

**DO & CO Restaurants & Catering AG**

**Annual Financial Report  
Financial Year 2007/2008**

**Management Report**

**Report of the Supervisory Board**

**Glossary of Key Figures**

**Consolidated Financial Statements**

**Notes**

**Notice pursuant to Section 83.4 Stock Exchange Act**

**Auditor's Opinion and Auditor's Report**

**Financial Statements of DO & CO Restaurants & Catering AG**



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# Management Report 2007/2008

## Highlights

### **Turkish DO & CO increases the customer satisfaction of Turkish Airlines passengers**

DO & CO increased the customer satisfaction of Turkish Airlines passengers with its introduction of a new product and service concept on all routes. The joint venture continues to widen its lead in the Turkish market.

### **DO & CO develops innovative on-board product for Austrian Airlines**

An innovative meal and beverage concept was developed and introduced in the summer of 2007. The tableware and menu cards for Austrian Airlines are also being redesigned.

### **New Airline Catering customers added in 2007/2008**

- \* Turkish Airlines ex New York
- \* Cathay Pacific ex New York
- \* Etihad ex Milan
- \* Airblue ex Trabzon

### **DO & CO Gourmet Entertainment at numerous headline sports events worldwide**

- \* America's Cup in Valencia
- \* Formula 1 Grand Prix events
- \* ATP and WTA tournaments in Madrid
- \* PGA tournament
- \* National highlights such as the Four Hills Tournament and the Hahnenkamm Ski Races

### **DO & CO as Gourmet Entertainer at the EURO 2008**

Preparations are now in full swing for the largest project ever handled by International Event Catering Division. DO & CO is present at all eight stadiums in Austria and Switzerland. DO & CO is responsible for the entire hospitality program, including the infrastructure for guests, and looks forward to pampering more than 140,000 VIP guests with culinary delights.

### **DO & CO at the BMW World**

Since October 2007, DO & CO has been operating two restaurants, a cafe and a bistro at the BMW World, offering car enthusiasts a fitting culinary setting for the "flagship store" of the BMW brand. The BMW World has also become one of the favorite venues for special events in southern Germany under the capable hands of DO & CO.

### **A new luster to DO & CO Baden and Swarovski Crystal Worlds**

Four exclusively designed casino restaurants in Baden, Austria, and a much enlarged and revamped restaurant section in the Crystal Worlds in Wattens add new luster and provide a fitting atmosphere for the exquisite culinary offerings.

### **Stock split for DO & CO shares**

A 1-on-4 stock split was carried out on 17 August 2007, increasing the number of shares from 1,948,800 to 7,795,200. The price of DO & CO shares was simultaneously reduced to one-fourth of the last price quoted.

## Key Ratios of the DO & CO Group According to IFRS

		Business Year 2007 / 2008	Business Year 2006 / 2007	Business Year 2005 / 2006
Sales	in m €	354.62	206.33	142.18
EBITDA	in m €	30.14	13.49	11.06
EBITDA margin	in %	8.5 %	6.5 %	7.8 %
EBIT	in m €	14.66	6.14	4.20
EBIT margin	in %	4.1 %	3.0 %	3.0 %
Result from ordinary business	in m €	14.27	6.86	6.82
Consolidated result	in m €	6.41	3.83	4.76
Employees		3,774	2,014	1,340
Equity <sup>1</sup>	in m €	72.61	68.21	35.31
Equity ratio	in %	41.1 %	36.3 %	42.8 %
Net debts	in m €	-5.63	15.30	-12.58
Net gearing	in %	-7.8 %	22.4 %	-35.6 %
Working Capital	in m €	24.96	15.51	4.48
Operational cash-flow	in m €	26.88	11.72	7.63
Depreciation/amortization	in m €	-15.48	-7.35	-6.86
Free cash-flow	in m €	18.89	-53.86	17.15
ROS	in %	4.0 %	3.3 %	4.8 %
Capital Employed	in m €	88.21	106.64	28.49
ROCE	in %	9.6 %	6.0 %	10.6 %
ROE	in %	9.1 %	7.5 %	15.4 %

1 ... Adjusted to take designated dividend payments and bookvalue of goodwill into account

## Per Share Ratios

(calculated with the weighted number of issued shares)

		Business Year 2007 / 2008	Business Year 2006 / 2007 <sup>2</sup>	Business Year 2005 / 2006 <sup>2</sup>
EBITDA per share	in EUR	3.87	2.07	1.70
EBIT per share <sup>1</sup>	in EUR	1.88	0.95	0.72
Earnings per share <sup>1</sup>	in EUR	0.82	0.60	0.80
Dividend <sup>3</sup>	in EUR	0.15	0.13	0.13
Equity (book entry) <sup>4</sup>	in EUR	9.31	10.48	5.43
High <sup>5</sup>	in EUR	26.00	24.38	13.08
Low <sup>5</sup>	in EUR	15.83	9.98	8.83
Year-end <sup>5</sup>	in EUR	16.60	24.13	11.88
Number of shares year-end	in TPie	7,795	7,795	6,496
Market capitalization year-end	in m EUR	129.40	188.06	77.14

1 ... Adjusted to take goodwill amortization into account

2 ... The effect of the stock split was applied to previous year numbers to ease comparison.

3 ... Proposal to the General Meeting of Shareholders

4 ... Adjusted to take designated dividend payments and bookvalue of goodwill into account

5 ... Closing price

## Economic Climate

The global economy continued its upturn in 2007, expanding at a rate of about 4.9 %, with growth particularly strong in Asia and Eastern Europe. The decline of the US dollar, the real estate crisis in the US and rising oil and commodity prices were the three stories that dominated the news in the period under review.

The euro to dollar exchange rate began the year at 1.33 US dollars to 1 euro but fell steadily over the year to end the calendar year at 1.46. The value of the US dollar continued its downward march in the first quarter of 2008 and closed at 1.58 on the reporting date of 31 March. This relentless decline is attributable mainly to the huge US trade deficit and the much stronger growth in the euro area. The oil price also skyrocketed in the period under review. It rose from USD 62.00 per barrel (Brent) at the beginning of March 2007 to USD 101.58 at the end of March 2008, thus breaking through the critical USD 100 ceiling for the first time on 2 January 2008. The effects of these price rises are expected to reduce global economic growth to 3.7 %.

As in previous years, economic trends in the major economic regions varied substantially. Asia and the Eastern Europe countries (CEE = Central Eastern Europe) posted strong growth while the United States in particular recorded a major slump in economic activities.

Economic events in the United States this past year were shaped mostly by the real estate crisis. Under the pressure of mounting energy prices and more restrictive lending practices due to the sub-prime crisis, the level of economic activities plunged in the final quarter of 2007 and the first quarter of this year. Nonetheless, the final growth figure in the US for 2007 as a whole was a surprisingly robust 2.2 % (versus 3.3 % the previous year).

The impact of the financial crisis spilled over beyond real estate and finance to hit parts of the “real economy”, particularly construction and transportation. The Fed responded to this crisis by lowering key interest rate several times to shore up the economy.

Economic expansion in the US in recent months has relied more on exports and less on domestic consumption, a fact clearly reflected in the much lower growth forecast of 1.0 % for 2008. The International Monetary Fund is even less optimistic, predicting growth of only 0.5 % for 2008 as a whole.

India and China continued to shape the Asian economic scene with another year of strong expansion in 2007. With its 11.4 % figure, China recorded its fifth consecutive year of double-digit economic growth. This robust increase was accompanied by an inflation rate of 4.5 %. To prevent the Chinese economy from overheating, the Chinese central bank simultaneously raised the key interest rate and the minimum reserve requirements for banks. The economy is nevertheless expected to remain just within the double-digit range in 2008, at 10.7 %.

Countries in the euro area recorded a GDP increase of 2.6 % in the year under review, a figure slightly lower than in 2006 (2.8 %). With another year of strong economic growth, the Central and Eastern European countries once again outstripped Europe as a whole (CEE 2008: 5.8 %). The fast-expanding financial sector is a major force behind the growth in these countries. Analysts believe investments have already peaked in most CEE countries so a somewhat lower rate of growth is expected for 2008 (CEE 2009: 4.3 %).

Austria, for its part, achieved considerable growth for the second year in a row. Following a GDP increase of 3.3 % in 2006, total economic output rose by 3.4 % in 2007. This decent showing is mainly attributable to dynamic exports and the fine performance in the telecom sector and in capital goods production.

In tourism, the number of overnight stays increased by 1.7 % largely due to strong domestic demand. This industry expects the EURO 2008 to give an additional boost to growth.

The lingering effects of the US real estate crisis on the productive economy are expected to curb growth in exports, industrial production and corporate investments in Austria in 2008. After a strong spurt early in the year, these declines are likely to push the growth rate down to 2.1 %.

## **Risk Management**

DO & CO is exposed to widely varying risks because it conducts business globally in three different segments: Airline Catering, International Event Catering und Restaurants, Lounges & Hotel.

DO & CO views risk management as an essential instrument of company management. Risk management has two aims. The first is to safeguard the assets and financial and earnings position of the company and its existing and future potential for profit and growth; the second, to respond to changing conditions promptly.

The risk management system is based on standardized group-wide planning and control processes and company-wide guidelines and reporting systems.

Risk management at DO & CO is permanently integrated in the organizational structure and processes and is handled by management in the business units. In other words, risk management is an integral part of all business processes and helps keep risk identification quick and response times short. Employees become involved in this process when local managers carry out risk management tasks.

The Group reviews its risk situation annually. The managers of the business segments and business units identify and document the essential opportunities and risks all along the business processes, taking external factors into account. These subjects are discussed and evaluated in several management meetings. The identified risks are grouped into risk fields and assigned to the managers responsible for the given area for further action. Strategies for coping with the identified risks are then devised and subsequently implemented by local management. The aim is to reduce possible damage and minimize the probability of risks occurring. Possible interdependencies of opportunities and risks are considered in the process.

The principle of diversification plays a significant role. The Group conducts business worldwide in three different divisions, thus alleviating specific threats in individual markets. Consequently, the unique business model of DO & CO has additional mechanisms to compensate for risks.

The following risk fields were identified as material for the business year 2007/2008:

### **Risks and Trends Specific to the Airline Industry**

The airline industry is heavily dependent on how the various markets fare economically. The market adjustments in this industry consisting largely of state-owned European carriers are not yet complete. Cost pressures have mounted considerably with the sharp increases in fuel prices. Against the backdrop of flagging economic activities, the market is sure to undergo further consolidation and adjustment. A similar trend is expected among the so-called "low cost" carriers. There will be an increasing move towards alliances and takeovers.

Airline Catering stays in close contact with its most important customers through professional key account management, allowing it to respond early on to any negative trends on the customer side. To lessen dependence on a handful of big accounts, the division participates in tenders throughout the world as part of its ongoing efforts to add new customers.

### **Risks Pertaining to Terror and Political Unrest**

Following the terrorist attacks on 11 September 2001, the airline industry has taken great pains to close any existing security gaps. Increased security checks, restrictions involving carryon luggage and checks on suppliers are among the steps that have been taken in almost all corners of the world. Nonetheless, an acute danger of further attacks persists owing to the geopolitical situation in the Near and Middle East. Major events like the EURO 2008 in June 2008 are potential targets of political terror. Security precautions at top international level are taken to minimize the potential risk.

### **Economic Developments**

DO & CO's business in all three divisions is strongly shaped by global economic trends, because these trends have an enormous influence on tourism and consumers' leisure-time behavior. Volatility in consumer

travel and especially consumer flight activities affect Airline Catering in particular. The growth enjoyed in recent years is no guarantee of steadily rising demand in the future.

To counter economic risk in its business, DO & CO has diversified its locations by region in seven different countries and by sector in three different market segments. Business in all three group divisions is highly seasonal. Prompt reporting on business results includes analysis and forecasts on current operating business in each reporting entity (e.g. the group companies are divided into 65 units comparable to profit centers for internal reporting purposes). These efforts ensure that capacity is adjusted immediately.

### **Hygiene Risks**

To ensure that the food it produces is fit for human consumption, DO & CO has carried out risk analyses in all business areas as part of the ongoing development of its HACCP System ("Hazard Analysis and Critical Control Points") and taken action to control and minimize risks based on these analyses. An internationally active quality control team constantly monitors the effectiveness of these actions.

### **Personnel Risks**

For DO & CO, the biggest assets it has are its employees and the corporate culture into which they breathe life. The employees are the most crucial factor in DO & CO's success. The future development of DO & CO therefore depends, inter alia, on its success in hiring and integrating highly skilled and motivated employees and forging bonds of loyalty between them and the company. Professional training and consistent personnel development are central tools for achieving the growth desired.

The professional and profitable integration of new company units will be equally crucial for the future success of DO & CO. Shared values and a vital corporate culture help our new employees understand the high quality standards to which we aspire in our product and in our personal service and assist us in anchoring those standards permanently in the company.

### **Legal Risks**

With its constant expansion and global scope of business, DO & CO has to abide by a myriad of legal requirements at the national and international level, especially in relation to food law, hygiene, and waste management, as well as special guidelines and regulations of various airlines.

Present or future legal regulations or changes in them can cause the company's costs to increase enormously. At present, there are no signs of any changes of this kind.

Every important business transaction is therefore examined and approved by Legal Compliance at the headquarters in Vienna to avoid legal risks. Liability risks and claims are largely reduced to a minimum internationally by taking out specific insurance policies.

### **Foreign Currency Risks**

DO & CO is heavily exposed to the risk of exchange rate fluctuations due to the international nature of its business segments, especially Airline Catering and International Event Catering. The major foreign currencies involved are USD, YTL and GBP.

Closed positions are set up as a hedge by trying to offset proceeds in a given foreign currency against expenses in that same currency with the same maturity. The company also strives to avoid additional risk by including appropriate clauses in its agreements with customers and suppliers.

If need be, financial instruments and derivatives are employed to control currency risks. No derivatives were in use at the reporting date.

### **Liquidity Risks**

Precise financial planning updated daily is the key to controlling liquidity and to avoiding liquidity risk. If expansion and other projects are undertaken, it is essential to conduct a meticulous analysis of their impact on the Group's liquidity.

Deviations from financial plans are detected immediately thanks to regular and prompt financial reporting. This approach ensures that counter-measures can be initiated quickly.

All Austrian companies are integrated in a single cash-pooling system so that liquidity can be controlled centrally.

**Default Risks**

DO & CO keeps the risk of default to a minimum by closely monitoring outstanding debts as part of receivables management. It is proactive in controlling the risk of default associated with major customers by entering into contractual agreements with them and by having customers furnish collateral. Weekly reporting of all legal entities' outstanding items was yet another risk mitigation practice implemented in the year under review.

DO & CO does not avail itself of credit insurance. Investments are made only at banks with first-class ratings. No material default risks are expected from the other original financial instruments.

**Interest Risks**

All financial facilities have the same term as the projects they finance. Financing is done at usual market conditions. No negative effects are expected from interest rate changes.

In sum, DO & CO is confident it can manage and offset its risks with the risk management system it has put in place. These risks do not pose a danger to the continued existence of the Group.

The Notes contain additional details on currency, liquidity, default and interest risk (Item 4 Accounts receivable and Item 29 Financial instruments).



## Sales

In business year 2007/2008, sales in the DO & CO Group increased by EUR 148.29 million, rising from EUR 206.33 million to EUR 354.62 million. That corresponds to sales growth of 71.9 %.

Segmental reporting shows especially strong growth in Airline Catering, with sales up by EUR 128.48 million, or + 104.0 %. Sales in Restaurants, Lounges & Hotel rose by a healthy EUR 17.20 million, or + 39.3 %. International Event Catering reported an increase in sales of EUR 2.61 million, or 6.7 %.

Sales	2007/2008 in Mio €	2006/2007 in Mio €	Change in Mio €	Change in %	2005/2006 in Mio €
Airline Catering	251.96	123.48	128.48	104.0%	74.79
International Event Catering	41.65	39.04	2.61	6.7%	35.60
Restaurants, Lounges & Hotel	61.02	43.82	17.20	39.3%	31.79
<b>Group</b>	<b>354.62</b>	<b>206.33</b>	<b>148.29</b>	<b>71.9%</b>	<b>142.18</b>

Airline Catering increased its sales from EUR 123.48 million last year to EUR 251.96 million in the year under review. That corresponds to sales growth of 104.0 %. The Airline Catering segment accounts for 71.0 % (previous year: 59.9 %) of consolidated sales in the business year under review. This growth is mainly attributable to the three factors below.

Turkish DO & CO (Thy DO & CO İkrâm Hizmetleri A.Ş., the Turkish joint venture in which DO & CO and Turkish Airlines each hold a 50 % stake, is included in the consolidated accounts for the entire business year for the first time in this reporting period (it was included last year for only one quarter). Besides its key account, Turkish Airlines; the joint venture has a clientele of 50 other airlines that it supplies with fresh, top quality products from nine gourmet kitchens. Growth has been bolstered significantly by return catering on a number of short and medium-distance routes of Turkish Airlines. As a result, DO & CO now services an increasingly large share of Turkish Airlines' outward and return flights on short and medium-distance routes. The local sales team of TURKISH DO & CO also succeeded in adding Azerbaijan Airlines, European Airpost, AirBlue and Freebird as new customers to its clientele.

The positive business trend in Airline Catering in Austria likewise boosted growth considerably. The Austrian Airlines Group, a key account since the fourth quarter of the previous year, greatly increased the volume and value of Airline Catering business.

DO & CO services all flights of the Austrian Airlines Group in Vienna, Linz, Graz and Salzburg and thus handles airline catering for more than 10 million passengers and 80,000 departures.

Another factor in divisional growth is the upturn in the amount of business that existing customers have been giving to Airline Catering at additional locations. Of special note in this context is the growth in airline catering for Emirates and stepped up collaboration with Cathay Pacific and the premium carrier ETIHAD.

International Event Catering increased its sales for the period by a healthy EUR 2.61 million, from EUR 39.04 million to EUR 41.65 million. That corresponds to sales growth of 6.7 %. This division made up 11.7 % of total consolidated sales (previous year: 18.9 %).

This 6.7 % growth resulted primarily from highlight international events like the America's Cup in Valencia, the traditional CHIO riding and jumping tournament in Aachen, the PGA Golf Tournament in Valderrama and the two tennis tournaments staged in Madrid (ATP Men's Tennis Masters Tournament and the Women's Tennis Association World Championships, Sony Ericsson Championship). Sales from Formula 1 Grand Prix events again accounted for a significant portion of divisional sales.

Besides this success in staging prestigious international events, DO & CO further augmented sales growth by playing culinary host to numerous national events. The highlights include its catering for the national team face-offs of the Austrian Football Association as well as for the Four Hills Tournament, the traditional Hahnenkamm ski races in Kitzbühel and the lakeside Beach Volleyball Grand Slam at Wörthersee, a red letter day on the summer sports calendar.

The Restaurants, Lounges & Hotel division contributed EUR 61.02 million to consolidated sales, constituting 17.3 % of the total (previous year: 21.2 %). Divisional sales rose from EUR 43.82 million last year to EUR 61.02 million in the year under review (an increase of EUR 17.20 million).

One reason for this success was the encouraging course of business at existing national companies. Chief among them are the Restaurant in the Haas Haus and the Haas Haus Hotel, the Restaurant DO & CO Albertina, Café Griensteidl and DEMEL Vienna. International business locations made a fine showing, too, e.g. the catering enterprises at the British Museum in London and the Lufthansa First Class Lounges in Frankfurt.

Sales in Restaurants, Lounges & Hotel were further boosted in the year under review by the opening of new business locations. The biggest opening in the division was that of the restaurant facilities at the BMW World in Munich, consisting of two restaurants, a bistro and a coffee bar. The addition of the Austrian Airlines lounges and the Austrian Airlines staff restaurant to the clientele also stimulated divisional growth for Restaurants, Lounges & Hotel.

The Group performed exceptionally worldwide, producing sales growth in nearly all countries. The US, British and Turkish markets were the frontrunners in this regard. Sales in Austria, the Group's domestic market, were also increased significantly.

## Profit, Assets and Cash Flow

In business year 2007/2008, the DO & CO Group increased its consolidated earnings before interest and tax (EBIT) following goodwill amortization from EUR 6.14 million in the previous year to EUR 14.66 million in the period under review. This figure represents an increase of 138.8 %, or EUR 8.52 million. It also succeeded in raising the EBIT margin from 3.0 % to 4.1 %.

The DO & CO Group increased its EBITDA by EUR 16.65 million, or 123.4 %, to EUR 30.14 million. As a result, the EBITDA margin rose from 6.5 % to 8.5 %.

GROUP	2007/2008 in Mio €	2006/2007 in Mio €	Change in Mio €	Change in %	2005/2006 in Mio €
Sales	354.62	206.33	148.29	71.9%	142.18
EBITDA	30.14	13.49	16.65	123.4%	11.06
Depreciation/amortization	-15.48	-7.35	-8.13	-110.6%	-6.86
EBIT	14.66	6.14	8.52	138.8%	4.20
EBITDA margin	8.5%	6.5%			7.8%
EBIT margin	4.1%	3.0%			3.0%
Employees	3,774	2,014	1,760	87.4%	1,340

Cost of materials and services rose in relation to sales from 37.6 % percent the previous year to 38.9 % in the year under review. In absolute terms, the cost of materials increased by EUR 60.24 million (+77.6 %) while sales rose by 71.9 %. Much of this increase is attributable to the inclusion of the new entities in the group accounts.

DO & CO substantially enlarged the size of its staff in business year 2007/2008, recording an annual average of 3,774 employees in Austria and abroad. This figure represents an increase of 1,760 employees, or 87.4 %. These newcomers are also reflected in the 65.0 % increase in payroll costs against the previous year. The ratio of payroll costs to sales declined from 37.4 % the previous year to 36.0 % in the year under review.

Staff growth is traceable mainly to the first full-year inclusion of the joint venture in Turkey and of Airst Catering GmbH (now renamed "Sky Gourmet - airline catering and logistics GmbH" and referred to below as "Sky Gourmet") in Austria. A number of new people were also hired for the DO & CO Gourmet Kitchens in New York, Frankfurt, London Heathrow and Vienna. The opening of the restaurant units in the BMW World in Munich was yet another factor in this staff growth.

Depreciation in the year under review rose by 110.6 % due to the volume of investments in business year 2007/2008.

Other operating expenses rose by 72.4 %. Disproportionally large movements were recorded especially for foreign exchange differences, book losses from the disposal of assets, rents, leases and operating expenses, for other personnel expenses and for provisions for other operating expenses. The remaining items were stable or lower in relation to 2006/2007 on higher sales volumes.

The taxation ratio (ratio of tax costs to untaxed income) was somewhat higher than the year before, rising from 34.1 % to 36.4 % in the year under review. This change came about mostly because deferred taxes on losses at foreign subsidiaries were not capitalized.

Following adjustments for planned dividend payments and for book values of goodwill, the consolidated shareholders' equity of the DO & CO Group rose by EUR 4.41 million to EUR 72.61 million (previous year: EUR 68.21 million) and the equity ratio to 41.1 % (previous year: 36.3 %) in business year 2007/2008.

The consolidated long-term liabilities fell from EUR 39.66 million to EUR 37.14 million primarily due to the repayment of liabilities assumed on the founding of the joint venture in Turkey.

The consolidated short-term liabilities declined from EUR 79.05 million to EUR 65.60 million. A major factor in this context is the elimination from the accounts of the EUR 11.50 million in non-current assets held for sale and associated liabilities from the acquisition of Sky Gourmet.

Owing to the above changes in shareholders' equity and long-term and short-term liabilities, total assets declined from EUR 192.40 million to EUR 180.57 million.

