



Annual Report 2017

Our responsibility.

Now and for the future.





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Now and for the future.

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Foreword

by the Management Board.

Wiener Stadtwerke is
Austria's largest
infrastructure group.
Together with its
subsidiaries, it is respon-
sible for ensuring that
Vienna's vital arteries can
be relied on to function.
And it gets the job done.



Day in, day out, almost 16,000 employees make sure that the city's infrastructure keeps ticking over and is constantly upgraded, and that Vienna continues to boast an outstanding quality of life. Proof of the latter is a ninth successive top ranking in the annual Mercer quality of living survey. We are proud of this accolade, because it is down to the hard work of highly motivated employees.

Investment in Vienna's infrastructure benefits the entire population. It also creates tens of thousands of jobs within the Group, and at outside partners, safeguarding the future of coming generations. In 2017 Wiener

Stadtwerke was again one of the main investors in the greater Vienna area. The Group pumped hundreds of millions of euros into maintaining and developing the city's infrastructure – from extensions to the underground system through to energy network maintenance, modernisation and expansion.

The past few years have brought many changes for Wiener Stadtwerke. The difficult balancing act between security of supply, competitiveness, quality assurance and sustainability is forever posing new challenges. To this is added the massive issue of digitalisation, which is transforming

almost all our services, and will also significantly change the working lives of our employees. The Wiener Stadtwerke Group will not lose sight of its mission, and will take a measured, socially responsible approach in responding to these challenges.

The restructuring actions already implemented are bearing fruit, and productivity has risen sharply over the past few years. Besides an increased capacity for innovation, lean structures and a high level of efficiency across all operations will hold the key to our continued ability to help shape the future of our city. Our successful strategy remains in place.



Martin Krajcsir
Chief Executive Officer



Gabriele Domschitz
Member of the Management Board



Peter Weinelt
Deputy Chief Executive Officer

Foreword.

Executive City Councillor Ulli Sima.



Vienna is one of the most beautiful and liveable cities in the world. To keep it that way, we need a reliable infrastructure partner like Wiener Stadtwerke. The Group keeps our vibrant metropolis running around the clock. And that is not all: every year it invests hundreds of millions of euros in extending the underground system, buying new rolling stock and expanding renewable energy use.

It is a great pleasure, as the Executive City Councillor in charge, to be able to play my part in shaping the future of a true "essential services" department, which unites the key water supply, waste and wastewater disposal, energy supply and public transport remits. This creates

valuable synergies that we can leverage in the interests of the people of Vienna, our growing city and an unspoilt environment.

To get Wiener Stadtwerke in shape for the future, I have ordered a comprehensive efficiency drive aimed at streamlining structures across the entire Group. As this report clearly shows, this programme is already having the desired effect. Another important measure taken during the year under review was the transformation of Wiener Stadtwerke from a stock corporation into a limited liability company, bringing it nearer to the Vienna city administration again. I am committed to keeping these vital municipal services in public

ownership and not permitting any privatisations – which is absolutely in line with the wishes of the Viennese people.

I would like to thank the workforce of Wiener Stadtwerke for the valuable work they perform day after day, 24 hours per day, for the people of our city.

A handwritten signature in black ink that reads "Ulli Sima". The signature is written in a cursive, flowing style.

Ulli Sima

Executive City Councillor for the Environment and Wiener Stadtwerke

Chief Executive Director Erich Hechtner, Chairman of the Supervisory Board.



In a few years Vienna will have over two million inhabitants. Our growing city will have to overcome immense challenges if it is to remain as liveable as it is today. Our goal is to maintain and continue to improve Vienna's world-famous quality of life, in the interests of all Viennese. This applies to its housing, its high social welfare standards and – one of the most vital aspects of city living – the infrastructure.

Vienna is very well served with Wiener Stadtwerke, as the past reporting period impressively demonstrated yet again. For this, we are mainly indebted to the highly motivated and well trained labour force of almost 16,000, who are at work

every day operating, maintaining and renewing Vienna's infrastructure.

Last year the Group posted a sharp increase in revenue to over EUR 3.4 billion (bn), leading to a positive financial performance. The efficiency programmes are paying dividends, and the Group's progressive transformation into a leading-edge service business is well under way. At the same time we are mindful of our public service mission, and our duty to assure everyone in Vienna of high-quality, sustainable products and services.

Wiener Stadtwerke is a key player in Vienna's evolution into a smart city. Building on its core energy and transport competencies, the Group

is steadily upgrading its range of products and services, investing in the strategic development of infrastructure, and thereby consolidating Vienna's position as a liveable, innovative and competitive location. As the Chairman of the Supervisory Board, on behalf of Vienna City Council I would like to thank all concerned for an excellent year's work.

**Chief Executive Director
Erich Hechtner**

Chairman of the Supervisory Board

1

Operating and financial review.

