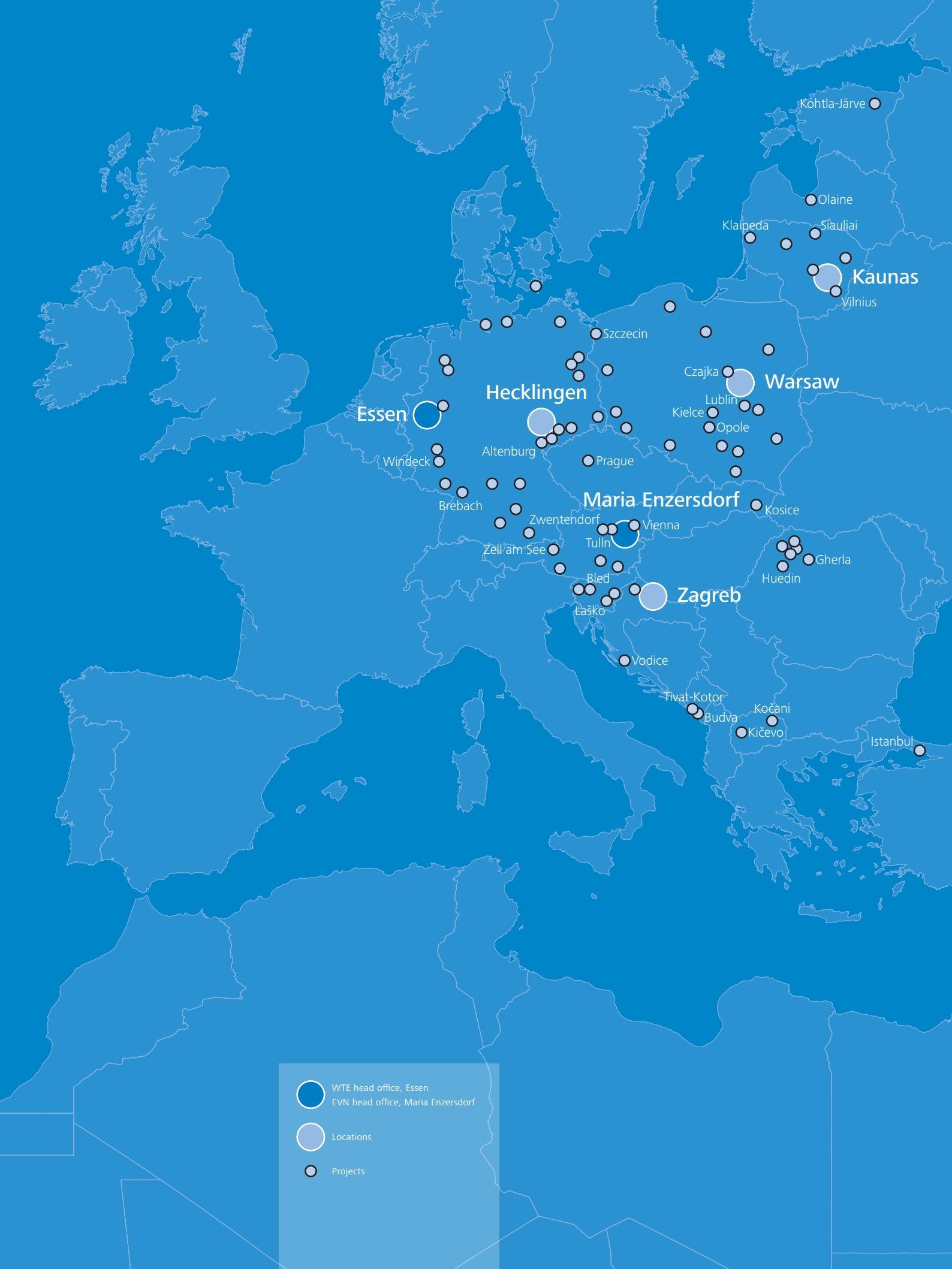


Optimisation. Responsibility. Future.

Annual Report 2018/2019





Moscow

Zelenograd
Ljuberzy
South-West
South Butovo
MSZ 3
Sodium hypochlorite
Kurjanovo

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Preface

Dear partners of WTE,

The WTE Group has achieved further growth on the basis of a very successful and expanding portfolio of national and international water technology projects with rising order volumes. We are meeting the increasingly complex challenges associated with the planning, construction and operation of plants in different regions around the world with efficient teamwork. Our specialists are being deployed to support very heterogeneous projects, which allows them to continuously expand their know-how and share it with other colleagues. We and our parent company EVN AG are introducing more international teams, such as the team in Tubli, Bahrain where our very best experts from Austria, Germany, Poland and Lithuania are collaborating with Bahrainis and Kuwaitis in one of the largest scale projects we have ever implemented. WTE is doubling the capacity of an existing wastewater treatment plant to 1.6 million PE (population equivalent) and building a sewage sludge drying and incineration plant in Tubli (Bahrain). The successful projects in the Gulf region are also evident in Kuwait, where the contract was awarded in January 2020. WTE is already operating the old plants there, and expanding wastewater treatment capacity by constructing a sewage treatment facility with a capacity of 500,000 m³/d (700,000 m³/d at the final completion stage). The total package also includes the operation of all wastewater treatment facilities for 25 years.

Taking on the role of investor in the field of sewage sludge mono-incineration plants for the first time, WTE has joined forces with HUBER SE to found sludge2energy GmbH (S2E), a company building mono-incineration plants directly on site at wastewater treatment plants, and own plants as an interregional provider for (third party) sewage sludge in a specific region. In the future WTE will have attractive reference projects of various sizes – from the small plant in Utena (2,500 t/TS) to the mid-sized facility in Halle-Lochau (> 35,000 t/TS) and the mega project in Tubli (15 MW).

There have been several successful projects in Poland, including the three new ones in Pruszków, Opole and Gdynia. This brings the total number of projects to extend existing plants and adapt them to EU regulations, including Stettin and Kęty, to five – with a total investment of approximately EUR 60 million. The turnkey handover of two more wastewater treatment plants in Kočani (North Macedonia) and Vodice (Croatia) has also taken place. The plant in Prague was completed and handed over to the customer after the scheduled one-year operation by WTE.

German poet and scholar J. W. von Goethe once wrote: “Knowing is not enough; we must apply. Willing is not enough; we must do.” This is also our approach to environmental protection, sustainability and energy efficiency – three issues which are quite rightly becoming increasingly important in this day and age. In the Croatian tourist destination of Varaždin an entire region has benefited from the involvement of neighbouring communities in our environmental projects, and tourists in the popular resort of Vodice on the Adriatic coast are profiting from the wastewater treatment plant that we built there. Environmental protection is also a key consideration in the North Macedonian town of Kočani, where the finished plant will be 55 percent self-sufficient as a result of sludge digestion, biogas utilisation and photovoltaics. All three projects are a reflection of the growing awareness for environmental protection, to some extent as the result of EU Directive compliance requirements, but also to satisfy the demands of tourists.

WTE believes that taking on environmental responsibility is also about promoting young and creative engineers through initiatives such as the 11th IWA European Young Water Professionals Conference in Prague in October 2019, which was attended by almost 200 water experts from throughout Europe and hosted more than 100 lectures and presentations. This is the eleventh time that WTE has supported this event designed to facilitate know-how sharing and network building among young professionals.

Let us optimise processes, assume responsibility and shape the future together.

With best wishes

Dr Ralf Schröder
(Spokesman of the Board)

Essen, February 2020



Werner Casagrande
Managing Director

Dr Ralf Schröder
Spokesman of the Board

Günter Zschabran
Managing Director

Mag. Werner Casagrande

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

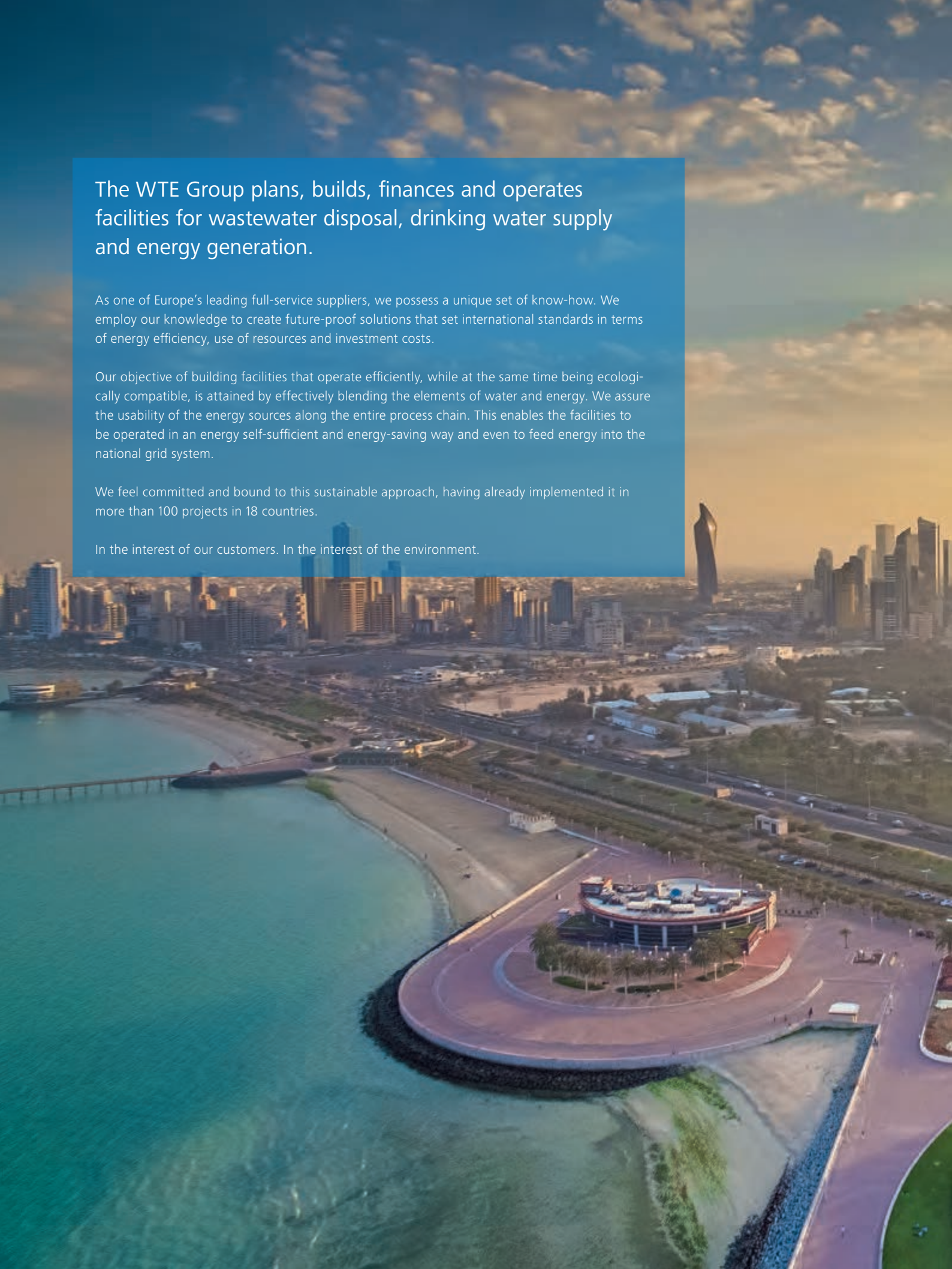
Dr.-Ing. Ralf Schröder

Managing Director since 2006 | Spokesman of the Board | 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 | Born 1960 |
Business graduate | Joined the WTE Group in 1996

Note: WTE has been part of the EVN Group since 01.10. 2003

An aerial photograph of a coastal city, likely Dubai, featuring a prominent circular building with a red roof on a peninsula. The building is surrounded by a red-paved walkway and greenery. In the background, a dense skyline of skyscrapers is visible under a blue sky with scattered clouds. The foreground shows the turquoise waters of the sea and a sandy beach.

