

# Global. Together. Annual Report 2016/17

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# Land

# Development of the Arctic surface during the period from 1980 to 2017

(in millions of km<sup>2</sup>)



# Preface

Dear partners of WTE,

Urgent warnings can be heard from the World Meteorological Organisation WMO regarding the consequences of increasing greenhouse gas levels. The implication is that serious action must be taken if we don't want future generations to inherit an inhospitable planet. Energy efficiency is the absolute priority.

Constantly rising sea levels have been observed since the beginning of the 20th century. According to Petteri Taalas, General Secretary of the WMO, the world will be facing dangerous rises in temperature by the end of this century if CO<sub>2</sub> and other greenhouse gas emissions are not rapidly reduced.

The consequences of global warming are clear: The icecaps in the polar seas are melting, sea levels are continuing to rise while heavy rainfall and storms are becoming more frequent. The increased frequency of extreme weather situations in the year 2017 has clearly shown what mankind will have to contend with if there is no radical change in thinking, and especially in actively responding to this challenge.

Furthermore, global warming is intensified by the El Niño weather phenomenon. Mankind is powerless in the face of these currents, which arise at irregular intervals and in differing intensities; just another indication of how important it is that, wherever we are in the world, we do everything humanly possible to counteract the climate change which we ourselves must answer for. According to the Paris climate agreement, the countries of the world should work together to limit the rise of global warming to as near as possible 1.5 degrees centigrade. If we do not reach this target, mankind's  $CO_2$  budget for the 21st century will be entirely used up by 2030.

Germany has reduced greenhouse gas emissions by about 28 percentage points since 1990, which is a considerable success. But by 2030, emissions need a further reduction of 27 percentage points – an ambitious target.

We at WTE feel it is our responsibility to contribute to implementing the requirements of the Paris climate agreement. Our projects allow our customers to use renewable energies. Based on the processes of waste water filtration and sewage sludge processing, we produce biogas that can be converted into electric power or heat. This allows our customers to generate a high level of energy efficiency.

Our objective of seriously limiting climate change makes the WTE Group an ideal partner for EVN AG. Together, we look forward to the next business year with a strong sense of responsibility and a good feeling that our international projects will make a valuable contribution to reducing CO<sub>2</sub> emissions in Europe and further afield.

With best wishes

Ralf Schröder (Spokesman of the Board)

Essen, January 2018



Werner Casagrande Managing Director Ralf Schröder Spokesman of the Board Günter Zschabran Managing Director

#### Mag. Werner Casagrande

Member of the Board since 01.10.2017 | Born 1967 | Master's degree in Commercial Sciences, Vienna | Joined the EVN Group in 1997

#### Dr.-Ing. Ralf Schröder

Managing Director since 2006 | Spokesman of the Board as of 01.10.2017 | Born 1969 | Graduated industrial engineer | Doctorate in Engineering from Rostock University | Joined the WTE Group in 1996

#### Dipl.-Kfm. Günter Zschabran

Member of the Board since 01. 10. 2017 | Born 1960 | Business graduate | Joined the WTE Group in 1996

Note: WTE has been part of the EVN Group since 01.10.2003

The WTE Group plans, builds, finances and operates facilities for waste water disposal, drinking water supply and energy generation.

As one of Europe's leading full-service suppliers, we possess a unique set of know-how. We employ our knowledge to create future-assured solutions that set international standards in terms of energy efficiency, use of resources and investment costs.

Our objective of building facilities that operate efficiently, while at the same time being ecologically compatible, is attained by effectively blending the elements of Water and Energy. We assure the usability of the energy sources along the entire process chain. This enables the facilities to be operated in an energy self-sufficient and energy-saving way and even to feed energy into the national grid system.

We feel committed and bound to this sustainable approach, having already implemented it in more than 100 projects in 18 countries.

In the interests of our customers. In the interests of the environment.



The world's warmest years since readings began in the year 1880, in terms of deviation from the global average



# Act globally – safeguard the future

The world is changing. Through decades of irresponsible actions, mankind has overburdened both its own basis of existence and that of the world's fauna and flora – with measurable consequences. Global solutions are needed to stop these developments and to safeguard our living environment.



## Plastic waste in the sea

- -> 7 mill. tons per year of plastic waste end up in the sea
- -> **75** % of waste material in the sea is plastic
- -> 70 % of waste material sinks to the seabed
- -> 15 % of plastic waste reappears on land
- -> A plastic shopping bag takes 10-20 years to disintegrate in the sea
- -> A PET bottle take **450 years** to disintegrate in the sea

© Statista 2018 | Source: Bayrischer Rundfunk, Deepwave e.V., die-tiefsee.at, Ernst Klett Verlag, Leibniz-Gemeinschaft, Lexas Information Network, mareverlag, maribus gGmbH, MMCD NEW MEDIA GmbH, NCEI, oekosystem-erde.de, Schwarzer.deSoftware + Internet GmbH, Spektrum der Wissenschaft, Verlagsgesellschaft mbH, SRF Online, WDR, WildAid, WWF, ZDF, ZEISS, ZEIT ONLINE

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# Number of tornados in USA from 2010 to 2017

2010	
	and the second
2011	
938	
2012	
906	
2013	
886	
2014	
	Tiller
2045	1,177
2015	
97	
2016	
	1 400
2017	1,406
2017	

#### Taking responsibility

The world is changing and with it our daily routine. At the same time, our responsibility for ourselves and for the future of mankind is increasing. Today, governments as well as companies and consumers on all continents are addressing the challenges arising from careless conduct in relation to our planet and the raw materials that it places at our disposal.

Around the globe, teams of experts are in the process of developing environmental protection solutions. Today more than ever, specialists such as WTE are needed to plan advanced technologies and implement them on a worldwide basis.

#### Contamination of the sea through micro-particles

One of the many indicators that should alarm us: From the middle of the last century until today, the worldwide usage of plastic, based on mineral oil and not biodegradable, has risen by a factor of twenty. A further significant rise is expected by the middle of this century. Microplastic manifests especially long-lasting consequences for the environment. Finest particles from textiles or cosmetic products reach the sea via greywater. Experts fear that there will soon be more plastic particles swimming in the sea than fishes. Sea creatures take in this material, which eventually ends up in our bodies via the fish and seafood that we eat.

#### Unimagined consequences for health

The harm this can cause to people's health has barely been researched. However, inflammation in the tissue of mussels on account of embedded plastic particles has been verified, so that it can very probably be assumed that such cases will also eventually arise in humans.

#### Pollution of drinking water

But not only the sea is polluted; our drinking water is also affected by careless usage of medicines, fertilisers and other damaging substances. Residues of materials that cannot be removed by filtration are channelled into the sea, rivers and groundwater. This filtered water is then consumed by humans and animals – the latter including such animals that are used for milk production or meat processing.



Inhabitants of regions that cannot be supplied with sufficient drinking water are most at risk from contaminated water. Their children suffer most of all, because their bodies are least able to cope with unclean water.

#### **Rethinking for companies and consumers**

A change in thinking has now commenced for companies and for consumers. Supermarket chains charge for plastic bags in order to nudge their customers towards reusable bags – or they simply don't offer their customers plastic bags anymore. Some discounters have substituted plastic bags for loose fruit and vegetables with paper bags, or they use bags made of biodegradable plastic.

Environmentally active companies are constantly developing more sophisticated techniques with the objective of freeing waste water and consequently also drinking water from microplastics and from residues of harmful substances. This in turn leads to higher development and engineering costs and can also result in higher energy costs. It is therefore necessary to find solutions that take account of these factors. WTE sees a significant environmentally protective solution in using waste water and sewage sludge as sources of energy. For this reason, sludge drying and incineration will in future have a higher level of significance in our environmental projects. These aspects will also play an important role in terms of closer collaboration with our parent company EVN.



Glacier contraction for selected glaciers in Europe during the period 1805 to 2005 (in kilometres)





# WTE – Concepts for global solutions

Based on more than twenty years of experience since the company was founded, WTE is at the forefront of technology in its planning of environmental projects. We apply all our expertise to conceive plants that are financeable, that are close to being energy self-sufficient and that fulfil the high-level demands expected of environmental plants.  $\square$ 

Recycling quotas for various forms of household waste in Germany in the year 2015

logical appliances Packaging Pa

In the course of our company history, we have always undertaken far-reaching assignments and implemented challenging projects. On account of the complexity of the plants being commissioned with us these days, we increasingly tend to work together in consortia with other well-established companies.

#### Project implementation in consortia

Within these business consortia, we stand for the financial feasibility and the future-assurance of the plants. We contribute our comprehensive knowledge gained through the conception and the costing of complex, environmentally demanding plants.

Each project begins with the question as to whether it can be implemented within the available budget. With this assessment we make a valuable contribution at an early stage of project realisation. We also accompany each further project step with a view to ensuring completion within the planned timing and budget.

#### **Ecological implementation**

In addition to the environmental protection and resourceconscious management that are central to planning plants for our customers, we also pay attention to the environmental compatibility of the working teams that we put together.

We involve companies from the local region. By employing people from the communities that have commissioned us with the project implementation, we are able to make not only an ecological but also a social contribution to the region.

#### Planning energy self-sufficient and future-assured plants

It is particularly important for us that the plants, which use a large amount of energy, are largely energy self-sufficient. To achieve this, we utilise combined heat and power stations, and in the waste incineration plants we also utilise the energy generated during incineration. Surplus energy is distributed as district heating in collaboration with our parent company EVN.



Groundwater protection is also a major focus in the construction of waste water plants. Many regions in which we construct such plants are subject to particular consequences of climate change. We take these into account in planning such projects. Should heavy rain be a factor for example, we would design the waste water plant in such a way that the waste water nets and the compensating basins can accommodate large quantities of rainwater. Equipment is also provided to protect our plants from flooding.

