

# Annual Report 2008

# Report of the Supervisory Board

In the year under review the Supervisory Board of Berliner Wasserbetriebe fulfilled its duties and obligations as established by law and the company statutes in compliance with the Corporate Governance Code of Berliner Wasserbetriebe. The Supervisory Board regularly advised the Executive Board on the management of the company and supervised the management of the company's business. The Supervisory Board was directly involved in all decisions of fundamental importance for the company.

The Executive Board kept the Supervisory Board informed regularly, promptly and comprehensively by means of regular written and oral reports during and outside the sessions on all relevant issues of corporate planning and the strategic orientation, on business developments and on risk management. Major transactions requiring the consent of the Supervisory Board were discussed in depth with the Executive Board prior to taking any decision. Furthermore, the Chairman of the Supervisory Board was in regular contact with the Executive Board also outside the meetings of the Supervisory Board and sought information on the latest developments in the business situation and on all significant business transactions.

During the year under review a total of five Supervisory Board meetings were held and two resolutions were adopted by a written vote on the basis of comprehensive documentation. One member of the Supervisory Board attended less than half the meetings. During the meetings, the Supervisory Board dealt not only with the current business development and important individual business transactions, but also with Executive Board measures requiring the approval of the Supervisory Board and after in-depth examination and discussions granted all the necessary approvals. In order to fulfil its tasks efficiently, the Supervisory Board has established two committees. The committees prepare topics to be dealt with in the plenary sessions and the resolutions of the Supervisory Board. In an extraordinary Supervisory Board meeting at the beginning of the year, the Supervisory Board gave its approval for a reduction in the share capital of Berliner Wasserbetriebe.

Main focal points of the consultations during the year under review were the strategy of the future investment activity in the water and wastewater segments, the optimisation of the processes, the medium-term planning, risk management and the tariff development. Furthermore, the development of the company's sales, profits and employment and the financial situation were also subjects of regular consultations in the plenary sessions.

During the year under review, the Supervisory Board examined the application, implementation and further development of the corporate governance principles of Berliner Wasserbetriebe

and approved the revised rules of procedure for the Supervisory Board and the planned amendment of the statutes in compliance with the Codex. In particular it observed the obligation to audit the efficiency of its work and discussed and evaluated the results.

The Declaration of Compliance 2008 in accordance with § 161 AktG (German Companies Act) on the Corporate Governance Codex of Berliner Wasserbetriebe was issued on 05.01.2009 and made permanently available on the company's Internet website. Executive Board and Supervisory Board have complied with the recommendations of this codex and will continue to comply in future.

With the resolution of the Assembly of Guarantors on 29 July 2008 and at the proposal of the Supervisory Board, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft was elected as auditors for the financial year from 1 January until 31 December 2008. They audited the annual financial statements of Berliner Wasserbetriebe drawn up by the Executive Board in accordance with the rules of the German Commercial Code (HGB) together with the management report for the financial year 2008 and issued an unqualified audit opinion.

The members of the Supervisory Board received the documentation related to the financial statements, the auditors' reports and the Executive Board's recommendation for the appropriation of net profits – which the Economic Committee (Audit Committee) of the Supervisory Board had examined intensively in advance – in good time prior to the accounts review session on 25 February 2009. During the accounts review session, the auditor reported to the Supervisory Board on his key findings during the audit and was available to the plenary session for supplementary information. Furthermore, on the basis of the final results of its own examination, the Supervisory Board raised no objection and at the recommendation of the Economic Committee (Audit Committee) approved the annual financial statements of Berliner Wasserbetriebe and the management report. The annual financial statements are thus ratified. The Supervisory Board also approved the Executive Board's recommendation for the appropriation of net income.

The following changes in the personnel composition of the Supervisory Board have taken place since the last report of the Supervisory Board:

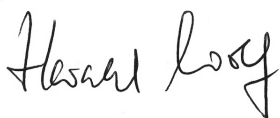
Mr Cyril Roger-Lacan retired from the Supervisory Board with effect from 19 May 2008. On 20 October 2008, the Assembly of Guarantors appointed Mr Philippe Guitard as successor to Mr Roger-Lacan and Dr. Ulrich Lehmann-Grube as successor to

Mr Christophe Hug who retired from office with effect from 20 October 2008. Furthermore, the Supervisory Board appointed Dr. Ulrich Lehmann-Grube as member of the Economic Committee (Audit Committee) and Mr Ralf Zimmermann as member of the Human Resources committee in place of the retired member, Mr Christophe Hug.

Dr. Ulrich Bammert retired from the Executive Board of Berliner Wasserbetriebe with effect from 31 January 2008. The position of Technical Director was thus transferred temporarily to Mr Norbert Schmidt, Executive Board Member Human Resources and Social Affairs, until the end of the year under review. The Supervisory Board has appointed Dr. Georg Grunwald as Executive Board member responsible for Engineering with effect from 1 January 2009.

The Supervisory Board thanks Mr Roger-Lacan, Mr Hug and Dr. Bammert for their constructive work and for their efforts to the benefit of the company and the employees. The Supervisory Board expresses its thanks and recognition to the Executive Board, the company managements and all the employees for their commitment and the work performed.

Berlin, 25. February 2009

A handwritten signature in black ink, appearing to read 'Harald Wolf', written in a cursive style.

Senator Harald Wolf

# Management Report

## Business and general conditions

### Overview of the company, its business activities and overall conditions

As the capital's drinking water supplier and wastewater disposal company in one, Berliner Wasserbetriebe is Europe's largest integrated supply and disposal company. Sales revenues total EUR 1.2 billion (previous year EUR 1.1 billion). Operating EBIT<sup>1</sup> totals EUR 400.1 million (previous year EUR 409.7 million). In 2008, Berliner Wasserbetriebe invested EUR 232.9 million in capinvest projects. As of the end of December 2008 the company had 4,802 employees. With an apprentice quota of 9.7%, Berliner Wasserbetriebe are leaders in industrial vocational training not only in Berlin. The quality of the company's services is confirmed by the certification of the whole company in accordance with the applicable standards for quality and environmental management (DIN EN ISO 9001 and DIN EN ISO 14001).

2008 was a year of challenges for Berliner Wasserbetriebe. The target of maintaining more or less stable tariffs is a particular challenge against this background. The Berliners are continuing to conserve water. From an ecological point of view, this is not necessary. Berlin has sufficient resources. From an economical point of view, too, saving water makes little sense. The proportion of the fixed costs for the infrastructure and hence essentially independent of the required water volume is around 80%. The tariff structure should reflect this cost structure more clearly, and this aspect is increasingly dominating the discussion in the German water industry. For this reason, Berliner Wasserbetriebe introduced a tariff model consisting of standing charge and volume prices with effect from 1 July 2007. The significance of the standing charge in the overall tariff is now to be gradually increased.

In order to achieve the greatest possible stability of the overall tariffs, the reduction of costs continues to be a major topic. Through numerous measures targeting different point, the costs that can be influenced by the company have been reduced by 29% compared with 1999, but not at the expense of the quality of our products and services.

On 1 January 2008, the mandatory connection to and use of installations for drinking and process water was introduced with an amendment to the Berlin Public Services Act. Where existing own supply systems are in place, these can continue to be used to the extent approved in the granted permit or approval for a period of up to nine years after the end of the temporal

limitation of the installation. On application, the obligatory use can be limited to a specific utilisation purpose or partial demand. Exempted from the mandatory connection and use are volumes of up to 150 m<sup>3</sup> per year and property. For Berliner Wasserbetriebe, the new provisions represent an important step towards a fairer allocation of the costs over the whole supportive society on the basis of consumption.

A milestone in the optimisation of the corporate strategy was reached in the first half of the year. The future picture of the company was developed and the corresponding key duties defined. The operational management and control of the plants for the drinking water supply and wastewater disposal will remain the core business of Berliner Wasserbetriebe. All processes are to be further optimised with respect to the demands of external and internal customers by means of benchmarking. The personnel and job plan for the next five years was then developed on the basis of this. During this period, around 600 employees will leave the company for age reasons. A large proportion of their duties will be covered internally within the context of further increases in efficiency. Externally sourced services will, however, also increase. Around 120 new recruitments are planned for the coming years.

The management of an investment volume of roughly EUR 240 million is growing in importance against the background of the exceptional demands of the future, such as further reductions in CO<sub>2</sub> and the climate change. In 2008, the investment strategy for the drinking water supply that forms the most important basis for all the other investment decisions was extensively further developed. This strategy is based on the water supply concept developed jointly with the state of Berlin to ensure the lasting supply of water to Berlin from our own resources. In future, ten waterworks are again to flexibly ensure the water supply in Berlin. The water protection zones in Jungfernheide, Buch and Altglienicke will be surrendered. In the concept, Berliner Wasserbetriebe still continues to adhere to the principles of near-nature processing methods. An investment strategy for the sewage disposal was also drawn up. It lays down the future investment requirements in the sewage treatment plants and pumping stations and sets the main focal points on sewer modernisation and on the transition to the fourth treatment stage.

Since 2006, the whole company has been certified in accordance with the applicable standards for quality and environmental management (DIN EN ISO 9001 and DIN EN ISO 14001). Also certified are the conformity of the technical safety management in accordance with W1000 and M1000 and also the occupational safety management in accordance with OHSAS 18001. In order

<sup>1</sup> Earnings before income tax, expenditures from the part-profit transfer, earnings from the takeover of losses of dormant partners, extraordinary earnings, net interest and shareholding result

to further optimise the processes and costs, Berliner Wasserbetriebe participate in inter-company cost and performance comparisons. A company-wide benchmarking concept bundles the activities in this sector.

In July 2008, Berliner Wasserbetriebe concluded a climate protection agreement with the state of Berlin under which it undertakes to cut CO<sub>2</sub> emissions by 35,000 tonnes up to 2010. Berliner Wasserbetriebe will employ a wide range of measures in order to achieve this ambitious goal. Apart from the further optimisation of energy consumption, these also include the use of renewable energies. But also in the light of the rising energy prices, Berliner Wasserbetriebe is strengthening its efforts to become increasingly self-sufficient for energy. These include the production of biogas through co-fermentation of fats and greases from foodstuffs and their addition to the sewage sludge digestion. Efforts are also being made to substitute fuel oil with fats and greases from grease separator residues in the sewage sludge incineration. The reduction in the CO<sub>2</sub> emissions will also be achieved through the use of other renewable energy sources. On 19 June 2008, a photovoltaic plant on the roof of the Tegel waterworks was put into operation, the largest solar energy plant in Berlin at the present time. Its energy is sufficient to supply 8,500 Berliners with drinking water. Furthermore, the use of wind energy is being investigated. Berliner Wasserbetriebe are also partners in the Climate Alliance instituted by the current mayor of Berlin.

Berliner Wasserbetriebe joined the Countdown 2010 initiative. Its goals are to uphold biodiversity. A quarter of the city of Berlin is a protection zone for the drinking water supply. Through strict limitations on use, these protection zones represent refuges for rare species of wildlife. Rare species have settled in particular on the premises of the waterworks. For example, various bat colonies live in old unused premises of the Tegel and Friedrichshagen waterworks. There Berliner Wasserbetriebe have set up entry possibilities and winter sleeping areas for them. As a result of the groundwater enrichment in Spandauer Forst, a complex biotope has been created with the Kuhlake. Furthermore, around 6% of the treated wastewater is used for renaturation of areas in the Nuthe-Notte valley, in Karolinenhöhe and in Hobrechtsfelde.

The results of the annual customer survey provide important indicators for improvement potentials. Of particular interest is the stabilisation of the customer satisfaction index.

Numerous measures have been initiated in this area in the last few years. This was furthered in 2008 with the introduction of the complaint management. The focus here is on professional

handling of complaints and the ability to accept criticism. In exceptional cases, customers receive a small present as compensation. Furthermore, a customer contact history system was set up. It allows all employees to access the same information on the respective customer, enabling the quality of the advice given to be significantly improved.

This year again, Berliner Wasserbetriebe drew attention to itself with an image campaign. The claim "Without us it would just be wet" draws the attention of the Berliners to just how much goes into providing them with their drinking water and cleaning their sewage. Four poster motifs, in particular the yellow duck in the bath, and a wide range of advertisements, events and online information were used to improve the familiarity and popularity of the company among the Berlin public.

The equity withdrawal by all the shareholders at the start of the year following the court ruling on the refund of the costs for the rain water drainage from public streets and squares had a significant impact on the 2008 balance sheet. The shareholder structure remains unaffected by this measure. The state of Berlin continues to hold the majority with 50.1%, while the private shareholders RWE and Veolia each hold 24.95% of the shares. The share capital of Berliner Wasserbetriebe after the withdrawal is EUR 1.264 billion.

## Analysis of the course of business, the economic situation and its development

### INVESTMENTS

During 2008, Berliner Wasserbetriebe invested EUR 269.2 million (previous year EUR 270.7 million) in fixed assets. Of this total, EUR 100.8 million (previous year EUR 94.0 million) was invested in the water supply infrastructure and EUR 176.7 million) in the drainage infrastructure. The loan-financed portion of the investments of EUR 36.3 million was 13.5% (previous year EUR 32.1 million or 11.9%). The Drainage business sector accounted for a portion of EUR 30.6 million (previous year EUR 28.1 million), while in the Water Supplies business sector EUR 5.7 million (previous year EUR 4.0 million) was financed by customers.

## WATER SUPPLIES DIVISION

**Groundwater and drinking water supply.** The groundwater resources that can be used by the nine waterworks in Berlin of around 350 million m<sup>3</sup> per year is well in excess of the volume necessary to ensure the drinking water supply in Berlin. 201.1 million m<sup>3</sup> of drinking water were supplied, corresponding to an increase of 0.75% compared with the previous year (199.6 million m<sup>3</sup>). The dry and warm weather prevailing from the middle of May to the middle of July resulted in delivery rates well above the values for the previous year. The average daily clean water delivery was 549,570 m<sup>3</sup>, the highest single-day delivery 817,400 m<sup>3</sup>.

**Water Supply Concept 2040.** Berliner Wasserbetriebe and the Berlin Senate have drawn up a water supply concept for the capital up to the year 2040. It ensures that Berlin will continue to be able to supply itself from its own resources even in the future. Various scenarios are considered and evaluated. The drinking water supply in Berlin is assured even in the future – even in the light of the possible consequences of the climate change. Minimum flow rates must be maintained in Spree and Havel in order to ensure the winning of the groundwater from bank-filtered river water. In addition to the required volume, the quality of the incoming Spree water must also be assured. New is that Berlin's drinking water will be supplied by ten instead of nine waterworks as to date. A new waterworks is to be built by 2014 in place of the Johannisthal waterworks that has been used since 2001 only for groundwater management and rehabilitation, and as an intermediate pumping station. The associated distribution of the delivery guarantees the long-term stability of the supply and creates the necessary scope for ecological groundwater management. Due partly also to the increasing pollutant contamination in the groundwater of the well galleries in the Königsheide and on the Teltow canal, the old Johannisthal waterworks was shut down in 1999 and demolished in 2008. In the meantime, numerous measures have been successfully carried out in the catchment area of the waterworks to remove pollutant sources and plumes. The site can now be used again for the winning of drinking water. In return, the former waterworks Altglienicke, Buch and Jungfernheide shut down in 1993, 1997 and 2001 respectively will be given up and the protection area ordinances cancelled. This brings relief for residents because prohibitions and regulations can be lifted, and in the long term limits the costs and contributes to a socially compatible tariff development.