Cash flows from operating activities rose in the period under review by EUR 15.17 million to EUR 26.88 million (previous year: 11.72 million) That means this cash flow item is at the same level as the EBITDA earned this business year. The robust growth in Airline Catering was a key reason for this cash flow trend. Of particular note in this regard is the first full-year inclusion in the consolidated accounts of the Turkish joint venture and Sky Gourmet.

Cash flows from investing activities totaled -EUR 7.99 (previous year: - EUR 65.57 million). In business year 2006/2007, this item was shaped in particular by investments for the joint venture in Turkey and the acquisition of Airst's airline catering business. In the year under review, the investments were more operational in nature. Among the major projects were the expansion of kitchen capacities in Airline Catering kitchens in New York, London Heathrow, Turkish DO & CO and Sky Gourmet and the investments to replace and expand the vehicle fleet at the joint venture in Turkey and at London Heathrow.

The cash flows from financing activities totaled - EUR 16.72 million in the year under review (previous year: EUR 59.59 million). In the previous business year, these cash flows were dominated by the taking of loans from banks and a capital increase in March 2007.

In the year under review, the focus was on the repayment of financial liabilities. A total of EUR 14.81 million in liabilities was repaid. Besides amounts owed to Austrian banks, the Group repaid amounts owed to the joint venture partner in Turkey in connection with the establishment of the joint venture.

The following segment reporting in accordance with IAS 14 deviates somewhat from the specifications in the International Financial Reporting Standards (IFRS). This deviation arises because certain group companies conduct business in several segments, making it impossible to report solely on a segment basis.

## Airline Catering

With its locations in New York, London, Frankfurt, Munich, Berlin, Milan, Salzburg and Vienna as well as the newly acquired business locations of Sky Gourmet and the Gourmet Kitchens of the joint venture in Turkey, Airline Catering further increased its lead as the frontrunner in sales among the divisions in the DO & CO Group.

The Airline Catering clientele at the various business locations includes the Austrian Airlines Group, Turkish Airlines, British Airways, Cathay Pacific, Emirates, Etihad, Qatar Airways, Royal Air Maroc, South African Airways, KLM, Iberia, Air France and NIKI. DO & CO currently provides catering to more than 50 airlines worldwide.

AIRLINE CATERING	2007/2008 in Mio €	2006/2007 in Mio €	Change in Mio €	Change in %	2005/2006 in Mio €
Sales	251.96	123.48	128.48	104.0%	74.79
EBITDA	21.11	7.18	13.93	194.0%	5.08
Depreciation/amortization	-11.86	-4.59	-7.27	-158.3%	-3.89
EBIT	9.25	2.59	6.66	257.1%	1.19
EBITDA margin	8.4%	5.8%			6.8%
EBIT margin	3.7%	2.1%			1.6%

Airline Catering recorded sales of EUR 251.96 million in business 2007/2008. That corresponds to growth of EUR 128.48 million, or 104.0 %. Its share in consolidated sales thus increased from 59.9 % in business year 2006/2007 to 71.0 % in the year under review. All told, the Gourmet Kitchens of the DO & CO Group provided some 52 million meals to more than 45 million passengers on some 350,000 flights worldwide.

EBITDA and EBIT were both significantly higher than the previous year in absolute terms. EBITDA totaled EUR 21.11 million, a rise of EUR 13.93 million, or 194 %, against the previous year. EBIT increased from EUR 2.59 million to EUR 9.25 million. The EBIT margin in Airline Catering thus rose from 2.1 % in business year 2006/2007 to 3.7 % in the year under review.

There are several factors responsible for this impressive growth.

Turkish DO & CO, the Turkish joint venture in which DO & CO and Turkish Airlines each hold a 50 % stake, is included in the consolidated accounts for the entire business year for the first time in this reporting period (it was included last year for only one quarter).

Turkish DO & CO further strengthened its position as market leader in airline catering in Turkey. Approximately 1,400 employees prepared nearly 27 million meals at the new business locations in Istanbul Atatürk, Istanbul Sabiha Gökçen, Ankara, Antalya, Izmir, Bodrum, Adana, Dalaman and Trabzon.

Growth has been stimulated considerably by the return catering the Turkish DO & CO business locations provide on a number of short and medium flights operated by Turkish Airlines. As a result, DO & CO now services an increasingly large share of Turkish Airlines' outward and return flights on short and medium-distance routes. A major development in this context in 2007/2008 is the daily long-distance flight now operating from Istanbul to New York.

DO & CO significantly increased the customer satisfaction of Turkish Airlines passengers (from 49 % to 89 %) with its introduction of a new on-board product. Business passengers on long-distance flights now enjoy an appealing buffet featuring antipasti, fresh salads, exquisite international and Turkish main dishes, and a selection of fresh desserts and handmade petits fours. Economy passengers are served freshly prepared local and international specialty dishes.

The local sales team has forged ties with a number of new national and international clients and stepped up business with existing customers. Azerbaijan Airlines, European Airpost, AirBlue, and Freebird were all added to the clientele of Turkish DO & CO. With its concept of fresh products and premium meals, Turkish DO & CO has solidified its market position and become even more attractive.

The positive business trend in Airline Catering in Austria also boosted growth considerably and contributed to this division's fine performance.

The Austrian Airlines Group, a key account since the fourth quarter of the previous year, greatly increased the volume and value of Airline Catering business.

DO & CO services all flights of the Austrian Airlines Group in Vienna, Linz, Graz and Salzburg and thus handles airline catering for more than 10 million passengers and 80,000 departures.

Along with classic services like supplying meals and beverages and handling and storing equipment, DO & CO now also performs a full range of agency services for the Austrian Airlines Group.

Starting in June 2007, DO & CO launched a comprehensive project to redesign the entire on-board product and successfully introduced a homogeneous quality product on all routes. In addition to an innovative meal and beverage concept, this new design covers essential elements of the corporate image such as tableware and menu cards. DO & CO increased the customer satisfaction of Austrian Airlines passengers substantially with these changes.

On the organizational front, the Group began its integration of the airline catering business unit, now conducting business under the name Sky Gourmet, which it acquired from Airst the previous business year. These efforts are progressing well.

Encouraging trends are also reported by the other DO & CO business locations.

The DO & CO business location in New York has expanded its business with existing customers. The collaboration with Emirates Airlines deserves special mention in this regard. The contract for hosting guests at the first and business class lounges in New York was particularly successful. Turkish Airlines was added to the clientele in New York and now enjoys DO & CO catering on its daily flight from JFK to Istanbul. Cathay Pacific Airways also took on DO & CO as a caterer for its third daily flight ex JFK to Hong Kong.

Another highlight concerns the premium Arab carrier ETIHAD. Already an established DO & CO customer ex New York, it will now be catered by the DO & CO Gourmet Kitchen ex Frankfurt and ex Milan as well.

An extensive project was launched to expand the Gourmet Kitchen at the DO & CO business location at London Heathrow. The object of this expansion is to increase business with British Airways and other customers at this strategically significant airport. Work also began to expand the Airline Catering unit in New York and to increase the capacities of the DO & CO Airline Catering unit in Frankfurt.

### **Strategy**

- \* To offer a unique quality product tailored to the needs of economy and business class passengers
- \* To improve our market position as THE supplier in the premium segment
- \* To create and develop a global network of gourmet kitchens
- \* To optimize our collaboration with existing airline customers
- \* To win over new customers and existing customers for other DO & CO business locations

## **Preview of Business Year 2008/2009**

The division will:

- \* Further integrate and optimize the Airline Catering organization in Austria and make full use of resulting synergies;
- \* Develop a new catering product for AUA Premium Service to be used increasingly on flights to the Near and Middle East;
- \* Commence airline catering service for new Austrian Airlines flights to Russia (6 flights a week);
- \* Complete expansion of the Airline Catering unit at London Heathrow; and
- \* Complete expansion of the Airline Catering unit in New York.

### **Competitive advantage of DO & CO**

- \* Niche supplier in the premium segment;
- \* Product creativity and innovation in core segments and secondary segments.

## International Event Catering

International Event Catering also continued along its course of growth in the year under review. EBITDA increased by EUR 2.61 million, rising from EUR 39.04 million to EUR 41.65 million.

INTERNAT. EVENT CATERING	2007/2008 in Mio €	2006/2007 in Mio €	Change in Mio €	Change in %	2005/2006 in Mio €
Sales	41.65	39.04	2.61	6.7%	35.60
EBITDA	4.59	3.83	0.76	19.8%	3.69
Depreciation/amortization	-1.55	-1.20	-0.35	-29.2%	-1.30
EBIT	3.04	2.63	0.41	15.6%	2.39
EBITDA margin	11.0%	9.8%			10.4%
EBIT margin	7.3%	6.7%			6.7%

The highlights of the year under review once again included numerous large-scale international sports events to which DO & CO played culinary host.

Among them was the 32nd America's Cup in Valencia, where DO & CO treated its guests to premium DO & CO products from April to early July 2007. Others were the traditional CHIO Riding and Jumping Tournament in Aachen, the Formula 1 Grand Prix events, and the PGA Golf Tournament in Valderrama. DO & CO also hosted two major tennis tournaments in Madrid, the ATP Men's Tennis Masters Tournament and the Women's Tennis Association World Championships (Sony Ericsson Championships), where it served delicious fare to over 25,000 VIP guests and some 62,000 members of the general public.

Besides its successful culinary staging of the above international events, DO & CO had the privilege of hosting a number of national events. Highlights include the catering of the national team face-offs of the Austrian Football Association and at various events of the Austrian Skiing Association such as the Four Hills Tournament and the traditional Hahnenkamm ski races in Kitzbühel. DO & CO also provided culinary delights to guests at the lakeside Beach Volleyball Grand Slam at Wörthersee, a red letter event on the summer sports calendar. A further highlight was the staging of the 50th anniversary of Austrian Airlines.

Preparations are now in full swing for the largest project ever handled by International Event Catering, the staging of the entire hospitality program for the EURO 2008 in Austria and Switzerland. DO & CO will handle all hospitality services in and around the stadiums and looks forward to this tremendous challenge. As for the 140,000 VIP guests, they can look forward to culinary VIP treatment featuring creative, premium fare.

EBITDA for International Event Catering increased by EUR 0.76 million, rising from EUR 3.83 million to EUR 4.59 million. That corresponds to an EBITDA margin of 11.0 % (previous year: 9.8 %). EBIT improved by EUR 0.41 million, rising from EUR 2.63 million to EUR 3.04 million in the year under review. The EBIT margin remained unchanged over the previous year at 7.3 %.

### The DO & CO Strategy

\* To strengthen its core competence in premium catering as a "Gourmet Entertainment Company" and build on it in order to become a "Gourmet General Contractor"

\* To continue establishing and strengthening DO & CO as a premium event brand

\* To enter new lines of business in the special events segment



**Preview of Business Year 2008/2009**

- \* EURO 2008 in Austria and Switzerland
- \* CHIO Riding and Jumping Tournament in Aachen
- \* Men's ATP Masters Series Tournament in Madrid
- \* 15 Formula 1 Grand Prix events, including the new Grand Prix in Valencia

**Competitive Advantage of DO & CO**

- \* Unmistakable and irreplaceable on the market as a one-stop shop partner with a unique premium product
- \* Known for its high reliability, flexibility and adherence to stringent quality criteria, making it a "no headache partner" available to its customers at all times
- \* New DO & CO Gourmet Kitchens in Graz, Linz, Bratislava and nine business locations in Turkey that create new opportunities for International Event Catering

## Restaurant, Lounges & Hotel

The business year 2007/2008 saw Restaurants, Lounges & Hotel achieve healthy sales growth of EUR 17.21 million, for total sales of EUR 61.02 million (previous year: EUR 43.82 million). This growth is mainly attributable to the sterling performance of classic DO & CO business locations as well as the opening of the BMW World and the inclusion of the lounges and cafeterias at Vienna International Airport in the group accounts. Even with this considerable expansion of business, Restaurants, Lounges and Hotel saw its share in consolidated sales fall from 21.2 % to 17.3 % in the year under review owing to the even greater proportional growth of Airline Catering.

<b>RESTAURANTS, LOUNGES &amp; HOTEL</b>	<b>2007/2008 in Mio €</b>	<b>2006/2007 in Mio €</b>	<b>Change in Mio €</b>	<b>Change in %</b>	<b>2005/2006 in Mio €</b>
Sales	61.02	43.82	17.20	39.3%	31.79
EBITDA	4.44	2.48	1.96	79.0%	2.29
Depreciation/amortization	-2.07	-1.56	-0.51	-32.7%	-1.67
EBIT	2.37	0.92	1.45	157.6%	0.62
EBITDA margin	7.3%	5.7%			7.2%
EBIT margin	3.9%	2.1%			2.0%

The opening of the BMW World in Munich in October 2007 was a special highlight for the Restaurants, Lounges & Hotel Division. DO & CO has several outlets in this complex built by the award-winning Austrian architectural firm COOP HIMMELB(L)AU, so it can provide the public with a broad range of culinary products and services spread over several stories. The exclusive Club Restaurant with seating for 60 features a kitchen with an open view from all sides. A second top establishment, the Internationale Restaurant, has indoor seating for 150 and additional outdoor seating for 150 on a beautiful terrace. The bistro on the ground floor has an open-view bakery where guests can watch fresh baked products being produced on-site for the four outlets in the complex. The Coffee Shop completes the range of culinary establishments and offers a fine selection of tea and coffee specialties along with delectable sweets from Demel.

Casinos Austria remodeled the facilities at Casino Baden from July to November 2007. The catering facilities at the Swarovski Crystal Worlds were also renovated in 2007/2008. The restaurant areas were enlarged in the course of the renovation and the nearly two-month shutdown of the business location.

Ever since Austrian Airlines moved its headquarters to Vienna International Airport, DO & CO has been operating a staff restaurant that provides Austrian Airlines staff at headquarters with fresh, top quality fare.

The culinary outlets DO & CO operates at the British Museum in London have shown encouraging growth. With some six million visitors a year, the British Museum is England's most-visited museum. Among its recent activities, the museum staged a highly successful exhibition entitled "First Emperor" from September 2007 through April 2008 that attracted more than one million visitors.

Since the summer of 2007, DO & CO has been providing frequent flyers an opportunity to enjoy fresh, top quality products in a relaxed atmosphere prior to takeoff in the lounges of Austrian Airlines at Vienna International Airport (Business, Senator and HON Lounge).

Other top locations are DEMEL Vienna, where the finest pastry and confectionery arts are alive and well; Café Griensteidl, a classic Viennese coffeehouse; and the Albertina, with its unique symbiosis of cultural and culinary delights.

Exclusive events and press conferences are staged at all business locations of Restaurants, Lounges & Hotel, particularly at the premier event location PLATINUM VIENNA in the UNIQA Tower.

DO & CO has been responsible for providing a full range of services for Lufthansa first class passengers at the four HON Circle Lounges at Frankfurt Airport since 2004. The steady rise in guest figures reflects the high level of satisfaction felt by passengers and prompted Lufthansa to extend the contract by another three years. In business year 2008/2009, the number of guests is expected to top the 200,000 mark for the first time.

In sum, EBITDA and EBIT were both increased despite start-up and project costs. EBITDA rose from EUR 2.48 million in the previous year to EUR 4.44 million in the year under review. EBIT increased from EUR 0.92 million to EUR 2.37 million.

### **Strategy**

- \* Research & Development Center and product creation for the entire DO & CO Group
- \* Marketing instrument and standard bearer for the group as well as original brand development
- \* Restaurants, Lounges & Hotel providing comprehensive hospitality solutions

### **Preview of Business Year 2008/2009**

- \* Opening of Demel New York in the second quarter of business year 2008/2009
- \* K. u. K. Hofzuckerbäcker Ch Demel's Söhne GmbH as the official UEFA partner for the production of fine chocolate products
- \* The Haas Haus Hotel as a venue for broadcasts of the German TV network ARD during the EURO 2008

### **Competitive advantage of DO & CO**

- \* Businesses exclusively in unique and prime locations
- \* Staff that is superbly trained at the DO & CO Academy

## DO & CO Stock/Investor Relations

The Vienna Stock Exchange saw months of extremely volatile trading in 2007 and the first quarter of 2008.

Buoyed by good economic and business news; ATX, the leading Austrian index hit an all-time high of nearly 5,000 points in July 2007. In the months that followed, prices declined parallel to those on international exchanges. The subprime crisis in the US was the major reason for this downturn. The ATX closed the year at 4,513 points, managing a final 1.1 percent price rally to end the year with a performance just in the positive range.

The extreme volatility and pronounced downward trend continued in the initial months of the calendar year. After extremely turbulent months, the ATX stood at 3,766 points at 31 March 2008.

### DO & CO Stock

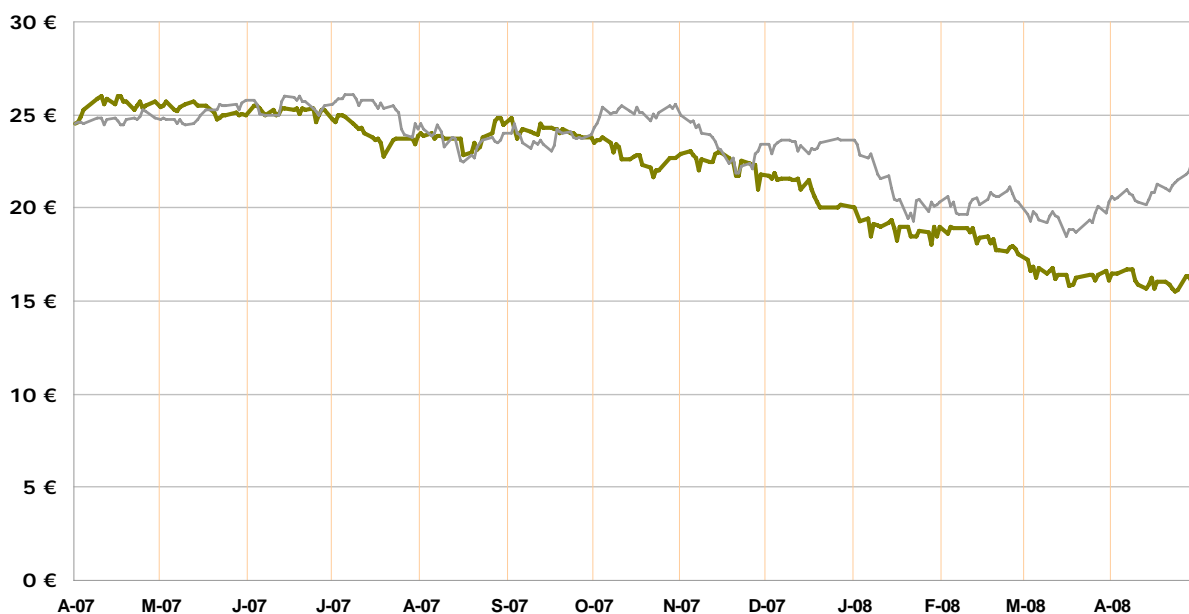
Following the capital increase in March 2007, DO & CO Restaurants & Catering Aktiengesellschaft once again satisfies all criteria for listing in the Prime Market (free float above 25 % again). On 19 March 2007, it returned to trading on the Prime Market after a review by the ATX Committee.

The price movements of DO & CO stock were largely shaped by the trend on the Austrian stock market and on international exchanges. Shares were trading at the start of the business year at EUR 24.50 before reaching an all-time high of EUR 26.00 in April 2007. Over the ensuing months, the price of DO & CO stock declined and by 31 March 2008, shares were trading at EUR 16.60.

This price corresponds to market capitalization of EUR 129.40 million.

A 1-on-4 stock split was carried out on 17 August 2007, increasing the number of shares from 1,948,800 to 7,795,200. The price of DO & CO shares was simultaneously reduced to one-fourth of the last price quoted.

### DO & CO Stock in EUR | ATX (Austrian Traded Index)



## Shareholders' Structure

The private foundation Attila Dogudan Privatstiftung remained the majority shareholder in DO & CO Restaurants & Catering Aktiengesellschaft in the year under review with a stake of 50.5 %. DZR Immobilien und Beteiligungs GmbH (a wholly-owned subsidiary of Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H.) decreased its stake from 32.9 % to 25.1 % during the business year and once again in March 2007 in the course of the capital increase from 25.1 % to 20.4 %. DWS Investment GmbH retains a share of more than 5 %. The remaining shares are in free float (all stakes refer to the time at which the consolidated financial statements were prepared).

## Financial Calendar

12 June 2008	Business results for 2007/2008
10 July 2008	General Meeting
14 July 2008:	Ex-dividend date
31 July 2008	Payable date
21 August 2008:	Business results for the first quarter (April to June 2008)
13 November 2008:	Mid-term business results (April to September 2008)
19 February 2009:	Business results for the first three quarters (April to December 2008)

## Dividend Distribution

The Management Board of DO & CO Restaurants & Catering Aktiengesellschaft will propose to the General Meeting of Shareholders that a dividend of EUR 0.15 per share be distributed for the business year 2007/2008. This corresponds to a dividend yield of 0.90 % in relation to the closing price on 31 March 2008 (previous year: 0.52 %).

## Authorized Capital

The General Meeting of Shareholders on 5 July 2007 gave the Management Board the right until 30 June 2012 to increase the share capital on approval by the Supervisory Board by up to a further EUR 7,795,200.00 in exchange for cash contributions and/or contributions in kind through the issuance of up to 3,897,600 shares of ordinary stock. The Management Board did not exercise this right in the year under review.

## Investor Relations

With its unique focus on the core segments Airline Catering, International Event Catering, and Restaurants, Lounges & Hotel; DO & CO has evolved over the years into a visible and formidable player on the global market. It is precisely this strategic orientation as a "Gourmet Entertainment Company" which renders DO & CO so difficult to benchmark adequately against other companies. That makes it all the more important for the company to involve private and institutional investors and analysts in the company's development by pursuing a modern and straight-forward information policy. DO & CO is committed to clear-cut communications with all target groups in the financial community. To this end, it announced business results at regular intervals throughout the business year and disclosed relevant events in press releases. All published materials and information of interest on DO & CO stock are posted under Investor Relations on the DO & CO homepage at [www.doco.com](http://www.doco.com).

Members of the Management Board and management of the DO & CO Group staged numerous road shows throughout Europe again in the year under review. DO & CO was also represented at investor conferences in Turkey and Austria.

**Notes in Accordance with Section 243a Austrian Business Enterprise Code (UGB)**  
(Unternehmensgesetzbuch, or UGB; a law reforming the Austrian Commercial Code (HGB))

1. The share capital totals EUR 15,590,400.00 and is divided into 7,795,200 individual bearer shares. Only shares of this class are issued.
2. The Company knows of no limitations to the voting rights or to the transfer of DO & CO shares, even those contained in agreements between shareholders.
3. Two shareholders hold more than 10.0 % of the share capital, namely Attila Dogudan Privatstiftung with a stake of 50.5 % and DZR Immobilien und Beteiligungs GmbH with a stake of 20.4 %.
4. There are currently no shares endowed with special control rights.
5. DO & CO staff owning company stock exercise their voting rights directly at the General Meeting.
6. The company has no provisions on naming and dismissing the Management Board that are not derived directly from the pertinent law on this matter. The General Meeting is entitled to remove a member of the Supervisory Board with a simple majority of the votes cast (instead of the statutory majority of 75 %). A simple majority of the share capital represented at the vote of a resolution suffices to make a change in the Articles of Association as long as that change does not pertain to a conditional capital increase, authorized capital or an ordinary or simplified capital reduction (as opposed to the statutory majority of 75 %).
7. Pursuant to Section 5 (3) of the Articles of Association, the Management Board has the right until 30 June 2012 to increase the share capital by up to a further EUR 7,795,200.00 through the issuance of up to 3,897,600 shares of new ordinary bearer shares in exchange for cash contributions and/or contributions in kind.
8. Agreements exist with service providers of the DO & CO Group that entitle them to cancel the contractual relationship in full or in part if there is a change of control in the company. These agreements are not further specified here owing to the damage this disclosure would do to the company.
9. There are no compensation agreements between the company and the members of its Management Board and Supervisory Board or employees in the event of a public takeover bid.

