

Annual Report 2007

This company report is the English translation of
the audited German annual statement.

Supervisory Board report

During financial year 2007 the Supervisory Board fulfilled its duties as established by law and the company statutes and continuously monitored the company's management by the Executive Board. The Supervisory Board was kept informed on matters concerning the course of business and financial situation of the company in six ordinary sessions. Primarily, business, financial and investment planning was debated in the Executive Board's regular reports to the Supervisory Board. Furthermore, the Supervisory Board was provided with information on individual business transactions of significance and any special measures. The external auditors for 2007, as well as the rate examiner for the 2008 rate period, were appointed based on a circular resolution.

All reports and submissions for sessions were discussed in detail with the Executive Board. The Supervisory Board took all decisions for which it is responsible according to law and the company's statutes. The Supervisory Board has instituted a Business Committee/Audit Committee, as well as a Personnel Committee, to assist it in its work.

Members of the Executive Board also reported to the Chairman of the Supervisory Board on important issues affecting the company in regular discussions. These joint consultations consisted to a great extent of discussions on the 2008 business plan, mid-term planning for 2009 – 2013, future rate developments in Berlin, process optimisation and investment strategy.

The financial statements for 2007 and the management report, as well as the company's financial accounting, were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and an unqualified audit opinion issued. The audit in accordance with Section 53, paragraph 1, of the HGrG (Haushaltsgrundsatzgesetz – Law on Budgetary Procedures) also resulted in no reservations.

The auditor's reports, as well as financial statement documentation, were submitted to the Supervisory Board. They were reviewed by the Business Committee and the Supervisory Board and discussed in depth in the presence of the auditor. The Super-

visory Board concurred with the results of the auditor's review and determined that no objections are to be raised based on its own review. The Supervisory Board has, therefore, ratified the financial statements for 2007 and discharged the Executive Board for financial year 2007.

The Supervisory Board is not aware of any evidence that the Executive Board has failed to exercise due care as required in its business dealings or that it has violated any applicable rules, statutory provisions or Supervisory Board resolutions.

The Executive and Supervisory Boards issued a declaration on the Corporate Governance Code of Berliner Wasserbetriebe on 21 December 2007. This declaration has been made available to the public permanently on the www.bwb.de website. The Executive and Supervisory Boards are in compliance with the recommendations of this code and will continue to comply in future.

After the departure of Mr Werner Böttcher, Mr Ralf Zimmermann became the new member on behalf of shareholders in the Supervisory Board, as well as a member in the Business Committee.

The Supervisory Board wishes to thank the Executive Board, the employee representatives and the employees of Berliner Wasserbetriebe for the excellent cooperation and the work they have performed.

Berlin, 27 February 2008

Berliner Wasserbetriebe
Supervisory Board



Harald Wolf
Chairman

Management report

Business and general conditions

Overview of the company, its business activities and overall conditions

Berliner Wasserbetriebe assures the drinking water supply and sewerage for the metropolitan area of Berlin, as well as a number of communities in the State of Brandenburg. The quality of the treated sewage water of today influences the quality of the water obtained for the drinking water supply of tomorrow. Ongoing substantial investment ensures that quality assurance is maintained at a high technological and ecological level.

“Our commitment protects the environment” was the central theme of the image campaign conducted this year. Berliner Wasserbetriebe has always been committed to the environment. A variety of approaches are pursued under the motto “Our commitment to protect future generations”; for instance, the use of renewable energy is being intensively promoted. For the first time this year, Berliner Wasserbetriebe has produced a comprehensive energy report. It provides a transparent overview of all energy-related data, such as consumption and costs, as well as of the trends in consumption and cost development. This allows for effective energy control. In the context of energy optimisation, moreover, the maximum reference performance and energy supply, for instance, are being reduced by means of analysing and optimising points of consumption.

Efficient fleet management, as well, has been able to lower fuel consumption on a sustainable basis. But waste prevention and the use of construction procedures without trenches are also part of environmentally friendly action. In order to highlight a longterm commitment to the environment, Berliner Wasserbetriebe intends to agree specific carbon dioxide (CO₂) emission targets under a climate protection agreement with the State of Berlin. A total of 14 million m³ of clarified water, the wastewater purified in the water treatment plants, were used during 2007 for renaturation. This subsequent purification step leads to higher quality in the water returned into the water cycle or the groundwater. Furthermore, the groundwater protection areas, which constitute one quarter of the surface area of Berlin, afford a natural refuge for endangered animal and plant species. It is not only the spadefoot toads and whorl snails shown in the campaign

posters that inhabit these areas that are subject to strict usage limitations. For decades now, the surface water treatment facilities (OWA) of Tegel and Beelitzhof have done their part to contribute to the improvement of water quality in the Havel lake chain. Today there are once again 34 types of fish in the waters of Berlin.

The quality of corporate performance is confirmed by certification of the entire company in accordance with the applicable standard for quality and environmental management (DIN EN ISO 9001 and DIN EN ISO 14001). Conformity to technical safety management has also been certified in accordance with W1000 and M1000, as well as occupational health and safety management in accordance with OHSAS 18001.

The modernisation strategy for water management resolved by the Bundestag considers benchmarking a core element. Berliner Wasserbetriebe has been successfully conducting such projects for years. This involves industry-wide performance comparisons in the area of water and company comparisons in the area of wastewater, as well as targeted process benchmarking for selected technical and administrative processes. The goal is – continuously or repeatedly over regular time intervals – to identify best practices for processes and products, to optimise processes and achieve improvements as a result, by means of comparison with relevant partners. At the moment, a benchmarking concept for the entire company is under development; additional company-wide potential for enhancing quality and performance should be identified via this process, in turn increasing competitive capabilities.

During 2007 192.6 million m³ of drinking water were supplied; this represents a decline of 4.4% (201.5 million m³) compared to the previous year. The highest pumping levels were evidenced on 11 June 2007, at 735.930 m³. The extremely dry weather during March and April, in conjunction with higher than average temperatures, resulted in a series of days with requirements of between 650,000 and 700,000 m³. Unfortunately, the good weather failed to continue into the summer months. From the beginning of May until the end of August alone 425 litres of rain per square metre fell – c. 15 litres more than in all of 2006.

A total of 80% of costs of the current networks and facilities for drinking water supply and sewage disposal are fixed and are therefore difficult to represent in a rate model with pure quantity pricing. As of 1 July a consumption-independent rate model with a basic price and a quantity price was introduced. This change was preceded by detailed and widespread communication. Residents of Berlin were, in addition, kept informed on the change in the rate system via a customer newsletter and our major customers via separate presentations.

The website www.bwb.de was thoroughly revised and more clearly designed. New pages offer the customer not only expanded functions and online services, but numerous tips on health, household and water consumption.

Berliner Wasserbetriebe Sodajet, a water carbonator with a direct connection to the drinking water tap, was awarded the first prize in the "Innovation" category among the "Customer Orientation" Veolia prizewinners. The concept of providing service around the water dispenser found particular acclaim.

In the spring of 2007, Berliner Wasserbetriebe once again conducted a detailed survey among 1,300 selected representative private and business customers, as well as tenants. Factors to be evaluated included the recognition, service and performance of the company. As in previous years, the security of supply and the quality of drinking water was assessed very positively. Berliner Wasserbetriebe enjoys a high degree of recognition compared to other Berlin utility companies. The increasingly acrimonious discussions concerning rising supplier rates, in particular for gas and electricity, colours the Berlin residents' opinion about water companies, despite the fact that rises in water rates have been moderate in the last few years.

On February 12th a legal dispute extending for years between the State of Berlin and Berliner Wasserbetriebe regarding the costs of street rainwater disposal was fully settled in favour of Berliner Wasserbetriebe. The total claim for the years 1997 to 2004 amounted to circa €171 million plus interest. In its session of 11 September 2007, the Senate decided definitively to accept this judgement.

In October the appeals procedure of the Verband Berlin-Brandenburgischer Wohnungsunternehmen e.V. for inspection of the rate documentation took place in the Higher Administrative Court of Berlin-Brandenburg against Berliner Wasserbetriebe. The court decided that Berliner Wasserbetriebe was obliged to disclose the rates of the monopoly business, but that information on competitive business was covered by business and trade secrecy provisions. This allowed Berliner Wasserbetriebe to assert a significant claim. Berliner Wasserbetriebe prepared the relevant documentation after the court opinion was presented. Berliner Wasserbetriebe had already created a manual on the basics of rate calculation in advance; this was disseminated to the public in October 2007.

Berliner Wasserbetriebe provides 120 trainee positions annually; this corresponds to a rate – related to people years – of 9.3%. A total of 395 trainees from 21 professions and 5 courses of study are currently being educated in commercial, technical and academic fields. Subsequent to the traineeship the subsidiary of Berlinwasser Holding Aktiengesellschaft perdie.net GmbH provides the trainees with a short-term assignment orientated to their performance and needs, thus enabling the young people to benefit from some initial professional experience.

Analysis of the course of business, the economic situation and their development

SERVICES IN BRANDENBURG

Berliner Wasserbetriebe is a service provider and technical partner in water supply and sewage disposal for the cities, municipalities, associations and companies in the State of Brandenburg.

In environmentally friendly fashion, the wastewater treatment plants of Berliner Wasserbetriebe purify a large portion of wastewater from the municipalities and counties adjacent to Berlin and return it to the water circulation system. A total of 42 cities and municipalities numbering over 535,000 residents are connected to the Berlin wastewater treatment plants.

Water delivery to Brandenburg partners takes place primarily from the Stolpe waterworks of Berliner Wasserbetriebe. Nine cities and municipalities with approximately 70,000 inhabitants obtain their drinking water from there.

Based on longterm contracts, c. 3.3 million m³ of drinking water was delivered to Brandenburg during financial year 2007 and 23.9 million m³ of wastewater conveyed and purified. Compared to the previous year, water deliveries were reduced by 8.7%, while wastewater purification services rose by 3.5%.

Furthermore, Berliner Wasserbetriebe render operational management services for third-party treatment facilities and drinking water supply and wastewater disposal plants including related business services.

The excellent collaboration as partners with cities, municipalities, special-purpose associations and companies in Brandenburg was also expressed in joint professional events, including those on rainwater problems.

INVESTMENT

During 2007 Berliner Wasserbetriebe invested €270.7 million (prior year: €274.4 million) in fixed assets. Of this €94.0 million (prior year: €96.5 million) was for water supply and €176.7 million (prior year: €177.9 million) for drainage.

The debt-financed portion of investment was 11.9% or €32.1 million (prior year: €41.0 million or 14.9 %). The share for drainage was €28.1 million (prior year: €34.1 million); in the area of water supply €4.0 million (prior year: €6.9 million) was customer-financed.

Self-financed investment amounted to €238.6 million (prior year: €233.4 million). The reduction in expenses is based primarily on savings potential realised, as well as developments in construction prices; all planned projects were implemented.

Investment was also made for quality assurance in the water and treatment plants, as well as for maintenance of the network. Funds from the conduit network budget are used for sewerage of the settlement areas, as dictated by the wastewater elimination plan.

The obligations entered into for subsequent years due to orders (purchase commitments) were €129.4 million at the end of December (prior year: €136.6 million).

WATER SUPPLY COMPANY DIVISION

Promoting ground and drinking water. The usable supply of groundwater for the nine waterworks of Berlin is, at 350 million m³, significantly above the requirements of the intake quantity needed to safeguard Berlin's drinking water supply. A total of 199.6 million m³ of drinking water have been conveyed, which is 4.6% less than the previous year (209.3 million m³). This decline in quantity was reinforced due to the rainy summer. The average daily pure water supply was 547,000 m³.

A total of 694 of the 944 wells in inventory are used for groundwater supply. And 54 wells were used to support groundwater clean-up and water drainage measures to achieve groundwater levels compatible with settlement in parts of the city of Berlin.

In the drainage area of the waterworks groundwater is monitored via a network of 750 measuring points. Analysis of measurement values and the equipping of 76 groundwater measurement points with data loggers allow the number of active measurement points to be decreased while the monitoring quality is preserved.

Groundwater levels fluctuate more sharply in the immediate vicinity of the well groups than in more remote areas. Taking into account site-specific differences in groundwater intake and precipitation, the groundwater levels in 2007 continue to show a balanced relationship between groundwater conveying and new formation. As commissioned by the Senate or Siemens AG, groundwater continues to be conveyed in the drainage areas of the provisionally temporarily decommissioned waterworks of Jungfernheide and Johannisthal in order to maintain groundwater levels compatible with settlements. Commissioning by Siemens AG to maintain groundwater in Jungfernheide will continue during 2008.

Longterm assurance of drinking water supply. A joint working group of Berliner Wasserbetriebe and the Senate Administration for Health, Environment and Consumer Protection has developed a conceptual design to assure the water supply of Berlin and of the Brandenburg municipalities supplied by Berliner Wasserbetriebe. Its framework is determined by the previously applicable principles of water supply, which will continue to apply in future.

- Guarantee a high level of supply security and of drinking water quality by using exclusively regional resources
- Natural preparation with simple technical means
- Efficient operation of water supply facilities
- Conservative groundwater planning and judicious handling of natural resources

Variants for covering the forecast drinking water requirements for the Berlin and Stolpe waterworks were elaborated in this draft. This also includes exploring scenarios that may in future bring about special demands from the water supply system. Different assumptions regarding demographic developments in the Berlin area, climate change, dwindling inflow quantities in the flowing water bodies in Berlin and increased sulphate content of the river Spree resulting from lignite mining in the Lausitz area were integrated.

The water supply draft is intended as a basis for the approval requests for pumping groundwater through the Berlin waterworks and thereby will have a major impact on the future investments of Berliner Wasserbetriebe, in particular in waterworks and the pipe network.

Comprehensive well renovation programme. An ongoing well renovation project is being implemented in order to assure the raw water quality and capacity of the waterworks. For reasons of quality only one groundwater conduit respectively is to be constructed and operated.

The resumption of operations of the G and K groups of the Friedrichshagen waterworks received special emphasis in 2007. After completion of the construction and equipment work, the first wells in the southern well groups can once again be put into operation after suspension of water delivery for many years. Far-reaching well renovations were also undertaken in the waterworks at Friedrichshagen, Tiefwerder and Tegel in 2007.

Focus on security. Activities to safeguard the drinking water supply in the event of attack continued to be assigned a high priority in 2007. company specialists implemented the security concept developed for Berliner Wasserbetriebe. The concept, an integrated management system with a holistic approach, goes beyond existing regulations, standards and laws.

As part of preventative disaster protection, equipment was acquired for packaging drinking water in tubular bags. This packaged water can be stored for several years. The bags are currently being issued to customers as an additional service in the case of supply disruptions during the repair of pipe breaks. The packaging equipment is mobile. Its base site is in the former chlorine station in the Friedrichshagen waterworks, which was developed and reconstructed for this purpose. Specially trained employees are capable of providing technical assistance in the case of disaster.

In December a staff exercise with the responsible supervisory authority, the State Office of Health and Social Affairs, took place on the subject of information flows and the scope of action in crises situations. The high standard of crisis prevention at Berliner Wasserbetriebe was demonstrated again and again.

Furthermore, Berliner Wasserbetriebe is working in conjunction with the Fraunhofer Institute and bbe Moldanke GmbH on the project "AQUABIOTOX" for early detection of contaminants in drinking water that may pose a health threat. The goal of the research is to develop online drinking water monitoring based on a biological broadband sensor with automatic image analysis.

Number of pipe breaks. A total of 7,875 km (prior year: 7,857 km) of water pipes run beneath Berlin; 64.7 km of them are new (prior year: 70.1 km). At the same time, 46.5 km (prior year: 55.5 km) have been shut down. Damage that may occur is repaired by Berliner Wasserbetriebe as quickly as possible. A 30-year history has been created by documenting all damage in a database; the probability of pipe damage is assessed with the help of this database. The pipe breakage rate is at the very low level of 0.10%. The strategy of foresighted network care and renovation has borne fruit in the form of continuously lower pipe break numbers for years. The mild winter, as well as the summer which evidenced no supply peaks, helped this trend enormously during 2007. From January

to December 658 instances of damage (prior year: 928) to main and supply lines had to be repaired. Cast iron pipes continue to suffer the most frequent damage.

Approximately 2% of drinking water conveyed is lost every year. This is extraordinarily low when compared to international norms. Other Western European countries struggle with significantly higher drinking water losses of up to 32%.

Some 1,256 instances of damage had to be repaired for private connections, 227 less than the previous year. Primarily lead and steel pipes were involved. A total of 6,599 private connections were established or renovated, 112 more than the previous year.

The drinking water decree lowers the previous lead limit of 25 µg/l to 10 µg/l from December of 2013. To date a total of 3,697 customers with lead pipes have been sent letters; 1,447 of these customers declared their willingness for immediate replacement. As a result, a total of 2,721 lead pipes were replaced through December, 104 more than the previous year.

Construction measures in partnership. In the past few years at Berliner Wasserbetriebe a cooperation model has been developed in which, together with private construction companies, mixed teams build or restore drinking water conduits. Around 15 km of new main and supply pipes were laid new and replaced through December 2007 (prior year: 9 km).

SEWERAGE COMPANY DIVISION

Wastewater purification. During financial year 2007 240.5 million m³ of wastewater was purified in the six wastewater treatment plants of Berliner Wasserbetriebe, two of which, Waßmannsdorf and Wansdorf, are operated on behalf of a third party. Some 25.9 million m³ of this amount consists of rainwater. The quantity of wastewater rose by 9.8 million m³ over the previous year. The share of rain was 10.2 million m³ higher than the previous year. Summer was marked by an unusual number of intense rain events, which contributed to the above-average rain volume. In several cases the intensity of the rain was such that the drainage system could not completely absorb the quantity, since it was not designed for such violent cloudbursts. This phenomenon was evidenced throughout Germany.

Sludge processing facility and energy optimisation in the Ruhleben wastewater treatment plant. The Ruhleben wastewater treatment plant, the only inner-city treatment plant in Berlin, was improved during 2007 by dint of numerous renovations and rebuilding. Operation of a sludge processing facility in the Ruhleben wastewater treatment plant allows sewage sludge from the other treatment plants of Berlin Wasserbetriebe to be salvaged thermally, thus saving disposal costs.

Once the second construction phase of the sludge processing facility was completed in October 2007, the sludge storage volume was increased to c. 350 m³ and line 2 of the sludge combustor was directly connected to the sludge processing facility. This allows the facility to operate during nights and at the weekend.

Steam is generated in the three lines of sludge combustion. The goal of one energy optimisation project is the technical procedure to separate steam generation from compressed air generation for ventilation of the activated sludge tanks.

Energy consumption can be lowered by uncoupling air generation for the activated sludge tanks. The air supply will therefore be achieved via the electric air compressor starting in the fourth quarter of 2007. All the steam generated by sludge combustion will be converted into energy with three turbo generator facilities. The separate areas of air supply and sludge combustion will be more flexibly adapted to actual requirements and used with greater energy efficiency.

During 2007 electric compressors 4 and 5, as well as turbo generator 2, were assembled and a trial run performed. Turbo generator 1 will be assembled during the first quarter of 2008 and a trial operation started in April of 2008. The project is planned to conclude in June of 2008.

In connection with the reconstruction, the assembly foundations were renovated and the electric compressor assembly, including the suction and pressure pipe, and the turbo generator equipment, including the connection to the live steam conduit, assembled. At the same time, the plant was provided with a new connection to the electricity grid, the medium-voltage switching stations were rebuilt and expanded and the assemblies connected to the existing cooling water system.