**Extensive well modernisation programme.** A continuous well modernisation programme is being implemented in order to safeguard the raw water quality and capacity of the waterworks. Only one groundwater aquifer is removed at a time and revamped in order to ensure the outstanding quality.

**Focus on safety.** The activities to protect the drinking water supply against possible attacks were continued with high priority also in 2008. Specialists from the company consistently implemented the elaborated safety concept. As an integrated management system with a holistic approach, it goes beyond the existing regulations, standards and legislation.

With the framework of preventive catastrophe protection, a plant was created that makes up drinking water into tubular bags. This packed water can be stored for a long period. As an additional service, these bags are handed out to customers in the event of interruptions in the water supply during the repair of broken pipes. The packaging plant is mobile. Its basic location is in a former chlorination station at the Friedrichshagen waterworks that was modified and expanded for this purpose. The specially qualified staff are able to provide technical assistance in the event of a catastrophe.

**Breakage quota at a low level.** 7,888 km of water pipes run under Berlin. Of these, more than 57 km (previous year: 64.7 km) are new. Damage is repaired as quickly as possible. 691 pipe fractures (previous year: 658) on main and supply lines were repaired. By documenting these cases in a database, a 30-year history has been created with which the pipe fracture probability can be evaluated. The pipe breakage quota of 0.1% is at a very low level. The strategy of predictive network maintenance and modernisation has been paying dividends for years in the form a continuously decreasing pipe breakage figures.

Around 2.9% of the delivered drinking water volume is lost per year. That is an exceptionally low level by both national and international standards.

**Solar energy plant on the roof of Tegel waterworks.** In June 2008, the largest solar energy plant in Berlin went into operation on the roof of the Tegel waterworks after a construction period of two months. With a collector area of 1,900 m<sup>2</sup> and a power output of 192 kWp, it can generate around 178,000 kWh of electricity per year. This energy is sufficient to ensure the drinking water supply to 8,500 Berliners. Through the use of the solar energy, 157 tonnes of CO<sub>2</sub> can be saved per year.

**New Friedrichshagen groundwater works completed.** A large number of individual measures for modernisation of the existing waterworks were started in 1992, and the project was continued in 1995 with the third development stage of the surface waterworks to form the groundwater works III. The eastern bay of filter hall 1 with its filters and clean water pumps is in operation for the water supply. The offices, social rooms and ancillary facilities have now been occupied. The second bay of filter hall 1 was in the commissioning phase up to the end of 2008.

**Groundwater rehabilitation in situ.** The groundwater in the west of the Krummendammer Heide that was contaminated in particular with ammonia nitrogen by the decades of sewage farm operation and which flows into wells of the Friedrichshagen waterworks has been unsuitable for use for the winning of drinking water for years. This polluted groundwater is now being pre-treated with natural in situ methods by the injection of oxygen to the extent that it is suitable for the preparation of drinking water again.

After preliminary work in their own research projects, Berliner Wasserbetriebe started an industrial-scale trial with a "BIOXWAND" in 2007. On a 100 metre wide strip of forest, technical oxygen and air are injected to a depth of up to 50 metres into the normally oxygen-free subsoil using four gas injection lances. This allows various bacteria to gradually perform their work until only molecular oxygen remains that remains dissolved in the water or escapes into the atmosphere. During the trial, extensive laboratory experiments and the hydro-geochemical modelling will be continued up to 2009.

After successful completion of the trials, a decision will be taken on a final expansion of the BIOXWAND to a width of approx. 800 metres. As a result it will again be possible to use a major portion of the available groundwater at the Friedrichshagen waterworks for the supply of drinking water to the people of Berlin.

## WASTEWATER DIVISION

**Wastewater discharge and treatment.** In 2008, the Berlin wastewater pumping stations delivered approx. 207.5 million m<sup>3</sup> of wastewater to the treatment plants. That represents a drop of 4.8 million m<sup>3</sup> compared with the previous year. The decline is due purely to the lower rain water content in the pumped volume. The average daily pumped volume was 566,981 m<sup>3</sup> (previ-

ous year: 581,732 m<sup>3</sup>). The highest volume of 1.26 million m<sup>3</sup> was pumped on 21 January.

In the 2008 business year, 235.4 million m<sup>3</sup> of wastewater were treated in the six sewage treatment plants of Berliner Wasserbetriebe, of which the two plants in Waßmannsdorf and Wansdorf are operated under a facility management contract. That represents a drop of 5.1 million m<sup>3</sup> compared with the previous year. The reason for this reduction is the lower rain water content that totalled 19.4 million m<sup>3</sup>.

For the sewer modernisation segment, the procurement of a vehicle for the UV hose lining process represented an important new orientation. Whereas with the old liner process, only 45 reaches could be lined in two years, this year 70 reaches with a diameter of 20 up to 60 cm and over a length of up to 120 metres were lined within the first five months following the introduction of the new technique.

Work to combat odour in the sewers was continued and expanded, i.a. with new trials using filter inserts of cellulose pellets inoculated with micro-organisms.

As part of the reorganisation of the Wastewater Disposal business segment, the Bauhof Süd was closed.

**Pumping stations almost completely automated.** The LISA project was more or less concluded in 2008. In the second quarter, the remaining three pumping station groups in Kreuzberg, Steglitz and Spandau were linked up to the control centre so that now all the pumping station groups are remotely monitored from the control centre and the whole coordination of the Berlin wastewater streams takes place from the control centre. By mid-2009, only three pumping stations will be physically manned and operated in stand-alone mode until they are replaced by new stations already under planning or already under construction that will also be linked up to the control centre.

**Sewage treatment plants – cleaner and more energy-efficient.** In the Sewage Treatment Plant business segment, two topics predominated in 2008: On the one hand, the growing demands on the sewage treatment and the associated necessary changes in the process technology (fourth treatment stage), and on the other hand the energy utilisation, whereby here in particular further steps were taken towards the utilisation of renewable energy sources.

The demands on the treatment capacity of the sewage treatment plants are growing. The stricter limit values, e.g. for nitrogen and phosphorus, cannot be achieved with the process technology

employed to date. An additional fourth treatment stage will therefore be necessary in the future. The state of Berlin is funding the erection of such a plant at the Ruhleben sewage treatment plant. The Ruhleben sewage treatment plant has a sewage treatment capacity of 247,500 m<sup>3</sup> per day. To date, no plant of this size has been equipped with a fourth treatment stage anywhere in Germany. For this reason, Berliner Wasserbetriebe are investigating the fundamentally conceivable process concepts of micro-filtration and of flocculation filtration in the sand bed. The results serve to decide upon the process technology and form the basis for the project definition expected for 2009.

Several methods have been employed in the energy utilisation. An energy concept was implemented at the Ruhleben sewage treatment plant. This means that energy is saved by separating the steam generated during the sludge incineration and using it to generate air for the aeration plant. All the steam from the sludge incineration is now used in three turbo-generator plants to generate electricity. The now separated areas of air supply and sludge incineration can now be adapted more flexibly to the actual demand and the energy utilised more efficiently.

A second step at the Ruhleben sewage treatment plant is the substitution of fuel oil with fats and greases. A fat/water/solids separation takes place in a pilot plant. The processed product with approx. 98% fat content could be used instead of the fuel oil for auxiliary firing in the sewage sludge incineration. The corresponding plans and processes are in place. The realisation of this investment depends essentially on the extent to which corresponding fat and grease volumes can be contractually assured. An alternative technology for fat utilisation is being pursued at the Waßmannsdorf sewage treatment plant. Here the solids are removed from the residues of grease separators and added to the digesters (co-fermentation). The additional biogas produced can be used to generate electricity or alternatively used as a substitute for natural gas in the drying of the sewage sludge. Co-fermentation was started in June. The trials are being supervised and evaluated scientifically by the Wasser Berlin competence centre.

For the site of the Schönerlinde sewage treatment plant, concepts for the use of heat pumps and for the erection of wind turbines are being developed. The wind turbines will allow a large proportion of the electricity required at the Schönerlinde sewage treatment plant to be generated on site. Furthermore, the use of wind energy will enable the emissions of the CO<sub>2</sub> harmful to the climate to be reduced by up to 6,7000 tonnes per year. The planning contract for the plant is currently being drawn up. Due

to long delivery times, commissioning of the wind turbines will probably not be until 2011.

Further topics on which work was carried out were the general overhaul of the Münchehofe sewage treatment plant, the takeover of the airport wastewater disposal from Schönefeld and the lead sewage treatment plants concept II. It is aimed at increasing the automation of the sewage treatment plants with the aim of reducing personnel requirements.

**New flue gas scrubber planned.** The sludge incinerator at the Ruhleben sewage treatment plant has a flue gas scrubber. In order to comply with the air pollution control regulations, numerous efforts are being made to reduce in particular the mercury emissions. Trials involving the addition of additives were expanded and furthered during 2008. In March, a study started in 2007 was brought to a close with the decision to replace the existing single-stage wet flue gas scrubber with a dry flue gas scrubber. An EU-wide idea competition was launched in September in order to determine the most efficient and most cost-effective method. The results of this competition will then be subjected to a more intensive planning that will form the basis for the decision on the construction of the new scrubber.

**500 metres in one piece – unique in Germany.** In July 2008, an internal repair of a sewage pressure main unique in its size to date in Germany was carried out using the swagelining process. A 502 metre long inliner of polyethylene was drawn into the almost 100 year old pipe in Neukölln. The inliner, that with a diameter of 1,060 mm was initially 60 mm larger than the pipe to be repaired, was drawn with a force of 150 tonnes and thereby reduced by up to 140 mm and then pressed into the old pipe at a rate of one metre per minute. The process means minimum interference for residents and traffic as the road does not have to be dug up. For Berliner Wasserbetriebe it means faster and more cost-effective construction.

**Plate-type filter rescues the Fennsee.** In 2007, work started at the Wallenbergstrasse rain water treatment plant on the Fennsee lake in the Charlottenburg-Wilmersdorf district to convert the coarse filter system to a plate-type filter. The Fennsee lake, artificially created in 1903, serves as a stormwater retention basin for a 215 hectare street area and parts of the city motorway. Despite its technical function, the lake with a storage capacity of 68,000 m<sup>3</sup> also has an important local recreational function in the city. The quality of the water, however, is seriously impaired by the discharge of pollutants from the street drainage system and by

biomass from the surrounding park area. Particularly in summer, residents complain about the smell from the lake. In order to achieve a lasting improvement in the water quality, the discharge of pollutants into the lake has to be significantly reduced. The filtration performance of the existing coarse filter system is to be sustainably improved by the installation of a particle trap in the form of a plate-type filter system. The project, financed with EUR 6 million by the European Union and by the state of Berlin, has a pilot character. After its completion in 2010, the plate-type filter will be the largest in Europe.

#### Research and development – a head start through competence.

In close cooperation with acknowledged experts, the company explores new avenues in order to further optimise the winning, processing and distribution of drinking water and the discharge and treatment of wastewater, and to increase the cost-effectiveness of the processes. Research and development are of great importance to Berliner Wasserbetriebe; it is placed on a broad basis by the staff department “Research & Development” and through the cooperation with the Wasser Berlin gGmbH competence centre and other scientific institutions such as the Technical University of Berlin and the Berlin Technical High School.

The Wasser Berlin competence centre – founded in 2001 as a non-profit enterprise – bundles the potentials from the Berlin universities, the Berlinwasser Group and Veolia Wasser in research and development projects. This research network allows participants to conduct projects in cooperation with the foremost international and national technology centres. The purpose is to promote science, research and development in the field of water, as well as to provide consulting to public institutions and continuing education. The main task, however, is to maintain the high supply and disposal standards in the Berlin region. Berliner Wasserbetriebe develop innovative and practice-oriented technologies and processes for natural, safer and less expensive processing of the drinking water and an effective wastewater disposal. In future the company will be measured even more on the sustainability of the management of the water resources and the energy savings, and hence on the reduction of CO emissions and the recovery of nutrients from the wastewater, such as phosphorus and nitrogen.

#### Current research projects:

**Odour and corrosion in sewage systems.** Anaerobic states in sewers allow organic acids to form. These acids not only have an

unpleasant smell, they also cause concrete and steel to corrode. New sensors and control systems for predicting the occurrence of the acids and processes for their prevention are being developed in the ODOCO (Odour and Corrosion) project.

**Well management.** The delivery capacity of drinking water wells declines over the years of operation. This effect is known as well ageing and requires selective monitoring and maintenance. The aim of this project is to describe the reasons for ageing and to develop remedial strategies.

#### FURTHER PROJECTS

**SAP release change.** The information technology at Berliner Wasserbetriebe is based on SAP programs. In order to enable new SAP functions to be employed, the company decided to install a new software version release. The SAP release change that involved the changeover of the whole SAP platform in the company was successfully completed in September. Functional expansions are now possible, such as Internet self-service, that allow customers to e.g. view invoices or change their master data online.

**Customer orientation.** The new system for improving the ability of the staff to provide information during direct customer contacts was successfully introduced. It allows customer data and complaints to be recorded, geographic data to be checked and searches to be carried out in the whole customer contact history.

**Services in Brandenburg.** Berliner Wasserbetriebe are service providers and technical partners for water supplies and wastewater disposal for the towns, communes, associations and companies in the state of Brandenburg.

A large proportion of the wastewater from Berlin’s neighbouring communes and districts is treated in an environmentally compatible manner in the sewage treatment plants of Berliner Wasserbetriebe and returned to the water cycle. A total of 42 towns and communes with over 535,000 inhabitants are connected to the sewage treatment plants in Berlin.

The water supply to partners in Brandenburg essentially comes from the Stolpe waterworks of Berliner Wasserbetriebe. Nine towns and communes with some 70,000 inhabitants receive their drinking water from there.

In the 2008 financial year, some 3.6 million m<sup>3</sup> of drinking water were supplied to Brandenburg and 23.8 million m<sup>3</sup> of wastewater from there discharged and treated on the basis of long-term contracts. Compared with the previous year, water deliveries increased by 7.3%, while wastewater treatment fell slightly by 0.1%. The changes compared with the previous year are predominantly attributable to the weather conditions.

In three projects, Berliner Wasserbetriebe have taken over the facility management for the drinking water supply and wastewater disposal plants of communes in Brandenburg or their associations of local authorities, in some cases including the associated commercial services.

Furthermore, Berliner Wasserbetriebe together with other companies of the Berlinwasser Group are working on projects for the new Berlin Brandenburg International airport in Schönefeld. Since 1 October 2008, Berliner Wasserbetriebe have been receiving the polluted rain water from the airport. In addition, Berlinwasser Regional GmbH has won a three-year facility management contract for the discharge and treatment of the rain water from the airport.

## HUMAN RESOURCES & SOCIAL AFFAIRS

**Flexible solutions continue to find enjoy acceptance.** At the end of December 2008 the company had 4,802 employees (previous year: 4,886). The headcount thus fell by 1.7% or by 84 employees. The part-time quota rose from 25.1% as of 31 December 2007 to 26.2% as of 31 December 2008.

