kristina Edlinger-Ploder, Research Council Chairman DI Dr. Knut Consemüller, JR Managing Director Mag. Edmund Müller

The Styrian Research Award for Nanosciences and Nanotechnologies was presented in the Helmut List Hall on 13 November 2007.

## Austrian research dialogue



JR Supervisory Board Chairman Univ.-Prof. Dr. Wolf Rauch, Regional Minister Mag. Kristina Edlinger-Ploder, JR Managing Director Hon.-Prof. Dr. Bernhard Pelzl

JOANNEUM RESEARCH organised a forum for the exchange of ideas and information between science and industry in the Graz Congress convention centre on 28 January 2008.

# JOANNEUM RESEARCH

## *was there*

**»Applied Research for a New Europe: Technology Transfer in the European Region Adria-Alpe-Pannonia«**

22 August 2007  
Alpbach

**Innovation Conference »Turning knowledge into practice«**

23–24 October 2007  
Berlin

**SALERO First User Group Event**

15 February 2008  
Barcelona

**1st NANOFORUM 2008**

24 April 2008  
Weiz

**5th International Exhibition of Innovations, New Ideas and Products**

11–16 September 2007  
Zagreb

**Workshop »Climate Change in South-Eastern European Countries«**

14–15 November 2007  
Belgrade

**»New Media for a New Millennium«**

06–07 March 2008  
Hilversum

**Conference on »Ethics in Research«**

26 May 2008  
Vienna

**2nd Austrian Hydrogen Conference**

26–27 September 2007  
Graz

**14th International Multimedia Modeling Conference**

09–11 January 2008  
Kyoto

**»R&D and Innovation in the Western Balkan Countries – Challenges, Programmes, Partners«**

22 April 2008  
Graz

**34th Annual Conference on Intensive Care in Neonatology and Paediatrics**

29–31 May 2008  
Zurich

**3rd Congress of the Alps Adria Acoustics Association**

27–28 September 2007  
Graz

**InnovAction Knowledge, Ideas, Innovation**

14–17 February 2008  
Udine

**International Symposium »Water Resources and their Management«**

22–23 April 2008  
Graz

**Green Panther 2008 Styria Sambucus**

24 June 2008  
Graz



# Divisions and Institutes

## Key research areas 2007/2008

JOANNEUM RESEARCH is one of the largest regional technology centres in Central Europe, employing over 400 highly qualified staff in 14 research units. The role of JOANNEUM RESEARCH as an innovative partner for business and administration is reflected in its wide range of services: applied research and development for domestic small and medium-sized enterprises is supplemented by customised technical and scientific consulting and vast expertise in the interdisciplinary management of complex research contracts at a national and international level.

### ► **Division 1: Sustainability and Environment**

#### **Institute of Water Resources Management**

- ▷ Applied hydrogeology and mountain catchment hydrology
- ▷ Water management of basins
- ▷ Geothermics and deep groundwater
- ▷ Applied geophysics
- ▷ Geochemistry and isotopes

#### **Institute of Sustainable Techniques and Systems**

- ▷ Sustainable techniques
- ▷ Sustainability and systems
- ▷ Chemical and technical plant utilisation
- ▷ Ecosystems engineering

#### **Institute of Energy Research**

- ▷ Renewable energy sources
- ▷ Energy planning and management
- ▷ Energy, land use and climate change

### ► **Division 2: Information Technology**

#### **Institute of Information Systems and Information Management**

- ▷ Intelligent information systems
- ▷ Digital media

#### **Institute for Networked Media**

- ▷ Interactive multimedia digital libraries
- ▷ Web 2.0

### ► **Division 3: Electronics and Sensor Technology**

#### **Institute of Applied Systems Technology**

- ▷ Satellite and terrestrial broadband communications
- ▷ Radar technology, navigation and wave propagation
- ▷ Intelligent acoustic solutions
- ▷ Development of space-qualified hardware and software

#### **Institute of Chemical Process Development and Control**

- ▷ Interface processes and process development
- ▷ Sensor technology and process monitoring

### ***Institute of Digital Image Processing***

- ▷ Remote sensing
  - ▷ Geometric image processing
  - ▷ Environmental applications
  - ▷ Advanced image analyses
  - ▷ Visualisation
  - ▷ Digital photogrammetry
- ▷ Industrial image analysis
  - ▷ Pattern recognition
  - ▷ Wood inspection

### **► *Division 4: Materials and Processing***

#### ***Laser Center Leoben***

- ▷ 2D and 3D laser production technology
- ▷ Laser thin film technology (PLD)

### ***Institute of Nanostructured Materials and Photonics***

- ▷ Nanostructured organic systems
- ▷ Photophysics of nanostructured systems
- ▷ Optical and dielectric properties of nanostructured materials
- ▷ Optical and electronic properties of nanolayers

### **► *Division 5: Economy and Technology***

#### ***Institute of Technology and Regional Policy***

- ▷ Technology and innovation policy
- ▷ Regional policy
- ▷ Labour market policy
- ▷ Resource economics
- ▷ Empirical models, evaluation
- ▷ Gender mainstreaming

#### ***Institute of Applied Statistics and Systems Analysis***

- ▷ Environmental statistics (environmetrics)
- ▷ Statistics in industrial development and production (technometrics)
- ▷ Economic and social statistics (econometrics and business statistics)
- ▷ Public health management (biometrics)

### **► *Division 6: Medical Technology***

#### ***Institute of Medical Technologies and Health Management***

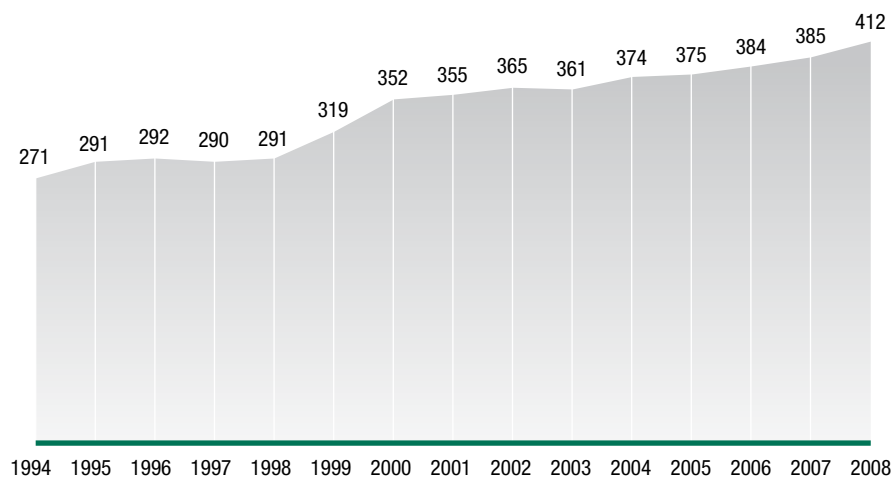
- ▷ Health management
- ▷ Medical technologies
- ▷ Bioanalytics
- ▷ Medical informatics

#### ***Institute of Non-Invasive Diagnosis***

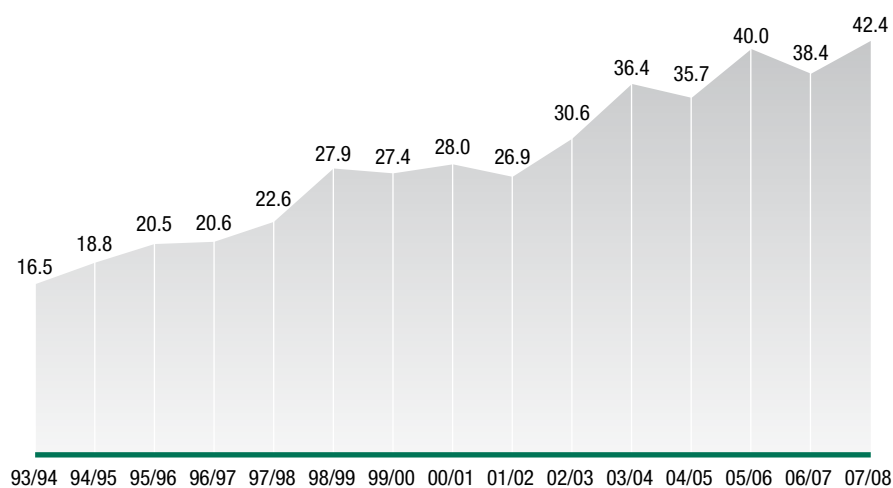
- ▷ Dynamics of the human organism
- ▷ Development and application of functional diagnostic methods and measuring instruments
- ▷ Evaluation and efficacy research – preventive medicine and medical wellness