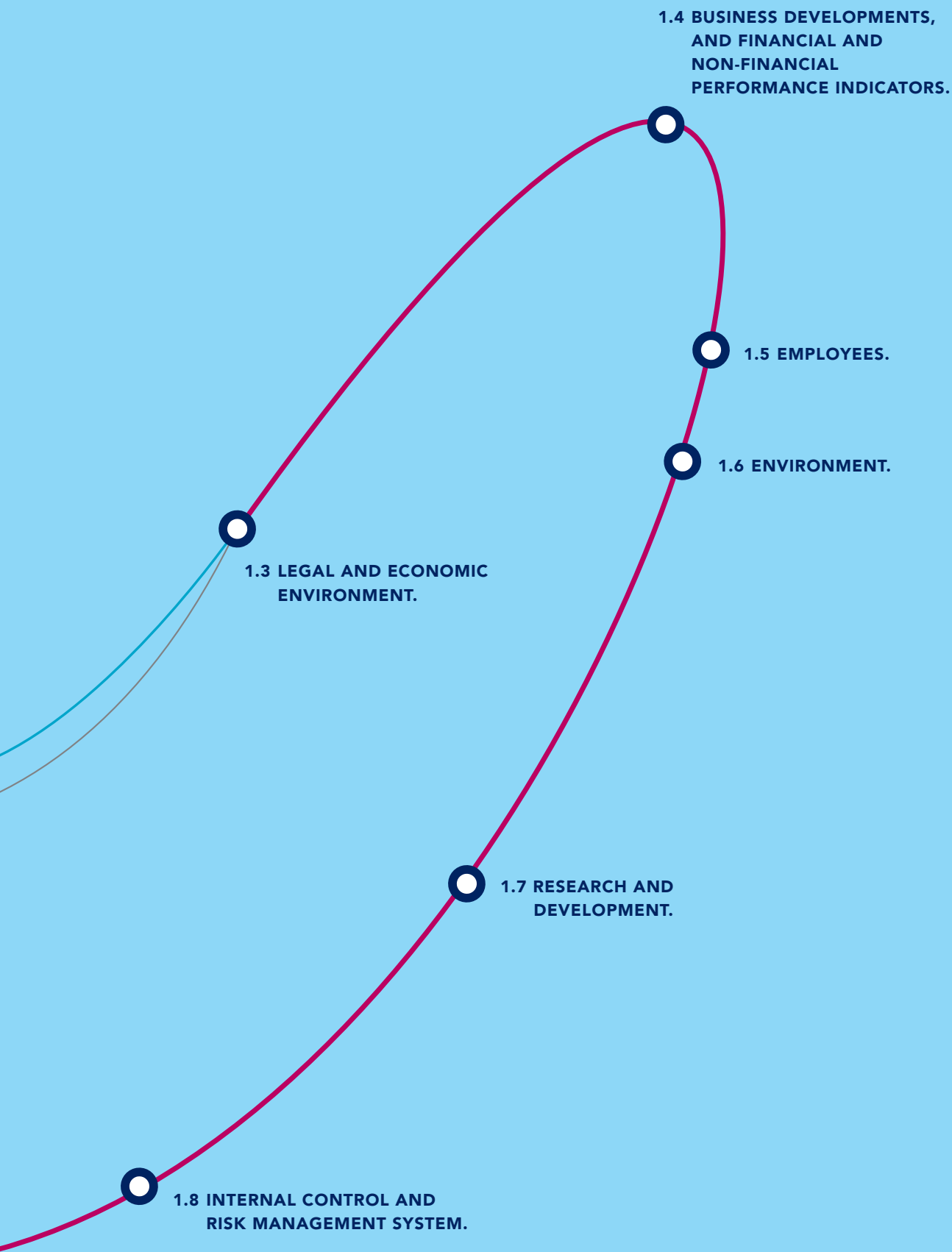


1.1 OPERATING REVIEW.

1.2 CORPORATE STRATEGY.



1.9 OUTLOOK.



1.1 Operating review.

The Wiener Stadtwerke Group is a modern infrastructure service provider, and is one of Austria's largest conglomerates, investors and employers.

Its business activities are subdivided into Energy, Transport, Funeral Services and Cemeteries, and Car Parks divisions. The Energy Segment is made up of generation, distribution and grid operation businesses which are mainly devoted to providing secure electricity, gas, and district heating and cooling supplies. Wiener Stadtwerke also provides comprehensive public transport (Wiener Linien and Wiener Lokalbahnen), funeral and cemetery management, and car park services. The quality, reliability and safety of the Group's services plays a major part in Vienna's internationally acclaimed quality of life, which is attested to by independent studies.

ENERGY

Wien Energie GmbH is Austria's largest regional energy supplier, and provides over two million people, some 230,000 small and medium-sized businesses, industrial plants and public buildings, and around 4,500 agricultural enterprises in Vienna, Lower Austria and Burgenland with electricity, natural gas, district heating and cooling, and innovative energy services. Wien Energie generates electricity and heat from renewable energy sources, energy from waste plants, and high-efficiency combined heat and power (CHP) plants. It is also active in the telecommunications sector, and provides other services.

ENERGY GRIDS

Wiener Netze GmbH is Austria's largest combined system operator. It runs Vienna's electricity, gas and district heating distribution grids, and a telecommunication network. It delivers reliable energy transportation services around the clock, 365 days a year. Over 1.2 million customers in Vienna and parts of Lower Austria and Burgenland enjoy top supply quality. Wiener Netze is a modern and highly efficient multiutility company,

offering outstanding supply security underpinned by sound long-term investment. To maintain service quality, the company is investing over one billion euros in innovative network upgrading up to and including 2020. These grids are the vital arteries of greater Vienna, and are crucial to its quality of life and economic success. Wiener Netze's energy grids are among the world's best and most reliable, boasting 99.99% system availability. Going forward, the company will be looking to extend its energy supply leadership – particularly in its role as a key driver of the energy transformation – by pursuing pioneering sustainable policies.

TRANSPORT

Wiener Linien GmbH & Co KG is Vienna's leading transport operator, and reports directly to the city council on public transport matters. Besides operating underground, tram and bus lines, it performs a wide range of traffic management tasks including service and interval scheduling, route and stop planning for all transport modes, sales and marketing, and operational control. In addition, it provides the infrastructure and vehicle fleets required for services, and is responsible for their maintenance.

This remit enables the company to provide an integrated public transport network in Vienna, and to pay close attention to maximising efficiency and making the most of any room for improvement. At the same time it is tasked with offering passengers good value for money whilst maintaining and enhancing service quality.

Wiener Linien is also increasingly providing wide-ranging information and coordination services so as to make modern urban transport as simple and attractive as possible for its customers, and in future this will take it still further towards becoming an integrated mobility service provider.