The working hour model "Full-time light plus" continues to be well received by the employees. The model provides for a reduction of the earnings by up to 10%. In return, the employees in "Full-time light" receive up to 26 additional free days. As of 31 December 2008, 824 employees (previous year: 817) were working on this working hour model on a voluntary basis.

The offers of early retirement introduced in 2003 were still enjoying a strong response in 2008, as the headcount development in person-years (PJ) shows. As of 31 December 2008 this figure was 4,035 PJ and hence 5.1% below the figure for the previous year of 4,253 PJ.

**Higher apprentice quota and increasing further qualification time.** In 2008 again, Berliner Wasserbetriebe made a significant contribution to the availability of apprenticeships in Berlin. In autumn 2008, 116 young men and women began their apprentice-

ships with the company. 392 young people (previous year: 395) are thus undergoing training in a total of 19 professions and 4 study courses at the Vocational Academy in Berlin. The apprenticeship quota again rose slightly compared with the previous year to reach 9.7% (previous year: 9.3%) by person-years. Berliner Wasserbetriebe thus provide a high-quality training in future-oriented professions that opens up opportunities for jobs also outside the Berlinwasser Group. For the first time in September 2006, the apprenticeship contracts were signed with the Berlinwasser subsidiary, perdie.net GmbH, and no longer with Berliner Wasserbetriebe. That allows training and education for third parties (Federal armed forces, water and sewage companies in Brandenburg, Berlin Public Services Employers' Association) to be offered to a greater extent than to date without thereby burdening the personnel costs of Berliner Wasserbetriebe. In 2008 this applied to 14 apprenticeship contracts (previous year: 10). Berliner Wasserbetriebe as apprenticeship company naturally continues to be the guarantor for the quality of the training.

In 2008, 6,603 participants - and hence 516 employees more than in the previous year (6,087) took part in further training and qualification events. In total significantly more working days (19,430 by comparison with 9,340 in the previous year) and some EUR 2.5 million (previous year: EUR 2.3 million) were invested in the future.

## Results of operations, financial position and net assets

### Results of operations

Operating profit as of 31 December 2008 amounts to EUR 383.5 million (previous year: EUR 344.3 million) and thus lies EUR 39.2 million above the equivalent period of the previous year.

In 2008, 192.6 million m<sup>3</sup> of drinking water were delivered. This value corresponds roughly to the level for the previous year. The dry and warm weather prevailing from the middle of May to the middle of June resulted in daily delivery rates well above the values for the previous year. Unfortunately at the beginning of the summer school holidays in Berlin, the general weather pat-

tern was warm, but also marked by frequent showers. Although the rain water total was slightly below the average, the rainfall that did occur almost regularly every five days meant that the consumption of vegetation-related water was below average. Of particular note were the 20th July, 17th August and 24th August. On these Sundays, the delivery in each case was well below 500,000 m<sup>3</sup>, an unusually low figure for the summer season.

Due to the lower aperiodic volumes compared with the previous year reported as of December 2008, the revenues from the water sales developed positively. This was also impacted by the tariff increase from 1 January 2008.

A slight increase in volumes was also achieved with the drainage services. Earnings for the drainage of public streets and squares rose by EUR 9.2 million compared with the previous year. Total sales revenues increased by EUR 50.9 million to EUR 1,168.1 million.

### Summarised profit and loss statement

	2008		2007	
	€ 000	%	€ 000	%
Sales revenues	1,168,111	91.6	1,117,184	90.8
Decrease (in previous year increase) in level of work in progress	-3,669	-0.3	1,503	0.1
Other own work capitalised	56,338	4.4	56,647	4.6
Other operating revenue	55,215	4.3	55,006	4.5
<b>Operating revenues</b>	<b>1,275,995</b>	<b>100.0</b>	<b>1,230,340</b>	<b>100.0</b>
Cost of materials	-298,906	-23.4	-301,129	-24.5
Personnel expenses	-260,260	-20.4	-259,823	-21.1
Scheduled amortisation and depreciation	-245,731	-19.2	-241,544	-19.6
Other operating expenditures	-78,715	-6.2	-76,459	-6.2
Non-profit-related taxes	-8,918	-0.7	-7,049	-0.6
<b>Operating expenses</b>	<b>-892,530</b>	<b>-69.9</b>	<b>-886,004</b>	<b>-72.0</b>
Operating profit	383,465	30.1	344,336	28.0
Investment income	32	0.0	11	0.0
Interest income	-111,096	-8.7	-80,309	-6.5
<b>Ordinary profit</b>	<b>272,401</b>	<b>21.4</b>	<b>264,038</b>	<b>21.5</b>
Non-operating profit	16,665	1.3	125,874	10.2
<b>Income before taxes</b>	<b>289,066</b>	<b>22.7</b>	<b>389,912</b>	<b>31.7</b>
Income taxes	-29,540	-2.3	-32,090	-2.6
Part-profit transfer	-128,275	-10.1	-189,582	-15.4
Loss takeover from dormant partners	8,793	0.7	8,771	0.7
<b>Net profit for the year</b>	<b>140,044</b>	<b>11.0</b>	<b>177,011</b>	<b>14.4</b>

The Other operating incomes are reported at EUR 55.2 million. These are at the same level as for the previous year.

The Cost of materials is in total below the level for the previous year. The costs for raw and ancillary materials and process media increased in particular due to the higher energy costs. The expenditures for purchased services fell compared with the previous year. The groundwater drawing charges were higher than in the previous year due to the higher water sales and a lower groundwater enrichment in 2008. The sewage fees in 2008 are above the figure for the previous year due to higher assessments than planned for the 2007 financial year.

Personnel costs totalling EUR 260.3 million are EUR 0.4 million (0.2%) higher than in the previous year due predominantly to a collective wage increase of 5.1% with effect from 1 January 2008. Compared with the equivalent period of the previous year, the workforce has continued to decline; this partly counteracts the effects of the collective wage increase.

The personnel costs are broken down as 98.6% (previous year: 98%) for the wages and salaries of the tariff employees, 0.4% for the payments to apprentices (previous year 0.8%) and 1.0% for the expenses for the general pension payments.

The scheduled amortisation and depreciation as of 31 December 2008 is EUR 4.2 million above the figure for the equivalent period of the previous year.

The other operating expenses are EUR 2.3 million above the corresponding expenses for 2007. A drop in the costs for telecommunications, write-offs on bad debts, rents and leases, losses from the disposal of assets.

The net interest totals EUR -111.1 million and thus EUR 30.8 lower than in 2007 (EUR -80.3 million). This is attributable to the reduction in equity carried out at the beginning of 2008 and to the dividend payments made to the shareholders earlier than in the previous year according to agreements concluded with the shareholders that were financed by the taking out of loans.

The non-operating profit in the previous year was due on the whole to the termination of the legal dispute on the fees for the drainage of public streets and squares. This resulted in income from the retransfer of individual value adjustments and the associated provisions for anticipated losses from pending transactions for 2007 and 2008 and income from the retransfer provisions for legal costs that were reported in the non-operating profit and net interest on the associated accounts receivable. After the state of Berlin waived an appeal in the court proceedings and indicated to Berliner Wasserbetriebe the willingness to pay the open accounts receivable, the effects were taken into consideration in the 2007 annual financial statements.

The part-profit transfer (EUR 128.3 million) to the dormant partner and the loss takeover by the dormant partner (EUR 8.8 million) were calculated in accordance with the agreement on two dormant companies.

As of 31 December 2008, net profit for the year amounts to EUR 140.0 million, EUR 45.2 million of which arises from water supply and EUR 94.8 million from wastewater services.

## Financial position

### CASH FLOW STATEMENT

Compared with the previous year, fixed assets have fallen in total by EUR 704.2 million.

The adjustment of the level of the compensation obligations from easements from EUR 861 million to approx. EUR 120 million represents a major non-cash transaction in 2008.

Major non-cash business transactions during the previous year were the income from the retransfer of individual value adjustments and the associated provisions for anticipated losses from pending transactions for 2007 and 2008, the income from the retransfer of provisions for legal costs from the legal dispute on the fees for the drainage of public streets and squares of EUR 67.6 million and the interest claims by Berliner Wasserbetriebe against the state of Berlin from the receivables not paid in the previous years for the drainage of public streets and squares of EUR 81.8 million

At its meeting on 31 January 2008, the Supervisory Board of Berliner Wasserbetriebe decided to reduce the capital by a total of EUR 526 million. With half this amount (EUR 263.5 million) corresponding to the share of the state of Berlin, the state of Berlin offset the costs payable to Berliner Wasserbetriebe that had accumulated since 1995 for the street rain water drainage. The Berlin Administrative Court had ruled in favour of Berliner Wasserbetriebe in a corresponding legal dispute in 2007. The state of Berlin chose to withdraw equity from Berliner Wasserbetriebe in order to be able to finance these costs. In order that the share ratio in the company was not affected – 50.1% state of Berlin, 49.9% private shareholders – the total capital withdrawal of EUR 526 million was made exactly in this ratio. A total of EUR 105.4 million in interest and EUR 31.1 million in income tax were paid during the financial year.

	2008 € 000	2007 € 000
+/- Net income for the period	140,044	177,011
+/- Depreciation/write-ups of fixed assets	246,264	256,056
+/- Increase/decrease in provisions	-720	-13,122
+/- Other non-cash expenses and revenues	-8,794	-8,771
+/- Profit/loss from the disposal of fixed assets	232	1,762
+/- Increase/decrease in inventories, receivables and other assets, including assets that cannot be allocated to investment or financing activities	29,152	-151,112
+/- Increase/decrease in liabilities, including liabilities that cannot be allocated to investment or financing activities	154,945	224,205
<b>Cash flow from operating activities</b>	<b>561,123</b>	<b>486,029</b>
+ Receipts from disposals of fixed assets	7,473	4,553
- Disbursements for investments in property, plant and equipment	-262,899	-265,323
+ Receipts from disposals of intangible assets	3	359
- Disbursements for investments in intangible assets	-7,519	-5,568
+ Receipts from disposals of financial assets	273	262
<b>Cash flow from investment activities</b>	<b>-262,669</b>	<b>-265,717</b>
- Disbursements to company owners	-600,905	-203,722
+ Receipts from the assumption of loans	673,366	227,413
- Disbursements from the repayment of loans and bonds	-374,876	-237,318
<b>Cash flow from financing activities</b>	<b>-302,415</b>	<b>-213,627</b>
+ Change in cash and cash equivalents	-3,961	6,685
+ Cash and cash equivalents at the beginning of the period	20,351	13,666
<b>Cash and cash equivalents at the end of the period</b>	<b>16,390</b>	<b>20,351</b>

## 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 constructed in two 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.

## WASSMANSDORF SEWAGE TREATMENT PLANT FINANCING CONCEPT

In December 1996 Berliner Wasserbetriebe entered into agreements with TELO Beteiligungsgesellschaft mbH & Co. Objekt Kläranlage Waßmannsdorf KG (TELO) in connection with the financing of parts 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 sewage treatment plant is in continuous operation and is designed for a treatment capacity of 230,000 m<sup>3</sup> 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 company's investments and operation from a risk and cost perspective.

Opportunities for short-term and long-term 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 long-term, fixed loans from banks. Constant financial solvency is additionally supported by bank credit lines.

## DISCLOSURES ON INTANGIBLE ASSETS

In accordance with § 9 of the Grundbuchbereinigungsgesetz (GBBERG) (Land Register Adjustment Law) and § 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. In return, 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 and on demand by 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 § 9 of the GBBERG in conjunction with § 1 of the SachenRDV are currently estimated at approx. EUR 120 million and fully accounted for in the balance sheet.

### Net assets

Compared with the previous year, the balance sheet total has fallen by EUR 1,000.9 million due predominantly to the reduction in the easements and the agreed reduction in capital totalling EUR 526 million.

Fixed assets declined overall as of 31 December 2008 from EUR 6,272. million to EUR 5,568.2 million. During 2008, Berliner Wasserbetriebe invested EUR 269.2 million (previous year: EUR 270.7 million) in fixed assets. Of this total, EUR 100.8 million (previous year EUR 94.0 million) was invested in the water supply infrastructure and EUR 168.4 million (previous year: EUR 176.7 million) in the wastewater disposal infrastructure. This was offset by depreciation and amortisation of EUR 246.3 million (previous year: EUR 256.1 million).

An engineering office was contracted in order to improve the data situation with respect to the anticipated compensation payments for pipeline rights of Berliner Wasserbetriebe on non-public premises in the east part of the city (see section 'Information on intangible assets and financial risks'), and hence increase the accuracy of the estimates. For each parcel of land it identified the line length actually to be secured, the type of use of the property, the protective strip and the actual burden quota of the protective strip. The exact analysis of the land by the engineering office has shown that the anticipated compensation payments have fallen from approx. EUR 861 million to currently approx. EUR 120 million. The examination of the concrete parcels by external inspectors showed that the assumption – drawn from the 2006 extrapolation based on a selective consideration of only approx. 1,000 parcels – of an average 25% burden of a further approx. 10,000 parcels was not correct. Furthermore, the evaluation of the public registers that have now been updated has shown that there are more pipelines belonging to Berliner Wasserbetriebe on public areas than had been assumed in 2006, and that for this reason these do not have to be considered. Thanks to the better data situation prevailing in 2008 it has now been possible to determine the concrete burden on the individual parcels caused by the pipelines so that the effective valuation factors of the individual parcels (e.g. construction land, pasture/meadow or recreational areas) can be taken into consideration accordingly when calculating the compensation payments.

Receivables from associated companies, minority interests and shareholders are reported as of 31 December 2008 as EUR 16.0 million (previous year: EUR 323.0 million). The reduction is attributable essentially to the settlement of the previous year's receivables for the drainage of public streets and squares in the amount of EUR 305.6 million.