# Key figures

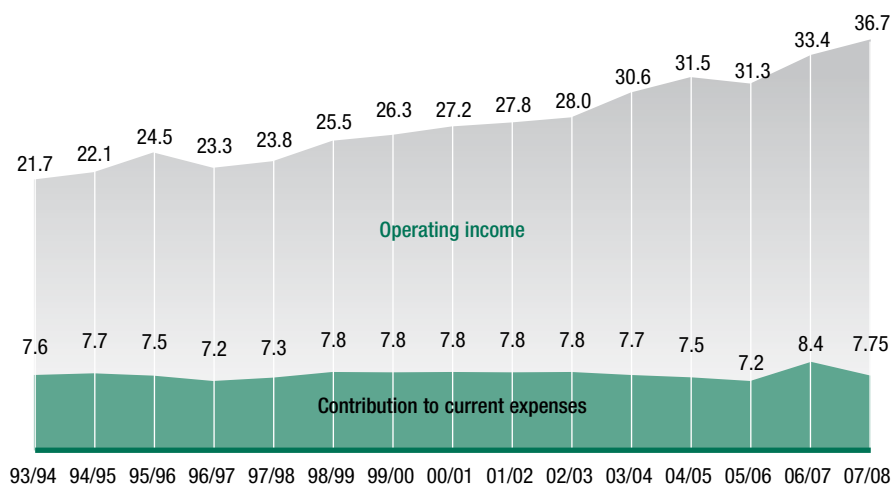
**Number of employees  
(head count  
as of 30/6)**



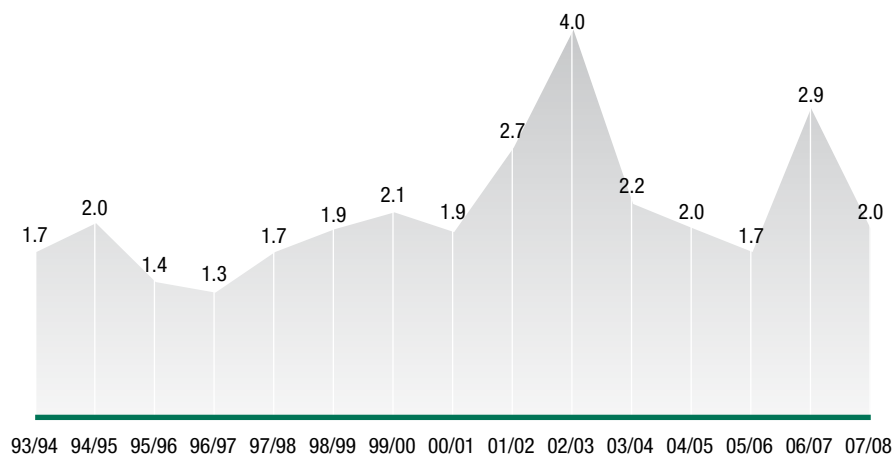
**Total assets  
(EUR million)**



**Income  
(EUR million)**



**Approved investment  
programme  
(EUR million)**





# ***Management Report***

# Corporate organisation

The Management Report covers the financial year 2007/08 from 1 July 2007 to 30 June 2008 and is divided into three sections: I. Report on business operations and economic situation, II. Report on expected development and risks, and III. Report on research and development.

## **I. Report on Business Operations and Economic Situation**

### ► **Corporate organisation**

As of 30 June 2008, JOANNEUM RESEARCH comprises 14 research units, which are run as profit centres and are thematically structured into six divisions:

Division	Number of institutes
DIV 1: Sustainability and Environment.....	3
DIV 2: Information Technology.....	2
DIV 3: Electronics and Sensor Technology .....	3
DIV 4: Materials and Processing.....	2
DIV 5: Economy and Technology.....	2
DIV 6: Medical Technology .....	2

The central functions are assigned to four departments and the management staff as of 30 June 2008.

### ► **Report on shareholdings and branches**

JOANNEUM RESEARCH holds participating interests in the following companies as of 30 June 2008:

Shares in affiliated undertakings	Share
Kompetenznetzwerk Wasserressourcen GmbH .....	100.0%
BioNanoNet Forschungsgesellschaft mbH .....	51.0%
NanoTecCenter Weiz Forschungsgesellschaft mbH .....	50.0%

The balance sheet shows Kompetenznetzwerk Wasserressourcen GmbH, Graz, BioNano-Net Forschungsgesellschaft mbH, Graz, and NanoTecCenter Weiz Forschungsgesellschaft mbH, Weiz, as affiliated undertakings.

Shareholdings	Share
Advanced Computer Vision GmbH – ACV .....	13.0%
FH JOANNEUM Gesellschaft mbH .....	14.9%
Human.technology Styria GmbH .....	7.0%
HyCentA Research GmbH .....	12.5%
Holz.Bau Forschungs GmbH .....	8.7%

The company also owns interests in the following companies funded by the Kplus Competence Centre Programme and the COMET Programme of the Federal Ministry for Transport, Innovation and Technology and the Federal Ministry for Economics and Labour (as of 30 June 2008):

Shareholdings – Kplus and COMET Programmes	Share
Angewandte Biokatalyse-Kompetenzzentrum GmbH.....	26.0%
Austrian Bioenergy Centre GmbH .....	10.0%
Kompetenzzentrum – Das virtuelle Fahrzeug, Forschungsgesellschaft mbH .....	10.0%
Kompetenzzentrum für wissensbasierte Anwendungen und Systeme Forschungs- und Entwicklungs GmbH .....	10.0%
Materials Center Leoben Forschung GmbH.....	17.5%
Polymer Competence Center Leoben GmbH.....	17.0%
Research Center Pharmaceutical Engineering GmbH <sup>1</sup> .....	15.0%

No branches have been established.

<sup>1</sup> This K1 Centre has been established within the framework of the COMET Programme.



# Review of operations

## ► Review of operations

During the financial year 2007/2008, the self-financing quota increased from 77% to 82% compared to the preceding year. This shows that JOANNEUM RESEARCH was able to consolidate its position as one of Europe's leading non-university research facilities – a fact which is also illustrated by the study »European benchmark of development trends in non-university research facilities«, which was carried out by JOANNEUM RESEARCH for the Styrian provincial government in 2005. The financial year 2007/2008 was dominated by measures both on the national and the international level to set JOANNEUM RESEARCH on course towards future successes. Thanks to contract research, successful participation in the COMET programme, calls from the Austrian Research Promotion Agency (FFG), and participation in programmes of the European Union and the European Space Agency (ESA), we achieved a contract value of approximately EUR 37.6 million. Open contracts amounted to approximately EUR 21.4 million, an increase of roughly EUR 0.8 million over the previous year.

During the business year 2007/2008, JOANNEUM RESEARCH received EUR 3.67 million in funding from the European Union. Six projects with a total funding volume of approximately EUR 2.6 million have already been approved in the course of the Seventh EU Framework Programme.

Projects carried out together with the ESA generated a turnover of approximately EUR 0.6 million and resulted in contracts worth roughly EUR 1.7 million in the business year 2007/2008.

The Agreement on Objectives for 2007-2008 between JOANNEUM RESEARCH and the Ministry of Transport, Innovation and Technology resulted in earnings of approximately EUR 3 million in the business year 2007/2008. Smart Medical Solutions GmbH (Smart Med) was founded in April 2008 as a spinoff of research projects carried out by JOANNEUM RESEARCH, Graz University of Technology (TU Graz) and the Medical University of Graz (MUG). The company develops and manufactures products for intensive care medicine with a special focus on glucose monitoring. Kompetenznetzwerk Wasserressourcen GmbH (Knet Wasser), a company wholly owned by JOANNEUM RESEARCH, was subjected to a final scientific evaluation in April 2008. A proposal to phase out the competence network by 31 December 2009 was approved.

The development of the R&D infrastructure, the corporate organisation and the basic operations of NanoTecCenter Weiz Forschungsgesellschaft mbH (NTC Weiz) was successfully completed in the business year 2007/2008, when the NTC Weiz became fully operational. JOANNEUM RESEARCH acquired an interest in a newly founded competence centre, »Research Centre Pharmaceutical Engineering GmbH«. »Materials Centre Leoben Forschung GmbH« and »Kompetenzzentrum – Das virtuelle Fahrzeug Forschungsgesellschaft mbH« will continue to operate as K2 Centres. »Kompetenzzentrum für wissensbasierte Anwendungen und Systeme Forschungs- und Entwicklungs GmbH« and »Austrian Bioenergy Centre GmbH« will henceforth operate as K1 Centres. Advanced Computer Vision GmbH (ACV) ceased operations in the business year 2007/2008.

Holz.Bau Forschungs GmbH will continue its operations as a K Project.

After closely studying the prerequisites, JOANNEUM RESEARCH applied for a research bonus in the course of its corporate income tax assessment for the first time. A bonus of approximately EUR 3 million was awarded for the business years 2005/2006 and 2006/2007.

# Financial position

## Earnings position

### ► Financial position

The development of the company assets and financial position is as follows (rounded figures): At the balance sheet date of 30 June 2008, the total assets of JOANNEUM RESEARCH amounted to EUR 42.4 million, comprising fixed assets of EUR 12.7 million, current assets (including accruals) of EUR 29.4 million and trust assets of EUR 0.3 million. The change in total assets of EUR 4.0 million is due to an increase in both fixed assets and current assets. The fixed assets increased by EUR 1.1 million due to the purchase of large-scale equipment and amounted to EUR 12.7 million (previous year: EUR 11.6 million) as at the balance sheet date. The current assets (including accruals and trust assets) increased by EUR 2.9 million to EUR 29.7 million. As at 30 June 2008, capital and reserves including public investment grants amounted to EUR 9.9 million, or 23% of total assets, as compared to EUR 8.1 million, or 21% in the previous year. Debt capital (including accruals and deferred income and trust liabilities) increased to EUR 32.5 million (previous year: EUR 30.2 million) as a result of an increase in provisions and liabilities, corresponding to 77% (previous year 79%) of total assets. The cash flow from operations as a sum of the profit for the year and the income and expenditure items (internal financing potential of the company) was EUR 3.1 million in the 2007/08 financial year. The working capital increased to EUR 7.6 million (previous year: EUR 7.2 million).