The WTE Group plans, builds, finances and operates facilities for wastewater 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-proof 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 interest of our customers. In the interest of the environment.



Water towers in Kuwait city

An aerial photograph of a coastal town with a blue-tinted overlay. In the background, there are blue mountains and a large body of water with several islands. The foreground shows a town with buildings and a dirt road. A semi-transparent blue rectangle is overlaid on the middle of the image, containing the title and text.

Exploiting potential for optimisation

If you look beyond the present situation to include future developments and new technological capabilities in the project planning process, you benefit from shorter implementation times, cost savings and the legitimate confidence of your partners.



Wastewater treatment plant in Vodice (Croatia)

Forward planning is in the interest of all project stakeholders. Investors want to be certain that their money is being well spent. Companies that design, construct and operate plants have to be confident that their expertise and experience will enable them to rule out unexpected developments and deliver the best possible solutions. People in the regions where new projects are being developed – perhaps because they are part of the management team, or because they live, work or spend their holidays there – want to enjoy the promised benefits of the project, not to experience disappointments. In other words, it is all about trust in a better future and in important promises being kept. We keep our promises.

Although many of our projects are at greenbelt locations, or in the middle of the desert, there are also a great many important initiatives helping to elevate the status quo of existing plants to a new and better level. These include the introduction of modern methods and treatment technology, minor and major performance improvements, or the integration of additional functions such as sewage sludge incineration or composting, as well as the development of new renewable energy concepts that can lead to massive reductions in plant energy consumption.

You can't put life on hold – which is why existing plants generally cannot simply be shut down for modernisation or expansion work. The successful outcome of these projects depends on the vast expertise of everyone involved in the design, construction and operation. These people not only maintain the plant's operating capacity during the modernisation work but also ensure that the project is completed on time and within budget.

Best of the best

We benefit from the extensive know-how of our designers, technicians and engineers in new projects. When we are planning a new project team we make sure it includes the best of the best from our own ranks, including experts from our international projects.

Our project teams are generally multinational, interdisciplinary and have the necessary in-depth expertise to maximise efficiency. This allows us to work faster, which makes the project more cost-effective and generates genuine added value for our customers and partners.

Sustainable plant design

Sustainability is factored into the design process from the first day onwards. Not only do WTE's design teams assess the water treatment plant's current capacity and module requirements, they also project future trends and development potential on the basis of various criteria. They consider the present legal framework as well as expected or adopted legislative changes. Based on those



considerations they ensure that the plant designs incorporate specific options for future expansion. The finished facilities are thus ideally equipped for any modifications that become necessary in the future, and the enormous sustainability of their design gives investors and operators decades of investment security.

Optimisations during normal operations

It's all a matter of flow – and sometimes circumstances can change. For example, the volume of wastewater that is channelled into the plant for treatment can rise, or the level of contamination can increase as a result of new residents or changing consumer habits. Tighter regulations on sewage sludge treatment, climate change and rising temperatures are another reason why water treatment plants often have to satisfy new requirements.

Plant optimisations and modifications generally have to take place during normal operations. In these kinds of projects our experts are tasked with maximising plant efficiency with the appropriate adaptations while ensuring that concurrent normal operations are not interrupted.



Projects of this type currently being implemented by WTE include the modernisation and extension of the wastewater treatment plant in Sinaia, Rumania, the extension of the wastewater treatment plant in Varaždin, Croatia and the modernisation of the Polish wastewater treatment plants in Pruszków, Opole, Stettin and Kęty. Depending on the project objective, WTE uses secondary clarification, sludge treatment, biogas utilisation or mechanical equipment to optimise the plants.

One-stop design, build and operate solutions

In many of the projects where WTE is entrusted with plant design and construction, the engineers and technicians' work continues beyond the completion date because WTE often also operates the finished plants – in some cases for a year and in others for 25 years. In this respect WTE's philosophy differs considerably from the approaches taken by many other market players. We remain on site, assuming extended responsibility for the product of our work and that of our partners, to make sure that the plant is operating at maximum possible efficiency and not experiencing any problems.

IT modernisation provides an international boost

To maximise the performance of our water treatment plants and international project teams WTE has centralised its IT operations, thereby making a valuable contribution to leaner, more dynamic and more communicative projects. Now that the headquarters in Essen can access the servers at all WTE sites it is far easier to share large volumes of data within the Group and perform remote maintenance. The installation of leading standard software has also enhanced workflows. These investments reflect WTE's commitment to supporting modern work and communication processes in multinational collaborative teams.

An aerial photograph of an industrial complex, likely a water treatment plant, situated along a river. The facility includes several large buildings, a parking lot with cars and trucks, and a bridge crossing the river. In the background, there are lush green hills and a residential area with colorful houses. A semi-transparent blue box with white text is overlaid on the top left of the image.

Taking responsibility

Excellent know-how, initiative and dependability are core aspects of the international environmental responsibility that we assume – in the design, construction, financing and operation of our sustainable plants.



Wastewater treatment plant in Prague (Czech Republic)

If we want to maintain the Earth's balance and save mankind from exposure to increasingly severe acts of nature and environmental disasters, we have to step up our efforts to protect our planet's resources and use them more respectfully. Responsible and sustainable action at all levels is urgently necessary – not just action on an international scale but also, and more importantly, on a local scale. People identify most strongly with their local environment. This is also the place where they can make the most positive changes at a personal level.

More than 11,000 scientists issued a warning in the BioScience journal just before the UN's 2019 Climate Summit. They said that Earth faces a climate emergency unless there are major transformations to global society. A study conducted by the Swiss Federal Institute of Technology in Zurich has confirmed that temperatures in some European cities such as Paris will be as high as the temperatures in Canberra, Australia, by 2050. More than three-quarters of the world's 520 largest cities face similar upheavals. The EU hopes to achieve climate neutrality by 2050 with its climate protection targets. However, a UN study says that levels of climate-damaging emissions were higher in 2018 than ever before. According to a UN report, the national governments have to double their efforts if they are to achieve the two degree target at all. At the beginning of November 2019 the USA withdrew from the Paris Agreement.

We have to learn that everything is connected and that we have to change our behaviour and take immediate action. In its local projects WTE has been communicating this insight for many years, promoting sustainability and taking responsibility for the future in a number of different ways. Let's initiate change together.

More energy from renewable sources

WTE's views on sustainability are reflected in its strong commitment to upgrading plants for renewable energy generation. Our water treatment plants not only use photovoltaic technology, but also biogas and waste heat. The latter two are by-products of the treatment process and consistently reintroduced into the cycle. WTE integrates combined heat and power stations in the plants so that the biogas produced in the sludge treatment process can be used to generate power for the plant's own consumption. Biogas can also be effectively stored for conversion into heat, which can be used for applications such as sewage sludge drying. With these initiatives WTE is making an important contribution to resource conservation and a significant effort to reduce the use of fossil fuels.

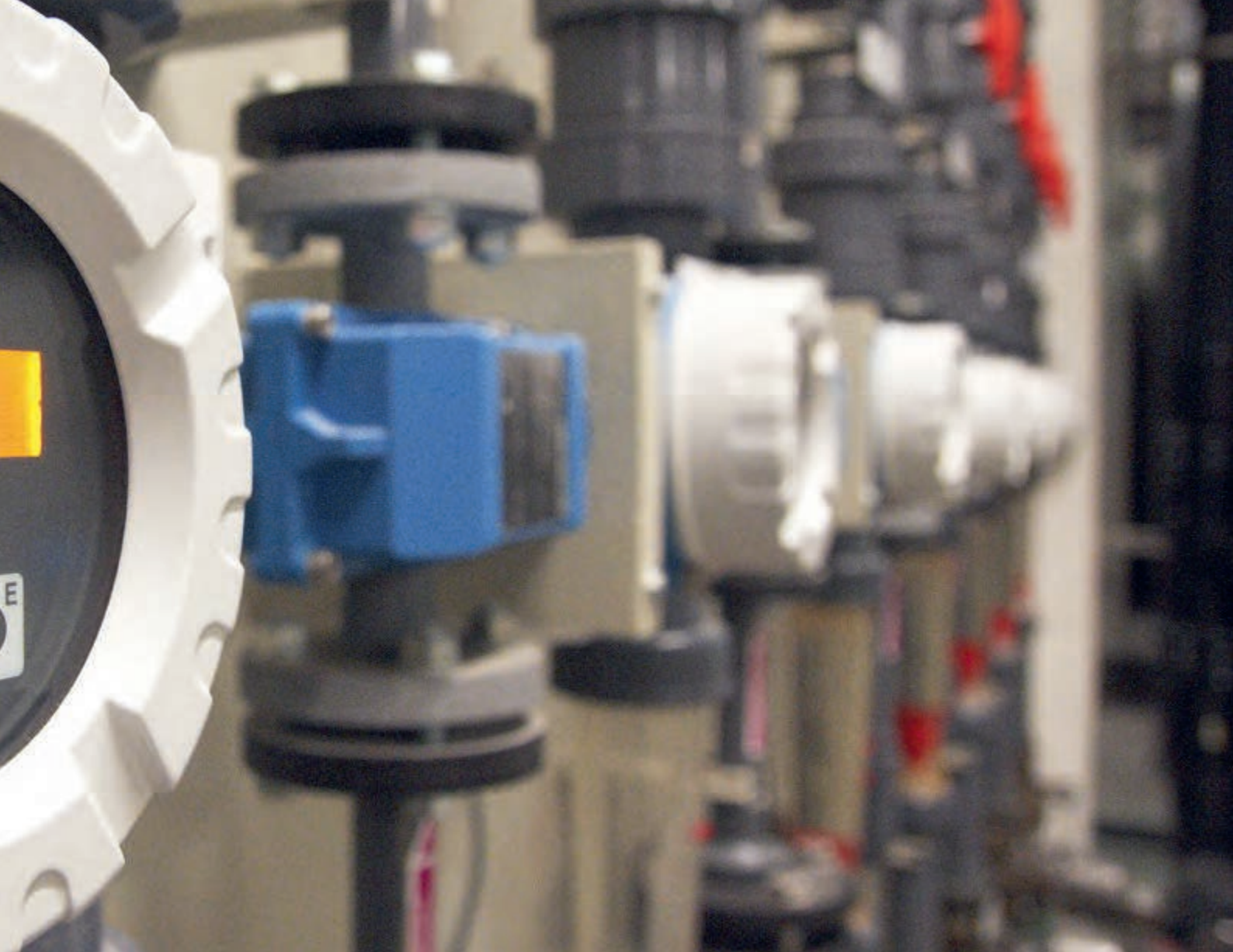
Focusing on sewage sludge treatment

The use of sophisticated technology to treat sewage sludge is also becoming increasingly important because sewage sludge doesn't have to be merely a problem, it can also be a solution. The main technological focuses are sludge composting, which enables the production of topsoil to develop more agricultural land, as well as the recovery of valuable substances from sewage sludge and the



conversion of sewage sludge into combustible material. Sewage sludge contains phosphorous, a mineral that is essential to plant growth, animal life and healthy bones and teeth in humans. However, naturally occurring phosphorous has already become a scarce resource. WTE's phosphorus recovery activities are therefore contributing to the solution of important future challenges. In the future we will have even more expertise in the field of sewage sludge incineration through the construction of smaller plants such as the one in Utena (Lithuania), mid-sized facilities like the one in Halle-Lochau and large-scale projects such as Tubli (Bahrain), whereby our share of the investment varies.