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

The capital ratio as at 31 December 2008 is 32% (previous year: 35.0%). Following the reduction in capital totalling EUR 526 million approved by the Supervisory Board of Berliner

## Key balance sheet items of Berliner Wasserbetriebe:

	31.12.2008		31.12.2007		Change
	€ 000	%	€ 000	%	
<b>Assets</b>					
Intangible assets	168,822	2.6	906,289	12.2	-737,467
Property, plant and equipment	5,390,201	84.1	5,356,704	72.3	33,497
Financial assets	9,225	0.1	9,498	0.1	-273
<b>Fixed assets</b>	<b>5,568,248</b>	<b>86.8</b>	<b>6,272,491</b>	<b>84.6</b>	<b>-704,243</b>
Inventories	13,986	0.2	17,693	0.2	-3,707
Receivables from associated companies, minority interests and shareholders	16,032	0.3	323,016	4.4	-306,984
Other receivables	794,968	12.4	777,546	10.5	17,422
Cash and cash equivalents	16,390	0.3	20,351	0.3	-3,961
<b>Current assets</b>	<b>841,376</b>	<b>13.2</b>	<b>1,138,606</b>	<b>15.4</b>	<b>-297,230</b>
<b>Accrued incomes</b>	<b>1,509</b>	<b>0.0</b>	<b>919</b>	<b>0.0</b>	<b>590</b>
	<b>6,411,133</b>	<b>100.0</b>	<b>7,412,016</b>	<b>100.0</b>	<b>-1,000,883</b>
<b>Liabilities</b>					
<b>Equity</b>	<b>2,049,832</b>	<b>32.0</b>	<b>2,593,431</b>	<b>35.0</b>	<b>-543,599</b>
Special item including subsidies and construction subsidies	524,993	8.2	488,130	6.6	36,863
Provisions	5,522	0.1	4,011	0.1	1,511
Liabilities towards credit institutes	1,385,432	21.6	846,287	11.4	539,145
Liabilities towards associated companies, minority interests and shareholders	4,602	0.1	5,113	0.1	-511
Other liabilities, including accrued items	136,365	2.1	206,737	2.8	-70,372
<b>Long-term debt</b>	<b>2,056,914</b>	<b>32.1</b>	<b>1,550,278</b>	<b>21.0</b>	<b>506,636</b>
Special item including subsidies and construction subsidies	104,999	1.6	97,626	1.3	7,373
Provisions	232,057	3.6	975,299	13.2	-743,242
Liabilities towards credit institutes	909,750	14.2	1,053,706	14.1	-143,956
Advance payments received	751,937	11.7	731,765	9.9	20,172
Trade payables	18,627	0.3	26,453	0.4	-7,826
Liabilities towards associated companies, minority interests and shareholders	133,378	2.1	209,121	2.8	-75,743
Other liabilities, including accrued items	153,639	2.4	174,337	2.3	-20,698
<b>Medium and short term debt</b>	<b>2,304,387</b>	<b>35.9</b>	<b>3,268,307</b>	<b>44.0</b>	<b>-963,920</b>
	<b>6,411,133</b>	<b>100.0</b>	<b>7,412,016</b>	<b>100.0</b>	<b>-1,000,883</b>

Wasserbetriebe the share ratios in the company – 50.1% state of Berlin, 49.9% private shareholders – remains unchanged.

Trade payables were EUR 7.8 million lower than in the previous year. Advance payments received rose by EUR 20.2 million to EUR 751.9 million

Liabilities towards associated companies, minority interests and shareholders fell to EUR 138.0 million. This predominantly includes the reported part-profit payment to the dormant partners in the amount of EUR 125.1 million /previous year: EUR 189.6 million).

## Events of importance after the balance sheet date

No events of particular importance occurred after the end of the financial year.

## Risk Report

### Presentation of the risks of the 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 § 91, paragraph II of the AktG (German Companies Act) requires that companies take suitable measures for the early identification of developments that may jeopardise the continued existence of the company, in particular the institution of a monitoring system. 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 the continued existence of the company. Market, operating and financial risks are evaluated as the primary relevant or significant risks. Appropriate measures have been 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 the 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.

Basis for the risk management system are the risk management manual prepared for the Berlinwasser Group and revised in June of 2006, the 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 in 1996 for all the waterworks in relation to the pumping of groundwater for the public drinking water supply should be granted by the year 2010. Approval was granted for the Wuhlheide waterworks in 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 provi-

sion 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. These investigations have already been initiated for the Spandau, Tegel, Beelitzhof and Kladow waterworks.

A prerequisite for these individual processes is the water supply concept elaborated together with the Berlin Senate up to the year 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. It ensures that Berlin will continue to be able to supply itself from its own resources even in the future. Various scenarios of demographic, economic, hydrological and climatic change were thereby considered and evaluated.

## FINANCIAL RISKS

In accordance with § 9 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 these networks are located compensation for the reduction in the value of the property upon registration of the easement in gross. 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 and on demand by the property owner. The second half is due on 1 January 2011.

The total value of these easements is currently estimated at approx. EUR 120 million.

## LEGAL RISKS

Berliner Wasserbetriebe operates in a regulated market and is therefore confronted by special legal risks. Of particular note are the court proceedings on the legitimacy of rates for water supply and wastewater disposal.

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

Berliner Wasserbetriebe had reported its investment in SVZ Sekundärrohstoff-Verwertungszentrum Schwarze Pumpe GmbH i. L. (SVZ) 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 can continue to be reported as an investment of BgA Wasser. The question remains, however, whether the partial write-offs on the SVZ GmbH 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 must still be definitively reviewed and assessed. It is already foreseeable, however, that the examiners do not wish to allow the partial write-off in 1999 against the SVZ GmbH investment for tax purposes. From today's perspective, though, this would result merely in a shift of taxable profits between periods.

The – provisionally – final discussions on the tax investigation for the years 1999 to 2001 were held on 23 and 24 April 2008. These discussions showed that the standpoints still differ very widely on significant points. It has therefore not yet been possible to reach agreement on the observations. Following the course of the discussions with the tax authorities it can be assumed that the auditors will ultimately aim for a conclusion of

the tax investigation only in the form of an “overall package solution”. A new date for the continuation of the final discussions has not yet been set.

### Risk reporting related to the use of financial instruments

Berliner Wasserbetriebe did not make use of any derivative financial instruments in 2008. Risk reporting in this respect is therefore waived.

## Outlook

The earnings prognosis for the coming financial year 2009 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. For example, maintenance costs are reduced by the use of techniques for measuring vibration. Costs are also reduced through ongoing optimisation of the purchasing and new approaches such as partnering (direct cooperation between employees of Berliner Wasserbetriebe and external companies on civil works). With the rapid increase in the primary energy costs, counter-measures were found with the successful implementation of a company-wide energy management programme. Only in this way is it possible to control the future tariff development. 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. We are aiming for a tariff increase that despite the drop in volume does not exceed the general inflation level.

### Economic development – moderate increase in sales planned

The effects of declining water sales are compensated in part by the planned tariff increase. For this reason we anticipate only a slightly higher level of sales in 2009 and the year after than in the previous year. Approximately 35% of total sales are from the Water Supplies business segment and around 50% from non-public drainage services.

The remaining sales revenues come predominantly from the drainage of public streets and squares and the house connections. The number of house connections to be built will drop in the future. The number of new domestic sewage connections is on the decline as the development of the old settlement areas has been more or less completed.

Berliner Wasserbetriebe expect operative earnings before interest and tax (without special effects) above that of the previous year for 2009 and the following year.

### Volumes continuing to decline

Berlin water sales are planned at the level of 193 million m<sup>3</sup> for 2009. This decline is expected to continue in the years to come. It reflects the nationwide trend of decreasing water sales. 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 m<sup>3</sup> of water. For wastewater a slight increase from around 23.3 million m<sup>3</sup> to 23.4 million m<sup>3</sup> has been assumed.

### New tariff system since 2007 and tariff adjustment in 2009

The Berliner Wasserbetriebe tariff system was successfully restructured from pure volume prices to standing charge and volume tariffs as of 1 July 2007. Introduction of the new structure did not impact either the company’s revenue or earnings. The standing charge does, however, allow a larger proportion of the fixed costs to be covered even in the event of a further drop in volumes. The introduction of the standing charge is, therefore, a factor in assuring revenues. Costs are more appropriately allocated to their source.

From 1 January 2009, the standing charges will be increased and at the same time the volume prices decreased. Considerable measures to reduce costs are being undertaken, but an adjustment of the tariffs is unavoidable. Allowing for the cost structure, the overall tariff for drinking water, wastewater and rain water will increase in 2009 by 2.9%.

pressure mains, and in the renovation of the drinking water pipe network. In the medium term, the proportion of renewal investments will remain at the current level. In the long term the proportion of renewal investments will shift towards replacement investments. The focus of the investments is on maintaining the function and substance of the installations and networks.


### Post-calculation increases earnings security

The amendment of the Berlin Companies Act obliges Berliner Wasserbetriebe to undertake a post-calculation of its rates. Events that the company has not foreseen (e.g. development in energy costs, weather-related lower water sales) are accounted for in subsequent periods in a post-calculation process. The introduction of the post-calculation thus increases the earnings security.

### Investment primarily in networks

The investment volume from own resources in 2009 will amount to EUR 239 million. A total of EUR 99 million are to be invested in the Water Supply division and EUR 140 million in the Wastewater Disposal division. The greater part of this investment is to be in the modernisation and expansion of the sewers and sewage

Berlin, 15 January 2009  
Berliner Wasserbetriebe



Simon



Bruckmann



Dr. Grunwald



Schmidt

## Balance sheet of Berliner Wasserbetriebe, Public Law Institution, Berlin, as of 31 December 2008

### Assets

	31.12.2008 €	31.12.2008 €	31.12.2007 € 000
<b>A. Fixed assets</b>			
I. Intangible assets			
1. Concessions, commercial property rights and similar rights and values	166,551,542.98		903,887
2. Advance payments made	2,270,703.92	<b>168,822,246.90</b>	2,402
II. Property, plant and equipment			
1. Properties with commercial, business and other buildings	461,848,628.26		474,099
2. Properties with residential buildings	16,440,542.53		16,632
3. Properties without buildings	11,626,913.77		12,997
4. Buildings on others' properties	2,886,871.20		3,139
5. Water catchment and treatment plants	148,690,567.78		144,354
6. Water distribution plants	835,735,508.62		817,145
7. Sewers and wastewater pressure pipes	3,256,695,614.11		3,212,995
8. Sewage pumping plants	86,662,023.55		77,485
9. Sewage treatment plants	221,953,768.63		236,836
10. Other technical plants and machines	6,080,722.97		6,078
11. Business and commercial equipment	38,687,053.91		35,566
12. Advance payments made and plants under construction	302,892,875.08	<b>5,390,201,090.41</b>	319,378
III. Financial assets			
1. Minority interests	3,208,020.38		3,208
2. Memberships in special purpose associations	3,304,402.23		3,304
3. Fixed asset securities	1,477.63		2
4. Other loans	2,710,951.54	<b>9,224,851.78</b>	2,984
<b>B. Current assets</b>			
I. Inventories			
1. Raw materials and supplies	9,569,411.20		9,607
2. Work in progress	4,416,754.21	<b>13,986,165.41</b>	8,086
II. Receivables and other assets			
1. Trade receivables of which with a remaining term of more than one year: 244,944.08 € (previous year € 281,000 )	772,435,254.68		747,227
2. Receivables from association companies of which with a remaining term of more than one year: 0.00 € (previous year € 0)	687,777.24		863
3. Receivables from companies with which a participating interest exists of which with a remaining term of more than one year: 0.00 € (previous year € 0)	38,203.88		62
4. Receivable from dormant partners of which with a remaining term of more than one year: 0.00 € (previous year € 0)	802,362.77		867
5. Receivables from the guarantor of which with a remaining term of more than one year: 0.00 € (previous year € 0)	14,504,263.51		321,224
6. Other assets of which with a remaining term of more than one year: 1,805,600.02 € (previous year M€ 2.174)	22,532,415.23	<b>811,000,277.31</b>	30,319
III. Cash, deposits with credit institutes		<b>16,390,003.06</b>	20,351
<b>C. Accrued items</b>			
Other accrued items		<b>1,508,835.13</b>	919
		<b>6,411,133,470.00</b>	7,412,016

## Liabilities

	31.12.2008 €	31.12.2008 €	31.12.2008 €	31.12.2007 € 000
<b>A. Equity</b>				
I. Capital stock of which offset by deposits of dormant partners: 514,778,989.47 € (previous year M€ 777.253)		1,264,000,000.00		1,790,000
II. Revenue reserve		74,784,057.00		59,803
III. Deposits of dormant partners	1,296,966,237.65			1,559,440
Offset against capital stock	-514,778,989.47			-777,253
Revenue reserve	69,595,116.00			54,673
Loss carry-forward of dormant partners	-250,875,107.24	600,907,256.94		-242,081
IV. Accumulated profits		110,141,219.67	<b>2,049,832,533.61</b>	148,849
<b>B. Special accounts for subsidies</b>				
1. Special accounts for investment grants		286,045.00		311
2. Special accounts for other subsidies		484,047,446.33	<b>484,333,491.33</b>	442,025
<b>C. Construction subsidies</b>			<b>145,659,115.99</b>	143,420
<b>D. Provisions</b>				
1. Provisions for pensions and similar obligations		4,694,406.51		4,881
2. Tax provisions		6,529,449.00		4,957
3. Other provisions		226,354,769.25	<b>237,578,624.76</b>	969,472
<b>E. Liabilities</b>				
1. Liabilities towards credit institutes of which with a remaining term of up to one year: 250,638,697.44 € (previous year M€ 301.487)		2,295,181,728.13		1,899,993
2. Advance payments on orders received of which with a remaining term of up to one year: 751,936,539.27 € (previous year M€ 731.765)		751,936,539.27		731,765
3. Trade payables of which with a remaining term of up to one year: 18,423,698.27 € (previous year M€ 26.453)		18,627,162.69		26,453
4. Liabilities towards associated companies of which with a remaining term of up to one year: 3,679,138.04 € (previous year M€ 4.731)		3,679,138.04		4,731
5. Liabilities towards companies with which a participating interest exists of which with a remaining term of up to one year: 34,326.27 € (previous year M€ 473)		34,326.27		473
6. Liabilities towards the dormant partners of which with a remaining term of up to one year: 126,332,457.75 € (previous year M€ 186.303)		126,332,457.75		186,303
7. Liabilities towards the guarantor of which with a remaining term of up to one year: 1,288,138.78 € (previous year M€ 15.569)		7,934,933.24		22,727
8. Other liabilities of which: a) from taxes 10,985,436.85 € (previous year M€ 11.346) b) in the context of social security 217,901.23 € (previous year € 21,000) c) with a remaining term of up to one year 84,261,955.85 € (previous year M€ 88.294)		266,029,660.18	<b>3,469,755,945.57</b>	355,566
<b>F. Accrued items</b>			<b>23,973,758.74</b>	25,508
			<b>6,411,133,470.00</b>	7,412,016

## Balance sheet of Berliner Wasserbetriebe, Public Law Institution, Berlin, as of 31 December 2008 Water Supplies Division

### Assets

	31.12.2008 €	31.12.2008 €	31.12.2007 € 000
<b>A. Fixed assets</b>			
I. Intangible assets			
1. Concessions, commercial property rights and similar rights and values	58,802,282.87		173,226
2. Advance payments made	2,209,086.91	<b>61,011,369.78</b>	2,326
II. Property, plant and equipment			
1. Properties with commercial, business and other buildings	227,802,468.02		241,253
2. Properties with residential buildings	6,331,113.69		5,821
3. Properties without buildings	11,074,555.80		12,613
4. Buildings on others' properties	616,679.32		646
5. Water catchment and treatment plants	148,690,567.78		144,354
6. Water distribution plants	835,735,508.62		817,145
7. Other technical plants and machines	2,374,760.71		2,028
8. Business and commercial equipment	20,016,752.72		17,089
9. Advance payments made and plants under construction	94,225,092.11	<b>1,346,867,498.77</b>	91,221
III. Financial assets			
1. Minority interests	3,208,020.38		3,208
2. Memberships in special purpose associations	3,304,402.23		3,304
3. Fixed asset securities	1,477.63	<b>6,513,900.24</b>	2
<b>B. Current assets</b>			
I. Inventories			
1. Raw materials and supplies	5,329,791.01		4,695
2. Work in progress	1,808,253.12	<b>7,138,044.13</b>	2,770
II. Receivables and other assets			
1. Trade receivables of which with a remaining term of more than one year: 75,255.41 € (previous year € 49,000)	307,967,869.30		303,231
2. Receivables from associated companies of which with a remaining term of more than one year: 0.00 € (previous year € 0)	687,777.24		863
3. Receivables from companies with which a participating interest exists of which with a remaining term of more than one year: 0.00 € (previous year € 0)	38,203.88		62
4. Receivables from dormant partners of which with a remaining term of more than one year: 0.00 € (previous year € 0)	802,362.77		867
5. Receivables from the guarantor of which with a remaining term of more than one year: 0.00 € (previous year € 0)	735,493.28		1,588
6. Other assets of which with a remaining term of more than one year: 1,805,600.02 € (previous year M€ 2.174)	8,896,607.25		16,151
7. Receivables from common financial account management	255,945,017.78	<b>575,073,331.50</b>	325,354
III. Cash, deposits with credit institutes		<b>16,390,003.06</b>	20,351
<b>C. Accrued items</b>			
Other accrued items		<b>987,043.29</b>	278
		<b>2,013,981,190.77</b>	2,190,446