No derivative financial instruments were used in the past financial year. The financial instruments shown in the balance sheet are part of the company's general risk management reflected in the accounting and valuation principles.

### ► Earnings position

Operating revenue, including own work capitalised and other operating income and excluding contributions to current expenses, increased by EUR 4.0 million to EUR 29.0 million (previous year: EUR 25.0 million) in the business year 2007/08. This increase in operating revenue is mainly due to non-recurrent revenue (research bonus for the years 2005-2006 and 2006-2007).

In geographical terms, activities are largely concentrated within the Styrian region (36%), the proportion of international contracts amounted to 28% in the reporting year.

A breakdown according to client groups reveals that business enterprises account for 31%, public authorities in the wider sense for 47% and international organisations (mainly European Commission) for 22% of operating revenue.

Work in progress decreased by EUR 0.6 million compared to the previous year, amounting to EUR 9.2 million as of 30 June 2008.



# Capital investment

Total expenditure of EUR 35.4 million (previous year: EUR 32.4 million) consists of personnel expenses, including statutory social security contributions, voluntary social benefits and provisions for pensions and severance payments of EUR 22.6 million (previous year: EUR 21.3 million), expenses for material and services of EUR 2.4 million (previous year: EUR 3.0 million), depreciation and amortisation of EUR 2.2 million (previous year: EUR 2.1 million), and other operating charges of EUR 8.2 million (previous year: EUR 6.0 million).

Taking into account the financial results (EUR -0.3 million), the company's profit on ordinary activities for the 2007/08 business year is EUR 945,806.59.

If taxes on income (EUR 1,781.71), income from withdrawals from profit participation rights capital (EUR 207,535.00), allocations to the legal revenue reserve (EUR 57,600.00) and the profit brought forward from the previous year (EUR 1,327,251.85) are taken into account, the net profit for the year amounts to EUR 2,421,211.73.

There have been no important events affecting the company's assets, financial and earnings position in the 2007/08 business year since the end of the financial year.

## ► Capital investment

In the financial year 2007/08, an amount of EUR 3.1 million was invested in fixed assets (scientific instruments, data processing systems, furniture and fixtures).

Investment in fixed assets in the FY	03/04	04/05	05/06	06/07	07/08
Investment volume [EUR million]	2.4	2.1	1.2	1.8	3.1
Changes from preceding year [%]	-4%	-14%	-43%	+50%	+72%

The investment programme was partly financed from the EU structural funds.

# Human resources

## ► Human resources

JOANNEUM RESEARCH staff comprised 412 employees (139 women and 273 men) as of the balance sheet date, and has thus increased by 7% (previous year: 385 employees; 130 women and 255 men). Taking part-time employees into account on a proportional basis this figure corresponds to 366.6 full-time equivalents as at 30 June 2008, compared with 342.9 as at 30 June 2007.

A total of 67 new employees (28 women and 39 men) have joined and 45 employees (17 women and 28 men) have left the company since 1 July 2007, resulting in a staff turnover rate of about 11.5% (women 13.08% and men 10.98%), which is slightly below previous year's figure of 12.6%.

As of 30 June 2008, the percentage of university graduates was 66%, having slightly increased from previous year's figure of 64%; the percentage of employees having completed secondary education amounted to 22% and has thus remained practically unchanged (previous year: 23%). The number of female university graduates increased to 27% (previous year 26%). The average age of JOANNEUM RESEARCH employees is 38.1 years, and has thus remained practically unchanged (38.2 years).

JOANNEUM RESEARCH is currently training one male apprentice (mechanical fitter) and one female apprentice (chemical laboratory assistant). In the reporting year, JOANNEUM RESEARCH provided work placements for 11 female and 14 male trainees from universities and international exchange programmes. Furthermore, 6 female and 5 male students were given the opportunity to write their diploma theses and dissertations within an employment contract.

Six grants were awarded to researchers from Romania, Hungary, Poland and Slovenia for research visits to JOANNEUM RESEARCH as part of the Forschung Austria scholarship programme of brainpower Austria, an initiative launched by the Federal Ministry of Transport, Innovation and Technology (BMVIT). Funding was also provided for a research visit to Slovenia.

The measures that have been implemented in previous years to help JOANNEUM RESEARCH employees to improve their work-life balance and to create equal opportunities were continued as part of the internal »kids@JR« project.

Number of employees as at 30 June	2004	2005	2006	2007	2008
Women	114	118	128	130	139
Change from the preceding year	+5.6%	+3.5%	+8.5%	+1.6%	+6.9%
Men	260	257	256	255	273
Change from the preceding year	+2.8%	-1.2%	-0.4%	-0.4%	+7.1%
Employees total	374	375	384	385	412
Change from the preceding year	+3.6%	+0.3%	+2.4%	+0.3%	+ 7.0%

# Development and Risks

JOANNEUM RESEARCH cooperates with external organisations to provide efficient access to childcare facilities, making it possible for parents of young children to schedule business appointments independently of the opening hours of regular daycare facilities. At the same time, these facilities are publicised by means of information and communications measures. The folder »parents@JR« was developed in cooperation with staff representatives. Additionally, the corporate health promotion programme was extended to include custom-designed exercise programmes under expert supervision as well as seminars offering specialist lectures to heighten health awareness among JOANNEUM RESEARCH employees. The aim is to ensure that our employees retain their capacity to perform at a very high level.

## ***II. Report on Expected Development and Risks***

With open contracts of approximately EUR 60,000 per full-time equivalent and a total expected contract value of approximately EUR 28.9 million, the company enters the financial year 2008/2009 on a very sound footing. Despite the negative economic growth predicted by economic research institutes, the background conditions for acquiring research projects can be described as favourable. The forecasts allow us to expect a further increase in research expenditure by the public and industrial sectors both in terms of the percentage of the gross domestic product (GDP) and in absolute numbers.

According to Statistics Austria, Austria's R&D expenditure will increase from EUR 6.95 billion in 2007 to EUR 7.51 billion in 2008. This represents an expected increase in the R&D quota to 2.63% of the GDP (compared to 2.55% in 2007). The industrial sector is expected to provide EUR 3.65 billion in R&D funding (compared to EUR 3.31 billion in 2007).

Another EUR 1.16 billion, including return flows from the EU Framework Programmes, will come from international sources.

The transition to the Seventh EU Framework Programme was made during the financial year 2007/2008 with a significant increase in the funding quota compared to the Sixth EU Framework Programme. The effects of the increased quota on EU projects will become apparent in the coming financial year 2008/2009.

JOANNEUM RESEARCH participated successfully in the »Research Studios Austria« sponsorship programme by the Ministry of Economic Affairs and Labour and was awarded two of the 14 available Research Studios. JOANNEUM RESEARCH is also involved in a third Research Studio as a partner of the University of Leoben, thus receiving a total funding volume of approximately EUR 2 million. The purpose of these new research units is to strengthen and advance the development of applied research as a precursor to industrial research in Austria.

An Agreement on Objectives with a funding volume of EUR 4.74 million was concluded with the Ministry of Transport, Innovation and Technology (BMVIT) until the end of 2008. Another Agreement on Objectives with an annual funding volume of approximately EUR 2.37 million is currently being negotiated for the years 2009–2010.

The Austrian Research Promotion Agency (FFG) is the national funding agency for applied and business-oriented research in Austria. JOANNEUM RESEARCH was extremely successful in its applications for funding programmes managed by the FFG. Acknowledging and compounding overheads in funding programmes has an impact on the size of the funding and can result in reductions in project volume.

The financing of the investment programme was supplemented to a significant degree by funding from the European Regional Development Fund (ERDF). As these funds can be awarded in the new funding period only for investments that are not used for contract research, this source of funding will be available exclusively for independent research.

In the past financial year, the development of the Institute of Sustainable Techniques and Systems gave rise to a comprehensive evaluation which was carried out with external support. The results of this evaluation will be available in autumn of 2008.

The Styrian Provincial Government, as the majority owner, approved the JOANNEUM RESEARCH Strategic Framework Plan in June 2008 and submitted it to the Styrian Provincial Parliament as a government bill. The JOANNEUM RESEARCH Strategic Framework Plan was approved by shareholder decision on 25 June 2008. This approval forms the basis for its implementation within the company, for example by designing the transitional process including the establishment of core processes and key research areas and the development of road maps. At the same time, the update of the business concept was approved until 2010.