#### Prague sewage plant with integrated compensating measures

The Prague sewage plant, designed for 1.2 million PE, is an example of a project that was aligned to foreseeable flooding. WTE was commissioned to plan the plant and deliver the technology. Following the original planning, the city of Prague found it necessary to extend the project with extensive compensating measures in order to reduce the outflow of flood water. In case of flooding due to heavy rain, the ground could otherwise not have been protected against the infiltration of waste water. International specialists were involved in finding a solution for the flooding problem. The resulting measures were immediately integrated into the existing plan.

The construction of the plant has now begun. The status regarding the adherence of implementation measures to EU directives indicates that commissioning and operational management can start next year. The city of Prague will soon be able to take over a plant that will be able to cope with the challenges of extreme weather conditions.

# WTE – EVN's strong subsidiary

Water. Technology. Energy. The letters WTE stand for these three words. The company went to market with the objective of offering the complete service spectrum for industrial water supply and waste water disposal. This formed the foundation for continuous steady growth.

Heavy rain occurrences in Germany at selected locations during the period 1920 to 2017 (in litres per square metre)

789

312 Zinnwald (2002) within 24 hours

292 Münster (2014) within 7 hours

00

200 Berlin\* (2017) within 24 hours

126 Füssen (1920) within 8 minutes

Average rainfall in Germany per year

© Statista 2018 | Source: GDV



Within a few years, WTE developed into one of the leading service companies for the design and implementation of environmental projects aligned to the highest quality standards and foremost technology. In addition to numerous projects realised mainly in eastern and southern Europe, the company is now active way beyond the borders of Europe.

#### International network

On account of our international footprint, our experts have always been in touch with specialists from other countries. Collaborations with well-established companies, who themselves have built their comprehensive experience of complex projects, have enabled us to exchange information about the demanding assignments that have confronted us in the course of particular regional challenges. This has allowed our specialists to continuously broaden their know-how with valuable insights based on different geographical or climatic conditions.

#### Focus on the planning of large-scale projects

Today, the strengths and main focus of WTE relate to the planning and realisation of large and complex environmental projects. The costs to cities and communities run into multiple millions of euros, often even tens or hundreds of millions. The company tasked with the planning carries a high level of responsibility in terms of the great importance attached to being able to realistically estimate in the first phase whether the project can be realised within the available budget.

With our planning experience spanning more than 100 projects, WTE can reliably fulfil this requirement. We are able to assure the state-run commissioning bodies that a specific project can be successfully completed given that the comprehensive contractual documentation is adhered to.

The	
-	4
	Most expensive natural catastrophes worldwide in 1st half year 2017 (Total damage in billions of US dollars)
X	2.2 Hale storms, Thunderstorms (USA, May) 2.1 Thunderstorms, Tornados, Hale storms (USA, March)
TT	2.1 Hale storms, Thunderstorms, Tornados (USA, March) 1.8
a h IT	Thunderstorms, Tornados, Hale storms (USA, February) 2.7 Hurricane Debbie (Australia, March)
AI H	1.5 Hale storms (USA, June)
	© Statista 2018   Source: Swiss Re

#### **Business develops strongly**

Ecological sustainability and the construction of environmental plants are gaining in international significance. Climate change is also contributing to rising demand for the know-how of highly specialised companies such as WTE. In consequence, WTE's business is growing from year to year, as is their standing within EVN.

The strong links between our company and specialists from many countries represents a major enhancement for our parent company EVN AG. When it comes to the acquisition and implementation of international projects, we are able to provide relevant consulting expertise from within the Group.

The link between WTE and our parent company will also be strengthened by current personnel decisions. Franz Mittermayer, a long-standing WTE managing director, has been appointed to the EVN AG board as of the beginning of the new financial year. Conversely, Werner Casagrande and Günter Zschabran, who have accompanied WTE for many years, will join the management team of the EVN Umweltholding while at the same time augmenting the WTE board. Both managers and our long-standing managing director Ralf Schröder represent an even closer connection between the WTE Group and EVN AG, the latter based in Maria Enzersdorf in Lower Austria.

# Prague sewage plant

As a partner in an international consortium, WTE is constructing a highly modern sewage plant to the newest technological standards in Prague. This will allow the city to take an important step towards compliance with EU regulations.





# Prague sewage plant

→> 1,2 mill. PE

- -> 600 metres long/130 metres wide
- -> 15 mill. litres of waste water per hour
- → 4 biological lines = 24 biotanks
- → 40 sedimentation tanks
- -> Efficient handling of smell and noise



At the end of 2018, a new sewage plant with a capacity of 1.2 million PE is to commence operations. It will be 600 metres long and 130 metres wide. In normal operational mode it will handle around 4.1 cubic metres of waste water per second, equivalent to 15 million litres per hour.

Construction of this sewage plant commenced in October 2015. The plant was designed to minimise space requirement. Both chemical and energy consumption were sufficiently optimised to fulfil the strict EU regulations regarding water quality that must be implemented by 2021. This would not have been possible with the previous sewage plant.

#### Innovative concept

Thanks to the new plant, control and automation systems will be applied that precisely adjust the usages necessary for processing waste water. The four biological lines will be equipped with highly efficient blowers. To save natural resources, the plant will use processed water for maintenance and cleansing.

As the plant will operate on the Cisarsky island within the city of Prague, it was important to integrate it into the landscape. To protect it against flooding, it will be surrounded by retaining walls and have a permanent drainage system, and the construction will be almost entirely underground. Above ground, there will



be a park whose visitors will be protected by efficient measures against smell and noise. The old plant, which is still running, will be integrated in the new concept.

#### International collaboration

WTE staff are permanently present on the building site in order to support the project with their technical and business expertise. Collaboration within the international consortium is excellent. Employees from the departments for machine, electrical and processing technology are providing valuable support.



# WTE Group highlights in the financial year 2016/17

Interest in the implementation of water technology projects continues unabated worldwide. This trend is supported by current EU standards and the ever-increasing demands of residents and tourists, as well as the growing global importance of environmental protection.

## New project

#### Kocani/Macedonia

In order to improve the environmental situation, as from January 2014 the city of Kocani in north-eastern Macedonia received non-refundable financial aid of 15.8 million CHF from the State Secretariat for Economic Affairs SECO and the Swiss Department of Economic Affairs, Education and Research. WTE successfully acquired a new construction project for the erection of the Kocani waste water treatment plant with a capacity of 65,000 PE. The contracts were signed at the beginning of 2017. The adapted design was approved and the building work commissioned, after which preliminary work started immediately. The foundation stone was laid on 17 July 2017. WTE is currently conducting numerous discussions with bidders to complete the selection of suppliers.

#### Kęty/Poland

WTE Wassertechnik (Polska), Warsaw, signed the contract for the extension of the Kęty sewage plant on 29 August 2017. The GC-contract covers the expansion of the existing plant to 75,000 PE. In addition to the mechanical and electrical equipment, WTE is responsible for the new sludge treatment facility, including sludge dewatering and digestion as well as the subsequent biogas utilisation. To enable this, the pumping station and the primary clarifiers will be rebuilt. Construction will take 27 months, including a 6-month design phase. The investment of just under 5 mill. EUR will be co-financed by the European Fund.

## Acquisition

#### Umm Al Hayman/Kuwait

During the opening of tenders on 16.03.2017, the Kuwait Authority for Partnerships Projects and the Ministry of Public Works, as contracting entities for the Umm Al Hayman waste water treatment project in Kuwait (sewage plant and network with pumping stations), announced that the consortium, in which WTE Wassertechnik GmbH and a Kuwaiti financial investor each have a 50 % stake, had emerged as best bidder.

If we are awarded the contract, WTE, as general contractor, will be responsible for the design and construction of the project,

which will last for around four years. WTE must then take over the operation of the treatment plant with a capacity of 500,000 m<sup>3</sup> per day for a period of 25 years.

The financing of the construction of the waste water treatment plant (order value equivalent to around 600 million EUR) will be provided by a project company, the majority of which will be owned by state-owned Kuwaiti institutions. WTE will indirectly hold a 20% stake in this company. On the basis of the foreseen project financing, WTE is expected to have an equity share of around 25 million EUR.

The construction of the sewage network and the pumping stations (order value equivalent to around 950 million EUR) will be fully financed by the client.

In accordance with the terms and conditions of the tender, the contracting entities will undertake the conclusive examination of the consortium's offer. The final contract is expected to be awarded in calendar year 2018.

## Projects in progress

#### Kicevo/Macedonia

With the signing of three environmental projects, WTE had already successfully entered the Macedonian market during the financial year 2015/2016 with a total volume of approx. 20 million EUR. The project includes the turnkey construction of waste water treatment plants in the municipalities of Radovis, Kicevo and Strumica, with capacities between 5,000 and 10,000 m<sup>3</sup>/d. Two additional lots include the construction and rehabilitation of the sewage network amounting to 4.7 respectively 4 km in length, including the pumping stations. The projects are funded through the IPA Fund (EU instrument for pre-accession assistance). The construction period of 18 months began on schedule following receipt of the building permits. An extension offer from WTE for the construction of a sludge stabilisation was accepted and integrated into the current process. The Strumica plant was the first to be driven by waste water, the other two will follow this year.