## Liabilities

	31.12.2008	31.12.2008	31.12.2008	31.12.2007
	€	€	€	€ 000
<b>A. Equity</b>				
I. Capital stock of which offset by deposits of dormant partners: 69,210,442.83 € (previous year M€ 156.368)		362,000,000.00		537,000
II. Revenue reserve		23,019,212.00		18,777
III. Deposits of dormant partners	380,674,071.30			467,832
Offset against capital stock	-69,210,442.83			-156,368
Revenue reserve	22,927,318.00			18,701
Loss carry-forward of dormant partners	-250,875,107.24	83,515,839.23		-242,081
IV. Accumulated profits		36,729,239.56	505,264,290.79	18,769
<b>B. Special accounts for subsidies</b>				
1. Special accounts for investment grants		286,045.00		311
2. Special accounts for other subsidies		42,573,812.24	42,859,857.24	40,755
<b>C. Construction subsidies</b>			43,029,191.00	43,438
<b>D. Provisions</b>				
1. Provisions for pensions and similar obligations		2,369,344.67		2,462
2. Tax provisions		5,154,251.00		3,813
3. Other provisions		66,245,108.99	73,768,704.66	185,124
<b>E. Liabilities</b>				
1. Liabilities towards credit institutes of which with a remaining term of up to one year: 113,479,031.28 € (previous year M€ 172.215)		882,295,958.04		780,199
2. Advance payments on orders received of which with a remaining term of up to one year: 297,591,911.34 € (previous year M€ 298.750)		297,591,911.34		298,750
3. Trade payables of which with a remaining term of up to one year: 6,326,470.46 € (previous year M€ 9.074)		6,373,852.80		9,074
4. Liabilities towards associated companies of which with a remaining term of up to one year: 1,961,521.29 € (previous year M€ 3.595)		1,961,521.29		3,595
5. Liabilities towards companies with which a participating interest exists of which with a remaining term of up to one year: 34,163.40 € (previous year € 318,000)		34,163.40		317
6. Liabilities towards the dormant partners of which with a remaining term of up to one year: 54,453,316.64 € (previous year M€ 43.080)		54,453,316.64		43,079
7. Liabilities towards the guarantor of which with a remaining term of up to one year: 973,807.90 € (previous year € 949,000)		7,620,602.36		8,107
8. Other liabilities of which: a) from taxes 4,799,921.56 € (previous year M€ 3.732) b) within the context of social security 217,901.23 € (previous year € 21,000) c) with a remaining term of up to one year 52,558,567.43 € (previous year M€ 49.924)		76,694,604.65	1,327,025,930.52	85,611
<b>F. Accrued items</b>			22,033,216.56	23,181
			2,013,981,190.77	2,190,446

## Balance sheet of Berliner Wasserbetriebe, Public Law Institution, Berlin, as of 31 December 2008 Wastewater Division

### Assets

	31.12.2008	31.12.2008	31.12.2007
	€	€	€ 000
<b>A. Fixed assets</b>			
I. Intangible assets			
1. Concessions, commercial property rights and similar rights and values	107,749,260.11		730,661
2. Advance payments made	61,617.01	<b>107,810,877.12</b>	76
II. Property, plant and equipment			
1. Properties with commercial, business and other buildings	234,046,160.24		232,846
2. Properties with residential buildings	10,109,428.84		10,811
3. Properties without buildings	552,357.97		384
4. Buildings on others' properties	2,270,191.88		2,493
5. Sewers and wastewater pressure pipes	3,256,695,614.11		3,212,995
6. Sewage pumping plants	86,662,023.55		77,485
7. Sewage treatment plants	221,953,768.63		236,836
8. Other technical plants and machines	3,705,962.26		4,050
9. Business and commercial equipment	18,670,301.19		18,477
10. Advance payments made and plants under construction	208,667,782.97	<b>4,043,333,591.64</b>	228,157
III. Financial assets			
Other loans		<b>2,710,951.54</b>	2,984
<b>B. Current assets</b>			
I. Inventories			
1. Raw materials and supplies	4,239,620.19		4,912
2. Work in progress	2,608,501.09	<b>6,848,121.28</b>	5,316
II. Receivables and other assets			
1. Trade receivables of which with a remaining term of more than one year: 169,688.67 € (previous year € 232,000)	464,467,385.38		443,996
2. Receivables from the guarantor of which with a remaining term of more than one year: 0.00 € (previous year € 0)	13,768,770.23		319,636
3. Other assets of which with a remaining term of more than one year: 0.00 € (previous year € 0)	13,635,807.98	<b>491,871,963.59</b>	14,168
<b>C. Accrued items</b>			
Other accrued items		<b>521,791.84</b>	641
		<b>4,653,097,297.01</b>	5,546,924

## Liabilities

	31.12.2008 €	31.12.2008 €	31.12.2008 €	31.12.2007 € 000
<b>A. Equity</b>				
I. Capital stock of which offset by deposits of dormant partners: 445,568,546.64 € (previous year M€ 620.885)		902,000,000.00		1,253,000
II. Revenue reserve		51,764,845.00		41,026
III. Deposits of dormant partners	916,292,166.35			1,091,608
Offset against capital stock	-445,568,546.64			-620,885
Revenue reserve	46,667,798.00	517,391,417.71		35,972
IV. Accumulated profits		73,411,980.11	<b>1,544,568,242.82</b>	130,080
<b>B. Special accounts for subsidies</b>				
Special accounts for other subsidies			<b>441,473,634.09</b>	401,270
<b>C. Construction subsidies</b>			<b>102,629,924.99</b>	99,982
<b>D. Provisions</b>				
1. Provisions for pensions and similar obligations		2,325,061.84		2,419
2. Tax provisions		1,375,198.00		1,144
3. Other provisions		160,109,660.26	<b>163,809,920.10</b>	784,348
<b>E. Liabilities</b>				
1. Liabilities towards credit institutes of which with a remaining term of up to one year: 137,159,666.16 € (previous year M€ 129.272)		1,412,885,770.09		1,119,794
2. Advance payments on orders received of which with a remaining term of up to one year: 454,344,627.93 € (previous year M€ 433.015)		454,344,627.93		433,015
3. Trade payables of which with a remaining term of up to one year: 12,097,227.81 € (previous year M€ 17.379)		12,253,309.89		17,379
4. Liabilities towards associated companies of which with a remaining term of up to one year: 1,717,616.75 € (previous year M€ 1.136)		1,717,616.75		1,136
5. Liabilities towards companies with which a participating interest exists of which with a remaining term of up to one year: 162.87 € (previous year € 155,000)		162.87		156
6. Liabilities towards the dormant partners of which with a remaining term of up to one year: 71,879,141.11 € (previous year M€ 143.223)		71,879,141.11		143,224
7. Liabilities towards the guarantor of which with a remaining term of up to one year: 314,330.88 € (previous year M€ 14.620)		314,330.88		14,620
8. Other liabilities of which: a) from taxes 6,185,515.29 € (previous year M€ 7.614) b) in the context of social security 0.00 € (previous year € 0) c) with a remaining term of up to one year: 31,703,388.42 € (previous year M€ 38.370)		189,335,055.53		269,955
9. Liabilities from common financial account management		255,945,017.78	<b>2,398,675,032.83</b>	325,354
<b>F. Accrued items</b>			<b>1,940,542.18</b>	2,327
			<b>4,653,097,297.01</b>	5,546,924

## Profit-and-loss account of Berliner Wasserbetriebe, Public Law Institution, Berlin, for the period from 1 January 2008 until 31 December 2008

	1.1. - 31.12.2008			1.1. - 31.12.2007		
	€	€	€	€ 000	€ 000	€ 000
1. Sales revenues						
a) Water sales	415,834,116.28			396,219		
b) Drainage services	730,637,009.17			699,439		
c) Liquidation of construction subsidies recorded as liabilities	11,778,654.95			11,132		
d) House service connections	9,861,462.39	1,168,111,242.79		10,394	1,117,184	
2. Decrease (-) or increase (+) in level of work in progress for house service connections		-3,669,680.26			1,503	
3. Other own work capitalised		56,338,426.70			56,647	
4. Other operating revenue		81,809,265.58	<b>1,302,589,254.81</b>		147,015	1,322,349
5. Cost of materials						
a) Expenses for raw materials and supplies and for purchased goods	60,417,875.97			57,718		
b) Expenses for purchased services	171,324,263.97			180,077		
c) Groundwater withdrawal fees and wastewater charges	67,163,986.66	298,906,126.60		63,334	301,129	
6. Personnel expenses						
a) Wages and salaries	203,553,711.09			201,051		
b) Payroll deductions and pension expenses and for support of which for pensions 17,140,265.67 € (previous year M€ 16.751)	56,706,121.24	260,259,832.33		58,772	259,823	
7. Depreciations of intangible assets of the fixed asset securities and property, plant and equipment		246,264,126.01			256,120	
8. Other operating expenses		88,111,334.59	<b>893,541,419.53</b>		88,552	905,624
9. Revenue from minority interests of which from associated companies 0.00 € (previous year € 0)		31,915.19			11	
10. Revenue from other securities and loans of the financial assets of which from associated companies 0.00 € (previous year € 0)		118,761.82			130	
11. Other interest and similar revenue of which from associated companies 0.00 € (previous year € 0)		3,285,490.57	<b>3,436,167.58</b>		82,338	82,479
12. Interest and similar expenses of which to associated companies 0.00 € (previous year € 0)			<b>114,500,464.06</b>			102,243
13. Income from ordinary operations			<b>297,983,538.80</b>			396,961
14. Expenses related to part-profit transfers			<b>128,274,919.83</b>			189,582
15. Loss takeover from dormant partners			<b>8,793,538.60</b>			8,771
16. Income taxes			<b>29,540,216.41</b>			32,090
17. Other taxes			<b>8,917,556.49</b>			7,049
18. Net profit for the year			<b>140,044,384.67</b>			177,011
19. Transfer to other revenue reserves			<b>29,903,165.00</b>			28,162
20. Accumulated profits			<b>110,141,219.67</b>			148,849
Appropriation of accumulated profits:						
a) Water Supplies Division Dividend distribution to state of Berlin			<b>36,729,239.56</b>			18,769
b) Wastewater Division Dividend distribution to state of Berlin			<b>73,411,980.11</b>			130,080

## Profit-and-loss account of Berliner Wasserbetriebe, Public Law Institution, Berlin, for the period from 1 January 2008 until 31 December 2008 Water Supplies Division

	1.1. - 31.12.2008			1.1. - 31.12.2007		
	€	€	€	€ 000	€ 000	€ 000
1. Sales revenues						
a) Water sales	415,834,116.28			396,219		
b) Liquidation of construction subsidies recorded as liabilities	3,845,341.57			3,736		
c) House service connections	4,947,643.31			4,255		
d) Intercompany sales	917,535.66	425,544,636.82		933	405,143	
2. Decrease (-) or increase (+) in the level of work in progress for house service connections		-961,425.27			578	
3. Other own work capitalised		25,936,066.96			25,694	
4. Other operating revenue	27,862,153.18			26,438		
- Intercompany sales	17,708,857.07	45,571,010.25	<b>496,090,288.76</b>	18,781	45,219	476,634
5. Cost of materials						
a) Expenses for raw materials and supplies and for purchased goods	24,622,300.08			23,644		
b) Expenses for purchased services	43,121,097.98			39,528		
c) Groundwater withdrawal fees and wastewater charges	51,800,089.70			49,900		
d) Intercompany sales	4,342,969.03			3,184		
e) Settlement of material costs	-10,378,221.26	113,508,235.53		-2,890	113,366	
6. Personnel expenses						
a) Wages and salaries	93,800,711.50			93,986		
b) Payroll deductions and pension expenses and for support of which for pensions 8,242,157.82 € (previous year M€ 8.338)	26,523,986.14			28,076		
c) Settlement of material costs	0.00	120,324,697.64		-1,495	120,567	
7. Depreciations of intangible assets of the fixed asset securities and property, plant and equipment		76,945,812.61			86,086	
8. Other operating expenses	58,910,462.73			58,137		
- Intercompany sales	700,940.78			768		
- Settlement of material costs	-9,798,649.99	49,812,753.52	<b>360,591,499.30</b>	-9,414	49,491	369,510
9. Revenue from minority interests of which from associated companies 0.00 € (previous year € 0)		31,915.19			11	
10. Other interest and similar revenue of which from associated companies 0.00 € (previous year € 0)	403,689.57			481		
- Interest income from intercompany sales	28,405,076.16	28,808,765.73	<b>28,840,680.92</b>	26,687	27,168	27,179
11. Interest and similar expenses of which to associated companies 0.00 € (previous year € 0)			<b>42,541,749.23</b>			41,709
12. Income from ordinary operations			<b>121,797,721.15</b>			92,594
13. Expenses related to part-profit transfers			<b>54,788,220.72</b>			44,294
14. Loss takeover from dormant partners			<b>8,793,538.60</b>			8,771
15. Income taxes			<b>28,928,738.49</b>			29,016
16. Other taxes			<b>1,676,784.98</b>			1,774
17. Net profit for the year			<b>45,197,515.56</b>			26,281
18. Transfer to other revenue reserves			<b>8,468,276.00</b>			7,512
19. Accumulated profits			<b>36,729,239.56</b>			18,769

## Profit-and-loss account of Berliner Wasserbetriebe, Public Law Institution, Berlin, for the period from 1 January 2008 until 31 December 2008