## Corporate Governance Report

As regards corporate governance, management's goal at DO & CO is to increase the value of the company on a sustainable, long-term basis. DO & CO adheres to strict principles of management and transparency while constantly refining its efficient system of corporate governance in the interest of all stakeholders. The ultimate priority is a corporate culture which engenders trust and enables the company to achieve lasting gains in value.

DO & CO has been committed to full compliance with the rules of the Austrian Code of Corporate Governance since February 2007 and satisfies not only the legally stipulated rule, the "L Requirements", but also all comply-or-explain rules, "C Requirements".

DO & CO is voluntarily having the Vienna law firm Berger-Saurer-Zöchbauer Rechtsanwälte evaluate its compliance with the Code of Corporate Governance for business year 2007/2008.

The internal rules of procedure for the Management Board and Supervisory Board and the contracts with the Management Board members were amended at the Supervisory Board meeting of 14 February 2007 to fit the rules of the Code of Corporate Governance. The tasks and areas of responsibility of the Auditing Committee and the Chairmanship are described on our website ([www.doco.com](http://www.doco.com)).

Neither former members of the Management Board nor senior employees hold seats on the Supervisory Board of DO & CO; thus, no cross-over interlinking exists. Business relations existing with enterprises in which members of the Supervisory Board of DO & CO Restaurants & Catering AG are active are conducted at terms and conditions customary for external customers (please refer also to the Compensation Report).

The criteria for the independence of members of the Supervisory Board and members of the committees and the areas of competence of individual committees are posted on the Group website ([www.doco.com](http://www.doco.com)).

An extensive Risk Report (Rule 67) is in the Notes to the Consolidated Financial Statements.

Announcements of director's dealings (Rule 70) are depicted on the Group website ([www.doco.com](http://www.doco.com)).

All information for disclosing the shareholder's structure can be found in the section Stock/Investor Relations.

## Compensation Report

The Compensation Report summarizes the principles applied in determining compensation for the Management Board and the Supervisory Board of DO & CO Restaurants & Catering AG. The Supervisory Board invested the Chairmanship with the task of determining compensation for the DO & CO Management Board, which means that that body also functions as the Compensation Committee.

The Management Board:

The Management Board is appointed for a term of five years. The total pay is divided into fixed and performance-linked components. The fixed component is geared to the tasks and areas of responsibility of the members and paid out retroactively in 14 monthly payments. A further key element of Management Board compensation is a highly variable component based on scope of tasks and responsibilities and on company performance. This performance-linked component is geared to the EBIT margin following goodwill amortization and is capped at 100 % of the fixed pay.

There are no agreements at present on company retirement benefits for the Management Board. Management Board members are entitled to termination benefits in an analogous application of the White-Collar Workers' Act (Angestelltengesetz). The Management Board has no further claims relating to the termination of employment.

For further details on Management Board compensation, please refer to Information on Corporate Boards and Employees in the Notes section.

The Supervisory Board:

The remuneration scheme for Supervisory Board members provides that the chairperson receive 50 % more in remuneration than the other members and the deputy chairman, 25 % more.

Firms in which Supervisory Board members Waldemar Jud and Werner Sporn have a considerable economic interest charged professional fees of EUR 961,192 in the year under review for legal counsel.



## Members and Committees of the Supervisory Board

The Supervisory Board:

Waldemar JUD

Chairman; independent

Current term runs until the 11th Ordinary General Meeting of Shareholders (2009), first appointed on 20 March 1997

Supervisory Board Chairman of Strabag SE

Deputy Chairman of the Supervisory Board of Ottakringer Brauerei AG, Vienna

Werner SPORN:

Deputy Chairman; independent; representative of shares in free float

Current term runs until the 11th Ordinary General Meeting of Shareholders (2009), first appointed on 20 March 1997

No further seats on Supervisory Boards of listed companies

Georg THURN-VRINTS:

Member; independent

Current term runs until the 11th Ordinary General Meeting of Shareholders (2009), first appointed on 20 March 1997

No further seats on Supervisory Boards of listed companies

Christian KONRAD

Member; independent

Current term runs until the 11th Ordinary General Meeting of Shareholders (2009), first appointed on 10 July 2002

Chairman of the Supervisory Board of UNIQA Versicherungen AG, Vienna

Chairman of the Supervisory Board of AGRANA-Beteiligungs Aktiengesellschaft, Vienna

Deputy Chairman of the Supervisory Board of Südzucker AG Mannheim/Ochsenfurt

Member of the Supervisory Board of BAYWA AG, Munich

Committees:

Auditing Committee:

Waldemar JUD: Chairman

Werner SPORN: Deputy Chairman

Georg THURN-VRINTS: Member

Christian KONRAD Member

Chairmanship (this body also functions as the Nominating Committee, the Compensation Committee, and the Committee for Making Decisions in Emergencies):

Waldemar JUD: Chairman

Werner SPORN: Deputy Chairman

## Outlook

One priority in Airline Catering in Austria for the initial quarters of the new business year is to move forward with the integration of the units acquired last year. The division is also busy developing and implementing a new premium service for the Austrian Airlines Group for flights to the Near and Middle East.

TURKISH DO & CO, the joint venture in operation since January 2007, is focusing on rolling out its catering services for Anadolu Jet, the low-cost carrier established by Turkish Airlines. A further goal is to continue increasing the number of routes on which return catering is provided for Turkish Airline. Organizationally, management will be focusing on the further development and strengthening of the organizational structure and on process optimization.

The work to enlarge the Airline Catering units at London Heathrow and in New York is expected to be completed at the end of the second quarter.

DO & CO is currently taking part in a number of significant tenders intended to safeguard and further improve the position of the Airline Catering Division in the Group.

In International Event Catering, the big task in the first quarter of 2008/2009 is to handle the Hospitality Program for the UEFA's EURO 2008 Football Championships.

In the period from 7 through 29 June 2008, DO & CO will provide some 140,000 VIP guests with premium catering at 31 matches staged at four Austrian and four Swiss stadiums. As part of this project, DO & CO is likewise responsible for the entire infrastructure for guests, including tents, furniture, decorations and services such as entertainment and security. This project poses a special challenge for DO & CO. It is by far the largest event catering contract DO & CO has ever carried out.

The opening of the Demel in New York in the second quarter of business year 2008/2009 will mark a further expansion of the Demel brand and be the first Demel outside Austria. The establishment has a prime New York location, in the three-story luxury Plaza New York shopping mall on Fifth Avenue in the heart of Manhattan.

The next expansion step for the premium Demel brand will be the opening of an establishment in the new Skylink at Vienna International Airport. DO & CO won out over a tough field to land this contract in the fourth quarter of business year 2007/08. The plans call for a shop and a Café with seating for 150. The grand opening is scheduled for the second quarter of 2009. Preparations will begin in the first quarter of the new business year.

The many inquiries for further projects for 2008 underscore what strong interest there is for the services of the DO & CO Group and confirms once again how important DO & CO's consistent quality and brand strategy is for success as a premium caterer in international competition.

Vienna, 23 May 2008

The Management Board:

Attila Dogudan mp  
Chairman

Michael Dobersberger mp

## Report of the Supervisory Board

DO & CO Restaurants & Catering Aktiengesellschaft can look back on an extremely successful business year 2007/2008. This performance is further evidence of the company's solid basic strategy, the quality of its management and the commitment of its employees.

The Management Board of DO & CO Restaurants & Catering Aktiengesellschaft regularly informed the Supervisory Board in writing and orally about the progress of business and the situation of the company as well as major business events. Based on the reports and information from the Management Board, the Supervisory Board monitored the management and deliberated on business processes of special significance.

The Supervisory Board performed its duties under the law and the articles of association in business year 2007/2008 in four meetings. These meetings focused on deliberations regarding the company's basic strategy and discussions of possible acquisitions. Beyond that, the chairmen of the Supervisory Board and the Management Board regularly consulted on essential issues of company development.

The Supervisory Board met in its capacity as Compensation Committee on 7 February 2008 and voted at that meeting to follow the proposal of the Chairmanship and adjust the Management Board salaries to match the increased scope of responsibility.

At its meeting on 5 June 2008, the Auditing Committee dealt with the annual financial statements of DO & CO Restaurants & Catering Aktiengesellschaft, the consolidated financial statements, and the summarized Management Report as well as the proposal for the appropriation of profit, the Management Letter and the assessment of the effective functioning of risk management. The Auditing Committee suggested selecting PKF CENTURION Wirtschaftsprüfungsgesellschaft mbH as auditor of the financial statements of DO & CO Restaurants & Catering Aktiengesellschaft and as auditor of the consolidated financial statements of the DO & CO Group for 2008/2009.

The Auditing Committee had two meetings in business year 2007/2008.

The annual financial statements plus notes of DO & CO Restaurants & Catering Aktiengesellschaft as of 31 March 2008 along with the Management Report were prepared in accordance with Austrian accounting regulations and audited by PKF CENTURION Wirtschaftsprüfungsgesellschaft mbH, which issued an unqualified opinion on these documents. The Supervisory Board concurred with the Management Board in the latter's report on the audit findings and approved the financial statements for 2007/2008. They are thus adopted in accordance with Section 125 (2) of the Corporation Act (AktG).

The consolidated financial statements as of 31 March 2008 plus notes were prepared in accordance with the International Financial Reporting Standards (IFRS) and were audited, along with the management report on the group, by PKF CENTURION Wirtschaftsprüfungsgesellschaft mbH. In the auditor's opinion, the consolidated financial statements present fairly, in all material respects, the actual assets and financial position of the DO & CO Restaurants & Catering Aktiengesellschaft Group as of 31 March 2008 and the results of their operations and their cash flows and their cash flows for the business year 2007/2008 in conformity with the International Financial Reporting Standards (IFRS) as applied in the EU. The only particularity pertains to the information on Segment Reporting in accordance with IAS 14, which deviates somewhat from the specifications in the standards. This deviation arises because certain group companies conduct business in several segments, making it only conditionally possible to report on a segment basis. The Supervisory Board concurred in the findings of the audit.

Furthermore, the Supervisory Board examined the proposal for the appropriation of profit of DO & CO Restaurants & Catering Aktiengesellschaft. As regards the total balance-sheet profit of EUR 1,851,723.20, a proposal will be made to the General Meeting of Shareholders on 10 July 2008 to distribute a dividend of EUR 0.15 for every share entitled to a dividend and to carry forward the remaining balance-sheet profit of EUR 682,443.20 to new account.

The Supervisory Board proposes, in accordance with Section 270 (1) Austrian Business Enterprise Code (UGB) and Rule 78 of the Austrian Code of Corporate Governance, that PKF CENTURION Wirtschaftsprüfungsgesellschaft mbH be appointed to be (group) auditor for the financial statements for business year 2008/2009.

Vienna, 5 June 2008

Waldemar Jud  
Chairman of the Supervisory Board

## Glossary of Key Figures

### EBITDA margin

Ratio of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) to sales

### EBIT margin

Ratio of EBIT (Earnings Before Interest and Taxes) to sales

### Equity ratio

Shows the relationship of equity capital, adjusted by dividend payments and book values for goodwill, to total capital

### Net debts

Interest-incurring debt less cash and cash equivalents

### Gearing ratio

Financial management expressed as the ratio of net debts to equity (adjusted by dividend payments and book values for goodwill)

### Working capital

The surplus of current assets above and beyond short-term borrowed capital

### Free cash flow

Cash from operating activities plus cash from investing activities

### ROS – Return on sales

Return on sales, i.e. the ratio of the result on ordinary activities to sales

### Capital employed

Equity after dividend payments less the book values of goodwill plus interest-incurring borrowed capital and net debts and less financial investments

### ROCE – Return on capital employed

Shows return on capital invested by juxtaposing EBIT before amortization of goodwill less the adjusted taxes with the average capital employed

### ROE – Return on equity

The ratio of taxed earnings (before amortization of goodwill) to average equity after dividend distribution and deduction of the book values of goodwill

# **Consolidated Financial Statements 2007/2008**

of the DO & CO Group according to IFRS

## Balance Sheet as of 31 March 2008

Notes	Assets	in	31. Mar. 2008	31. Mar. 2007
	Intangible assets		38,859	47,633
	Tangible assets		43,631	43,419
	Financial assets		1,576	282
(1)	<b>Fixed assets</b>		<b>84,066</b>	<b>91,334</b>
(2)	Other long-term assets		333	323
	<b>Long-term assets</b>		<b>84,399</b>	<b>91,658</b>
(3)	Inventories		8,113	7,125
(4)	Trade accounts receivable		41,631	35,723
(4)	Other short-term accounts receivable and assets		15,910	14,080
(5)	Non-current assets held for sale		0	12,858
(6)	Cash and cash equivalents		26,069	25,753
	<b>Current assets</b>		<b>91,723</b>	<b>95,538</b>
(7)	Deferred taxes		4,452	5,202
	<b>Total assets</b>		<b>180,574</b>	<b>192,398</b>

Notes	Liabilities and shareholders' equity in TEUR	31. Mar. 2008	31. Mar. 2007
	Capital stock	15,590	14,162
	Capital reserves	34,464	35,892
	Revenue reserves	17,879	15,020
	Foreign currency translation reserve	-6,360	-3,676
	Consolidated result	6,413	3,834
	Minority interests	9,850	8,454
(8)	<b>Shareholders' equity</b>	<b>77,836</b>	<b>73,687</b>
(9)	Long-term provisions	16,072	14,870
(10)	Long-term financial liabilities	14,337	16,236
(11)	Other long-term liabilities	6,730	8,553
	<b>Long-term liabilities</b>	<b>37,139</b>	<b>39,659</b>
(12)	Short-term provisions	21,612	23,169
(13)	Short-term financial liabilities	6,100	9,672
(14)	Trade accounts payable	23,482	20,125
(15)	Liabilities directly allocable to non-current assets held for sale	0	11,500
	Other short-term liabilities	14,404	14,587
	<b>Current liabilities</b>	<b>65,598</b>	<b>79,052</b>
	<b>Total liabilities and shareholders' equity</b>	<b>180,574</b>	<b>192,398</b>

The following Notes to the Consolidated Financial Statements form an integral part of this Consolidated Balance Sheet

## Income Statement

for Business Year 2007/2008

Notes	in	Business Year 2007 / 2008	Business Year 2006 / 2007
(16)	<b>Sales</b>	<b>354,625</b>	<b>206,333</b>
(17)	Other operating income	11,626	3,067
(18)	Costs of materials and services	-137,832	-77,589
(19)	Payroll costs	-127,513	-77,266
(20)	Depreciation of tangible fixed assets and amortization of intangible fixed assets	-15,478	-7,278
(21)	Amortization of goodwill	0	-68
(22)	Other operating expenses	-70,768	-41,059
	<b>EBIT - Operating result</b>	<b>14,660</b>	<b>6,139</b>
(23)	Financial result	-385	719
	<b>Result from ordinary business activities</b>	<b>14,274</b>	<b>6,858</b>
(24)	Income tax	-5,197	-2,336
	<b>Result after income tax</b>	<b>9,077</b>	<b>4,522</b>
(25)	Minority interests	-2,663	-688
	<b>Consolidated result</b>	<b>6,413</b>	<b>3,834</b>

The following Notes to the Consolidated Financial Statements form an integral part of this Consolidated Income Statement

		1)
	Number of individual shares	7,795,200
	Weighted shares (number of individual shares)	6,506,680

	in EUR	in EUR
(26)	Earnings per share before amortization of goodwill and result from extraordinary activities	0.82
(26)	Earnings per share	0.59

- The capital increase to an extent of 324,800 new shares was placed on 26 March 2007. For this reason the total number of shares increased from 1,624,000 to 1,948,800 pieces.
- The stock split passed by the General Meeting on 5 July 2007 took effect on the reference date of 17 August 2007. As a result, the number of shares quadrupled to 7.795.200 (ratio 1:4).

1 ... The effect of the stock split was applied to previous year numbers to ease comparison.



## Cash Flow Statement

in TEUR	Business Year 2007 / 2008	Business Year 2006 / 2007
<b>Result from ordinary business activities</b>	<b>14,274</b>	<b>6,858</b>
+ Depreciation and amortization	15,478	7,347
-/+ Gains / losses from disposals of fixed assets	83	47
+/- Earnings from associated companies	-34	4
- Other non cash income	497	-1
-/+ Increase / decrease in inventories and short-term accounts receivable	1,027	-12,904
+/- Increase / decrease in provisions	-145	7,614
+/- Increase / decrease in trade accounts payable and other liabilities	-3,060	4,036
+/- Currency-related changes in non fund assets	6,856	1,200
+/- Change in adjustment items from debt consolidation	-2,471	-857
- Income tax payments and changes in deferred taxes	-5,620	-1,628
<b>Cash-flow from operating activities</b>	<b>26,884</b>	<b>11,716</b>
+/- Income from disposals of tangible and intangible fixed assets	277	260
+/- Changes in cash and cash equivalents arising from changes to the scope of consolidation	475	-12,299
- Outgoing payments from additions to tangible and intangible fixed assets	-8,736	-53,506
-/+ Increase / decrease in long-term liabilities	-9	-27
<b>Cash-flow from investing activities</b>	<b>-7,994</b>	<b>-65,572</b>
- Dividend payment to shareholders	-974	-812
+ Capital increase	-934	26,105
+/- Increase / decrease in financial liabilities	-14,807	34,296
<b>Cash-flow from financing activities</b>	<b>-16,716</b>	<b>59,589</b>
<b>Total cash-flow</b>	<b>2,175</b>	<b>5,732</b>
Cash and cash equivalents at the beginning of the year	25,753	20,188
Effects of exchange rate changes on cash and cash equivalents	-1,859	-168
Cash and cash equivalents at the end of the year	26,069	25,753
<b>Change in funds</b>	<b>2,175</b>	<b>5,732</b>

## Shareholders' Equity as of business year 2007/2008

in TEUR	The imputable share to shareholders of the DO & CO AG							Shareholders' equity
	Capital stock	Capital reserves	Revenue reserves	Foreign currency translation reserves	Consolidated result	Total	Minority interests	
<b>As of 31 March 2006</b>	<b>11,802</b>	<b>13,081</b>	<b>11,073</b>	<b>-2,938</b>	<b>4,758</b>	<b>37,777</b>	<b>-231</b>	<b>37,546</b>
Consolidated result 2006/2007					3,834	3,834	688	4,522
Profit carried forward 2005/2006			3,946		-3,946	0		0
Currency translation				119		119	-49	70
Effects of net investment approach				-857		-857		-857
<b>Total</b>	<b>0</b>	<b>0</b>	<b>3,946</b>	<b>-738</b>	<b>-112</b>	<b>3,097</b>	<b>639</b>	<b>3,736</b>
Additions / Disposal of minority interests						0	8,047	8,047
Capital increase	2,360	24,273				26,634		26,634
Costs of capital increase		-1,463				-1,463		-1,463
Dividend payment 2005/2006					-812	-812		-812
<b>As of 31 March 2007</b>	<b>14,162</b>	<b>35,892</b>	<b>15,020</b>	<b>-3,676</b>	<b>3,834</b>	<b>65,232</b>	<b>8,454</b>	<b>73,687</b>
Consolidated result 2007/2008					6,413	6,413	2,663	9,077
Profit carried forward 2006/2007			2,860		-2,860	0		0
Currency translation				-214		-214	-1,268	-1,482
Effects of net investment approach				-2,471		-2,471		-2,471
<b>Total</b>	<b>0</b>	<b>0</b>	<b>2,860</b>	<b>-2,685</b>	<b>3,553</b>	<b>3,729</b>	<b>1,395</b>	<b>5,124</b>
Dividend payment 2006/2007					-974	-974		-974
Other changes	1,428	-1,428				0		0
<b>As of 31 March 2008</b>	<b>15,590</b>	<b>34,464</b>	<b>17,879</b>	<b>-6,360</b>	<b>6,413</b>	<b>67,987</b>	<b>9,850</b>	<b>77,836</b>

## Subsidiaries

of DO & CO Restaurants & Catering AG as of 31 March 2008

in TEUR	Place of registration	Country	Share of stock in %	Controlling company	Currency	Nominal capital TDC <sup>2</sup>
<b>Companies included in full in the consolidated accounts</b>						
DO & CO Party-Service & Catering GmbH	Vienna	A	100.0	DCAG	EUR	36 3)
DO & CO im Haas Haus Restaurantbetriebs GmbH	Vienna	A	100.0	DCAG	EUR	36 3)
DO & CO Catering-Consult & Beteiligungs GmbH	Vienna	A	100.0	DINV	EUR	36
DO & CO - Salzburg Restaurants & Betriebs GmbH	Salzburg	A	100.0	DCAG	EUR	36 3)
DO & CO - Baden Restaurants & Veranstaltungen GmbH	Baden	A	100.0	DCAG	EUR	36 3)
DO & CO Albertina GmbH	Vienna	A	100.0	DCAG	EUR	35 3)
AIOLI Airline Catering Austria GmbH	Schwechat	A	100.0	DCAG	EUR	36 3)
AIOLI Restaurants & Party-Service GmbH	Vienna	A	100.0	DCAG	EUR	36 3)
K.u.K. Hofzuckerbäcker Ch. Demel's Söhne GmbH	Vienna	A	100.0	DCCC	EUR	799 4)
Demel Salzburg Café-Restaurant Betriebs GmbH	Salzburg	A	100.0	DCAG	EUR	35 3)
B & B Betriebsrestaurants GmbH	Vienna	A	100.0	DCAG	EUR	36 3)
Cafe-Restaurant & Catering im Casino Wien GmbH	Vienna	A	100.0	DCCC	EUR	35 4)
DO & CO im PLATINUM Restaurantbetriebs GmbH	Vienna	A	90.0	DCCC	EUR	35
DO & CO Airline Catering Austria GmbH	Vienna	A	100.0	DCAG	EUR	150 3)
Sky Gourmet - airline catering and logistics GmbH	Schwechat	A	100.0	DCCC	EUR	800 4)
DO & CO (Deutschland) Holding GmbH	Berlin	D	100.0	DINV	EUR	25
DO & CO München GmbH	Swaig/Oberding	D	100.0	DDHO	EUR	25 5)
DO & CO Frankfurt GmbH	Kelsterbach	D	100.0	DDHO	EUR	25 5)
DO & CO Berlin GmbH	Berlin	D	100.0	DDHO	EUR	25 5)
DO & CO Lounge GmbH	Frankfurt	D	100.0	DDHO	EUR	25 5)
DO & CO Italy S.r.l.	Vizzola Ticino	I	100.0	DCAG	EUR	1,275
DO & CO Restauración & Catering Espana, S.L.	Barcelona	E	100.0	DINV	EUR	3
DO & CO International Catering Ltd.	Feltham	GB	100.0	DINV	EUR	30 6)
DO & CO Event & Airline Catering Ltd.	Feltham	GB	100.0	DINV	GBP	0
DO & CO International Investments Ltd.	London	GB	100.0	DCAG	EUR	0 6)
Total Inflight Solution GmbH	Vienna	A	100.0	DCCC	EUR	35
DO & CO Museum Catering Ltd.	London	GB	100.0	DINV	GBP	0
DO & CO Holdings USA, Inc.	Wilmington	USA	100.0	DINV	USD	100
DO & CO Miami Catering, Inc.	Miami	USA	100.0	DHOL	USD	1
DO & CO New York Catering, Inc.	New York	USA	100.0	DHOL	USD	1
DO & CO – Restauração e Catering, Sociedade Unipessoal, Lda	Lisbon	P	100.0	DINV	EUR	5
DO & CO Istanbul Catering ve Restaurant Hiz. Tic. ve San. A.S.	Istanbul	TK	100.0	DINV	YTL	750
THY DO&CO Ikram Hizmetleri A.S.	Istanbul	TK	50.0	DIST	YTL	60,000
DO & CO Event Austria GmbH	Vienna	A	100.0	DCAG	EUR	100 3)
DO & CO Catering & Logistics Austria GmbH	Vienna	A	100.0	DCAG	EUR	100 3)
DO & CO International Event AG	Zug	CH	100.0	DINV	CHF	100
DO & CO International Catering & Logistics AG	Zurich	CH	100.0	DINV	CHF	100
AIREST Slovensko s.r.o.	Bratislava	SK	100.0	DSKY	SKK	1,900
DO & CO Olympiapark München Restaurant GmbH	Munich	D	100.0	DDHO	EUR	25 5)
DO & CO Olympiapark München Catering GmbH	Munich	D	100.0	DDHO	EUR	25 5)
DEMEL New York Inc.	New York	USA	100.0	DHOL	USD	1
<b>Companies included at equity in the consolidated accounts</b>						
AIREST Malta Ltd.	Fgura	MAL	40.0	DSKY	EUR	1
Airest Malta Inflight Services Ltd.	Fgura	MAL	40.0	DSKY	EUR	1
Giava Demel S.r.l.	Milan	I	50.0	DCCC	EUR	30
ISS Ground Services GmbH	Vienna	A	49.0	DTIS	EUR	218

- 1) DCAG = DO & CO Restaurants & Catering Aktiengesellschaft  
DCCC = DO & CO Catering-Consult & Beteiligungs GmbH  
DHOL = DO & CO Holdings USA, Inc.  
DINV = DO & CO International Investments Ltd.  
DDHO = DO & CO (Deutschland) Holding GmbH  
DSKY = Sky Gourmet - airline catering and logistics GmbH  
DIST = DO & CO Istanbul Catering ve Restaurant Hiz. Tic. ve San A.S.  
DTIS = Total Inflight Solution GmbH

- 2) TDC = in thousands of domestic currency units  
3) There is a profit transfer agreement between these companies and the DO & CO Restaurants & Catering Aktiengesellschaft.  
4) There is a profit transfer agreement between these companies and the DO & CO Catering-Consult & Beteiligungs GmbH.  
5) There is a profit transfer agreement between these companies and the DO & CO (Deutschland) Holding GmbH.  
6) The nominal capital was initially paid in GBP.