# Research and Development

## III. Report on Research and Development

According to the policy papers of the Styrian Provincial Government, the following research fields represent the core topics of significance for the region: (1) Materials Research; (2) Automotive, Transport and Mechanical Engineering; (3) Chemical Engineering and Process Engineering; (4) Human Technologies; (5) Telecommunications, Information Technology, Media and Electronics; (6) Environmental Research and Technology; (7) Energy Research and Technology; (8) Building Technology and Wood Construction; and the emerging fields of (9) Nanotechnology; (10) Computer Simulation and Mathematical Modelling.

The »fields of strength« that are defined and illustrated in these policy papers also represent the scientific strengths of JOANNEUM RESEARCH. They are reflected in its 14 institutes organised in six divisions and cross-cutting research areas, as well as in the competence centres, CD laboratories, clusters and industrial research networks funded by the Science Department of the Styrian Government (NANONET Styria, SIMNET Styria, NUBIOR). JOANNEUM RESEARCH is involved in many of these institutions on behalf of the Styrian Government, playing a leading role as an »organisational network node«.

Researchers at the Institute of Water Resources Management and the international Waterpool competence network at JOANNEUM RESEARCH help to ensure the quality and availability of drinking water in Styria. Numerical groundwater modelling is one example of their activities. Because of the intensive utilisation of valleys and basins in Austria, there is a growing need to predict the impact of various measures on groundwater resources. Such measures include the construction and operation of additional hydroelectric power plants, the construction of underground infrastructure, changes in land use through surface sealing or changes in agricultural utilisation, the use of groundwater for heating and cooling purposes, and the tapping of groundwater to use as drinking water and process water. Numerical groundwater modelling enables researchers to identify possible detrimental effects in time to prevent harmful consequences.

To support quality assurance measures in geriatric care centres, the Institute of Medical Technologies and Health Management developed a documentation standard for open benchmarking procedures as part of the project »Developing a benchmarking system for acute geriatric care/remobilisation institutions – benchmarking in geriatrics«. Additionally, the association »Quality in Geriatrics and Gerontology – QiGG« was founded.

The Styrian Innovation Monitor 2008 was prepared by the Institute of Regional and Technology Policy for INNOREGIO STYRIA and the Styrian Government (Department 3 – Science and Research and Department 14 – Business



and Innovation). This study describes the innovation behaviour of the industrial sector and the framework conditions for innovation in Styria according to the following criteria: attitude of businesses to innovation; attitude of regional actors such as research facilities and universities; and hard facts on R&D and innovation in businesses based on statistical data. Many projects were developed together with Styrian universities. To give a few examples: Scientists at the University of Graz and researchers at JOANNEUM RESEARCH's Institute of Information Systems and Information Management used modern forensic methods to examine mediaeval manuscripts in the project DAmalS. This joint project succeeded in developing a method of identifying the handwriting of different scribes in mediaeval manuscripts, creating the basis for handwriting analyses that could also be used on modern writing samples. Computer-assisted image processing methods are used to identify a »handwriting fingerprint« which is far more accurate than any other procedures to date. NanoTecCenter Weiz Forschungsgesellschaft mbH (NanoTecCenter Weiz), which was founded by JOANNEUM RESEARCH and the Graz University of Technology, moved into its premises in the Energy and Innovation Centre II in Weiz in 2007 and became fully operational with the opening of the clean room and the entire R&D infrastructure. This represents a significant focal point of nanotechnology activities in Styria and Austria as a whole in the research and technology segment of »nanostructured materials, process and component development for optoelectronics, sensor technology and nanoanalytics«.

The R&D infrastructure makes it possible to produce functional models and prototypes of optoelectronic components and integrated sensors in a pilot and demonstration plant. The NanoTecCenter Weiz and the Institute of Nanostructured Materials and Photonics hosted the NANOFORUM in Weiz on 24 April 2008. Over 60 researchers from all over Austria attended this event.

BioNanoNet Forschungsgesellschaft mbH (BioNanoNet) and JOANNEUM RESEARCH support the Medical University of Graz in developing a biobank for systematically collecting and storing biological samples and related clinical data in a structured and usable form. The EURO-NanoTox institute was founded by BioNanoNet and JOANNEUM RESEARCH's Institute of Medical Technologies and Health Management together with the Institute for Pharmaceutical Technology at the University of Graz, the Institute for Technology Assessment at the Austrian Academy of Sciences, and the Centre for Medical Research at the Medical University of Graz. EURO-NanoTox is an internationally visible national port of call for issues related to nanotoxicology and is coordinated by the BioNanoNet research association.

Founding spin-off companies is one of the aspects of JOANNEUM RESEARCH's technology policy. NextSense Mess- und Prüfsysteme GmbH was founded as a spin-off company on 31 December 2006 by employees of the Institute of Digital Image Processing. The company specialises in innovative measuring and testing solutions that are based on profile measuring technology developed at JOANNEUM RESEARCH.

NextSense Mess- und Prüfsysteme GmbH won the Fast Forward Award 2007 presented by the Styrian Business Promotion Agency for outstanding innovation in the »Microbusinesses« category. Another spin-off, Smart Medical Solutions GmbH (Smart Med), originated from research projects carried out by JOANNEUM RESEARCH, the Graz University of Technology (TU Graz) and the Medical University of Graz (MUG). The company is based on the expertise of JOANNEUM RESEARCH's Institute of Medical Technologies and Health Management in the field of glucose monitoring. Smart Med was founded on 1 April 2008 as a developer and manufacturer of products for intensive care medicine.

JOANNEUM RESEARCH scientists frequently win prizes for the high quality of their work. In July, a researcher at the Institute of Chemical Process Development and Control received the ARGE Sensorik Prize 2007 for outstandingly innovative work. In October, the Institute of Sustainable Techniques and Systems won the Energy Globe STYRIA AWARD in the »Innovative Energy Research« category for its project »Styrian Promise«. This project was carried out in cooperation with AEE INTEC in Gleisdorf and the Graz University of Technology (TU Graz). The advertising campaign for the STYRIA SAMBUCUS range of natural skincare products developed by JOANNEUM RESEARCH's Institute of Sustainable Techniques and Systems in cooperation with »Steirisches Thermenland« and Styrian spa resorts won the GREEN PANTHER award in gold on 24 June 2008.

The UN climate change panel IPCC received the Nobel Peace Prize in 2007. JOANNEUM RESEARCH has contributed significantly to the work of the IPCC in recent years. The Institute of Energy Research contributed a chapter on biomass energy technologies to the 2007 IPCC Report. It was also involved in the assessment of global potentials for reducing emissions in the energy sector and collated data on material and energy flows in the global energy system as an aid for political decision-makers.

JOANNEUM RESEARCH is aware of the necessity of continuing to internationalise its research and therefore engages in a policy of consistently and systematically increasing its presence in the Adria-Alpe-Pannonia region. To this end, the institution has entered into cooperation agreements with the Jožef Stefan Institute in Slovenia and the Ruđer Bošković Institute in Croatia as well as engaging in numerous other activities. The many coordinated activities of JOANNEUM RESEARCH in the Western Balkan States are documented in a special newsletter. These activities include organising an annual workshop with partners from the Western Balkan States as part of the Alpbach Technology Forum in cooperation with member businesses of FORSCHUNG AUSTRIA. In August 2007, this workshop focused on »Technology Transfer in the European Region Adria-Alpe-Pannonia – Challenges, Opportunities and Initiatives«. Closely related to the theme of this workshop was the working committee on »Technology Transfer on a European Scale«, which was organised by JOANNEUM RESEARCH for FORSCHUNG AUSTRIA at the Alpbach Technology Forum in August 2007.

Representing the public sector, Regional Minister Kristina Edlinger-Ploder stressed the need for the public sector to create appropriate framework conditions for successful technology transfer and highlighted the importance of international research networks. The SEEPIR project (»South Eastern European Platform for Innovation and Research«), which forms part of the first call of the »South East Europe – European Territorial Cooperation 2007–2013« sponsorship programme (formerly known as INTERREG III B), is expected to produce significant progress in intensifying cooperation between JOANNEUM RESEARCH and its partners in the Adria-Alpe-Pannonia region and the Western Balkan States. The project aims to develop a trans-regional research platform with partners from Albania, Bosnia and Herzegovina, Italy, Croatia, Macedonia, Serbia, Slovenia, and Hungary.

JOANNEUM RESEARCH applies high ethical standards to all its initiatives. This is illustrated by the fact that the company developed a set of ethical guidelines and founded a working group on »Ethics in Research and Technology« in April 2007. As part of an international fellowship programme, two qualified applicants were selected to write nine-month diploma theses on the topic, starting on 1 February 2008. The theses are aimed at publishing a research report on »Ethics in Research« and performing preliminary studies for a »JOANNEUM RESEARCH Ethics Charter«. This JOANNEUM RESEARCH initiative is receiving close attention on the national level. The interest in this project is reflected in the joint venture event on »Ethics in Research« at the Austrian Research Dialogue, which took place on 26 May 2008 in Vienna at the invitation and under the joint organisation of the Federal Chancellery and the Austrian Bioethics Commission.