### Wastewater Division

	1.1. - 31.12.2008			1.1. - 31.12.2007		
	€	€	€	€ 000	€ 000	€ 000
1. Sales revenues						
a) Water sales	730,637,009.17			699,439		
b) Liquidation of construction subsidies recorded as liabilities	7,933,313.38			7,396		
c) House service connections	4,913,819.08			6,139		
d) Intercompany sales	4,342,969.03	747,827,110.66		3,184	716,158	
2. Decrease (-) or increase (+) in the level of work in progress for house service connections		-2,708,254.99			925	
3. Other own work capitalised		30,402,359.74			30,953	
4. Other operating revenue	53,947,112.40			120,577		
- Intercompany sales	700,940.78	54,648,053.18	<b>830,169,268.59</b>	768	121,345	869,381
5. Cost of materials						
a) Expenses for raw materials and supplies and for purchased goods	35,795,575.89			34,074		
b) Expenses for purchased services	128,203,165.99			140,549		
c) Groundwater withdrawal fees and wastewater charges	15,363,896.96			13,434		
d) Intercompany sales	917,535.66			933		
e) Settlement of material costs	10,378,221.26	190,658,395.76		2,890	191,880	
6. Personnel expenses						
a) Wages and salaries	109,752,999.59			107,065		
b) Payroll deductions and pension expenses and for support of which for pensions 8,898,107.85 € (previous year M€ 8.413)	30,182,135.10			30,696		
c) Settlement of material costs	0.00	139,935,134.69		1,495	139,256	
7. Depreciations of intangible assets of the fixed asset securities and property, plant and equipment		169,318,313.40			170,034	
8. Other operating expenses	29,200,871.86			30,415		
- Intercompany sales	17,708,857.07			18,781		
- Settlement of material costs	9,798,649.99	56,708,378.92	<b>556,620,222.77</b>	9,415	58,611	559,781
9. Revenue from other securities and loans of the financial assets of which from associated companies 0.00 € (previous year € 0)		118,761.82			130	
10. Other interest and similar revenue of which from associated companies 0.00 € (previous year € 0)		2,881,801.00	<b>3,000,562.82</b>		81,857	81,987
11. Interest and similar expenses of which to associated companies 0.00 € (previous year € 0)		71,958,714.83			60,534	
- Interest expenses for intercompany sales		28,405,076.16	<b>100,363,790.99</b>		26,687	87,221
12. Income from ordinary operations			<b>176,185,817.65</b>			304,366
13. Expenses related to part-profit transfer			<b>73,486,699.11</b>			145,288
14. Income taxes			<b>611,477.92</b>			3,074
15. Other taxes			<b>7,240,771.51</b>			5,275
16. Net profit for the year			<b>94,846,869.11</b>			150,729
17. Transfer to other revenue reserves			<b>21,434,889.00</b>			20,650
18. Accumulated profits			<b>73,411,980.11</b>			130,079

# Notes

## 1. General information

The annual financial statements of Berliner Wasserbetriebe as of 31 December 2008 have been prepared in accordance with the rules of the German Disclosures Act (PublG) in conjunction with § 16 of the Berlin Companies Act (BerlBG) 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 reflecting the special structure of Berliner Wasserbetriebe (§ 265 (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 § 1 (1) No. 6 in conjunction with § 4 Corporation Tax Act. Wastewater disposal, on the other hand, is not taxable in accordance with § 4 (5) Corporation Tax Act insofar as 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, the scheduled amortisation of software is no longer 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 § 9 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 are not subject to scheduled amortisation.

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 are written off in accordance with § 6 (2 and 2a) German Income Tax Act (EStG). 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.

Participating interests and memberships in special purpose associations are accounted for at acquisition costs, plus any ancillary costs. Loans are reported at their nominal value. If necessary, write-offs to lower fair market value are 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 is applied on the balance sheet date. Work in progress is reported at production costs including the appropriate share of overhead costs or, if necessary, at the lower fair market value.

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 reported for the remaining receivables.

Cash and cash equivalents (cash, deposits at credit institutions) are recorded at nominal value.

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

Tax-free investment grants are recorded under liabilities as special accounts for investment grants in accordance with the regulations of § 19 of the Berlin Promotion Act and the Investment Grant Act. They are taken to income on a straight-line basis in accordance with the useful life of the asset to which the subsidy applies. Special accounts for subsidies have also been created in accordance with the principles of commercial law. The 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% 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 § 6a of the Income Tax Act 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 evaluated at the level of the amount necessary with reasonable commercial assessment.

Liabilities are reported at their repayment amounts.

the city and surrounding areas and hence increase the accuracy of the estimate. The exact analysis of the land by the engineering offices has shown that the anticipated compensation payments have fallen from approx. EUR 861 million to currently approx. EUR 120 million. Thanks to the better data situation prevailing in 2008 it has now been possible to determine the concrete burden on the individual parcels caused by the pipelines so that the effective valuation factors of the individual parcels (e.g. construction land, pasture/meadow or recreational areas) can be taken into consideration accordingly when calculating the compensation payments. The exact analysis resulted in a significant drop in the compensation payments to be expected (cf. also under Provisions). In the year under review, compensation payments of EUR 2.671 million (previous year: EUR 679,000) were made.

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.

### 3. Notes on the balance sheet

#### Fixed assets

Changes in the individual fixed asset items, including amortisation and depreciation in the 2008 reporting year, are presented in the "Statement of changes in fixed assets of Berliner Wasserbetriebe, Public Law Company, Berlin, as of 31 December 2008" attached to this report.

The intangible assets include easements to the value of EUR 120 million in accordance with § 9 Grundbuchbereinigungsgesetz (Land Register Adjustment Law). Engineering offices were contracted in order to improve the data situation with respect to the anticipated compensation payments for pipeline rights of Berliner Wasserbetriebe on non-public premises in the east part of

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 <sup>1</sup>	6,029.0	50.7	209.8
Wasser Nord Verwaltungs GmbH, Hohen Neuendorf <sup>1</sup>	112.4	49.0	13.9
Klärwerk Wandsdorf GmbH, Wandsdorf <sup>1</sup>	7,603.7	49.0	91.0
GWZ Gas- und Wasserwirtschaftszentrum GmbH & Co. KG, Bonn <sup>1</sup>	262.7	0.7	310.4
KWB Kompetenzzentrum Wasser Berlin gemeinnützige GmbH, Berlin <sup>1</sup>	929.0	12.5	75.0
aquabench GmbH, Hamburg <sup>1</sup>	139.9	8.0	38.4
Sonderabfallgesellschaft Berlin/ Brandenburg Abfallerzeuger GbR, Berlin <sup>1</sup>	378.4	6.8	0.0

<sup>1</sup> Equity/profits from 2007

## Current assets

Trade receivables consist primarily of amounts due from the supply of water, wastewater services and work related to house service connections. The receivables include water sales and sewerage services not yet invoiced. Berliner Wasserbetriebe calculates its sales and receivables as normal in the industry based on a rolling annual consumption statement, so that an accrual is undertaken for annual consumption. The advance payment amounts received from the customers for the financial year 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 refunds, rent and personnel cost refunds, as well as other services.

As at 31 December 2008, receivables from guarantor include in particular receivables for payments for the drainage of public streets and squares (EUR 12.1 million, previous year: EUR 313.7 million). Furthermore, receivables from cost refunds are reported here.

Other assets include tax refund claims, contracted work and subsidies not yet settled, receivables for other services, receivables from employees and the already adjusted receivable from Global Energy Inc. from the payment of benefits in the context of the sale of Sekundärrohstoff-Verwertungszentrum Schwarze Pumpe GmbH i.L. (SVZ GmbH i.L.).

## Accrued items

The accrued items report miscellaneous advance payments relating to expenses in subsequent financial years.

## Equity

In its meeting on 28 July 2008 the Assembly of Guarantors resolved to pay the balance sheet profit of the Water Supplies division in the amount of EUR 18.769 million, allowing for the advance payment of EUR 18.769 million already made, and the balance sheet profit of the Wastewater division in the amount of EUR 130.080 million, also allowing for the advance payment of EUR 127.460 million already made, to the State of Berlin.

At its meeting on 31 January 2008, the Supervisory Board of Berliner Wasserbetriebe decided to reduce the capital by a total of EUR 526 million. With half this amount (EUR 263.5 million) corresponding to the share of the state of Berlin, the state of Berlin offset the costs payable to Berliner Wasserbetriebe that had accumulated since 1995 for the street rain water drainage. The Berlin Administrative Court had ruled in favour of Berliner Wasserbetriebe in a corresponding legal dispute in 2007. The state of Berlin chose to withdraw equity from Berliner Wasserbetriebe in order to be able to finance these costs. In order that the share ratio in the company was not affected – 50.1% state of Berlin, 49.9% private shareholders – the total capital withdrawal of EUR 526 million was made exactly in this ratio. This is reflected in the cash flow from financing activities.

In the 5th Amendment Agreement to the consortium contract it was agreed between the guarantor and the dormant partners that revenue reserves be formed based on the difference taken into account in the tariff calculation between the write-offs based on the historical procurement costs and the write-offs based on replacement market values. The revenue reserves will be formed in view of the anticipated annual lump-sum tax deduction of 60% of the assessment limit (this corresponds to EUR 29.903 million, previous year: EUR 28.162 million) and is borne in the amount of EUR 14.981 million (previous year: EUR 14.108 million) by the guarantor and in the amount of EUR 14.922 million (previous year: EUR 14.053 million) by the dormant partners.

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

	Balance in € 000 1.1.2008	Additions in € 000 1.1.-31.12.2008	Dividend distributions in € 000 1.1.-31.12.2008	Balance in € 000 31.12.2008
Capital stock	1,790,000		-526,000	1,264,000
Of which offset by deposits of dormant partners	(777,253)		(-262,474)	(514,779)
Guarantor's revenue reserve	59,803	14,981		74,784
Deposits by dormant partners	1,559,440		-262,474	1,296,966
Offset against capital stock	-777,253		262,474	-514,779
Dormant partners' revenue reserves	54,673	14,922		69,595
Loss carry-forward of dormant partners	-242,081	-8,794		-250,875
Accumulated profits	148,849	110,141	-148,849	110,141
	<b>2,593,431</b>	<b>131,250</b>	<b>-674,849</b>	<b>2,049,832</b>

### Special accounts for subsidies and construction cost subsidies

Subsidies for development measures from the state of Berlin, capital additions for rainwater drainage facilities and third-party subsidies are shown here as special accounts. They are liquidated according to the useful life of the asset objects. Special items from investment grants in the amount of EUR 286,000 (previous year: EUR 311,000) and from other subsidies in the amount of EUR 484.047 million (previous year: EUR 442.025 million) are reported as of the balance sheet date.

Construction cost subsidies received from customers are recorded as liabilities and taken to income at 5% per year. Additions during the financial year are subject to liquidation at the rate of 2.5%. Total construction cost subsidies of EUR 145.659 million (previous year: 143.420 million) are reported.

### Provisions

The provisions for pensions and similar obligations in the amount of EUR 4.694 million (previous year: EUR 4.881 million) were formed for commitments to current (EUR 655,000) and former (EUR 4.039 million) Executive Board members and their dependants on the basis of the tables of Klaus Heubeck (2005 G). A non-funded portion of EUR 13.142 million (previous year: EUR 14,960 million) remains for amounts not included in the provisions for pensions and similar obligations. This includes EUR 1.125 million for obligations towards former members of executive bodies.

The tax provisions include obligations arising from corporation, trade and real estate tax.

Berliner Wasserbetriebe operates water and wastewater pipelines and equipment on various properties in Berlin, although the corresponding pipeline 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 § 9 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 proportional values of 1995. The total potential compensatory payments according to a new estimate by Berliner Wasserbetriebe in 2008 amount to EUR 119.8 million. As of the balance sheet date an amount of EUR 110.135 million is reflected as provisions for compensation for easements in accordance with § 9 GBBerG (previous year: EUR 853.817 million).

On 28 July 2006, the new Berlin Companies Act (BerlBG) became effective in Berlin. For the first time this act includes regulations regarding the settlement of any cost over-absorptions or under-absorptions to be determined through a post-calculation process. According to § 16 (6) BerlBG (new), a post-calculation is to be undertaken for the calculation period preceding the current calculation period in order to determine such cost over-absorptions or under-absorptions. Any variances from the cost assumptions made at the time of the tariff approval are established in this process. In the event that the previously determined charge rate is subsequently proven to be excessive, Berliner Wasserbetriebe as service provider is required to rectify this imbalance. The

result is a legal obligation to levy fees in subsequent periods that do not cover costs. In the annual financial statements, this leads to an undetermined liability whose the economic origin is to be allocated to the relevant period.

In accordance with § 16 (6) clauses 4 and 6 of BerlBG (new), cost over-absorptions or under-absorptions at the end of a calculation period are to be settled within two calculation periods.

Provision totalling EUR 3.9 million (previous year: 10.2 million) are reported for the 2006 and 2007 post-calculations.

Expenses for partial retirement and early pre-retirement (EUR 38.780 million; previous year: EUR 43.865 million), wastewater charges (EUR 20.634 million; previous year: EUR 16.354 million) and contributions to outstanding supplies and services (EUR 12.983 million; previous year EUR 9.863 million) are also recorded under other provisions.

mation Technology – (EUR 7.3 million; previous year: EUR 7.7 million).

Other liabilities include loans for investments (EUR 191.068 million; previous year: EUR 281.673 million), liabilities towards employees for salaries and wages, not taking into account income tax and church tax (EUR 40.824 million; previous year: EUR 40.376 million), taxes (EUR 10.985 million; previous year: EUR 11.223 million) and loan interest (EUR 1.642 million; previous year: EUR 2.699 million).

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

## Liabilities

The liabilities towards dormant partners chiefly include other liabilities under the part-profit transfer for financial year 2008. Liabilities towards associated companies and towards companies with which participating interests exist primarily consist of trade payables.

Reported liabilities towards the guarantor essentially include liabilities under the loan agreement, including interest due to the IT Service Centre Berlin – formerly State Company for Infor-

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

	Total in € 000	of which with a remaining term		
		up to 1 year in € 000	of 1 - 5 years in € 000	over 5 years in € 000
Liabilities towards credit institutes	2,295,182	250,639	659,111	1,385,432
Advance payments on orders received	751,937	751,937	-	-
Trade payables	18,627	18,424	203	-
Liabilities towards associated companies	3,679	3,679	-	-
Liabilities towards companies with which a participating interest exists	34	34	-	-
Liabilities towards the dormant partners	126,332	126,332	-	-
Liabilities towards the guarantor	7,935	1,288	2,045	4,602
Other liabilities	266,030	84,262	61,928	119,840
	<b>3,469,756</b>	<b>1,236,595</b>	<b>723,287</b>	<b>1,509,874</b>

## 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

	31.12.2008 € 000	31.12.2007 € 000
Fund financing Waßmannsdorf	492,060	543,322
Lease and rental contracts		
- Rolandufer	268,639	269,212
- Other lease and rental contracts	23,578	27,455
Consortium financing Wansdorf GmbH treatment plant, Wansdorf	6,309	8,093
Open purchase orders for investments	125,939	129,419

## 4. Notes on the profit and loss statement

The profit and loss statement has been prepared in accordance with the cost of production method

### Sales revenues, changes in inventory and own work capitalised

The sales revenues relate predominantly to revenues from the sale of water (EUR 415.834 million; previous year: EUR 396.219 million) and wastewater services (EUR 730.637 million; previous year: EUR 699.439 million).

Sales revenues from house service connections amount to EUR 9.862 million (previous year: EUR 10,394 million) and are thus EUR 532,000 below the equivalent figure for the previous year.

Own work capitalised includes EUR 1.216 million (previous year: EUR 1.595 million) in construction period interest.