Waste gas treatment in the Ruhleben wastewater treatment plant. In order to prevent harmful emissions from the sludge combustion facility, a waste gas treatment facility is operated in the Ruhleben treatment plant. A great deal of effort is being expended in order to comply with the high demands of air pollution control, in particular in with a view to lowering mercury emissions. During 2007 attempts to reduce mercury emissions in exhaust gas by means of additives were continued. In July of 2007 Professor Heinz Köser from the Martin-Luther University of Halle-Wittenberg was commissioned as a scientific consultant for Berliner Wasserbetriebe. At the same time, in June of 2007, the engineering firm of Born & Ermel received a request to undertake a study to assess the options for rebuilding or constructing anew the exhaust gas scrubbers from the perspective of construction and price.

Substituting heating oil with grease from grease separator contents. Berliner Wasserbetriebe plans to exploit grease separator residue from the gastronomic and foodstuffs industry and to utilise it as a replacement for fossil fuels.

A reception facility for grease separator residue supplied by local waste disposal companies is intended for the Waßmannsdorf wastewater treatment plant starting in 2008. Rejects are removed from this residue, which is then passed to digestion (co-fermentation). The additional biogas produced can be converted to electricity or alternately used in effluent sludge drying as a substitute for natural gas.

A grease preparation facility is planned for the Ruhleben treatment plant. The grease separator residue will also be supplied on a mobile basis. A grease/water/solids separation will take place in the planned preparation facility. The prepared product with c. 98% grease content should be used for firing support in effluent sludge combustion instead of heating oil.

These two measures will provide a significant contribution to climate protection, in addition to proven efficiency. CO₂ emissions will be reduced by replacing fossil fuels.

Close cooperation with the research focus “Water in densely populated areas” of the Berlin Institute of Technology. The sub-project “Wastewater treatment and reuse for Olympic Park 2008, Beijing” is being conducted in the Ruhleben treatment plant. The Federal Ministry for Education and Research is financing the cooperation between the Berlin Institute of Technology, Tsinghua University of Beijing and the Beijing wastewater plants for the period 2004 to 2007. Processes for phosphate absorption, bio-filtration and ultra-filtration for recycling communal wastewater are being researched. The water will be utilised in qualities adapted to irrigation, the Olympic lakes and as washing water.

Block heat and power units for effective use of energy. The biogas generated will be used in all water treatment plants in block heat and power units to generate electricity. An average of 43% of the electricity required will be generated by the water treatment plants themselves. The facilities will be operated by Berliner Wasserbetriebe in Münchehofe, Waßmannsdorf and Wansdorf, while in Stahnsdorf and Schönerlinde they will be managed by external operators. No sludge digestion takes place in the Ruhleben water treatment plant. The dehydrated sludge is burned directly and thus exploited for energy.

Safeguarding the future: Fulfilling higher environmental standards for wastewater purification – concepts for the site development of the wastewater treatment plants. Plant operating technology must continue to be developed as part of the public supply and disposal responsibility and due to increasing environmental requirements. Optimisation of technical processes and/or the implementation of new technologies for treatment of wastewater is a focus of the work of the experts in network and facilities construction and operation.

All Berlin wastewater treatment plants have hitherto been designed to comply with nitrogen monitoring values of $N_{\text{anorg.ges}} = 18 \text{ mg/l}$. The new water rights rulings from the state environmental bureau of Brandenburg stipulate monitoring values of $N_{\text{anorg.ges}} = 13 \text{ mg/l}$ for the wastewater treatment plants within its area of responsibility. Berliner Wasserbetriebe has lodged an appeal against these water rights rulings of the Brandenburg environmental bureau. A response to the appeal is still pending.

The nitrogen monitoring value currently required cannot be complied with, particularly when it rains. Berliner Wasserbetriebe currently has no experience with the procedures that may be involved in complying safely with the requirements that are already imposed at present and likely to become even stricter in future. It is not possible to fall back on the experience of other treatment plants due to special conditions in Berlin (including long wastewater conduits, mixed inner-city drainage) during rain events. A comparatively lengthy approach is, therefore, required for the technical implementation of new procedures or combinations thereof. In addition to customary periods for planning and realisation, time intervals for installation and execution of an operational trial must also be taken into account.

Since, in the final analysis, any adaptations will be implemented in already existing wastewater treatment plants, new procedures cannot be regarded in isolation. Rather, the effect on the site as a whole must be understood and considered for planning purposes. Currently, therefore, site concepts for the Münchehofe, Waßmannsdorf and Stahnsdorf treatment plants are being developed in close cooperation between facilities construction and operation. Implementation of micro-filtration for the Ruhleben treatment facility continues, with a demonstration facility planned for the Münchehofe treatment plant.

Renovation investment in all wastewater treatment plants. Planned maintenance and renovation measures were undertaken in all treatment facilities during 2007.

As part of the project for renovation and maintenance of the Münchehofe treatment plant, a new screening chamber was completed and put into operation during 2007.

In the Schönerlinde treatment plant, as part of new construction of the screening chamber, two experimental screens from different manufacturers were tested instead of the two worn out screens. Renovation of the screening chamber was necessitated in part because high maintenance costs were incurred for the old screens and significant quantities of sand accumulated in the inlet vaults and troughs, which led to equipment breakdowns occurring with greater frequency during extreme rain events.

New construction of mechanical sludge dehydration equipment was initiated in the Stahnsdorf treatment plant. In the past this equipment was operated at the Güterfelde site.

In the Waßmannsdorf treatment plant significant damage to the inner coating of the pipes leading from the grit channel to the pre-purification basin and thence to the activated sludge process was identified as early as 2005. Elimination of damage to the connecting conduits between the grit channel and pre-purification, as well as between pre-purification and activated sludge tanks started in 2006. These renovation measures continued into 2007 due to their complexity and the extent of the damage. Wastewater purification has not, however, been curtailed as a result.

In June of 2007 severe damage to a drain from the Schönerlinde treatment plant in the area of the motorway underpass was revealed. Further checks established damage due to washouts and incrustation.

This damage resulted in occasional reduction of wastewater quantity. After thorough safety and repair measures had been taken in cooperation with the Senate administrative bodies responsible the complete purification conduit was again available from July 2007.

Further automation in the wastewater treatment plants. The Treatment Plants Control II project explores options for the widest-ranging automation of the Stahnsdorf and Münchehofe treatment plants, as well as the Tegel surface water treatment facility. The goal is to operate this facility with two shifts and to allow it to be monitored by the controlling treatment plant during night shifts and on the weekends. The requisite measures were determined and submitted for planning. The efficiency of the project is to be proven based on cost specifications.

Concept for integrated wastewater management. Starting in 2003 the Integrated Sewerage Management (ISM) project has been developing a model for integrated management of the Berlin sewer system as part of a cooperative venture between Veolia Wasser and Berliner Wasserbetriebe and starting in 2003 within the Wasser Berlin gGmbH competence centre.

During 2007 the ISM model was used at Berliner Wasserbetriebe to provide evidence for compliance with the limits imposed by the water authorities with respect to emissions in the drainage area of a pumping station. The sharp decline in wastewater quantity required a review of discharge rates under changed conveyance conditions. The programme has also been used to adapt general planning in the new construction of wastewater pumping stations to changed conditions taking into consideration the requirements of the water authorities.

Furthermore, a study for expanding the criteria catalogue for the evaluation of combined sewer treatment measures was conducted. Evaluation should take into account the ecological condition of bodies of water and be based on emissions-orientated, site-specific criteria. Criteria were derived from the requirements specific to the bodies of water, taking into consideration the practically orientated application of the QSim water quality model used in Berlin and the ISM model. Initial simulations representing the effects of combined sewer inlets in the Spree have been successfully performed.

Cross-system control of sewer pumping stations. The cross-system control developed as part of the ISM R&Dproject is to be implemented as a decision support system for three sewer pumping stations at the pumping station primary control unit. Detailed planning and programming of the decision support system took place in 2007.

The interdisciplinary project consortium (Wasser Berlin gGmbH competence centre, Berliner Wasserbetriebe, Konrad-Zuse-Zentrum für Informationstechnik Berlin – Konrad Zuse Centre for Information Technology, Berlin, Freie Universität Berlin, Meteorological Faculty) researched more far-reaching steps for system-wide control of the technical sewer facilities. The potential of online precipitation data as additional information for the control of sewer pumping stations was assessed. There are, moreover, findings regarding optimisation of sewerage electrical management.

The project is being financed by Veolia Wasser and Berliner Wasserbetriebe.

Remote control of all 147 sewer pumping stations almost completed. The core of the Wastewater Control and Information System project (Leit- und Informationssystem Abwasser – LISA) is to ensure automation and remote control of all 147 Berlin sewer pumping stations from one central location. Under LISA, the 42 pumping stations pumping the largest share of wastewater are being equipped with new automatic pumps. The complex control and regulating technology, developed solely for this purpose, ensures that the inflowing wastewater quantities are transported to the treatment plants taking into account a number of conditions.

In July of 2007 the Wittenau pumping station group was switched to the primary control unit. Due to construction delays the Steglitz pumping station group was switched to the Kreuzberg group control room during September of 2007. Both groups are planned to be switched to the primary control unit during the second quarter of 2008, so that, after simultaneous connection of the Spandau group, all pumping station groups will be remotely controlled by the primary control unit. The pumping stations of the Charlottenburg group will be switched to the primary control unit by the end of 2008, with the exception of the main pumping station, which is to be completely renovated.

The primary control unit was put into operation at the end of September 2007 after a successful trial run.

The sewer pumping stations conveyed c. 212.3 million m³ of wastewater to the purification facilities during 2007. This represents 10.5 million m³ more than the previous year due particularly to high levels of precipitation during the summer. Average daily quantities conveyed amounted to 581,732 m³ (prior year: 552,495 m³). The greatest quantity was pumped on May 29th at 1.2 million m³.

Mitte IV sewer pumping station will be rebuilt. The Mitte sewer pumping station erected in 1880 at Scharnhorststraße 12 in Berlin-Mitte will be discontinued and replaced by a new building on the piece of land at Chausseestraße 95 a few metres away. Reconstruction and full automation of the old plant would have entailed unacceptable costs and risks. The construction plan is part of the new building plan for the former Stadium of World Youth terrain on which the Federal Intelligence Service is erecting its

new headquarters. South-west of the new pumping station edifice a new rain overflow basin is being planned as part of the implementation of renovation measures in the combined sewer system starting in 2012. The pumping station building, including the upstream separator and inflow structures, will be based on an SCL ground support structure. Construction of the shell has been underway since September of 2007.

Two new retention ground filters purify rainwater. The treatment of rainwater is growing in significance. More nutrients and pollutants are entering Berlin's rivers from streets, swept directly from rain drainage or from combined sewer overflow in the event of cloudbursts, than from waterworks treatment plant drains. In order to reduce direct and indirect rainwater inflows into the surface water and to alleviate the sewer system, Berliner Wasserbetriebe has been using trough-trench systems for years.

Retention ground filters, used for purification at Biesdorf Baggersee and on the terrain of the former Adlershof treatment plant since 2005, are a relatively new process for the treatment of rainwater. During 2007 two additional retention ground filters were put into operation, one at Halensee in Wilmersdorf and one in Blankenburg, an area in the Pankow borough. Soiled rainwater from streets is purified both mechanically and subsequently by passing through a mineral substratum planted with reeds.

Halensee was barred from bathing years ago due to the inflow of pollutants from the urban drainage area and from the city expressway due to rain canalisation. In order to clean up the lake, therefore, a retention ground filter was set up on its banks and the existing coarse filter equipment was reconstructed as an upstream rain purification basin. The equipment has been arranged in such a way that the character of the landscape of Friedenthal Park has been preserved as much as possible. Total costs of the project, which started in the autumn of 2005, were c. €4 million, 61% of which are borne by the federal government as owner of the adjacent city expressway and 39% of which are borne by the State of Berlin.

The retention ground filter in Blankenburg, in contrast to the other three Berlin filters, has been equipped with a large, open interim rainwater storage basin with plants. The equipment covers the drainage areas of Blankenburg Pflasterweg and Karower Damm, from which the rainwater has hitherto flowed without hindrance or purification into the flowing ditch that enters the Panke, which in turn flows into the Spree. Areas for residential construction and commercial use will be developed at Karower Damm.

Odours in urban areas and corrosion in sewer equipment. The sharp drop in water consumption over the past few years and the associated decline in wastewater result in lengthy retention times in the sewage system and wastewater pressure lines and thus in increased deposits and putrefaction. When wastewater putrefies, sulphur compounds are formed that corrode the cement ducts of the drains, causing unpleasant odours. During 2007 a number of measures to combat odours were undertaken in sewerage operations, specifically in those areas where more intensive sewer cleaning cannot help.

Selective dosing of a nitrate salt solution in the wastewater is a well-known approach for combating odours from sewerage and biogenic sulphuric acid corrosion. Additional products have been tested against odours last year in order to broaden knowledge in this area. In addition to those facilities already operated at Gendarmenmarkt or Potsdamer Platz, new dosing stations were put into operation at several drain sections, including Marlene-Dietrich-Platz.

Iron slurry, too, which occurs as a by-product in drinking water treatment in the waterworks, can be utilised to counteract odours in the vicinity of the waterworks. Iron slurry from the Stolpe waterworks, for instance, is used for dosing at Waidmannsluster Damm or slurry from the Wuhlheide waterworks at Rathe-
nauplatz in Köpenick.

Pilot facility BIOXWAND. Due to the decade-long sewage field operation and the accumulation of sewage sludge at the Münchehofe treatment plant until 1990, the groundwater under the Western Krummendammer heath has been polluted and can therefore not be used to reclaim drinking water for the Friedrichshagen waterworks.

After several positive research experiences Berliner Wasserbetriebe began a major technical experiment. Over a 100-metre-wide strip of woods, technical oxygen and air is pressed 10 to 50 metres deep into normally oxygen-free subsoil at a total of 20 points using four lances. As a result ammonium nitrogen in the groundwater can be oxidised biologically and progressively into nitrites and then nitrate by nitrifying bacteria. Subsequently, denitrifying bacteria utilise the oxygen bound in the nitrate. Nitrogen, the major constituent of air, is left over.

In the **biological oxidationswand (wall)** procedure (BIOX-WAND) developed at Berliner Wasserbetriebe, approximately 100 tons of oxygen and 100,000 Nm³ air are being injected into the subsoil during the two-year pilot trial phase, purifying 270,000 m³ of groundwater. Once the trial phase has been successfully concluded in 2009, the barrier for the pressured groundwater will be widened from the current 100 metres to a width of 800 metres. Some €320,000 annually will then be invested for the use of 4 million m³ of groundwater. Berliner Wasserbetriebe is thereby safeguarding a significant portion of the groundwater supply as drinking water for Berlin for the long term.

Reconstruction of sewage water culvert. Since 2005 subsidence has occurred on the Delft bank in the area of the rising culvert branches in the sewage water culvert built in 1972 under the Teltow canal between the Sievers and Delft bank in the district of Neukölln. The resulting maintenance measures must be performed in conjunction with the planned expansion work on the canal as part of the German unity no. 17 traffic project in which the edge of the bank will be shifted nine metres land-inward.

The reconstruction of the culvert will be challenging given the conditions on site. Video surveillance of the culvert branches during operation was not possible. In order to discontinue operation of the culvert, diversion equipment under pressure was installed which conveyed the wastewater to the sewage water culvert not far from Buschkrugbrücke. The sheet piling pits on both banks were opened under compressed air after installing a compressed air-resistant reinforced concrete ceiling and provided with a groundwater-proof floor. On the Delft bank, a second sheet piling pit was erected directly behind the first into which the medium conduits under the Teltow canal were lengthened to protec-

tive DN 900 conduits. Cleaning and control shafts, the rising culvert branches and the culvert head were installed in this pit. The culvert branches on both banks were renovated and the medium conduits running under the canal cleaned up.

INFORMATION TECHNOLOGY PROVIDES INTELLIGENT SUPPORT TO PROCESSES

Shaping the future

Information processing has become indispensable to just about every corporate process. The constantly growing need for information and company-wide process interrelationships require a basis of intelligent information technology. As part of the "IT Initiative" project, the Information Technology division has developed a perspective for the future in cooperation with Berlinwasser Services GmbH, in order to be optimally positioned for this challenge within the special conditions of Berliner Wasserbetriebe.

Efficient process support

New Internet presence. Corporate Communications, assisted by Information Technology, has completely overhauled the Internet presence of Berliner Wasserbetriebe (www.bwb.de) and Berlinwasser Holding AG (www.berlinwasser.de) and expanded it with a full range of additional information and service offers. In addition to online services, such as meter reading input, notices of moves or service cancellations and collection authorisations, Berliner Wasserbetriebe customers can now also find rate calculators, contact form, order lists for brochures, as well as health, wellness and household tips related to water in Berlin. Individual user groups, such as home builders, fitters and planners, are guided to the relevant residential connection or rate information quickly and directly. Pupils and teachers are led to information on guided plant tours, detailed information on waterworks and treatment plants or to the special "Water Knowledge" page.

More than a dozen websites are included in the Berlin water group Internet family, encompassing, in addition to the presentations on subsidiaries or affiliates, klasse-wasser.de for children and pupils, blaues-wunder-berlin.de on the commitment of the water utilities to the environment, and museum-im-wasserwerk.de on the history of Berlin's water supply.

Basic price requires new accounting. The introduction of the basic price was not only a central theme for the public and in politics during financial year 2007, but also a major, time-critical IT project. All processes involved in the sale of water and in accounting had to be completely overhauled. New computer models were integrated into the systems and the different variants verified in numerous test cycles. A new invoice format was created in order to be able to present future price components to the customer in a simple and easily intelligible fashion. The project was concluded on the dot on 11 July 2007.

Statement generation process for house service connections optimised. As part of the SAP-SD(Sales and Distribution) project, the house service connection process was optimised across all divisions and systems. In the three development steps – fault clearance, replacement and new connections – the interrelationships between operational execution and the commercial preparation and follow-up work in particular were optimised. By using intelligent interfaces and processes, not only were system boundaries bridged, but a continuous overall process was created that significantly improved the throughput time and data quality. Additional services, such as private water counters or the SodaJet, can also be invoiced via the house service connections.

New system facilitates contact with the customers. As part of the project, an IT system designed to improve employees' ability to obtain and provide information has been developed. The focus is on the best possible design of work flows related to customer information beyond current systems boundaries. Whether a customer contact represents a query, a complaint, an operational contact on site or a telephone call – employees should be able to inform the customer as fully as possible and should have information concerning previous contacts and queries. A database has been developed for this purpose that collects customer data and makes the accumulated data available geared to target groups in the various source and target systems.

RESEARCH AND DEVELOPMENT – A HEAD START THROUGH COMPETENCE

Research and development is primarily directed towards successfully shaping the future. Those who are not satisfied with what has been achieved, who identify and help shape new developments, who work out innovative solutions – they steer a clear course into the future. The most important task is to maintain the high standard of supply and disposal for Berlin and the surrounding area. Berliner Wasserbetriebe research and develop innovative technologies and procedures for the natural, safe and affordable treatment of drinking water, as well as effective sewage disposal. In close cooperation with renowned experts our engineers and technicians are currently exploring new paths to continue optimising the reclamation, treatment and distribution of drinking water as well as the drainage and purification of wastewater and rainwater and enhancing process efficiency. Research activities today are being conducted in individual corporate divisions on a decentralised basis and together with the Research and Development department, which coordinates external partners. The Berlinwasser Group works closely together with institutions such as the Berlin Institute of Technology, the Technische Fachhochschule Berlin and the Wasser Berlin gGmbH competence centre. Research and development proposals for funding from third parties are developed alone or with others. A preliminary contract was entered into with Tehran Province Water & Wastewater Co., for instance, by p2m berlin GmbH, an engineering firm of the Berlin Water Group, based on a concept developed by Berliner Wasserbetriebe for improving water management in the Iranian metropolis of Tehran. This provides the basis for the "Development of water management strategies for arid and semi-arid regions" research and development project with Tehran as an example. In accordance with the Berliner Wasserbetriebe approach and corporate strategy all its own research projects, at once practical and future-orientated, are geared towards sustainability. Sustainable systems are characterised by efficient utilisation of materials and energy, as well as multiple usage and cycles of matter.