The Wiener Lokalbahnen Group runs a double-track, fully electrified railway line between Vienna and Baden. Inside the city it partly shares the Wiener Linien track network. It also owns and operates three bus lines; the licences are lent to regional operator Verkehrsverbund Ostregion (VOR) which pays a mileage charge in return. And it runs three city bus lines for Baden Council, under contract to VOR. Meanwhile the Wiener Lokalbahnen Group is involved in pan-European rail freight transport activities and in transport services for mobility-impaired passengers.

FUNERAL SERVICES AND CEMETERIES

Bestattung Wien GmbH is the largest company of its kind in Austria, and one of the largest in Europe. Since its foundation in 1907 it has conducted over two million funerals and organised repatriations from locations all over the world. Bestattung Wien operates 15 funeral homes in Vienna. The company's specially trained staff provide thorough advice, and arrange individual, dignified funeral services in accordance with the wishes of the bereaved. Their wealth of experience and high customer service standards are attested to by ISO 9001 quality certification. Friedhöfe Wien GmbH administers 46 cemeteries

in the city, with over 550,000 graves. The firm also has cemetery gardening and memorial masons businesses. With an area of about 2.5 square kilometres and some 330,000 graves, Vienna's Central Cemetery is the city's largest and Europe's second-largest.

CAR PARKS

Wipark Garagen GmbH operates and manages multi-storey and open-air car parks of all kinds, as well as planning and executing projects related to parking space management and the construction of multi-storey car parks.

1.2 Corporate strategy.

The Wiener Stadtwerke Group is a pillar of Vienna's regional economy, and an attractive employer of about 15,500 people. It makes a key contribution to the city's quality of life, economic performance and pulling power as a business location.

To fulfil this mission Wiener Stadtwerke must also be efficient and commercially viable. Only a financially sound business can deliver energy supply security, provide the people of Vienna with sustainable, high-quality products and services, and make far-sighted investments in future-proof infrastructure.

As a highly diversified group, Wiener Stadtwerke is in part confronted with widely diverging legal and trading environments. Because of this it manages Group companies by means of targets and performance indicators that are tailored to individual businesses' circumstances.

In order to meet these demands the Group's strategy

was reformulated in 2016. Central to the revised strategy are two objectives: long-term financial stability, and support for Vienna on its trajectory to becoming a smart city. Meeting these goals will both lay the groundwork for essential investments in energy, grids, transport, funeral services and cemeteries, and car parks, and make a major contribution towards increasing the – already very high – quality of life in Vienna. In particular, Wiener Stadtwerke will seek to implement the City of Vienna's Smart City framework strategy by focusing on action to upgrade the city's infrastructure, combat climate change, and promote innovation.

Our corporate strategy places customers' needs at the heart of all our efforts. The Wiener Stadtwerke companies are all geared to the Group's common aim of acting as an end-to-end provider of infrastructure services in Vienna. This function as a single source provider is being reinforced by closer cooperation within the Group, improvements to internal processes and efficiency, and efforts to embed a performance-driven approach in our corporate and leadership culture.

Together with its workforce, Wiener Stadtwerke means to play a pivotal role in building a smarter Vienna, and act as an innovative and stable partner the entire population can rely on for the provision of urban infrastructure and services.

1.3 Legal and economic environment.

The Austrian economy is growing at the fastest pace for seven years. GDP was up by 0.8% quarter on quarter in the fourth quarter of 2017.

The expansion was supported by steady increases in personal consumption and robust investment growth.

Employment is also benefiting from the strong upturn. Unemployment fell 0.9% year on year to 9.4% in December 2017 – still significantly higher than before the financial and economic crisis.

In the same month CPI inflation was well above the euro area average at 2.2%. Sharp price increases were recorded for food, hospitality services, rents and – surprisingly – some industrial goods. The core annual inflation rate in December was 2.3%.¹

While the US Federal Reserve raised its key rate in June 2017, and it hiked rates again in December 2017 (to a range between 1.25% and 1.50%), the European Central Bank (ECB) is still wedded to a highly expansionary monetary stance, designed to lift inflation to the price stability target of 2%. In order to reach this target the Bank's policy rate was cut to 0% in March 2016, and at the same time its public sector securities purchase programme was extended and expanded.²

This economic setting, together with new suppliers and generators in the liberalised energy market, and ambitious climate and energy targets, poses major challenges for Wiener Stadtwerke. It can only meet these by working relentlessly to develop innovative new services and products, by providing optimum services for existing customers, and by constantly increasing efficiency.

Group companies must largely hold their own in liberalised and regulated market environments. While, for example, the sales markets of Wien Energie GmbH and its subsidiary Wien Energie Vertrieb GmbH & Co KG are completely exposed to competition, Wiener Netze's electricity and gas network tariffs are set by the national regulator, E-Control Austria (ECA).

General Data Protection Regulation

Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation [GDPR], OJ L 119 of 4 May 2016, p.1) entered into force on 25 May 2018. It is implemented by the Federal Act amending the Data Protection Act 2000 (Data Protection [Amendment] Act 2018, Federal Law Gazette I 2017/120 of 31 July 2017) which has brought far-reaching changes to Austrian data protection law. All companies that process personal data are affected. The GDPR is aimed at encouraging companies to take more responsibility for data protection, and at deterring abuse by means of heavy penalties. The data protection register and duty to report new data applications have lapsed; instead, companies are obliged, among other things, to carry out risk analyses and appoint a data protection officer where necessary. In 2017 the Wiener Stadtwerke Group launched a major drive to make the necessary organisational and technical preparations for successful implementation of the GDPR.