## Other operating revenues

Other operating revenues are reported at EUR 81,809 million. This figure is thus EUR 65.206 million lower than in the previous year. The deviation is attributable in particular to the liquidation in 2007 of specific debt provisions on receivables from the legal dispute with the state of Berlin won by Berliner Wasserbetriebe on the payment of the full costs for the drainage of public streets and squares.

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 no longer required in the amount of EUR 1,925 million (previous year: EUR 61.576 million) and from the liquidation of provisions in the amount of EUR 4.396 million (previous year: EUR 12.413 million).

## Cost of materials

The expenses for raw materials and supplies include the 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 drawing charge and charges according to the Wastewater Levy Act.

## Personnel expenses

Personnel expenses include company pension expenses of EUR 17.140 million (previous year: EUR 16.751 million) and benefits in the amount of EUR 30,000 (previous year: EUR 234,000).

Employees numbered 4,802 as of 31 December 2008 (previous year: 4,886). Staff levels thus fell by 84 employees, or 1.7%, compared with the previous year.

The average number of employees for the year was 4,833, as opposed to 4,931 in the previous year.

### The employees can be classified as follows:

Average number of employees	2008	2007
Employees	4,833	4,931
– Female	1,429	1,456
– Male	3,404	3,475

### Amortisation and depreciation

Amortisation and depreciation as at 31 December 2008 is EUR 246.3 million and thus below the equivalent figure for the previous year (previous year: EUR 256.1 million).

	2008 € 000	2007 € 000
According to		
§ 253 (2) clauses 1 and 2 HGB	245,124	239,687
§ 6 (2) EStG and §254 HGB	607	1,857
§ 253 (2) clause 3 HGB	533	14,576
	246,264	256,120

### Other operating expenses

Other operating expenses include fees, rentals and lease instalments (EUR 21.322 million; previous year: EUR 23.038 million), the special usage charge imposed by the state of Berlin (EUR 14.800 million; previous year EUR 14.800 million), postage and telecommunications costs (EUR 7.026 million; previous year: EUR 8.596 million), additions to the provisions for partial retirement and pre-retirement (EUR 9.617 million; previous year: EUR 4.558 million), as well as the consultancy and audit costs (EUR 3.559 million; previous year: EUR 4.189 million).

### Expenses related to part-profit transfers

In accordance with the contract involving two dormant companies between Berliner Wasserbetriebe and Berlinwasser Holding Aktien gesellschaft dated 29 October 1999 (StG Agreement II), the portion of profits of the Berlin Holding Aktiengesellschaft is shown here in the amount of EUR 128,275 million as at 31 December 2008 (previous year: EUR 189,582 million).

### Income taxes

Trade tax of EUR 19.721 million (previous year: EUR 20.475 million) and corporation tax of EUR 9.819 million (previous year: EUR 11.614 million) is reflected under income taxes. Income taxes relate to income from ordinary operations during the period under review.

### Transfer to revenue reserves

In the 5th Amendment Agreement to the consortium contract it was agreed between the shareholders that revenue reserves be formed based on the difference taken into account in the tariff calculation between the write-offs based on the historical procurement costs and the write-offs based on replacement market values. The revenue reserve will be created in 2008 in the amount of 60% of the assessment basis and amounts to EUR 29.903 million (previous year: EUR 28.162 million).

### Accumulated profit

The accumulated profits of EUR 110.141 million (previous year: EUR 148.849 million) 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

Dipl.-Kfm. Frank Bruckmann  
Finance

Norbert Schmidt  
Human Resources and Social Affairs

Dr.-Ing. Ulrich Bammert  
Technology  
until 31.01.2008

Dr.-Ing. Georg Grunwald  
Technology  
from 01.01.2009

#### SUPERVISORY BOARD

##### On the part of the shareholders:

Senator Harald Wolf  
Chairman of the Supervisory Board;  
Senator for Business, Technology and Women  
for the State of Berlin

Berthold A. Bonekamp  
Member of the Executive Board of RWE AG

Ralf Zimmermann  
Member of the Executive Board of RWE AG

Christophe Hug  
Chairman of the Executive Board – Veolia Wasser GmbH  
until 20.10.2008

Dr. Ulrich Lehmann-Grube  
Chairman of the Executive Board – Veolia Wasser GmbH  
from 20.10.2008

Cyril Roger-Lacan  
Executive Board member Europa Veolia Water  
until 19.05.2008

Philippe Guitard  
Executive Board member Europa Veolia Water  
from 20.10.2008

Roland Specker  
Roland Specker Management Consultancy

Dr. Anna Elisabeth Birgit Roos  
Member of the Executive Board of the Berlin Investment Bank

Monika Kuban  
Deputy Director and Head of Finance Department  
of the German Association of Cities

##### On the part of the employees:

Lutz Neetzel  
Deputy Chairman of the Supervisory Board Chairman  
of the Wastewater Staff Council of Berliner Wasserbetriebe

Wolfgang Abitz  
Social Counsellor and member of the Central Staff Council  
of Berliner Wasserbetriebe

Andreas Bockelmann  
Chairman of the Administration Staff Council  
of Berliner Wasserbetriebe

Thomas Grimm  
Functional engineer at Berliner Wasserbetriebe

Veronika Hannemann  
Union member representing the Berlin-Brandenburg district  
Water Management Group, ver.di

Roland Jäschke  
Chairman of the Pipe Networks Staff Council of  
Berliner Wasserbetriebe

Karsten Malareck  
Chairman of the Central Staff Council of  
Berliner Wasserbetriebe

Thomas Thiele  
Chairman of the Plant Staff Council of  
Berliner Wasserbetriebe

#### **ADVISORY COUNCIL**

Prof. Dr. Hartmut Kenneweg  
Chairman of the Council until 01.04.2008;  
Chairman of Berliner Forsten

Jan Eder  
Chief Executive Office of Berlin Chamber  
of Trade and Industry

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

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

Dr. Michaela Schmitz  
Bundesverband der Energie- und Wasserwirtschaft e.V.,  
Head of the Water Management division

Hartmann Vetter  
Chief Executive Officer, Berlin Tenants' Association

Dr. Andreas Meißner  
Chief Executive Officer Naturschutzzentrum  
Ökowerk Berlin e.V.  
from 02.04.2008

Michael Niestroj  
Managing Director STADT UND LAND  
Wohnbauten-Gesellschaft mbH from 02.04.2008

Uwe Stäglin  
District Councillor for the Department of Construction,  
Urban Planning and Nature Protection, Steglitz-Zehlendorf  
district office, from 02.04.2008

Axel Wunschel  
Chief Executive Officer Construction Industry Association  
Berlin-Brandenburg e.V.  
from 02.04.2008

Dr. Wolfgang Gossel  
Research assistant at the Martin Luther University,  
Halle until 02.04.2008

Otto Huter  
Chief Speaker of the German Association  
of Cities and Towns  
until 02.04.2008

Prof. Dr. Ulrich Müller-Wegener (Retd.)  
Former Head of the Department of Drinking Water  
and Swimming Pool Water Hygiene of the Federal  
Environmental Bureau until 02.04.2008

#### **GUARANTOR'S ASSEMBLY**

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

Harald Wolf  
Senator for Business, Technology and Women  
for the State of Berlin

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

## Costs of executive bodies

Within the framework of the existing guidelines of Berliner Wasserbetriebe, two members of the Supervisory Board were granted interest-free advances totalling EUR 15,000 that are to be repaid in 30 and 50 monthly instalments, respectively. Of this total, EUR 4,000 were repaid in 2008, so that the value of these loans as at the balance sheet date was EUR 11,000.

One member of the Supervisory Board was granted two annuity loans with an interest rate of 5.19%. The loan with a value of EUR 15,000 plus interest is repayable in one instalment on 31 December 2008. In 2008, EUR 1,000 was repaid and EUR 1,000 in interest was paid. The other loan is repayable in 50 monthly instalments by 29 February 2012. In 2008, EUR 2,200 was repaid and EUR 1,000 in interest was paid.

	2008 € 000	2007 € 000
Payments to former members of the Executive Board	500	401
Payments to surviving dependants of one former managing director and one former member of the Executive Board	62	50
Supervisory Board activities	95	89
Advisory Council activities	5	7

## Breakdown of payments to Executive Board members in 2008 in accordance with § 18 (6) of the Berlin Companies Act

	in €				Total
	Simon, Jörg	Bruckmann, Frank	Dr. Bammert, Ulrich	Schmidt, Norbert	
Salaries					
- Fixed annual income	182,787.00	149,553.00	12,083.33	156,600.00	
- Variable performance-related payments based on target agreements	97,440.00	79,724.00	80,000.00	79,200.00	<b>837,387.33</b>
Settlement payment	0.00	0.00	72,500.00	0.00	<b>72,500.00</b>
Profit participation	0.00	0.00	0.00	0.00	<b>0.00</b>
Cost reimbursement	0.00	0.00	0.00	0.00	<b>0.00</b>
Insurance fees	6,246.94	7,030.73	60,314.43	0.00	<b>73,592.10</b>
Commissions and fringe benefits	5,960.00	8,640.00	344.10	0.00	<b>14,944.10</b>
<b>Total</b>	<b>292,433.94</b>	<b>244,947.73</b>	<b>225,241.86</b>	<b>235,800.00</b>	<b>998,423.53</b>

Berliner Wasserbetriebe is included in the consolidated financial statements of Berlinwasser Holding Aktiengesellschaft, Berlin. The consolidated financial statements of Berlinwasser Holding Aktiengesellschaft are included in the consolidated financial statements of RWE-Veolia Berlinwasser Beteiligungs GmbH, Berlin. Both sets of consolidated accounts are published in the electronic Federal Gazette.

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

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

Berlin, 15 January 2009  
Berliner Wasserbetriebe



Simon



Bruckmann



Dr. Grunwald



Schmidt

## Assets analysis of Berliner Wasserbetriebe, Public Law Institution, Berlin, as of 31 December 2008

### Acquisition and production costs

Fixed asset accounts	Starting balance as of 1.1.2008	Additions	Disposals	Transfers	Final balance as of 31.12.2008
		+	-	+/-	
1	2	3	4	5	6
<b>I. Intangible assets</b>					
1. Concessions, commercial property rights and similar rights and values	964,998,930.19	6,586,670.16	741,384,237.93	+ 5,913,122.15	236,114,484.57
2. Advance payments made	2,402,216.91	933,065.20	-	- 1,064,578.19	2,270,703.92
<b>Total intangible assets</b>	<b>967,401,147.10</b>	<b>7,519,735.36</b>	<b>741,384,237.93</b>	<b>+ 4,848,543.96</b>	<b>238,385,188.49</b>
<b>II. Property, plant and equipment</b>					
1. Properties with commercial, business and other buildings	1,087,649,014.66	4,914,527.30	7,103,827.94	+ 14,454,859.24	1,099,914,573.26
2. Properties with residential buildings	34,818,629.89	39,481.92	909,844.92	+ 817,253.40	34,765,520.29
3. Properties without buildings	19,000,886.89	5,362.31	1,480,313.36	+ 339,819.75	17,865,755.59
4. Buildings on others' properties	7,774,138.05	-	-	+ 858.75	7,774,996.80
5. Water catchment and treatment plants	474,088,269.67	6,370,945.94	8,394,957.08	+ 14,439,705.10	486,503,963.63
6. Water distribution plants	1,635,542,963.64	22,051,236.24	4,360,772.78	+ 34,014,279.39	1,687,247,706.49
7. Sewers and wastewater pressure pipes	5,161,404,875.80	51,141,918.59	5,403,084.17	+ 96,220,478.69	5,303,364,188.91
8. Sewage pumping plants	180,652,393.19	3,872,623.85	1,317,217.93	+ 16,829,790.45	200,037,589.56
9. Sewage treatment plants	825,477,505.99	5,670,895.73	7,059,726.74	+ 10,856,247.97	834,944,922.95
10. Other technical plants and machines	18,824,378.57	135,625.49	129,311.54	+ 534,147.73	19,364,840.25
11. Business and commercial equipment	138,355,509.23	5,199,280.68	8,553,459.45	+ 6,059,461.92	141,060,792.38
12. Advance payments made and plants under construction	319,550,471.81	184,091,974.47	1,172,759.82	- 199,415,446.35	303,054,240.11
<b>Total property, plant and equipment</b>	<b>9,903,139,037.39</b>	<b>283,493,872.52</b>	<b>45,885,275.73</b>	<b>- 4,848,543.96</b>	<b>10,135,899,090.22</b>
<b>III. Financial assets</b>					
1. Shares in associated companies	13,037.94	-	-	-	13,037.94
2. Loans to associated 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	2,984,138.80	-	273,187.26	-	2,710,951.54
<b>Total financial assets</b>	<b>12,861,317.03</b>	<b>-</b>	<b>273,187.26</b>	<b>-</b>	<b>12,588,129.77</b>
<b>Grand total</b>	<b>10,883,401,501.52</b>	<b>291,013,607.88</b>	<b>787,542,700.92</b>	<b>-</b>	<b>10,386,872,408.48</b>

## Amortisation and depreciation

							in €
Fixed asset accounts	Starting as of 1.1.2008	Amortisation and depreciation in the financial year	Write-ups	Accrued depreciations on the disposals listed in column 4	Transfers	Final balance as of 31.12.2008	
		+	-	-	+/-		
	7	8	9	10	11	12	
<b>I. Intangible assets</b>							
1. Concessions, commercial property rights and similar rights and values	61,112,144.55	8,834,012.09	-	369,866.66	- 13,348.39	69,562,941.59	
2. Advance payments made	-	-	-	-	-	-	
<b>Total intangible assets</b>	<b>61,112,144.55</b>	<b>8,834,012.09</b>	<b>-</b>	<b>369,866.66</b>	<b>- 13,348.39</b>	<b>69,562,941.59</b>	
<b>II. Property, plant and equipment</b>							
1. Properties with commercial, business and other buildings	613,549,810.74	27,457,823.97	-	6,008,688.42	+ 3,066,998.71	638,065,945.00	
2. Properties with residential buildings	18,186,931.05	877,230.00	-	739,183.29	-	18,324,977.76	
3. Properties without buildings	6,003,885.94	67,755.65	-	0.15	+ 167,200.38	6,238,841.82	
4. Buildings on others' properties	4,634,802.31	253,323.29	-	-	-	4,888,125.60	
5. Water catchment and treatment plants	329,734,417.49	16,052,054.63	-	7,987,371.64	+ 14,295.37	337,813,395.85	
6. Water distribution plants	818,398,434.84	36,735,274.44	-	3,621,512.18	+ 0.77	851,512,197.87	
7. Sewers and wastewater pressure pipes	1,948,409,395.72	101,505,188.94	-	3,877,278.10	+ 631,268.24	2,046,668,574.80	
8. Sewage pumping plants	103,166,832.82	11,317,632.57	-	1,304,449.80	+ 195,550.42	113,375,566.01	
9. Sewage treatment plants	588,641,664.44	34,232,553.10	-	6,123,825.89	- 3,759,237.33	612,991,154.32	
10. Other technical plants and machines	12,746,457.77	655,660.94	-	122,324.16	+ 4,322.73	13,284,117.28	
11. Business and commercial equipment	102,789,375.97	8,275,616.39	-	8,384,158.71	- 307,095.18	102,373,738.47	
12. Advance payments made and plants under construction	172,695.78	-	-	11,375.03	+ 44.28	161,365.03	
<b>Total property, plant and equipment</b>	<b>4,546,434,704.87</b>	<b>237,430,113.92</b>	<b>-</b>	<b>38,180,167.37</b>	<b>+ 13,348.39</b>	<b>4,745,697,999.81</b>	
<b>III. Financial assets</b>							
1. Shares in associated companies	13,037.94	-	-	-	-	13,037.94	
2. Loans to associated 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	-	-	-	-	-	-	
<b>Total financial assets</b>	<b>3,363,277.99</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,363,277.99</b>	
<b>Grand total</b>	<b>4,610,910,127.41</b>	<b>246,264,126.01</b>	<b>-</b>	<b>38,550,034.03</b>	<b>-</b>	<b>4,818,624,219.39</b>	