#### Šibenik/Croatia

At the beginning of June 2016, WTE received a contract from Vodovod i odvodnja Šibenik in Croatia to build a waste water treatment plant for the "Vodice – Tribunj – Srima" waste water project. WTE will build a turnkey waste water treatment plant in Vodice with a capacity of 20,000 PE and 4,620 m<sup>3</sup>/d. In addition to mechanical and biological waste water treatment, the commission also includes sewage sludge drainage. Co-funded by the EU Cohesion Fund, the environmental project will be completed within 25 months. Operatively, the waste water treatment plant will contribute significantly to improving the water quality of the Adriatic. WTE received the building permit during the reporting period and started construction work. The assignments have been allocated and the mechanical and electrical engineering installations are underway. The plant is scheduled to be started up in 2017 using waste water.

#### Prague/Czech Republic

Almost three years after order placement, the project to build a sewage plant for 1.2 million PE in Prague took a decisive step forward. The city of Prague additionally implemented extensive compensation measures to reduce flood discharge and, together with the SMP-Hochtief-Suez-WTE consortium, integrated them into the overall planning. On this basis, the building permit was forthcoming and construction work officially started. The mechanical and electrical engineering has been assigned and the client has granted an extension of the construction period. The commissioning of the plant (4th quarter 2018) is already being prepared in order to ensure compliance with EU directives.

#### Larnaka/Cyprus

In Larnaca, Cyprus, all building works for the planned turnkey waste water treatment plant have been completed in terms of



construction, machinery and electrical engineering. Commissioning of the plant for 100,000 PE has been completed. Intensive process engineering tests were carried out in the 2015/2016 financial year in order to increase the purification performance of the membrane as well as the dry substance content of the sewage sludge. Plant operation has been transferred to the customer, whereby the WTE-internal project completion and the final acceptance had already been prepared in the first quarter of the financial year 2016/2017. The retroactive consent of the Cypriot authorities is still pending.

#### South-west Moscow/Russia

The south-west Moscow drinking water project was completed in December 2016 in accordance with the contract. With the payment of the last instalment, the Moscow city government acquired the right to purchase the shares in OAO "WTE SouthWest", Moscow/Russia. This option was subsequently exercised by the government. The transfer of shares to the government of the city of Moscow was entered in the register of shareholders on 28 December 2016. Thus, the successful operation of the drinking water system by the WTE Group ended after a period of ten years.

### Outlook

The WTE Group is in the final tender stage for several projects, including another environmental project in the Gulf region. In addition, WTE continues to participate in tenders for water technology plants in the core markets of Croatia, Macedonia, Cyprus and Lithuania.



## Locations and projects

Status December 2017

WTE Group project business		
WTE Group projects <sup>1)</sup>		114
Projects under construction		9
Completed projects		105
Total performance of waste water projects	in PE	18,426,154
Performance of projects under construction	in PE	1,700,419
Total performance of drinking water projects	in PE	1,097,500
Of which: Projects under operational control of WTE Group	in PE	1,985,300
German projects under operational control of WTE Group	in PE	176,650
International projects under operational control of WTE Group	in PE	1,808,650

Major international projects of the WTE Group	Country	Scope classes in PE
Czajka-Warsaw <sup>2) 4)</sup>	Poland	> 2,000,000
Istanbul-Ataköy <sup>2) 4)</sup>	Turkey	> 2,000,000
Kaunas <sup>2) 4)</sup>	Lithuania	> 350,000
Kielce <sup>2) 4)</sup>	Poland	> 250,000
Klaipeda <sup>4)</sup>	Lithuania	> 250,000
Kohtla-Järve <sup>2) 4)</sup>	Estonia	> 200,000
Lublin <sup>2)</sup>	Poland	> 300,000
Moscow South Butowo <sup>2) 4)</sup>	Russia	> 250,000
Moscow Southwest <sup>3)</sup>	Russia	> 1,000,000
Moscow Zelenograd <sup>2)</sup>	Russia	> 500,000
Opole <sup>2) 4)</sup>	Poland	> 150,000
Prague <sup>2)</sup>	Czech Republic	> 1,500,000
Szczecin Pomorzany <sup>2) (4) 5)</sup>	Poland	> 400,000
Szczecin Zdroje <sup>2) 4)</sup>	Poland	> 150,000
Vilnius <sup>4)</sup>	Lithuania	> 500,000
Vienna <sup>2)</sup>	Austria	> 4,000,000
Zagreb <sup>2) 4)</sup>	Croatia	> 1,500,000

WTE Group national projects	Operational
Altenburg	until 2013
Dietzenbach	since 1999
Hecklingen	since 1992
Langnese (Heppenheim)	until 2016
Holzdorf	since 1998
Buckow <sup>6)</sup>	since 1992
Straupitz	since 1998
Teupitz	since 1997
Walkenried	since 1998
Windeck <sup>6)</sup>	since 2003

Thermal waste recycling	Tons/year
MSZ 3 Moscow	360,000
Zwentendorf/Dürnrohr	500,000

 1) Projects in 18 countries: Germany, Austria, Russia, Lithuania, Estonia, Latvia, Poland, Croatia, Turkey, Cyprus, Montenegro, Slovenia, Denmark, Slovakia, Romania,

 Czech Republic, Bahrain, Macedonia
 2) Waste water
 3) Drinking water
 4) Sludge treatment
 5) Sludge incineration
 6) Including drinking water supply



Projects

# Management report

## Management report for the financial year 2016/17

#### 1. Corporate principles

#### 1.1 Business model and corporate strategy

WTE Wassertechnik GmbH, Essen, (WTE) is one of the leading companies in the European water and environmental industry. On a direct basis or through affiliated/associated companies, WTE is continually active as an investor and operator of drinking water and waste water treatment plants as well as in sludge drying, incineration and energy-generating plants. WTE also offers individual financing and the management of plants and networks over longer period. WTE's shares are held in full by EVN Beteiligung 52 GmbH, Maria Enzersdorf/Austria, an EVN AG group company. In the EVN environmental division, WTE belongs to the core area consisting of the water/waste water business unit, extended to include the incineration segment. WTE's value chain ranges from project development to planning, construction, financing and plant management. Completed plants as well as water supply and waste water disposal systems are managed by the subsidiary WTE Betriebsgesellschaft mbH, Hecklingen, (WTEB). Communal and commercial functions, such as fee and contribution management, are organised from the Heckingen location. In certain cases, WTE also charges for operational management services.

The WTE Group plans, builds, finances and operates plants for waste water disposal, drinking water supply and energy generation.

WTE has already implemented more than 100 projects in 18 countries. In 11 of these countries, WTE has built operational facilities.

The Company's main target markets are the countries of central, eastern and south-eastern Europe as well as the Gulf region. In terms of fulfilling the requirements of EU regulations concerning water supply and waste water disposal plants, WTE is supportive of new EU member states as well as candidates for membership.

WTE places the highest demands on ecology and on securing the future. Customers are assured that the completed plants comply with valid laws and quality standards, that they serve the environment and are economically viable.

Whether consortium leader, cooperation partner or concessionaire, WTE makes a significant contribution to fulfilling EU regulations and securing public services and health care through project-specific full-service models (planning, construction, financing, operation).

Our customers are made up of cities, municipalities and communities. As the process owner, WTE realises compact plants for smaller, remote locations and commercial enterprises as well as projects for Europe's big cities and their major industries.

Our contacts are the municipal water/waste water authorities as well as committees of experts specifically convened to decide on one or more projects. The Europe-wide bid processes are usually accompanied by engineering firms that monitor the planning and execution in accordance with international regulations.

Furthermore, the European funds (cohesion fund, ISPA) are closely involved in the projects, as many of the environmental protection measures could not be implemented without their subsidies.

Further project partners include banks and international financial organisations such as EBRD and the World Bank who accompany the projects, or German federal state authorities who provide financial guarantees for foreign investments.

WTE manages the interfaces between the individual project participants, including not just the client as their customer, but also all other parties involved, without whom a project execution would be more or less impossible.

#### **Environmental protection**

WTE established a comprehensive environmental management system at an early stage in order to incorporate environmental protection into all management decisions.

#### **Research and development**

WTE Wassertechnik GmbH's expenses for research and development activities amounted to 0.222 mill. EUR in the 2016/17 financial year and was mainly concerned with two projects, namely the IBAS joint project and the nitrogen elimination project.

The IBAS joint project (innovative biological waste water treatment system with functionally differentiated biofilm reactors) has a project duration lasting until the end of January 2018. The research project was approved in January 2016 by the German ministry of education and research (BMBF) within the framework of the funding programme for small and mid-sized companies, to support the development to maturity of an innovative biological waste water treatment system with functionally differentiated biofilm reactors (IBAS). The project will be carried out at the sewage treatment plant in Dietzenbach by MARTIN Membrane Systems AG (MMS), Schwerin, together with WTE Wassertechnik GmbH, Essen, and the research institute for water and waste management (FIW), Aachen.

Within the framework of the research project "process and reactor for biological nitrogen elimination with autotrophic ammonium oxidation and subsequent denitrification", a process or plant is being developed that can principally be used as an extension to conventional processes, or that is suitable for advancing the microbiological purification of nitrogenous groundwater. The process was given the acronym ANELIS ("Advanced Nitrogen Elimination System"). The basic idea revolves around the elimination of biological nitrogen from raw water through autotrophic nitrification and autotrophic denitrification. A German patent pre-application 113 796.0 was submitted by WTE in July 2016. On 27. 07. 2017, the submission was specified to the patent office in terms of the research results obtained, and it is expected to be published at the end of January 2018. A request for patent examination will be made within the next year.

#### 1.2 Control systems

The basic control principle at WTE Wassertechnik GmbH takes the form of an annual strategy process in which target markets are identified, sales strategies and, in particular, financial indicators are determined. The strategy process planning period includes the budget year (i. e. the following financial year) plus three further planning years – a total of four years.