Sewage sludge disposal problems as a result of new regulations under the Sewage Sludge Directive and fertiliser legislation have shifted attention to technologies already incorporated in many of WTE's planned and existing plants, which will soon be standard practice, such as the incineration of dried sewage sludge for the purpose of heat recovery. The recovered heat is then reintroduced into the process and used to dry the sludge. It can also be used for district heating, or to produce the steam that drives the turbines which generate electrical energy. In the knowledge that



WTE guarantees zero-emission incineration, operators have been reducing their energy consumption for a long time and are already compliant with new requirements due to be introduced in 2029 for 100 % of sewage sludge to be treated in thermal incineration plants, including phosphorous recovery.

Another important aspect of incineration is that it prevents the reintroduction of additional microplastics, hormones and other unwanted substances into the waters. Although today's treatment stages are not capable of filtering these substances, it is possible to eliminate them through incineration of the sewage sludge. Studies conducted by Newcastle University (Australia) have revealed that we ingest up to five grams of microplastic a week from the foods we eat, the water we drink and the air we breathe. Bearing that in mind, sewage sludge incineration makes an important and responsible contribution to reducing microplastic pollution.

Responsibility is also about taking the initiative

WTE is used to embracing challenges. One such challenge is in Halle-Lochau, in the German state of Saxony-Anhalt, where the joint venture company we founded with HUBER SE, sludge2en-

ergy GmbH (S2E), has commenced construction of a sewage sludge mono-incineration plant. We are deploying our own capital and expert know-how, and safeguarding our investment through long-term contracts with the surrounding municipalities which will deliver the sewage sludge, to construct an ultra-modern incineration plant with fluidised bed furnace that will solve disposal problems, be capable of adapting to regulatory changes in the future and be a pioneer for green sewage treatment technology.

In the future WTE will be investing in all business segments, including water treatment plant construction projects, which it will then operate on a long-term basis. As the executing company this is an opportunity for us to make a very sustainable investment, establish long-term planning horizons and select components with exceptionally long lifespans that deliver genuine value stability. It is a solid win-win situation for all project stakeholders because the plant is handed over to the local authority after the agreed period in a sound and sustainable condition.

Shaping the future

Our future will be multifaceted. There will be risks, and we will have to be ready to adapt. But there will also be achievements and, to some extent, the future is plannable. Consequently we are designing projects, setting benchmarks and thoroughly enjoying the process of working towards successful outcomes.





Our team at the construction site for the wastewater treatment and sludge incineration plant in Tubli (Bahrain)

Today's globalised world makes it necessary to be increasingly international, intercultural and connected. Human knowledge has increased exponentially. At the same time, we are facing new challenges of a nature that didn't even exist a few years ago – and intelligent solutions to those challenges have to be found as quickly as possible. One good thing about globalisation is that it empowers us to develop and implement collective international and intercultural solutions that benefit our planet.

Our successful activities in the Gulf region and in Eastern Europe are good examples of collaborative achievements, as are our ongoing partnerships with universities, institutes and government ministries, and our funding of research projects and feasibility studies. The development of greener solutions is dependent on dedicated research and continuous process optimisation – and this also applies to the ultra-modern purification, elimination and recovery of various substances from wastewater.

These activities are helping WTE to continuously expand its knowledge base and prepare for the development of solutions to future challenges that reflect the highest scientific and technological standards.



Special achievements in the Gulf region

There were many successes, large and small, for WTE in the past financial year, including the start of the contracts for the projects in Tubli (Bahrain) and Umm Al Hayman (Kuwait). The general contractor assignment in Bahrain involves doubling the capacity of the existing sewage treatment plant to 1.6 million PE and the construction of a sewage sludge drying and incineration plant with a total contract value of EUR 179 million. In Kuwait, WTE has overall responsibility for a very ambitious wastewater treatment project with a construction contract value of almost EUR 1.6 billion (not including financing and operating costs). (See page 22, Kuwait contract). These two large-scale projects and our solid positioning make it possible for us to provide multi-million euro guarantees and have allowed us to strengthen our relationships in the Gulf region. Now we are looking forward to the undertakings ahead of us, which will provide many improvements for local citizens.

TSE – Treated Sewage Effluent

The world's largest consumer of drinking water is the agricultural sector, which uses the water for crop irrigation. In Kuwait the project being implemented by WTE will provide farmers with specially processed wastewater which they can also use as fertiliser. Other direct applications for processed wastewater are park irrigation and road construction.

Purify, eliminate or recover

When we are working on collective solutions we don't just focus on climate change and the harmful greenhouse gases that are causing it. It's also important to consider the various water-borne emissions and pollutants, and develop solutions to either eliminate them from the places where they don't belong or prevent them from entering the water in the first place.

Spreading liquid manure on cropland is a problem in Germany and elsewhere because the nitrate it contains has been leaching down into the deeper layers of the soil for years, causing a threat to our groundwater. At the same time, anti-corrosion agents



and pharmaceuticals such as Diclofenac, an active ingredient in many topical pain-relieving products, are getting into our drinking water cycle. According to researchers, 90 percent of the substance enters the cycle when users wash their hands after applying the ointment. Conventionally designed wastewater treatment plants are not able to effectively eliminate these newer substances. Even ozone treatment and charcoal filters do not guarantee their complete removal and they are also cost-intensive. The cost of the corresponding upgrades at wastewater treatment plants in Berlin has been estimated at approximately EUR 1.5 billion.

In addition to the recovery of phosphorous from sewage sludge ash, which is not yet especially profitable but already practiced by WTE, the company is focusing on two further processes which will contribute to the stable quality of drinking water in the future: nitrate removal and nitrogen elimination – two of many intensive research projects that we are conducting with a total of six universities.

Mindfulness is fundamental to environmental awareness

It takes some degree of mindfulness to understand and want to protect the environment, monitor and improve processes, ask the right questions and drive innovations. A good way to achieve this mindfulness is to gain a good understanding of ourselves, appreciate the processes that take place in our own minds and bodies, and actively control them. For these reasons, and with the objective of improving the workforce's health and well-being, WTE introduced a company health management scheme in the period under review. The options include flexitime and home office working, advice on healthy eating, meditation and relaxation exercises and are very popular with staff. As WTE is becoming an increasingly international organisation we are supporting the intercultural competence of our employees to a greater extent to ensure that they are optimally prepared for our future international projects and for more sustainable, trust-based, pro-active and successful partnerships around the world.



Our specialists are being deployed to support very heterogeneous projects, which allows them to continuously expand their know-how and share it with other colleagues. We and our parent company EVN AG are introducing more international teams, such as the team in Tubli, Bahrain.



WTE Group highlights for the financial year 2018/2019

Interest in the implementation of water technology projects continues unabated throughout the world. This trend is facilitated by the current EU standards, the rising expectations of residents and tourists and the growing global importance of environmental protection.

Aquisition

Umm Al Hayman (Kuwait)

In addition to processing existing orders, WTE Wassertechnik GmbH focused on the acquisition of the project in Kuwait in the reporting period. In the period under review progress was made in the preparations and exclusive negotiations – in the area of project financing, for instance – for the large-scale wastewater treatment project. The necessary project company has now been established with Kuwaiti institutions as the majority shareholders and WTE as a minority shareholder. The operational management of an existing wastewater treatment plant was also transferred to WTE at the beginning of April 2019. On 23 January 2020 the Ministry of Public Works in Kuwait and the project company which was established for this project (in which WTE has a 20 % direct shareholding) signed the Agreement on the Setup and Implementation of the Waste Water Processing Project within the framework of a public private partnership.

The execution of this agreement is subject to various customary conditions precedent, notably the conclusion of the negotiated financing and guarantee contracts. Fulfilment of the conditions precedent is expected in the near future.

As general contractor, WTE will be responsible for the planning and construction of a wastewater treatment plant (contract value equivalent to around EUR 600 million) and – with partners – a sewer system with pumping stations (contract value equivalent to around EUR 950 million).

The project implementation phase is scheduled to be 30 months for the wastewater treatment plant and four years for the sewer system with pumping stations. Then WTE will operate the wastewater treatment plant for 25 years and the sewer system for three years.

New projects

Utena (Lithuania)

WTE was a member of the consortium that was awarded the contract to construct the first sewage sludge incineration plant in Lithuania at the 100,000 PE wastewater treatment plant in Utena in March 2019, taking the WTE Group another step forward in the process of establishing relations with the Lithuanian water management sector. Now that the financing is in place, the contract has entered into force. The commencement date has been established as 19 August 2019. Construction work is expected to commence in early 2020. The EU co-financed project with a capacity of 6,700 kg DS/d (dry substance) is scheduled to be completed within a 22-month timeframe. By constructing this facility the WTE Group is making an important contribution to reliable sludge disposal in the region.

Sinaia (Rumania)

At the beginning of June 2019 the WTE Group was awarded the contract to modernise and extend the wastewater treatment plant in Sinaia as part of a consortium with the Rumanian construction company Constructii Erbasu. The plant has a total capacity of 34,150 PE or 6,680 m³/d. In addition to mechanical and biological wastewater treatment systems, with nitrogen and phosphorous elimination, a sewage sludge treatment facility with sewage sludge drainage will also be built. The plant will be completed within two years, after which it will undergo test operation for a one-month period followed by a 12-month performance test phase. The total contract volume is approximately EUR 4.6 million and the majority of the project financing will come from the EU Cohesion Fund.

Varaždin (Croatia)

At the end of August 2019 the contracts were signed for the turnkey extension of the wastewater treatment plant in Varaždin. The client is Varcom AG. In a consortium with GIS Aqua, WTE will be responsible from now on for the new construction of the third treatment stage and sludge treatment. The construction phase of this environmental project is 26 months, after which WTE will operate the plant for one year. Capacity will be increased to 127,000 PE, the resulting sewage sludge will be dewatered,

digested and energetically utilised as biogas. The project budget of approximately EUR 21.5 million is being provided by the EU Cohesion Fund.

Pruszków (Poland)

In the first stage of this project WTE has already modernised the Pruszków wastewater treatment plant in a consortium with WTE-PORR. The conversion work was completed in Pruszków at the end of 2015. The existing plant has a capacity of 256,000 PE or 47,185 m³/d.

Another contract was awarded on 7 March 2019 for a second modernisation project at the wastewater treatment plant. It includes the intake group (primary clarifier) and sludge treatment (sludge thickener and sludge pump system). The client, MPWiK Warsaw (Municipal Water and Wastewater Department), is making an investment of around EUR 3.4 million.

Opole (Poland)

In the first stage of this project WTE has already modernised the Opole wastewater treatment plant in a consortium with WTE-Energopol. The plant was finished in 2002 and has now been in regular operation for more than 15 years. The client for the new project is PWiK Opole (Opole Water Supply and Wastewater Disposal Company) and it is making an investment of around EUR 32 million. On 17 April 2019 WTE was awarded the contract for the further modernisation and extension of the wastewater treatment plant. It includes the intake group, the extension and modernisation of the laboratory, secondary clarification and sludge treatment systems, and a modern monitoring and control system. PWiK Opole also has absolute confidence in WTE's know-how on the utilisation of biogas obtained from sewage sludge. The plant capacity is currently being increased from 175,000 PE to 245,000 PE. The modernisation and expansion project at Opole will be completed in mid-2022.

Gdynia (Poland)

In November 2018, the WTE Group received an order from its Polish subsidiary to increase sludge treatment capacity at the plant in Gdynia. The contract is being executed by WTE Polska as consortium leader and the Stettin-based company PUH Rusiecki for Pewik Gdynia (Municipal Water and Wastewater Department). WTE will be constructing three additional sludge digesters, each with a volume of 6,400 m³. It will also be constructing a technical building to house the additional mechanical equipment and integrate it in the existing control systems. The planning and construction period for the entire project will be 36 months, with an investment volume of approximately EUR 16 million. Construction work is on schedule.