Graz, 1 September 2008

The Management

Hon.-Prof. Dr. Bernhard Pelzl

Mag. Edmund Müller

# Report of the Supervisory Board Shareholder Resolution

## Report of the Supervisory Board

The Supervisory Board has examined the annual accounts as at 30 June 2008, proposing that the net profit of EUR 2,421,211.73 be carried forward to next year, as well as the management report on the 2007/2008 business year and has decided to present the following report to the General Meeting of Shareholders:

The annual accounts as at 30 June 2008 were audited by the auditing firm PricewaterhouseCoopers Steiermark Wirtschaftsprüfung und Steuerberatung GmbH, which was appointed by the shareholders.

This audit, which was based on the books and records of the company as well as information and evidence provided by the management, has shown that the accounting records, the annual accounts as well as the notes and the management report comply with statutory regulations. The auditor has therefore given the unqualified audit opinion.

The Supervisory Board has approved the annual accounts and the management report.

Graz, 24 September 2008

The Supervisory Board

## Shareholder Resolution

The shareholders of JOANNEUM RESEARCH Forschungsgesellschaft mbH,

a) the Styrian Government, represented by Mag. Dr. Birgit Strimitzer-Riedler, Head of Department 3 – Science and Research of the Styrian Government, duly authorised by power of attorney, and

b) Nederlandse Organisatie voor toegepast-natuurwetenschappelijk onderzoek TNO represented by Mag. Dr. Birgit Strimitzer-Riedler, duly authorised by power of attorney hereby pass the following resolution:

The annual accounts of the company as at 30 June 2008 are hereby confirmed and approved.

The net profit for the financial year 2007/2008 of EUR 2,421,211.73 is carried forward to next year.

The management report on the 2007/2008 financial year is approved.

Discharge is granted to the Management and the Supervisory Board for the 2007/2008 financial year.

Graz, 27 October 2008

For the Styrian Government:

Mag. Dr. Birgit Strimitzer-Riedler

For Nederlandse Organisatie voor toegepast-natuurwetenschappelijk onderzoek TNO:

Mag. Dr. Birgit Strimitzer-Riedler





# ***Balance Sheet***

## ***Profit and Loss Account***

# Balance Sheet as at 30 June 2008

## ASSETS

	30/6/2008	30/6/2007
	EUR	TEUR
<b>A. FIXED ASSETS</b>		
I. Intangible assets		
Software, data transfer and other rights	531,522.00	581
II. Tangible assets		
1. Land and similar rights, buildings, including buildings on non-owned land	2,993,824.10	3,319
2. Machinery, scientific instruments and data processing equipment	3,763,232.96	2,865
3. Other fixtures and fittings, tools and equipment	531,563.00	472
4. Payments on account and tangible assets in course of construction	791,792.06	268
	8,080,412.12	6,924
III. Financial assets		
1. Shares in affiliated undertakings	77,850.00	78
2. Participating interests	184,164.25	165
3. Investments held as fixed assets	3,796,312.52	3,805
	4,058,326.77	4,048
	12,670,260.89	11,553
<b>B. CURRENT ASSETS</b>		
I. Stocks		
1. Consumables	15,484.26	18
2. Work in progress	9,207,790.90	9,766
3. Payments on account	3,934.36	9
	9,227,209.52	9,793
II. Debtors and other assets		
1. Trade debtors	1,094,797.69	1,459
2. Amounts owed by affiliated undertakings	528,188.80	46
3. Amounts owed from subsidies and project subsidies	5,087,157.18	5,189
4. Other debtors and assets	3,317,840.93	1,696
	10,027,984.60	8,390
III. Investments		
Other investments	1,602,988.63	4,281
IV. Cash at bank and in hand	8,351,914.53	3,795
	29,210,097.28	26,259
<b>C. PREPAYMENTS AND ACCRUED INCOME</b>	180,875.28	147
<b>D. TRUST ASSETS</b>	337,746.44	423
	42,398,979.89	38,382

The Management:

Hon.-Prof. Dr. Bernhard Pelzl

Mag. Edmund Müller

## LIABILITIES

	30/6/2008	30/6/2007
	EUR	TEUR
<b>A. CAPITAL AND RESERVES</b>		
I. Share capital	3,230,000.00	3,230
II. Participation rights capital		
1. Participation rights capital	1,037,673.00	1,038
2. Withdrawal from participation rights capital	-830,140.00	-623
	207,533.00	415
III. Capital reserves		
Unappropriated	362,637.44	363
IV. Revenue reserve		
1. Legal reserve	153,800.00	96
2. Other reserves (free reserves)	870,220.22	870
	1,024,020.22	966
V. Net profit for the year, including profit brought forward EUR 1,327,251.85 (previous year: TEUR 998)	2,421,211.73	1,327
	7,245,402.39	6,301
<b>B. SPECIAL ITEM FOR INVESTMENT SUBSIDIES FROM PUBLIC FUNDS</b>	2,668,613.30	1,841
<b>C. PROVISIONS</b>		
1. Provisions for severance payments	2,906,700.00	2,639
2. Provisions for pensions	4,098,300.00	3,801
3. Other provisions	7,170,026.00	4,849
	14,175,026.00	11,289
<b>D. CREDITORS</b>		
1. Amounts owed to credit institutions	3,536,443.10	4,262
2. Payments received on account of orders	9,765,708.36	10,174
3. Trade creditors	1,905,613.05	997
4. Amounts owed to affiliated undertakings	56,728.20	0
5. Amounts owed to undertakings with which the company is linked by virtue of participating interests	10,996.20	0
6. Other creditors including tax EUR 69,532.97 (previous year: TEUR 322), and social security EUR 955,887.75 (previous year: TEUR 897)	2,692,361.85	3,094
	17,967,850.76	18,527
<b>E. ACCRUALS AND DEFERRED INCOME</b>	4,341.00	1
<b>F. TRUST LIABILITIES</b>	337,746.44	423
	42,398,979.89	38,382
<b>Contingent liabilities</b>	54,100.00	233

# Profit and Loss Account

for 2007/08

1. Turnover
2. Changes in work in progress
3. Project related other income
4. Contribution to current expenses
5. Work performed for own purposes and capitalised
6. Other operating income
a) Income from the disposal of fixed assets excluding financial assets
b) Income from the reversal of provisions
c) Others
7. Expenditure for materials and services
a) Materials
b) Services
8. Staff costs
a) Wages and salaries
b) Severance payments and contributions to employee welfare fund
c) Pension payments
d) Statutory social security and payroll-related taxes and contributions
e) Other social expenses
9. Depreciation of tangible fixed assets and amortisation of intangible fixed assets
10. Other operating charges
a) Taxes, unless included in item 19
b) Others
<b>11. Subtotal of items 1 to 10 (operating profit)</b>
12. Income from other investments held as fixed assets
13. Other interest receivable and similar income
14. Income from sale of financial assets and current asset investments
15. Charges arising from financial assets and current asset investments, including
a) write-offs EUR 120,312.01 (previous year: TEUR 91)
b) expenses arising from affiliated undertakings EUR 247,669.60 (previous year: TEUR 1,033)
16. Interest payable and similar charges
<b>17. Subtotal of items 12 to 16 (financial result)</b>
<b>18. Profit on ordinary activities</b>
19. Taxes on income
<b>20. Profit for the year</b>
21. Income from withdrawal from participation rights capital
22. Allocation to revenue reserves
23. Profit brought forward from the previous year
<b>24. Net profit for the year</b>

2006/08	2005/07
EUR	TEUR
12,301,671.13	9,464
-557,930.81	2,512
10,605,595.91	10,260
7,750,000.00	8,403
85,157.99	89
9,862.34	7
331,640.26	1,199
6,199,752.36	1,446
6,541,254.96	2,652
-667,083.79	-712
-1,721,706.93	-2,262
-2,388,790.72	-2,974
-16,683,756.70	-15,719
-584,182.21	-591
-514,059.42	-478
-4,743,769.91	-4,474
-68,940.96	-63
-22,594,709.20	-21,325
-2,178,381.82	-2,082
-34,388.70	-33
-8,237,211.58	-5,956
-8,271,600.28	-5,989
1,292,267.16	1,010
271,212.12	262
155,391.98	145
24,913.00	14
-688,614.89	-1,189
-109,362.78	-112
-346,460.57	-880
945,806.59	130
-1,781.71	-2
944,024.88	128
207,535.00	208
-57,600.00	-7
1,327,251.85	998
2,421,211.73	1,327

## ACCOUNTING AND VALUATION PRINCIPLES

### General principles

The accounts of JOANNEUM RESEARCH Forschungsgesellschaft mbH have been prepared in accordance with the provisions of the Austrian Corporate Code (UGB) as amended and in compliance with Generally Accepted Accounting Principles and the general objective of presenting a true and fair view of the company's assets, financial and earnings position.

The accounts have been prepared according to the principle of completeness. The valuation of the individual assets and liabilities is based on the unit account method of valuation and the going concern principle. According to the principle of conservatism only the profits realised at the balance sheet date are shown. All recognisable risks and contingent obligations were taken into account. Comparison values in brackets, unless otherwise indicated.

### Fixed assets

#### Intangible assets

Intangible assets are valued at acquisition cost plus incidental acquisition cost, less the cash discounts taken and scheduled depreciation calculated according to the straight-line method of depreciation. The useful economic lives of the assets are based on a period of 3 to 5 years (20–33%).