Current research projects

Energy and phosphorus out of sludge. In September of 2005 a pilot facility went into operation in the Waßmannsdorf treatment plant, with the aim of investigating an innovative process for sludge decomposition in cascade, as part of a Berliner Wasserbetriebe research project. The goal is greater and faster decomposition of organic dry solids in the sludge and an increase in production of biogas for energy use. A further innovation consists in separating the resource, phosphorus, as high-quality magnesium ammonium phosphate (MAP) from the filtrate of the rotation disc filter. MAP is a valuable raw material in the manufacture of fertiliser. Moreover, phosphorus is a non-renewable natural resource, which could become both scarce and expensive in the foreseeable future. During 2007 experiments with continuous and non-continuous raw sludge loading without additional sludge densification via a rotation disc filter were successfully concluded, the rotation disc filter was put into operation and initial preliminary trials conducted.

In order to avoid incrustation in sludge treatment in the Waßmannsdorf treatment facility, MAP is selectively precipitated by surface ventilation and the addition of $MgCl_2$ in the seal housing of the mechanical sludge dehydrators (centrifuges). In a further research and development project for phosphorus recycling from sludge, a major technical process for continuous separation of MAP from the digested sludge is to be developed. Two experimental series have already shown that separation of the MAP precipitate from the digested sludge is possible with hydrocyclones. Furthermore, a degree dissertation has investigated whether the phosphor precipitate and the subsequent crystallisation can be influenced with respect to the separation process. Literature research and performance of laboratory and pilot facility experiments constitute additional components of the R&D project.

Continued purified wastewater as a resource to support the water supply for the country – trace elements problems. The special water situation in the southern surroundings of Berlin offers opportunities for the development of projects on sustainable water resource management. For instance, since 1997 part of the wastewater purified according to the latest technology standards is guided from the Waßmannsdorf treatment facility via a run-off system into the lowlands of the Nuthegraben and from there into

the Nuthe. A feasibility study, followed by a pilot project in 2000, showed a water cycle system towards Berlin is possible by diverting the wastewater treated via ditch systems, the Zülow and the Notte canals into the Dahme. The goals of the project include:

- Improvement of the local water supply
- Natural purification of the wastewater already purified to the most up-to-date standards
- Reduction in the degradation of the fen soil and in turn a decline in CO_2 emissions
- Support of the fens in the lowlands and restoration of the subsidence function as a result
- Support to agriculture and forestry
- Improvement of conditions for flora and fauna in wetlands and lowlands systems
- Attempt to close the water cycle loop towards Berlin

From August 2006 to August 2007 samples were taken at a number of measuring points between the Waßmannsdorf treatment facility and the Rehbrücke waterworks in order to follow the organic load in the Nuthegraben/Nuthe water system. The measurement campaigns were extended to include organic trace elements. Findings to date show that controlled diversion of significantly purified wastewater via the local water circulation system represents a feasible method of supporting limited water resources. No negative impact on the quality of the groundwater or surface water was detected.

Subsequent purification of biologically treated wastewater in wetlands. In 2005 various artificial wetlands with a gross surface area of c. 5 hectares were established and put into operation on the former Berlin sewage fields near Hobrechtsfelde. Approximately 5,000 m³ of clarified water is brought from the Schönerlinde treatment plant. The aim is to waterlog the resulting landscape again. The fundamental suitability for artificially activated wetlands for the subsequent purification of biologically treated wastewater is to be explored as part of this project. A particular focus is on the elimination of nutrients in the six different naturalistic systems – sand filter, sand filter with clay, sand filter with straw, pond with plants, pond with floating mats and pond with no plants. Moreover, the extent to which the systems are capable of absorbing and handling the increase in treatment plant inflows during rain events is investigated. Design and operational values are calculated (e.g. surface decomposition factors).

Combined sewer – sludge load measurement programme (MIME).

As part of the renovation permission for the combined sewer conduits into Berlin bodies of water, Berliner Wasserbetriebe has been requested to conduct a calibration measurement programme in order to verify the assumptions made on the sewage network and sludge load calculations. Furthermore, additional information on the composition of the combined wastewater arriving or overflowing in the drainage area of the wastewater pumping station in Seestraße will be gleaned in order to be able to make evaluations based on measurement values during the immission-orientated planning of measures for implementation of the EU Water Framework Directive.

The tasks were described and the planned process sketched out, as well as internal services and invitations for tender established, in the conceptual design of the R&D project. In agreement with the Senate Administration for Health, Environment and Consumer Protection the drainage area of the Wedding, Seestraße (RS IX) wastewater pumping station, was selected as research area based on the following criteria.

New toilets: Separation of substances and recycling. The goal of this demonstration project in the Stahnsdorf treatment facility was to test if the new sanitary concepts offer significant advantages over conventional sanitary systems with combined systems and wastewater treatment plants from an ecological as well as economic perspective.

Both gravitational source-separating toilets and composting of faecal matter, as well as vacuum source-separating toilets and decomposition of faecal matter, were tested.

Results show that the tested sanitary concepts function in principle. Several techniques, such as the source-separating toilets, however, must be considerably improved. The fertilising effect of urine is identical with that of mineral fertiliser. Medications and hormones in the products (urine, faecal compost, degraded faecal matter) could, however, be an obstacle to their use as fertiliser. Results of an environmental performance evaluation show advantages in the sanitary concepts tested. Costs of

the new sanitary concepts depend significantly on the local situation and can prove advantageous. This demonstration project was conducted by the Wasser Berlin gGmbH competence centre, in cooperation with Berliner Wasserbetriebe and Anjou Recherche (Veolia Water), and was promoted by the EU as LIFE project.

Prevention is better than purification. Organic iodine X-ray contrast agents are emitted – almost complete and not metabolised – into wastewater within 24 hours of their administration to humans, with the incidence of iodine use due half to hospitals and half to doctor's practices. The "Separate collection of organic iodine X-ray contrast agents in hospitals" R&D project demonstrated that the separate collection of patient urine can be performed in a safe hygienic manner with a simple and decentralised collection concept using mobile urine containers. It is possible to transfer this collection concept to pharmacological products that are excreted with urine. In order to close the substance loop, Berliner Wasserbetriebe is supporting the "PHARMA Treat" project of the Wasser gGmbH competence centre, in which a process for the treatment of urine is being developed in conjunction with the Berlin Institute of Technology.

Iron decomposes pharmacological residue (PHARMA Treat). Preliminary experiments have shown that the treatment of urine with elemental iron is fundamentally suited as a specific treatment method for the decomposition of drug residues. Since treatment does not result in mineralisation of substances, a study of reaction products which are ideally degradable and thus can be eliminated with further treatment in a wastewater treatment plant is of great importance. The goal of the research project is to develop an affordable process for treating urine in order to minimise the entry of substances from clinics detrimental to water into the aquatic environment.

Traces in the aquatic environment. Persistent organic trace elements reach surface water bodies via wastewater treatment facilities or diffused entry points, where they represent a potential risk for the drinking water supply in the event of direct or indirect use as a drinking water resource. Factors that impact the degree of risk include production or usage quantities, solubility, degradability, sorption behaviour and toxicity of the substance and its metabolites. Familiar organic trace elements, for which the risk to

drinking water via filtration through banks in the Berlin area has not yet been sufficiently ascertained or for which the transferable elimination rates are lacking, include complexing agents, perfluorinated tensides (PFTs or PFCs: perfluorinated compounds) and the pesticides glyphosate and isoproturon. The goal of the R&D project is to estimate the potential risk arising from complexing agents, selected pesticides and PFTs in surface bodies of water for the drinking water supply from infiltration via banks and artificial groundwater enrichment.

Elimination of phosphorus from the inflows to the lakes ensures clarity. Tegeler See and Schlachtensee were successfully cleaned up by means of drastic reductions in the external phosphorus levels. The water transparency rose from a few centimetres to several metres during the summer. These lakes are now the cleanest parts of the Berlin water system.

The goal of the research project underway at the Wasser Berlin GmbH competence centre is to develop better process understanding by means of systematic analysis of the data gained during the clean-up in order to derive general recommendations for action regarding water management.

Previous research shows that, even after the clean-up, 30 to 40% of the water inflow into Tegeler See comes from the Havel, but the latter source supplies 80% of the phosphorus load. The load is enough to maintain the phosphorus concentration in Tegeler See at a significantly higher level than that in Schlachtensee and thus to “charge” the sediment with phosphorus. During some years the sediment from Tegeler See, with respect to phosphorus contributed to subsidence, during other years it provided a source. On the whole, phosphorus redissolution in Tegeler See is much more significant than in Schlachtensee, the excellent water quality of which is only slightly impaired by external additions of phosphorus from the immediate drainage area during the winter.

Tropical bacteria immigrate to Germany. Research results for 2004 and 2005 indicate that microcystine-producing cyanobacteria (microcystis and planctothrix) are on the decline and types of the nostocales category, both native and invasive types from the tropics, are on the increase. As a result lower levels of microcystin concentration occur, while the toxin cylindrospermopsin produced by nostocales has continued to spread and frequently exceeds the recommended limits for drinking water of 1 µg per litre. Berliner Wasserbetriebe is supporting the Nostotox project of the Wasser gGmbH competence centre, which, in conjunction with the Federal Environmental Agency and Brandenburg Technical University Cottbus, is researching the risks of these bacteria to the drinking water supply in Germany at various lakes in Brandenburg. This is intended to create a scientifically founded basis to develop recommendations for water management and decision aids for risk assessment in the water supply.

“Analysis and indirect inflow monitoring” in the area of wastewater and benchmarking of water laboratories. Berliner Wasserbetriebe lab participated in a country-wide benchmarking project organised during 2006 with the goals of understanding interrelationships that lead to higher performance, identifying optimum solutions, measuring the results achieved and providing a measuring stick for tracking relative progress and a tool for achieving top performance. Due to disparate structures and the resulting tasks analysis, indirect inflow monitoring in the wastewater area and analysis in the water area were regarded in parallel as part of this benchmarking project.

The survey system was developed jointly as in “method development” and the entire process from planning to the evaluation of findings, including consulting, archiving of data surveyed, etc., was assessed. The benchmarking was designed not merely to compare the analytical performance capabilities, but to capture all relevant activities (planning and execution of sampling, evaluation of findings, reporting). Joining the “Wastewater laboratories and indirect inflow monitoring” and “Water laboratories” sub-process models, together created a uniform process model for laboratories for water supply and wastewater disposal.

In determining key indicators, uniform specifications were created for the significant parameters including in performance calculations, in order to be able to better compare laboratory outputs, in contrast to previous benchmarking systems.

Conversion of coarse filter equipment to lamella filter equipment. Fennsee in the district of Charlottenburg-Wilmersdorf was artificially created in 1903 as a retention basin for 68,000 m³ of rainwater. It continues to function as such today for 215 hectares of street area and parts of the urban expressway. Despite its technical function, the lake plays an important role as a source of local recreation in the inner-city area. The quality of the water, however, is severely impaired due to the inflow of harmful substances from street wastewater and the inflow of biomass from the surrounding park areas. Residents complain of an unpleasant odour particularly during the summer months. In order to improve water quality permanently, the inflow of harmful substances must be reduced permanently. The purification performance of the current rough filter equipment is to be improved for the long term by installing a fully automatic lamella filter. At the same time long-term improvements of similar facilities are to be achieved due to the fact that this is a pilot project.

A subterranean coarse filter facility of un-reinforced concrete extending almost 100 metres is located in Wallenbergstraße. All the coarse gravel and the bedding construction have been removed from the structure. The inflow conduit will be raised over a distance of 18 metres in order to obtain a coarse trap space/sand trap space. A connection shaft is created in the inflow conduit at the connecting point between the existing arch profile and the DN 1600 reinforced concrete pipe to be constructed. This should, at the same time, keep infiltration water conducted to the equipment away from the lamella packets. In the third construction phase, two lamella filter routes will be installed, which are each designed for inflows of 750 l/s.

PERSONNEL AND SOCIAL ISSUES

Flexible solutions continue to be well received. At the end of December 2007, 4,886 individuals were employed by the company (prior year: 4,986). Personnel levels dropped by 2%, or 100 employees, and 107 departures were countered by seven additions. Two former employees who had transferred to Group companies several years ago returned.

During 2007 Berliner Wasserbetriebe had to continue to master the diverging goals of, on the one hand, adapting its employees' work output to the lower requirements resulting from complex process automation, and on the other hand, preserving employee know-how. Part-time work and special leave has been offered since 2003 and financial incentives provided until December 31, 2007, in this respect. The part-time ratio rose from 20.9% as at December 31, 2006, to 25.1% as at December 31, 2007 as a result.

The "Full-time light plus" work schedule model continues to be well received by employees. The model envisions a reduction in pay of up to 10%. In compensation, employees received up to 28 additional days off as at 31 December 2007. Starting on 1 January 2008, the work schedule model will be continued as "Full-time light"; the incentive of 2 additional free days will lapse. In future, therefore, employees will, under "Full-time light", receive up to 26 additional days as in all other Group companies. On 31 December 2007, 817 employees (prior year: 711) voluntarily worked under this work schedule model.

Pre-retirement offers introduced in 2003 continued to be welcomed in 2007 as shown by personnel development in person years. As at 31 December 2007, this indicator was at 4,253, 4.2% under the previous year's figure of 4,432 person years. Personnel expenses rose modestly by 0.2% from €259.3 million in the previous year to €259.8 million. 98% (prior year: 97.5%) of personnel expenses are incurred from, 0.8% on educational reimbursements (prior year: 1.3%) and the percentage of pension expenses remains unchanged at 1.2%.

More trainees and increased time for continuing education. Berlin Wasserbetriebe again contributed significantly to the supply of apprenticeships in Berlin during 2007. During the autumn of 2007, the training of 119 young men and women began. A total of 395 young people (prior year: 399) are thereby receiving an education in a total of 21 professions and 5 courses of study at Berlin Berufsakademie. The training ratio rose moderately compared to the previous year and currently amounts to 9.3% in relation to person years (prior year: 9.0%). Berliner Wasserbetriebe is thus providing high-quality education in occupations that will continue to be tenable in future and in which the prospect of jobs exists beyond the Berlinwasser Group as well. For the first time starting in September of 2006, the training contracts are not concluded with Berliner Wasserbetriebe, but with Berlinwasser subsidiary perdie.net GmbH. This allows education to be offered to third parties (army, Brandenburg water and wastewater companies, the Municipal Employers' Association of Berlin) without the personnel expenses having to be borne by Berliner Wasserbetriebe. During 2007, 10 traineeships were involved (prior year: 6). Of course Berliner Wasserbetriebe continue to guarantee the quality of the training.

As at 31 December 2007, 6,087 employees (337 less than the previous year) have participated in continuing education events. A total of 9,340 working days and c. €2.3 million have been invested in the future (prior year: 10,245 days and €2 million).

Early pre-retirement at 55. In order to facilitate the socially responsible reduction in personnel, it has been possible since January of 2004 to take early pre-retirement as soon as age 55 under certain conditions.

When a request for payment according to the "55" regulation is accepted, the previous employment contract of the employee is continued with a special employment contract that stipulated 10% lower gross wages from the time the request is made until the end of the employee's 58th year. This special employment contract is linked to the mandatory cancellation of the employment contract for non-behaviour-related reasons at the end of the employee's 58th year. The employer makes additional contributions to the company pension scheme during this time.

An employee in early pre-retirement declares his or her readiness to report to work if requested within 60 days. Separate payment of this work is not allowed. According to service agreements this personnel tool could only be initiated prior to the end of 2006. As at 31 December 2007, only 27 employees operated under this model.

Workplace accidents. The drop of workplace accidents subject to reporting in 2007 is a source of satisfaction. Some 137 reportable accidents occurred at work by the end of December 2007 – approximately 9% less than in 2006 (150). The number of days' absence resulting from these accidents totals 2,737 – roughly the same level as the previous year (2,723). This decline reflects successful efforts in implementing safety at work, as well as the application of cooperative occupation society rules.

In accordance with domestic and international custom, the number of workplace accidents no longer includes road accidents. In the case of road accidents, however, a decrease from 80 to 52 accidents was seen from the prior year and the resulting days' absence reduced from 2,007 to 1,591.

The focus of the staff department on occupational safety continued to stay on a comprehensive instruction and training programme for the company's fire protection, for handling of crane equipment, as well as for construction managers in their dealings with third-party firms in line with site regulations. The result has been a significant contribution to the practical implementation of the "court-proof organisation" in regard to transparent delegation of tasks, competences and responsibilities.

Results of operations, financial position and net assets

Results of operations

Operating profit as at 31 December 2007, amounts to €344.3 million (prior year: €351.7 million) or €7.4 million under the previous year's figures. Non-operating results are influenced primarily by the ending of litigation concerning fees for drainage of public streets and squares. This has generated revenues from the liquidation of the provisions formed and the related reserves for anticipated losses from pending transactions for 2007 and 2008,

as well as court costs reported in non-operating results and interest income from the associated receivables. Once the State of Berlin waived an appeal in the court proceedings and signalled payment of the outstanding claims to Berliner Wasserbetriebe, the effects were taken into account in the annual financial statements.

Due to the decline in drinking water volumes sold and the reduction in rates compared to the previous year, revenues from water sales have decreased. Lower quantities are also evidenced in ongoing drainage services. Revenues from drainage services are, however, above the previous year's figures, since the effect of the rate increase started on 1 January 2007. Sales revenues fell by €6.8 million to €1,117.2 million.