Projects in progress

Tubli (Bahrain)

The contract for the Tubli project in Bahrain was signed at the beginning of September 2018. The general contractor assignment envisages doubling the capacity of an existing wastewater treatment plant to 1.6 million PE. The contract also includes the construction of a sewage sludge drying and incineration plant at the same site. The project is to be completed within 36 months and represents an investment of approximately EUR 179 million. It will be implemented with local partners, and financing is provided by the client. Upon completion of the project WTE will operate the plant for ten years.

The official commencement date has been established as 25 November 2018. The construction site has been set up, the WTE office has been moved to a container village on the site, construction work packages have been assigned and the time schedules have been agreed.

Stettin (Poland)

In May 2018, the WTE Group received an order from its Polish subsidiary to expand the sludge treatment facility at the plant in Stettin-Pomorzany. Together with our consortium partner, PUH Rusiecki, WTE will construct an additional sludge digester with a volume of 5,000 m³. In addition, WTE is responsible for supplementing the technical equipment in a separate building and integrating it into the existing measurement and control technology. The planning and construction period for the entire project will be 36 months, with an investment volume of approximately EUR 3.6 million. The client is the Stettin Municipal Water/Wastewater Department ZWiK Szczecin. A few years earlier WTE built the wastewater treatment plant as part of an international consortium, culminating in a turnkey handover in 2010. Planning, construction and installation work are going to plan.

Kęty (Polen)

WTE Wassertechnik (Polska), Warsaw, signed the contract for the modernisation and extension of the Kęty wastewater 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 process including drainage and digestion as well as the subsequent biogas utilisation. The planning and construction period is 27 months. The investment of just under EUR 5 million is co-financed by the European Cohesion Fund. An addendum regarding the integration of a new sludge thickener was established in October 2018. Construction and installation work are both on schedule.

Kočani (North Macedonia)

In Kočani, WTE built a wastewater treatment plant for 65,000 PE with mesophilic sludge treatment (sludge digestion) followed by sludge composting. The project had a contract value of EUR 14.7 million and was funded by the State Secretariat for Economic Affairs (SECO), Switzerland. The client has initiated an additional four contract extensions which have been integrated in the implementation. The technical acceptance procedure with the client for all construction and installation work took place in April 2019. The opening ceremony for the Kočani Wastewater Treatment Plant was held on 12 July 2019, attended by the North Macedonian state premier, the Deputy Minister for Environmental Affairs and Planning, the Swiss ambassador and the Mayor of Kočani. This successfully implemented project is the fourth wastewater treatment plant that the WTE Group has built in North Macedonia. The project makes an enormous contribution to environmental protection and is an important step for North Macedonia on the way to EU accession.

Šibenik (Croatia)

At the beginning of June 2016, WTE was awarded a contract by Vodovod i odvodnja Šibenik in Croatia to build a wastewater treatment plant for the "Vodice–Tribunj–Srima" wastewater project. Under the contract WTE was required to deliver a turnkey wastewater treatment plant in Vodice with a capacity of 20,000 PE and 4,620 m³/d. In addition to mechanical and biological wastewater treatment, the project also includes sewage sludge drainage. Co-financed by the EU Cohesion Fund, this environmental project was completed within 25 months. The wastewater treatment plant will contribute significantly to improving the water quality of the Adriatic. It underwent a nine-month test operation phase commencing in April 2018 prior to the technical acceptance procedure. The taking over certificate was officially issued on 12 January 2019.

Prague (Czech Republic)

The official opening of the newly built wastewater treatment plant in the Czech capital of Prague took place on 19 September 2018. WTE operated the large-scale wastewater treatment plant with a capacity of 1.2 million PE for a 15-month period until the end of 2019.

Budva (Montenegro)

In the period under review WTE conducted negotiations with the municipality of Budva and the Republic of Montenegro on the premature termination of the Montenegrin wastewater treatment plant project. WTE's claims are secured in part by a guarantee of the Republic of Montenegro and in full by further guarantees of the municipality of Budva and the Federal Republic of Germany.

Outlook

The WTE Group is in the final bid evaluation for several projects. WTE continues to participate in tenders for water treatment plants in the core markets of Poland, Croatia, North Macedonia, Cyprus and Lithuania.

sludge2energy GmbH (S2E), a joint venture between WTE Wassertechnik GmbH and HUBER SE, is also constructing a sewage sludge incineration plant at the Halle-Lochau landfill site in Saxony-Anhalt, Germany. The ground-breaking ceremony took place in September 2019. The client and owner S2E is investing around EUR 18 million. Excavation work has already commenced and the first contracts have been awarded. The plant will go into operation at the end of 2020 and have the capacity to incinerate between 30,000 and 35,000 tons of dewatered sewage sludge to obtain ash containing phosphorous. The next step is the commercially viable and ecologically safe recovery of essential phosphorous from the sewage sludge ash.

Development of an advanced infrastructure supports the Vision Kuwait 2035

One of the world's largest wastewater treatment projects for supplying agriculture and industry is under development in Umm Al Hayman

Shaping the future of a growing society

Kuwait has one of the fastest-expanding economies in the world and a population that is growing at a rate of around 3 % per annum. This is the reason why the Kuwaiti government has committed to establishing an advanced infrastructure and creating sustainable areas in the regions. One part of this project, the implementation of state-of-the-art wastewater treatment methods, is of tremendous importance for the Gulf state's future development.

In a beacon project, the emirate is now beginning with the expansion of wastewater treatment plants and a transport network to ensure the supply of highest-standard treated sewage effluent (TSE) for agriculture, vegetation and industry in an entire region. As part of a public-private partnership (PPP) project with the Ministry of Public Works in Kuwait, WTE is responsible for the smooth planning and implementation of the wastewater treatment project. A time frame of 30 months is planned for the wastewater treatment plant and of 48 months for the sewer network with pumping stations for wastewater and TSE. WTE will subsequently operate the sewage treatment plant for 25 years and the sewer network with pumping stations and reservoirs for three years. On the basis of a combined contract model (DBO (design build operate) and BOT (build operate transfer)), WTE will also partially assume the role of general contractor and participate in financing the plants.

Biogas from wastewater delivers green energy

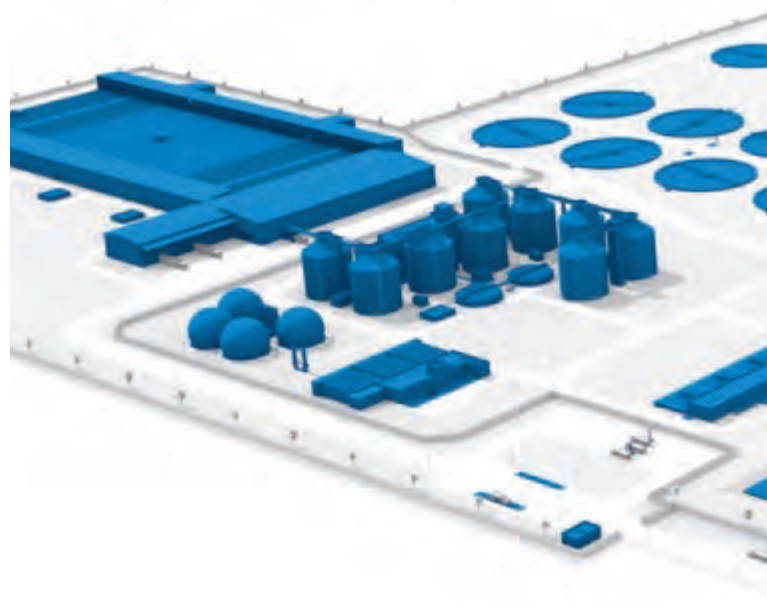
The centrepiece of the project is a wastewater treatment plant designed to handle 500,000 m³ per day, enough for 1.7 million people, and which is suitable for expansion at a later date. It is part of a 450 km-long network of wastewater and TSE pipelines, pumping stations and huge reservoirs. The wastewater treatment plant will also have its own 300 kV transformer station as well as a 5 km-long sea outlet pipe, which will stretch over 2 km into the sea using offshore microtunnel technology.

The two reservoirs alone, with their respective capacities of 160 and 100 thousand cubic metres and one of the world's biggest pumping stations with a flow rate of 8.3 m³/s at a delivery head of approx. 140 m, already give an impression of the dimensions of the project, which is also designed so that it can be expanded.

In a three-stage wastewater treatment process, by means of microbiological degradation, the plant produces its own biogas in such quantities that it can cover a large proportion of the energy requirements.

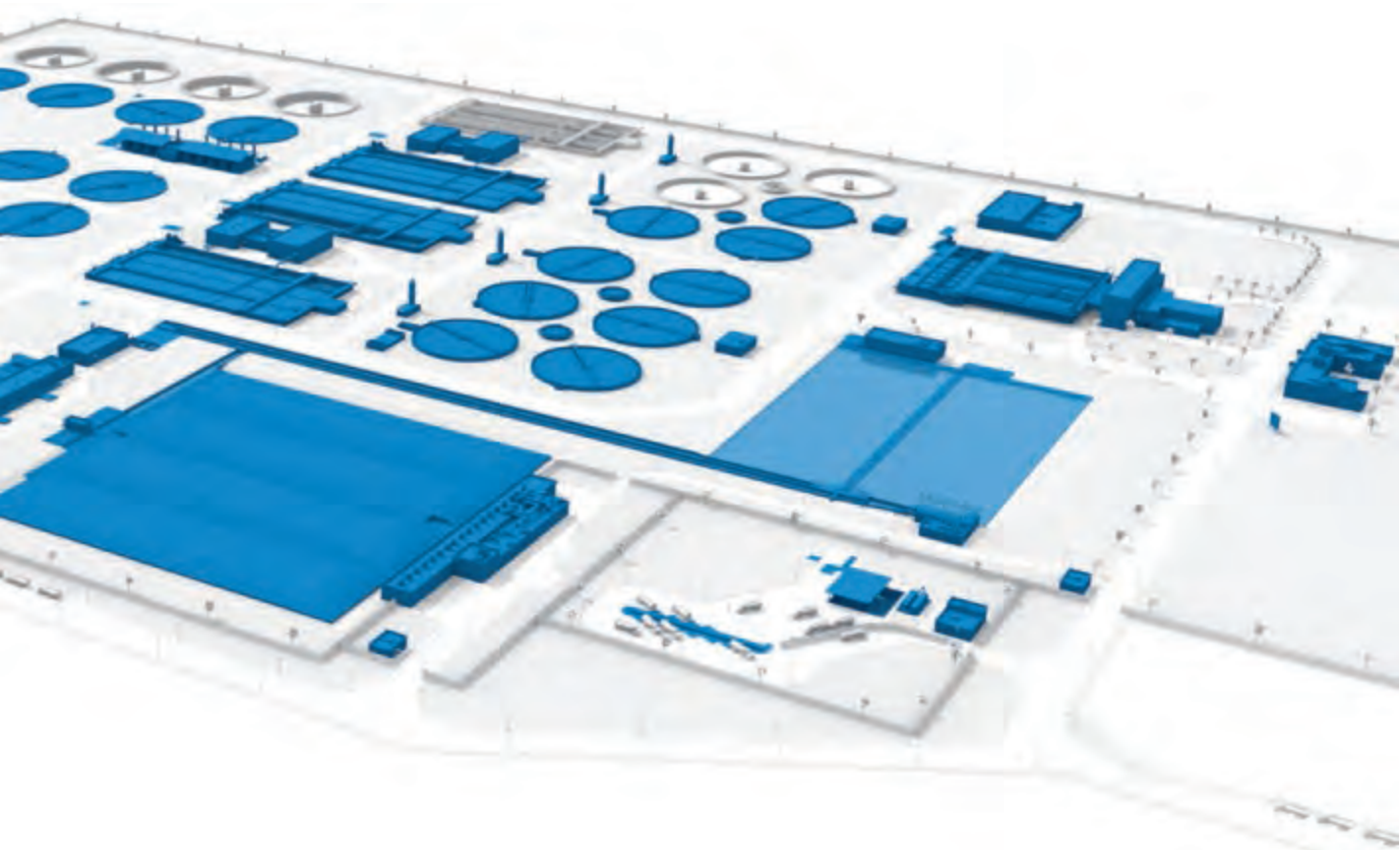
The sewage sludge produced at the wastewater treatment plant is composted in a fully automatic plant for use in agriculture and landscaping.