#### Tangible assets

Tangible assets are valued at acquisition cost plus incidental acquisition cost, less the cash discounts taken and scheduled depreciation. Public subsidies on fixed assets are shown on the liabilities side as investment subsidies from public funds. Consumption of these investment subsidies is analogous to scheduled depreciation of tangible assets. Scheduled depreciation is calculated according to the straight-line method on the basis of the following depreciation rates and useful economic lives:

	Useful economic life (years)	Depreciation rate (%)
Land and buildings, including buildings on non-owned land	10–25	4–10%
Machinery, scientific instruments and electronic data processing equipment	3–10	10–33%
Other fixtures and fittings, tools and equipment	4–10	10–25%

\*(TEUR = EUR thousand)



The full annual rate of depreciation is applied to assets added during the first half of the business year, and one-half the annual depreciation is charged for assets added during the second six months. Low-value assets as defined in Sec. 13 of the Austrian Income Tax Act (EStG) 1988 – with acquisition costs of up to EUR 400 – are capitalised and fully written off in the year of acquisition. In the asset development they are shown as additions and disposals.

#### Financial assets

**Shares in affiliated undertakings and participating interests** are accounted for at acquisition cost, less depreciation, if necessary, to allow for any decline in economic usefulness.

**Investments held as fixed assets** are accounted for at the lower of acquisition cost or going-concern value as of the balance sheet date.

In the period under review non-scheduled write-offs were effected in the financial assets; no non-scheduled write-ups were made.

### Current assets

#### Stocks

**Consumables** are valued at acquisition cost in accordance with the principle of the lower of cost or market.

**Work in progress** related to contract research is calculated on the basis of the prepared operational account. Project costs are allocated to cost units and direct cost statements. Valuation is performed individually at acquisition or production cost within the meaning of § 203 UGB (Austrian Corporate Code). Production costs include allocable costs, prorated overhead cost of production which can be capitalised, and parts of the social expenses within the meaning of § 203 (3) UGB, penultimate sentence. Interest paid and research risk are not taken into account.

For contingent losses or anticipated costs for services already invoiced, deductions are made from semi-finished goods, or reserves are established. Any obligations under guarantees related to contract research are also taken into account by the establishment of a liability reserve. For contracts whose execution exceeds a period of twelve months, administrative overheads are capitalised on a pro-rata basis.

#### Debtors and other assets

**Debtors and other assets** are stated at their nominal value, unless the lower value is shown in the case of recognisable risks. A lump-sum valuation adjustment of 2% of the net amount receivable was made to account for credit risks.

### Provisions

**Provisions for severance payments** are calculated in accordance with financial principles based on a discount rate of 4% (previous year: 4%) and a retirement age of 65 years, using the Austrian »Teilwertverfahren« method. Increases specified in the collective agreement, guaranteed biennial incremental increases and escalator clauses were taken into account by allowing for a 3% wage increase (previous year: 3%). Based on the previous years, a deduction of 8% (previous year: 10%) was taken into account for employees eligible for severance payments.

**Provisions for pensions** are calculated on the basis of actuarial provision requirements using the Pagler & Pagler calculation tables and taking a 5% discount rate (previous year: 5%) into account.

The item **other provisions** covers all recognisable risks and contingent obligations. Only the provisions prescribed by law have been set up.

### Creditors

Creditors are stated at the redemption price according to the principle of conservatism.

### Foreign currency translation

Accounts payable and receivable are valued at the average foreign exchange rate of the date of creation or in accordance with the strict higher or lower of cost or market principle as at the balance sheet date.

## NOTES TO THE BALANCE SHEET

### ASSETS

#### FIXED ASSETS

With regard to the development of the individual items of fixed assets and breakdown of annual depreciation, reference is made to the fixed-asset movement schedule (Appendix to Notes). At the balance sheet date the fixed assets amounted to TEUR 12,670.3 (previous year: TEUR 11,552.6). Capital investment of the 2007/08 financial year totalled TEUR 3,835.6 (previous year: TEUR 2,136.7), and current write-offs amounted to TEUR 2,211.0 (previous year: TEUR 2,122.2). In the business year 2007/08 the disposals at historical acquisition cost amounted to TEUR 1,084.5 (previous year: TEUR 408.9).

**Intangible assets** include software and data transfer rights at a book value of TEUR 531.5 (previous year: TEUR 580.7). The additions of TEUR 186.1 (previous year: TEUR 315.2) result from the acquisition of licences and software.

**Tangible assets** amounted to TEUR 8,080.4 (previous year: TEUR 6,923.8) at the balance sheet date. The land value remains at TEUR 559.2 (previous year: TEUR 559.2). The value of buildings on company-owned and non-owned land totalling TEUR 2,434.6 (previous year: TEUR 2,759.2) includes an amount of TEUR 1,017.2 (previous year: TEUR 1,239.2) for buildings on company-owned land – with buildings accounting for TEUR 507.2 (previous year: TEUR 670.2) and structural adaptations for TEUR 510.0 (previous year: TEUR 569.2) – and investments in non-owned buildings amounting to TEUR 1,417.4 (previous year: TEUR 1,519.9). The additions, totalling TEUR 3,101.1 (previous year: TEUR 1,803.7) mainly refer to the purchase of modern scientific equipment for the research activities of the company and the extension of the data processing infrastructure.

The disposals at a historical acquisition cost of TEUR 558.4 (previous year: TEUR 360.0) mainly refer to the retirement or, to a lesser extent, the disposal of scientific equipment, data processing systems and various office equipment. No write-offs to the going concern value were made.

The item **shares in affiliated undertakings** of TEUR 77.9 (previous year: TEUR 77.9) includes shares in Kompetenznetzwerk Wasserressourcen GmbH, Graz, worth TEUR 35.0 (previous year: TEUR 35.0), shares in NanoTecCenter Weiz Forschungsgesellschaft mbH, Weiz, worth TEUR 25.0 (previous year: TEUR 25.0), and shares in BioNanoNet Forschungsgesellschaft mbH, Graz, worth TEUR 17.9 (previous year: TEUR 17.9).

With a total of TEUR 184.2 (previous year: TEUR 165.5), the item **participating interests** includes shareholdings in the following companies (in alphabetical order):

- ▶ Advanced Computer Vision GmbH – ACV, Vienna;
- ▶ Angewandte Biokatalyse-Kompetenzzentrum GmbH, Graz;
- ▶ Austrian Bioenergy Centre GmbH, Graz;
- ▶ FH JOANNEUM Gesellschaft mbH, Graz;
- ▶ Holz.Bau.Forschungs GmbH, Graz;
- ▶ Human.technology Styria GmbH, Graz;
- ▶ HyCentA Research GmbH, Graz;
- ▶ Kompetenzzentrum – Das virtuelle Fahrzeug Forschungsgesellschaft mbH, Graz;
- ▶ Kompetenzzentrum für wissenschaftliche Anwendungen und Systeme Forschungs- und Entwicklungs GmbH, Graz;
- ▶ Materials Center Leoben Forschung GmbH, Leoben;
- ▶ Polymer Competence Center Leoben GmbH, Leoben; and
- ▶ Research Center Pharmaceutical Engineering GmbH, Graz.

At the balance sheet date **the investments held as fixed assets** amounted to TEUR 3,796.3 (previous year: TEUR 3,804.7). The write-offs of fixed assets mainly result from ordinary depreciation. Write-offs to the going concern value of financial assets amount to TEUR 32.6 (previous year: TEUR 40.4). Write-ups of investments held as fixed assets in the amount of EUR 241,889.25 were not made so as to be able to retain the lower valuation rate for the determination of taxable income.

## CURRENT ASSETS

### Stocks

**Consumables** capitalised in the amount of TEUR 15.5 (previous year: TEUR 18.0) mainly included paper, ink ribbons, PC network cards, laser printer spare parts and various other office materials.

The item **work in progress** related to contract research includes work in progress and services not yet invoiced in the amount of TEUR 9,207.8 (previous year: TEUR 9,765.7); overhead costs of TEUR 2,345.2 (previous year: TEUR 2,256.1) are capitalised for contracts whose execution extends over a period of more than twelve months.

**Payments on account** for stocks amount to TEUR 3.9 (previous year: TEUR 8.8).

### Debtors and other assets

	Debtors as at 30/06/2008 (30/06/2007)	of which amounts due and payable after	of which secured by bills of exchange	Capitalised accruals § 225 (3) UGB	Flat-rate value adjustment
	EUR	EUR	EUR	EUR	EUR
<b>Trade debtors</b>	1,094,797.69 (1,459,578.07)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	24,700.00 (23,300.00)
<b>Amounts owed by affiliated undertakings</b>	528,188.80 (45,819.48)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
<b>Amounts owed from subsidies and project subsidies</b>	5,087,157.18 (5,188,779.23)	0.00 (0.00)	0.00 (0.00)	5,087,157.18 (5,188,779.23)	0.00 (0.00)
<b>Other debtors and assets</b>	3,317,840.93 (1,695,927.84)	0.00 (0.00)	0.00 (0.00)	3,259,961.56 (1,651,368.19)	0.00 (0.00)
<b>TOTAL</b>	10,027,984.60 (8,390,104.62)	0.00 (0.00)	0.00 (0.00)	8,347,118.74 (6,840,147.42)	24,700.00 (23,300.00)

For potentially uncollectible receivables from **trade debtors**, valuation allowances were made in the amount of TEUR 213.2 (previous year: TEUR 222.6) and capitalised.