Controlling through financial indicators is of particular importance. These specifically include the order intake and order balance, the overall performance (revenue plus inventory changes) and EBIT (operative earnings before interest and tax).

Additionally, risk management is an integral element of company governance.

#### 2. Business review

#### 2.1 Economic and sector-specific framework conditions

The following facts from the "political memorandum 2017" published by DWA (the German association for water management, waste water and waste disposal) are also relevant for WTE:

The German water management sector has about 250,000 employees. Approximately 4.5 billion EUR are invested each year in the waste water sector; almost a third of this in waste water treatment and over two thirds in waste water canalisation. The 9,307 sewage plants have a total capacity of 152 mill. PE served by a canalisation length of 575,580 km and a (water)-pipeline length of approx. 1 million km. The annual waste water volume amounts to approximately 10 billion m<sup>3</sup> per year. The energy generated from sewage gas represents 1% of the electricity supplied from renewable energies. 1.8 mill. tonnes of sewage sludge accumulate annually, of which 60% is incinerated. 20 mono-incineration plants with a capacity of approx. 500,000 t/a of dry matter are available.

The far-reaching reforms planned for the utilisation of sewage sludge demand the assurance of environmentally sound safeguards regarding its disposal. In particular, this requires the development of substantial mono-incineration capacities. Current estimates point to an annual capacity shortfall of approximately 1 mill. tonnes of sewage sludge per year that would need to be compensated by the construction of mono-incineration plants.

Water and waste management still faces major challenges due to natural and structural framework conditions such as climate change and demographic changes. Environmental policy requirements of the European Union, the Federal Republic of Germany and the German federal states also play a significant role. In Germany, the energy transition also significantly affects water management.

#### Activities in the water management sector are focused on

- · raising efficiency and implementing new, additional structural measures in water management facilities, and
- integrating water management plant locations in an intelligent, decentrally organised energy system.

#### Internationally, there are serious problems relating to water and waste water management:

- Access to clean drinking water is not assured for a large proportion of the world population, especially in developing countries.
- Billions of people lack basic sanitary facilities.
- Waste water treatment to improve natural bodies of water is urgently needed in many regions of the world.
- The re-use of water is not practised sufficiently or correctly.
- Groundwater is often not used sustainably, for example due to overuse.
- The disorderly disposal of waste material, especially in developing countries, has a serious effect on land, water and climate.

#### 2.2 Development of the business

With the launch of another environmental project in south-eastern Europe, the WTE Group has once again demonstrated its competence in the 2016/2017 financial year and strengthened its position in the international market.

The net order intake amounted to 24.4 mill. EUR. As at 30.09. 2017, the order backlog amounted to 51.2 mill. EUR.

The order backlog reported at the balance sheet date mainly comprises the following projects: Kichevo, Strumica, Radovis, Kocani (all Macedonia) and Vodice (Croatia).

In order to improve the environmental situation, as from January 2014 the city of Kocani in north-eastern Macedonia received nonrefundable financial aid of 15.8 mill. CHF from the State Secretariat for Economic Affairs SECO and the Swiss Department of Economic Affairs, Education and Research. WTE successfully acquired a new construction project for the erection of the Kocani waste water treatment plant with a capacity of 65,000 PE. The contracts were signed at the beginning of 2017. The adapted design was approved and the building work commissioned, after which preliminary work started immediately. The foundation stone was laid on 17 July 2017. WTE is currently conducting numerous discussions with bidders to complete the selection of suppliers.

During the opening of tenders on 16.03.2017, the Kuwait Authority for Partnerships Projects and the Ministry of Public Works, as contracting entities for the Umm AI Hayman waste water treatment project in Kuwait (sewage plant and network with pumping stations), announced that the consortium, in which WTE Wassertechnik GmbH and a Kuwaiti financial investor each have a 50% stake, had emerged as best bidder. If they are awarded the contract, WTE, as general contractor, will be responsible for the design and construction of the project, which will last for around four years. WTE must then take over the operation of the treatment plant with a capacity of 500,000 m<sup>3</sup> per day for a period of 25 years. The financing of the construction of the waste water treatment plant (order value equivalent to around 600 mill. EUR) will be provided by a project company, the majority of which will be owned by state-owned Kuwaiti institutions. WTE will indirectly hold a 20% stake in this company. On the basis of the foreseen project financing, WTE is expected to have an equity share of around 25 mill. EUR. If the contract is awarded, EVN AG must provide the financing banks with the usual collateral for the construction of the waste water treatment plant, the amount still to be determined in relation to the project volume. The construction of the sewage network and the pumping stations (order value equivalent to around 950 mill. EUR) will be fully financed by the client. In accordance with the terms and conditions of the tender, the contracting entities will undertake the conclusive examination of the consortium's offer. The final contract award is expected to take place in the calendar year 2018.

With the signing of three environmental projects, WTE had already successfully entered the Macedonian market during the financial year 2015/2016 with a total volume of approx. 20 mill. EUR. The waste water project includes the turnkey construction of waste water treatment plants in the municipalities of Radovis, Kicevo and Strumica, with capacities between 5,000 and 10,000 m<sup>3</sup>/d. Two additional lots include the construction and rehabilitation of the sewage network amounting to 4.7 respectively 4 km in length, including the pumping station. The projects are funded through the IPA Fund (EU instrument for pre-accession assistance). The construction period of 18 months began on schedule following receipt of the building permits. An extension offer from WTE for the construction of a sludge stabilisation was accepted and integrated into the current process. The Strumica plant was the first to be driven by waste water, the other two will follow this year.

At the beginning of June 2016, WTE received a contract from Vodovod i odvodnja Šibenik in Croatia to build a waste water treatment plant for the "Vodice – Tribunj – Srima" waste water project. WTE will build a turnkey waste water treatment plant in Vodice with a capacity of 20,000 PE and 4,620 m<sup>3</sup>/d. In addition to mechanical and biological waste water treatment, the commission also includes sewage sludge drainage. Co-funded by the EU Cohesion Fund, the environmental project will be completed within 25 months. Operatively, the waste water treatment plant will contribute significantly to improving the water quality of the Adriatic. WTE received the building permit during the reporting period and started construction work. The assignments have been allocated and the mechanical and electrical engineering installations are under way. The plant is scheduled to be started up in 2017 using waste water.

Almost three years after order placement, the project to build a sewage plant for 1.2 mill. PE in Prague took a decisive step forward. The city of Prague additionally implemented extensive compensation measures to reduce flood discharge and, together with the SMP-Hochtief-Suez-WTE consortium, integrated them into the overall planning. On this basis, the building permit was forthcoming and construction work officially started. The mechanical and electrical engineering has been assigned and the client has granted an extension of the construction period. The commissioning of the plant (4th quarter 2018) is already being prepared in order to ensure compliance with EU directives.

In Larnaca, Cyprus, all building works for the planned turnkey waste water treatment plant have been completed in terms of construction, machinery and electrical engineering. Commissioning of the plant for 100,000 PE has been completed. Intensive process engineering tests were carried out in the 2015/2016 financial year in order to increase the purification performance of the membrane as well as the dry substance content of the sewage sludge. Plant operation has been transferred to the customer, whereby the WTE-internal project completion and the final acceptance had already been prepared in the first quarter of the financial year 2016/2017. The retroactive consent of the Cypriot authorities is still pending.

In accordance with the contract, the south-west Moscow drinking water project was completed in December 2016. With the payment of the last instalment, the Moscow city government acquired the right to purchase the shares in OAO "WTE South-West", Moscow/ Russia. This option was subsequently exercised by the government. The transfer of shares to the government of the city of Moscow was entered in the register of shareholders on 28 December 2016. Thus, the successful operation of the drinking water system by the WTE Group ended after a period of ten years.

WTE Wassertechnik (Polska), Warsaw, signed the contract for the extension of the Kety waste water treatment plant on 29 August 2017. The joint venture contract covers the expansion of the existing plant to 75,000 PE. In addition to the mechanical and electrical equipment, WTE is responsible for the new sludge treatment including sludge dewatering and digestion as well as the subsequent biogas utilisation. For this purpose, the pumping station and the primary clarifiers are being rebuilt. Construction is scheduled to take 27 months, including a 6-month design phase. The investment of just under 5 mill. EUR will be co-financed by the European Fund.

As an emerging tourist destination in Montenegro, the municipality of Budva is undertaking a variety of initiatives to meet EU environmental standards. WTE was commissioned to design, build and finance the community's complex water management system and to operate it for 30 years. The project is initially foreseen for 130,000 PE, with a planned expansion in the long term up to 215,000 PE. The waste water system, consisting of a sewage treatment plant, pumping stations and a transport system, has been in operation since the beginning of May 2014, when Budva's main sewage treatment plant started up. In the Buljarica district, which also belongs to the project, work has stopped and the start of construction is still pending. This is because the municipality of Budva has not provided the required land, and because the building permits for the Petrovac central pumping station, without which no waste water can reach the Buljarica treatment plant, have not been forthcoming. In addition, the municipality of Budva is proving unreliable with regard to payment. Should the municipality fail to meet its contractual obligations, WTE will resort to available hedging instruments.

In the Mia Milia project, differences exist with the client in terms of billing for operational management services relating to a reduction in biogas production. Discussions are currently underway to solve the problem.

The granting of the building permit for the MPZ1 waste incineration plant by the city of Moscow is still pending, and considerable doubts remain about the feasibility of the project. WTE Wassertechnik GmbH is talking to the Moscow city government and will try to reach an amicable solution during the financial year 2017/18.

Total performance (i. e. revenues plus changes in inventories) amounted to 54.3 mill. EUR in the financial year, up by almost 14 mill. EUR on the previous year, and reached the forecast value in the mid-double-digit millions.