Change of legal form

Wiener Stadtwerke's Group holding company has been transformed from an *Aktiengesellschaft* (stock corporation) into a *Gesellschaft mit beschränkter Haftung* (limited liability company). The legal change was entered in the register of companies on 20 December 2017. It was approved by the City Council in November 2017, and was adopted by the general meeting of Wiener Stadtwerke Holding AG in mid-December 2017.

ENERGY

EU energy and climate policy

The European Commission's 2016 energy efficiency progress report assessed progress made by EU member states up to 2014 towards reaching the 20% energy efficiency target for 2020 and implementing the Energy Efficiency Directive. Unlike most other member states, Austria experienced a slight shift towards more energy-intensive industries, resulting in higher final energy consumption during the observation period. The report contains a number of recommendations to member states. Some of these concern additional action to renovate the existing building stock in order to save energy, thereby cutting consumers' energy costs. The report urges the use of "smart" digital

equipment to enable consumers to manage their energy use. It also recommends promoting increased reliance on high-efficiency CHP plants in order to boost the energy efficiency of the generation sector.³

Austrian energy and climate policy

After protracted negotiations, the so-called “minor green electricity amendments” were passed on 29 June 2017.⁴ These include amendments to the Green Electricity Act, the Electricity Act, the Natural Gas Act, the E-Control Act, the CHP Points Act (formal repeals as the basis of revisions, not included in this legislation, that will serve as a model for state aid), and the Act providing additional funds from the E-Control special fund. New investment subsidies for photovoltaic generating and storage facilities are provided for,⁵ while mini hydro and wind power benefit from special quotas to shorten the queues for approvals, with construction deadlines extended by 12 months.⁶ An amendment to the Electricity Act⁷ permits the construction of shared generation capacity, and makes it possible to oblige generators to provide guaranteed services to avoid or remove congestion on other transmission systems in return for compensation for the economic disadvantages and costs incurred.

Weather conditions

2017 was not only the eighth-warmest year in the almost 250-year-old history of measurements by the Central Institute of Meteorology and Geodynamics (ZAMG), it was also one of the ten sunniest years since the inception of nationwide measurement of sunshine duration in Austria in 1925 (11% more hours of sunshine than an average year). Nationwide annual precipitation in Austria was roughly average.⁸

During the reporting period total heating degrees – the metric normally used in the energy sector for temperature driven energy demand – in Wien Energie’s supply area were 4.8% down on the 30-year average and 0.3% up from the previous year’s figure.⁹ Weather conditions had a more positive impact on Wien Energie’s business performance than in 2016, which was the fourth-warmest year since the ZAMG’s records began.

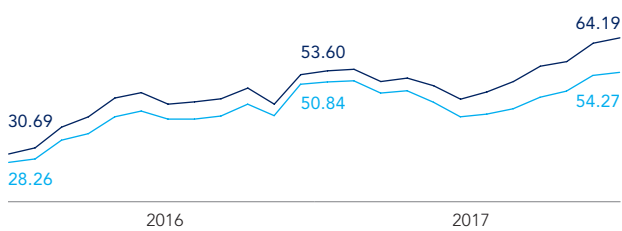
Demand and price trends

CRUDE OIL PRICE MOVEMENTS

in USD/bbl and EUR/bbl

■ Brent USD/bbl ■ Brent EUR/bbl

Source: Thomson Reuters (ICE), 8 Jan. 2018



The price of Brent crude fell from USD 55/bbl at the start of 2017 to around USD 46/bbl in the second quarter. Improved fundamentals and the global economic upswing led to a steady climb in prices from the summer months on, and Brent nudged USD 65/bbl by the end of the year. Prices were also supported by talks on extending OPEC output restrictions into 2018. The medium-term upward trend is unbroken, and there is every prospect of further price increases.

¹ Sources for GDP, unemployment and inflation: Austrian Institute of Economic Research (WIFO) and Austrian Public Employment Service (AMS).

² Source for key interest rates: www.finanzen.net/leitzens.

³ Report from the Commission to the European Parliament and the Council, 2016 assessment of the progress made by Member States in 2014 towards the national energy efficiency targets for 2020 and towards the implementation of the Energy Efficiency Directive 2012/27/EU as required by Article 24 (3) of the Energy Efficiency Directive 2012/27/EU, COM(2017) 56 final of 1.2.2017.

⁴ Federal Act amending the Green Electricity Act 2012, the Electricity Act 2010, the Natural Gas Act 2011, the CHP Points Act and the E-Control Act, and the Federal Act enacting the provision of additional funds from the special fund administered by Energie Control Austria, Federal Law Gazette I 2017/108 of 26 July 2017.

⁵ Section 27a Green Electricity Act 2012, Federal Law Gazette I 2011/75 as amended.

⁶ Section 23a Green Electricity Act 2012.

⁷ Electricity Act (ElWOG) 2010, Federal Law Gazette I 110/2010 as amended by Federal Law Gazette I 2017/108.

⁸ <https://www.zamg.ac.at/cms/de/klima/news/achtwaermstes-jahr-der-messgeschichte>.

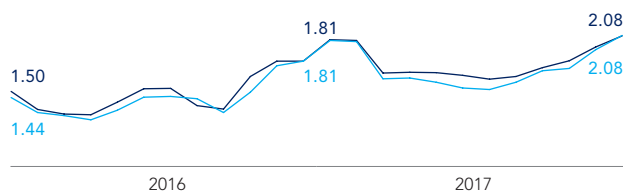
⁹ Wien Energie, Energiewirtschaft.