With these enormous CO₂ savings, the 100 % use of the treated wastewater, together with the significant reduction in the region's demand for costly desalinated drinking water, the plant makes a major contribution to Kuwait's national energy efficiency strategy. WTE is supplying a complete package from wastewater collection, purification and distribution, through to energy generation and operation of the plant as a one-stop solution, and thus also offers its partners the greatest possible safeguards against downtimes.





In Kuwait, WTE will be the general contractor responsible for the planning and construction of a wastewater treatment plant (contract value of around EUR 600 million) and – together with partners – a sewer network with pumping stations (contract value of around EUR 950 million). WTE will subsequently operate the wastewater treatment plant for 25 years and the sewer network for three years.



Management report

Management report for the financial year 2018/2019

1. Corporate principles

1.1 Business model and corporate strategy

WTE Wassertechnik GmbH (WTE), Essen, is one of the leading companies in the European water and environmental industry. It operates on a sustainable basis as an investor and operator of drinking water and wastewater treatment plants as well as in sludge drying, incineration and energy-generating plants, both directly and via affiliated/associated companies. WTE also offers individual financing options and the management of plants and networks over longer periods. WTE's shares are held in full by EVN Beteiligung 52 GmbH, Maria Enzersdorf/Austria, an EVN AG group company. The Company operates in the EVN environmental division's core business segment as part of the water/wastewater business unit, with additional heat recovery activities. WTE's value chain extends from project development to planning, construction, financing and operational management. Operational management of completed plants, as well as water supply and wastewater disposal systems, are handled by the subsidiary WTE Betriebsgesellschaft mbH, Hecklingen, (WTEB). Additional municipal and commercial functions, such as the management of fees and contributions, are also handled by the Hecklingen subsidiary. In certain cases, WTE also charges for operational management services.

WTE has already implemented more than 100 projects in 18 countries and set up permanent establishments in ten of those countries. The Company's main target markets are the countries of Central, East and Southeast Europe, as well as the Gulf region. WTE supports new EU Member States and Accession States to achieve their objective of complying with EU directives on water supply and wastewater disposal.

WTE makes a significant contribution to fulfilling EU regulations and safeguarding public services and healthcare by way of project-specific full-service models (plan, build, finance, operate).

Our clients are 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 authorities as well as committees of experts specifically convened to decide on one or more projects. The Europe-wide tendering processes usually involve engineering firms that monitor the compliance of planning and execution activities 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.

Other project partners are banks and international financial organisations such as EBRD and the World Bank, or the German federal state authorities which provide financial guarantees for foreign investments.

WTE manages the interfaces between the individual project participants, including not just the client, but also all other stakeholder organisations, without which project execution would be more or less impossible.

Environmental protection

WTE was quick to establish a comprehensive environmental management system 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 257,000 EUR in the 2018/2019 financial year and mainly related to two current projects: the joint project 'automated microbial fuel cells (MFC) with further gas utilisation in municipal wastewater treatment plants' and a project involving the patented ANELIS Advanced Nitrogen Elimination System (a 'process and reactor for biological nitrogen elimination with autotrophic ammonium oxidation and subsequent denitrification') which follows on from the NELIS (Nitrogen Elimination System) project.

On 1 September 2018, WTE Wassertechnik GmbH started a new research project concerning the production of energy from wastewater together with Awite Bioenergie GmbH, Langenbach/Bavaria and the Department of Urban Water Management at the Ruhr University Bochum. The German Federal Ministry of Education and Research-funded project 'automated microbial fuel cells (MFC) with further gas utilisation in municipal wastewater treatment plants' (AGaBZ) has a duration of two years and is part of the SME funding measure 'KMU-innovativ: resource efficiency and climate protection'. In this joint project, microbial fuel cell (MFC) technology will be scaled to 1,000 L and piloted under practical conditions at the Hecklingen wastewater treatment plant. Key innovations include microbial fuel cell automation strategy taking into account seasonal changes in variable wastewater compositions, the development of a utilisation strategy for the resulting MFC gas and a review of the economic viability of the process.

In WTE's ANELIS research project (patented since 2017) a process was developed for the extensive microbiological purification of nitrogenous groundwater. The project's working title was given the acronym of NELIS. It is being implemented in close collaboration with the University of Duisburg/Essen and scientifically supervised. In addition to extensive laboratory tests a semi-technical pilot plant with 4500 L was set up and successfully operated this year. A patent application has been submitted by WTE.

The scientific results obtained in the joint project IBAS are currently being used as the basis for an article in the reputed Chemical Engineering Research and Design journal entitled 'Design of a 1,000 L pilot-scale airlift bioreactor for nitrification with application of a three-phase hydrodynamic mathematical model and prediction of a low liquid circulation velocity'. IBAS (innovative biological wastewater treatment system with functionally differentiated biofilm reactors) was implemented in conjunction with MARTIN Membrane Systems AG (MMS) and the Research Institute for Water and Waste Management (FiW). It was funded by the German Federal Ministry of Education and Research and successfully completed at the beginning of 2019.

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.

Financial indicators are particularly important as control instruments. They specifically include the order intake and order volume, the aggregate operating performance (revenue plus inventory changes) and EBIT (earnings before interest and tax).

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

2. Business review

2.1 Economic and sector-specific framework conditions

The following facts from the Political Memorandum 2019 published by DWA (the German Association for Water, Wastewater and Waste) are also relevant for WTE.

The German water management sector employs about 250,000 people. Approximately EUR 4.5 billion are invested each year in the wastewater sector; almost a third of this in wastewater treatment and over two thirds in wastewater disposal. The 9,105 wastewater treatment plants have a total capacity of 152 million PE, and are served by a sewer system of 594,335 km in length and a (water) pipeline system of approximately 1 million km in length. The annual wastewater volume amounts to approximately 10 billion m³ per year. Around 1.5 TWh of electricity is generated from sewage gas in wastewater treatment plants. 1.7 million tons of sewage sludge accumulate annually, of which approximately 70 % is incinerated. 21 mono-incineration plants and 7 incineration plants for industrial sludge with a capacity of approx. 700,000 t/a of dry matter are available. The collective incineration capacity of power stations and cement works is up to 1.34 million tons.

Water is an important resource for our entire society. By ensuring the constant availability and usability of water, the German water sector makes an important contribution to the health and quality of life of the population and to industrial and commercial competitiveness. However, the water sector faces some major challenges in many areas, including the consequences of last year's drought, or new requirements such as phosphorous recovery and also in adapting to demographic change. At the same time, the preservation of the water management infrastructure represents a very substantial asset that must not be neglected. Furthermore, it is necessary to take the needs of the water sector into account in other policy areas. Key areas of action in the field of water management are:

- Continued development of the Water Framework Directive and the Urban Wastewater Directive
- Addressing the agricultural policy reform – taking water protection into account
- Reduction of anthropogenic substance, microplastic and resistant bacteria inputs into the water cycle
- Reform and simplification of wastewater charges
- Taking climate change seriously
- Efficient handling of digitalisation and the associated challenges for the water industry
- Ensuring the sustainable, cost-effective and safe disposal of sewage sludge

2.2 Business review

The new contracts for environmental projects awarded in the 2018/2019 financial year in Southeast Asia are further proof of the WTE Group's competence.

The order intake amounted to EUR 87.4 million. On 30 September 2019, the order volume was EUR 356.9 million.

The order volume on the reporting date essentially comprises the Tubli (Bahrain) project.

In addition to the execution of projects already in progress, WTE Wassertechnik GmbH focused on the closing of the contract for the Umm Al Hayman project in Kuwait in the period under review. On 23 January 2020 the contract for the construction of the wastewater treatment plant and sewer system (PPP contract) was signed in Kuwait by the Ministry of Public Works and the UMM AL HAYMAN FOR WASTEWATER TREATMENT COMPANY K. S. P. C. (project company). After that the contract between the project company and WTE Wassertechnik GmbH, Kuwait branch on the construction of a wastewater treatment plant with a contract volume of 208.2 million KWD (equivalent to around EUR 621 million on 23 January 2020) was signed. The final contract as agreed with the client and the banks for the construction of the sewer system will be signed as soon as the process of establishing the DBO company (a project company subsidiary) is completed.

WTE was a member of the consortium that was awarded the contract to construct the first sewage sludge incineration plant in Lithuania at the site of the 100,000 PE wastewater treatment plant in Utena in March 2019, taking the WTE Group another step forward in the process of establishing relations with the Lithuanian water management sector. Now that the financing is in place, the contract has entered into force. The commencement date has been established as 19 August 2019. Construction work is expected to commence in early 2020. The EU co-financed project with a capacity of 6,700 kg DS/d is scheduled to be completed within a 22-month timeframe. By constructing this facility the WTE Group is making an important contribution to sludge disposal security in the region.

At the beginning of June 2019 the WTE Group was awarded the contract to modernise and extend the wastewater treatment plant in Sinaia/Rumania in a consortium with Rumanian construction company Constructii Erbasu. The plant has a total capacity of 34,150 PE or 6,680 m³/d. In addition to mechanical/biological wastewater treatment systems with nitrogen and phosphorous elimination, a sewage sludge treatment facility with sewage sludge drainage will also be built. The plant will be completed within two years, after which it will undergo a 1-month trial operation followed by a 12-month performance test phase. The total contract volume is approximately EUR 4.6 million and the majority of the project financing will come from the EU Cohesion Fund.

At the end of August 2019 the contracts were signed for the turnkey extension of the wastewater treatment plant in Varaždin/Croatia. The client is the utility company Varcom AG. WTE and Croatian company GIS Aqua are the consortium partners responsible for the new development of the third treatment stage and sludge treatment facility. The environmental project will be completed within a 26-month timeframe, after which it will be operated by WTE for 1 year. Capacity will be increased to 127,000 PE, the resulting sewage sludge will be dewatered, digested and used to produce biogas. The approximately EUR 21.5 million budget is being partly funded by the EU Cohesion Fund.

The contract for the Tubli project in Bahrain was signed at the beginning of September 2018. The general contractor assignment envisages doubling the capacity of an existing wastewater treatment plant to 1.6 million PE. The contract also includes the construction of a sewage sludge drying and incineration plant at the same site. The project is to be completed within 36 months and represents an investment of approximately EUR 179 million. It will be implemented with local partners, and financing is provided by the client. The official commencement date has been established as 25 November 2018. After project completion WTE will operate the facility for 10 years.

In Kočani/North Macedonia, WTE built a wastewater treatment plant for 65,000 PE with mesophilic sludge treatment (sludge digestion) followed by sludge composting. The project, which had a contract volume of EUR 14.7 million, is funded by the State Secretariat for Economic Affairs of Switzerland. The client has initiated an additional four contract extensions which have been integrated in the implementation. The technical acceptance procedure with the client for all construction and installation work took place in April 2019. The opening ceremony for the Kočani Wastewater Treatment Plant was held on 12 July 2019, attended by the North Macedonian state premier, the Deputy Minister for Environmental Affairs and Planning, the Swiss Ambassador and the Mayor of Kočani. This successfully implemented project is the fourth wastewater treatment plant that the WTE Group has built in North Macedonia. The project makes an enormous contribution to environmental protection and is an important step for North Macedonia on the way to EU accession.