## **Notes**

### **on the Consolidated Financial Statements 2007/2008**

In application of Section 245a Austrian Business Enterprise Code (UGB), the consolidated financial statements of DO & CO Restaurants & Catering AG as of 31 March 2008 were prepared in conformity with the provisions of the pertinent guidelines of the International Financial Reporting Standards (IFRS) in force on the reporting date and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as they are to be applied in the European Union (EU).

#### **I. General Information**

##### **1. Basic Principles**

DO & CO Restaurants & Catering AG is an international catering group with headquarters in Vienna, Austria. It conducts business in three segments: Airline Catering, International Event Catering, and Restaurants, Lounges & Hotel.

The consolidated financial statements conform to the International Financial Reporting Standards (IFRS) valid for business year 2007/2008, as applicable in the European Union (EU).

New standards enacted by the IASB are applied from the date they take effect.

The application of the provisions of IFRS 7 (Disclosures about Financial Instruments) and the revised IAS 1 (Disclosures about Capital) is mandatory starting this business year. That will result in more extensive information on financial assets and liabilities and on equity components and capital management.

The first-time application starting in business year 2009/2010 of IFRS 8 (Operating Segments), IAS 1 (Comprehensive Revision of the Presentation of Financial Statements and Other Information) and IAS 32 (Financial Instruments--Additional Information) are expected to bring about additional disclosure requirements particularly for the consolidated financial statements. IFRS 8 is not likely to cause any major changes in segment reporting.

The application of IFRS 3 revised (Business Combinations, Comprehensive Revision as Regards the Application of the Acquisition Method (called the "purchase method" in the 2004 version of IFRS 3)) will be mandatory starting in business year 2010/2011 along with the associated subsequent changes in IAS 27, 28 and 31 and of IAS 23 (Borrowing Costs). The impact of these changes cannot yet be determined with sufficient certainty or will be of negligible importance for the Group.

Application of IFRIC 8 (Scope of IFRS 2), IFRIC 9 (Reassessment of Embedded Derivatives) and IFRIC 11 (IFRS 2--Group and Treasury Share Transactions) is mandatory starting this business year. These interpretations pertain to situations unrelated to the DO & CO Group.

The provisions of IFRIC 2 (Service Concession Arrangements) taking effect in business year 2008/2009, IFRIC 13 (Customer Loyalty Programs) taking effect in 2009/2010 and IFRIC 14 (IAS 19 -- the Limit of a Defined Benefit Asset) taking effect in business year 2008/2009 likewise cover subjects unrelated to the DO & CO Group.

The annual and interim financial statements of all domestic and foreign companies included in full in the consolidated accounts were audited by independent auditors who issued unqualified opinions on them in each case. The only exceptions were companies already subject to audit under national law and immaterial to presenting a fair picture of the assets, earnings and financial situation of the group. The annual and interim financial statements of all subsidiaries included here were properly prepared in accordance with the International Financial Reporting Standards (IFRS) valid for the business year 2007/2008 as applied in the EU and in application of the parent's standard group-wide accounting and valuation principles.

## 2. Principles of Consolidation

### 2.1. Scope of Consolidation

The scope of consolidation was determined in accordance with the principles of IAS 27 (Consolidated Financial Statements). In accordance with this standard, seventeen domestic and twenty-two foreign subsidiaries were included in the consolidated accounts as of 31 March 2008 in addition to DO & CO Restaurants & Catering AG. All the above subsidiaries are wholly-owned directly or indirectly by the latter company. The group has a 90 % stake in one domestic company, which is included in full in the consolidated accounts. One foreign company in which the Group has a 50 % stake is fully consolidated because the stake constitutes a controlling interest.

One foreign company, which is jointly managed by DO & CO Restaurants & Catering AG (i.e. associated company) and in which the latter has a stake of 50 %, was included at equity in the consolidated accounts, as were two further foreign companies, in each of which DO & CO Restaurants & Catering AG holds a 40 % stake and a domestic company in which it holds a 49 % stake.

The scope of consolidation (including DO & CO Restaurants & Catering AG) developed as follows in the year under review

Scope of consolidation	Full consolidation	Included at-equity
<b>As of 31 March 2007</b>	<b>33</b>	<b>2</b>
<b>included in the consolidated accounts for the first time:</b>		
• Total Inflight Solution GmbH (100 % stake)		
• AIREST Slovensko s.r.o. (100% stake)	2	0
<b>included in the consolidated accounts at-equity for the first time:</b>		
• Airest Malta Inflight Services Ltd. (40 % stake)		
• ISS Ground Services GmbH (49% stake)	0	2
<b>founded in the business year:</b>		
• DO & CO Olympiapark München Restaurant GmbH		
• DO & CO Olympiapark München Catering GmbH		
• DO & CO Catering & Logistics Austria GmbH		
• CO & CO Event Austria GmbH		
• DO & CO International Event AG		
• DO & CO International Catering & Logistics AG		
• DEMEL New York Inc.	7	0
<b>As of 31 March 2008</b>	<b>42</b>	<b>4</b>
Thereof foreign companies	23	3

The initial consolidation of subsidiaries included for the first time in the consolidated accounts was carried out at the date of acquisition or at the (reporting) date close in time to the attainment of domination and control if the effects of this later inclusion were immaterial as compared with an inclusion on the date of acquisition. AIREST Slovensko s.r.o. was included for the first time in the consolidated financial statements at the start of the business year instead of at the end of the previous business year when control over it was attained, because the effects of this later inclusion were immaterial.

Additions to the scope of consolidation affected the consolidated income statement as follows:

<b>in TEUR</b>	<b>2007 / 2008</b>
Sales Revenue	5,278
EBITDA	560
EBIT - Operating result	468

All changes in the scope of consolidation affected the consolidated balance sheet as follows:

<b>Assets (in TEUR)</b>	<b>2007 / 2008</b>	<b>Liabilities (in TEUR)</b>	<b>2007 / 2008</b>
	0	Shareholders' equity	-56
Short-term assets	1,134	Short-term liabilities	837
Long-term assets	-296	Long-term liabilities	57
<b>Total</b>	<b>838</b>	<b>Total</b>	<b>838</b>

The scope of consolidation changed as follows in business year 2007/2008:

The shares in AIREST Slovensko s.r.o. (100 %), which were recorded under shares in associated companies in the previous year's consolidated financial statements, were included in the consolidated accounts on the reporting date 1 April 2007 for the first time and thus this company was included in these consolidated accounts in full for the first time.

The shares in Total Inflight Solution GmbH (including the 49 % stake in ISS Ground Services GmbH, formerly ISS AIREST Bodenabfertigungsdienste Ges.m.b.H., contained within this company) were recorded in the previous year as "non-current assets held for sale" (IFRS 5). It was decided in business year 2007/2008 not to sell these assets. At the time this decision was made and contractually documented, the associated assets were reclassified and Total Inflight Solution GmbH underwent initial inclusion in the consolidated accounts again. Since that time, the 49 % stake in ISS Ground Services GmbH has been included at equity in the consolidated financial statements.

The demerger operations necessitated by the acquisition of AIREST Catering GmbH, now Sky Gourmet - airline catering and logistics GmbH, (demerger of lines of business retained by the seller) were completed on 28 July 2007 when the demerger and the transfer of shares in Airest Gastronomy and Retail GmbH were entered in the Commercial Register.

## 2.2 Consolidation Methods

The initial consolidation in the accounts was carried out on 1 April 1997 or at the later date of acquisition or at the reporting date close in time if the effects thereof were immaterial as compared with the date of acquisition. The capital of fully consolidated associated companies was consolidated in accordance with the acquisition method. In the process, the acquisition costs were offset against the revalued equity of the subsidiary at the time of acquisition ("purchase method"). The positive sums on consolidation were recognized as goodwill unless allocable to the revalued assets. In accordance with IFRS 3 (Business Combinations), goodwill arising from acquisitions is not subject to scheduled amortization but only to an annual impairment test on its value and is written down only in the case of an unscheduled reduction in value.

The capital of the associated companies included in the accounts at equity was likewise consolidated on the basis of the same equity accounting method as with full inclusion in the consolidated accounts. Any national valuation methods were either retained or no adjustment was made if the effects on the annual profit/loss included proportionally in the consolidated financial statements were immaterial.

In the course of debt consolidation; loans, receivables and payables between companies included in the consolidated accounts were offset against each other. Moreover, sales revenues and other income (largely from deliveries and services) between the fully consolidated companies were offset against the corresponding expense items. Any interim results in fixed and current assets from deliveries and services within the Group were eliminated unless of negligible significance. Discounts applied to determine the current value of future payments and other one-sided entries affecting profit/loss were adjusted in the consolidated financial statements. Income tax effects were taken into account in consolidation operations affecting profit and loss and deferred tax was recognized.

## 2.3. Currency Translation

The annual financial statements of the foreign subsidiaries were translated in accordance with the functional currency principle as outlined in IAS 21 (The Effects of Changes in Foreign Exchange Rates). The functional currency of the foreign companies is the national currency of their country of registration since the subsidiaries are financially, economically and organizationally independent in their conduct of business. The only exceptions are two British companies.

The annual financial statements of eight foreign subsidiaries with registered offices outside the Community Territory of the Member States of the European Union and two subsidiaries with registered offices in Great Britain and one subsidiary with registered office in Slovakia were translated in accordance with the principles of the modified current rate method. The balance sheet items were valued at the mean rate on the reporting date of 31 March 2008. Income and expenses on the income statement were translated at the annual average rate.

Translation differences on the reporting date arising from the balance sheet were allocated to shareholders' equity without affecting profit and loss. Translation differences between the reporting date rate within the balance sheet and the average rate in the income statement were offset in shareholders' equity. Positive translation differences of TEUR 2,373 were recognized in equity in the year under review without affecting profit and loss.

The movements in fixed assets were presented at average rates. Changes in the mean of the buying and selling price of foreign exchange as of the balance sheet date compared with that of the previous year and differences arising from the application of average rates were separately recorded in the consolidated assets schedule as "translation adjustments".

Non-realized translation adjustments in conjunction with monetary items economically allocable to a share in an associated company, particularly borrowings under company loans issued to Turkish, British and American subsidiaries, were recognized with no effect on profit or loss from currency translation and offset in shareholders' equity.

The exchange rates applied in currency conversion for significant currencies developed as follows:

in EUR	Reporting Date Rate		Kum. Average Rate	
	31. Mar. 2008	31. Mar. 2007	2007 / 2008	2006 / 2007
1 US Dollar	0.632431	0.750863	0.699709	0.774747
1 British Pound	1.256597	1.471021	1.409237	1.474594
1 New Turkish Lira	0.483676	0.541859	0.561219	0.533331
1 Swiss Franc	0.635405	-	0.610639	-
1 Slovak Koruny	0.030692	-	0.029914	-

### 3. Accounting and Valuation Principles

The accounting and valuation principles were the same as those applied in the previous year's consolidated financial statements.

#### ***Intangible Fixed Assets and Tangible Fixed Assets***

Acquired intangible assets are shown at the cost of acquisition less scheduled amortization.

The acquisition cost of goodwill obtained in connection with company acquisitions is valued at the time of acquisition as the surplus of expenses for the acquisition over the fair value of the acquired assets less debts and contingent liabilities. Goodwill is reported below as the difference after deducting acquisition cost and any required impairment. The need for impairment of assets is tested annually by determining the discounted present value of the assets and debts allocable to goodwill and comparing that figure with the goodwill. When subsidiaries are sold, the goodwill allocable to them is proportionally written off in a manner affecting profit and loss.

The goodwill on capital consolidation carried forward as of 31 March 2008 was as follows:

in TEUR	31 March 2008	31 March 2007
Capitalized goodwill	4.056	4.507

The reduction in positive goodwill in fixed assets resulted from the adjustment of goodwill from the initial consolidation of Sky Gourmet - airline catering and logistics GmbH (formerly AIREST Catering GmbH) in accordance with IFRS 3.62 retroactive to the time of acquisition based on the acquired assets and debts of AIREST Slovensko s.r.o., which were able to be calculated precisely. No impairments of assets in accordance with IAS 36 were undertaken in the year under review.

#### ***Tangible Fixed Assets***

Tangible fixed assets are recorded at their cost of acquisition less scheduled, allocated depreciation or less unscheduled and continued depreciation. Assets showing signs of diminished value and present values of future payment surpluses under the book values were written down in accordance with IAS 36 (Impairment of Assets) to a value obtainable if they were sold singly or to the liquidation value.

Scheduled depreciation was effected on a straight-line basis. Assets added in the first half of the financial year were always written down at the full annual rate of depreciation; those added after 30 September 2007 were subjected to half of the annual rate or written down pro rata temporis.

The following service life figures based on expected economic or technical usefulness were applied in the main to scheduled, straight-line depreciation and amortization of fixed assets:

a) Intangible fixed assets	2.0	to	25.0 years
b) Land and buildings	25.0	and	40.0 years
c) Buildings on land owned by others	2.0	to	10.0 years
d) Plant and machinery	2.0	to	10.0 years
e) Other production- and office equipment	2.0	to	10.0 years



Assets of minor value are immediately written down to a token amount during the year of acquisition to the full extent permitted by tax law. In the schedule of changes in fixed assets, assets of minor value are recorded as a disposal on expiration of a period of assumed usefulness of three years.

Government grants and third-party building cost subsidies (investment grants) were recorded under liabilities and written down in a way affecting profit/loss in accordance with the useful life of the subsidized asset.

Leased tangible fixed assets deemed economically to be asset purchases involving long-term financing and a transfer of substantially all the risks and rewards incident to asset ownership (finance lease) were recorded under assets at their present value in accordance with IAS 17 (Leases). Amortization is scheduled and undertaken in accordance with the useful economic life of the assets. Payment obligations arising from the future leasing rates were appropriately discounted and recorded under trade payables.

### ***Shares in Associated Companies***

Shares in associated companies were valued at the cost of acquisition. The recorded shares in associated companies had a book value of EUR 0.00 on the reporting date.

Shares in associated companies pertained to AIREST Slovensko s.r.o. and to a company being established in Hungary that were not consolidated due to immaterial effects on the assets, earnings and financial situation.

### ***Shares in Associated Companies and other Financial Assets***

The shares in associated companies were valued at equity.

Securities were valued at the time of addition at their cost of acquisition and valued in subsequent periods at the currently applicable market value as quoted on the stock exchange. Fluctuations in market value are recognized in the financial result in a manner affecting profit/loss.

### ***Inventories***

Inventories were valued at cost of acquisition or the lower market value on the reporting date. The cost of acquisition was determined primarily using the moving average price method. The quantities were determined by physical stock-taking conducted close to the balance sheet date.

### ***Trade Accounts Receivable and Other Assets***

Accounts receivable and other assets were carried as assets at their nominal value unless, in the case of discernible specific risks, suitable value adjustments were made and the lower applicable value was to be applied. Non-interest or non-interest-bearing receivables were recorded at their discounted present value. Foreign-currency items from the financial statements of individual companies included in the consolidated accounts were valued at the foreign-exchange buying rate as of the reporting date.

### ***Non-current Assets Held for Sale/Liabilities Directly Allocable to Disposal Group Classified as Held for Sale***

Assets held for sale and liabilities of subsidiaries were carried according to IFRS 5 at the lower of the book value and the applicable present market value less sales expenses under this item. Non-current assets/liabilities held for sale had a book value of EUR 0.00 at the reporting date.

### ***Current Financial Assets***

Current financial assets (cash in hand and at banks) were recorded under cash and cash equivalents and, in the case of receivables expressed in foreign currency, were valued at the current market rates as at the reporting date.

### ***Deferred Taxes***

Deferred tax liabilities were recognized in accordance with IAS 12 (Income Taxes) for all temporary valuation and accounting differences between the values applied in the individual companies' balance sheets under IFRS and under tax law. The value adjustments were calculated on the basis of the usual national income tax rate of the given group company at the time of the reversal of the value difference. Deferred tax assets were recognized for unused tax loss carryforwards to the extent that there will be sufficient future taxable profit against which the loss carryforwards can be utilized in the foreseeable future.

### ***Prepaid Expenses and Deferred Income***

Prepaid expenses and deferred income are carried under other receivables and liabilities. These items pertain to expenditures or incoming payments received prior to the reporting date but intended for a certain time after that date.

### ***Provisions for Pensions, Termination and Long-Service Anniversary Bonuses***

The projected benefit obligation (PBO) method was applied in calculating Austrian group companies' obligations to employees under the law or under collective agreements to set up a one-time termination benefit to be paid out on termination or retirement. In the process, the projected benefits were calculated based on an imputed rate of increase of 5.75 % p.a. (previous year's rate: 4.0 % p.a.) and based on expected pay raises of 2.5 % p.a. (previous year: 2.0 % p.a.), with 60 assumed to be the retirement age for female employees and 65 for male employees. A provision for long-service anniversaries primarily for employees at Austrian companies was recorded under liabilities as an obligation similar to the termination benefit. This provision was determined on the basis of the same calculation factors applied to termination benefit provisions. The present value of these provisions was determined in an expertise and recorded under liabilities taking into account a discount for age-related fluctuation. Actuarial gains and losses were immediately offset unchanged under payroll costs in the year of occurrence in a manner affecting profit and loss. Benefit-based termination pay obligations of foreign companies were provided for in accordance with comparable methods unless contribution-based provision systems were involved.

Termination pay obligations to employees at a Turkish group company were calculated based on an imputed rate of increase of 11.0 % p.a. and based on expected pay raises of 5.0 % p.a.

Obligations arising from pension commitments to a former employee were determined on the basis of the same calculation factors used for the termination pay provisions of Austrian group companies.

### ***Other Provisions***

Other long-term and short-term provisions were recognized for all legal or constructive obligations to third parties arising from a past event if payment was probable, i.e. if an outflow of cash for them was more likely than not. The amounts recognized as provisions were the best estimates of the expenditures required to settle the present obligations at the balance sheet date.

### ***Liabilities***

Liabilities were carried at the written-down cost of acquisition applying the effective interest method. Foreign currency liabilities were valued at the foreign-exchange selling rate applicable on the reporting date.

### ***Estimates and Discretionary Practices***

To a certain extent, consolidated financial statements require that estimates and assumptions be made which affect the balance-sheet assets and liabilities involved as well as the information on other obligations at the reporting date and the presentation of income and expenses during the period reviewed. The amounts actually realized in the future could diverge from these estimates.

These assumptions and estimates are applied primarily to determine the useful service life of customer agreements and tangible fixed assets, to calculate discounted net cash flows in connection with impairment tests and to form provisions for termination, long-service anniversaries and pensions and for taxes.

### ***Earnings Per Share***

Earnings per share are calculated by dividing the consolidated profit/loss after minority interests by the weighted number of shares issued.

### ***Changes in Valuation and Accounting Methods***

No changes were made in accounting and valuation methods in the year under review.

## II. Notes to the Balance Sheet and the Income Statement

### II.1. Notes to the Balance Sheet

#### (1) Fixed assets

in TEUR	31. Mar. 2008	31. Mar. 2007
Intangible assets	38,859	47,633
Tangible assets	43,631	43,419
Financial assets	1,576	282
<b>Total</b>	<b>84,066</b>	<b>91,334</b>

A breakdown of the fixed asset items summarized in the consolidated balance sheet and changes in them during business year 2007/2008 is shown in the attached assets schedule. Recognized translation adjustments are the amounts resulting from the translation of assets of foreign subsidiaries at the different reporting date rates prevailing at the beginning and end of the year under review and from the use of average rates for movements during the year.

The intangible fixed assets recorded pertain solely to goodwill and other rights, in particular customer contracts, licenses, trademark titles, rights of use, and software licenses. The group had no company-produced intangible fixed assets eligible for capitalization in the year under review. No unscheduled amortization was undertaken in business year 2007/2008.

The reduction in positive goodwill in fixed assets resulted from the adjustment of goodwill from the initial consolidation of Sky Gourmet - airline catering and logistics GmbH (formerly AIREST Catering GmbH) in accordance with IFRS 3.62 retroactive to the time of acquisition based on the acquired assets and debts of AIREST Slovensko s.r.o., which were able to be calculated precisely at this point.

The land included under tangible fixed assets has a value of TEUR 576 (previous year: TEUR 854).

Purchase order commitments for assets ordered but not yet delivered as at 31 March 2008 amounted to TEUR 3,976.

The following amounts were recorded under tangible fixed assets (other production plant and office equipment) based on finance lease agreements the company entered into:

in TEUR	31 March 2008	31 March 2007
Acquisition costs	2,299	2,299
Accumulated depreciation	2,299	2,299
Book value	0	0

Obligations from the use of property, plant and equipment not reported in the balance sheet pertain to lease or rental agreements on movables and to leases on real estate and were as follows:

in TEUR	31 March 2008	31 March 2007
In the following business year	15,673	9,690
in the next five business years	76,420	43,782

An obligation of TEUR 30,600 (previous year: TEUR 31,900) exists based on a long-term lease (waiver of termination until 2024).

Other production- and office equipment includes standard values of TEUR 932 (previous year: TEUR 311) for tableware, cutlery, table linen and containers. The standard values were carried under assets at the companies producing sales in the Restaurants, Lounges & Hotel Division.