NATURAL GAS PRICE MOVEMENTS

in EUR ct/kWh

■ CEGH ■ NCG

Source: Thomson Reuters (EEX NCG) and Wien Energie Energiewirtschaft, 8 Jan. 2018



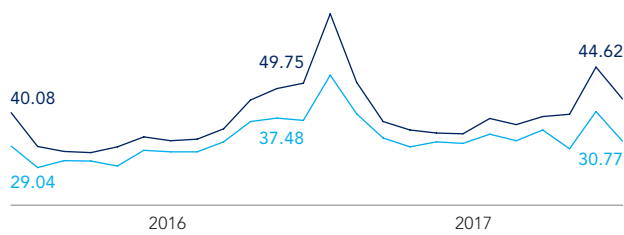
At the start of 2017 gas prices reached their highest level since October 2015 as a result of cold weather and heavy gas use for electricity generation in January. Warm weather in March 2017 led to a sharp fall, to about 1.7 EUR ct/kWh. However, from summer onwards gas trended upwards along with all energy prices, and a particularly marked rise during the final months of the year took it to just over 2 EUR ct/kWh. The gas market was briefly rattled by an explosion at the Baumgarten gas hub, where day ahead prices spiked for some hours, peaking at 3.5 EUR ct/kWh.

ELECTRICITY PRICE MOVEMENTS

in EUR/MWh

■ Peak ■ Base

Source: Base/Peak (EEX market prices, monthly average), e&t, 8 Jan. 2018



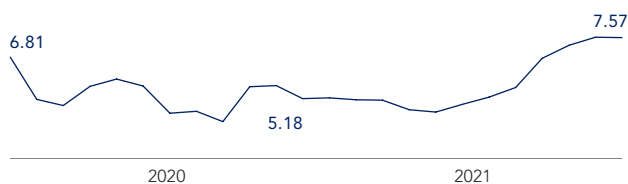
At the start of 2017 electricity base load contract prices climbed to around EUR 52.50/MWh due to low temperatures and problems at French nuclear power stations. Temperatures were above average during the summer. Spot prices were particularly susceptible to the heat waves and the reduced availability of French nuclear power stations as compared to the previous year. During the summer German power output, too, was limited by the simultaneous shutdown of three nuclear power stations, and this led to a year-on-year increase in electricity prices in the third quarter. Rebounding coal prices then pushed up electricity quotes, propelling the base load contract to about EUR 40.40/MWh in the fourth quarter. However, in December base load prices shed almost EUR 10/MWh,

due to increased renewable electricity output and warm weather at the end of the year.

CO₂ EMISSION ALLOWANCE PRICE MOVEMENTS

in EUR/t

Source: Thomson Reuters (ICE), 8 Jan. 2018



Emission allowances hit a year's low of about EUR 4.30/tonne (t) in trading during the first half of 2017. At the political level, in November the rules for the new trading period (2021–2030) were established after long and tough negotiations. Due to the prospect of the introduction of the market stability reserve in 2019 prices almost doubled in the course of 2017. They came back from their lows in the first half to rally strongly in July and August on reduced auction volume and generally high demand.

The EUR 6/t mark was breached towards the end of July 2017, and EUR 7.50/t was passed just two weeks later. Near the end of December 2017 allowances were briefly trading at as much as EUR 8.30/t, and the average price for the month was about EUR 7.60/t.

ENERGY GRIDS

System charges – appeals against cost review notices

The appeal against the 2013 electricity cost review notice is still pending, and it was necessary to complain to the Federal Administrative Court about the electricity cost review notices for 2014, 2015, 2016 and now 2017 on the same grounds. This had no suspensive effect with regard to the enactment of the Electricity System Charges Order.

Initially the Federal Administrative Court waited for test cases in other matters, as the notices in question could have been overturned for formal reasons in the shape of the possible lack of jurisdiction of E-Control. Once the court had upheld the conformity of the reviews with Union law, and hence the competence of E-Control, towards the end of 2016, the formal reason for it to defer a decision on Wiener Netze's pending cases vanished. The Federal Administrative Court judge responsible promised a rapid resumption of the proceedings.

TRANSPORT

Evolution of the modal split

The share of public transport in the modal split fell slightly, to 38%, while that of pedestrian traffic rose. Vienna held on to its lead in terms of public transport share in comparison with other major European cities. Wiener Linien is continuing to aim for a 40% share of trips by 2020, and hopes to reach the one billion passenger mark by then.

New public transport funding agreement

The new public transport funding agreement, running until 31 December 2031, came into force on 1 January 2017. As before, this governs the deficiency payments by the City of Vienna for transport services provided by Wiener Linien, and capital contributions for investment. A new feature is an incentive system designed to maintain existing quality standards. Overall, the agreement complies with the requirements of Regulation (EC) No 1370/2007.

Fourth Railway Package

The amendments to the EU regulation on “public passenger transport service by rail and road”, made as part of the Fourth Railway Package, entered into effect on 24 December 2017 (Regulation [EU] 2016/2338). The provision of the regulation relevant to Wiener Linien, Article 5(2) (direct award to an internal operator), is almost unchanged.

In addition, in autumn 2017 the European Commission published the second part of the mobility package, which contains the following proposed amendments of relevance for Wiener Linien:

- Proposal to amend Directive 2009/33/EC on the promotion of clean and energy-efficient road transport vehicles.
 - The proposed definition of clean vehicles does not include the Euro 6 diesel bus. This would impose a costly changeover to electric buses on Wiener Linien.
- Proposal to amend Regulation (EC) No 1073/2009 on common rules for access to the international market for coach and bus services.
 - The arrangements for the approval of cross-border and internal carriage of passengers and cabotage (transport services within a country that are carried out by foreign transport companies) under the proposed amendments are currently unclear, and their formulation is disadvantageous to Wiener Linien. They lead to greater legal uncertainty and – if unfavourably interpreted – to a potential threat to a public service mandate like that of Wiener Linien due to the authorisation of foreign competition. In particular, the retention of the exemption for urban transport with regard to cabotage operations is absolutely essential.