Income Statement

	2007 € 000	%	2006 € 000	%
Sales revenues	1,117,184	90.8	1,123,952	90.8
Increase in the level of work in progress and completed work, as well as finished and semi-finished products	1,503	0.1	1,538	0.1
Other own work capitalised	56,647	4.6	56,987	4.6
Other operating revenue	55,006	4.5	55,152	4.5
Operating revenues	1,230,340	100.0	1,237,629	100.0
Cost of materials	-301,129	-24.5	-303,345	-24.5
Personnel expenses	-259,823	-21.1	-259,261	-20.9
Amortisation and depreciation	-241,544	-19.6	-233,169	-18.8
Operating costs	-76,459	-6.2	-84,573	-6.8
Non-profit-related taxes	-7,049	-0.6	-5,609	-0.5
Operating expenses	-886,004	-72.0	-885,957	-71.5
Operating profit	344,336	28.0	351,672	28.5
Investment income	11	0.0	21	0.0
Interest income	-80,309	-6.5	-96,504	-7.8
Ordinary profit	264,038	21.5	255,189	20.7
Non-operating profit	125,874	10.2	2,289	0.2
Extraordinary profit	0	0	3,068	0.2
Income before taxes	389,912	31.7	260,546	21.1
Income taxes	-32,090	-2.6	-36,092	-2.9
Partial profit transfer	-189,582	-15.4	-134,716	-10.9
Loss takeover from dormant partners	8,771	0.7	8,416	0.6
Net profit for the period	177,011	14.4	98,154	7.9

Water conveyed by waterworks

	2007 m ³ million	%	2006 m ³ million	%
Tegel	43.8	21.9	47.4	22.6
Friedrichshagen	45.7	22.9	51.7	24.7
Beelitzhof	32.2	16.1	31.1	14.9
Spandau	26.2	13.1	25.8	12.3
Stolpe	19.8	9.9	21.5	10.3
Tiefwerder	12.1	6.1	14.6	7.0
Wuhlheide	9.4	4.7	5.3	2.5
Kaulsdorf	6.1	3.1	6.6	3.2
Kladow	4.3	2.2	5.3	2.5
	199.6	100.0	209.3	100.0

Sales from water distribution

	2007 m ³ million	%	2006 m ³ million	%
Households	138.4	71.9	142.7	70.8
Other customers	23.5	12.2	27.7	13.8
Trade and industry	27.4	14.2	27.5	13.6
Surrounding area	3.3	1.7	3.6	1.8
	192.6	100.0	201.5	100.0
Own consumption and losses	7.0		7.8	
	199.6		209.3	

Wastewater purification in plants and rainwater and other discharge

	2007 m ³ million	%	2006 m ³ million	%
Ruhleben	81.7	35.1	74.7	33.4
Waßmannsdorf	71.8	30.8	69.6	31.1
Schönerlinde	40.8	17.5	39.4	17.6
Stahnsdorf	18.5	7.9	19.2	8.6
Münchehofe	14.2	6.1	14.4	6.4
Wansdorf (Berlin wastewater)	6.1	2.6	6.4	2.9
	233.1	100.0	223.7	100.0
Rainwater and other wastewater discharge	90.3		49.1	
	323.4		272.8	

Sewage water/drainage services

	2007 m ³ million	%	2006 m ³ million	%
Households	134.4	65.4	135.7	65.0
Other customers	20.5	10.0	23.9	11.4
Trade and industry	26.6	13.0	26.1	12.5
Surrounding area	23.9	11.6	23.1	11.1
	205.4	100.0	208.8	100.0
Rainwater	117.4	99.5	63.4	99.1
Other wastewater	0.2	0.2	0.2	0.3
Sludge water/Tegel plant	0.4	0.3	0.4	0.6
	118.0	100.0	64.0	100.0
	323.4		272.8	

Costs of materials on the whole are under the previous year's level. While raw materials and supplies were lower due primarily to savings in electricity costs, expenses for purchased services rose when compared to the previous year. Groundwater withdrawal fees dipped compared to the previous year due to the lower water sales levels and a higher than planned groundwater enrichment approved by the Senate. Wastewater charges are also lower than the previous year's levels, due to under-usage of the quantity permitted by the water authorities.

Personnel expenses are close to the previous year's levels at €259.8 million. There are counteracting effects in this area. As at December, 2007, staffing levels have continued to decrease compared to the previous year. Furthermore the step increases from the collective labour agreements for the utility companies (TV-V) were somewhat lower than expected. Expenses for the VBL clean-up contributions in 2006 and 2007 are, however, reflected in personnel costs in the amount of €3.6 million.

Amortisation and depreciation at €18 million as at 31 December 2007, are above that of the previous year. This figure is impacted in particular by extraordinary write-offs of operating assets.

Other operating expenses are €9.2 million below the corresponding 2006 expenses. This especially reflects a drop in expenses related to telecommunications, bad debts, rents and leases, losses from disposal of assets and in particular costs related to partial retirement and pre-retirement.

Interest income of €-80.3 million is a €16.2 million improvement over 2006 (€-96.5 million). This improvement is due above all to the interest income from the litigation on charges related to the drainage of public streets and squares. Due to the agreement on the subject of Zsigmondy Bela Rt., Hódmezővásárhely, Hungary, a positive impact on interest income of €4.5 million was recorded.

During the previous year, extraordinary income included revenues from the elimination of risk in connection with the sale of the secondary raw materials/recycling centre Schwarze Pumpe GmbH i.L.

The partial profit transfer (€189.6 million) to the dormant partners, as well as the loss takeover by the dormant partners (€8.8 million), was settled via two dormant companies (StG Tax Law agreement II).

As at 31 December 2007, net profit for the period amounts to €177.0 million; €26.3 million of which arises from water supply and €150.7 million from drainage.

Financial position

CASH FLOW STATEMENT

The cash flow statement was prepared based on the German Accounting Standard no. 2 of the German Accounting Standards Committee and reflects the development of liquidity and financing power of Berliner Wasserbetriebe. It shows how the company's cash has changed due to funds inflows and outflows during the financial year year. The payment flows are presented

broken down into cash flows for operating, investment and financing activities.

Fixed assets have risen by €19.7 million over the previous year's level. During 2007 Berliner Wasserbetriebe has invested €270.7 million (prior year: €274.4 million) in fixed assets. This is offset by depreciation of €256.1 million (prior year: €238.2 million) for financial year 2007.

A total of €95.4 million in interest and €52.6 million in income tax was paid during the financial year year.

	2007 € 000	2006 € 000
+/- Net income for the period before extraordinary items	177,011	95,086
+/- Depreciation/write-ups of fixed assets	256,056	233,645
+/- Increase/decrease in provisions	-13,122	-2,936
+/- Other non-cash expenses and revenues	-8,771	-5,859
+/- Profit/loss from the disposal of fixed assets	1,762	1,937
+/- Increase/decrease in inventories, receivables and other assets, including assets that cannot be allocated to investment or financing activities	-151,112	-50,381
+/- Increase/decrease in liabilities including liabilities that cannot be allocated to investment or financing activities	224,205	177,829
+/- Receipts and disbursements for extraordinary items	-	511
Cash flow from operating activities	486,029	449,832
+ Receipts from disposals of fixed assets	4,553	4,629
- Disbursements for investments in property, plant and equipment	-265,323	-267,070
+ Receipts from disposals of intangible assets	359	11
- Disbursements for investments in intangible assets	-5,568	-8,038
+ Receipts from disposals of financial assets	262	9,302
Cash flow from investment activity	-265,717	-261,166
- Disbursements to company owners	-203,722	-184,950
+ Receipts from the assumption of loans	227,413	301,240
- Disbursements from the repayment of loans and bonds	-237,318	-304,505
Cash flow from financing activity	-213,627	-188,215
+ Change in cash and cash equivalents	6,685	451
+ Cash and cash equivalents at the beginning of the period	13,666	13,215
Cash and cash equivalents at the end of the period	20,351	13,666

The revenues from the liquidation of provisions formed and the related reserves for anticipated losses from pending transactions for 2007 and 2008, as well as for court costs arising from the litigation concerning the drainage of public streets and squares, in the amount of €67.6 million, in addition to interest claims on the part of Berliner Wasserbetriebe against the State of Berlin from receivables for the drainage of public streets and squares in the amount of €81.8 million represent a significant non-cash business event.

NEUE JÜDENSTRASSE FINANCING CONCEPT

In December 1996 and December 1997, Berliner Wasserbetriebe entered into contracts on the financing and construction of administrative buildings with the real estate lease company Schumacher & Co. Objekt Rolandufer KG (Rolandufer KG). The buildings were built in two construction phases. Since then they house the main administration of Berliner Wasserbetriebe on the basis of the lease agreement entered into with Rolandufer KG. Berliner Wasserbetriebe has the right to acquire the buildings by 31 December 2018, at a purchase price fixed in the contract. Rolandufer KG has the right to sell the buildings ten years later to Berliner Wasserbetriebe at an agreed price.

WASSMANNSDORF TREATMENT PLANT FINANCING CONCEPT

In December of 1996 Berliner Wasserbetriebe entered into agreements with TELO Beteiligungsgesellschaft mbH & Co. Objekt Kläranlage Waßmannsdorf KG (TELO) in connection with the financing of the second and third expansion phase of the Waßmannsdorf water treatment plant, which are the commercial equivalent of a sale and leaseback transaction. The water treatment plant is under continued operation and is designed for purification output of 230,000 m³ of wastewater daily during dry weather. TELO has the right to sell the water treatment plant up to 31 December 2013, to Berliner Wasserbetriebe at a purchase price stipulated in the contract.

PRINCIPLES AND GOALS OF CASH MANAGEMENT

The goal of cash management is to assure financial solvency at any time, as well as the optimum financing of the institution's investment and operation from a risk and cost perspective.

Opportunities for short-term and longterm borrowings, as well as the conditions attached to such funds, are based largely on the guarantor's liability of the State of Berlin with respect to Berliner Wasserbetriebe, as well as the type and structure of the business model and the resulting sound credit standing of Berliner Wasserbetriebe.

Borrowing is primarily undertaken by means of longterm, fixed loans from banks. Constant financial solvency is additionally supported by bank credit lines.

DISCLOSURES ON INTANGIBLE ASSETS

In accordance with Section 9 of the Grundbuchbereinigungsgesetz (GBBERG) (Land Register Adjustment Law) and Section 1 of the Sachenrechtsdurchführungsverordnung (SachenRDV) (Property Law Execution Regulation) easements in gross were legally established for facilities of Berliner Wasserbetriebe that are located in the former water supply and disposal area of the VEB Wasserversorgung und Abwasserbehandlung Berlin (VEB Water Supply and Wastewater Treatment Berlin) and were in operation on 3 October 1990. Berliner Wasserbetriebe is required to pay a one-time consideration for these rights. The consideration corresponds to the amount that would have been customary for such a right according to the proportional values of 1995. The first half of this amount is to be paid immediately after registration of the limited easement in favour of Berliner Wasserbetriebe or upon request of the property owner. The second half is due on 1 January 2011.

Total financial charges for the acquisition of the easements in gross in accordance with Section 9 of the GBBERG in conjunction with Section 1 of the SachenRDV were estimated by Berliner Wasserbetriebe at €860.9 million and fully accounted for in the balance sheet.

Net assets

Total assets have risen by €177.5 million over the previous year, while the balance sheet structure is virtually unchanged.

Fixed assets rose from €6,252.8 million in 2006, to €6,272.5 million in 2007. During 2007 Berliner Wasserbetriebe invested €270.7 million (prior year: €274.4 million) in fixed assets. Of this €94 million (prior year: €96.5 million) was for water supply and €176.7 million (prior year: €177.9 million) for drainage. This is offset by depreciation of €256.1 million (prior year: €238.2 million) for financial year 2007.

Receivables from associated companies, minority interests and shareholders rose at the balance sheet date and are reported as €323.0 million (prior year: €176.0 million) as at 31 December 2007.

Financial assets, inventory and cash and cash equivalents are roughly at the previous year's levels.

The capital ratio as at 31 December 2007, is 35% (prior year: 34.5%).

Trade payables were €6.2 million lower than the previous year. Advance payments received rose by €34.8 million to €731.8 million.

Liabilities to associated companies, minority interests and shareholders rose to €55.9 million. This chiefly includes the reported partial profit payment to dormant partners in the amount of €189.6 million (prior year: €134.7 million). This variance is impacted in particular by the positive effects of the liquidation of provisions against specific debts, interest income and the liquidation of provisions related to the litigation on drainage of public streets and squares, which increased partial profits.

Key balance sheet items of Berliner Wasserbetriebe

	31 Dec. 2007 € 000	%	31 Dec. 2006 € 000	%	Change € 000
Assets					
Intangible assets	906,289	12.2	908,823	12.6	-2,534
Property, plant and equipment	5,356,704	72.3	5,334,254	73.7	22,450
Financial assets	9,498	0.1	9,760	0.1	-262
Fixed assets	6,272,491	84.6	6,252,837	86.4	19,654
Inventory	17,693	0.2	15,977	0.2	1,716
Receivables from associated companies, minority interests and shareholders	323,016	4.4	175,993	2.5	147,023
Other receivables	777,546	10.5	774,989	10.7	2,557
Cash and cash equivalents	20,351	0.3	13,666	0.2	6,685
Current assets	1,138,606	15.4	980,625	13.6	157,981
Accrued items	919	0.0	1,102	0.0	-183
	7,412,016	100.0	7,234,564	100.0	177,452
Liabilities					
Equity	2,593,431	35.0	2,498,880	34.5	94,551
Debt					
Longterm					
Special item including subsidies and construction subsidies	488,130	6.6	469,207	6.5	18,923
Provisions	4,011	0.1	3,461	0.0	550
Liabilities to banks	846,287	11.4	930,551	12.9	-84,264
Liabilities to associated companies, minority interests and shareholders	5,113	0.1	5,624	0.1	-511
Other liabilities including accrued items	206,737	2.8	150,076	2.1	56,661
	1,550,278	21.0	1,558,919	21.6	-8,641
Medium and short term					
Special item including subsidies and construction subsidies	97,626	1.3	93,841	1.3	3,785
Provisions	975,299	13.2	988,971	13.7	-13,672
Liabilities to banks	1,053,706	14.1	1,062,638	14.7	-8,932
Advance payments received	731,765	9.9	696,988	9.6	34,777
Trade payables	26,453	0.4	32,649	0.4	-6,196
Liabilities to associated companies, interests and shareholders	209,121	2.8	153,180	2.1	55,941
Other liabilities including accrued items	174,337	2.3	148,498	2.1	25,839
	3,268,307	44.0	3,176,765	43.9	91,542
	7,412,016	100.0	7,234,564	100.0	177,452

Events of importance after the balance sheet date

No events of special importance have occurred since the end of the financial year year.

Risk report

Presentation of the risks of anticipated development

A VIEW OF RISK – RISK MANAGEMENT

The Gesetz zur Kontrolle und Transparenz in Unternehmen (KonTraG) (Corporate Sector Supervision and Transparency Act), in particular Section 91, paragraph II of the AktG (German Companies Act) requires that companies take suitable measures to institute a monitoring system for the early identification of developments that may jeopardise the continued existence of the company. Berliner Wasserbetriebe has implemented these requirements and instituted a comprehensive risk management system.

Based on an assessment of the most recent risk inventory, no risks have been identified that might jeopardise its continued existence. Primarily market, operating and financial risks are evaluated as relevant or significant risks. Appropriate measures are taken by the company's management in order to counteract or minimise these risks.

The regulations of the German Companies Act and the German Commercial Code – in conjunction with stipulations under the Law on Budgetary Procedures, as well as the Berlin Companies Act – also apply to Berliner Wasserbetriebe in its legal form as a public institution.

The risk management manual prepared for the Berlinwasser group and overhauled in June of 2006 constitutes the basis for the risk management system. Risk management in Berliner Wasserbetriebe is further underpinned by risk strategy and the description of the duties and responsibilities in the risk management control process.

ENVIRONMENTAL RISKS

According to information from the Senate administration for health, environment and consumer protection the water authority approvals applied for during 1996 in relation to the transport of groundwater for all public drinking water supply should be granted by the year 2010. Approval was granted for the Wuhlheide waterworks in December of 2001. A letter from the Senate administration for urban development dated 18 January 2001, extended the deadlines listed in the letter of 4 June 1998, for the distribution of groundwater for supplying drinking water in its previous form (acquiescence without approval) for all other waterworks until further notice, however no later than the provision of a definitive approval for distribution.

Investigations into environmental compatibility with public participation, as well as, if required, flora-fauna-habitat compatibility investigations, are being conducted as part of the approval process. This process has already been initiated for the Spandau, Tegel, Beelitzhof and Kladow waterworks.

A prerequisite for the individual processes is the development of a conceptual water supply design extending through 2040, in which the water requirements of the individual sites, taking into account the effects of climate change and anthropogenic damage, are assessed based on a water requirement forecast. This conceptual water supply design is to be finalised during this year.

FINANCIAL RISKS

In accordance with Section 9 of the GBBerG easements in gross for land are substantiated, which require land owners to acquiesce to energy equipment on their land on behalf of the utilities companies that operate the relevant equipment. Berliner Wasserbetriebe, as operators of the water supply and wastewater disposal network, are obliged to pay property owners on whose land parts of the network are located compensation for the reduction in the value of the property upon registration of the easement in gross. These compensatory payments have previously been

roughly estimated at €1.2 billion. This estimate was revised in 2006. The level of easements is now valued at €860.9 million. Approximately €351 million of this amount, relating to rainwater drainage conduits, is the responsibility of the State of Berlin. An amount of €510 million, fully reflected in the accounting records, is the responsibility of Berliner Wasserbetriebe.

LEGAL RISKS

Berliner Wasserbetriebe operates in a regulated market and is therefore confronted by special legal risks. Court proceedings on the legitimacy of rates for water supply, wastewater disposal and cost reimbursement for draining public streets and squares should be highlighted, in particular.

In the past few years for the rate period starting in 2000, Berliner Wasserbetriebe has been both defendant and plaintiff in lawsuits concerning doubts of the fairness of its water and wastewater rates, both in the District Court of Berlin and the Superior Court of Justice. All proceedings that have been legally resolved have confirmed that Berliner Wasserbetriebe has determined the rates fairly as interpreted under Section 315 of the German Civil Code and these rates are, therefore, effective.

Berliner Wasserbetriebe has reported the investment in Schwarze Pumpe GmbH i. L. (SVZ GmbH) secondary raw materials/recycling centre since the beginning, upon acquisition of the holding in 1995, as an asset as a commercial water supply enterprise (BgA Wasser). As part of the tax audit for the years 1999 to 2001, the question arose as to whether this was admissible or whether the investment in SVZ GmbH should be treated as the institution's own commercial enterprise or possibly as investment management with no tax effect. The topic was thoroughly reviewed during 2007 and explored in detail with the examiners of the Federal Central Tax Office as well as the tax auditors of the Berlin tax authorities responsible. A positive outcome was achieved for Berliner Wasserbetriebe. The examiners have now changed the opinion they initially put forward that the investment in SVZ GmbH constitutes the company's own commercial enterprise, so that SVZ GmbH can continue to be reported as an

investment of BgA Wasser. The question remains, however, whether the partial write-offs on the investment undertaken in 1999 and 2001, as well as the write-offs of the loan extended at the time, will be permitted as tax deductions. This matter must still be definitively reviewed and assessed. It is already foreseeable, however, that the examiners do not wish to allow the write-off against the investment in SVZ GmbH for tax purposes. From today's perspective, though, this would result merely in a shift of taxable profits among periods.

Risk reporting related to the use of financial instruments

During 2007 Berliner Wasserbetriebe did not make use of any financial derivatives. Risk reporting in this respect is, therefore, waived.

Outlook

The earnings prognosis for the coming financial year year 2008 was based on the following operational and strategic assumptions.

Continued cost optimisation

Over the past few years, several optimisation programmes have been implemented successfully and costs reduced in the short and medium term as a result; moreover, a socially responsible staff restructuring and reduction plan has been enacted. Efforts to decrease costs continue. This is the only means to counteract future rate rises. The growing level of fixed costs, due to a continued drop in sales and the constant expansion and renovation of the supply and disposal infrastructure cannot otherwise be absorbed.

Decline in volume continues

Berlin water sales are planned at the level of 195.1 million m³ for 2008. This decline is expected to carry on in the years to come. This reflects the national trend of decreasing water sales. The portion of sewage water in water sales is 94.4%. A "normal" drop in water sales is assumed, resulting primarily from lower per capita use in households and sales quantities to industry. Forecasts for the contracts with our partners in Brandenburg are based on constant growth of 3.3 million m³ of water or 23.3 million m³ of sewage water.

New rate system starting in mid-2007

The rate system of Berliner Wasserbetriebe was successfully restructured as at 1 July 2007. The rate now consists of a basic price and a volume or labour price. Introduction of the new rate structure did not impact either revenue or earnings. Due to the basic price component, however, a larger portion of fixed costs

can be covered, even in the event of continued declines in sales volumes. The introduction of the basic price is, therefore, a factor in assuring revenues. Costs are more appropriately allocated to their source. In 2008 the basic price will remain the same as in 2007.