The operating result amounted to -24.9 mill. EUR compared to -4.8 mill. EUR in the previous year. A negative operating result in the high single-digit millions was expected, but as a result of write-downs on receivables, this result could not be achieved.

The order intake of 24.4 mill. EUR in the current year resulted in an order backlog of 51.2 mill. EUR at the end of the financial year. Overall, the order intake fell short of expectations.

#### 2.3 Results

#### **Operating performance**

In the past financial year, the WTE Wassertechnik GmbH's total performance (revenues plus changes in inventories) amounted to 54.3 mill. EUR, an increase of 13.9 mill. EUR over the previous year. Sales of 55.0 mill. EUR compared to revenues of 60.5 mill. EUR in the previous year. The South-West Waterworks project in Moscow and the Larnaca project in Cyprus contributed particularly to this result. The inventory change amounted to -0.8 mill. EUR (1st quarter: -20.0 mill. EUR).

Revenues include income from operational management services of 5.6 mill. EUR (previous year 4.6 mill. EUR).

As a result of lower margins, WTE's gross profit (total economic performance less cost of materials) dropped to 2.4 mill. EUR, from 11.3 mill. EUR in the previous year.

Other operating income of 2.1 mill. EUR (previous year: 1.5 mill. EUR) mainly includes income from the reversal of provisions and claims from charges passed on.

Personnel costs amounted to 10.5 mill. EUR in the current financial year (previous year: 10.0 mill. EUR).

Other operating expenses totalled 18.5 mill. EUR, compared with 7.3 mill. EUR in the previous year, and mainly include expenses for consultancy services in connection with participation in project tenders, rents and travel expenses, as well as write-downs on receivables, in particular against EVN Projektgesellschaft Müllverbrennungsanlage Nr. 1 mbH, Essen.

Income from investments rose to 37.6 mill. EUR (previous year: 6.7 mill. EUR) on account of the interim dividend of 30.0 mill. EUR from WTE International GmbH, Essen.

The financial result (net interest, income from loans and write-downs on loans) fell to a total of -0.6 mill. EUR (previous year: 2.1 mill. EUR). This includes write-downs on loans to affiliated companies amounting to 2.6 mill. EUR, mainly relating to WTE Otpadne vode Budva d. o. o., Podgorica/Montenegro.

Overall, WTE showed a positive annual result of 11.8 mill. EUR, compared to 4.1 mill. EUR in the previous year.

#### Net assets position

The reduction of 43.0 mill. EUR in the balance sheet total, from 248.6 mill. EUR to 205.6 mill. EUR, is attributable to various factors. The asset side was predominantly influenced by the 17.1 mill. EUR decline in inventories in connection with the settlement of the Larnaca and South-West Waterworks projects, as well as receivables from affiliated companies amounting to 20.8 mill. EUR. On the liabilities side, accounts payable to affiliated companies decreased by 27.2 mill. EUR while payments received in advance decreased by 22.6 mill. EUR. This was offset by an increase in equity of 7.7 mill. EUR.

The changes in fixed assets result mainly from financial assets. Additions of 1.5 mill. EUR to affiliated company loans were offset by write-downs amounting to 2.6 mill. EUR. Both instances concerned WTE Otpadne vode Budva d.o.o., Podgrica/Montenegro.

WTE has founded various project companies relating to the execution of projects. In addition to the payment of the share capital, payments were also made into the capital reserves. This predominantly related to the South-West Moscow project (drinking water treatment) and the waste water disposal project in Zagreb/Croatia. These shares are reported under financial assets relating either to investments in affiliated companies or to shareholdings.

Receivables from affiliated companies and shareholdings include not only the financing of WTE Group companies, but also the settlements relating to supply and service relationships within the WTE Group. The decrease in receivables essentially results from the 11.1 mill. EUR decrease to 45.2 mill. EUR in liquid assets in respect of the EVN Group's cash pooling at EVN AG, as well as the write-downs on receivables from EVN Projektgesellschaft Müllverbrennungsanlage Nr. 1 mbH, Essen.

Other assets mainly relate to receivables from tax authorities.

Liquid assets fell by 3.6 mill. EUR.

#### **Financial situation**

Taking into account the offsetting of deposit payments received against inventory assets, an equity ratio of 52.3 % (previous year: 43.7%) was achieved.

Other provisions are mainly made up of provisions for outstanding invoices from subcontractors.

Short-term liabilities of 91.5 mill. EUR vis-à-vis affiliated companies resulted from financial dealings with WTE International GmbH. This liability was resolved with the advance dividend of WTE International GmbH amounting to of 30 mill. EUR.

The funds tied up as fixed assets amounting to 116.0 mill. EUR are offset by equity and funds from financial transactions of 161.7 mill. EUR.

Inventories are 77.2 % financed by payments received in advance.

#### Financial and non-financial performance indicators

The main financial performance indicators comprise the total operating performance (sales plus changes in inventories), the operating result (earnings before financial and shareholding performance and tax) as well as the annual result.

Compliance with statutory regulations and environmental norms in those countries in which WTE is active plays a crucial role with regard to non-financial performance indicators. We have complied with all regulations and norms.

#### **Overall statement**

The reporting year was dominated by the ongoing execution of existing orders, the successful acquisition of new commissions as well as the preparation of offers for various major projects. WTE Wassertechnik GmbH was able to participate and achieve pre-qualification in numerous tenders, being named best bidder in the major Umm Al Hayman project in Kuwait.

Sales were in line with expectations, whereas operating profit was mainly influenced by value adjustments relating to receivables and fell short of expectations. However, income from investments led to a positive overall annual result.

A solution regarding the Waste Incineration Plant no. 1 project has not yet been found. WTE Wassertechnik GmbH is trying to reach an agreement in discussions with the Moscow city government.

In summary, the Company's position relating to assets, finances and earnings is rated as being 'good' by the management.

#### 3. Forecast, opportunities and risk report

WTE Wassertechnik GmbH repeatedly asserts itself as best bidder in international bidding processes. This has encouraged WTE to exploit its know-how in other regions that are currently politically difficult, with the objective of planning and successfully implementing environmentally protective projects. At the same time, WTE is extending its geographical reach to areas other than its present core markets, including regions beyond the European continent.

#### 3.1 Future development opportunities

WTE Wassertechnik GmbH's scope of offer is very extensive, encompassing the construction of plants for waste water treatment, drinking water supply, seawater desalination, membrane bioreactor technology, combined heat and power stations, thermal waste utilisation and sewage sludge incineration. Furthermore, the scope is not restricted to implementing the investment but can also include financing and subsequent plant operation.

This gives WTE greater flexibility and avoids overdependence on just one product. WTE is able to build and operate facilities that comply with the latest technologies and the highest environmental standards.

We therefore see our opportunities above all in the challenges of water and waste management as described in section 2.1, and consequently in new bidding processes for water treatment plants and sewage sludge recycling.

#### 3.2 Risks attached to future developments

#### **Risk management**

As an internationally operating provider of environmental services, WTE is exposed to a variety of commercial, operational, financial and event-related risks. Control of these risks is assured by WTE through a multi-stepped risk organisation. Consequently, and with a view to the future, this allows WTE to actively exploit risks that also harbour opportunities. WTE is integrated into the EVN AG risk management system.

The expansion of the market to eastern and south-eastern Europe continues to be WTE's main focus. In the past, the political and economic risks associated with these developments (default risk relating to receivables) were covered by direct financing commitments given by the EU as well as guarantees provided by the Federal Republic of Germany and by its States, and in the form of direct commitments entered into by the major banks involved. WTE will continue to make use of these instruments in the future. WTE will also continue to pursue its goal of ensuring that special risks are kept under control by way of strategic risk management relating to individual projects, in order to maintain and further increase profitability. Defaults and liquidity risks relating to completed projects will also be addressed through prepayment financing on behalf of customers.

#### **Risk policy**

WTE risk policy is designed to make use of the possibilities existing in the market in all cases in which the related opportunities are stronger than the risks. Moreover, suitable security measures are in place to react to actual risks in so far as economically reasonable and technically feasible. WTE risk policy also includes establishing a form of risk management that adequately meets the requirements of a changing risk profile.

#### **Risk organisation**

The WTE risk organisation has a multi-stage structure. The operative risk management function is performed by the organisational unit to which the risk involved can be attributed. The operational units act in accordance with risk policy principles based on transparency and risk awareness, laid down in binding directives in the WTE manual as stipulated by quality and environment management.

In the interests of long-term growth of company value, WTE uses a multi-stage, integrated planning and monitoring system to regularly control economic success and to compare the targets achieved to those planned. This enables risks to be identified promptly and suitable counter-measures to be taken.

Management is supported in its decisions on risk policy by operative and strategic risk controlling in collaboration with the operational units.

#### **Risk profile/Measures**

WTE takes a number of specific preventive measures to react to significant risks to which the Company is exposed in the course of its project business activities.

The most significant risks for WTE are country-related risks and operational risks.

#### **Country-related risks**

As an internationally active company, WTE's overall risk is influenced in particular by the country risks relating to the subsidiaries and their shareholdings in eastern and south-eastern Europe.

In respect of the risk profile, strict restrictions on the financial liabilities of the respective project companies, without recourse to WTE/EVN AG (non-recourse), serve to actively manage or limit risk factors. Credit risk insurance is another measure that can be applied by public authorities or international financial institutions in order to take account of the risk profile.

#### **Operational risks**

WTE operates the most technically advanced plants, whose long-term dependability forms the basis for its business activities. This requires operational risks to be minimised as far as possible. Based on this concept, the Company counters plant and default risks through strict maintenance and quality controls as well as through regular supervision and upkeep. Insurance coverage enables WTE to limit possible consequences arising from damages.