FUNERAL SERVICES AND CEMETERIES

The Austrian funeral direction market was liberalised as long ago as 2002. In 2010 Wiener Stadtwerke's Funeral Services and Cemeteries Division was reorganised to separate the area of operations that is exposed to competition (funeral services) from the infrastructure area (cemeteries). As in the past, the cemeteries activities are also virtually immune to the economic environment, and depend on the number of deceased. Mortality dropped by 3% in 2016, but there was a marginal increase in the number of burials in 2017. Statistics Austria is predicting mortality to stabilise in Vienna. A negative factor is the long-term decline in the importance attached to coming to terms with death. The number of grave tenure renewals is declining slightly.

At present we have about 20 competitors in the Vienna funeral services business.

CAR PARKS

Besides overall economic trends, parking management policies and public transport fares affect customers' parking habits. The design of short-stay parking and pedestrian precincts, and the introduction of local residents' parking zones have a particularly strong influence on personal transport.

Stand-out developments for Wipark during the past financial year were the extension of the U1 underground line to Oberlaa and the introduction of a single short-stay parking zone throughout the tenth district. The new Oberlaa and Neulaa park and ride sites, with a total of 340 spaces, were opened in the district.

1.4 Business developments, and financial and non-financial performance indicators.

SUMMARY INCOME STATEMENT	2017	2016	CHANGE	% CHANGE
EUR m				
Revenue	3,451.8	3,321.0	130.8	3.9
Change in inventories and own work capitalised	54.2	54.0	0.2	0.3
Other operating income	603.2	591.5	11.7	2.0
Total operating income	4,109.2	3,966.5	142.7	3.6
Raw materials and consumables	-1,553.7	-1,590.8	37.1	2.3
Staff costs	-1,233.7	-1,396.0	162.2	11.6
Depreciation, amortisation and impairment	-575.5	-550.7	-24.9	-4.5
Other operating expenses	-667.3	-650.6	-16.7	-2.6
Group operating profit	78.9	-221.6	300.5	135.6
Group net finance income	-132.6	-181.2	48.6	26.8
Group profit before tax	-53.7	-402.8	349.2	86.7
Group loss after non-controlling interests	-50.0	-403.9	353.9	87.6
Consolidated profit/loss for the financial year	95.8	-279.3	375.1	134.3

Rounding differences not eliminated

REVENUE STRUCTURE

EUR

■ 2017 ■ 2016

Energy*	2,214.3	2,056.7
Grids*	714.1	705.6
Transport*	666.9	659.2
Funeral services and cemeteries*	72.4	69.2
Car parks*	23.7	22.0
Consolidation	-239.7	-191.7

**Segmental breakdown prior to consolidation*

REVENUE

Energy

Energy accounts for the lion's share of the Group's revenue. The increase in 2017 was mainly due to higher revenue from electricity and heating. The gain in revenue in the electricity business was primarily a result

of increased wholesale electricity prices, while that in district heating revenue mirrored higher sales volume on account of weather conditions.

Grids

The revenue increase stemmed mainly from the higher valuations of the regulatory accounts.

Transport

The main factor behind the rise in transport revenue was the continued growth in demand for annual season tickets, which reflected the product's attractiveness and reasonable price. Average revenue per Wiener Linien passenger remained virtually unchanged year on year, at 54.89 cents (2016: 54.88 cents).

Funeral services and cemeteries

Contrary to all forecasts, the number of burials barely rose from the low level recorded in 2016. However, total revenue from funeral and cemetery services climbed by about EUR 2m in 2017.

Car parks

Growth in the number of users of short-stay and long-stay spaces led to a marked increase in revenue. The fee for operating the Vienna General Hospital car park also contributed to the year-on-year revenue gain.

COST OF MATERIALS

As with revenue, energy accounts for the bulk of the Wiener Stadtwerke Group's materials costs. The fall in this item is primarily explained by the fact that the adjustment in 2016 to the provision for impending losses occasioned by foreign electricity procurement contracts did not have to be made in the reporting period. However, the rise in gas prices pushed up the cost of materials.

STAFF COSTS

The one-time effect of early retirements in 2016 does not apply to the 2017 and 2018 accounts, and staff costs fell as a result, leading to lower wages and salaries in 2017.

DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation of property, plant and equipment, amortisation of intangible assets, and impairment edged up in 2017, partly as a result of recognition of an impairment in the energy business.

OTHER OPERATING EXPENSES

This item is mainly composed of maintenance and third party services, as well as advertising, IT, legal and consultancy expenses, rent, leaseholds and training expenses. The slight increase in other operating expenses was attributable to the higher consumption levy on the district heating network, write-downs of measures pursuant to the *Energieeffizienzgesetz* (Energy Efficiency Act) and the recognition of impairments of receivables. These rises were partly offset by lower maintenance costs.

GROUP OPERATING PROFIT

The Group posted an operating profit of EUR 76.6m in 2017, following a loss of EUR 221.6m in the previous period. This improvement was due to reduced staff costs and the revenue gains.

GROUP NET FINANCE INCOME

Higher income from shareholdings, coupled with the absence of the non-recurring losses recognised in 2016, led to an increase in net finance income.

STATEMENT OF FINANCIAL POSITION	31 DEC. 2017		31. DEC 2016	
	EUR m	% of total assets	EUR m	% of total assets
Fixed assets	12,565.4	88.5	12,615.8	89.2
of which property, plant and equipment	9,949.3	70.1	10,033.3	70.9
Current assets	1,566.1	11.0	1,396.6	9.9
Accrued and deferred assets	64.8	0.5	132.7	0.9
Deferred tax assets	0.1	0.0	0.1	0.0
Total assets	14,196.3	100.0	14,145.2	100.0
Equity	4,696.3	33.1	4,692.1	33.2
Provisions	4,234.4	29.8	4,126.9	29.2
Liabilities	1,303.3	9.2	1,393.1	9.8
Accrued and deferred liabilities	3,962.4	27.9	3,933.0	27.8
Total equity and liabilities	14,196.3	100.0	14,145.2	100.0

Rounding differences not eliminated.