Final costing enhances earnings certainty

The amendment of the Berlin Companies Act obliges Berliner Wasserbetriebe to undertake a final costing of its rates. Events that the company has not foreseen or that it has assessed differently (e.g. development in energy costs, higher levels of water sales due to a dry summer), are accounted for in subsequent periods. Unplanned profits as well as unplanned losses would, therefore, not impact the planning period. Introduction of this final costing, therefore, increases the certainty of earnings in the planning period.

Slight rise in rates during 2008

Taking into account the cost structure and the assumed level of water sales, a rise in the overall rate of 1.9% results for 2008. This rise is due above all to a higher regulatory interest rate, as well as the drop in volume compared to the previous year. We anticipate rate increases below the rate of inflation for subsequent years.

Moderate rise in sales planned

The effects of declining water sales are compensated in part by the planned rate increase. We anticipate only a slightly higher level of sales in 2008 than the previous year for this reason. Approximately 35% of total sales are from water supply and c. 50% from non-public drainage services. Sales revenues in subsequent years are expected to develop as in the quantity and rate projections.

The remaining sales revenues are chiefly from drainage of public streets and squares, and from house service connections. The number of house service connections to be built will lessen in future. The number of house sewerage service connections will drop more sharply, since the development of the older settlement areas is essentially complete.

Continuous improvement in profits

We expect operating income before interest and taxes (without special effects) to be above the previous year's level in 2008. Operating income will gradually be raised in subsequent years.

Capital reduction planned for 2008

As a result of the judgment that the 34th chamber of the Berlin administrative court handed down in February of 2007 regarding the litigation lasting many years between Berliner Wasserbetriebe and the State of Berlin over the costs of drainage of public streets and squares, the State of Berlin is required to pay Berliner Wasserbetriebe approximately €300 million. In order to settle these claims the State of Berlin would like to undertake a capital reduction. Since the previous shareholding ratio was 50.1%, State of Berlin, and 49.9%, private shareholders, the shareholders RWE and Veolia Wasser will participate in this capital reduction.

Execution of the planned capital reduction has been reviewed in depth. Aspects of institutional, fee, tax and commercial legislation were all taken into account.

The intention is to finance the capital reduction by taking out a longterm loan. This additional borrowing would lead to higher interest expense and in turn lower profits and thus a reduced dividend payment to shareholders in subsequent years.

The capital reduction has no impact from the perspective of fee legislation and therefore does not affect the rates. The capital reduction does not influence the level of funds required for the company and, therefore, does not influence interest payments. Financing of the capital reduction via borrowing does not impact rates.

Investment primarily in networks

The investment volume from own resources in 2008 will amount to €239 million. Some €96 million are to be invested in the Water Supply Division and €143 million in the Wastewater Disposal division. The greater part of this investment is in the network. The emphasis is on renovation and expansion of conduits and pressure pipes to the tune of €91 million (e.g. for area-wide clean-up and to implement the wastewater elimination plan), as well as pipe network renovations for approximately €48 million.

A total of €26 million have been set aside for the renovation and automation of the pumping stations. The portion for treatment plants is €28 million and for the waterworks €25 million.

The investment strategy, adapted to a continued slump in water sales and wastewater occurrence provides for clean-up reconstruction aimed at asset maintenance and the upkeep of operating facilities and networks. The across-the-board refurbishment of the duct network is a key strategic goal.

Berlin, 17 January 2008
Berliner Wasserbetriebe



Jörg Simon



Frank Bruckmann



Dr Ulrich Bammert



Norbert Schmidt

Balance sheet of Berliner Wasserbetriebe, a public agency of 31 December 2007

Assets side

	31 Dec. 2007 €	31 Dec. 2007 €	31 Dec. 2006 € 000
A. Fixed assets			
I. Intangible assets			
1. Concessions, commercial property rights and similar rights and values	903,886,785.64		906,312
2. Advance payments made	2,402,216.91	906,289,002.55	2,511
II. Property, plant and equipment			
1. Properties with commercial, business and other buildings	474,099,203.92		500,116
2. Properties with residential buildings	16,631,698.84		19,153
3. Properties without buildings	12,997,000.95		15,924
4. Buildings on others' properties	3,139,335.74		3,329
5. Water catchment and treatment plants	144,353,852.18		128,351
6. Water distribution plants	817,144,528.80		796,499
7. Sewers and wastewater pressure pipes	3,212,995,480.08		3,158,172
8. Sewage pumping plants	77,485,560.37		74,314
9. Sewage treatment plants	236,835,841.55		248,400
10. Other technical plants and machines	6,077,920.80		2,923
11. Business and commercial equipment	35,566,133.26		31,629
12. Advance payments made and plants under construction	319,377,776.03	5,356,704,332.52	355,444
III. Financial assets			
1. Minority interests	3,208,020.38		3,208
2. Membership in special purpose associations	3,304,402.23		3,304
3. Fixed asset securities	1,477.63		2
4. Other loans	2,984,138.80	9,498,039.04	3,246
B. Current assets			
I. Inventory			
1. Raw materials and supplies	9,606,523.71		9,393
2. Work in progress	8,086,434.47	17,692,958.18	6,584
II. Receivables and other assets			
1. Trade receivables of which with a remaining term of more than one year: €281,319.33 (prior year: €282,000)	747,226,874.93		740,814
2. Receivables from associated companies of which with a remaining term of more than one year: €0.00 (prior year: €0)	862,583.56		372
3. Receivables from companies, with participating interests of which with a remaining term of more than one year: €0.00 (prior year: €0)	62,026.81		384
4. Receivables from dormant partners of which with a remaining term of more than one year: €0.00 (prior year: €0)	867,216.93		1,707
5. Receivables from the guarantor of which with a remaining term of more than one year: €0.00 (prior year: €0)	321,224,165.05		173,530
6. Other assets of which with a remaining term of more than one year: €2,173,772.37 (prior year: €2,493,000)	30,319,004.57	1,100,561,871.85	34,176
III. Cash, deposits at banks		20,350,759.54	13,666
C. Accrued items			
Other accrued items		918,663.61	1,101
		7,412,015,627.29	7,234,564

Liabilities side

	31 Dec. 2007 €	31 Dec. 2007 €	31 Dec. 2007 €	31 Dec. 2006 € 000
A. Equity				
I. Capital stock of which offset by deposits of dormant partners: €777,252,989.47		1,790,000,000.00		1,790,000
II. Revenue reserve		59,802,572.00		45,693
III. Deposits of dormant partners	1,559,440,237.65			1,559,440
Offset against capital stock	-777,252,989.47			-777,253
Revenue reserve	54,673,436.00			40,621
Loss carry-forward of dormant partners	-242,081,568.64	594,779,115.54		-233,310
IV. Accumulated profits		148,849,261.98	2,593,430,949.52	73,689
B. Special accounts for subsidies				
1. Special accounts for investment grants		311,246.00		481
2. Special accounts for other subsidies		442,024,224.77	442,335,470.77	424,114
C. Construction subsidies			143,420,040.57	138,453
D. Provisions				
1. Provisions for pension obligations		4,881,449.11		4,787
2. Tax provisions		4,956,977.00		12,703
3. Other provisions		969,471,639.48	979,310,065.59	974,942
E. Liabilities				
1. Liabilities to banks of which with a remaining term up to one year: €301,486,834.24 (prior year: €267,880,000)		1,899,992,654.93		1,993,189
2. Advance payments on orders of which with a remaining term up to one year: €731,765,478.03 (prior year: €696,988,000)		731,765,478.03		696,988
3. Trade payables of which with a remaining term up to one year: €26,452,634.03 (prior year: €32,649,000)		26,452,634.03		32,649
4. Liabilities to associated companies of which with a remaining term up to one year: €4,731,086.59 (prior year: €4,268,000)		4,731,086.59		4,268
5. Liabilities to companies, with participating interests of which with a remaining term up to one year: €473,419.73 (prior year: €60,000)		473,419.73		60
6. Liabilities to dormant partners of which with a remaining term up to one year: €186,303,182.40 (prior year: €130,188,000)		186,303,182.40		130,188
7. Liabilities to the guarantor of which with a remaining term up to one year: €15,568,836.31 (prior year: €16,618,000)		22,726,922.65		24,288
8. Other liabilities of which: a) from taxes: €11,345,839.97 (prior year: €15,635,000) b) in the context of social security: €21,169.53 (prior year: €0) c) with a remaining term up to one year: €88,293,516.64 (prior year: €80,108,000)		355,565,698.35	3,228,011,076.71	271,621
F. Accrued items			25,508,024.13	26,953
			7,412,015,627.29	7,234,564

Balance sheet of Berliner Wasserbetriebe, a public agency of 31 December 2007 Water Supply Company division

Assets side

	31 Dec. 2007 €	31 Dec. 2007 €	31 Dec. 2006 € 000
A. Fixed assets			
I. Intangible assets			
1. Concessions, commercial property rights and similar rights and values	173,225,912.94		174,779
2. Advance payments made	2,326,365.86	175,552,278.80	2,511
II. Property, plant and equipment			
1. Properties with commercial, business and other buildings	241,253,217.50		243,246
2. Properties with residential buildings	5,820,970.09		7,696
3. Properties without buildings	12,613,404.26		15,540
4. Buildings on others' properties	646,020.46		654
5. Water catchment and treatment plants	144,353,852.18		128,351
6. Water distribution plants	817,144,528.80		796,499
7. Other technical plants and machines	2,028,038.40		1,499
8. Business and commercial equipment	17,088,654.43		15,734
9. Advance payments made and plants under construction	91,221,208.40	1,332,169,894.52	107,758
III. Financial assets			
1. Minority interests	3,208,020.38		3,208
2. Membership in special purpose associations	3,304,402.23		3,304
3. Fixed asset securities	1,477.63	6,513,900.24	2
B. Current assets			
I. Inventory			
1. Raw materials and supplies	4,695,006.41		4,722
2. Work in progress	2,769,678.39	7,464,684.80	2,192
II. Receivables and other assets			
1. Trade receivables of which with a remaining term of more than one year: €49,704.13 (prior year: €40,000)	303,231,153.71		313,390
2. Receivables from associated companies of which with a remaining term of more than one year: €0.00 (prior year: €0)	862,583.56		369
3. Receivables from companies, with participating interests of which with a remaining term of more than one year: €0.00 (prior year: €0)	62,026.81		65
4. Receivables from dormant partners of which with a remaining term of more than one year: €0.00 (prior year: €0)	867,216.93		1,707
5. Receivables from the guarantor of which with a remaining term of more than one year: €0.00 (prior year: €0)	1,587,886.50		31
6. Other assets of which with a remaining term of more than one year: €2,173,772.37 (prior year: €2,493,000)	16,150,528.44		13,478
7. Receivables from common financial account management	325,353,795.48	648,115,191.43	396,381
III. Cash, deposits at banks		20,350,759.54	13,666
C. Accrued items			
Other accrued items		277,437.94	374
		2,190,444,147.27	2,247,156

Liabilities side

	31 Dec. 2007 €	31 Dec. 2007 €	31 Dec. 2007 €	31 Dec. 2006 € 000
A. Equity				
I. Capital stock of which offset by deposits of dormant partners: €156,368,442.83		537,000,000.00		537,000
II. Revenue reserve		18,776,606.00		15,013
III. Deposits of dormant partners	467,832,071.30			467,832
Offset against capital stock	-156,368,442.83			-156,369
Revenue reserve	18,701,648.00			14,954
Loss carry-forward of dormant partners	-242,081,568.64	88,083,707.83		-233,310
IV. Accumulated profits		18,769,323.35	662,629,637.18	31,984
B. Special accounts for subsidies				
1. Special accounts for investment grants		311,246.00		481
2. Special accounts for other subsidies		40,754,171.08	41,065,417.08	40,928
C. Special accounts for other subsidies			43,437,587.00	42,951
D. Provisions				
1. Provisions for pension obligations		2,462,465.47		2,416
2. Tax provisions		3,812,867.00		12,527
3. Other provisions		185,123,588.60	191,398,921.07	177,803
E. Liabilities				
1. Liabilities to banks of which with a remaining term up to one year: €172,215,080.36 (prior year: €134,426,000)		780,198,435.06		807,669
2. Advance payments on orders of which with a remaining term up to one year: €298,749,948.82 (prior year: €292,022,000)		298,749,948.82		292,022
3. Trade payables of which with a remaining term up to one year: €9,073,404.36 (prior year: €8,500,000)		9,073,404.36		8,500
4. Liabilities to associated companies of which with a remaining term up to one year: €3,595,040.04 (prior year: €3,549,000)		3,595,040.04		3,549
5. Liabilities to companies, with participating interests of which with a remaining term up to one year: €317,536.78 (prior year: €60,000)		317,536.78		60
6. Liabilities to dormant partners of which with a remaining term up to one year: €43,079,504.40 (prior year: €61,612,000)		43,079,504.40		61,612
7. Liabilities to the guarantor of which with a remaining term up to one year: €948,655.64 (prior year: €1,781,000)		8,106,741.98		9,450
8. Other liabilities of which: a) from taxes: €3,732,124.61 (prior year: €9,414,000) b) in the context of social security: €21,169.53 (prior year: €0) c) with a remaining term up to one year: €49,924,034.03 (prior year: €48,612,000)		85,611,169.42	1,228,731,780.86	85,846
F. Accrued items			23,180,804.08	24,238
			2,190,444,147.27	2,247,156

Balance sheet of Berliner Wasserbetriebe, a public agency of 31 December 2007 Drainage Company division

Assets side

	31 Dec. 2007 €	31 Dec. 2007 €	31 Dec. 2006 € 000
A. Fixed assets			
I. Intangible assets			
1. Concessions, commercial property rights and similar rights and values	730,660,872.70		731,533
2. Advance payments made	75,851.05	730,736,723.75	-
II. Property, plant and equipment			
1. Properties with commercial, business and other buildings	232,845,986.42		256,870
2. Properties with residential buildings	10,810,728.75		11,457
3. Properties without buildings	383,596.69		384
4. Buildings on others' properties	2,493,315.28		2,675
5. Sewers and wastewater pressure pipes	3,212,995,480.08		3,158,172
6. Sewage pumping plants	77,485,560.37		74,314
7. Sewage treatment plants	236,835,841.55		248,400
8. Other technical plants and machines	4,049,882.40		1,424
9. Business and commercial equipment	18,477,478.83		15,895
10. Advance payments made and plants under construction	228,156,567.63	4,024,534,438.00	247,686
III. Financial assets			
Other loans		2,984,138.80	3,246
B. Current assets			
I. Inventory			
1. Raw materials and supplies	4,911,517.30		4,671
2. Work in progress	5,316,756.08	10,228,273.38	4,392
II. Receivables and other assets			
1. Trade receivables of which with a remaining term of more than one year: €231,615.20 (prior year: €242,000)	443,995,721.22		427,424
2. Receivables from associated companies of which with a remaining term of more than one year: €0.00 (prior year: €0)	0.00		3
3. Receivables from companies, with participating interests of which with a remaining term of more than one year: €0.00 (prior year: €0)	0.00		319
4. Receivables from the guarantor of which with a remaining term of more than one year: €0.00 (prior year: €0)	319,636,278.55		173,499
5. Other assets of which with a remaining term of more than one year: €0.00 (prior year: €0)	14,168,476.13	777,800,475.90	20,698
C. Accrued items			
Other accrued items		641,225.67	727
		5,546,925,275.50	5,383,789

Liabilities side

	31 Dec. 2007 €	31 Dec. 2007 €	31 Dec. 2007 €	31 Dec. 2006 € 000
A. Equity				
I. Capital stock of which offset by deposits of dormant partners: €620,884,546.64		1,253,000,000.00		1,253,000
II. Revenue reserve		41,025,966.00		30,680
III. Deposits of dormant partners	1,091,608,166.35			1,091,608
Offset against capital stock	-620,884,546.64			-620,884
Revenue reserve	35,971,788.00	506,695,407.71		25,667
IV. Accumulated profits		130,079,938.63	1,930,801,312.34	41,705
B. Special accounts for subsidies				
Special accounts for other subsidies			401,270,053.69	383,186
C. Construction subsidies			99,982,453.57	95,502
D. Provisions				
1. Provisions for pension obligations		2,418,983.64		2,371
2. Tax provisions		1,144,110.00		176
3. Other provisions		784,348,050.88	787,911,144.52	797,139
E. Liabilities				
1. Liabilities to banks of which with a remaining term up to one year: €129,271,753.88 (prior year: €133,454,000)		1,119,794,219.87		1,185,520
2. Advance payments on orders of which with a remaining term up to one year: €433,015,529.21 (prior year: €404,966,000)		433,015,529.21		404,966
3. Trade payables of which with a remaining term up to one year: €17,379,229.67 (prior year: €24,149,000)		17,379,229.67		24,149
4. Liabilities to associated companies of which with a remaining term up to one year: €1,136,046.55 (prior year: €719,000)		1,136,046.55		719
5. Liabilities to companies, with participating interests of which with a remaining term up to one year: €155,882.95 (prior year: €0)		155,882.95		-
6. Liabilities to dormant partners of which with a remaining term up to one year: €143,223,678.00 (prior year: €68,576,000)		143,223,678.00		68,576
7. Liabilities to the guarantor of which with a remaining term up to one year: €14,620,180.67 (prior year: €14,837,000)		14,620,180.67		14,838
8. Other liabilities of which: a) from taxes: €7,613,715.36 (prior year: €6,221,000) b) in the context of social security: €0.00 (prior year: €0) c) with a remaining term up to one year: €38,369,482.61 (prior year: €31,497,000)		269,954,528.93		185,775
9. Liabilities from common financial account management		325,353,795.48	2,324,633,091.33	396,381
F. Accrued items			2,327,220.05	2,715
			5,546,925,275.50	5,383,789

Profit and loss statement of Berliner Wasserbetriebe, a public agency for the time from 1 January to 31 December 2007

	1 Jan. 2007 – 31 Dec. 2007			1 Jan. 2007 – 31 Dec. 2006		
	€	€	€	€ 000	€ 000	€ 000
1. Revenues						
a) Water sales	396,219,359.60			424,033		
b) Drainage services	699,438,782.28			679,695		
c) Liquidation of construction subsidies recorded as liabilities	11,132,436.77			10,426		
d) House service connections	10,393,894.44	1,117,184,473.09		9,798	1,123,952	
2. Increase in the level of work in progress for house service connections		1,502,930.29			1,538	
3. Other own work capitalised		56,646,595.65			56,987	
4. Other operating revenue		147,015,167.39	1,322,349,166.42	75,572		1,258,049
5. Cost of materials						
a) Expenses for raw materials and supplies and for purchased goods	57,718,484.16			59,519		
b) Expenses for purchased services	180,076,884.44			174,651		
c) Groundwater withdrawal fees and wastewater charges	63,333,686.73	301,129,055.33		69,175	303,345	
6. Personnel expenses						
a) Wages and salaries	201,051,430.07			201,567		
b) Payroll deductions and pension expenses and for support of which: for pensions: €16,751,086.38 (prior year: €13,338,000)	58,771,485.13	259,822,915.20		57,694	259,261	
7. Depreciations of intangible assets of the fixed asset securities and property, plant and equipment		256,119,712.33			238,170	
8. Other operating expenses		88,552,633.56	905,624,316.42	97,703		898,479
9. Revenue from minority interests of which: from associated companies: €0.00 (prior year: €0)		11,249.74			21	
10. Revenue from other securities and loans of the assets of which: from associated companies: €0.00 (prior year: €0)		129,733.17			4,914	
11. Other interest and similar revenue of which: from associated companies: €0.00 (prior year: €0)		82,338,290.21	82,479,273.12		595	5,530
12. Interest and similar expenses of which: to associated companies: €0.00 (prior year: €0)			102,243,157.09			102,013
13. Income from ordinary operations			396,960,966.03			263,087
14. Extraordinary revenue			0.00			3,068
15. Extraordinary profit			0.00			3,068
16. Expenses related to partial profit transfers			189,582,222.00			134,716
17. Loss takeover from dormant partners			8,771,414.00			8,416
18. Income taxes			32,089,836.54			36,092
19. Other taxes			7,048,947.51			5,609
20. Net profit for the period			177,011,373.98			98,154
21. Creation of revenue reserve			28,162,112.00			24,465
22. Accumulated profits			148,849,261.98			73,689
Appropriation of accumulated profits						
a) Company division water supply						
Dividend distribution to the State of Berlin			18,769,323.35			31,984
b) Company division drainage						
Dividend distribution to the State of Berlin			130,079,938.63			41,705