WTE reacts to risk associated with the planning and execution of installations by continuously extending our project risk management, in which project controlling plays an important role and risk analysis is of paramount importance. Positive cooperation with authorities, associations and interest groups at regional, national and international level provides the basis for the Company to avoid legal risks.

The following are also risks of a significant nature.

#### **Financial risks**

WTE uses EVN AG's central Treasury Management to limit currency, interest, pricing and liquidity risks. Detailed Group directives and limits also permit the use of derivative financial instruments primarily applied to the hedging of financial risks. To minimise partner risk, such transactions are carried out only in cooperation with banks with first-class credit ratings.

#### **Business risks**

In view of our steady growth, which is also due to the expansion of project business in Germany and abroad, WTE is increasingly focusing its attention on project risk. Especial importance is therefore attached to project controlling in the risk management organisation.

#### **Event risks**

For WTE, such risks relate mainly to natural catastrophes. In most cases these are due to force majeure and are transferred to insurance companies wherever economically reasonable.

The review of the existing risk situation in the current financial year showed that no existing risks adversely affect the continued existence of the Company and that there are no identifiable risks for the future.

#### 3.3 Outlook

In Germany, the water/waste water sector continues to stagnate due to municipalities' lack of financial resources. In the long term, we expect that significantly more water supply and waste water disposal services will be privatised in the German market. In particular, the planned radical reorganisation of sewage sludge recycling requires the construction of considerable mono-incineration capacities, which cannot be managed by the municipalities alone. Here WTE, with our subsidiaries, is well equipped to provide assistance. Well-prepared through its existing reference portfolio, WTE will therefore continue to participate strongly in competitive bidding processes.

The privatisation projects realised by WTE (10 national projects) and the management projects relating to the international water market (12 projects) form the basis for expanding these comprehensive models, including financing and operational management. Especially in Eastern Europe, the infrastructure sector generates a high demand for water and waste water technology. The combination of Western technology, long-term financing and responsible operational management makes up the expertise admirably demonstrated by WTE in the course of numerous reference projects.

For the financial year 2017/18 and subsequent years, WTE plans to expand its activities in its core area of Central and Eastern Europe as well as in the Gulf region. Due to ongoing acquisition activities, numerous projects are in the pipeline and will be coming to a decision soon. In the bidding process for the Umm Al Hayman project in Kuwait, WTE Wassertechnik GmbH, together with its consortium partner, is hoping to finalise the contract after having emerged as best bidder – and another project in the Gulf region has reached the final bid evaluation stage. WTE Wassertechnik GmbH is hoping to further increase its order balance by participating in project tenders within the framework of the European Union's environmental programs.

WTE has worked successfully in its markets, opening up further development potential. Based on its achievements to date and current earnings potential, the Company is confident that it will be able to strengthen its position in 2017/18 as well as in subsequent years. WTE expects to achieve sustainable and continuous improvement in its results over the next few years in view of our market and project development activities as well as performance expectations relating to existing and future general contractor and operational projects.

In the coming financial year, WTE expects total performance to achieve the mid-treble-digit millions, provided that the contract for the major Umm Al Hayman project in Kuwait is signed by Spring 2018. Operating income in the lower double-digit millions together with expected income from shareholdings are expected to result in a positive net income in the mid-double-digit millions. In view of the contract signing referred to above, we expect a significantly higher order intake than in the financial year 2016/17 and, as a result, a appreciable increase in the order balance.

Significant changes in the Company's asset and financial situation are not expected.

Essen, 17 November 2017

WTE Wassertechnik GmbH

Executive Board

# Annual financial statements

## Balance sheet

as at 30 September 2017

Assets		
Data in EUR	30.09.2017	30.09.2016
A Fixed assets		
I. Intangible assets		
Purchased industrial rights and similar rights and	assets 190,035.00	90,547.00
	190,035.00	90,547.00
II. Tangible assets		
1. Land and buildings	66,930.73	66,930.73
2. Technical machinery and equipment	9,783.00	13,341.00
3. Other equipment, operating and office equipm	lent 1,039,511.00	633,349.00
4. Payments in advance and assets under constru	ction 351,280.00	176,280.00
	1,467,504.73	889,900.73
III. Financial assets		
1. Shares in affiliated companies	51,331,829.47	51,340,597.61
2. Loans to affiliated companies	50,884,322.68	52,173,372.45
3. Investments	12,153,079.65	12,153,079.65
	114,369,231.80	115,667,049.71
	116,026,771.53	116,647,497.44
B Current assets I. Inventories		
1. Services not yet chargeable	18,447,313.35	19,215,587.39
2. Payments on account	0.00	16,363,750.00
	18,447,313.35	35,579,337.39
II. Receivables and other assets		
1. Trade receivables	9,750,094.31	11,198,367.63
2. Receivables from affiliated companies	53,925,076.18	74,695,814.27
<ol> <li>Receivables from companies in which participa interests are held</li> </ol>	ting 1,200,908.80	467,782.68
4. Other assets	3,050,349.40	3,232,742.32
	67,926,428.69	89,594,706.90
III. Cash in hand, bank balances	2,696,025.55	6,332,162.73
	89,069,767.59	131,506,207.02
C Prepaid expenses	495,717.20	439,077.60
	205,592,256.32	248,592,782.06

Equity and liabilities		
Data in EUR	30.09.2017	30.09.2016
A Equity		
I. Subscribed capital	6,033,244.20	6,033,244.20
II. Capital reserves	50,861,000.00	50,861,000.00
III. Retained profits brought forward	31,516,311.13	31,497,298.57
IV. Net income for the financial year	11,756,965.90	4,119,012.56
	100,167,521.23	92,510,555.33
B Provisions		
1. Provisions for pensions and similar obligations	1,601,189.00	1,588,456.00
2. Provisions for taxes	0.00	167,810.26
3. Other provisions	14,636,725.64	13,772,181.86
	16,237,914.64	15,528,448.12
C Liabilities		
1. Payments received on account of orders	14,234,411.81	36,860,641.97
2. Trade payables	3,974,134.03	4,233,104.45
3. Liabilities to affiliated companies	70,789,110.02	97,978,090.77
<ol> <li>Liabilities to companies in which participating interests are held</li> </ol>	0.00	48,711.32
<ul> <li>5. Other liabilities</li> <li>of which taxes EUR 170,959.84</li> <li>(previous year: EUR 1,414,045.19)</li> <li>of which relating to social security EUR 16,532.15</li> <li>(previous year: EUR 7,015.74)</li> </ul>	189,164.59	1,433,230.10
	89,186,820.45	140,553,778.61

205,592,256.32

248,592,782.06



## Income statement

for the period 1 October 2016 to 30 September 2017

Data in EUR	2016/17	2015/16
1. Sales	55,039,862.61	60,455,409.74
2. Increase in services not yet chargeable	-768,274.04	-20,033,833.97
3. Other operating income	2,051,995.85	1,537,226.84
4. Cost of materials		
a) Cost of raw materials, consumables and supplies	17,579,376.98	22,583,409.65
b) Cost of purchased services	34,253,374.64	6,500,885.45
	51,832,751.62	29,084,295.10
5. Personnel expenses		
a) Wages and salaries	9,156,864.51	8,760,401.00
<ul> <li>b) Social security, post-employment benefit costs</li> <li>– of which relating to retirement benefits: EUR 40,864.00</li> </ul>		
(previous year: EUR-2,674.65)	1,337,405.17	1,196,645.36
	10,494,269.68	9,957,046.36
6. Amortisation and write-downs of intangible assets; depreciation		
and write-downs of tangible assets	381,242.70	417,972.07
7. Other operating expenses	18,531,369.67	7,253,072.05
<ol> <li>Income from investments         <ul> <li>of which from affiliated companies: EUR 30,099,828.48</li> <li>(previous year: EUR 250.00)</li> </ul> </li> </ol>	36,834,202.58	6,039,222.97
<ul> <li>9. Income from profit/loss transfer agreements</li> <li>– from affiliated companies</li> </ul>	741,074.54	681,556.75
<ol> <li>Income from loans of capital assets         <ul> <li>from affiliated companies</li> </ul> </li> </ol>	2,321,625.41	2,235,537.21
<ul> <li>11. Other interest and similar income <ul> <li>of which from affiliated companies: EUR 198,001.65</li> <li>(previous year: EUR 719,981.86)</li> </ul> </li> </ul>	198,665.82	734,038.75
12. Amortisation of financial assets – relating to affiliated companies	2,600,019.83	372,474.98
<ul> <li>13. Interest and similar expenses</li> <li>– of which to affiliated companies: EUR 30,060.82 (previous year: EUR 16,933.11)</li> </ul>	543,439.90	472,733.92
14. Taxes on income and net worth		
(previous year: Tax refund on income and net worth)	246,848.96	-57,812.62
15. Result after tax	11,789,210.41	4,149,376.43
17. Other taxes	32,244.51	30,363.87
18. Net income for the financial year	11,756,965.90	4,119,012.56