The Group's total assets rose by around 0.4% in 2017, to EUR 14,196.3m. For an infrastructure service provider like Wiener Stadtwerke, property, plant and equipment is inevitably by far the largest asset item; at the end of the reporting period, it amounted to EUR 9,949.3m, around 0.8% lower than in 2016. Property, plant and equipment makes up 70.1% of total assets. Current assets mainly comprise receivables and other assets.

Wiener Stadtwerke is wholly owned by the City of Vienna. In 2017 the Group's capital and reserves inched up by 0.1% to EUR 4,696.3m.

Provisions totalled EUR 4,234.4m, equivalent to 29.8% of total assets, and up by 2.6% on the previous year. Most of the provisions are for pension obligations. Under the *Wiener Stadtwerke – Zuweisungsgesetz*

(Vienna Public Enterprises Allocation Act), the Group must reimburse the City of Vienna in full for the pension expenses of employees assigned by it to Wiener Stadtwerke, with the exception of Wiener Linien. This gives rise to an indirect pension obligation for the Group.

Liabilities fell slightly in 2017, to EUR 1,303.3m, but accrued and deferred liabilities were up year on year, at EUR 3,962.4m.

This item is mainly made up of investment grants and construction subsidies (amounting to EUR 3,726.8m) carried as property, plant and equipment, which represent future income. These are reversed in parallel with the depreciation of the assets for which the subsidies were granted, thereby at least partially offsetting depreciation, amortisation and impairment.

GROUP KEY PERFORMANCE INDICATORS	2017	2016	CHANGE	% CHANGE
<i>in %</i>				
Equity ratio	33.1	33.2	-0.1	-0.3
Fixed assets ratio	88.5	89.2	-0.7	-0.8

*Equity ratio = (equity/total capital and prepayments on account of orders) * 100*
*Fixed assets ratio = (Fixed assets/total assets) * 100*

INVESTMENT, DEPRECIATION, AMORTISATION AND IMPAIRMENT	2017	2016	CHANGE	% CHANGE
<i>EUR m</i>				
Investments in intangible assets	22.5	21.4	1.1	5.0
Investments in property, plant and equipment	476.8	603.7	-126.9	-21.0
Investments in financial assets	280.0	104.3	175.7	168.4
Total investments	779.3	729.5	49.8	6.8
Investments other than in financial assets	499.3	625.1	-125.8	-20.1
Capex ratio (%)	14.5	18.8	-4.3	-22.9

Rounding differences not eliminated.
*Capex ratio = (Intangible assets + property, plant and equipment)/revenue * 100*

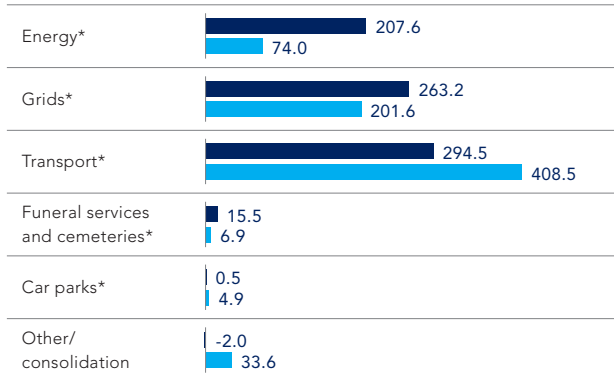
In 2017, the Group invested a total of EUR 779.3m, of which EUR 476.8m or 61.2% was spent on property, plant and equipment.

Due to the sharp decline in investment in property, plant and equipment, coupled with the rise in revenue, the capex ratio fell to 14.5% from 18.8% in 2016.

INVESTMENT

EUR

■ 2017 ■ 2016



*Segmental breakdown prior to consolidation.

Energy

Investments in intangible assets include use rights for telecommunication grids and the capitalisation of software developments. Investments in IT projects stood out among investment categories that decreased year on year.

Investments in property, plant and equipment mainly concern additions resulting from construction of the Andlersdorf wind farm, electric heating systems, new district heating connections, district cooling and heating stations, photovoltaic systems, and the increase in thermal generation required for operations. The increase compared with 2016 was due to renewables, thermal generation, and heating and cooling projects. The acquisition of interests in WSTW TownTown GmbH & Co Stationsturm KG and WSTW TownTown GmbH & Co Residenz KG, additions to WSTW funds (mainly due to the restructuring of existing funds) and loans to EVN-Wien Energie Windparkentwicklungs- und Betriebs GmbH & Co KG for investments in the Oberwaltersdorf wind park led to a substantial increase in investments in financial assets.

Grids

The rise in investment in grids was primarily due to additions of EUR 100.1m to the WSTW funds. This partially offset the reduction in investments in property, plant and equipment.

Transport

Wiener Linien's current financial structure is based on

the Vienna City Council resolution of 19 November 1979, which was amended by the resolutions of 24 June and 17 December 1998, leading to the creation of Wiener Linien's new legal form, and on the public transport services agreement between the City of Vienna and Wiener Linien GmbH & Co. KG, which came into effect on 1 January 2017.

Under these arrangements, investment finance takes the form of capital grants, and the money required for operations is covered by compensation payments by the City of Vienna to the company for meeting its public service obligations. The capital grants include amounts received by the council from the Austrian federal government as subsidies for new underground construction projects and as allocations for investment in public transport (section 20 *Finanzausgleichsgesetz* [Austrian Fiscal Equalisation Act]). In addition, income from payroll taxes is transferred to the company in the form of capital grants for underground line construction.