At the beginning of June 2016, WTE was awarded a contract by municipal wastewater company Vodovod i odvodnja Šibenik in Croatia to build a wastewater treatment plant for the "Vodice–Tribunj–Srima" wastewater project. Under the contract WTE was required to deliver a turnkey wastewater treatment plant in Vodice with a capacity of 20,000 PE and 4,620 m³/d. In addition to mechanical and biological wastewater treatment, the project also includes sewage sludge drainage. Co-financed by the EU Cohesion Fund, this environmental project was completed within 25 months. The wastewater treatment plant will contribute significantly to improving the water quality of the Adriatic region. It underwent a 9-month test operation phase commencing in April 2018 prior to the technical acceptance procedure. The taking over certificate was officially issued on 12 January 2019.

The official opening of the newly built wastewater treatment plant in the Czech capital of Prague took place on 19 September 2018. Since then WTE has been operating the large-scale wastewater treatment plant with a capacity of 1.2 million PE for the agreed 15-month period.

In May 2018, WTE prematurely terminated its contract with the municipality of Budva/Montenegro for the construction, financing and operation of a wastewater treatment plant and requested Budva to take over the essentially completed plant and pay the remuneration resulting from the termination of the contract. Negotiations on contract termination were conducted with the municipality of Budva, the Republic of Montenegro, and the Austrian and German ambassadors. Since the negotiations were unsuccessful, WTE Wassertechnik GmbH has claimed EUR 29.25 million under the state guarantee provided by the State of Montenegro. The amount was transferred to WTE Wassertechnik GmbH at the end of December 2019. Writedowns have been made in respect of the outstanding receivables and other guarantees.

sludge2energy GmbH (S2E), a joint venture between WTE Wassertechnik GmbH and HUBER SE, is also constructing a sewage sludge incineration plant at the Halle-Lochau landfill site in Saxony-Anhalt, Germany. The ground-breaking ceremony took place in September 2019. The client and owner S2E is investing around EUR 18 million in the project. Excavation work has already commenced and the first contracts have been awarded. The plant will commence operation at the end of 2020, after which it will be incinerating between 30,000 and 35,000 tons of dewatered sewage sludge to obtain ash containing phosphorous. The next step is the commercially viable and ecologically safe recovery of essential phosphorous from the sewage sludge ash.

WTE Wassertechnik GmbH will not be pursuing the MPZ1 Waste Incineration Plant project in Moscow any further.

Aggregate operating performance (sales plus changes in inventories) amounted to EUR 44.0 million in the financial year, which is EUR 15.2 million higher than in the previous year. This increase is essentially due to the capitalisation of inventories in the Umm Al Hayman/Kuwait and Tubli/Bahrain projects.

As in the previous year, the operating result was impacted by the acquisition of projects and remains largely unchanged at EUR –10.4 million as compared to EUR –10.8 million in the previous year.

The order intake of EUR 87.4 million in the current year resulted in an order volume of EUR 356.9 million at the end of the financial year. It will increase by a further 208.2 million KWD (approx. EUR 621 million) as a result of the Umm Al Hayman project contract being signed in January 2020.

2.3 Results

Operating performance

In the past financial year, WTE Wassertechnik GmbH's aggregate operating performance (sales plus changes in inventories) amounted to EUR 44.0 million, an increase of EUR 15.2 million over the previous year. Sales revenues amounted to EUR 43.3 million in the year under review compared to EUR 31.3 million in the previous year, primarily as the result of contributions from the projects in Kočani/North Macedonia and Vodice/Croatia. The inventory change amounted to EUR 0.7 million (previous year: EUR –2.6 million).

Sales revenue includes income from operational management services of EUR 14.5 million (previous year: EUR 6.5 million).

Other operating income of EUR 3.7 million (previous year: EUR 10.6 million) mainly includes income from the reversal of provisions and claims from charges passed on.

Personnel expenses amounted to EUR 14.2 million in the current financial year (previous year: EUR 11.9 million). The increase is primarily due to the recruitment of new personnel for the two large-scale projects, Umm Al Hayman in Kuwait and Tubli in Bahrain.

Other operating expenses totalled EUR 16.6 million, compared with EUR 9.5 million in the previous year, and mainly include expenses for consultancy services in connection with projects as well as rents and travel expenses. EUR 7.6 million of these expenses pertain to the Umm Al Hayman project and were capitalised in the order volume.

Income from investments at EUR 11.8 million (previous year: EUR 29.5 million) was lower than in the previous year, essentially due to the dividend paid out by the Zagrebacke otpadne vode joint venture. In the previous year it had been impacted by the residual dividend payout from WTE International GmbH in respect of the South-West Waterworks project in Moscow.

The financial result (net interest, income from loans and write-downs on loans) was positive at EUR 0.8 million (previous year: EUR –5.5 million).

WTE's overall annual result is positive at EUR 0.6 million (previous year: EUR 12.4 million).

Net asset position

The EUR 6.8 million increase in net assets from EUR 187.3 million to EUR 194.1 million, is attributable to various factors. As a result, there has been a EUR 9.0 million increase of inventories on the assets side following advance payments to sub-contractors in the Tubli project and a decline in loans to affiliated companies of EUR 2.3 million following unscheduled repayments in the Budva project.

On the liabilities side other provisions increased by EUR 1.6 million due to invoices not yet received, and trade payables rose by EUR 2.7 million to approximately EUR 8.0 million. Payments received on account increased by EUR 2.3 million to EUR 16.7 million in connection with the Tubli/Bahrain project. Equity rose in the amount of the net profit by EUR 0.6 million to EUR 109.1 million.

WTE has founded various project companies for project execution purposes. Contributions to both the share capital and the capital reserves of these companies were made. This predominantly related to the South-West Moscow project (drinking water purification) and the wastewater disposal project in Zagreb/Croatia. These shares are reported as financial assets either under the item of shares in affiliated companies or equity investments.

The decline in receivables from affiliated companies essentially results from the EUR 19.8 million decrease in cash and cash equivalents to EUR 13.0 million at EVN AG. Receivables from affiliated companies and receivables from companies in which participating interests are held include both receivables from the financing of WTE Group companies as well as intracompany receivables for supplies and services within the WTE Group.

Other assets mainly relate to receivables from tax authorities.

Cash and cash equivalents increased by EUR 10.8 million.

Financial position

After offsetting payments received on account against inventory assets, the equity ratio is 61.5 % (previous year: 62.8 %). Other provisions are primarily provisions for outstanding invoices from subcontractors.

Short-term liabilities to affiliated companies of EUR 50.0 million resulted from financial transactions with WTE International GmbH.

The funds tied up as fixed assets amounting to EUR 101.7 million are offset by equity and funds from financial transactions of EUR 159.1 million.

Inventories are 67.2 % financed by payments received in advance.

Financial and non-financial performance indicators

The main financial performance indicators are aggregate operating performance (revenues plus changes in inventories), operating result (earnings before financial and shareholding performance and tax) as well as order intake and order volume.

Compliance with statutory regulations and environmental standards in the countries where WTE has operations plays a crucial role in connection with non-financial performance indicators. All regulations and standards were complied with.

Overall statement

The financial year was dominated by the execution of existing contracts, the successful acquisition of new contracts and the preparation of bids for several major projects. WTE Wassertechnik GmbH was able to participate and achieve pre-qualification in numerous tenders (including the tender for the mono sewage sludge incineration plant in Berlin Waßmannsdorf). WTE signed the final project contracts for the large-scale Umm Al Hayman project in Kuwait WTE in January 2020.

Sales revenue and the operating result were both lower than expected as the result of the late signature of the Um Al Hayman project contract. However, income from investments led to a positive overall annual result.

In summary, the Company's net assets, financial position and results of operations are considered by the management to be 'good'.

3. Forecast, opportunities and risk report

WTE Wassertechnik GmbH regularly submits the best bid in international calls for tenders. This has encouraged WTE to exploit its know-how in regions that are currently politically difficult, with the objective of planning and successfully implementing projects to protect the environment. At the same time, WTE is extending its project portfolio to regions outside its regular markets and outside the continent of Europe.

3.1 Future development opportunities

WTE Wassertechnik GmbH has a very extensive range of products and services, including the construction of plants for wastewater 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 investment realisation, but can also include financing and subsequent plant operation.

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

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

3.2 Future development risks

Risk management

As an internationally operating provider of environmental services, WTE is exposed to a variety of commercial, operational, financial and event-related risks. It controls these risks with a multi-level 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 East and Southeast 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 Federal 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. Default and liquidity risks relating to completed projects are also addressed through advance payment financing on the client side.

Risk policy

The WTE risk policy is designed to exploit market opportunities in all cases in which the related opportunities are stronger than the risks. Moreover, suitable hedging instruments are in place for existing risks to the extent that this is economically reasonable and technically feasible. The WTE risk policy also includes ensuring that changes to the risk profile are always countered with adequate risk management measures.

Risk organisation

The WTE risk organisation has a multi-stage structure. Operational risk management is performed by the organisational unit to which the risk is attributable. The operational units act in accordance with risk policy principles that are based on transparency and risk awareness, as defined in the binding directives in the WTE manual and 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 measure and control economic performance and target achievement. This ensures that risks are identified promptly and suitable counter-measures are taken.

The 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 regarding 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 a company with international operations WTE's aggregate risk is particularly influenced by the country risks to which its subsidiaries and affiliates are exposed in East and Southeast Europe.

Reflecting the risk profile, strict limitations on the financial liabilities of the respective project companies, without recourse to WTE/EVN AG (non-recourse) enable the proactive management and mitigation of risk factors. Credit risk insurance is another measure that can be utilised by public authorities or international financial institutions in connection with political or economic risks.

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 stringent maintenance and quality inspections, as well as through regular monitoring and repairs. Insurance coverage enables WTE to limit potential damage impacts.

WTE manages the risk associated with the planning and execution of plants by continuously extending its project risk management activities. Project control and risk analysis are of paramount importance in this connection. Effective 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 mitigate currency, interest, pricing and liquidity risks. Detailed Group policies and limits also permit the use of derivative financial instruments primarily applied to the hedging of financial risks. To minimise the partner risk, such transactions are carried out only in cooperation with banks that have excellent 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. Special importance is therefore accorded 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/wastewater sector continues to stagnate due to a lack of municipal funding. In the long term, we expect that significantly more water supply and wastewater 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. WTE operates in this market segment for large-scale projects alone, whereas the projects for small and medium-sized facilities are handled by S2E. By establishing the S2E joint venture in good time, WTE is prepared for future risks.

The technical and commercial experience gained in more than 100 national and international projects is the foundation for future projects, particularly those which are structured in needs-oriented models and adapted to client requirements, such as PPP models (plan, build, finance, operate).

In the 2019/2020 financial year and subsequent years, WTE plans to expand its activities in its core market of Central and Eastern Europe as well as in the Gulf region. Due to ongoing acquisition activities, numerous projects are in the pipeline and awaiting decisions in the near future. On 23 January 2020 the contract for the construction of the wastewater treatment plant and sewer system (PPP contract) was signed in Kuwait by the Ministry of Public Works and the UMM AL HAYMAN FOR WASTEWATER TREATMENT COMPANY K. S. P. C. (project company). After that the contract between the project company and WTE Wassertechnik GmbH, Kuwait branch, on the construction of a wastewater treatment plant with a contract volume of 208.2 million KWD was signed. The final contract as agreed with the client and the banks for the construction of the sewer system will be signed as soon as the DBO company has been established.