## Fixed assets movements table

#### Acquisition costs

1 EUR	01.10.2016	Additions	Disposals	30.09.2017
ntangible assets				
urchased industrial rights and similar rights nd assets	5,213,426.77	208,639.64	0.00	5,422,066.41
angible assets				
. Land and buildings	339,983.56	0.00	0.00	339,983.56
. Technical equipment and machinery	1,694,346.73	0.00	0.00	1,694,346.73
. Other equipment, operating and office equipment	1,930,726.56	769,342.06	497,098.73	2,202,969.89
. Payments in advance and assets				
under construction	176,280.00	175,000.00	0.00	351,280.00
	4,141,336.85	944,342.06	497,098.73	4,588,580.18
inancial assets				
. Shares in affiliated companies	51,730,598.61	0.00	8,768.14	51,721,830.47
. Loans to affiliated companies	52,173,372.45	1,476,980.44	166,010.38	53,484,342.51
. Investments	12,153,079.65	0.00	0.00	12,153,079.65
	116,057,050.71	1,476,980.44	174,778.52	117,359,252.63
	125,411,814.33	2,629,962.14	671,877.25	127,369,899.22
	Intangible assets         urchased industrial rights and similar rights         nd assets         'angible assets         . Land and buildings         . Technical equipment and machinery         . Other equipment, operating and office equipment         . Payments in advance and assets under construction         inancial assets         . Shares in affiliated companies         . Investments	LEUR01. 10. 2016Intangible assets	LEUR         01.10.2016         Additions           Intangible assets	NEUR         01.10.2016         Additions         Disposals           Intangible assets

Α	Accumulated depreciation/amortisation Carrying amou			amount	
01.10.2016	Charged during the financial year	Disposals	30.09.2017	30.09.2017	30.09.2016
5,122,879.77	109,151.64	0.00	5,232,031.41	190,035.00	90,547.00
273,052.83	0.00	0.00	273,052.83	66,930.73	66,930.73
1,681,005.73	3,558.00	0.00	1,684,563.73	9,783.00	13,341.00
1,297,377.56	268,533.06	402,451.73	1,163,458.89	1,039,511.00	633,349.00
0.00	0.00	0.00	0.00	351,280.00	176,280.00
3,251,436.12	272,091.06	402,451.73	3,121,075.45	1,467,504.73	889,900.73
390,001.00	0.00	0.00	390,001.00	51,331,829.47	51,340,597.61
0.00	2,600,019.83	0.00	2,600,019.83	50,884,322.68	52,173,372.45
0.00	0.00	0.00	0.00	12,153,079.65	12,153,079.65
390,001.00	2,600,019.83	0.00	2,990,020.83	114,369,231.80	115,667,049.71
8,764,316.89	2,981,262.53	402,451.73	11,343,127.69	116,026,771.53	116,647,497.44

## Shares in affiliated companies and investments

Data in 000s local currency	Currency	Equity	Share in %	Profit/Loss
Verbundene Unternehmen				
Čista Dolina – SHW Komunalno podjetje d. o. o., Kranjska Gora/Slovenia	EUR	1,082	100.0	-193)
EVN Projektgesellschaft Müllverbrennungsanlage Nr. 1 mbH, Essen	EUR	-267,344	100.0	-47,3201)
OAO Budapro Werk Nr. 1, Moscow/Russia	RR	321,421	100.0	-9,5092)
Saarberg Hölter Projektgesellschaft Süd Butowo mbH i. L., Essen	EUR	27	100.0	-57 <sup>3)</sup>
SHW Hölter Projektgesellschaft Zelenograd mbH i. L., Essen	EUR	17	100.0	-23)
Storitveno podjetje Lasko d. o. o., Lasko/Slovenia	EUR	456	100.0	1 <sup>3)</sup>
WTE Abwicklungsgesellschaft Kuwait GmbH, (formerly EVN Projektgesellschaft KSV Ljuberzy mbH), Essen	EUR	23	100.0	0 <sup>6)</sup>
WTE Abwicklungsgesellschaft Russland mbH (formerly WTE Projektgesellschaft Nevawasser mbH), Essen	EUR	25	100.0	2 <sup>6)</sup>
WTE Baltic UAB, Kaunas/Lithuania	EUR	109	100.0	-523)
WTE Betriebsgesellschaft mbH, Hecklingen	EUR	511	100.0	05)
WTE desalinizacija morske vode Budva d. o. o., Podgorica/Montenegro	EUR	-584	100.0	-944)
WTE Otpadne vode Budva d. o. o., Podgorica/Montenegro	EUR	677	100.0	251 <sup>4)</sup>
WTE Projektgesellschaft Kurjanovo mbH, Essen	EUR	20	100.0	-1 <sup>3)</sup>
WTE Projektgesellschaft Natriumhypochlorit mbH, Essen	EUR	25	1.0	O <sup>3)</sup>
WTE International GmbH (formerly WTE Projektgesellschaft Süd-West Wasser mbH), Essen	EUR	68,951	100.0	96,951 <sup>1)</sup>
WTE Projektgesellschaft Trinkwasseranlage d. o. o., Belgrad/Serbia	RSD	11,778	100.0	-2124)
WTE Projektna druzba Bled d. o. o., Bled/Slovenia	EUR	-28	100.0	03)
WTE Wassertechnik (Polska) Sp. z o. o., Warsaw/Poland	PLN	8,694	100.0	199 <sup>1)</sup>
Beteiligungsunternehmen				
ABeG Abwasserbetriebsgesellschaft mbH, Offenbach am Main	EUR	644	49.0	201)
DEGREMONT WTE WASSERTECHNIK PRAHA v. o. s.,				
Prague/Czech Republic	CZK	40,000	35.0	68,584 <sup>2)</sup>
SHW/RWE Umwelt Aqua Vodogradnja d. o. o., Zagreb/Croatia	HRK	3,053	50.0	-195 <sup>2)</sup>
sludge2energy GmbH, Berching	EUR	2	50.0	-172)
Wasserver- und Abwasserentsorgungsgesellschaft Märkische				
Schweiz mbH, Buckow	EUR	546	49.0	32)
Zagrebacke otpadne vode – upravljanje i pogon d.o.o., Zagreb/Croatia	HRK	21,461	31.0	26,4612)
Zagrebacke Otpadne Vode d. o. o., Zagreb/Croatia	HRK	1,527,097	48.5	179,174 <sup>2)</sup>

Audited financial statements for the financial year 2016/17.
 Audited financial statements for the financial year 2016.
 Inaudited financial statements for the financial year 2016.
 Profit transfer agreement in place with WTE Wassertechnik GmbH.
 Profit transfer agreement in place with WTE International GmbH.

## Order backlog

As of 30 September 2017, WTE had an order backlog of 51,2 Mio. EUR. 9 (part-)projects are currently underway.





# Notes

## Notes relating to financial statements 2016/17

#### **General information**

WTE Wassertechnik GmbH is registered at the Commercial Register of the Essen District Court under HRB 10153.

The annual financial statements are prepared in accordance with the HGB (German Commercial Code) and the supplementary provisions of the GmbH Act. The total cost method has been applied in preparing the income statement.

WTE Wassertechnik GmbH (WTE) is a large corporation as defined in § 267 (3) HGB. The shares in the Company are held in full by EVN Beteiligung 52 GmbH (EVN52), Maria Enzersdorf/Austria.

In the 2016/17 financial year, the provisions of the 'Accounting Directive Implementation Act' (BilRUG) were applied, whereby the changeover date is 1 October, 2016. Due to the changes arising from BilRUG, the structure has been adjusted in accordance with BilRUG and the updated revenue definition has been applied in accordance with § 277 (1) HGB. The previous year's figures in the income statement have not been adjusted.

WTE's financial year runs from 1 October to 30 September of the following year.

#### **1** Accounting methods

Acquired intangible assets are accounted for at cost less scheduled amortisation.

Tangible assets are valued at acquisition or production cost less scheduled depreciation. Such assets are written down over their useful lives using the straight-line method. Additions are written down on a pro rata basis. Low-value assets, i.e. items with acquisition costs up to and including 410.00 EUR, are fully written off in the year of acquisition.

Financial assets are stated at acquisition cost. Lower values are recorded where impairment is expected to be permanent. If such impairments no longer exist, the related impairment losses are reversed as set out in § 253 (5) HGB.

Interest-free or low-interest loans are discounted at cash value; the remaining loans are accounted for at nominal value.

Within the inventories, services that are not yet chargeable are valued at production cost, which is calculated on the basis of personnel expenses, material and other direct costs directly attributable to the contracts, as well as proportionate personnel and administrative overheads. Borrowing costs are not capitalised. If the probable proceeds less the costs still to be incurred are lower, this value will be stated.

In the case of long-term contract manufacturing, profit realisation depends on the stage of completion reached, i.e. on the contractually agreed partial performance.

Receivables and other assets are valued at nominal value. Specific allowances have been recognised to take account of special risks. The general credit risk is covered by a general allowance.

Deferred taxes are determined for timing discrepancies between the commercial and tax valuations of assets and liabilities. A resulting overall tax charge would be stated as a deferred tax liability in the balance sheet. In the case of tax relief, the corresponding capitalisation option will not be applied. Deferred taxes are measured on the basis of current corporation tax rates and the trade tax rate. Taking into account corporation tax, the solidarity surcharge and trade tax, the tax rate for the past financial year amounted to a rate of 30.25 %, which was applied to the calculation of deferred taxes.

Provisions take into account all discernible risks and contingent liabilities.

Provisions for pensions and similar obligations are determined using actuarial methods (projected unit credit method) on the basis of the Heubeck 2005 G reference tables, whereby a pension trend of 2.0% (previous year: 2.0%) was assumed. In accordance with RückAbzinsV and § 253 (2) S. 2 HGB, the underlying interest rate used to discount pension obligations was applied at the average interest rate over the last 10 years of 3.77% (previous year: 4.11%) as determined and published by the Deutsche Bundesbank, for an assumed residual term of 15 years. Applying an average market interest rate in accordance with § 253 (6) HGB of 2.91% (previous year: 3.42%) in the 2016/17 financial year results in a difference of 0.166 mill. EUR.