Profit and loss statement of Berliner Wasserbetriebe, a public agency for the time from 1 January to 31 December 2007 Water Supply Company division

	1 Jan. 2007 – 31 Dec. 2007			1 Jan. 2007 – 31 Dec. 2006		
	€	€	€	€ 000	€ 000	€ 000
1. Revenues						
a) Water sales	396,219,359.60			424,033		
b) Liquidation of construction subsidies recorded as liabilities	3,735,825.31			3,608		
c) House service connections	4,255,261.73			4,389		
d) Intercompany sales	932,608.96	405,143,055.60		949	432,979	
2. Increase in the level of work in progress for house service connections		577,673.68			1,430	
3. Other own work capitalised		25,694,220.64			26,652	
4. Other operating revenue	26,438,051.06			26,039		
– Intercompany sales	18,781,079.06	45,219,130.12	476,634,080.04	17,979	44,018	505,079
5. Cost of materials						
a) Expenses for raw materials and supplies and for purchased goods	23,644,681.91			24,245		
b) Expenses for purchased services	39,528,082.06			36,578		
c) Groundwater withdrawal fees	49,899,752.00			54,295		
d) Intercompany sales	3,183,700.97			3,457		
e) Settlement of material costs	–2,889,643.10	113,366,573.84		–3,255	115,320	
6. Personnel expenses						
a) Wages and salaries	93,986,217.32			98,538		
b) Payroll deductions and pension expenses and for support of which: for pensions: €8,338,365.97 (prior year: €6,927,000)	28,075,406.10			28,710		
c) Settlement of material costs	–1,494,953.60	120,566,669.82		–6,312	120,936	
7. Depreciations of intangible assets of the fixed asset securities and property, plant and equipment		86,085,536.38			76,755	
8. Other operating expenses	58,137,325.09			60,942		
– Intercompany sales	767,535.97			1,123		
– Settlement of material costs	–9,414,414.55	49,490,446.51	369,509,226.55	–8,509	53,556	366,567
9. Revenue from minority interests of which: from associated companies: €0.00 (prior year: €0)		11,249.74			21	
10. Revenue from other securities and loans of the assets of which: from associated companies: €0.00 (prior year: €0)		0.00			4,774	
11. Other interest and similar revenue of which: from associated companies: €0.00 (prior year: €0)		480,692.95			442	
– Interest income, intercompany sales		26,686,879.80	27,178,822.49		25,225	30,462
12. Interest and similar expenses of which: to associated companies: €0.00 (prior year: €0)			41,709,318.25			39,676
13. Income from ordinary operations			92,594,357.73			129,298
14. Extraordinary revenue			0.00			3,068
15. Extraordinary profit			0.00			3,068
16. Expenses related to partial profit transfers			44,294,112.00			63,571
17. Loss takeover from dormant partners			8,771,414.00			8,416
18. Income taxes			29,016,434.29			35,681
19. Other taxes			1,773,871.09			1,388
20. Net profit for the period			26,281,354.35			40,142
21. Creation of revenue reserve			7,512,031.00			8,158
22. Accumulated profits			18,769,323.35			31,984

Profit and loss statement of Berliner Wasserbetriebe, a public agency for the time from 1 January to 31 December 2007 Drainage Company division

	1 Jan. 2007 – 31 Dec. 2007			1 Jan. 2007 – 31 Dec. 2006		
	€	€	€	€ 000	€ 000	€ 000
1. Revenues						
a) Drainage services	699,438,782.28			679,695		
b) Liquidation of construction subsidies recorded as liabilities	7,396,611.46			6,818		
c) House service connections	6,138,632.71			5,409		
d) Intercompany sales	3,183,700.97	716,157,727.42		3,457	695,379	
2. Increase in the level of work in progress for house service connections		925,256.61			108	
3. Other own work capitalised		30,952,375.01			30,335	
4. Other operating revenue	120,577,116.33			49,533		
– Intercompany sales	767,535.97	121,344,652.30	869,380,011.34	1,123	50,656	776,478
5. Cost of materials						
a) Expenses for raw materials and supplies and for purchased goods	34,073,802.25			35,274		
b) Expenses for purchased services	140,548,802.38			138,073		
c) Wastewater charges/groundwater withdrawal fees	13,433,934.73			14,880		
d) Intercompany sales	932,608.96			949		
e) Settlement of material costs	2,889,643.10	191,878,791.42		3,255	192,431	
6. Personnel expenses						
a) Wages and salaries	107,065,212.75			103,029		
b) Payroll deductions and pension expenses and for support of which: for pensions: €8,412,720.41 (prior year: €6,411,000)	30,696,079.03			28,984		
c) Settlement of material costs	1,494,953.60	139,256,245.38		6,312	138,325	
7. Depreciations of intangible assets of the fixed asset securities and property, plant and equipment		170,034,175.95			161,415	
8. Other operating expenses	30,415,308.47			36,761		
– Intercompany sales	18,781,079.06			17,979		
– Settlement of material costs	9,414,414.55	58,610,802.08	559,780,014.83	8,509	63,249	555,420
9. Revenue from other securities and loans of the assets of which: from associated companies: €0.00 (prior year: €0)		129,733.17			140	
10. Other interest and similar revenue of which: from associated companies: €0.00 (prior year: €0)		81,857,597.26	81,987,330.43		153	293
11. Interest and similar expenses of which: to associated companies: €0.00 (prior year: €0) Interest paid, intercompany sales		60,533,838.84			62,337	
		26,686,879.80	87,220,718.64		25,225	87,562
12. Income from ordinary operations			304,366,608.30			133,789
13. Expenses related to partial profit transfers			145,288,110.00			71,145
14. Income taxes			3,073,402.25			411
15. Other taxes			5,275,076.42			4,221
16. Net profit for the period			150,730,019.63			58,012
17. Creation of revenue reserve			20,650,081.00			16,307
18. Accumulated profits			130,079,938.63			41,705

Notes

1. General information

The annual financial statements of Berliner Wasserbetriebe as at 31 December 2007, have been prepared according to the rules of the PubLG (German Disclosures Act) in conjunction with Section 16 of the BerLBG (Berlin Companies Act) and the rules of the German Commercial Code for large public limited companies. The mandated structure of the financial statements has been modified by the insertion of individual items due to the special structure of Berliner Wasserbetriebe (Section 265, paragraph 5, of the German Commercial Code). This affords a proper view of the net assets, financial position and results of operations. At the same time, it does not detract from the clarity and transparency of the balance sheet and the profit and loss statement.

For Berliner Wasserbetriebe the water supply is subject to taxes in accordance with Section 1, paragraph 1, no. 4 in conjunction with Section 4 of corporation tax law. Sewage disposal, on the other hand, is not taxable according to Section 4, paragraph 5, of corporation tax law, to the extent that disposal services involve mandatory tasks (customers in Berlin). Disposal services for customers in the surrounding areas are subject to tax.

2. Accounting principles

Intangible fixed assets and property, plant and equipment are valued at acquisition or production cost reduced by scheduled depreciation and amortisation. If required, a write-down to the lower of cost or fair market value is undertaken at the balance sheet date.

Intangible fixed assets acquired for a consideration are valued at the acquisition cost minus straight-line amortisation. Since 2003, scheduled amortisation of software has no longer been based on the amortisation tables of the tax authorities, but on the useful economic life as estimated by Berliner Wasserbetriebe.

Easements in gross are capitalised according to technical and commercial assessment of the anticipated compensation payments based on the provisions of Section 9 of the GBBerG in conjunction with the Property Law Execution Regulation. The latter contains regulations applicable, in particular, to easements of utility companies related to non-public property, as well as to

compensatory payments to be granted to relevant property owners. Capitalised easements are reported as intangible assets and not amortised.

Property, plant and equipment are reflected at depreciated acquisition or production cost. Production costs of facilities constructed in-house include an appropriate portion of requisite overhead costs in addition to direct costs. Depreciation on property, plant and equipment is undertaken using the straight-line method for buildings and otherwise generally at the highest rate permissible under tax law. Low-value items as interpreted under Section 6, paragraph 2, of the Income Tax Act are fully expensed in the year of acquisition and reflected as disposals. The respective terms of useful life of assets and the resulting depreciation rates are established based on the depreciation tables published by the Federal Ministry of Finance, while taking into account internal company differences.

Participation and memberships in special purpose associations are accounted for at acquisition costs, plus any ancillary costs. Loans are reflected at nominal value. If necessary, write-downs to the lower fair market value were undertaken on the balance sheet date.

Raw materials and supplies are valued at current average price. The principle of lower of fair market or book value was applied at the balance sheet date. Work in progress is capitalised at production cost, including the appropriate allocation of overhead costs, or fair market value, if lower.

Receivables and other assets are carried at nominal value. Specific bad debt allowances are created for doubtful accounts. A general provision for doubtful accounts, reflecting overall default and credit risk, is recorded for the remaining receivables.

Cash and cash equivalents (cash, deposits at banks and cheques) are recorded at nominal value. Foreign currency balances are translated at the average rate on the balance sheet date.

Prepaid expenses are recorded as the amount prepaid at balance sheet date.

Tax-free investment grants are recorded under liabilities as special investment grant items in accordance with the regulations of Section 19 of the Berlin Promotion Law and the Investment Grant Law. They are taken to income on a straight-line basis in accordance with the useful life of the asset to which the grant applies. Special accounts for subsidies have also been created according to the principles of commercial law. Special accounts for

investment grants and subsidies are liquidated on a straight-line basis in accordance with the useful life of the subsidised asset objects. The special account for wastewater charges is liquidated in the year of addition at 2.5% and otherwise at 5.0% annually.

Construction cost subsidies received from customers are recorded as liabilities and taken to income at 5.0% per year. Additions during the financial year are subject to liquidation at the rate of 2.5%.

Provisions for pensions and similar obligations are recorded as liabilities based on actuarial calculations under the discounted value method in accordance with Section 6a of the Income Tax Law and using an interest rate of 6.0%. Valuation is based on the Klaus Heubeck tables of 2005 G.

Tax provisions are created at the level of anticipated tax payable based on taxable income or operating profit.

Identifiable risks and undetermined liabilities are taken into account when creating the provisions. They are reflected as required using sound business judgment.

Liabilities are recorded at their repayment amounts.

3. Notes on the balance sheet

Fixed assets

Changes in the individual fixed asset items, including amortisation and depreciation for the reporting period, 2007, are presented in the "Statement of changes in fixed assets of Berliner Wasserbetriebe, public agency, as at 31 December 2007", attached to this report.

Intangible assets include easements in the amount of €860.9 million in accordance with Section 9 of the GBBerG. Total potential compensatory payments have been estimated by Berliner Wasserbetriebe as €860.0 million in 2006 (refer also to the section on provisions). Compensation payments of €679 thousand (prior year: €1,434) were made during the reporting period.

Bodenreinigungs Westhafen GmbH, Thermische Bodenreinigung Berlin i.L. was fully liquidated as early as November 2002. Its removal from the commercial register has been requested, but has not yet occurred, since the tax clearance certificate has not yet been received.

Berliner Wasserbetriebe owns holdings in the following companies as at the balance sheet date.

	Equity in € 000	Equity share in %	Profit in the last financial year in € 000
Wasser Nord GmbH & Co. KG, Hohen Neuendorf	6,029.0	50.7	209.8
Wasser Nord Verwaltungs GmbH, Hohen Neuendorf	112.4	49.0	13.9
Klärwerk Wandsdorf GmbH, Wandsdorf	7,603.7	49.0	91.0
GWZ Gas- und Wasserwirtschaftszentrum GmbH & Co. KG, Bonn*	-47.7	0.7	-29.0
KWB Kompetenzzentrum Wasser Berlin gemeinnützige GmbH, Berlin*	854.0	12.5	71.0
aquabench GmbH, Hamburg*	101.6	8.0	17.7
Sonderabfallgesellschaft Berlin/Brandenburg Abfallerzeuger GbR, Berlin	368.1	6.9	0.0

*Equity/profits from 2006

Current assets

Trade receivables consist primarily of amounts due from the supply of water, sewerage services and work related to house service connections. The receivables include water sales and sewerage services not yet invoiced. As is customary in the industry, Berliner Wasserbetriebe calculates its sales and receivables based on a rolling annual consumption statement, so that an accrual is undertaken for annual consumption. The instalment amounts received from the customers, but not yet invoiced, are shown as advance payments received.

Receivables from associated and shareholding companies include short-term receivables for construction and engineering services, cost reimbursements, rent and personnel cost reimbursements, as well as other services.

As at 31 December 2007, receivables from guarantors include, in particular, receivables for payments for the drainage of public streets and squares, as well as interest as established by court decision (€313.7 million, prior year: €231.6 million). Furthermore, claims for overpayment of groundwater intake fees are reflected here.

Other assets include tax refund claims, contracted work and subsidies not yet settled, receivables for other services, receivables from employees and the adjusted receivable from Global Energy Inc. payment of benefits as part of the sale of the Schwarze Pumpe GmbH i. L. (SVZ GmbH i. L.), secondary raw materials/recycling centre.

Accrued items

This account reflects miscellaneous advance payments that relate to expenses in subsequent financial year years.

Equity

In their session on 3 July 2007, the guarantors' committee resolved to pay out from accumulated profits from the Water Supply division in the amount of €31,984 thousand, and from the Sewerage division an amount of €41,705 thousand to the State of Berlin.

In the fifth amendment agreement of the consortium contract the creation of revenue reserve was agreed between the guarantors and the dormant partners, which is based on the difference between depreciation based on historical acquisition value and depreciation based on replacement fair market value and has been taken into account in rate calculation.

The revenue reserve is formed annually, in reference to anticipated tax deductions, by a flat 60% of the assessment basis (the equivalent of €28,162 thousand; prior year: €24,465 thousand), of which €14,109 thousand (prior year: €12,257 thousand) relates to the guarantors and €14,053 thousand (prior year: €12,208 thousand) to the dormant partners.

Changes in equity are shown in the statement of changes in equity below:

	Balance in € 000 1 Jan. 2007	Additions in € 000 1 Jan. – 31 Dec. 2007	Dividend distributions in € 000 1 Jan. – 31 Dec. 2007	Balance in € 000 31 Dec. 2007
Capital stock	1,790,000	–	–	1,790,000
of which offset by deposits of dormant partners	(777,253)	–	–	(777,253)
Guarantors' revenue reserve	45,694	14,109	–	59,803
Deposits of dormant partners	1,559,440	–	–	1,559,440
Offset against capital stock	-777,253	–	–	-777,253
Dormant partners' revenue reserves	40,620	14,053	–	54,673
Loss carry-forward of dormant partners	-233,310	-8,771	–	-242,081
Accumulated profits	73,689	148,849	73,689	148,849
	2,498,880	168,240	73,689	2,593,431

Special account for subsidies and construction cost subsidies

Subsidies for development measures of the State of Berlin, capital additions for rainwater drainage facilities and third-party subsidies are shown here as special items. They are liquidated according to the useful life of the asset objects. Special items from investment grants in the amount of €311 thousand (prior year: €481 thousand) and other subsidies in the amount of €442,025 thousand (prior year: €424,114 thousand) are reported.

Construction cost subsidies received from customers are recorded as liabilities and taken to income at 5.0% per year. Additions during the financial year are subject to liquidation at the rate of 2.5%. Construction cost subsidies of €143,420 thousand (prior year: €138,453 thousand) are recorded in total.

Provisions

Pension provisions were recorded in the amount of €4,881 thousand (prior year: €4,786 thousand) for commitments to current and former Executive Board members based on the tables of Klaus Heubeck (2005 G). A non-funded portion of €14,960 thousand (prior year: €16,771 thousand) remains for amounts not included in the provision for pension obligations.

Tax provisions include obligations arising from corporation, income and real estate tax.

Berliner Wasserbetriebe operates water and sewerage conduit equipment on various properties in Berlin, although the corresponding conduit rights have not been registered in the respective land registers as easements. The owners of such properties are required to tolerate the conduit equipment on their land in accordance with Section 9 of the GBBerG in conjunction with the Property Law Execution Regulation. The property owners are entitled to compensation for use of their land. The consideration corresponds to the amount that would have been customary for such a right according to the relative values in 1995. Total potential compensatory payments were estimated by Berliner Wasserbetriebe in 2006 as €860,911 thousand. As at the balance sheet date an amount of €853,817 thousand is reflected as provisions for compensation for easements in accordance with Section 9 of the GBBerG (prior year: €854,496 thousand).

On July 28, 2006, the new Berlin Companies Act became effective in Berlin. For the first time this act includes regulations regarding settlement of any shortfalls or overages in cost coverage to be determined through a final costing process. In accordance with Section 16, paragraph 6, of the BerlBG (new version) a final costing is to be undertaken for the calculation period preceding the current calculation period in order to determine such overages or shortfalls. Any variances from the cost assumptions made at the time of the rate approval are established in this costing step. In the event that the previously determined fee rate is proven subsequently to be excessive, Berliner Wasserbetriebe, as service provider, is required to eliminate this imbalance. The result is a legal obligation to levy fees in subsequent periods that do not cover costs. This leads to an undetermined liability in the financial statements, the economic origin of which is to be allocated to the relevant period.

According to a legal opinion obtained from the law offices of Freshfield Bruckhaus Deringer in July of 2007, significant reason exists to undertake this final costing for the period starting at the end of July, when the new BerlBG took effect, to 31 December 2006. Provided no transitional or special regulations exist, laws in principle apply only from the time at which they take effect and for future matters. As a result the last five months of 2006 that follow the time at which the law came into effect at the end of July should be subject to a final costing procedure.

Berliner Wasserbetriebe voluntarily prepared a final costing for financial year 2006 and commissioned its review by WIBERA AG. Five-twelfths of total results will accordingly be taken into account in future calculation periods.

In accordance with Section 16, paragraph 6, clause 4 and 6 of the BerlBG (new version), overages and shortfalls in cost coverage at the end of a calculation period are to be settled within two calculation periods.

A provision of €10.2 million (prior year: €6.0 million) was created for the 2006 final costing. No provision has been created for the results of a 2007 final costing, since a cost coverage shortfall will result due to lower water and sewerage quantities.

Expenses for partial retirement, pre-retirement and early pre-retirement (€38,780 thousand; prior year: €43,865 thousand), wastewater charges (€16,354 thousand; prior year: €16,368 thousand) as well as contributions for the operation management of the Waßmannsdorf treatment plant (€6,903 thousand; prior year: €9,917 thousand) are also recorded under other provisions.

Liabilities

The terms of liabilities can be seen in the breakdown below:

	Total in € 000	of which with a remaining term		
		up to a year in € 000	from 1 to 5 years in € 000	over 5 years in € 000
Liabilities to banks	1,899,993	301,487	752,219	846,287
Advance payments on orders	731,765	731,765	-	-
Trade payables	26,453	26,453	-	-
Liabilities to associated companies	4,731	4,731	-	-
Liabilities to companies with participating interests	473	473	-	-
Liabilities to dormant partners	186,303	186,303	-	-
Liabilities to the guarantor	22,727	15,569	2,045	5,113
Other liabilities	355,566	88,294	78,549	188,723
	3,228,011	1,355,075	832,813	1,040,123

Liabilities to dormant partners chiefly include other liabilities under the partial profit transfer for financial year 2007. Liabilities to associated companies, to companies with participating interests and to partners primarily consist of trade payables.