Bids are being prepared for further projects in the Gulf region. WTE Wassertechnik GmbH hopes to further increase the order volume by participating in project tenders within the framework of the European Union's environmental programmes.

WTE has worked successfully in its markets, opening up further development potential. Based on its achievements to date and current earnings potential, particularly in connection with the two large-scale projects, the Company is confident that it will be able to strengthen its position in 2019/2020 as well as in subsequent years. WTE expects to achieve sustainable and substantial 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 is expecting to achieve an aggregate operating performance in the mid triple-digit millions range. Operating income in the lower double-digit millions, together with expected income from participating interests, are expected to result in a positive net income for the year in the mid-double-digit millions.

If the contract for the Umm Al Hayman/Kuwait project which was signed in January 2020 is counted as an order intake in the previous financial year, as well as the contract for the construction of the sewer system, which has not yet been signed, we expect a similar order intake level in the 2019/2020 financial year and a correspondingly high order volume.

Changes in the Company's net assets and financial position will depend primarily on the large-scale projects in Bahrain and Kuwait.

Essen, 18 February 2020

WTE Wassertechnik GmbH

Executive Board

Annual financial statements

Balance sheet

as at 30 September 2019

Assets			
Data in EUR		30. 09. 2019	30. 09. 2018
A	Fixed assets		
	I. Intangible assets		
	Purchased industrial rights and similar rights and assets	437,072.00	482,566.00
		437,072.00	482,566.00
	II. Tangible assets		
	1. Land and buildings	385,689.73	387,528.73
	2. Technical equipment and machinery	2,668.00	6,226.00
	3. Other equipment, operating and office equipment	2,442,297.14	1,846,292.00
	4. Payments in advance and assets under construction	177,094.46	46,732.50
		3,007,749.33	2,286,779.23
	III. Financial assets		
	1. Shares in affiliated companies	51,331,829.47	51,331,829.47
	2. Loans to affiliated companies	34,749,223.84	37,110,527.02
	3. Equity investments	12,207,379.20	12,153,079.65
		98,288,432.51	100,595,436.14
		101,733,253.84	103,364,781.37
B	Current assets		
	I. Inventories		
	1. Services not yet chargeable	16,586,961.75	15,882,794.41
	2. Advance payments	8,269,487.78	0.00
		24,856,449.53	15,882,794.41
	II. Receivables and other assets		
	1. Trade receivables	15,013,386.37	6,292,924.34
	2. Receivables from affiliated companies	24,280,000.61	42,956,302.24
	3. Receivables from companies in which participating interests are held	1,612,080.60	4,954,263.24
	4. Other assets	10,436,725.72	8,564,146.43
		51,342,193.30	62,767,636.25
	III. Cash in hand and bank balances	15,689,048.20	4,888,214.01
		91,887,691.03	83,538,644.67
C	Prepaid expenses	497,242.47	429,878.71
		194,118,187.34	187,333,304.75

Equity and liabilities

Data in EUR

	30. 09. 2019	30. 09. 2018
A Equity and liabilities		
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	51,639,029.36	39,273,277.03
IV. Net income for the financial year	599,852.61	12,365,752.33
	109,133,126.17	108,533,273.56
B Provisions		
1. Provisions for pensions and similar obligations	1,758,875.00	1,626,180.00
2. Provisions for taxes	417,693.60	0.00
3. Other provisions	6,255,271.72	4,609,027.15
	8,431,840.32	6,235,207.15
C Liabilities		
1. Payments received on account of orders	16,713,404.84	14,386,421.27
2. Trade payables	7,946,130.41	5,290,743.48
3. Liabilities to affiliated companies	51,160,631.56	52,488,088.98
4. Other liabilities	733,054.04	399,570.31
– of which taxes EUR 714,978.69 (previous year: EUR 375,861.22)		
– of which relating to social security EUR 14,792.73 (previous year: EUR 13,409.92)		
	76,553,220.85	72,564,824.04
	194,118,187.34	187,333,304.75



Wastewater and sludge treatment plant in Vilnius (Lithuania)

Income statement

for the period 1 October 2018 to 30 September 2019

Data in EUR	2018/2019	2017/2018
1. Sales revenue	43,287,107.37	31,337,590.62
2. Increase (previous year: decrease) in services not yet chargeable	704,167.34	-2,564,518.94
3. Other operating income	3,680,679.55	10,575,075.83
4. Cost of materials		
a) Cost of raw materials, consumables and supplies	10,340,019.63	17,637,707.77
b) Cost of purchased services	16,214,405.32	10,632,985.64
	26,554,424.95	28,270,693.41
5. Personnel expenses		
a) Wages and salaries	12,397,867.71	10,453,721.89
b) Social security and post-employment benefit costs – of which relating to retirement benefits EUR 230,893.78 (previous year: EUR 60,465.09)	1,815,174.88	1,422,937.01
	14,213,042.59	11,876,658.90
6. Amortisation and write-downs of intangible fixed assets, depreciation and write-downs of tangible assets	638,238.33	461,704.77
7. Other operating expenses	16,646,541.13	9,537,739.92
8. Income from investments – of which from affiliated companies EUR 0.00 (previous year: EUR 19,300,250.00)	11,339,175.82	29,070,910.73
9. Income from profit/loss transfer agreements – from affiliated companies	411,446.56	416,436.36
10. Income from loans of long-term financial assets – from affiliated companies	2,030,706.46	2,206,151.98
11. Other interest and similar income – of which from affiliated companies EUR 180,111.81 (previous year: EUR 160,561.32)	193,760.39	524,362.88
12. Write-downs of long-term financial assets – relating to affiliated companies	0.00	7,800,000.00
13. Interest and similar expenses – of which to affiliated companies EUR 1,064,035.87 (previous year: EUR 88,127.31)	1,428,944.71	472,475.63
14. Taxes on income	1,542,722.16	776,564.56
15. Result after tax	623,129.62	12,370,172.27
16. Other taxes	23,277.01	4,419.94
17. Net income for the financial year	599,852.61	12,365,752.33

Fixed assets movements table

	Acquisition costs				
Data in EUR	01. 10. 2018	Additions	Transfers	Disposals	30. 09. 2019
I. Intangible assets					
Purchased industrial rights and similar rights and assets	5,809,472.69	95,783.85	0.00	321,569.71	5,583,686.83
II. Tangible assets					
1. Land and buildings	664,184.52	21,186.55	0.00	0.00	685,371.07
2. Technical equipment and machinery	1,694,346.73	0.00	0.00		1,694,346.73
3. Other equipment, operating and office equipment	3,141,218.55	1,052,540.29	30,000.00	221,711.19	4,002,047.65
4. Payments in advance and assets under construction	46,732.50	160,361.96	−30,000.00		177,094.46
	5,546,482.30	1,234,088.80	0.00	221,711.19	6,558,859.91
III. Financial assets					
1. Shares in affiliated companies	51,721,830.47	0.00	0.00	365,001.00	51,356,829.47
2. Loans to affiliated companies	47,510,546.85	1,299,543.36	0.00	3,660,846.54	45,149,243.67
3. Equity investments	12,153,079.65	511,822.02	0.00	457,522.47	12,207,379.20
	111,385,456.97	1,811,365.38	0.00	4,483,370.01	108,713,452.34
	122,741,411.96	3,141,238.03	0.00	5,026,650.91	120,855,999.08

Accumulated depreciation/amortisation				Carrying amount	
01. 10. 2018	Charged during the financial year	Disposals	30. 09. 2019	30. 09. 2019	30. 09. 2018
5,326,906.69	141,277.85	321,569.71	5,146,614.83	437,072.00	482,566.00
276,655.79	23,025.55	0.00	299,681.34	385,689.73	387,528.73
1,688,120.73	3,558.00	0.00	1,691,678.73	2,668.00	6,226.00
1,294,926.55	470,376.93	205,552.97	1,559,750.51	2,442,297.14	1,846,292.00
0.00			0.00	177,094.46	46,732.50
3,259,703.07	496,960.48	205,552.97	3,551,110.58	3,007,749.33	2,286,779.23
390,001.00	0.00	365,001.00	25,000.00	51,331,829.47	51,331,829.47
10,400,019.83	0.00	0.00	10,400,019.83	34,749,223.84	37,110,527.02
0.00	0.00	0.00	0.00	12,207,379.20	12,153,079.65
10,790,020.83	0.00	365,001.00	10,425,019.83	98,288,432.51	100,595,436.14
19,376,630.59	638,238.33	892,123.68	19,122,745.24	101,733,253.84	103,364,781.37

Shares in affiliated and associated companies

Data in 000s local currency	Currency	Equity	Share in %	Profit/loss
Affiliated companies				
Čista Dolina – SHW Komunalno podjetje d.o.o., Kranjska Gora/Slovenia	EUR	952	100.0	–80 ³
EVN Projektgesellschaft Müllverbrennungsanlage Nr. 1 mbH, Essen/Germany	EUR	–271,697	100.0	–2,198 ³
OA0 Budapro Werk Nr. 1, Moscow/Russia	RUB	307,745	100.0	–12,101 ²
Saarberg Hölter Projektgesellschaft Süd Butowo mbH i. L., Essen/Germany	EUR	25	100.0	–1 ³
SHW Hölter Projektgesellschaft Zelenograd mbH i. L., Essen/Germany	EUR	16	100.0	0 ³
Storitveno podjetje Lasko d.o.o., Lasko/Slovenia	EUR	288	100.0	–168 ³
WTE Abwicklungsgesellschaft Kuwait GmbH, Essen/Germany	EUR	23	100.0	0 ⁶
WTE Abwicklungsgesellschaft Russland mbH, Essen/Germany	EUR	25	100.0	0 ⁶
WTE Baltic UAB, Kaunas/Lithuania	EUR	153	100.0	12 ³
WTE Betriebsgesellschaft mbH, Hecklingen/Germany	EUR	511	100.0	0 ⁵
WTE desalinizacija morske vode Budva d.o.o., Podgorica/Montenegro	EUR	–616	100.0	–10 ⁴
WTE otpadne vode Budva d.o.o., Podgorica/Montenegro	EUR	–780	100.0	–1,604 ⁴
WTE Projektgesellschaft Kurjanovo mbH, Essen/Germany	EUR	18	100.0	–1 ³
WTE Projektgesellschaft Natriumhypochlorit mbH, Essen/Germany	EUR	25	1.0	0 ³
WTE International GmbH, Essen/Germany	EUR	49,535	100.0	–69 ³
WTE Projektna družba Bled d.o.o., Bled/Slovenia	EUR	–27	100.0	0 ³
WTE Wassertechnik (Polska) Sp. z o.o., Warsaw/Poland	PLN	8,852	100.0	355 ³
Associated companies				
DEGREMONT WTE WASSERTECHNIK PRAHA v.o.s., Prague/Czech Republic	CZK	1	35.0	218,844 ²
JV WTE Tecton Azmeel W. L. L., Tubli/Bahrain	BHD	20	50.0	0 ³
SHW/RWE Umwelt Aqua Vodogradnja d.o.o., Zagreb/Croatia	HRK	4,120	50.0	–90 ²
sludge2energy GmbH, Berching/Germany	EUR	–252	50.0	–1412
Wasserver- und Abwasserentsorgungsgesellschaft	EUR	553	49.0	3 ²
Märkische Schweiz mbH, Buckow/Germany	HRK	18,924	29.0	23,904 ²
Zagrebacke otpadne vode – upravljanje i pogon d.o.o., Zagreb/Croatia	HRK	1,733,193	48.5	163,780 ²
Zagrebacke otpadne vode d.o.o., Zagreb/Croatia				

1) Audited financial statements for the financial year 2018/2019. 2) Audited financial statements for the financial year 2018. 3) Unaudited financial statements for the financial year 2018/2019. 4) Unaudited financial statements for the financial year 2018. 5) Profit transfer agreement in place with WTE Wassertechnik GmbH. 6) Profit transfer agreement in place with WTE International GmbH.