All identifiable accounting risks and contingent liabilities are taken into account in evaluating the remaining provisions. The valuation is equal to the settlement amount required on the basis of reasonable commercial judgment in order to cover future payment obligations. Provisions with a residual maturity of more than one year are discounted at the average market interest rate that applied over the previous seven years and corresponds to their remaining term. For personnel risks, such as anniversary bonuses and vacation entitlements, provisions are established in accordance with commercial law principles.

Liabilities are stated at their repayment amounts.

Contingent liabilities from loan guarantees and warranty agreements are valued according to the primary debt position.

#### 2 Foreign currency conversion

Foreign currency receivables and payables with a residual maturity of more than one year are valued at the acquisition price or at the less favourable average spot exchange rate applying at the balance sheet date. Foreign currency receivables and payables with a remaining maturity of one year or less are valued at the average spot exchange rate on the balance sheet date. Income and expenses resulting from foreign currency transactions are converted at the daily rate applying at the time they arise. If foreign currency items are hedged, they are valued at the corresponding hedging rate.

Comments relating to the balance sheet

#### 3 Intangible assets

The development of the gross values and of depreciation/amortisation is shown in the fixed assets movement table (appendix 1 to these notes).

#### 4 Financial assets

The development of the gross values and of depreciation/amortisation is shown in the fixed assets movement table (appendix 1 to these notes).

The list of percentage holdings is shown in appendix 2 to these notes.

#### 5 Receivables and other assets

The receivables have an expected residual period of up to one year.

The receivables from affiliated companies include 45.2 mill. EUR in receivables from EVN AG resulting from cash pooling. In addition, there is an amount of 14.163 mill. EUR in receivables from project companies relating to trading in goods and services. In the 2016/17 financial year, a value adjustment of 8.563 mill. EUR was established. Project financing resulted in a further 3.125 mill. EUR. Further receivables from affiliated companies and companies with which a shareholding exists arise mainly from profit and loss statements.

#### 6 Active deferred taxes

With respect to the right of choice stipulated in § 274 (1) S. 2 HGB, active deferred taxes that are not stated result mainly from valuation variances relating to pension provisions.

#### 7 Subscribed capital and capital reserves

The subscribed capital of WTE Wassertechnik GmbH remains unchanged at 6.033 mill. EUR.

Capital reserves remained unchanged at 50.861 mill. EUR.

#### 8 **Provisions**

Other provisions have been established mainly for outstanding purchase invoices for services already rendered by subcontractors and for personnel-related obligations.

#### 9 Liabilities

Due dates of liabilities:

Data in TEUR	30.09.2017	Residual term up to 1 year	Residual term more than 5 years
Payments received on account of orders	14,234	14,234	0
Liabilities for goods and services	3,974	3,974	0
Liabilities to affiliated companies	70,789	70,789	
Other liabilities	189	189	0
	89,186	89,186	0

In the previous year, all liabilities similarly had a residual term of less than one year.

Liabilities to affiliated companies amount to 69.854 mill. EUR from two project companies and result from financing activities. Other liabilities to affiliated companies mainly result from deliveries and services.

#### **10 Contingent liabilities**

WTE has pledged its shares in Zagrebacke Otpadne Vode d.o.o., Zagreb/Croatia, in favour of the banks granting the loans relating to the project at the subsidiary involved.

WTE Wassertechnik GmbH only enters into contingent liabilities after careful risk assessment. Based on continuous evaluation of the risk situation in respect of arising contingent liabilities, and taking into account insights gained prior to entering into such commitments, WTE Wassertechnik GmbH expects that the obligations arising from such contingent liabilities can be met by the respective principal debtors. The Company therefore judges that there is unlikely to be any risk of recourse with respect to notified contingent liabilities.

#### **11 Other financial commitments**

Other financial commitments as defined in § 285 (3) HGB are as follows:

Data in TEUR		of which relating to affiliated companies
Purchase commitments resulting from the construction of sewage plants, canal networks and other plants	8,978	0
Obligations arising from rental and lease agreements		
2017/18	806	0
2018/19	732	0
2019/20	40	0
2020/21	40	0
2021/22	40	0
	1,658	0

#### Comments relating to the income statement

#### **12 Sales revenue**

Sales revenue comprises 28.782 mill. EUR (previous year: 20.853 mill. EUR) respectively 20.632 mill. EUR (previous year: 35.037 mill. EUR) relating to the billing of construction and engineering services rendered under operating contracts, and for the billing of other plant projects. Sales of 5.626 mill. EUR (previous year: 4.565 mill. EUR) were realised in connection with plant management contracts and the performance of service management contracts. These sales revenues were generated abroad in the following countries:

Country	
Data in TEUR	
Russia	27,385
Cyprus	18,926
North Cyprus	4,326
Montenegro	1,443
Poland	867
Croatia	564
Czech Republic	464
Others	1,065
	55,040

In accordance with BilRUG, service and similar income of 1.617 mill. EUR is also included in the revenues for the first time. In the previous year, the corresponding total of 0.688 mill. EUR was reported under other operating income.

#### 13 Other operating income

Previous period income allocable to other financial years amounts to 0.835 mill. EUR (previous year: 0.714 mill. EUR). This results mainly from the reversal of provisions.

Currency exchanges led to gains of 0.172 mill. EUR (previous year: 0 EUR).

#### 14 Other operating expenditures

Currency exchanges led to losses of 0.461 mill. EUR (previous year: 0.113 mill. EUR).

#### 15 Income from profit/loss transfer agreements

Income from profit/loss transfer agreements includes an amount of 0.741 mill. EUR (previous year: 0.682 mill. EUR) transferred by WTE Betriebsgesellschaft mbH, Hecklingen.

#### 16 Amortisation of financial assets

Amortisation of financial assets amounting to 2.600 mill. EUR includes the value adjustment of the loan to WTE Otpadne vode Budva d. o. o., Podgorica/Montenegro.

#### 17 Interest and similar expenditures

Interest and similar expenditures include costs for compounding provisions amounting to a total of 63,000 EUR (previous year: 75,000 EUR). These apply to the compounding of pension obligations.

#### 18 Taxes relating to income and revenue

Taxes relating to income and revenue result mainly from foreign taxes on profits.

#### Other information

#### **19 Auditor's fees**

Information regarding the total auditor's fees, as calculated in accordance with § 285 (17) HGB, is recorded in EVN AG's group consolidated financial statement as of 30 September 2017.

#### 20 Headcount

The average number of persons employed by the Company was 146 (previous year 138).

	2016/17	2015/16
Engineers/technicians	78	72
Staff	47	47
Workers	21	19
	146	138

#### **21 Supplementary statement**

There were no events after the balance sheet date that had an impact on the results.

#### 22 Information regarding the consolidated financial statements/parent company

The Company is a group company of EVN AG, based in Maria Enzersdorf/Austria, which prepares the consolidated financial statements for the largest and smallest grouping of companies.

EVN AG, Maria Enzersdorf/Austria, provides the exempting consolidated financial statements and group management report according to § 291 (1) HGB. The exempting consolidated financial statements of EVN AG are prepared in accordance with International Financial Reporting Standards (IFRS) and published in the German electronic Federal Gazette.

#### 23 Members of the Executive Board and the Committee of Shareholders

#### Members of the Executive Board:

Ralf Schröder, Essen Graduated engineer (from 1 October 2017: Spokesman of the Executive Board)

Werner Casagrande, Vienna/Austria Master's degree (from 1 October 2017)

Franz Mittermayer, Vienna/Austria Graduated engineer (until 30 September 2017)

**Günter Zschabran**, Vienna/Austria Business graduate (from 1 October 2017)

Members of the Committee of Shareholders:

**Peter Layr** – Chairman – Maria Enzersdorf/Austria Graduated engineer (until 30 September 2017)

**Franz Mittermayer** – Chairman – Vienna/Austria Graduated engineer (from 1 October 2017)

**Stefan Szyszkowitz**, MBA, Maria Enzersdorf/Austria Master's degree

Felix Sawerthal, Maria Enzersdorf/Austria Jurist

Johannes Lang, Maria Enzersdorf/Austria Master's degree

Gerald Reidinger, Maria Enzersdorf/Austria Master's degree

AS set out in § 286 (4) HGB, no information is provided in respect of the remuneration paid to the members of the Executive Board and to former members of the Executive Board. For the latter, there are pension provisions amounting to 1.601 mill. EUR.

The members of the Committee of Shareholders did not receive any remuneration for their activities.

Essen, 17 November 2017

Ralf Schröder

Werner Casagrande

Günter Zschabran

## Auditor's report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of WTE Wassertechnik GmbH, Essen, for the financial year from 1 October 2016 to 30 September 2017. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with §317 HGB ["Handelsgesetzbuch: German Commercial Code"] and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer ("Institut of Public Auditors in Germany; IDW"). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of WTE Wassertechnik GmbH, Essen, in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 17 November 2017

KPMG AG Wirtschaftsprüfungsgesellschaft

IL

Velder Wirtschaftsprüfer [German Public Auditor]

Kaufmann Wirtschaftsprüfer [German Public Auditor]





# Contact

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We have put together this annual report with the greatest possible diligence, and have checked the data. Nevertheless, rounding off, compositor's or printing errors cannot be excluded. In the summing up of rounded amounts and percentages, the application of automatic calculation devices could result in rounding-off differences. This annual report also contains forward-looking statements, estimates and assumptions which are based on all the information available to us at the time when this document was completed. Such statements are typically made in connection with terms as "expect", "estimate", "plan", "anticipate" etc. We would like to point out that, due to a variety of different factors, the performance and results achieved by the company may differ from the expectations and forward-looking statements contained in this report. This annual report is also available in German. In case of doubt, the definitive version is the German one. Editorial deadline: 17 January 2018