## Investments

The **associated companies** were all included on the balance sheet at equity and developed as follows:

<b>in TEUR</b>	<b>31 March 2008</b>	<b>31 March 2007</b>
As of 1.1	5	28
Changes in scope of consolidation	0	-21
Increase / decrease	1,323	0
Proportional periodic results	34	-2
<b>Total</b>	<b>1,362</b>	<b>5</b>

The associated companies, all non-listed companies, were as follows:

<b>in TEUR</b>	<b>31 March 2008</b>	<b>31 March 2007</b>
Airest Malta Ltd.	8	3
Airest Malta Inflight Ltd.	32	0
Giava Demel S.r.l.	0	2
ISS Airest GmbH	1,323	0
<b>Total</b>	<b>1,362</b>	<b>5</b>

Other **shares in associated companies** and **other securities carried under fixed assets** were valued at cost of acquisition or the lower applicable prices.

### (2) Other long-term assets

<b>in TEUR</b>	<b>31. Mar. 2008</b>	<b>31. Mar. 2007</b>
Other long-term assets	333	323
<b>Total</b>	<b>333</b>	<b>323</b>

The other long-term assets of subsidiaries included in the consolidated accounts pertain primarily to long-term capitalized advance income tax payments by DO & CO Restaurants & Catering AG due to the latter having a business year that diverges from the calendar year and due to deposit payments put down for leased facilities.

### (3) Inventories

<b>in TEUR</b>	<b>31. Mar. 2008</b>	<b>31. Mar. 2007</b>
Raw materials and supplies	3,836	3,316
Goods	4,277	3,809
<b>Total</b>	<b>8,113</b>	<b>7,125</b>

The sub-item "Goods purchased for resale" includes TEUR 1,815 (previous year: TEUR 1,627) in standard-value items for tableware, cutlery, table linen, serving aids and containers as well as for other work aids, with account taken of future usefulness.

#### (4) Trade Accounts Receivable and Other Short-Term Accounts Receivable and Assets

The short-term assets with a residual term of less than one year can be summarized as follows:

in TEUR	31. Mar. 2008	31. Mar. 2007
<b>Trade accounts receivable</b>	<b>41,631</b>	<b>35,723</b>
Accounts receivable from associated companies	0	126
Accounts receivable from companies with distributed ownership	537	230
Other accounts receivable and assets	14,463	12,387
Prepaid expenses and deferred charges	910	1,297
Other current assets	0	41
<b>Total of other current accounts receivable and other current assets</b>	<b>15,910</b>	<b>14,080</b>
<b>Total</b>	<b>57,541</b>	<b>49,803</b>

The following value adjustments were undertaken on trade receivables to account for any default risks and for interest rate losses:

in TEUR	31 March 2008	31 March 2007
As of 1.4.	2,787	2,766
Allocation	427	121
Consumption	-202	-71
Release	-1,103	-29
<b>Total</b>	<b>1,910</b>	<b>2,787</b>

Trade receivables had the following maturity structure:

in TEUR	31 March 2008	31 March 2007
undue for payment	21,831	24,359
less than 20 days due	13,014	5,879
more than 20 days but less than 40 days due	2,383	2,863
more than 40 days but less than 80 days due	978	1,891
more than 80 days due	3,425	731
<b>Total</b>	<b>41,631</b>	<b>35,723</b>

The following value adjustment was undertaken on other short-term accounts receivable:

in TEUR	31 March 2008	31 March 2007
As of 1.4.	66	60
Allocation	6	7
Consumption	-6	-1
Release	-4	0
<b>Total</b>	<b>62</b>	<b>66</b>

Other short-term accounts receivable include overdue receivables amounting to TEUR 78 (previous year TEUR 78).

At 31 March 2008, the trade accounts receivable contained TEUR 10,229 in accounts receivable from individual customers that account for more than 20 % of the total outstanding accounts receivable at 31 March 2008. Nearly all these receivables had been settled by mid-May 2008. There is no information suggesting any concrete risks of default at the reporting date.

Other current accounts receivable and assets contain TEUR 7,572 in receivables from domestic and foreign tax authorities, which are credited on an ongoing basis. There is no information suggesting any concrete risks of default at the reporting date.

## (5) Non-current Assets Held for Sale

in TEUR	31. Mar. 2008	31. Mar. 2007
Non-current assets held for sale	0	12,858
<b>Total</b>	<b>0</b>	<b>12,858</b>

In connection with the previous year's acquisition of AIREST Catering GmbH (now Sky Gourmet - airline catering and logistics GmbH), the acquiring group company agreed to demerge the lines of business remaining with the original owner of this company (SAVE Group) and sell them at a pre-set price with retroactive economic effect to 1 January 2007. The sale took place on schedule in business year 2007/2008.

In connection with the acquisition of Airst Catering GmbH, a stake was also acquired in ISS Ground Services GmbH (formerly ISS Airst Bodenabfertigungsdienste Ges.m.b.H.), which is to be subsequently demerged and sold. The shares in the absorbing company (Total Inflight Solution GmbH) were therefore carried under this item the previous year. In March 2008 the DO & CO Group decided not to sell Total Inflight Solution and instead to include only the latter's stake in ISS Ground Services GmbH in the consolidated accounts.

## (6) Cash and cash equivalents

in TEUR	31. Mar. 2008	31. Mar. 2007
Cash, checks	803	317
Cash at banks	25,266	25,436
<b>Total</b>	<b>26,069</b>	<b>25,753</b>

TEUR 7,872 of cash at banks was invested in short-term time deposits at the reporting date.

The effective average interest rates on short-term time deposits were 3.8 % for EUR, 4.6 % for USD and 5.6 % for GBP. Other cash at banks in EUR, USD and GBP bore interest in the year under review in a range from 1.5 % to 5.4 %.

## (7) Deferred Taxes

Deferred tax assets and liabilities result from the following temporary accounting and valuation differences between the book values in the consolidated financial statements under IFRS and the corresponding bases of assessment for taxation:

in TEUR	31 March 2008		31 March 2007	
	Assets	Liabilities	Assets	Liabilities
Intangible fixed assets	70	-2,252	116	-1,241
Property, plant and equipment	278	-1,364	260	-1,728
Financial assets	4	-1,486	0	-1,027
Inventories	0	-43	0	-51
Accounts receivable	37	0	35	0
Consolidation entries	2,525	-129	1,045	0
Provisions	1,133	-3	2,325	-6
Liabilities	864	0	1,682	0
Prepaid expenses or deferred income	0	0	0	0
<b>Total deviations in balance sheet</b>	<b>4,912</b>	<b>-5,277</b>	<b>5,436</b>	<b>-4,053</b>
Tax losses carried forward	5,365	0	4,288	0
Valuation discount for capitalized deferred tax	-3,254	0	-1,645	0
Offsetting of differences with the same tax authorities	-2,570	2,570	-2,905	2,905
<b>Total</b>	<b>4,452</b>	<b>-2,706</b>	<b>5,202</b>	<b>-1,148</b>

No deferred tax assets were capitalized in these consolidated financial statements for differences and for tax loss carry-forwards totaling TEUR 3,254 (previous year: TEUR 1,645), because the company is not yet sufficiently certain that these deferred tax assets can be realized as future tax relief.

## (8) Shareholders' Equity

The consolidated shareholders' equity developed as follows in the business years 2006/2007 and 2007/2008:

in TEUR	The imputable share to shareholders of the DO & CO AG					Total	Minority interests	Shareholders' equity
	Capital stock	Capital reserves	Revenue reserves	Foreign currency translation reserves	Consolidated result			
<b>As of 31 March 2006</b>	<b>11,802</b>	<b>13,081</b>	<b>11,073</b>	<b>-2,938</b>	<b>4,758</b>	<b>37,777</b>	<b>-231</b>	<b>37,546</b>
Consolidated result 2006/2007					3,834	3,834	688	4,522
Profit carried forward 2005/2006			3,946		-3,946	0		0
Currency translation				119		119	-49	70
Effects of net investment approach				-857		-857		-857
<b>Total</b>	<b>0</b>	<b>0</b>	<b>3,946</b>	<b>-738</b>	<b>-112</b>	<b>3,097</b>	<b>639</b>	<b>3,736</b>
Additions / Disposal of minority interests						0	8,047	8,047
Capital increase	2,360	24,273				26,634		26,634
Costs of capital increase		-1,463				-1,463		-1,463
Dividend payment 2005/2006					-812	-812		-812
<b>As of 31 March 2007</b>	<b>14,162</b>	<b>35,892</b>	<b>15,020</b>	<b>-3,676</b>	<b>3,834</b>	<b>65,232</b>	<b>8,454</b>	<b>73,687</b>
Consolidated result 2007/2008					6,413	6,413	2,663	9,077
Profit carried forward 2006/2007			2,860		-2,860	0		0
Currency translation				-214		-214	-1,268	-1,482
Effects of net investment approach				-2,471		-2,471		-2,471
<b>Total</b>	<b>0</b>	<b>0</b>	<b>2,860</b>	<b>-2,685</b>	<b>3,553</b>	<b>3,729</b>	<b>1,395</b>	<b>5,124</b>
Dividend payment 2006/2007					-974	-974		-974
Other changes	1,428	-1,428				0		0
<b>As of 31 March 2008</b>	<b>15,590</b>	<b>34,464</b>	<b>17,879</b>	<b>-6,360</b>	<b>6,413</b>	<b>67,987</b>	<b>9,850</b>	<b>77,836</b>

At the Ordinary General Meeting of Shareholders on 5 July 2007, the share capital was increased from company resources by EUR 1,427,918.09 from EUR 14,162,481.91 to EUR 15,590,400.00 by reclassifying the corresponding sub-amount of the committed capital reserve without new shares being issued in accordance with the provisions of the Capital Adjustment Act (Kapitalberichtigungsgesetz). Based on a resolution of the Ordinary Meeting of Shareholders of 5 July 2007, a 1:4 stock split was then carried out, increasing the number of shares to 7,795,200, with each share representing a proportional amount of share capital equivalent to EUR 2.00.

The share capital of DO & CO restaurants & Catering AG totals EUR 15,590,400.00 and is divided into 7,795,200 individual bearer shares endowed with voting rights.

The previous year's Notes contain detailed explanations of the capital increase in 2006/2007.

The General Meeting of Shareholders on 5 July 2007 gave the Management Board the right until 30 June 2012 to increase the share capital on approval by the Supervisory Board by up to a further EUR 7,795,200.00 in exchange for cash contributions and/or contributions in kind through the issuance of up to 3,897,600 new shares of ordinary stock (authorized capital).

The shares of DO & CO Restaurants & Catering AG have been listed since 19 March 2007 in the Prime Market of the Vienna Stock Exchange. The majority shareholder of DO & CO Restaurants & Catering AG is Attila DOGUDAN Privatstiftung. DZR Immobilien und Beteiligungs GmbH, a wholly owned subsidiary of the registered limited-liability association Raiffeisen-Holding Niederösterreich-Wien, holds a stake of 20.4 %; DWS Investment GmbH retains a share of more than 5 %. The remaining shares are in free float (all stakes refer to the time at which the consolidated financial statements were prepared).

Besides earnings salted away in reserves, the revenue reserve item contains revenue reserves in the amount of the tax investment allowances taken advantage of, as recorded in the individual financial statements of domestic companies. No deferred tax provision was formed for these untaxed reserves. Besides legally stipulated revenue reserves of various individual companies included in the consolidated accounts, this item contains all revenue reserves at subsidiaries not eliminated in the course of capital consolidation as well as changes arising from consolidation entries adapted in 2007/2008 and not having any effect on profit and loss.

Minority interests include the direct 10 % minority interest in the equity of the fully consolidated DO & CO im PLATINUM Restaurantbetriebs GmbH. This item also includes the 50 % minority interest in THY DO & CO İkam Hizmetleri A.Ş.



## (9) Long-Term Provisions

The composition of and changes in long-term provisions as of the reporting date were as follows:

in TEUR	As of 31 Mar. 2007	Currency translation changes	Changes in scope of consolidation	Consumed	Release	Allocation	As of 31 Mar. 2008
Provisions for severance payments PBO	10,481	-450		1,007	977	2,149	10,196
Provisions for pension payments PBO	552			59	22	21	492
Provisions for long-service anniversary payments PBO	2,533			168	252	462	2,575
Provisions for deferred tax	1,148					1,558	2,706
Other Provisions	155			110		57	102
<b>Total</b>	<b>14,870</b>	<b>-450</b>	<b>0</b>	<b>1,344</b>	<b>1,251</b>	<b>4,247</b>	<b>16,072</b>

The values of provisions for termination benefits (severance payments), pensions and long-service anniversary payments were calculated as of the reporting date along actuarial lines in expert opinions applying the projected benefit obligation method. The valuation was based on an imputed interest rate of 5.75 % (previous year: 4.0 %), on imputed pay increases of 2.5 % (previous year: 2.0 %) and on imputed pension increases of 2.5 % (previous year: 2.0 %).

As in the previous year, termination payment obligations to employees at a Turkish group company were calculated based on an imputed interest rate of 11.0 % p.a. and expected pay raises of 5.0 % p.a.

	Severance payment		Pension payment		Long-service anniversary	
	2007 / 2008	2006 / 2007	2007 / 2008	2006 / 2007	2007 / 2008	2006 / 2007
Present value of obligations (PBO) on 1 April	10,481	2,242	552		2,533	1,226
Currency changes	-450	41				
Changes in scope of consolidation		7,618		535		1,050
Current service cost	1,658	294			385	242
Interest cost	449	82	21	16	107	66
Benefit payments	-1,007	-111	-59		-168	-74
Settlements / curtailments	42				-30	
Actuarial gain	-977	316	-22		-252	23
<b>Present value of obligations (PBO) on 31 March</b>	<b>10,196</b>	<b>10,481</b>	<b>492</b>	<b>552</b>	<b>2,575</b>	<b>2,533</b>

As before, actuarial gains and losses were immediately recognized in the year of occurrence in a manner affecting profit and loss.

Income from the actuarial profit/loss stems largely from income from the adjustment of the discount rate to the increased market interest rate from 4.0 % to 5.75 % and from the adjustment of the expected pay raises from 2.0 % to 2.5 %.

Other long-term provisions at the reporting date consisted exclusively of provisions for agreements on an option for older employees to go part-time.

## (10) Long-term Financial Liabilities

in TEUR	31. Mar. 2008	31. Mar. 2007
Liabilities to banks	14,337	16,236
<b>Total</b>	<b>14,337</b>	<b>16,236</b>

Long-term financial liabilities resulted from borrowing to finance the establishment of THY DO & CO İkrâm Hizmetleri A.Ş. Interest was incurred at terms and conditions customary for external customers.

## (11) Other Long-Term Liabilities

in TEUR	31. Mar. 2008	31. Mar. 2007
Trade accounts payable	23	299
Other liabilities	6,707	8,133
Deferred income	0	121
<b>Total</b>	<b>6,730</b>	<b>8,553</b>

Trade payables consist entirely of obligations under finance lease agreements pursuant to IAS 17. Other liabilities pertain mostly to a loan granted by the holder of a minority interest at a foreign subsidiary. Interest was incurred at terms and conditions customary for external customers.

## (12) Short-Term Provisions

in TEUR	As of 31 Mar. 2007	Currency translation changes	Changes in scope of consolidation	Consumed	Release	Allocation	As of 31 Mar. 2008
Provisions for taxation	4,323	26	7	2,312		1,097	3,142
Other personnel provisions	9,909	-76		7,835	215	9,333	11,117
Deliveries and services not yet invoiced	1,458	-80		861	235	1,697	1,978
Other Provisions	7,478	-146	91	4,764	1,343	4,060	5,375
<b>Total</b>	<b>23,169</b>	<b>-276</b>	<b>98</b>	<b>15,772</b>	<b>1,792</b>	<b>16,186</b>	<b>21,612</b>

Provisions for personnel expenses pertain largely to three sets of provisions. The first totals TEUR 1,888 (previous year: TEUR 1,706) and relates to pro rata special payments due to having a business year not coinciding with the calendar year. The second comprises provisions of TEUR 5,942 (previous year: TEUR 4,960) for vacation not yet taken as of the reporting date. The third pertains to other provisions totaling TEUR 3,284 (previous year: TEUR 3,238) for performance-linked components of pay and also for obligations arising from organizational changes at foreign subsidiaries.

## (13) Short-Term Financial Liabilities

in TEUR	31. Mar. 2008	31. Mar. 2007
Loan	0	7,172
EUR cash advances	6,100	2,500
<b>Total</b>	<b>6,100</b>	<b>9,672</b>

Financial liabilities existing as of the reporting date resulted from euro cash advances taken out at various banks at an average annual interest rate of 4.6 % (previous year: 3.7 %)

There were also short-term financial liabilities in connection with borrowing to finance the establishment of THY DO & CO İkrâm Hizmetleri A.Ş. Interest was incurred at terms and conditions customary for external customers.

#### (14) Trade Accounts Payable and Other Short-Term Liabilities

in TEUR	31. Mar. 2008	31. Mar. 2007
<b>Trade accounts payable</b>	<b>23,482</b>	<b>20,125</b>
Advance payments received on orders	5,565	876
Other liabilities	8,632	13,494
Deferred income	208	217
<b>Total other short-term liabilities</b>	<b>14,404</b>	<b>14,587</b>
<b>Total</b>	<b>37,886</b>	<b>34,712</b>

The TEUR 4,689 increase in advance payments received on orders resulted primarily from advance payments connected to the preparation of the catering contract for the UEFA EURO 2008.

The other liabilities with a remaining term of less than one year stem from amounts owed to tax authorities for value-added tax and other pay-related taxes, from liabilities to social insurance funds and from liabilities to service providers in an amount equal to current remuneration payments. In the previous year, this item also included a loan granted by the holder of a minority interest at a foreign subsidiary.

#### (15) Liabilities Directly Allocable to Non-Current Assets Held for Sale

in TEUR	31. Mar. 2008	31. Mar. 2007
Liabilities to banks	0	11,500
<b>Total</b>	<b>0</b>	<b>11,500</b>

This item contains the outstanding liabilities in connection with the transfer of the interest in AIREST Gastronomy and Retail GmbH.

#### Contingent Liabilities

in TEUR	31 March 2008	31 March 2007
Securities	1,413	1,236

The amounts recorded under this item pertain to bank guarantees to secure claims in connection with leases and to secure refunds of advance tax payments from the Italian fiscal authorities.

## II. 2 Notes to the Income Statement

The consolidated income statement was prepared in accordance with the total cost method.

### (16) Sales

in TEUR	Business Year 2007 / 2008	Business Year 2006 / 2007
Airline Catering	251,957	123,481
International Event Catering	41,645	39,035
Restaurants, Lounges & Hotel	61,023	43,817
<b>Total</b>	<b>354,625</b>	<b>206,333</b>

Realized sales were defined for primary segment reporting in accordance with the internal report structure. Regionally, sales were divided according to the place of performance by the companies of the DO & CO Group (Management Approach in accordance with IAS 14). As regards the detailed presentation of the sales revenues, please refer to segment reporting in the Management Report.

### (17) Other Operating Income

in TEUR	Business Year 2007 / 2008	Business Year 2006 / 2007
Proceeds of the disposal of fixed assets	0	0
Income from the release of provisions	1,792	1,004
Release of provisions for bad debts	1,107	29
Insurance payments	65	154
Rent income	127	170
Exchange rate differences	5,077	0
Other operating income	3,457	1,710
<b>Total</b>	<b>11,626</b>	<b>3,067</b>

The TEUR 8,559 increase in other operating income is mainly attributable to exchange rate differences, which were recorded as offset against exchange rate losses in other operating expenses owing to their immaterial effect. Other operating expenses contain exchange rate losses of TEUR 8,407.

### (18) Cost of Materials and Services

in TEUR	Business Year 2007 / 2008	Business Year 2006 / 2007
Costs of materials (including goods purchased for resale)	112,368	63,313
Costs of services	25,464	14,276
<b>Total</b>	<b>137,832</b>	<b>77,589</b>

### (19) Payroll Costs

<b>in TEUR</b>	<b>Business Year 2007 / 2008</b>	<b>Business Year 2006 / 2007</b>
Wages	78,622	47,437
Salaries	21,128	13,275
Expenses for severance payments	1,133	1,538
Expenses for legally mandated social security contributions and for related costs	22,817	13,234
Other social expenses	3,813	1,783
<b>Total</b>	<b>127,513</b>	<b>77,266</b>

### (20) Amortization of Intangible Fixed Assets and Depreciation of Tangible Fixed Assets

<b>in TEUR</b>	<b>Business Year 2007 / 2008</b>	<b>Business Year 2006 / 2007</b>
Scheduled amortization and depreciation	15,478	7,278
Unscheduled amortization and depreciation	0	0
<b>Total</b>	<b>15,478</b>	<b>7,278</b>

### (21) Amortization of Goodwill

<b>in TEUR</b>	<b>Business Year 2007 / 2008</b>	<b>Business Year 2006 / 2007</b>
Amortization of Goodwill	0	68
<b>Total</b>	<b>0</b>	<b>68</b>

## (22) Other Operating Expenses

The composition of other operating expenses was as follows:

in TEUR	Business Year 2007 / 2008	Business Year 2006 / 2007
Taxes other than those included under income tax	1,728	982
Rentals, leases and operating costs (including airport fees and charges)	34,631	19,644
Travel and communication expense	7,090	5,670
Transport, vehicle expense and maintenance	8,705	6,444
Insurance	798	964
Legal, auditing and consulting expenses	2,538	1,886
Advertising expense	543	484
Other personnel costs	837	476
Rest of other operating expenses	2,331	1,210
Value adjustments, losses on bad debts	899	741
Exchange rate differences	8,407	1,036
Accounting losses from the disposal of fixed assets	292	47
Other administrative expenses	1,970	1,476
<b>Summe</b>	<b>70,768</b>	<b>41,059</b>

## (23) Financial Result

in TEUR	Business Year 2007 / 2008	Business Year 2006 / 2007
<b>Income from participations</b>		
Results from investments	618	-4
of which from associated companies	34	-4
Results from deconsolidation	0	598
<b>Total income from participations</b>	<b>618</b>	<b>594</b>
<b>Result from other financial activities</b>		
Income from other securities carried under fixed assets	9	6
Other interest received and similar income	1,365	1,565
Other interest paid and similar expenses	-2,378	-1,445
Other financial result	0	0
<b>Total result from other financial activities</b>	<b>-1,003</b>	<b>125</b>
<b>Total</b>	<b>-385</b>	<b>719</b>

## (24) Income Tax

in TEUR	Business Year 2007 / 2008	Business Year 2006 / 2007
Income tax expenses	1,444	2,900
thereof non periodic	290	-5
Deferred tax	3,753	-564
<b>Total</b>	<b>5,197</b>	<b>2,336</b>

This item contains income tax paid by and owing to DO & CO Restaurants & Catering AG and its subsidiaries and the provisions for deferred taxes.

The effective tax burden on the DO & CO Group, defined as a ratio of total tax expenses to profit before tax, amounted to 36.4 % (previous year: 34.1 %). The difference between the corporate tax rate of 25 % applicable in business year 2007/2008 (previous year: 25 %) and the reported group tax rate came about as follows:

in TEUR	2007/2008	2006/2007
<b>Consolidated result before tax</b>	<b>14,274</b>	<b>6,858</b>
<b>Tax expense at tax rate of 25% (previous year: 25%)</b>	<b>3,569</b>	<b>1,715</b>
Non-temporary differences, and tax expenses and income from prior periods	1,219	309
Change of value adjustments on capitalized deferred tax assets as well as losses for which no deferred tax provisions were created	812	517
Change in tax rates	-403	-204
<b>Effective tax burden</b>	<b>5,197</b>	<b>2,336</b>
Effective tax rate in %	36.4	34.1

## (25) Minority Interests

Minority interests in the annual profit of fully consolidated companies with minority interests amounted to TEUR 2,663 (previous year: TEUR 688).