World Trade Center, Manama (Bahrain)



Notes

Notes relating to the financial statements 2018/2019

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 German Commercial Code (Handelsgesetzbuch, HGB) and the supplementary provisions of the German Limited Liability Companies Act (GmbH-Gesetz). The total cost method has been applied in preparing the income statement.

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

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 measured 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 800.00 EUR, are fully written off in the year of acquisition.

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

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

Within the inventories, services that are not yet chargeable are measured at cost of production. Cost of production is calculated on the basis of personnel expenses, material costs and other direct costs directly attributable to the contracts, as well as proportionate personnel and administrative overheads. Borrowing costs are not capitalised. If the expected proceeds less costs still to be incurred are lower, this amount 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 measured 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 is not applied. Deferred taxes are measured on the basis of current corporation tax rate and the trade tax rate. Taking into account corporation tax, the solidarity surcharge and trade tax, the tax rate for the past financial year was 30.25 % and it 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 2018 G reference tables, whereby a pension trend of 2.0 % (previous year: 2.0 %) was assumed. In accordance with German Regulation on the Discounting of Provisions (RückAbzinsV) and section 253, sub-section 2, clause 2 HGB, the underlying interest rate used

to discount pension obligations was applied at the average interest rate over the last 10 years of 2.82 % (previous year: 3.34 %) as determined and published by the Deutsche Bundesbank, for an assumed residual term of 15 years. Applying an average market interest rate for the past seven years of 2.05 % (previous year: 2.43 %) in the 2018/2019 financial year in accordance with section 253, sub-section 6 HGB results in a difference of 163,000 EUR (previous year: 179,000 EUR).

All identifiable accounting risks and contingent liabilities are taken into account in the measurement of the remaining provisions. They are reported at the settlement amount which, on the basis of reasonable commercial judgment, will be necessary to cover future payment obligations. Provisions with a residual term of more than one year are discounted at the average market interest rate that applied over the previous seven years and corresponding 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 reported at the value of the underlying primary liability.

2 Foreign currency translation

Foreign currency receivables and liabilities with a residual term of more than one year are measured at the lower of the exchange rate on the day of acquisition or the average spot exchange rate on the reporting date. Foreign currency receivables and liabilities with a residual term of one year or less are measured at the average spot exchange rate on the reporting date. Income and expenses resulting from foreign currency transactions are translated at the daily rate applying at the time they arise. If foreign currency items are hedged, they are measured at the corresponding hedging rate.

Notes relating to the balance sheet

3 Intangible assets

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

The development of shareholdings is shown in appendix 2 to these notes.

5 Receivables and other assets

The receivables and other assets have an expected residual term of up to one year.

The receivables from affiliated companies include EUR 13 million (previous year: EUR 32.8 million) in receivables from EVN AG resulting from cash pooling. In addition, there is an amount of EUR 1.747 million (previous year: EUR 1.956 million) in receivables from project companies relating to goods and services transactions. Project financing resulted in a further sum of EUR 9.533 million (previous year: EUR 8.2 million). Additional receivables from affiliated companies and companies in which participating interests are held arise mainly from the settlement of profit and loss accounts.

6 Deferred tax assets

The Company elected to exercise the option provided for under section 274, sub-section 1, clause 2 HGB by not reporting deferred tax assets resulting mainly from variances in the reported values for pension provisions.

7 Subscribed capital and capital reserves

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

Capital reserves remained unchanged at EUR 50.861 million.

8 Provisions

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

9 Liabilities

The liabilities have the following residual terms:

Data in TEUR	30. 09. 2019	Residual terms Up to 1 year	Residual terms Over 1 year
Payments received on account of orders	16,713	16,713	0
Trade payables	7,946	7,946	0
Liabilities to affiliated companies	51,161	51,161	0
Other liabilities	733	733	0
	76,553	76,553	0

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

Liabilities to affiliated companies amount to EUR 50.594 million (previous year: EUR 50.594 million) relating to one project company 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 assumes contingent liabilities after careful risk assessment. Based on the continuous assessment 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 estimates that there is unlikely to be any risk of recourse with respect to all contingent liabilities.

11 Other financial obligations

Other financial obligations as defined in section 285, no. 3 HGB are as follows:

Data in TEUR		Of which to affiliated companies
Purchase commitments resulting from the construction of wastewater treatment plants, sewer systems and other facilities	81,859	0
Obligations under rental and lease agreements		
2019/2020	940	0
2020/2021	957	0
2021/2022	976	0
2022/2023	994	0
2023/2024	1,014	0
	4,881	0

Notes on the income statement

12 Sales revenue

Sales revenue of EUR 5.181 million (previous year: 488,000 EUR) respectively EUR 23.580 million (previous year: EUR 24.397 million) relates to the proceeds from construction and engineering services rendered under operating contracts and, respectively, other plant construction projects. Sales revenue of EUR 14.526 million (previous year: EUR 6.453 million) was realised in connection with plant management and service management contracts. This sales revenue was realised in connection with projects outside Germany in the following countries:

Country	
Data in TEUR	
Macedonia	14,302
Croatia	8,154
Kuwait	7,281
North Cyprus	5,674
Bahrain	4,714
Cyprus	1,742
Montenegro	458
Others	962
	43,287

13 Other operating income

Non-period income attributable to other financial years amounts to 636,000 EUR (previous year: EUR 9.181 million). It results mainly from the reversal of provisions.

Currency translation led to gains of 491,000 EUR (previous year 197,000 EUR).

14 Other operating expenses

Currency translation led to losses of 660,000 EUR (previous year 274,000 EUR).

15 Income from profit/loss transfer agreements

Income from profit/loss transfer agreements includes an amount of 411,000 EUR (previous year: 416,000 EUR).

16 Interest and similar expenses

Interest and similar expenses include costs for compounding provisions amounting to a total of 53,000 EUR (previous year: 59,000 EUR). These apply to the compounding of pension obligations.

17 Taxes on income

Taxes on income primarily relate to foreign income taxes.

Other disclosures**18 Auditor's fee**

The total auditor's fee, calculated in accordance with section 285, no. 17 HGB, is disclosed in the EVN AG consolidated financial statement as at 30 September 2019.

19 Headcount

The average number of persons employed by the Company was 199 (previous year 170).

	2018/2019	2017/2018
Engineers/technicians	102	83
Staff	67	59
Workers	30	28
	199	170

20 Subsequent events

On 23 January 2020 the contract for the construction of the wastewater treatment plant and sewer system (PPP contract) was signed in Kuwait by the Ministry of Public Works and the UMM AL HAYMAN FOR WASTEWATER TREATMENT COMPANY K. S. P. C. (project company). After that the contract between the project company and WTE Wassertechnik GmbH, Kuwait branch, on the construction of a wastewater treatment plant with a contract volume of 208.2 million KWD (equivalent to around EUR 621 million on 23 January 2020) was signed. The final contract as agreed with the customer and the banks for the construction of the sewer system will be signed as soon as the foundation process of the DBO company (a project company subsidiary) is completed. The project costs incurred during the financial year of EUR 12 million were reported as assets under the item of inventories.

Negotiations on termination of the contract for the wastewater project in Budva were conducted with the municipality of Budva, the Republic of Montenegro, and the Austrian and German ambassadors. WTE Wassertechnik GmbH has since claimed EUR 29.25 million under the state guarantee provided by the State of Montenegro. The amount was transferred to WTE Wassertechnik GmbH at the end of December 2019. Value adjustments have been made in respect of the outstanding receivables and other guarantees.

21 Disclosures relating to 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 section 291, sub-section 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.

22 Members of the Executive Board and the Committee of Shareholders

Members of the Executive Board:

Dr Ralf Schröder, Essen

Diplom-Wirtschafts-Ingenieur, MEng. (Board Spokesperson)

Werner Casagrande, Vienna/Austria

Magister, MA

Günter Zschabran, Berlin

Diplom-Kaufmann, MBA

Members of the Committee of Shareholders:

Franz Mittermayer – Chairman – Vienna/Austria

Diplom-Ingenieur, MEng

Stefan Szyszkowitz, MBA, Maria Enzersdorf/Austria

Magister, MA

Dr Felix Sawerthal, Maria Enzersdorf/Austria

Lawyer, (until 31 January 2019)

Dr Norbert Wechtl, Maria Enzersdorf/Austria,

Lawyer, (from 1 February 2019)

Johannes Lang, Maria Enzersdorf/Austria

Magister, MA

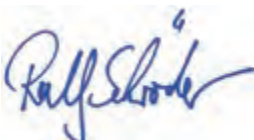
Gerald Reidinger, Maria Enzersdorf/Austria

Magister, MA

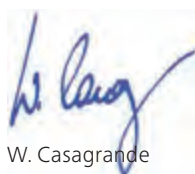
As set out in section 286, sub-section 4 HGB, no disclosures have been made in respect of the remuneration paid to the members of the Executive Board and to former members of the Executive Board. Pension provisions amounting to EUR 1.759 million exist in respect of the latter.

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

Essen, 18 February 2020



Dr R. Schröder



W. Casagrande



G. Zschabran

Independent Auditor's Report (Translation)

To WTE Wassertechnik GmbH, Essen

Opinions

We have audited the annual financial statements of WTE Wassertechnik GmbH, Essen, which comprise the balance sheet as at 30 September 2019 and the statement of profit and loss for the financial year from 1 October 2018 to 30 September 2019 and notes to the financial statements, including recognition and measurement policies presented therein. In addition, we have audited the management report of WTE Wassertechnik GmbH for the financial year from 1 October 2018 to 30 September 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 30 September 2019 and of its financial performance for the financial year from 1 October 2018 to 30 September 2019, in accordance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Responsibilities of Management for the Annual Financial Statements and the Management Report

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Düsseldorf, 18 February 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft



A handwritten signature in blue ink, appearing to read 'Velder'.

Velder
Wirtschaftsprüfer
(German Public Auditor)

A handwritten signature in blue ink, appearing to read 'Kaufmann'.

Kaufmann
Wirtschaftsprüfer
(German Public Auditor)

Art in Strumica

An art project creates awareness for clean water

When WTE entered into the North Macedonian market in the 2015/2016 financial year it was also commissioned to build a turn-key wastewater treatment plant in Strumica, one of four environmental projects in total. At the plant, which was handed over on

28 November 2017 and was the first to start wastewater operations, an art project sponsored by the European Union now conveys the significance and unique role that clean water plays for people and the environment.

Five North Macedonian artists teamed up with children from the local primary school to develop the huge murals, each with its own aesthetic, message and the-

matic depiction of nature and our interaction with it. The works can be seen from far away. They are intended to raise awareness among children and young people in particular, and help them learn to appreciate the responsible use of our valuable resources.

For decades, there were serious problems relating to the treatment of wastewater, which were also made evident by the significant contamination in the neighbouring Trkanja River. The municipality is now very proud of its new facility, as was emphasised by the mayor at an event attended by the EU ambassador where the artworks were presented. It is hugely important for the region, where a lot of fruit and vegetables are traditionally grown. The plant, which has been operating without any problems for more than two years now, also complies with European Union regulations – an important criterion for North Macedonia as an EU accession candidate.



Artists:
Vane Kosturanov, Dragan-Dras Kitanovski, Marjan Dimic,
Filip Koneski and Blaze Atanaskov

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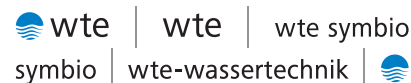
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We have put together this annual report with the greatest possible diligence, and have checked the data. Nevertheless, rounding off, typesetting or printing errors cannot be excluded. In the summing up of rounded amounts and percentages, the application 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: 18 Februar 2020



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