The item **amounts owed by affiliated undertakings** refers to trade debtors.

**Amounts owed from subsidies and project subsidies** refer to commitments made by public authorities. Since subsidy processing and thus also payment extend over a period of more than three months, an amount of TEUR 42.4 (previous year: TEUR 54.4) was discounted.

**Other debtors and assets** essentially include claims to the insurance company arising from insurance premium payments, receivables from the Graz-Stadt Tax Authority, accrued interest, licence revenue as well as various compensations and allowances.

#### **Current asset investments**

The current asset investments in the amount of TEUR 1,603.0 (previous year: TEUR 4,281.4) exclusively refer to fund shares, which were acquired as a short-term investment.

#### **Cash at bank and in hand**

This item, which amounts to TEUR 8,351.9 (previous year: TEUR 3,794.8) comprises cash in hand in the amount of TEUR 8.9 (previous year: TEUR 9.4) and cash at bank in the amount of TEUR 8,343.0 (previous year: TEUR 3,785.5).

### **PREPAYMENTS AND ACCRUED INCOME**

Prepayments and accrued income of TEUR 180.9 (previous year: TEUR 146.9) include payments made in the 2007/08 financial year, but allocable to the following year. This item mainly comprises prepayments for servicing costs, various subscriptions as well as membership fees, insurance premiums, travel expenses and congress fees.

### **TRUST ASSETS**

The trust assets include cash at bank for projects with the European Commission in which JOANNEUM RESEARCH Forschungsgesellschaft mbH acts as a coordinator and manages payments for the project partners in a fiduciary capacity (see trust liabilities).

## **LIABILITIES**

### **CAPITAL AND RESERVES**

The **share capital** of the company remains at TEUR 3,230.0.

The Styrian Government granted the company profit participation right capital of TEUR 1,037.7 as of 22 October 2004 for the part-financing of the competence network project »Water resources and their management« (»Wasserressourcen und deren Bewirtschaftung«). The profit participation right capital as of 30 June 2008 amounts to TEUR 207.5 taking into account the participation in losses of currently TEUR 830.1 stipulated in the Articles of Association. The profit participation right agreement stipulates subordination, performance linked remuneration and participation in losses to the full amount of the profit participation right. The profit participation right is granted for an indefinite period of time and is thus shown as equity capital.

After allocation to the statutory reserve (TEUR 57.6) and withdrawal from profit participation right capital (TEUR 207.5), the profit for the year amounts to TEUR 1,094.0. If the profit brought forward from the previous year (TEUR 1,327.3) is taken into account, the **net profit for the year** amounts to TEUR 2,421.2.



## INVESTMENT SUBSIDIES FROM PUBLIC FUNDS

During the period under review, **investment subsidies from public funds** have developed as follows:

	As at 01/07/2007	Additions	Consumption	Transfer or correction	As at 30/06/2008
<b>Tangible fixed assets</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
1. Buildings, including buildings on non-owned land	822,805.00	0.00	54,953.12	-90,503.88	677,348.00
2. Machinery, scientific instruments and data processing equipment	954,230.89	1,421,747.46	340,404.30	-106,226.75	1,929,347.30
3. Other fixtures and fittings, tools and equipment	20,858.52	755.54	2,546.06	0.00	19,068.00
<b>Financial assets</b>					
1. Shares in affiliated undertakings	42,850.00	0.00	0.00	0.00	42,850.00
<b>TOTAL</b>	<b>1,840,744.41</b>	<b>1,422,503.00</b>	<b>397,903.48</b>	<b>-196,730.63</b>	<b>2,668,613.30</b>

The addition mainly relates to the purchase of a high-performance liquid chromatography (HPLC) mass spectrometer for basic medical research and a multifunctional PLD system for the deposition of nanolayers as well as the adaptation of a two-chamber high-vacuum coating unit.

### PROVISIONS

Of the **provisions for severance payments** TEUR 140.1 (previous year: TEUR 260.9) were used for severance payments and TEUR 62.1 (previous year: TEUR 19.1) were released. In order to meet the provision requirement of TEUR 2,906.7 (previous year: TEUR 2,638.9), an amount of TEUR 470.1 (previous year: TEUR 467.7) had to be appropriated.

Of the **provisions for pensions** an amount of TEUR 238.8 (previous year: TEUR 245.8) was used for pension payments; no provisions were released. In order to meet the actuarial provision requirement of TEUR 4,098.3 (previous year: TEUR 3,801.2), an amount of TEUR 535.9 (previous year: TEUR 467.4) had to be appropriated.

**Other provisions** mainly include provisions for vacation claims in the amount of TEUR 2,126.7 (previous year: TEUR 1,853.7), provisions for contingent refund claims by various funding institutions in the amount of TEUR 881.8 (previous year: TEUR 971.5), provisions for time off in lieu in the amount of TEUR 763.0 (previous year: TEUR 617.6) as well as provisions for contingent losses or costs arising from work in progress in the amount of TEUR 598.3 (previous year: TEUR 489.2).

## CREDITORS

	Creditors as at 30/06/2008 (30/06/2007)	Amounts becoming due and payable			Secured by collateral		Accrued liabilities \$ 225 (6) UGB
		within one year	between 1 and 5 years	after more than 5 years	more than 1 year	security	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Amounts owed to credit institutions	3,536,443.10 (4,261,601.87)	1,594,957.32 (1,524,648.90)	1,457,024.85 (2,181,984.40)	484,460.93 (554,968.57)	1,800,000.00 (1,800,000.00)	Mortgage (Mortgage)	0.00 (0.00)
Payments received on account of orders	9,765,708.36 (10,174,149.57)	9,765,708.36 (10,174,149.57)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Trade creditors	1,905,613.05 (996,379.44)	1,905,613.05 (996,379.44)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Amounts owed to affiliated undertakings	56,728.20 (0.00)	56,728.20 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Amounts owed to underta- kings with which the com- pany is linked by virtue of participating interests	10,996.20 (0.00)	10,996.20 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Other creditors	2,692,361.85 (3,094,369.18)	1,304,884.85 (1,706,892.18)	0.00 (0.00)	1,387,477.00 (1,387,477.00)	0.00 (0.00)	0.00 (0.00)	1,116,622.94 (1,609,819.18)
<b>TOTAL</b>	<b>17,967,850.76 (18,526,500.06)</b>	<b>14,638,887.98 (14,402,070.09)</b>	<b>1,457,024.85 (2,181,984.40)</b>	<b>1,871,937.93 (1,942,445.57)</b>	<b>1,800,000.00 (1,800,000.00)</b>	<b>0.00 (0.00)</b>	<b>1,116,622.94 (1,609,819.18)</b>

**Amounts owed to credit institutions** contain ERP loans of TEUR 1,750.0 (previous year: TEUR 2,250.0), a loan of TEUR 944.3 (previous year: TEUR 1,024.8) for thermal refurbishment, a framework credit from the export fund in the amount of TEUR 712.2 (previous year: TEUR 712.2), and loans from the Austrian Research Promotion Agency in the amount of TEUR 130.0 (previous year: TEUR 274.6).

As at the balance sheet date debts owed to **trade creditors** amount to TEUR 1,905.6 (previous year: TEUR 996.4), which mainly include domestic suppliers.

The profit participating loan of TEUR 1,387.5 (previous year: TEUR 1,387.5) granted by the Styrian Government on 1 November 2004 is shown under **other creditors**. This item also includes amounts payable to the Styrian health insurance fund and other required accruals and deferrals.

**Other financial obligations**

The agreement on the establishment and funding of NanoTecCenter Weiz Forschungsgesellschaft mbH, Weiz, concluded between JOANNEUM RESEARCH Forschungsgesellschaft mbH and Graz University of Technology on 28 February 2006 and the resolution of the Supervisory Board dated 30 June 2008 on financing the operation of NanoTecCenter Weiz Forschungsgesellschaft mbH, Weiz, for the period between 1 July 2008 to 30 June 2011 result in financial obligations of TEUR 200.0 for the 2008/09 financial year. There are no further obligations arising from the funding commitment.

The financial obligations arising from the use of tangible fixed assets not shown in the balance sheet amount to:

	for the next financial year	for the next five financial years
	EUR	EUR
Rent payments	634,553.00	3,172,765.00
Equipment rental	141,461.00	707,307.00
Leasing instalments	0.00	0.00
<b>TOTAL</b>	<b>776,014.00</b>	<b>3,880,072.00</b>

### ACCRUALS AND DEFERRED INCOME

**Accruals and deferred income** in the amount of TEUR 4.3 (previous year: TEUR 1.0) comprise maintenance income.

### TRUST LIABILITIES

The trust liabilities arise from projects with the European Commission in which JOANNEUM RESEARCH Forschungsgesellschaft mbH acts as a coordinator and manages payments for the project partners in a fiduciary capacity (see trust assets).