## III. Other Information

### (26) Earnings per Share

The number of shares issued as of 31 March 2008 totaled 7,795,200 (previous year: 1,948,800 shares). Just as in the previous business year, the company held no treasury stock as at the reporting date. Based on a resolution of the Ordinary Meeting of Shareholders of 5 July 2007, a 1:4 stock split was carried out, increasing the number of shares to 7,795,200. The effect of the stock split undertaken in the year under review was applied to the comparison figures from the previous year to improve the comparability of the figures.

	2007 / 2008	2006 / 2007 after stock split	2006 / 2007 before stock split
Issued shares (number of individual shares)	7,795,200	7,795,200	1,948,800
Weighted shares (number of individual shares)	7,795,200	6,506,680	1,626,670
<b>Earnings per share before amortization of goodwill (in EUR)</b>	<b>0.82</b>	<b>0.60</b>	<b>2.40</b>
<b>Earnings per share (in EUR)</b>	<b>0.82</b>	<b>0.59</b>	<b>2.36</b>

Based on the consolidated profit of TEUR 6,413 (previous year: TEUR 3,834), the earnings per share amounted to EUR 0.82 (previous year: EUR 0.59). Based on the adjusted consolidated profit, i.e. adjusted for goodwill amortization, of TEUR 6,413 (previous year: TEUR 3,903), the earnings per share amounted to EUR 0.82 (previous year: EUR 0.60).

### (27) Proposal for Appropriation of Profit

According to the provisions of the Corporation Act (AktG), the annual financial statements of DO & CO Restaurants & Catering AG as of 31 March 2008, prepared in accordance with the Austrian accounting regulations, form the basis for the distribution of a dividend. These financial statements show a balance sheet profit of EUR 1,851,723.20. The Management Board will therefore propose to the General Meeting of Shareholders to distribute a dividend of EUR 0.15 per share on the share capital of EUR 15,590,400.00 for a total distribution of EUR 1,169,280.00 and to carry forward to new account the balance-sheet profit remaining after dividend distribution.



## (28) Cash Flow Statement

The cash flow statement was presented in accordance with the indirect method, whereby cash and cash equivalents correspond to cash in hand and at banks.

Income tax payments are presented as a separate sub-item in the cash flow from operating activities. Interest paid and received was also carried under current business activities. The dividend payments to shareholders of DO & CO Restaurants & Catering AG were recorded as part of the financing activities.

The consolidated management report contains an explanation of the cash flow statement.

## (29) Financial Instruments and Risk Report

### Financial Instruments

The transition of book values by category to fair values in accordance with IAS 39 is divided into the categories loans and receivables, financial liabilities, available-for-sale, held-to-maturity and fair value affecting profit/loss and is summarized below:

	31.3.2008 book-value	non-financial instruments	31.3.2008 book- value of financial- instruments	31.3.2008 fair value of financial- instruments	valua- tion	LaR / FL	AFS	HTM	FV t P&L
Financial assets	1,576	1,362	214	214	FV	0	214	0	0
Other long-term assets	333	100	233	233	AK	233	0	0	0
Trade accounts receivable	41,631	0	41,631	41,631	AK	41,631	0	0	0
Accounts receivable from companies with distributed ownership	537	0	537	537	AK	537	0	0	0
Other accounts receivable and assets	14,463	9,531	4,932	4,932	AK	4,932	0	0	0
Cash and cash equivalents	26,069	0	26,069	26,069	AK	26,069	0	0	0
Long-term financial liabilities	14,337	0	14,337	14,337	AK	14,337	0	0	0
Other long-term liabilities	6,730	0	6,730	6,730	AK	6,730	0	0	0
Short-term financial liabilities	6,100	0	6,100	6,100	AK	6,100	0	0	0
Trade accounts payable	23,482	0	23,482	23,482	AK	23,482	0	0	0
Other liabilities	8,632	3,858	4,774	4,774	AK	4,774	0	0	0

	31.3.2007 book-value	non-financial instruments	31.3.2007 book- value of financial- instruments	31.3.2007 fair value of financial- instruments	valua- tion	LaR / FL	AFS	HTM	FV t P&L
Financial assets	282	5	277	277	FV	0	277	0	0
Other long-term assets	323	52	271	271	AK	271	0	0	0
Trade accounts receivable	35,723	0	35,723	35,723	AK	35,723	0	0	0
Accounts receivable from companies with distributed ownership	230	0	230	230	AK	230	0	0	0
Other accounts receivable and assets	12,387	9,744	2,643	2,643	AK	2,643	0	0	0
Other current assets	41	0	41	41	AK	41	0	0	0
Cash and cash equivalents	25,753	0	25,753	25,753	AK	25,753	0	0	0
Long-term financial liabilities	16,236	0	16,236	16,236	AK	16,236	0	0	0
Other long-term liabilities	8,553	121	8,432	8,432	AK	8,432	0	0	0
Short-term financial liabilities	9,672	0	9,672	9,672	AK	9,672	0	0	0
Trade accounts payable	20,125	0	20,125	20,125	AK	20,125	0	0	0
Other liabilities	13,494	3,863	9,631	9,631	AK	9,631	0	0	0

The profit/loss from financial instruments according to the categories in IAS 39 are composed in 2007/2008 of interest and do not contain any subsequent valuations.

## Risk Report – Financial Risks

### Currency Risk

DO & CO is heavily exposed to the risk of exchange rate fluctuations due to the international nature of its business segments, especially Airline Catering and International Event Catering. The major foreign currencies involved are USD, YTL and GBP.

Closed positions are set up as a hedge by trying to offset proceeds in a given foreign currency against expenses in that same currency and with the same maturity. The company also strives to avoid currency risk by including appropriate clauses in its agreements with customers and suppliers.

If need be, financial instruments and derivatives are employed to control currency risks. No derivatives were in use at the reporting date.

The sensitivity analysis conducted according to IAS 39 showed the following changes in profit/loss on ordinary business activities assuming fluctuations of exchange rates in relation to the reporting date and the annual average exchange rate of the key foreign currencies:

A 5 % change in the exchange rate of EUR to USD would have an effect equivalent to plus TEUR 1,295.

A 5 % change in the exchange rate of EUR to GBP would have an effect equivalent to plus TEUR 758.

A 5 % change in the exchange rate of EUR to YTL would have an effect equivalent to minus TEUR 179.

### Liquidity Risk

Precise financial planning updated daily is the key to controlling liquidity and to avoiding liquidity risk. If expansion and other projects are undertaken, it is essential to conduct a meticulous analysis of their impact on the Group's liquidity.

Deviations from financial plans are detected immediately thanks to regular and prompt financial reporting. This approach ensures that counter-measures can be initiated quickly.

All Austrian companies are integrated in a single cash-pooling system so that liquidity can be controlled centrally.

The liquidity risk of the DO & CO Group is limited by virtue of its low level of debt. Current liquidity needs can be met by available cash and cash equivalents and by financial facilities granted by banks.

Future payments of principal and future interest owed for existing financial liabilities at the reporting date of 31 March 2008 can be analyzed as follows:

<b>in TEUR</b>	<b>Repayment</b>	<b>Interest</b>
within one year due	6,171	1,478
between one and five years due	20,973	2,613
after five years due	0	0

### Default Risks

DO & CO keeps the risk of default to a minimum by closely monitoring outstanding debts as part of receivables management. It is proactive in controlling the risk of default associated with major customers by entering into contractual agreements with them and by having customers furnish collateral. Weekly reporting of all legal entities' outstanding items was yet another risk mitigation practice implemented in the year under review.

DO & CO does not avail itself of credit insurance. Investments are made only at banks with first-class ratings. No material default risks are expected from the other original financial instruments.

The receivables recorded under assets and reduced by appropriate value adjustments represent the maximum solvency and default risk. Since the ratings of existing and new customers are continuously monitored; the credit risk from customer receivables can be considered negligible based on present knowledge. This risk depends on market developments.

As regards default risk on the customer side, please refer to the schedule on overdue trade accounts receivable and other accounts receivable under (4) in these Notes.

The credit risk arising from the investment of cash and cash equivalents and securities is also deemed to be non-existent, given the excellent credit rating of the contractual partners and the low level of assets tied up in securities.

## **Interest Risk**

All financial facilities have the same term as the projects they finance. Financing is done at usual market conditions.

Given the low level of net debt, a 1 % change in the average interest rate would have an effect equivalent to only about 0.2 % of the consolidated profit/loss on ordinary business activities. No negative effects are expected from interest rate changes.

## Capital Management

With its financial business control system, the DO & CO Group seeks to achieve a sustainable increase in the intrinsic value of the company and to maintain and improve the capital structure. This capital structure is an important prerequisite for a company's profitable growth because the financial strategy aims at protecting the Group's profitability, stability, liquidity and financial flexibility. The following strategic pillars are defined for this purpose:

- \* Availability of strategically minimum liquidity
- \* Sustained equity ratio of over 35 %
- \* Retention of financial and operational flexibility by leaving available assets unencumbered

The Group follows the same premises in its dividend policy. The proposed dividend payments therefore take into account the capital requirements for subsequent years.

### **(30) Events After the Balance Sheet Date**

Events occurring after the reporting date which are significant to the valuation on the balance sheet date, e.g. pending legal cases, claims for damages and other obligations or threats of losses, are required to be included in the accounts or divulged in accordance with IAS 10 (Events after the Balance Sheet Date). DO & CO Restaurants & Catering AG took any such events it was aware of into account in these consolidated financial statements.

In April 2008, EOS AIRLINE INC, a customer of the DO & CO Group at London Heathrow and New York, filed for bankruptcy. The resulting risks and expenses were properly recognized in these consolidated financial statements of the DO & CO Group provided they pertained to value-adjusting events.

### (31) Related Party Disclosures

Raiffeisenlandesbank Niederösterreich-Wien AG is indirectly a related party as it holds a stake in DO & CO Restaurants & Catering AG through Raiffeisen-Holding Niederösterreich-Wien reg. Gen. m.b.H. and the latter's wholly owned subsidiary DZR Immobilien und Beteiligungs GmbH. Business relations with Raiffeisenlandesbank Niederösterreich-Wien AG were handled at terms and conditions customary for external customers.

Existing business relations with enterprises in which members of the Supervisory Board of DO & CO Restaurants & Catering AG are active are conducted at terms and conditions customary for external customers. Firms in which Supervisory Board members Waldemar Jud and Werner Sporn have a considerable economic interest charged professional fees of EUR 961,000.00 in business year 2007/2008 for legal counsel.

The Group has a 50 % stake in THY DO & CO İkrâm Hizmetleri A.Ş. Turkish Airlines (Türk Hava Yolları A.O.) holds the remaining 50 % stake in this company. THY DO & CO İkrâm Hizmetleri A.Ş. provides airline catering services to Turkish Airlines. Sales from this business totaled TEUR 63,687 in the year under review (previous year: TEUR 11,334; commencement of business activities on 1 January 2007). Trade accounts receivable contain about TEUR 2,548 in trade receivables owed by Turkish Airlines in connection with this business relationship (previous year: approximately TEUR 5,422). The consolidated financial statements contain TEUR 6,337 in long-term liabilities (previous year: TEUR 7,969) and TEUR 0 in short-term liabilities (previous year: TEUR 7,172) in connection with amounts borrowed to finance THY DO & CO İkrâm Hizmetleri A.Ş.

### (32) Segment Reporting

GROUP		Airline	International	Restaurants,	
Business year 2007 / 2008		Catering	Event Catering	Lounges & Hotel	Total
Sales	in m €	251.96	41.65	61.02	354.62
EBITDA	in m €	21.11	4.59	4.44	30.14
Depreciation/amortization	in m €	-11.86	-1.55	-2.07	-15.48
EBIT	in m €	9.25	3.04	2.37	14.66
EBITDA margin	in %	8.4 %	11.0 %	7.3 %	8.5 %
EBIT margin	in %	3.7 %	7.3 %	3.9 %	4.1 %
Share in Consolidated sales	in %	71.0 %	11.7 %	17.3 %	

The Management Report contains a thorough report by division for business years 2007/2008 and 2006/2007. The information may deviate somewhat from the specifications in the standards because certain group companies conduct business in several segments, making it only conditionally possible to report on a segment basis.

### (33) Information on Corporate Boards and Employees

The average number of employees was as follows:

	2007/2008	2006/2007
blue-collar employee	3,338	1,777
white-collar worker	436	237
Total	3,774	2,014

On average, a further 316 individuals (previous year: 292) worked part-time in addition to the workers indicated above.

The following individuals served as members of the corporate boards of DO & CO Restaurants & Catering AG in business year 2007/2008:

**The Management Board:**

Attila DOGUDAN, Vienna, Chairman  
Michael DOBERSBERGER, Vienna

The fixed pay of the members of the Management Board in the year under review totaled TEUR 536 (previous year: TEUR 452), with about TEUR 294 (previous year: TEUR 241) paid to Attila Dogudan and about TEUR 242 (previous year: TEUR 210) to Michael Dobersberger. The variable pay component in the year under review totaled TEUR 158, with TEUR 114 paid to Attila Dogudan and TEUR 45 to Michael Dobersberger.

**The Supervisory Board:**

Waldemar Jud, Graz, Chairman  
Werner Sporn, Vienna, Deputy Chairman  
Georg THURN-VRINTS, Poysbrunn  
Christian Konrad, Vienna

The members of the Supervisory Board received remuneration totaling TEUR 38 (previous year: TEUR 19) for business year 2006/2007 in accordance with a decision by the General Meeting of Shareholders on 5 July 2007.

There were no outstanding liabilities for loans or group company loans extended to members of the Management Board and Supervisory Board.

Vienna, 23 May 2008

The Management Board:

Attila Dogudan mp  
Chairman

Michael Dobersberger mp

## **Significant Differences between Austrian Accounting Standards and International Financial Reporting Standards (IFRS)**

**Goodwill from capital consolidation:** The Austrian Business Enterprise Code (UGB) permits the offsetting of retained earnings without effect to net income or capitalization of straight-line depreciation for goodwill while IFRS 3, for its part, stipulates that goodwill must be capitalized and subjected to an annual impairment test. Scheduled amortization has now been eliminated.

**Deferred taxes:** In accordance with IAS/IFRS, deferred taxes are to be accrued for all temporary differences between the tax balance sheet and the IFRS balance sheet, applying the currently valid tax rate. The Austrian Business Enterprise Code (UGB) requires accrual for temporary differences only if they involve deferred tax liabilities. In deviation from the regulations of the Austrian business enterprise law, deferred tax assets under IFRS are also to be recognized for tax losses carried forward, insofar as it is likely that they can be offset against taxable profits in the future.

**Other Provisions:** The Austrian Business Enterprise Code (UGB) is based on the principle of commercial prudence. IAS/IFRS, for its part, is geared towards the determinability of payment obligations for which provisions should be formed and the degree of probability of the relevant events occurring. Unlike Austrian business enterprise law, IAS/IFRS does not permit expense provisions to be formed.

**Personnel provisions:** Under IAS/IFRS, personnel provisions (for termination benefits, pensions, long-service anniversary bonuses) are calculated on the basis of the Projected Benefit Obligation Method, applying the current interest rate on the capital market and taking into account future pay raises. According to the Austrian Business Enterprise Code (UGB), these provisions are calculated according to the part-value method.

**Sales of marketable securities:** According to the Austrian Commercial Code, marketable securities are to be assessed at the lower market values or at most at their cost of acquisition. Under the IFRS, marketable securities are always assessed at market values.

**Valuation of foreign currency amounts:** Receivables and liabilities in foreign currency are always valued on the reporting date at the rate prevailing on that date. As a result, any currency fluctuation is recorded in a manner affecting profit and loss. The Austrian Business Enterprise Code (UGB) takes a different approach. Only unrealized losses are recorded on the balance sheet in keeping with the imparity principle. Under IFRS, translation differences from debt consolidation in connection with inner-group loans are recorded under shareholders' equity as unrealized price gains or losses without an effect on profit or loss.

**Extraordinary result:** IFRS does not permit a company to record an extraordinary result; Austrian accounting rules do.

**Expanded disclosure obligation:** IAS/IFRS requires that the items on the balance sheet, income statement, cash flow statement and changes in shareholders' equity be explained in detail in the Notes. It also imposes additional disclosure obligations particularly as regards business segments and derivative financial instruments.

## Schedule of changes in fixed assets

as of 31 March 2008

	Cost of acquisition and production					Accumulated depreciation					Book-value			
	As at 31 March 2007	Changes in scope of consolidation	Translation differences	Additions	Reclassifications	Disposals	As at 31 March 2008	Stand 31 March 2007	Changes in scope of consolidation	Translation differences	Depreciation charge of the year	Disposals	As at 31 March 2008	31 March 2008
I. Intangible assets														
1. Industrial property rights and similar rights and benefits and thereof derived licences	49,303	0	-3,638	551	0	238	45,978	6,177	0	-923	6,159	238	11,175	34,803
2. Goodwill	4,507	0	0	0	0	450	4,056	0	0	0	0	0	0	4,056
3. Payments in advance	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	<b>53,810</b>	<b>0</b>	<b>-3,638</b>	<b>551</b>	<b>0</b>	<b>688</b>	<b>50,034</b>	<b>6,177</b>	<b>0</b>	<b>-923</b>	<b>6,159</b>	<b>238</b>	<b>11,175</b>	<b>38,859</b>
II. Tangible assets														
1. Land and buildings including buildings on third party land	41,368	0	-3,182	1,401	394	170	39,812	14,332	0	-842	3,223	107	16,605	23,207
2. Plant and machinery	18,323	0	-571	2,434	11	440	19,756	13,895	0	-234	1,551	411	14,802	4,954
3. Other production- and office equipment	32,494	228	-1,108	7,396	244	2,103	37,151	21,225	0	-485	4,546	1,877	23,408	13,742
4. Payments on account and assets in course of construction	685	0	-189	1,906	-649	26	1,727	0	0	0	0	0	0	1,727
	<b>92,871</b>	<b>228</b>	<b>-5,050</b>	<b>13,137</b>	<b>0</b>	<b>2,740</b>	<b>98,446</b>	<b>49,452</b>	<b>0</b>	<b>-1,561</b>	<b>9,319</b>	<b>2,395</b>	<b>54,815</b>	<b>43,631</b>
III. Financial assets														
1. Investments in group companies	60	-48	0	0	0	12	0	0	0	0	0	0	0	0
2. Investments in associated companies	5	0	0	1,360	0	2	1,362	0	0	0	0	0	0	1,362
3. Securities held at long-term investments	224	0	0	0	0	3	221	7	0	0	0	0	7	214
	<b>290</b>	<b>-48</b>	<b>0</b>	<b>1,360</b>	<b>0</b>	<b>17</b>	<b>1,583</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>1,576</b>
<b>Total</b>	<b>146,970</b>	<b>180</b>	<b>-8,688</b>	<b>15,047</b>	<b>0</b>	<b>3,446</b>	<b>150,064</b>	<b>55,636</b>	<b>0</b>	<b>-2,484</b>	<b>15,478</b>	<b>2,633</b>	<b>65,997</b>	<b>84,066</b>
														<b>91,334</b>



## **Statement by the Company Management Pursuant to Section 82 para. 4 Stock Exchange Act**

We hereby declare that, to the best of our knowledge,

1. the consolidated financial statements of DO & CO Restaurants & Catering AG, prepared in accordance with the pertinent accounting standards, convey as fairly as possible the Group's actual assets and financial position and the results of its operations;

2. the management report on the group presents the course of business, the results of operations and the Group's position in a way that conveys as fairly as possible the actual assets and financial position and the results of operations and that the management report on the group describes the material risks and uncertainties to which the Group is exposed.

We hereby declare that, to the best of our knowledge,

1. the consolidated financial statements of the parent company, prepared in accordance with the pertinent accounting standards, convey as fairly as possible the company's actual assets and financial position and the results of its operations;

2. the management report presents the course of business and the company's position in a way that conveys as fairly as possible the company's actual assets and financial position and the results of its operations and that this report describes the material risks and uncertainties to which the company is exposed.

Vienna, 23 May 2008

The Management Board:

Attila Dogudan mp  
Chairman

Michael Dobersberger mp

# **Auditor's Unqualified Opinion**

(The Independent Auditor's Report)

## **Report on the Consolidated Financial Statements**

We have audited the attached consolidated financial statements of

### **DO & CO Restaurants & Catering AG**

for the business year lasting from 1 April 2007 to 31 March 2008. These consolidated financial statements consist of the consolidated balance sheet as of 31 March 2008, the income statement, the consolidated cash flow statement and the schedule of changes in consolidated shareholders' equity for the business year ending 31 March 2008 as well as a summary of the principle accounting and valuation methods applied and other information in the notes.

### **Responsibility of the Management for the Consolidated Financial Statements**

The company's management is responsible for preparing these consolidated financial statements to convey as fairly as possible the Group's actual assets and financial position and the results of its operations in conformity with the International Financial Reporting Standards (IFRS) as applied in the European Union. This responsibility entails designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements and to conveying as fairly as possible the Group's assets, earnings and financial situation so that these financial statements are free from material misstatement, whether due to fraud or error. Further, it involves selecting and applying appropriate accounting and valuation methods and making accounting estimates that are reasonable in the circumstances.

### **Responsibility of the Auditor**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with valid statutory regulations in Austria and in accordance with the International Standards on Auditing (ISAs) published by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These standards require that we abide by the code of ethics of our profession and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the Auditor's duty-bound judgment, including an assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In assessing these risks, the auditor takes into account the internal control system relevant to the preparation of consolidated financial statements and to conveying as fairly as possible, in all material respects, the Group's assets, earnings and financial situation in order to determine suitable auditing activities for the given circumstances. It is not the Auditor's task to issue an opinion on the effectiveness of the Group's internal control system. An audit also entails assessing the appropriateness of the accounting and valuation principles applied and the significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe our audit has yielded sufficient and suitable audit evidence that provides a sufficient and reliable basis for our audit opinion.

## **Auditor's Opinion**

Our audit led to no objections. In our opinion and on the basis of the knowledge gained in the audit, the consolidated financial statements comply with the statutory requirements and present fairly, in all material respects, the actual assets and financial position of the Group as of 31 March 2008 and the results of its operations and its cash flows for the business year lasting from 1 April 2007 to 31 March 2008 in conformity with the International Financial Reporting Standards (IFRS) as they are to be applied in the EU.

## **Report on the Consolidated Management Report**

The management report on the group is to be audited in accordance with valid Austrian laws and regulations to obtain assurance that it is consistent with the consolidated financial statements and does not misrepresent the Group's situation. In our opinion, the management report on the group is consistent with the consolidated financial statements.

Vienna, 23 May 2008

### **PKF CENTURION**

WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT MBH  
MEMBER FIRM OF PKF INTERNATIONAL

Stephan Maurer mp

Wolfgang Adler mp

Certified Public Accountants and Tax Consultants

**English translation of the**

**REPORT**

ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

OF

**DO & CO RESTAURANTS & CATERING AKTIENGESELLSCHAFT  
VIENNA**

AS OF

31 MARCH 2008

PDF VERSION

DATED

19 MAY 2008

**PKF CENTURION**

WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT MBH

MEMBER FIRM OF PKF INTERNATIONAL

COMMERCIAL REGISTER NO. 78655 w

HEGELGASSE 8, A-1010 VIENNA, AUSTRIA

PKF CENTURION  
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT MBH  
Report for 2008

Auditor's Unqualified Opinion in accordance with Section 274 para 1 Austrian Business Enterprise Code (UGB)

As a result of our audit, we hereby issue the following **unqualified Auditor's opinion** for the annual financial statements at 31 March 2008 of

**DO & CO Restaurants & Catering Aktiengesellschaft, Vienna:**

We have audited the annual financial statements of DO & CO Restaurants & Catering AG, Vienna, for the business year lasting from 1 April 2007 to 31 March 2008 and the accounts. The accounting, presentation and content of these annual financial statements and the management report in accordance with the Austrian Business Enterprise Code (UGB) all fall within the responsibility of the company management. It is our responsibility to issue an audit opinion on these financial statements based on our audit and an opinion on whether the management report is in accord with the financial statements.