Liabilities for wastewater charges (€14.4 million; prior year: €14.4 million), as well as liabilities under the loan agreement with the State company for Information Technology (€7.7 million; prior year: €8.2 million) are reflected liabilities to the guarantor.

Other liabilities includes loans for investment (€281,673 thousand; prior year: €201,471 thousand), liabilities to employees for salaries and wages, not taking into account payroll and church taxes (€40,376 thousand; prior year: €34,155 thousand), taxes (€11,223 thousand; prior year: €10,181 thousand) and loan interest (€2,699 thousand; prior year: €2,216 thousand).

There are no liabilities that are secured by liens or similar rights.

Accrued items

Payments received for building leases are recorded under liabilities as accruals and taken to income on a straight-line basis over the agreed term of the building lease.

Other financial obligations

	31 Dec. 2007 in € 000	31 Dec. 2006 in € 000
Fund financing Waßmannsdorf	543,322	594,584
Lease and rental agreements		
Rolandufer	269,212	294,611
other lease and rental agreements	27,455	30,604
Consortium financing Wansdorf GmbH, Wansdorf treatment plant	8,093	9,468
Open purchase orders for investments	129,419	136,638

4. Notes on the profit and loss statement

The profit and loss statement is prepared in accordance with the cost of production method.

Sales revenues, changes in inventory and own work capitalised

Sales revenues from the sale of water (€396,219 thousand; prior year: €424,033 thousand) and sewerage services (€699,439 thousand; prior year: €679,695 thousand) are explained in detail in the management report.

Sales revenues from house service connections amount to €10,394 thousand (prior year: €9,798 thousand), €596 thousand over the previous year.

Own work capitalised includes €1,595 thousand (prior year: €1,726 thousand) in construction period interest.

Other operating revenue

Other operating revenue totalling €147,015 was recorded. This figure is €71,443 thousand higher than the previous year.

Other operating revenue includes, in addition to proceeds from operational management, charging of costs and services and the liquidation of special items, revenues from previous periods due to the liquidation of specific debt provisions in the amount of €61,576 (prior year: €2,363 thousand) and from the liquidation of provisions in the amount of €12.413 thousand (prior year: €1.947 thousand).

This variance is influenced chiefly by the liquidation of the specific debt allowances and provisions for anticipated losses from pending transactions for 2007 and 2008, as well as for court costs arising from the litigation on drainage of public streets and squares. Once the State of Berlin waived an appeal in the court proceedings and signalled payment of the outstanding claims to Berliner Wasserbetriebe, the effects were taken into account in liquidating the provisions in the annual financial statements.

Cost of materials

Raw materials and supplies costs include costs for energy and other materials.

Expenses for purchased services encompass not only third-party information technology services, but also third-party maintenance and waste disposal costs. Waste disposal costs are also reported under third-party services.

The cost of materials account also shows the fees for groundwater intake and charges according to the wastewater charge laws.

Personnel expenses

Personnel expenses reflect company pension expenses of €16,751 thousand (prior year: €13,338 thousand) and benefits in the amount of €234 thousand (prior year: €393 thousand).

Employees numbered 4,886 as at 31 December 2007 (prior year: 4,986). Staff levels thus fell by 100 employees, or 2%, compared to the previous year.

The average number of employees for the year was 4,931, as opposed to 5,040 in the previous year. The employees can be classified as follows:

Average number of employees

	2007	2006
Employees	4,931	5,040
female	1,456	1,484
male	3,475	3,556

Amortisation and depreciation

Amortisation and depreciation as at 31 December 2007, is €256.1 million and thus above the previous year (prior year: €238.2 million).

	2007 in € 000	2006 in € 000
According to		
Section 253, paragraph 2, clause 1 and 2 of the German Commercial Code	239,687	231,717
Section 6, paragraph 2 of the Income Tax Act and Section 254 of the German Commercial Code	1,857	1,452
Section 253, paragraph 2, clause 3 of the German Commercial Code	14,576	5,001
	256,120	238,170

Other operating expenses

Other operating expenses include fees, rentals and lease instalments (€23,038 thousand; prior year: €21,305 thousands), the special usage charge imposed by the State of Berlin (€14,800 thousand; prior year €14,800 thousand), postage and telecommunications costs (€8,596 thousand; prior year: €10,251 thousand), additions to the provisions for partial retirement and pre-retirement (€4,558 thousand; prior year: €16,249 thousand), as well as consultancy and audit costs (€4,189 thousand; prior year: €5,117 thousand).

Financial income

Financial income has improved by €76,719 thousand compared to the previous year and amounts to €-19,764 thousand in financial year 2007. Financial income is impacted in particular by interest income relating to other periods arising from the litigation concerning drainage of public streets and squares in the amount of €60,534 thousand.

Extraordinary revenues

Extraordinary revenues of €3,068 in the previous year related exclusively to SVZ GmbH i.L. and stemmed from the liquidation of provisions still existing for sureties, as well as a settlement agreement concluded.

Expenses related to partial profit transfers

In accordance with the contract involving two dormant companies between Berliner Wasserbetriebe and the Berlinwasser Holding Aktiengesellschaft dated 29 October 1999 (StG Tax Law agreement II), the portion of profits of the Berlin Holding Aktiengesellschaft is shown here in the amount of €189,582 thousand as at 31 December 2007 (prior year: €134,716 thousand).

Income taxes

Income tax of €20,475 thousand (prior year: €26,984 thousand) and corporate tax of €11,614 thousand) is reflected under income taxes. Income taxes relate to income from ordinary operations during the period under review.

Creation of revenue reserve

In the fifth amendment agreement of the consortium contract the creation of revenue reserve was agreed between the shareholders, which arises from the difference between depreciation based on historical acquisition value and depreciation based on replacement fair market value, which has been taken into account in rate calculation. The revenue reserve is created in the amount of 60% of the assessment basis and amounts to €28,162 thousand (prior year: €24,465 thousand).

Accumulated profits

Accumulated profits in the amount of €148,849 thousand (prior year: €73,689 thousand) are distributed to the State of Berlin.

5. Additional information in the notes

Executive bodies

EXECUTIVE BOARD

Dipl-Ing Dipl-Wirtsch-Ing Jörg Simon
Chairman
Operations

Dr-Ing Ulrich Bammert
Technology

Dipl-Kfm Frank Bruckmann
Finance

Norbert Schmidt
Personnel and Social Issues

SUPERVISORY BOARD

On the part of the shareholders:

Senator Harald Wolf
Chairman of the Supervisory Board;
Senator for Business, Technology and Women's Issues
and Mayor of Berlin

Berthold A. Bonekamp
Member of Supervisory Board;
Chairman of the Executive Board of RWE Energy AG and
member of the Executive Board of RWE AG

Werner Böttcher
Member of the Supervisory Board and Business Committee;
Managing Director Sietz and Partner Ltd. & Co. KG
until 28 February 2007

Christophe Hug
Member of the Supervisory Board and Business Committee;
Chief Executive of Veolia Wasser Deutschland GmbH

Monika Kuban
Chairman of the Business Committee and
Member of the Supervisory Board;
Deputy Director and Head of Finance Department
of the German Association of Cities and Towns

Cyril Roger-Lacan
Member of the Supervisory Board;
Director for Europe, Veolia Water

Dr Anna Elisabeth Birgit Roos
Member of the Supervisory Board and Business Committee;
member of the Executive Board of the Berlin Investment Bank

Roland Specker
Member of the Supervisory Board;
management consultancy Roland Specker

Ralf Zimmermann
Member of the Supervisory Board and Business Committee;
member of the Executive Board of RWE Energy AG
since 27 March 2007

On the part of the employees:

Lutz Neetzel
Deputy Chairman of the Supervisory Board and
member of the Business Committee;
Chairman of the Wastewater Staff Council
of Berliner Wasserbetriebe;
Chairman of Representation of Interests
of the Berlinwasser Group

Wolfgang Abitz
Member of the Supervisory Board;
Social counsellor for Berliner Wasserbetriebe

Andreas Bockelmann
Member of the Supervisory Board and
member of the Business Committee;
Chairman of the Administration Staff Council
of Berliner Wasserbetriebe

Thomas Grimm
Member of the Supervisory Board;
functional engineer at Berliner Wasserbetriebe

Veronika Hannemann
Member of the Supervisory Board;
union member representing the district Berlin-Brandenburg

Roland Jäschke
Member of the Supervisory Board;
Chairman of the Pipe Networks Staff Council
of Berliner Wasserbetriebe

Karsten Malareck
Member of the Supervisory Board and
member of the Business Committee;
Chairman of the Staff Council of Berliner Wasserbetriebe

Thomas Thiele
Member of the Supervisory Board and
member of the Business Committee;
Chairman of the Plant Staff Council
of Berliner Wasserbetriebe

ADVISORY COUNCIL

Prof Dr Hartmut Kenneweg
Chairman;
Chairman Berliner Forsten, Berlin

Petra Bierwirth
Member of German Parliament;
Chairperson of the Committee for the Environment,
Nature Protection and Reactor Safety

Jan Eder
Chief Executive Officer
of the Berlin Chamber of Commerce and Industry

Prof Dr Matthias Freude
President, Environmental Bureau for the State of Brandenburg

Dr Wolfgang Gossel
Research assistant at the Martin Luther University, Halle

Otto Huter
Chief Speaker of the German Association of Cities and Towns

Prof Dr Ulrich Müller-Wegener
Retired;
former Head of the Department
of Drinking Water and Swimming Pool Water Hygiene
of the Federal Environmental Bureau

Dr Michaela Schmitz
Member of Advisory Council since 14 June 2006;
Bundesverband der Energie- und Wasserwirtschaft e.V.
Federal Association for Energy and Water Management,
Head of the Water Management Division

Hartmann Vetter
Chief Executive Officer, Berlin Tenants' Association

GUARANTORS' COMMITTEE

Dr Thilo Sarrazin
Chairman;
Senator for Financial Affairs for the State of Berlin

Katrin Lompscher
Senator for Health, Environment and Consumer Protection
for the State of Berlin

Harald Wolf
Senator for Business, Technology and Women's Issues
and Mayor of Berlin

Costs of executive bodies

	2007 in € 000	2006 in € 000
Payments to former members of the Executive Board	401	450
Payments to next-of-kin of a former director	50	50
Supervisory Board activities	89	86
Advisory Council activities	7	5

Breakdown of payments to Executive Board members in 2007 in accordance with Section 18, paragraph 6, of the Berlin Companies Act

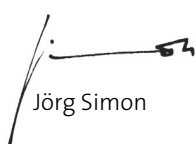
	Simon, Jörg, in €	Bruckmann, Frank, in €	Dr Bammert, Ulrich, in €	Schmidt, Norbert, in €	Total in €
Salaries (fixed annual income)	182,787.00	149,553.00	145,000.00	150,000.00	
(Variable performance-related payments based on target agreements)	95,471.00	78,918.00	76,800.00	77,600.00	956,129.00
Profit participation	0.00	0.00	0.00	0.00	0.00
Cost reimbursement	-	-	-	-	-
Insurance fees	6,168.78	6,860.29	69,154.20	-	82,183.27
Commissions and fringe benefits	7,397.01	8,520.00	13,651.17	-	29,568.18
Total	291,823.79	243,851.29	304,605.37	227,600.00	1,067,880.45

Berliner Wasserbetriebe is included in the consolidated financial statements of Berlinwasser Holding Aktiengesellschaft, Berlin. The consolidated financial statements of Berlinwasser Holding Aktiengesellschaft are incorporated into the financial statements of RWE-Veolia Berlinwasser Beteiligungs AG, Berlin.

Declaration of the Executive Board and Supervisory Board of Berliner Wasserbetriebe on the recommendations of the Corporate Governance Code

The Executive Board and Supervisory Board have submitted a declaration based on the Corporate Governance Code of Berliner Wasserbetriebe under application of Section 161 of the German Companies Act; this declaration is permanently available on the Internet.

Berlin, 17 January 2008
Berliner Wasserbetriebe



Jörg Simon



Frank Bruckmann



Dr Ulrich Bammert



Norbert Schmidt

Assets analysis of Berliner Wasserbetriebe, a public agency of 31 December 2007

Acquisition and production costs

in €					
Fixed asset items	Initial state on 1 Jan. 2007	Additions	Disposals	Transfers	Final state on 31 Dec. 2007
		+	-	+/-	
1	2	3	4	5	6
I. Intangible assets					
1. Concessions, commercial Property rights and similar rights and values	961,814,635.62	4,654,128.07	2,929,962.71	+ 1,460,129.21	964,998,930.19
2. Advance payments made	2,511,155.67	914,285.89	-	- 1,023,224.65	2,402,216.91
Total intangible assets	964,325,791.29	5,568,413.96	2,929,962.71	+ 436,904.56	967,401,147.10
II. Property, plant and equipment					
1. Properties with commercial, business and other buildings	1,076,836,380.93	3,206,153.53	2,309,385.78	+ 9,915,865.98	1,087,649,014.66
2. Properties with residential buildings	39,600,575.31	50,202.11	4,843,696.49	+ 11,548.96	34,818,629.89
3. Properties without buildings	19,001,038.24	-	151.35	-	19,000,886.89
4. Buildings on others' properties	7,710,135.60	7,457.23	870.22	+ 57,415.44	7,774,138.05
5. Water catchment and treatment plants	445,682,977.24	10,095,393.42	3,383,294.41	+ 21,693,193.42	474,088,269.67
6. Water distribution plants	1,581,964,847.54	19,867,175.42	4,544,733.37	+ 38,255,674.05	1,635,542,963.64
7. Sewers and wastewater pressure pipes	5,011,232,519.19	46,546,284.86	4,827,894.11	+ 108,453,965.86	5,161,404,875.80
8. Sewage pumping plants	168,550,987.98	1,700,779.28	861,207.33	+ 11,261,833.26	180,652,393.19
9. Sewage treatment plants	815,884,608.65	7,038,241.14	11,584,598.04	+ 14,139,254.24	825,477,505.99
10. Other technical plants and machines	12,704,881.39	83,265.83	172,535.07	+ 6,208,766.42	18,824,378.57
11. Business and commercial equipment	136,896,891.97	7,976,713.56	12,016,152.99	+ 5,498,056.69	138,355,509.23
12. Advance payments made and plants under construction	355,616,458.89	180,507,079.42	640,587.62	- 215,932,478.88	319,550,471.81
Total property, plant and equipment	9,671,682,302.93	277,078,745.80	45,185,106.78	- 436,904.56	9,903,139,037.39
III. Financial assets					
1. Shares in related companies	13,037.94	-	-	-	13,037.94
2. Loans to related companies	3,337,713.40	-	-	-	3,337,713.40
3. Minority interests	3,220,547.03	-	-	-	3,220,547.03
4. Memberships in special purpose associations	3,304,402.23	-	-	-	3,304,402.23
5. Fixed asset securities	1,477.63	-	-	-	1,477.63
6. Other loans	3,246,354.71	-	262,215.91	-	2,984,138.80
Total financial assets	13,123,532.94	-	262,215.91	-	12,861,317.03
Grand total	10,649,131,627.16	282,647,159.76	48,377,285.40	-	10,883,401,501.52

Depreciations

Fixed asset items	in €					
	Initial state on 1 Jan. 2007	Depreciations in the financial year	Write-ups	Accrued depreciations on the disposals listed in column 4	Transfers	Final state on 31 Dec. 2007
	7	8	9	10	11	12
I. Intangible assets						
1. Concessions, commercial Property rights and similar rights and values	55,503,372.64	8,179,239.61	-	2,570,467.70	-	61,112,144.55
2. Advance payments made	-	-	-	-	-	-
Total intangible assets	55,503,372.64	8,179,239.61	-	2,570,467.70	-	61,112,144.55
II. Property, plant and equipment						
1. Properties with commercial, business and other buildings	576,720,568.62	38,922,810.57	63,825.05	1,689,600.65	- 340,142.75	613,549,810.74
2. Properties with residential buildings	20,447,527.26	1,018,130.57	-	3,278,726.78	-	18,186,931.05
3. Properties without buildings	3,077,355.97	2,926,529.97	-	-	-	6,003,885.94
4. Buildings on others' properties	4,381,406.22	254,266.31	-	870.22	-	4,634,802.31
5. Water catchment and treatment plants	317,332,266.10	15,653,432.63	-	3,231,483.01	- 19,798.23	329,734,417.49
6. Water distribution plants	785,465,903.48	36,748,566.60	-	3,816,035.94	+ 0.70	818,398,434.84
7. Sewers and wastewater pressure pipes	1,853,060,393.25	98,452,050.23	-	3,448,314.39	+ 345,266.63	1,948,409,395.72
8. Sewage pumping plants	94,236,538.00	10,350,849.63	-	787,291.84	- 633,262.97	103,166,832.82
9. Sewage treatment plants	567,484,382.62	34,419,114.28	-	11,378,710.89	- 1,883,121.57	588,641,664.44
10. Other technical plants and machines	9,781,395.29	713,824.74	-	164,689.32	+ 2,415,927.06	12,746,457.77
11. Business and commercial equipment	105,267,529.19	8,480,897.19	-	11,074,183.56	+ 115,133.15	102,789,375.97
12. Advance payments made and plants under construction	172,750.04	-	-	52.24	- 2.02	172,695.78
Total property, plant and equipment	4,337,428,016.04	247,940,472.72	63,825.05	38,869,958.84	-	4,546,434,704.87
III. Financial assets						
1. Shares in related companies	13,037.94	-	-	-	-	13,037.94
2. Loans to related companies	3,337,713.40	-	-	-	-	3,337,713.40
3. Minority interests	12,526.65	-	-	-	-	12,526.65
4. Memberships in special purpose associations	-	-	-	-	-	-
5. Fixed asset securities	-	-	-	-	-	-
6. Other loans	-	-	-	-	-	-
Total financial assets	3,363,277.99	-	-	-	-	3,363,277.99
Grand total	4,396,294,666.67	256,119,712.33	63,825.05	41,440,426.54	-	4,610,910,127.41

Amortised costs	Supplement to the appendix in €	
Fixed asset items	At the end of the financial year	At the end of the previous financial year
	13	14
I. Intangible assets		
1. Concessions, commercial Property rights and similar rights and values	903,886,785.64	906,311,262.98
2. Advance payments made	2,402,216.91	2,511,155.67
Total intangible assets	906,289,002.55	908,822,418.65
II. Property, plant and equipment		
1. Properties with commercial, business and other buildings	474,099,203.92	500,115,812.31
2. Properties with residential buildings	16,631,698.84	19,153,048.05
3. Properties without buildings	12,997,000.95	15,923,682.27
4. Buildings on others' properties	3,139,335.74	3,328,729.38
5. Water catchment and treatment plants	144,353,852.18	128,350,711.14
6. Water distribution plants	817,144,528.80	796,498,944.06
7. Sewers and wastewater pressure pipes	3,212,995,480.08	3,158,172,125.94
8. Sewage pumping plants	77,485,560.37	74,314,449.98
9. Sewage treatment plants	236,835,841.55	248,400,226.03
10. Other technical plants and machines	6,077,920.80	2,923,486.10
11. Business and commercial equipment	35,566,133.26	31,629,362.78
12. Advance payments made and plants under construction	319,377,776.03	355,443,708.85
Total property, plant and equipment	5,356,704,332.52	5,334,254,286.89
III. Financial assets		
1. Shares in related companies	-	-
2. Loans to related companies	-	-
3. Minority interests	3,208,020.38	3,208,020.38
4. Memberships in special purpose associations	3,304,402.23	3,304,402.23
5. Fixed asset securities	1,477.63	1,477.63
6. Other loans	2,984,138.80	3,246,354.71
Total financial assets	9,498,039.04	9,760,254.95
Grand total	6,272,491,374.11	6,252,836,960.49

Audit certificate

We have issued an unrestricted audit certificate as follows:

“Audit certificate

We audited the annual financial statement, consisting of the balance sheet, profit and lost statement and the notes – and the account of ‘Berliner Wasserbetriebe Anstalt des öffentlichen Rechts’ (public agency), Berlin, and its management report for the financial year from 1 January to 31 December 2007. Under German commercial law and the supplementary provisions of the articles of association, the company’s Executive Board bears the responsibility for its bookkeeping and the preparation of the annual financial statement. It is our responsibility to issue an assessment of the annual financial statement, including the accounts, and the annual management report based on our audit.