## Residual book values

Fixed asset accounts	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	166,551,542.98	903,886,785.64
2. Advance payments made	2,270,703.92	2,402,216.91
<b>Total intangible assets</b>	<b>168,822,246.90</b>	<b>906,289,002.55</b>
II. Property, plant and equipment		
1. Properties with commercial, business and other buildings	461,848,628.26	474,099,203.92
2. Properties with residential buildings	16,440,542.53	16,631,698.84
3. Properties without buildings	11,626,913.77	12,997,000.95
4. Buildings on others' properties	2,886,871.20	3,139,335.74
5. Water catchment and treatment plants	148,690,567.78	144,353,852.18
6. Water distribution plants	835,735,508.62	817,144,528.80
7. Sewers and wastewater pressure pipes	3,256,695,614.11	3,212,995,480.08
8. Sewage pumping plants	86,662,023.55	77,485,560.37
9. Sewage treatment plants	221,953,768.63	236,835,841.55
10. Other technical plants and machines	6,080,722.97	6,077,920.80
11. Business and commercial equipment	38,687,053.91	35,566,133.26
12. Advance payments made and plants under construction	302,892,875.08	319,377,776.03
<b>Total property, plant and equipment</b>	<b>5,390,201,090.41</b>	<b>5,356,704,332.52</b>
III. Financial assets		
1. Shares in associated companies	-	-
2. Loans to associated 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	2,710,951.54	2,984,138.80
<b>Total financial assets</b>	<b>9,224,851.78</b>	<b>9,498,039.04</b>
<b>Grand total</b>	<b>5,568,248,189.09</b>	<b>6,272,491,374.11</b>

## Audit certificate

We have issued an unqualified audit certificate as follows:

We have audited the annual financial statements – consisting of balance sheet, profit and loss statement and notes – and the accounts and management report of Berliner Wasserbetriebe, Public Law Institution, Berlin, for the financial year from 1 January to 31 December 2008. Under German commercial law and the supplementary provisions of the statutes, the company's Executive Board bears the responsibility for its accounting and the preparation of the annual financial statements and management report. It is our responsibility to issue an assessment of the annual financial statements, including the accounting, and of the joint management report based on our audit.

We have conducted our audit in accordance with § 317 of the German Commercial Code (HGB), taking into account the standards of proper auditing as established by the Institut der Wirtschaftsprüfer (IDW) (German Institute of Auditors). These standards require that we plan and perform the audit in such a way 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 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 the audit procedures. During the audit, the effectiveness of the accounting-related internal control system, as well as evidence supporting disclosures in the accounts, annual financial statements and management report, are examined 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 management 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 the supplementary provisions of the statutes and provide a true and fair view of the net assets, financial position and results of operations of Berliner Wasserbetriebe, Public Law Institution, taking into account the German principles of proper accounting. The management 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 the future development.

Berlin, 16 January 2009

KPMG AG  
Wirtschaftsprüfungsgesellschaft  
(formerly KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft)

Geisler  
Auditor

Sternberg  
Auditor

# Declarations of Compliance

## Declaration of the Supervisory Board of Berliner Wasserbetriebe, Public Law Institution, on the recommendations of the Corporate Governance Codex in accordance with § 161 for the 2008 financial year

The Supervisory Board of Berliner Wasserbetriebe, Public Law Institution, declares that the recommendations of the Corporate Governance Codex of Berliner Wasserbetriebe, Public Law Institution, of 1 January 2005, adopted and made public on the corporate website, have been and are complied with in their currently valid wording of 2 July 2008.

Berlin, 5 January 2009

For the Supervisory Board



Senator Harald Wolf  
Chairman of the  
Supervisory Board

## Declaration of the Executive Board of Berliner Wasserbetriebe, Public Law Institution, on the recommendations of the Corporate Governance Codex in accordance with § 161 for the 2008 financial year

The Executive Board of Berliner Wasserbetriebe, Public Law Institution, declares that the recommendations of the Corporate Governance Codex of Berliner Wasserbetriebe, Public Law Institution, of 1 January 2005, adopted by the company's Supervisory Board and made public on the corporate website, have been and are complied with in their currently valid wording of 2 July 2008.

Berlin, 5 January 2009

For the Executive Board



Jörg Simon  
Chairman of the  
Executive Board



Frank Bruckmann  
Member of the  
Executive Board

## Appendix to the declarations of compliance

### I. COOPERATION BETWEEN EXECUTIVE BOARD AND SUPERVISORY BOARD

#### I.1 REFERENCE: FIGURE 3.1/3.5 CGC BWB

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

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

■ **Observance of confidentiality by third parties concerning business matters.** Individuals not members of the company's boards were bound to confidentiality.

#### I.2 REFERENCE: FIGURE 3.6 CGC BWB

■ **Supervisory Board sessions.** The Supervisory Board generally held all 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 3.2/3.3/4.12 CGC 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 CGC 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 documents.**

The Executive Board complied with the reporting obligations, including the necessary documents, on a regular basis and in written form; the documents provided were delivered in sufficient time ahead of meeting and decision dates. I

■ **Presentation of the budget/actual situation and reasons for variances.** Budget-to-actual figures were compared, variances from the 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 CGC 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:

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

#### I.6 REFERENCE: FIGURE 3.9 CGC BWB

■ **Declaration of compliance of Executive Board and Supervisory Board.** Executive Board and Supervisory Board have declared in the 2007 annual report that they have complied and will continue to comply with the recommendations of this codex.

### II. EXECUTIVE BOARD

#### II.1 REFERENCE: FIGURE 4.1.1/4.1.3/4.1.4 CGC BWB

■ **Duty to serve the company's interests and to promote a sustainable increase in the company's 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 undertaken.

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

■ **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 CGC 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 CGC 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 targets for the members of the Executive Board.** In accordance with § 11 (8) Berlin Public Services Act (BerlBG), the Human Resources Committee decides on the employment contracts and ancillary agreements for the members of the Executive Board. The variable performance-related pay is based on the target agreement reached between the Human Resources Committee of the Supervisory Board and the members of the Executive Board in the wording of 23.01.2008. As of 7 May 2008, the Human Resources Committee transferred the technical objectives in the 2008 target agreement to the active Executive Board members. No further changes were made to the target agreement. Remuneration is determined based on the duties and performance of the individual Executive Board members, the current and anticipated financial situation of the company and taking into consideration the competitive environment. The remuneration to the individual Executive Board members is reported in the Notes to the annual financial statement in accordance with § 18 (6) BerlBG.

**III. SUPERVISORY BOARD****III.1 REFERENCE: FIGURE 5.1.1/5.1.3 CGC 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 directly involved in decisions of fundamental significance 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 value of more than EUR 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 CGC 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. Supervisory Board and Executive Board ensure long-term succession planning. The contract with one member of the Executive Board was terminated by mutual agreement with effect from 31 January 2008. A successor for this position from 1 January 2009 was elected by the Supervisory Board at its meeting on 16 October 2008. 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 a committee; (ii) only in a committee with decision-making authority.** In accordance with § 11 (8) Berlin Public Services Act (BerlBG), the Human Resources Committee decides on the employment contracts and ancillary agreements for the members of the Executive Board.

**III.3 REFERENCE FIGURE 5.2 CGC BWB**

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

■ **Informing the Supervisory Board regarding important matters; convening extraordinary Supervisory Board sessions.** The Supervisory Board is informed on all important matters. There were no important events that called for briefing outside the framework of the Supervisory Board sessions. One extraordinary Supervisory Board session was held.

**III.4 REFERENCE FIGURE 5.2/5.3.1/5.3.2/5.3.4 CGC BWB**

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

- Economic and Audit Committee
- Human Resources Committee.

The Chairman of the Supervisory Board was not Chairman of the Economic and Audit Committee; the Chairman was also not a former member of the Executive Board. The Audit Committee acts in a consultative capacity on the:

- Review of the accounting
- Review of the risk management
- Review of the independence of the external auditor
- Issue of the audit assignment to the auditor and specification of audit emphases
- Agreement of the fee with the auditor.

For details of decision-making competencies, see III.2. Further decision-making competencies were not transferred to other committees. The Supervisory Board plenum was regularly briefed by the Chairmen of the committees regarding the content and results of committee consultations.

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

■ **Number of Supervisory Board seats held by members of the Supervisory Board.** No member of the Supervisory Board has exceeded the maximum 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 sense.

■ **Remuneration of members of the Supervisory Board.** Remuneration is 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 5.4.6/5.6 CGC BWB**

■ **Participation in the Supervisory Board sessions and efficiency of the Supervisory Board's work.** One member of the Supervisory Board attended less than half 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 its session on 29 October 2008. According to its observations, there were no incidents that indicated a limited efficiency

**IV. CONFLICTS OF INTEREST****IV.1 REFERENCE: FIGURE 4.3.1/4.3.2 CGC BWB**

■ **Non-competition clause for members of the Executive Board.** The 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 CGC BWB**

■ **Protecting the company's interests.** Personal interests. Executive Board and Supervisory Board have protected the company's interests and not pursued personal interests.

**IV.3 REFERENCE: FIGURE 4.3.4/5.5.2/5.5.3 CGC BWB**

■ **Occurrence and disclosure of conflicts of interest in the case of members of the Executive or Supervisory Board.** No conflicts of interest arose.

**IV.4 REFERENCE: FIGURE 4.3.4/5.5.4 CGC BWB**

■ **Transactions with the company at the indirect/direct 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 CGC BWB**

■ **Secondary activities on the part 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 Berliner Wasserbetriebe AöR (including seats on 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 secondary activities in the sessions of the Supervisory Board. Furthermore, an up-to-date overview of all secondary activities of the members of the Executive Board for the 2008 financial year was presented to the Supervisory Board on 19 November 2008.

**IV.6 REFERENCE: FIGURE 3.8 CGC BWB**

■ **Granting of loans to members of the Executive Board and to members of the Supervisory Board.** Independently of their seat on the Supervisory Board, two employee representatives on the Supervisory Board were granted advances / loans during the year under review within the framework of the advance guidelines applicable to all employees of Berliner Wasserbetriebe AöR which stipulate the reasons, the level and the terms of repayment of such loans.

**V. TRANSPARENCY****V.1 REFERENCE: FIGURE 6 CGC 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 was also published via the Internet. The Internet presence has been completely overhauled 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 CGC BWB**

■ **Deadlines for the company's annual financial statements (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 statements/interim reports list the company's minority interests.

**VII. AUDIT****VII.1 REFERENCE: FIGURE 7.2.1 CGC 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 Assembly of Guarantors 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 or audit manager.

■ **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 5.3.2 CGC BWB**

■ **Issue of the audit assignment to the auditor and agreement of fee.** Following the call for tenders throughout Europe, the Supervisory Board proposed the auditor for appointment to the Assembly of Guarantors and agreed upon the fee with him after his appointment.

**VII.3 REFERENCE: FIGURE 7.2.1 CGC BWB**

■ 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.4 REFERENCE: FIGURE 7.2.4 CGC BWB**

■ Participation of the auditor in the Supervisory Board consultations on the annual financial statements. The auditor participated in the Supervisory Board's consultations on the annual financial statements of 2007 and will participate in the consultations on the annual financial statements of 2008 as well.

## Berliner Wasserbetriebe at a glance

<b>Balance sheet</b>		31.12.2008	31.12.2007	31.12.2006	31.12.2005	31.12.2004	31.12.2003	31.12.2002
Total balance	€ million	6,411	7,412	7,235	7,507	7,409	7,263	7,175
Subscribed capital	€ million	1,264	1,790	1,790	1,790	1,790	1,790	1,790
Equity	€ million	2,050	2,593	2,499	2,467	2,426	2,471	2,362
Debt	€ million	4,361	4,819	4,736	5,040	4,983	4,792	4,813
Fixed assets								
Residual book values	€ million	5,568	6,272	6,253	6,576	6,520	6,428	6,369
Acquisition values	€ million	10,387	10,883	10,649	10,806	10,566	10,271	10,031
Investments								
Fixed assets	€ million	291	283	293	298	315	275	336
<b>Profit and loss statement</b>		2008	2007	2006	2005	2004	2003	2002
Revenues from								
Water sales	€ million	416	396	424	404	393	374	363
Drainage services	€ million	731	699	680	679	647	581	587
Total operating revenue	€ million	1,303	1,322	1,258	1,234	1,228	1,202	1,114
Personnel expenses	€ million	260	260	259	266	265	274	270
Amortisation and depreciation	€ million	246	256	238	230	233	221	212
Total operating expenses	€ million	894	906	898	888	888	856	848
Financial income	€ million	-111	-20	-96	-112	-109	-128	-111
Extraordinary profit	€ million	0	0	3	8	-21	17	-86
Annual result	€ million	140	177	98	85	62	116	34
<b>Water Supplies Division</b>		2008	2007	2006	2005	2004	2003	2002
Waterworks		9	9	9	9	9	9	9
Capacity of the works	1.000 m <sup>3</sup> /day	1,140	1,140	1,140	1,140	1,140	1,140	1,140
Water pumping	million m <sup>3</sup>	201	200	209	206	209	222	215
Water sales	million m <sup>3</sup>	193	193	202	197	201	214	208
Pipe network	km	7,888	7,875	7,857	7,843	7,830	7,827	7,816
House connections	x 1,000	271	267	262	258	254	257	256
<b>Wastewater Division</b>		2008	2007	2006	2005	2004	2003	2002
Property connections	x 1,000	264	260	254	233	225	226	223
Sewage treatment plants		4	4	4	4	4	4	5
Sewage treatment	million m <sup>3</sup>	228	233	224	227	232	230	248
Wastewater services	million m <sup>3</sup>	205	205	209	208	209	215	217
Sewers								
Sanitary sewers	km	4,272	4,237	4,206	4,178	4,154	4,100	4,026
Combined sewers	km	1,914	1,904	1,908	1,902	1,902	1,894	1,930
Storm water sewers	km	3,252	3,230	3,218	3,212	3,206	3,166	3,161
Special sewers	km	68	68	68	68	68	68	68
Total	km	9,506	9,439	9,400	9,360	9,330	9,228	9,185
Sewage pumping stations		148	147	147	147	145	146	146
Pressure pipe network	km	1,146	1,132	1,127	1,124	1,109	1,095	1,044