We conducted our audit in accordance with the statutory provisions and standards valid in Austria for the proper auditing of financial statements. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement and issue an opinion on whether the management report is in accord with the financial statements. The audit activities selected take into account knowledge of the business activities and the business and legal environment of the company as well as expectations regarding possible errors. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts and in the financial statements. An audit also involves assessing the accounting standards applied and the material estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe our audit has yielded sufficient and suitable audit evidence that provides a sufficient and reliable basis for our audit opinion.

Our audit led to no objections. In our opinion and based on the knowledge gained in the audit, the financial statements comply with the statutory requirements and present fairly, in all material respects, the company's actual assets and financial position as of 31 March 2008 and the results of the company's operations for the business year lasting from 1 April 2007 to 31 March 2008 in conformity with generally accepted Austrian accounting standards. The management report is in accord with the financial statements.

Vienna, 19 May 2008

PKF CENTURION  
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT MBH  
Member Firm of PKF International

Günther PRINDL

Stephan MAURER

Certified Public Accountant and Tax Consultant

**BALANCE SHEET AS AT 31 MARCH 2008**

<b>ASSETS</b>	EUR	EUR	EUR	PY	
				TEUR	TEUR
<b>A. FIXED ASSETS</b>			<b>20,821,874.17</b>		<b>15,921</b>
<b>I. Intangible assets</b>		<b>129,936.71</b>		<b>99</b>	
1. Industrial property rights and similar rights and benefits	129,936.71			99	
<b>II. Tangible assets</b>		<b>737,468.64</b>		<b>353</b>	
1. Buildings on third party land	118,029.90			35	
2. Other production- and office equipment	619,438.74			292	
3. Prepayments	0.00			26	
<b>III. Financial assets</b>		<b>19,954,468.82</b>		<b>15,469</b>	
1. Investments in associated companies	4,371,216.26			4,171	
2. Loans to associated companies	15,544,401.29			11,259	
3. Securities	38,851.27			39	
<b>B. CURRENT ASSETS</b>			<b>75,814,222.23</b>		<b>78,585</b>
<b>I. Receivables and other non-current   assets</b>		<b>73,591,885.60</b>		<b>77,910</b>	
1. Trade accounts receivable					
2. Accounts receivable from associated companies	70,170,971.27			77,083	
3. Other accounts receivable and assets	2,973,783.88			694	
<b>II. Cash and cash equivalents</b>		<b>2,222,336.63</b>		<b>674</b>	
<b>C. PREPAID EXPENSES AND DEFERRED CHARGES</b>			<b>52,208.26</b>		<b>33</b>
			<b>96,688,304.66</b>		<b>94,538</b>

**BALANCE SHEET AS AT 31 MARCH 2008**

<b>LIABILITIES</b>	EUR	EUR	EUR	PY	
				TEUR	TEUR
<b>A. SAHREHOLDERS' EQUITY</b>			<b>65,462,567.10</b>		<b>64,690</b>
<b>I. Capital stock</b>		<b>15,590,400.00</b>		<b>14,162</b>	
<b>II. Capital reserves</b>		<b>35,926,378.42</b>		<b>37,354</b>	
1. Appropriated	35,926,378.42			37,354	
<b>III. Revenue reserves</b>		<b>12,094,065.48</b>		<b>94</b>	
1. Statutory reserves		64,635.22		65	
2. Other reserves	12,029,430.26			29	
<b>IV. Balance sheet profit</b>		<b>1,851,723.20</b>		<b>13,079</b>	
thereof retained earnings EUR 104.779,47 (PY: TEUR 12.412)					
<b>B. PROVISIONS</b>			<b>6,584,078.01</b>		<b>6,481</b>
1. Provisions for severance payments PBO		756,680.00		647	
2. Provisions for taxation		2,563,026.01		1,912	
3. Other Provisions		3,264,372.00		3,922	
<b>C. LIABILITIES</b>			<b>24,641,659.55</b>		<b>23,367</b>
1. Liabilities to banks		6,100,000.00		2,500	
2. Trade accounts payable		797,471.83		809	
3. Payables to associate companies		17,342,804.03		19,684	
4. Other liabilities		401,383.69		374	
thereof taxes EUR 186.330,09 (PY: TEUR 151)					
thereof social security EUR 163.333,38 (PY: TEUR 136)					
			<b>96,688,304.66</b>		<b>94,538</b>
<b>CONTINGENT LIABILITIES</b>			<b>36,136,484.78</b>		<b>26,026</b>



**INCOME STATEMENT**  
**for the business year from 1 April 2007 to 31 March 2008**

	EUR	2007/08 EUR	2006/07 TEUR	TEUR
<b>1. Sales</b>		<b>12,581,886.57</b>		<b>10,887</b>
<b>2. Other operating income</b>		<b>2,018,770.12</b>		<b>469</b>
a) Proceeds of the disposal of fixed assets excluding financial assets Financial assets	0.00		2	
b) Income of the release of provisions	427,948.37		300	
c) Other operating income	1,590,821.75		167	
<b>3. Costs of materials and services</b>		<b>-1,763,528.62</b>		<b>-588</b>
a) Costs of materials	-11,462.54		-2	
b) Costs of services	-1,752,066.08		-587	
<b>4. Payroll costs</b>		<b>-9,200,498.95</b>		<b>-7,918</b>
a) Wages	-433,797.37		-401	
b) Salaries	-6,854,071.00		-5,903	
c) Expenses for severance payments	-169,734.44		-146	
d) Expenses for legally mandated social security contributions and for related costs	-1,663,913.74		-1,414	
e) Other social expenses	-78,982.40		-52	
<b>5. Amortisation / depreciation</b>		<b>-386,367.49</b>		<b>-276</b>
a) Thereof amortisation of intangible fixed assets	-386,367.49		-276	
<b>6. Other operating expenses</b>		<b>-8,248,469.86</b>		<b>-6,750</b>
a) Taxes	-31,271.45		-277	
b) Other expenses	-8,217,198.41		-6,473	
<b>7. EBIT - Operating result</b>		<b>-4,998,208.23</b>		<b>-4,176</b>
<b>8. Income from participations</b> thereof associated companies: EUR 8.982.895,85 (PY: TEUR 6.555)		<b>8,982,895.85</b>		<b>6,555</b>
<b>9. Other interest received and similar income</b> thereof associated companies: EUR 1.551.862,57 (PY: TEUR 1.959)		<b>2,251,460.56</b>		<b>2,937</b>
<b>10. Financial assets expenses thereof</b>		<b>-2,624,899.78</b>		<b>-3,825</b>
a) Impairment of Financial assets	-1,854,015.33		-1,039	
b) Expenses of associated companies	-770,884.45		-2,786	
<b>11. Other interest received and similar income</b> thereof associated companies EUR 867.340,67 (PY: TEUR 85)		<b>-977,540.67</b>		<b>-501</b>
<b>12. Financial result</b>		<b>7,631,915.96</b>		<b>5,165</b>
<b>13. Result from ordinary business activities</b>		<b>2,633,707.73</b>		<b>989</b>
<b>14. Income tax</b>		<b>-886,764.00</b>		<b>-322</b>
<b>15. Profit for the year</b>		<b>1,746,943.73</b>		<b>667</b>
<b>16. Net profit</b>		<b>1,746,943.73</b>		<b>667</b>
<b>17. Retained earnings</b>		<b>104,779.47</b>		<b>12,412</b>
<b>18. Balance sheet profit</b>		<b>1,851,723.20</b>		<b>13,079</b>

**ON THE ANNUAL FINANCIAL STATEMENTS AS OF 31 MARCH 2008**

**I. General Information**

The annual financial statements were prepared in accordance with the provisions of the version of the Austrian Business Enterprise Code (UGB) in force on the reporting date.

**II. Accounting and Valuation Principles**

The annual financial statements were prepared in accordance with generally accepted accounting standards and the general norm of conveying as fairly as possible the assets, earnings and financial position of the company (Section 222 (2) Austrian Business Enterprise Code (UGB)).

The accounting, valuation and presentation of the individual items in the annual financial statements were undertaken in accordance with the provisions of Sections 189 through 211 Austrian Business Enterprise Code (UGB), with account also taken of the special provisions for corporations in Sections 221 through 235 Austrian Business Enterprise Code (UGB).

The principles of completeness and non-arbitrariness were applied in the preparation of the annual financial statements.

The valuation assumed the continuation of the company as a going concern.

Assets and debts were valued individually.

Prudence was exercised in particular by reporting only those gains realized as at the reporting date. Account was taken of all discernible risks and impending losses incurred in the current business year or in an earlier business year.

### **III. Notes to the Balance Sheet and the Income Statement**

#### **A. Balance Sheet**

##### **1. Fixed Assets**

The presentation of and changes in the fixed assets in accordance with Section 226 (1) Austrian Business Enterprise Code (UGB) are included separately in Annex 1 of these Notes.

##### **1.1. Intangible and Tangible Fixed Assets**

The fixed assets were valued at acquisition cost taking into account ancillary costs less depreciation or amortization thus far incurred and applied as scheduled in business year 2007/2008 in accordance with Section 204 (1) Austrian Business Enterprise Code (UGB).

The straight-line method was generally selected to determine the rate for amortization and depreciation.

The individual fixed asset items were ascribed the following useful life:

a) Intangible fixed assets	3 to 4 years
b) Buildings on land owned by others	5 to 10 years
c) Other production- and office equipment	2 to 8 years

Assets that had been added by 30 September of the business year 2007/2008 were always written down at the full annual rate of depreciation; those added after 30 September 2007 were subjected to half of the annual rate.

Assets of minor value as defined in Section 13 Income Tax Act 1988 are immediately written off in their year of acquisition. In the schedule of changes in fixed assets, assets of minor value are recorded as a disposal on expiration of a period of assumed usefulness of three years.

##### **1.2. Investments**

##### **1.2.1. Shares in Associated Companies**

This item comprises solely shares in associated companies. Disclosures on shares in associated companies in accordance with Section 238.2 Austrian Business Enterprise Code (UGB) are contained separately in Annex 2 of these Notes.

The company is the controlling parent company and prepared consolidated financial statements and a management report on the group in accordance with the provisions of Sections 244ff Austrian Business Enterprise Code (UGB) at 31 March 2008. The company is recorded with the Commercial Court Vienna, as competent Commercial Register Court, under Commercial Register No. 156765 m.

1.2.2. Loans to Associated Companies

This item contains loans granted to an American subsidiary. Their repayment depends on cash and cash equivalents freely available to this subsidiary.

Unscheduled writedowns were only undertaken if the value was deemed permanently diminished.

**2. Current Assets**

2.1. Accounts Receivable and Other Assets

Accounts receivable and other assets were recognized at acquisition cost or nominal value; all discernible risks, especially from exchange rate changes and defaulted receivables, were taken into account in downward adjustments and appropriate specific writedowns.

Foreign-currency accounts receivable were valued at acquisition cost or the lower foreign-exchange buying rate at the reporting date.

The maturity structure of accounts receivable was as follows:

Category of receivables	Total	thereof maturity > 1 year
	EUR	EUR
Trade accounts receivable	447,130.45	0.00
<i>(PY:</i>	<i>133,976.60</i>	<i>0.00</i>
Receivables from associated companies	70,170,971.27	43,053,584.82
<i>(PY:</i>	<i>77,082,543.96</i>	<i>45,349,117.36</i>
Other receivables and assets	2,973,783.88	84,911.59
<i>(PY:</i>	<i>693,919.06</i>	<i>15,875.59</i>
<i>Total</i>	<i>73,591,885.60</i>	<i>43,138,496.41</i>
<i>(PY:</i>	<i>77,910,439.62</i>	<i>45,364,992.95</i>

Amounts owed by associated companies were allocated to other items in the balance sheet as follows:

Composition of the amounts owed by associated companies

Category of receivables	As at 31/03/2008	As at 31/03/2007
	EUR	EUR
Trade accounts receivable	9,744,634.70	9,571,363.46
<i>Other receivables (including profit transfer and dividend payments)</i>	<i>60,426,336.57</i>	<i>67,511,180.50</i>
<i>Total</i>	<i>70,170,971.27</i>	<i>77,082,543.96</i>

Other accounts receivable from associated companies result from loans to foreign subsidiaries in an amount of EUR 9,125,327.47 (previous year: EUR 3,255,989.06) for which interest received totaling EUR 147,536.00 (previous year: EUR 90,532.00) was recorded for business year 2007/2008.

Accounts receivable from over-calculated annual profits at domestic controlled companies due to profit transfer agreements for the business year 2007/2008 amounted to EUR 8,982,895.85 (previous year: EUR 6,554,576.59) at the reporting date.

### 3. Prepaid Expenses and Deferred Charges

Expenditures were recognized as prepaid expenses and deferred charges pursuant to Section 198 (5) Austrian Business Enterprise Code (UGB) provided they pertained to expenses for a certain period after the reporting date.

## **4. Shareholders' Equity**

### **4.1. Share Capital and Capital Reserves**

At the Ordinary General Meeting of Shareholders on 5 July 2007, the share capital was increased, from company resources and without the issuing of new shares, by EUR 1,427,918.09 from EUR 14,162,481.91 to EUR 15,590,400.00 by reclassifying the corresponding sub-amount of the committed capital reserve in accordance with the provisions of the Capital Adjustment Act (Kapitalberichtigungsgesetz). Following the capital increase from company resources, each of the 1,948,800 bearer shares was allocated EUR 8.00 as its proportion of share capital.

Based on a resolution of the Ordinary Meeting of Shareholders of 5 July 2007, a 1:4 stock split was then carried out, increasing the number of shares to 7,795,200, with EUR 2.00 allocated to each share as its proportion of share capital.

The premium of EUR 13,081,110.15 paid in at the IPO during the capital increase and the premium of EUR 24,273,186.35 received during the previous year's capital increase were recorded under committed capital reserves in accordance with Section 229.2.1 Corporation Act (AktG) in connection with Section 130 (2) Corporation Act (AktG).

### **4.2. Balance Sheet Profit**

The company concluded profit transfer agreements with domestic subsidiaries. The names of the companies covered by profit transfer can be found in the schedule of subsidiaries. Under these agreements, the subsidiaries must transfer their entire annual profit to the parent company. In exchange DO &CO Restaurants & Catering AG agrees to assume and cover any annual losses the subsidiaries sustain.

## **5. Provisions**

### **5.1. Provisions for Termination Payments**

Provisions for termination payments were calculated according to recognized discounted cash-flow methods based on an imputed interest rate of 4 % p.a. and a presumed retirement age of 60 for female employees and 65 for male employees.

A provision for long-service anniversaries was recorded under liabilities as an obligation similar to the termination benefit. This provision was determined on the basis of the same calculation factors applied to termination benefit provisions, with a fluctuation haircut applied based on the age of the employee. The provision for long-service anniversaries was recorded under other provisions.

### **5.2. Provisions for Taxes**

The provision for income tax was recorded in the amount of its expected occurrence.

5.3. Other Provisions

Other provisions take into account all discernible risks and uncertain liabilities in amounts deemed necessary following a reasonable business assessment.

Provisions from earlier years are recorded under income from release of provisions in so far as they have not already been used for their intended purpose and the reason for forming them no longer applies.

6. Liabilities

Liabilities are valued at their repayment value applying a conservative approach.

Foreign currency liabilities are valued at the foreign-exchange selling rate prevailing at their occurrence, with any exchange rate losses at the reporting date from changes in foreign exchange rates duly taken into account.

The maturities of liabilities in accordance with Section 225 (6) and Section 237.1 Austrian Business Enterprise Code (UGB) were as follows:

	Maturity		
	< 1 year	between 1 to 5 years	Total
	EUR	EUR	EUR
Liabilities to banks	6,100,000.00	0.00	6,100,000.00
(PY:	2,500,000.00	0.00	2,500,000.00 )
Trade accounts payable	797,471.83	0.00	797,471.83
(PY:	809,335.57	0.00	809,335.57 )
Trade accounts payable to associated companies	17,342,804.03	0.00	17,342,804.03
(PY:	19,683,683.78	0.00	19,683,683.78 )
Other liabilities	401,383.69	0.00	401,383.69
(PY:	374,344.18	0.00	374,344.18 )
Total	24,641,659.55	0.00	24,641,659.55
(PY:	23,367,363.53	0.00	23,367,363.53 )

Amounts owed to associated companies were allocated to other items in the balance sheet as follows:

Category of payables	As at 31/03/2008 EUR	As at 31/03/2007 EUR
Trade accounts payables	2,134,481.98	887,631.44
<i>Other payables</i>	<u>15,208,322.05</u>	<u>18,796,052.34</u>
<i>Total</i>	<u><u>17,342,804.03</u></u>	<u><u>19,683,683.78</u></u>

### **7. Obligations Arising from the Use of Tangible Fixed Assets not on the Balance Sheet**

Financial obligations from agreements on the use of tangible fixed assets not on the balance sheet total EUR 1,253,300.00 (previous year: TEUR 1,065) for the next five years. Of this amount, EUR 250,650.00 (previous year: TEUR 213) pertains to next business year. This item pertains to current use fees for leased facilities and tangible fixed assets.

### **8. Contingent Liabilities**

The company's contingent liabilities for the benefit of associated companies at the reporting date were as follows (previous year: EUR 26,026,302.24):

<u>Bank guarantees</u>	EUR	EUR
for the benefit of DO & CO München GmbH		153,388.00
 <u>Other guarantees</u>		
for the benefit of DOCO Istanbul catering Ve Restaurant Hizmetleri Ticaret VE Şanayi Anonim Şirketi, Istanbul	23,500,000.00	
for the benefit of DO & CO Party-Service & Catering GmbH	11,335,558.77	
for the benefit of DO & CO Italy S.r.l.	637,813.68	
for the benefit of DO & CO München GmbH	319,550.00	
for the benefit of DO & CO International Catering Ltd., London	<u>190,174.33</u>	<u>35,983,096.78</u>
		<u><u>36,136,484.78</u></u>

To render plausible the financial performance capacity of the associated company AIOLI Airline Catering Austria GmbH; DO & CO Restaurants & Catering AG agreed to ensure that AIOLI Airline Catering Austria GmbH can meet its obligations at Vienna International Airport in accordance with the Airport Ground Handling Act (Flughafen-Bodenabfertigungsgesetz). This commitment is connected to the application of AIOLI Airline Catering Austria GmbH for a permit to perform board-catering service as defined in Section 7 Airport Ground Handling Act (Flughafen-Bodenabfertigungsgesetz).

For credit facilities granted to DOCO Istanbul catering Ve Restaurant Hizmetleri Ticaret VE Şanayi Anonim Şirketi, the company furnished two guarantees in the amount of EUR 23,500,000.00 in favor of the financing bank.



**B. Income Statement**

The income statement in accordance with Section 231.2 Austrian Business Enterprise Code (UGB) was prepared using the total cost method.

**1. Sales**

Sales by activity area based on Section 237.9 Austrian Business Enterprise Code (UGB) were composed as follows:

	EUR	EUR PY
Activities for group companies	11,188,710.95	9,979,360.15
Net Sales	1,393,175.62	907,493.55
	<u>12,581,886.57</u>	<u>10,886,853.70</u>

**2. Payroll Costs**

Items "expense for termination payments" and "payments to employee retirement schemes" pertain to EUR 58,188.29 (previous year: TEUR 42) in contributions to employee retirement schemes.

**3. Income from Interests in Associated Companies**

This item relates to annual profits/losses for 2007/2008 transferred under profit transfer agreements for domestic companies and companies included in group taxation and were composed as follows:

	<u>2007/2008</u>	<u>2006/2007</u>
	EUR	EUR
DO & CO Party-Service & Catering GmbH	5,464,263.01	4,415,992.22
AIOLI Airline Catering Austria GmbH	1,829,286.46	974,938.30
DO & CO - Salzburg Restaurants & Betriebs GmbH	500,912.25	797,562.99
DO & CO - Baden Restaurants & Veranstaltungen GmbH	247,602.88	223,119.84
B & B Betriebsrestaurants GmbH	200,384.10	62,069.52
DO & CO Albertina GmbH	242,455.32	57,667.78
DO & CO im Haas Haus Restaurantbetriebs GmbH	459,323.20	0.00
DO & CO Airline Catering Austria GmbH	38,668.63	0.00
AIOLI Restaurants & Party-Service GmbH	0.00	23,225.94
	<u>8,982,895.85</u>	<u>6,554,576.59</u>

**4. Expenses Arising from Investments**

The annual losses of the following companies incurred and assumed in the year under review were recorded under expenses arising from investments:

	<u>2007/2008</u>	<u>2006/2007</u>
	EUR	EUR
Demel Salzburg Cafe-Restaurant Betriebs GmbH	643,891.40	1,263,619.30
DO & CO Catering & Logistics Austria GmbH	78,031.84	0.00
DO & CO Event Austria GmbH	42,747.64	0.00
AIOLI Restaurants & Party-Service GmbH	6,213.57	0.00
DO & CO im Haas Haus Restaurantbetriebs GmbH	0.00	1,522,468.25
	<u>770,884.45</u>	<u>2,786,087.55</u>

This item also includes writedowns on loans to associated companies amounting to EUR 1,854,015.33 (previous year: TEUR 1,039).

**5. Income Tax**

The company recognized no deferred tax assets in accordance with Section 198.10 Austrian Business Enterprise Code (UGB). According to this section, an amount of about EUR 53,290.00 (previous year: about EUR 74.060.40) is eligible for capitalization for this interlocking company arrangement.

**6. Disclosures on Financial Instruments**

No derivative financial instruments were used either in the year under review or the previous year.

#### **IV. Other Information**

##### **1. Personnel**

There was an average of 124 employees during the business year. Of this total, 114 were salaried employees (previous year: 104) and 10 were wage earners (previous year: 10).

No amounts were owed by the Management Board at the reporting date.

##### **2. Authorized Capital**

The General Meeting of Shareholders on 5 July 2007 gave the Management Board the right until 30 June 2012 to increase the share capital on approval by the Supervisory Board by up to a further EUR 7,795,200.00 in exchange for cash contributions and/or contributions in kind through the issuance of up to 3,897,600 new shares of ordinary stock.

##### **3. Supervisory Board and Management Board**

The following gentlemen served as Management Board members in the year under review:

Attila DOGUDAN, Vienna, Chairman

Michael DOBERSBERGER, Vienna

The fixed pay of the members of the Management Board in the year under review totaled EUR 535,549.88 (previous year: EUR 451,698.60), of which EUR 30,319.26 (previous year: EUR 0.00) was drawn from associated companies. The variable salary component amounted to EUR 158,375.00. A total of EUR 34,381.96 (previous year: EUR 49,112.80) was spent on termination payments for the Management Board.

The following individuals served on the Supervisory Board in business year 2007/2008:

Waldemar Jud, Graz, Chairman

Werner Sporn, Vienna, Deputy Chairman

Georg Thurn-Vrints, Poysbrunn

Christian Konrad, Vienna

Supervisory Board members received emoluments of EUR 38,000.00 in the year under review.