We have conducted our audit in accordance with Section 317 of the German Commercial Code, taking into account standards of proper auditing as established by the Institute der Wirtschaftsprüfer (IDW) (German Institute of Auditors). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and the joint management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system, as well as evidence sup-

porting disclosures in the books of account, the annual financial statements and the annual report, are examined as part of the audit primarily on the basis of random samples. The audit includes an assessment of the accounting principles used and the significant estimates made by the Executive Board, as well as an evaluation of the overall presentation of the annual financial statements and the annual report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any reservations.

In our opinion based on our audit findings the annual financial statements are in accordance with statutory regulations and provide a true and fair view of the net assets, financial position and results of operations of ‘Berliner Wasserbetriebe Anstalt des öffentlichen Rechts’ (public agency) taking into account German principles of proper accounting. The annual report is in line with the annual financial statements, presents an accurate view of the company’s position and appropriately presents the opportunities and risks of future development.”

Berlin, 17 January 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft (auditing company)

Geisler
Auditor

Sternberg
Auditor

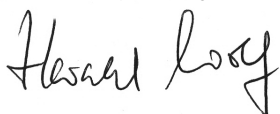
Declaration of compliance

Declaration of the Supervisory Board of Berliner Wasserbetriebe, public agency, on the recommendations of the Corporate Governance Code, in accordance with Sect. 161 Aktg for financial year 2007

The Supervisory Board of Berliner Wasserbetriebe, public agency, declares, that the recommendations of the Corporate Governance Code of Berliner Wasserbetriebe, public agency, of 1 January 2005, adopted and made public on the corporate website, have been complied with in its currently valid version from 28 February 2007.

Berlin, 21 December 2007

For the Supervisory Board



Senator Harald Wolf
Chairman
of the Supervisory Board

Declaration of the Executive Board of Berliner Wasserbetriebe, public agency, on the recommendations of the Corporate Governance Code in accordance with Sect. 161 Aktg for financial year 2007

The Executive Board of Berliner Wasserbetriebe, public agency, declares that the recommendations of the Corporate Governance Code of Berliner Wasserbetriebe, public agency, of 1 January 2005, adopted and made public on the corporate website, have been complied with in its currently valid version from 28 February 2007.

Berlin, 21 December 2007

For the Executive Board



Jörg Simon
Chairman
of the Executive Board



Frank Bruckmann
Member
of the Executive Board

Appendix to the declaration of compliance for financial year 2007

I. COOPERATION BETWEEN THE EXECUTIVE BOARD AND SUPERVISORY BOARD

I.1 REFERENCE: FIGURE 3.1/3.5 CGK (CORPORATE GOVERNANCE CODE) BWB

■ **Cooperation between the Executive Board and the Supervisory Board.** The Executive Board and the Supervisory Board worked together closely and in a spirit of mutual trust.

■ **Disclosure of all information and knowledge required by the Executive Board to facilitate proper assessment of the course of business.** All company matters and knowledge was disclosed by the Executive Board.

■ **Observance of confidentiality by third parties regarding company matters.** The individuals who are not members of the institutions were bound to confidentiality.

I.2 REFERENCE: FIGURE 3.6 CGK BWB

■ **Supervisory Board sessions.** The Supervisory Board in principle held its sessions with the participation of the Executive Board. As a rule only agenda items concerning personnel matters were handled without the participation of the Executive Board.

I.3 REFERENCE: FIGURE 3.2/3.3/4.1.2 CGK BWB

■ **Development of the company's strategic direction in coordination with the Supervisory Board and regular reporting on the part of the Executive Board.** Strategic corporate planning was undertaken in coordination with the Supervisory Board; the Executive Board has complied with its duties to report on the status of implementation on a regular basis in written form.

■ **Handling transactions of fundamental importance to the net assets, financial position and results of operations, including changes in the assessment procedure in the Supervisory Board.** The Executive Board submitted all transactions of fundamental importance to the Supervisory Board for approval.

I.4 REFERENCE: FIGURE 3.4 CGK BWB

■ **Report of the Executive Board to the Supervisory Board on all issues related to planning, business development, the risk situation and risk management, with provision of documents.** The Executive Board has complied with the reporting obligations established by the Supervisory Board on a regular basis and in written form, and has provided the required documents; the documents were sent sufficiently in advance of meeting and decision dates.

■ **Presentation of the target/actual situation and reasons for variances.** Budget to actual figures were compared, variances from plan presented in a plausible and comprehensible fashion; any countermeasures required were proposed in a form capable of being implemented.

I.5 REFERENCE: FIGURE 3.7 CGK BWB

■ **Observance of the rules of correct management and adherence to duty of care as befits a proper and conscientious Executive Board and Supervisory Board.** The Executive Board and Supervisory Board have fulfilled their duties with respect to proper management; they have exercised the duty of care befitting a proper and conscientious Executive Board and Supervisory Board.

■ **Directors' and officers' insurance for the Executive Board and Supervisory Board.** D&O insurance with an excess has been taken out for the Executive Board and Supervisory Board.

I.6 REFERENCE: FIGURE 3.7 CGK BWB

■ **Declaration of compliance of Executive and Supervisory Boards.** The Executive and Supervisory Boards have declared in the annual report for 2006 that they have adhered to and will continue to adhere to the recommendations of this Codex.

II. BOARD OF DIRECTORS

II.1 REFERENCE: FIGURE 4.1.1/4.1.3/4.1.4 CGK BWB

■ **Duty to serve the company's interests and to promote a sustainable increase in the company value.** The Executive Board has worked solely in the interests of the company and its sustainable value enhancement; no activities detrimental to the company were carried out.

■ **Adherence to statutory requirements.** The Executive Board ensured that statutory requirements were adhered to.

■ **Risk management and risk control in the company.** The company operated an effective risk management and risk control system.

II.2 REFERENCE: FIGURE 4.2.1 CGK BWB

■ **Allocation of duties and cooperation within the Executive Board.** The allocation of duties and cooperation within the Executive Board are subject to the Board's rules of procedure. A Chairman of the Board was appointed.

II.3 REFERENCE: FIGURE 4.2.2/4.2.3/4.2.4 CGK BWB

■ **Remuneration provisions for members of the Executive Board.** The compensation package for members of the Executive Board is composed of a fixed annual salary and a variable performance-related component.

■ **Agreement on objectives for members of the Executive Board.** In adherence to Sect. 11, para. 8 of the Berliner Betriebe-Gesetz (BerIBG) city services law, the Presiding Committee has power of decision on the employment contracts and ancillary agreements for the members of the Executive Board. Variable performance-related pay is based on a target agreement between the Presiding Committee of the Supervisory Board and the members of the Executive Board, as amended on 20 December 2006. No subsequent alteration to the target agreement was made. Remuneration is determined based on the duties and performance of individual Executive Board members, the current and anticipated financial situation of the company and taking into consideration the competitive

environment. Remuneration of each member of the Executive Board is broken down individually in the notes to the annual financial statement, in adherence to Sect. 18, para. 6 BerlBG.

III. SUPERVISORY BOARD

III.1 REFERENCE: FIGURE 5.1.1/5.1.3 CGK BWB

■ **Rights and duties of the Supervisory Board from the company's statutes and the Supervisory Board's rules of procedures; if applicable, other approval obligations.** The Supervisory Board exercised its duties according to the company's statutes and the Supervisory Board's rules of procedure. It was involved in decisions of fundamental importance to the company. In its session of 19 September 2007, the Supervisory Board decided that commissioning consulting services and closing contracts for services with a worth of more than €500,000 require the prior agreement of the Supervisory Board. No further business transactions were made conditional upon its approval. The frequency of sessions and time frames met the company's requirements.

■ **Rules of procedure for the Supervisory Board.** The Supervisory Board has a set of rules of procedure.

III.2 REFERENCE: FIGURE 5.1.2 CGK BWB

■ **Provisions for the appointment and resignation of members of the Executive Board; initial appointment and reappointment; upper age limits; succession planning.** The Supervisory Board appoints and dismisses the members of the Executive Board. Succession planning was not required during financial year 2007. The Supervisory Board has specified an upper age limit at the time of entry of members of the Executive Board of 63; members should not exceed 68 years of age.

■ **Decision-making structures in the Supervisory Board: (i) in plenary sessions after/without preparation by committee; (ii) only in a committee with decision-making authority.** In adherence to Sect. 11, para. 8 of the Berliner Betriebs-Gesetz (BerlBG) city services law, the Presiding Committee has power of decision on the employment contracts and ancillary agreements for the members of the Executive Board.

III.3 REFERENCE: FIGURE 5.2 CGK BWB

■ **Cooperation between the Executive Board/Chairman of the Supervisory Board and briefing on events of importance to the company.** Regular contact occurred between the Chairman of the Supervisory Board and the Executive Board.

■ **Informing the Supervisory Board regarding important matters; convening extra Supervisory Board sessions.** The Executive Board has informed the Chairman of the Supervisory Board and the Supervisory Board on all important matters. No extraordinary Supervisory Board sessions have taken place.

III.4 REFERENCE: FIGURE 5.2/5.3.1/5.3.2/5.3.4 CGK BWB

■ **Committees of the Supervisory Board; members and decision-making authorities.** The Supervisory Board contains the following committees:

- Economic and Auditing Committee
- Presiding Committee

The Chairman of the Supervisory Board was not Chairman of the Auditing Committee; nor was the Chairman a former member of the Executive Board. For the decision-making provisions, see III.2.

Further decision-making authority in other committees was not conferred.

The Supervisory Board plenum was informed by the Chairpersons of the committees with regard to content and results of the committee sessions on a regular basis.

III.5 REFERENCE: FIGURE 5.4.1/5.4.2/5.4.3/5.4.5 CGK BWB

■ **Number of Supervisory Board seats held by members of the Supervisory Board.** No member of the Supervisory Board has exceeded the maximum number of 5 or 10 Supervisory Board seats.

■ **Functions of Supervisory Board members in competitor companies.** Supervisory Board members have not performed executive or advisory functions on behalf of competitor organisations; the companies of the RWE and Veolia Group are not considered competitors in this case.

■ **Remuneration of members of the Supervisory Board.** Remuneration was not broken down into a fixed and variable portion. Total compensation can be found in the notes to the annual financial statements. No special payments were made.

III.6 REFERENCE: FIGURE 5.4.5/5.6 CGK BWB

■ **Participation in the Supervisory Board sessions and efficiency of the Supervisory Board's work.** Two members of the Supervisory Board have participated in less than half of the Supervisory Board sessions. Absent Supervisory Board members had the opportunity to participate in the resolutions of the Supervisory Board or its committees by submitting their votes in writing. The Supervisory Board addressed the efficiency of its activities during the last session of financial year 2006. According to its findings, no events were noted in which its efficiency appeared to have been restricted.

IV. CONFLICTS OF INTEREST

IV.1 REFERENCE: FIGURE 4.3.1/4.3.2 CGK BWB

■ **Non-competition clause for members of the Executive Board.** Members of the Executive Board observed the rules of the non-competition clause.

■ **Acceptance of benefits or granting of benefits by members of the Executive Board.** Members of the Executive Board neither requested nor accepted such benefits, nor did they grant such benefits to third parties without justification. The Executive Board is not aware of any case of an employee of the company accepting or granting benefits.

IV.2 REFERENCE: FIGURE 4.3.3/5.5.1 CGK BWB

■ Protecting the company's interests. Personal interests.

The Executive and Supervisory Boards have protected the company's interests and not pursued personal interests.

IV.3 REFERENCE: FIGURE 4.3.4/5.5.2/5.5.3 CGK BWB

■ Occurrence and disclosure of conflicts of interests in the case of members of the Executive or Supervisory Board.

No conflicts of interests arose.

IV.4 REFERENCE: FIGURE 4.3.4/5.5.4 CGK BWB

■ Transactions with the company at the direct/indirect level of the Executive Board. No transactions with the company on the part of members of the Executive Board or persons or companies associated with them have been submitted to the Supervisory Board for approval; the Supervisory Board has not made use of the exemption clause for transactions with the company.

■ Transactions with the company at the level of members of the Supervisory Board. No consulting or service agreements or work or other contracts between Supervisory Board members and the company were submitted to the Supervisory Board for approval. The Supervisory Board has not issued any rules of procedure related to individual cases for transactions with the company.

IV.5 REFERENCE: FIGURE 4.3.5 CGK BWB

■ Secondary activities of members of the Executive Board.

Members of the Executive Board have performed secondary activities in connection with their activities as members of the Executive Board of Berlinwasser Holding (including seats in Supervisory Boards and Advisory Councils). These secondary activities were submitted to the Chairman of the Supervisory Board for approval. The Chairman of the Supervisory Board has reported on the approval of the secondary activities in the Report of the Supervisory Board. Furthermore, an up-to-date overview of all secondary activities of the members of the Executive Board for financial year 2007 was presented to the Supervisory Board on 14 November 2007.

IV.6 REFERENCE: FIGURE 3.8 CGK BWB

■ Granting of loans to members of the Executive Board and to members of the Supervisory Board.

No loans have been granted to members of the Executive Board or members of the Supervisory Board – the latter in their capacity as members of the supervisory board – or relatives of the board members.

V. TRANSPARENCY

V.1 REFERENCE: FIGURE 6 CGK BWB

■ Circumstances, such as those of the industry and market environment in the company's field of activity, with significant impact on the net assets or financial position or course of business in the context of annual planning or medium and long-term planning. The Supervisory Board was informed without delay concerning circumstances in the field of activity of the company with significant impact on its net assets or financial position or its course of business.

■ Information about the company on the Internet. Company information is also published via the Internet. The Internet presence was completely revised in 2007 and now offers expanded functions and online services.

VI. ACCOUNTING

VI.1 REFERENCE: FIGURE 7.1.1/7.1.2/7.1.3 CGK BWB

■ Deadlines for the company's annual financial statement (90 days after the end of the financial year) and interim reports (45 days after the end of the reporting period) in accordance with accepted accounting principles stating the company's holdings. The annual financial statements and interim reports are prepared according to accepted accounting principles and presented to shareholders within the deadlines stipulated (audited financial statements within 90 days of the end of the financial year, interim reports within 45 days of the end of the reporting period). The annual financial statement/interim reports list the company's minority interests.

VII. AUDIT

VII.1 REFERENCE: FIGURE 7.2.1 CGK BWB

■ **Professional, financial or other relationships between the audit firm and its executive bodies and audit manager on the one hand and the company and members of its executive bodies on the other hand.** The Guarantor's Assembly and the Supervisory Board have obtained a declaration from the audit firm that no professional, financial or other obligations exist with the company or members of its executive bodies, including obligations pertaining to the executive bodies of the audit firm; there were no doubts concerning the independence of the audit.

■ **Briefing of the Chairman of the Supervisory Board by the auditor in the event of reasons for prejudice that exist or may arise.** The auditor was requested to notify the Chairman of the Supervisory Board immediately in the event of potential reasons for prejudice; the auditor did not present any reasons for prejudice.

VII.2 REFERENCE: FIGURE 7.2.1 CGK BWB

■ **Issue of the audit assignment to the auditor and agreement of fee.** Following the call for tenders of the Guarantor's Assembly throughout Europe, the Supervisory Board issued the audit assignment to the auditor and agreed upon his fee.

■ **Briefing of the Supervisory Board by the auditor concerning all significant findings and occurrences during the audit.** The auditor briefed the Supervisory Board regarding all significant findings and occurrences.

VII.3 REFERENCE: FIGURE 7.2.2 CGK BWB

■ **Participation of the auditor in Supervisory Board consultations on the annual financial statements.** The auditor participated in the Supervisory Board's consultations on the annual financial statements of 2006 and will participate in the consultations on the annual financial statements of 2007 as well.

Berliner Wasserbetriebe at a glance

Balance sheet		31 Dec. 2007	31 Dec. 2006	31 Dec. 2005	31 Dec. 2004	31 Dec. 2003	31 Dec. 2002	31 Dec. 2001
Total balance	€ million	7,412	7,235	7,507	7,409	7,263	7,175	7,168
Subscribed capital	€ million	1,790	1,790	1,790	1,790	1,790	1,790	1,790
Equity	€ million	2,593	2,499	2,467	2,426	2,471	2,362	2,375
Debt	€ million	4,819	4,736	5,040	4,983	4,792	4,813	4,793
Fixed assets								
Amortised costs	€ million	6,272	6,253	6,576	6,520	6,428	6,369	6,225
Acquisition values	€ million	10,883	10,649	10,806	10,566	10,271	10,031	9,694
Investments								
Fixed assets	€ million	283	293	298	315	275	336	320
Profit and loss statement		2007	2006	2005	2004	2003	2002	2001
Revenues from								
Water sales	€ million	396	424	404	393	374	363	373
Drainage services	€ million	699	680	679	647	581	587	588
Total operating revenue	€ million	1,322	1,258	1,234	1,228	1,202	1,114	1,155
Personnel expenses	€ million	260	259	266	265	274	270	272
Depreciations	€ million	256	238	230	233	221	212	213
Total operating expenses	€ million	906	898	888	888	856	848	892
Financial income	€ million	-20	-96	-112	-109	-128	-111	-105
Extraordinary profit	€ million	0	3	8	-21	17	-86	-316
Annual result	€ million	177	98	85	62	116	34	-81
Water supply company division		2007	2006	2005	2004	2003	2002	2001
Waterworks		9	9	9	9	9	9	9
Capacity of the works	1,000 m ³ /day	1,140	1,140	1,140	1,140	1,140	1,140	1,140
Pumping	million m ³	200	209	206	209	222	215	217
Water sales	million m ³	193	202	197	201	214	208	213
Pipe network	km	7,875	7,857	7,843	7,830	7,827	7,816	7,802
House service connections	1,000 items	267	262	258	254	257	256	254
Sewerage company division		2007	2006	2005	2004	2003	2002	2001
Property connections	1,000 items	260	254	233	225	226	223	219
Treatment plants		4	4	4	4	4	5	5
Wastewater purification	million m ³	233	224	227	232	230	248	238
Drainage service	million m ³	205	209	208	209	215	217	220
Sewers								
Sanitary sewers	km	4,237	4,206	4,178	4,154	4,100	4,026	4,011
Combined sewers	km	1,904	1,908	1,902	1,902	1,894	1,930	1,887
Storm water sewers	km	3,230	3,218	3,212	3,206	3,166	3,161	3,133
Special sewers	km	68	68	68	68	68	68	68
Total	km	9,439	9,400	9,360	9,330	9,228	9,185	9,099
Sewer pumping stations		147	147	147	145	146	146	146
Pressure pipe network	km	1,132	1,127	1,124	1,109	1,095	1,044	1,044