### CONTINGENT LIABILITIES

(cf. Other Details, Contingent liabilities).

### NOTES TO THE PROFIT AND LOSS ACCOUNT

The turnover of the business year can be shown according to fields of activity and divided into domestic and foreign turnover as follows:

	2007/08	2006/07
<b>DOMESTIC TURNOVER:</b>	<b>EUR</b>	<b>TEUR</b>
Research	9,565,189.41	7,208.8
Income under license agreements	276,734.07	190.6
Conference fees	24,568.17	36.0
Others	22,457.37	112.6
<b>Total domestic turnover</b>	<b>9,888,949.02</b>	<b>7,548.0</b>
<b>FOREIGN TURNOVER:</b>		
Research	2,319,961.95	1,731.6
Income under license agreements	56,215.92	174.4
Tagungsbeiträge	36,446.06	9.7
Others	98.18	0.3
<b>Total foreign turnover</b>	<b>2,412,722.11</b>	<b>1,916.0</b>
<b>Total turnover</b>	<b>12,301,671.13</b>	<b>9,464.0</b>

The item **Other operating income** includes the research bonus for the financial years 2005/06 to 2007/08.

### OTHER DETAILS

#### Shares in affiliated undertakings and participating interests

As at the balance sheet date the company held a 100% interest, corresponding to TEUR 35.0 (previous year: TEUR 35.0), in Kompetenznetzwerk Wasserressourcen GmbH, Graz. The annual accounts as of 30 June 2007 show capital and reserves in the amount of TEUR 35.0 (previous year: TEUR 35.0). The company has achieved a break-even result.

The company holds a 51% interest, corresponding to TEUR 17.9 (previous year: TEUR 17.9), in BioNanoNet Forschungsgesellschaft mbH, which was established by notarial act on 16 October 2006. The annual accounts as of 30 October 2007 show capital and reserves in the amount of TEUR 29.6 (previous year:

TEUR 35.0), including a loss for the year of TEUR 5.4 (previous year: TEUR 0.0).

As at the balance sheet date the company also held a 50% interest, corresponding to TEUR 50.0 (previous year: TEUR 50.0), in NanoTec-Center Weiz Forschungsgesellschaft mbH, Weiz. Half of this contribution, i.e. TEUR 25.0, has been paid in. The company was established by notarial act on 28 February 2006. The annual accounts as of 30 June 2007 show capital and reserves in the amount of TEUR 50.0 (previous year: TEUR 50.0). The company has achieved a break-even result.

The company also holds a 26% interest, corresponding to TEUR 52.0 (previous year: TEUR 52.0), in Angewandte Biokatalyse-Kompetenzzentrum GmbH, Graz. The annual accounts as of 30 June 2007 show capital and reserves in the amount of TEUR 454.1 (previous year: TEUR 311.0), including a profit for the year of TEUR 143.1 (previous year: TEUR 73.9). All other shareholdings are below 20%.

#### Personnel

As at the balance sheet date the company had 412 (previous year: 385) salaried employees. If the number of part-time employees is converted into full-time equivalents, this number is reduced to 366.6 (previous year: 342.9). The average number of employees amounted to 357.7 (previous year: 346.3), taking into account full-time equivalents for part-time employees.

No breakdown of expenses into severance and pension payments according to § 239 (1) UGB is provided in compliance with the provisions of § 241 (4) UGB. No loans or advance payments have been granted to the managing directors or the members of the Supervisory Board, and no liability was assumed in favour of the above-mentioned persons.

The total remuneration and reimbursement of expenses to the members of the Scientific Advisory Board and the Supervisory Board amounted to TEUR 54.2.

#### Miscellaneous

Based on the objectives specified in Article 1 (3) of the Articles of Association the company operates exclusively on a non-profit basis. According to a decision of the Styrian tax authority of 16 January 1995, file number GZ 29/31-10/94, donations to JOANNEUM RESEARCH Forschungsgesellschaft mbH are exempt from tax according to Sec. 4 (4) 5 e of the Income Tax Act (EstG) 1988 as amended by Art. I (4) a of the Tax Reform Act 1993.

Graz, 1 September 2008

The Management  
Hon.-Prof. Dr. Bernhard Pelzl  
Mag. Edmund Müller

FIXED ASSETS	as at 1/7/2007	Acquisition/production costs				Depreciation (cumulative)	Net book values		Depreciation of the business year
		Additions	Disposals	Transfers	as at 30/6/2008		as at 30/6/2008	as at 30/6/2007	
<b>I. Intangible assets</b>									
Software, data transfer and other rights	1,904,292.85	186,117.71	0.00	0.00	2,090,410.56	1,558,888.56	531,522.00	580,672.00	235,267.71
<b>II. Tangible assets</b>									
1. Land and similar rights, buildings, including buildings on non-owned land	9,109,599.74	37,882.32	0.00	0.00	9,147,482.06	6,153,657.96	2,993,824.10	3,318,541.10	362,599.32
2. Machinery, scientific instruments and data processing equipment	17,414,405.97	2,002,846.13	481,691.67	251,788.78	19,187,349.21	15,424,116.25	3,763,232.96	2,864,532.96	1,355,601.93
3. Other fixtures and fittings, tools and equipment	2,861,520.38	232,088.39	29,557.63	5,775.02	3,069,826.16	2,538,263.16	531,563.00	472,520.00	177,772.39
4. Payments on account and tangible assets in course of construction	268,192.90	781,162.96	0.00	-257,563.80	791,792.06	0.00	791,792.06	268,192.90	0.00
5. Low-value assets	0.00	47,140.47	47,140.47	0.00	0.00	0.00	0.00	0.00	47,140.47
	<b>29,653,718.99</b>	<b>3,101,120.27</b>	<b>558,389.77</b>	<b>0.00</b>	<b>32,196,449.49</b>	<b>24,116,037.37</b>	<b>8,080,412.12</b>	<b>6,923,786.96</b>	<b>1,943,114.11</b>
<b>III. Financial assets</b>									
1. Shares in affiliated undertakings	77,850.00	0.00	0.00	0.00	77,850.00	0.00	77,850.00	77,850.00	0.00
2. Participating interests	199,523.25	18,640.00	0.00	0.00	218,163.25	33,999.00	184,164.25	165,524.25	0.00
3. Investments held as fixed assets	4,037,093.79	529,743.50	526,125.32	0.00	4,040,711.97	244,399.45	3,796,312.52	3,804,732.99	32,606.97
	<b>4,314,467.04</b>	<b>548,383.50</b>	<b>526,125.32</b>	<b>0.00</b>	<b>4,336,725.22</b>	<b>278,398.45</b>	<b>4,058,326.77</b>	<b>4,048,107.24</b>	<b>32,606.97</b>
	<b>35,872,478.88</b>	<b>3,835,621.48</b>	<b>1,084,515.09</b>	<b>0.00</b>	<b>38,623,858.27</b>	<b>25,953,324.38</b>	<b>12,670,260.89</b>	<b>11,552,566.20</b>	<b>2,210,988.79</b>

### **Auditor's Opinion**

We have examined the accounting records and the annual accounts of JOANNEUM RESEARCH Forschungsgesellschaft mbH, Graz, for the financial year from 1 July 2007 to 30 June 2008. Responsibility for the accounting records and the preparation and contents of the annual accounts and the management report in accordance with the Austrian company regulations and the supplementary provisions of the Articles of Association resides with the company's legally authorised representatives. Our responsibility is to express an opinion on the annual accounts on the basis of our audit and to state whether the management report is consistent with the annual accounts.

We carried out our audit in compliance with the statutory regulations in force in Austria and generally accepted accounting principles. These principles require us to plan and execute our audit in such a way that a sufficiently reliable judgement can be given on whether the annual accounts are free from material misstatements and whether the management report is consistent with the annual accounts. In determining the audit procedures, knowledge of the business operations and the economic and legal environment of the company as well as any possible errors expected are taken into account. The audit includes the examination of a random sample of documents substantiating the amounts and other information contained in the accounting records and annual accounts. It also includes an assessment of the accounting principles employed and the main estimates made by the company's legally authorised representatives, as well as an evaluation of the overall statement of the annual accounts. We believe that our audit has produced an adequately reliable basis for our audit opinion.

Our audit did not give rise to any objections. According to the findings of our audit, the annual accounts comply with the statutory regulations and the supplementary provisions of the Articles of Association and provide a true and fair view of the company's assets, liabilities and financial position as at 30 June 2008 and the company's earnings position for the financial year from 1 July 2007 to 30 June 2008 in conformity with Austrian generally accepted accounting principles. The management report is consistent with the annual accounts.

Graz, 1 September 2008

PricewaterhouseCoopers Steiermark  
Wirtschaftsprüfung und  
Steuerberatung GmbH

Mag. Birgit Pscheider  
Certified Public Accountant

Dr. Doris Maier  
Certified Public Accountant

Any disclosure, publication or reproduction as defined in § 281 Par. 2 of the Austrian Corporate Code (UGB) that varies from the provisions of law or this certified form and includes our audit opinion is prohibited. Our written consent must be obtained in advance before any reference may be made to our audit.



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*as of 1 January 2009*

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as of 1 January 2009

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