Vienna, May 2008

The Management Board:

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Attila Dogudan mp

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Michael Dobersberger mp

**Schedule of changes in fixed assets of DO & CO Restaurants & Catering AG, Vienna**

	Cost of acquisition 1.4.2007	Additions	Disposals	Cost of acquisition 31.3.2008	Accum. amortisation / depreciation	Book-value as at 31.3.2008	Book-value as at 31.3.2007	Depreciation / additions of the year z
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	additional discounting aa
								a
<b>I. Intangible assets</b>								
1. Industrial property rights and similar rights and benefits	406,455.08	118,943.26	68,972.90	456,425.44	326,488.73	129,936.71	98,879.65	87,886.17
	<b>406,455.08</b>	<b>118,943.26</b>	<b>68,972.90</b>	<b>456,425.44</b>	<b>326,488.73</b>	<b>129,936.71</b>	<b>98,879.65</b>	<b>87,886.17</b>
<b>II. Tangible assets</b>								
1. Buildings on third party land	53,958.62	99,335.93	0.00	153,294.55	35,264.65	118,029.90	34,744.64	16,050.67
2. Other production- and office equipment	1,145,720.79	609,661.21	282,435.31	1,472,946.69	853,507.95	619,438.74	292,211.63	282,430.65
3. Prepayments	25,931.70	0.00	25,931.70	0.00	0.00	0.00	25,931.70	0.00
	<b>1,225,611.11</b>	<b>708,997.14</b>	<b>308,367.01</b>	<b>1,626,241.24</b>	<b>888,772.60</b>	<b>737,468.64</b>	<b>352,887.97</b>	<b>298,481.32</b>
<b>III. Financial assets</b>								
1. Investments in associated companies	4,171,216.26	200,000.00	0.00	4,371,216.26	0.00	4,371,216.26	4,171,216.26	0.00
2. Loans to associated companies	15,368,399.80	6,120,461.98	0.00	21,488,861.78	5,944,460.49	15,544,401.29	11,259,146.80	1,854,015.33
3. Securities	38,851.27	0.00	0.00	38,851.27	0.00	38,851.27	38,851.27	0.00
	<b>19,578,467.33</b>	<b>6,320,461.98</b>	<b>0.00</b>	<b>25,898,929.31</b>	<b>5,944,460.49</b>	<b>19,954,468.82</b>	<b>15,469,214.33</b>	<b>1,854,015.33</b>
	<b>120,123.51</b>							<b>120,123.51</b>
	<b>101,315.67</b>							<b>101,315.67</b>
<b>Total</b>	<b>21,210,533.52</b>	<b>7,148,402.38</b>	<b>377,339.91</b>	<b>27,981,595.99</b>	<b>7,159,721.82</b>	<b>20,821,874.17</b>	<b>15,920,981.95</b>	<b>2,240,382.82</b>

## DO &amp; CO Restaurants &amp; Catering Aktiengesellschaft, Vienna

## SUBSIDIARIES PER 31. MÄRZ 2008

Company	Place of registration	Share of stock in %	Currency	Nominal capital in 1,000	Shareholders' equity 31 March 2008 in 1,000	economic equity in 1,000	Profit- loss of the period 2007/2008 in 1,000	Consolidation
DO & CO Party-Service & Catering GmbH	Vienna/Austria	100.0	EUR	36	596	596	5,464 2)	VK
B & B Betriebsrestaurants GmbH	Vienna/Austria	100.0	EUR	36	194	194	200 2)	VK
DO & CO Catering-Consult & Beteiligungs GmbH	Vienna/Austria	100.0	EUR	36	9,053	9,053	3,781	VK
DO & CO im Haas Haus Restaurantbetriebs GmbH	Vienna/Austria	100.0	EUR	36	483	483	459 2)	VK
DO & CO - Salzburg Restaurants & Betriebs GmbH	Salzburg/Austria	100.0	EUR	36	99	99	501 2)	VK
DO & CO - Baden Restaurants & Veranstaltungen GmbH	Baden/Austria	100.0	EUR	36	245	245	248 2)	VK
AIOLI Airline Catering Austria GmbH	Schwechat/Austria	100.0	EUR	36	170	170	1,829 2)	VK
AIOLI Restaurants & Party-Service GmbH	Vienna/Austria	100.0	EUR	36	29	29	-6 2)	VK
K.u.K. Hofzuckerbäcker Ch. Demel's Söhne GmbH	Vienna/Austria	100.0	EUR	799	770	770	1,723	VK
Cafe-Restaurant & Catering im Casino Wien GmbH	Vienna/Austria	100.0	EUR	35	78	78	81	VK
DO & CO Albertina GmbH	Vienna/Austria	100.0	EUR	35	35	35	242 2)	VK
DO & CO im PLATINUM Restaurantbetriebs GmbH	Vienna/Austria	90.0	EUR	35	35	35	191	VK
Demel Salzburg Cafe-Restaurant Betriebs GmbH	Salzburg/Austria	100.0	EUR	35	35	35	-644 2)	VK
Sky Gourmet - airline catering and logistics GmbH	Schwechat/Austria	100.0	EUR	800	4,337	4,337	3,177 2)	VK
Airest Slovensko s.r.o.	Braislava/Slovakia	100.0	SKK	1,900	23,537	23,537	-8,791	VK
Airest Malta Ltd.	Fgura/Malta	1	MTL	38	38	38	37 4)	AE
Airest Malta Inflight Services Ltd.	Fgura/Malta	40.0	MTL	0	26	26	26 4)	AE
ISS Ground Services GmbH	Vienna/Austria	49.0	EUR	218	1,073	1,073	625 4)	AE
DO & CO Italy S.r.l.	Vizzola Ticino/Italy	100.0	EUR	30	14	14	32	VK
DO & CO International Catering Ltd.	Feltham/Great Britain	100.0	EUR	0.2	100	100	-875 3)	VK
DO & CO International Investments Ltd.	London/Great Britain	100.0	EUR	0.1	1,520	1,520	-490 3)	VK
DO & CO Event & Airline Catering Ltd.	Feltham/Great Britain	100.0	GBP	0.1	1,520	1,520	259	VK
DO & CO Museum Catering Ltd.	London/Great Britain	100.0	GBP	0.1	-630	-630	88	VK
DO & CO (Deutschland) Holding GmbH	Berlin/Germany	100.0	EUR	25	-1,664	-1,664	-117	VK
DO & CO München GmbH	Schwaig/Oberding/Germany	100.0	EUR	25	25	25	-722	VK
DO & CO Berlin GmbH	Berlin/Germany	100.0	EUR	25	25	25	-971	VK
DO & CO Frankfurt GmbH	Kelsterbach/Germany	100.0	EUR	25	25	25	598	VK
DO & CO Lounge GmbH	Frankfurt/Germany	100.0	EUR	25	25	25	313	VK
DO & CO Olympiapark München Restaurant GmbH	Munich/Germany	100.0	EUR	25	25	25	-1,712	VK
DO & CO Olympiapark München Catering GmbH	Munich/Germany	100.0	EUR	25	25	25	-550	VK
DO & CO Restauración & Catering España, S.L.	Barcelona/Spain	3	EUR	3	-67	-67	136	VK
DO & CO - Restauração & Catering, Sociedade Unipessoal, Lda	Lisbon/Portugal	100.0	EUR	5	-45	-45	0	VK
DO & CO Holdings USA, Inc.	Wilmington/USA	100.0	USD	0.1	19	19	-11	VK
DO & CO Miami Catering, Inc.	Miami/USA	100.0	USD	1	2,931	2,931	476	VK
DO & CO New York Catering, Inc.	New York/USA	100.0	USD	1	-5,957	-5,957	-1,406	VK
DOCO Istanbul Catering Ve Restaurant Hizmetleri Ticaret	Istanbul/Turkey	100.0	TRY	750	451	451	-1,218 4)	VK
Ve Sanayi A.S.	Istanbul/Turkey	50.0	TRY	60,000	40,137	40,137	9,739 4) 7)	VK
THY DO&CO Ikrım Hizmetleri A.S.	Vienna/Austria	100.0	EUR	150	29	29	39	VK
DO & CO Airline Catering Austria GmbH	Milan/Italy	50.0	EUR	30	n.a.	n.a.	n.a. 4)	AE
Giava Demel S.r.l.	Vienna/Austria	100.0	EUR	100	100	100	-78 2)	VK
DO & CO Catering & Logistics Austria GmbH	Vienna/Austria	100.0	EUR	100	100	100	-43 2)	VK
DO & CO Event Austria GmbH	Vienna/Austria	100.0	EUR	35	726	726	583	VK
Total Inflight Solution GmbH	New York/USA	100.0	USD	1	-94	-94	-95	VK
DEMEEL New York Inc.	Zug/Switzerland	100.0	CHF	100	100	100	n.a.	VK
DO & CO International Event AG	Zürich/Switzerland	100.0	CHF	100	100	100	n.a.	VK
DO & CO International Catering & Logistics AG		100.0	CHF	100	100	100	n.a.	VK

1) Economic equity: Equity as of balance sheet plus untaxed reserves.

2) profit transfer agreement between DO &amp; CO Restaurants &amp; Catering AG and these companies

3) The nominal capital was initially paid in GBP.

4) Notes according financial statements as of 31.12.2007

5) The amount shown in nominal capital relates to the capital contribution by the general partner.

6) These informations relate to the sub-period from 1.1.2007 to 31.03.2007

7) TRY 30,000 are not subscribed in the nominal capital as of the balance sheet date.

FC = full consolidation

AE = at-equity

**DO & CO RESTAURANTS & CATERING AG, VIENNA**

**MANAGEMENT REPORT 2007/2008**

As the Group's strategic and financial holding, DO & CO Restaurants & Catering AG is mainly responsible for the central coordination of all activities related to the business purpose of the DO & CO companies.

The following changes occurred in subsidiaries in business year 2007/08:

DO & CO Event Austria GmbH and DO & CO Catering & Logistics Austria GmbH were established in Austria. The formation of both companies is closely associated with DO & CO carrying out VIP catering for the European Football Championship in Austria. DO & CO Event Austria GmbH will be responsible at the EURO 2008 for all classic catering services while DO & CO Catering & Logistics Austria GmbH will provide all services relating to infrastructure needed for VIP catering in the broader sense (e.g. tents, furniture or decoration).

DO & CO International Event AG and DO & CO International Catering & Logistics AG were founded in Switzerland. The formation of these companies, too, is closely associated with DO & CO handling the VIP catering services for the European Football Championship. DO & CO International Event AG will be responsible at the EURO 2008 in Switzerland for all classic catering services while DO & CO International Catering & Logistics AG will provide all services relating to infrastructure needed for VIP catering in the broader sense (e.g. tents, furniture or decoration).

DO & CO Olympiapark München Restaurant GmbH and DO & CO Olympiapark München Catering GmbH were founded in Germany. These companies are responsible for handling restaurant/catering services at the BMW World opened in Munich in 2007.

Demel New York Inc. was founded in the United States. Its purpose will be to operate a Demel Café in connection with a Demel Shop in New York City, both scheduled to open in the summer of 2008.

In addition, subsidiaries were renamed. Airest Catering GmbH began conducting business under the name Sky Gourmet - airline catering and logistics GmbH starting in April 2008. ISS Airest GmbH was concurrently renamed ISS Ground Services GmbH. Moreover, DO & CO Handling GmbH was renamed DO & CO Airline Catering Austria while AIOLI Vienna Airport Restaurants & Catering GmbH was renamed AIOLI Airline Catering Austria. These name changes are part of the new structure of Airline Catering, which will feature a clear separation between sales and production companies.

At the reporting date, the company had (direct or indirect) interests in twenty-three foreign and eighteen domestic companies deemed to be associated companies and in one domestic and three foreign companies included in the consolidated financial statements at equity.

DO & CO Restaurants & Catering AG increased sales in business year 2007/2008 by EUR 1.69 million to EUR 12.58 million (previous year: EUR 10.89 million).

There was particularly strong growth in other operating income, which increased from EUR 0.47 million to EUR 1.55 million. This rise is attributable primarily to foreign exchange gains, the recording of audit findings and the first-ever charging of guarantee commissions to associated companies.

The cost of materials and services rose by EUR 1.21 million over the previous year, from EUR 0.59 million to EUR 1.76 million. This change can be traced mostly to the sharp increase in services purchased from subsidiaries.

Payroll costs rose by 16 % to EUR 9.20 million mainly due to staff enlargements against the previous year (an average increase from 114 to 124 employees) and due to pay increases.

Other operating expenses increased by EUR 1.50 million, from EUR 6.75 million to EUR 8.25 million. These changes can be explained largely by exchange rate differences, hiring expenses, and travel expenses.

Writedowns on fixed assets totaled EUR 0.39 million (previous year: EUR 0.28 million) in business year 2007/2008.

Despite increased sales, the operating profit declined by EUR 0.82 million to EUR 5.00 million (previous year: EUR 4.18 million) owing to disproportionately large increases in payroll costs and other operating expenses.

The financial result amounts to EUR 7.63 million (previous year: EUR 5.17 million). This growth was mainly caused by the higher income from subsidiaries as compared with the previous year.

Thus the profit from ordinary business activities for business year 2007/2008 totaled EUR 2.63 million (previous year: EUR 0.99 million).

Tax rose from EUR 0.32 million to EUR 0.89 million. The resulting annual surplus was EUR 1.75 million as opposed to EUR 0.67 million the year before.

No further key ratios or financial and non-financial performance indicators will be presented or elaborated upon at this juncture due to the company's function as a strategic and financial holding company.

Following the capital increase in March 2007, DO & CO Restaurants & Catering Aktiengesellschaft once again satisfies all criteria for listing in the Prime Market (free float above 25 % again). On 19 March 2007, it returned to trading on the Prime Market after a review by the ATX Committee.

The price movements of DO & CO stock were largely shaped by the trend on the Austrian stock market and on international exchanges. Shares were trading early in the business year at EUR 24.50 before reaching an all-time high of EUR 26.00 in April 2007. Over the ensuing months, the price of DO & CO stock declined and by 31 March 2008, shares were trading at EUR 16.60. This price corresponds to market capitalization of EUR 129.40 million.

Based on a resolution passed by the General Meeting, a 1-to-4 stock split was carried out on 17 August 2007, increasing the number of shares from 1,948,800 to 7,795,200. The price of DO & CO shares was simultaneously reduced to one-fourth of the last price quoted.

#### Authorized Capital

The General Meeting of Shareholders on 5 July 2007 gave the Management Board the right until 30 June 2012 to increase the share capital on approval by the Supervisory Board by up to a further EUR 7,795,200.00 in exchange for cash contributions and/or contributions in kind through the issuance of up to 3,897,600 shares of ordinary stock. The Management Board did not exercise this right in the year under review.

#### Notes in accordance with Section 243a Austrian Business Enterprise Code (UGB)

1. The share capital totals EUR 15,590,400.00 and is divided into 7,795,200 individual bearer shares. Only shares of this class are issued.
2. The Company knows of no limitations to the voting rights or to the transfer of DO & CO shares, even those contained in agreements between shareholders.
3. Two shareholders hold more than 10.0 % of the share capital, namely Attila Dogudan Privatstiftung with a stake of 50.5 % and DZR Immobilien und Beteiligungs GmbH with a stake of 20.4 %.
4. There are currently no shares endowed with special control rights.
5. DO & CO staff owning company stock exercise their voting rights directly at the General Meeting.

6. The company has no provisions on naming and dismissing the Management Board that are not derived directly from the pertinent law on this matter. The General Meeting is entitled to remove a member of the Supervisory Board with a simple majority of the votes cast (instead of the statutory majority of 75 %). A simple majority of the share capital represented at the vote of a resolution suffices to make a change in the Articles of Association, provided that change does not pertain to a conditional capital increase, authorized capital or an ordinary or simplified capital reduction (as opposed to the statutory majority of 75 %).

7. Pursuant to Section 5 (3) of the Articles of Association, the Management Board has the right until 30 June 2012 to increase the share capital by up to a further EUR 7,795,200.00 through the issuance of up to 3,897,600 shares of new ordinary bearer shares in exchange for cash contributions and/or contributions in kind.

8. Agreements exist with service providers of the DO & CO Group that entitle them to cancel the contractual relationship in full or in part if there is a change of control in the company. These agreements are not further specified here owing to the damage this disclosure would do to the company.

9. There are no compensation agreements between the company and the members of its Management Board and Supervisory Board or employees in the event of a public takeover bid.

#### Events after the Balance Sheet Date

The company knows of no material events that occurred after the balance sheet date.

#### Risk Management

DO & CO is exposed to widely varying risks because it conducts business globally in three different segments: Airline Catering, International Event Catering und Restaurants, Lounges & Hotel.

DO & CO views risk management as an essential instrument of company management. Risk management has two aims. The first is to safeguard the assets and financial and earnings position of the company and its existing and future potential for profit and growth; the second, to respond proactively to changing conditions.

The risk management system is based on standardized group-wide planning and control processes and company-wide guidelines and reporting systems.

Risk management at DO & CO is permanently integrated in the organizational structure and processes and is handled by management in the business units. In other words, risk management is an integral part of all business processes and helps keep risk identification quick and response times short. Employees become involved in this process when local managers perform risk management tasks.

The Group reviews its risk situation annually. The managers of the business segments and business units identify and document the essential opportunities and risks all along the business processes, taking external factors into account. These subjects are discussed and evaluated in several management meetings. The identified risks are grouped into risk fields and assigned to the managers responsible for the given area for further action. Strategies to cope with the identified risks are then devised and subsequently carried out by local management. The aim is to reduce possible damage and minimize the probability of risks occurring. Possible interdependencies of opportunities and risks are considered in the process.

The principle of diversification plays a significant role. The Group conducts business worldwide in three divisions, thus alleviating specific threats in individual markets. Consequently, the unique business model of DO & CO has additional mechanisms to compensate for risks.

The following risk fields were identified as material for the business year 2007/2008:

#### *Risks and Trends Specific to the Airline Industry*

The airline industry is heavily dependent how the various markets fare economically. The market adjustments in this industry consisting largely of state-owned European carriers are not yet complete. Cost pressures have mounted considerably with the sharp increases in fuel prices. Against the backdrop of



flagging economic activities, the market is sure to undergo further consolidation and adjustment. A similar trend is expected among the so-called "low cost" carriers. There will be an increasing move towards alliances and takeovers.

Airline Catering stays in close contact with its most important customers through professional key account management, allowing it to respond early on to any negative trends on the customer side. To lessen dependence on a handful of big accounts, the division participates in tenders throughout the world as part of its ongoing efforts to add new customers.

#### *Risks Pertaining to Terror and Political Unrest*

Following the terrorist attacks on 11 September 2001, the airline industry has taken great pains to close any existing security gaps. Increased security checks, restrictions involving carryon luggage and checks on suppliers are among the steps that have been taken in almost all corners of the world. Nonetheless, an acute danger of further attacks persists owing to the geopolitical situation in the Near and Middle East.

#### *Economic Developments*

DO & CO's business in all three divisions is strongly shaped by global economic trends, because these trends have an enormous influence on tourism and consumers' leisure-time behavior. Volatility in consumers travel and especially flight activities affect Airline Catering in particular. The growth enjoyed in recent years is no guarantee of steadily rising demand in the future.

To counter economic risk in its business, DO & CO has diversified its locations by region in eight different countries and by sector in three different market segments. Business in all three group divisions is highly seasonal. Prompt reporting on business results includes analysis and forecasts on current operating business in each profit center and ensures that capacity is adjusted immediately.

#### *Hygiene Risks*

To ensure that the food it produces is fit for human consumption, DO & CO has carried out risk analyses in all business areas as part of the ongoing development of its HACCP System ("Hazard Analysis and Critical Control Points") and taken actions to control and minimize risks based on these analyses. An internationally active quality control team constantly monitors the effectiveness of these actions.

#### *Personnel Risks*

For DO & CO, the biggest assets it has are its employees and the corporate culture into which they breathe life. The employees are the most crucial factor in DO & CO's success. The future development of DO & CO therefore depends, inter alia, on its success in hiring and integrating highly skilled and motivated employees and forging bonds of loyalty between them and the company. Professional training and consistent personnel development are central tools for achieving the growth desired.

The professional and profitable integration of new company units will be equally crucial for the future success of DO & CO. Shared values and a vital corporate culture help our new employees to understand the high quality standards to which we aspire in our product and personal service and assist us in anchoring those standards permanently in the company.

#### *Legal Risks*

With its constant expansion and global scope of business, DO & CO has to abide by a myriad of legal requirements at national and international level, especially in relation to food law, hygiene, and waste management, as well as special guidelines and regulations of various airlines.

Present or future legal regulations or changes in them can cause the company's costs to increase enormously. At present, there are no signs of any changes of this kind.

Every important business transactions is therefore examined and approved by Legal Compliance at the headquarters in Vienna to avoid legal risks. Liability risks and claims are largely reduced to a minimum internationally by taking out specific insurance policies.

*Foreign Currency Risks*

DO & CO is highly vulnerable to exchange rate fluctuations due to the international nature of its business segments, especially Airline Catering and International Event Catering. The major foreign currencies involved are USD, YTL and GBP.

Closed positions are set up as a hedge by trying to offset proceeds in a given foreign currency against expenses in that same currency and with the same maturity. The company also strives to avoid additional risk by including appropriate clauses in its agreements with customers and suppliers.

If need be, financial instruments and derivatives are employed to control currency risks. No derivatives were in use at the reporting date.

*Liquidity Risks*

Precise financial planning updated daily is the key to controlling liquidity and to avoiding liquidity risk. If expansion and other projects are undertaken, it is essential to conduct a meticulous analysis of their impact on the Group's liquidity.

Deviations from financial plans are detected immediately thanks to regular and prompt financial reporting. This approach ensures that counter-measures can be initiated quickly.

All Austrian companies are integrated in a single cash-pooling system so that liquidity can be controlled centrally.

*Default Risks*

DO & CO keeps the risk of default to a minimum by closely monitoring outstanding debts as part of receivables management. It is proactive in controlling the risk of default associated with major customers by entering into contractual agreements with them and by having customers furnish collateral. Weekly reporting of all legal entities' outstanding items was yet another risk mitigation practice implemented in the year under review.

DO & CO does not avail itself of credit insurance. Investments are made only at banks with first-class ratings. No material default risks are expected from the other original financial instruments.

*Interest Risks*

All financial facilities have the same term as the projects they finance. Financing is done at usual market conditions. No negative effects are expected from interest rate changes.

In sum, DO & CO is confident that it can manage and offset its risks with the risk management system it has put in place. These risks do not endanger the continued existence of the Group.

Health, Safety and Environmental Protection

For the DO & CO Group, the biggest assets of the company are its employees. To ensure that these assets continue to grow and gain in value in the future, DO & CO emphasizes continuous personnel development to increase employee satisfaction.

The professional training of employees at the in-house DO & CO Academy ensures the quality of DO & CO services and enables employees to handle the necessary equipment safely and reliably.

Responsible use of resources is another top priority at DO & CO. As a good corporate citizen, DO & CO is untiring in its efforts to reduce the waste it generates so as to optimize its use of raw materials. Along with strict waste management concepts for each business location, waste water limits are constantly monitored and raw materials and wastes are managed responsibly, all as a natural part of company management.

Outlook for 2008/2009

Activities in the year under review revolved around the development of new products and business models and around project management for subsidiaries. In other key endeavors, the DO & CO Group constantly monitored and improved its quality strategy and greatly expanded a number of its businesses.

In the current business year 2008/2009, the focus will be on stabilizing and expanding the customer base and on managing projects in Austria and abroad, especially in connection with the integration of new businesses. The DO & CO Group will again devote great attention to developing new products and business models in all three divisions.

Project management was already a top priority in the year under review, with the staging of VIP catering for the EURO 2008 Football Championships in Austria and Switzerland and will continue to be a focal point of activities in the first two quarters of the current business year.

From 7 through 29 June 2008, DO & CO will provide some 140,000 VIP guests with premium catering at 31 matches staged at four Austrian and four Swiss stadiums. As part of this project, DO & CO is likewise responsible for the entire infrastructure for guests, including tents, furniture, decorations and entertainment. This project poses a special challenge for DO & CO. It is by far the largest event catering contract DO & CO has ever carried out.

The management expects satisfactory growth in sales and profits for the 2008/2009 business year as planned.

Vienna, May 2008

The Management Board:

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Attila Dogudan mp

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Michael Dobersberger mp