In 2017 about 47% of Wiener Linien's total investment (excluding financial assets) went to expansion of the underground network (EUR 114m). A further EUR 24m was spent on modernising the U4 line, EUR 20m on the replacement of buses scheduled for retirement, EUR 19m on the replacement of trams due for replacement (by ULF low-floor trams), EUR 9m on procurement of Type V underground carriages, EUR 9m on the Remisen 2.0 depot modernisation programme and EUR 4m on the renovation of station buildings on the U6 line.

Completion of the underground extension to Oberlaa in 2017 will mean that this area of investment now decreases. Investment in property, plant and equipment by Wiener Lokalbahnen included the construction and rehabilitation of track sections, as well as the depot and other buildings.

Funeral services and cemeteries

Investments in 2017 focused mainly on the acquisition of further interests in WSTW TownTown GmbH & Co Residenz KG, as well as routine replacement and renovation measures. These included purchases of barriers and locking systems, various types of vehicles and machinery, and office and operating equipment.

Car parks

Overall, investment was significantly lower than in the previous reporting period, as the acquisition of three plots of land in Neu Leopoldau and of the usufruct for the car park at the Franz-Josefs-Bahnhof station were included in the 2016 accounts.

Other/consolidation

This category of the segment reporting captures Group companies not assigned to divisions, as well as eliminations of intra-Group investments. The latter primarily relate to investments in equity interests and securities by Wiener Stadtwerke GmbH. The elimina-

tion of the acquisition of interests in WSTW TownTown GmbH & Co Stationsturm KG and WSTW TownTown GmbH & Co Residenz KG by Wien Energie GmbH, and the purchase of interests in WSTW TownTown GmbH & Co Residenz KG by the funeral services business were the main factors negatively impacting this item.

SUMMARY STATEMENT OF CASH FLOWS	2017	2016	CHANGE	% CHANGE
EUR m				
Cash flow before changes in working capital (before tax)	500.0	465.3	34.7	7.5
Change in working capital and long-term operations	-3.3	-64.8	61.6	95.0
Cash inflows/outflows from income taxes	-0.3	15.6	-15.9	-101.8
Cash flows from operating activities	496.5	416.1	80.4	19.3
Cash flows from investing activities	-325.6	-303.5	-22.1	-7.3
Cash flows from financing activities	54.4	127.5	-73.1	-57.3
Total cash flows	225.3	240.1	-14.8	-6.2
Cash and cash equivalents* at 31 Dec.	886.0	660.7	225.3	34.1

Rounding differences not eliminated.

** Cash and cash equivalents comprise cash in hand and at bank, and receivables and payables arising from the cash pooling arrangement with non-consolidated subsidiaries.*

Cash flow before changes in working capital was higher year on year, as cash accounted for a larger proportion of profit for the year. The changes in working capital and in long-term operations in 2017 resulted in modest net cash outflows, which were chiefly a reflection of a decline in long-term liabilities. However, viewed in terms of working capital, the reduction in current receivables led to a net cash inflow. There was a modest net cash outflow from taxes, compared with an inflow in 2016 due to refunds of investment income withholding tax paid in 2013 and 2014.

Overall, the Group recorded net cash inflows of EUR 496.5m – a year-on-year improvement of 19.3% or EUR 80.4m.

The net cash outflows from investing activities reflect heavy investment by Wiener Stadtwerke, which was partly offset by inflows in the form of investment and

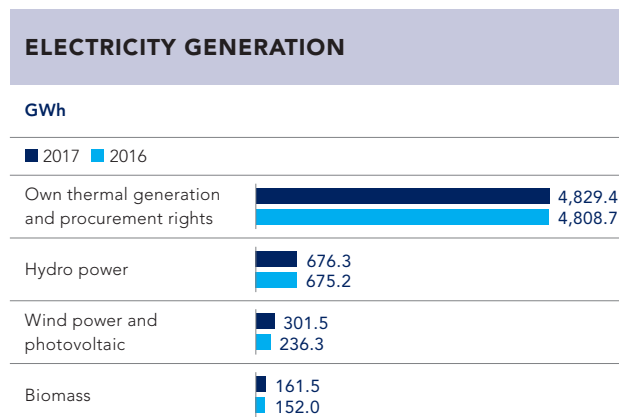
construction subsidies. The increase in this item compared with the previous year was primarily due to higher investment in financial assets.

Cash flows from financing activities were mainly driven by the investment grants received from the Group's owner. The outflows under this item principally related to the repayment of loans by the energy business, as well as dividend distributions.

The Wiener Stadtwerke Group finances investments from operating cash flow and state investment grants, which are mainly channelled to the transport business. Investment grants not received from the Group's owner are recognised under accrued and deferred liabilities, and reversed over the useful lives of the assets procured using such subsidies. Investment grants from the owner are reported as capital increases, under equity.

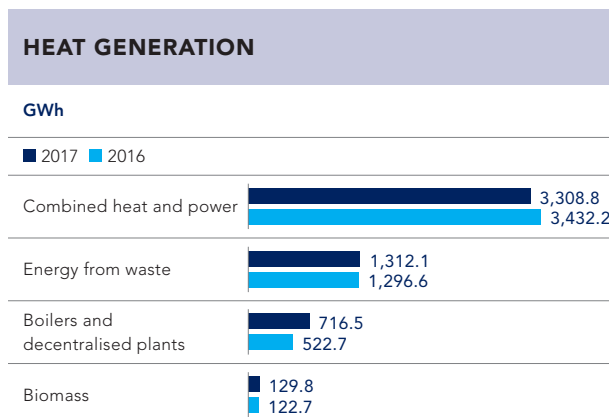
NON-FINANCIAL PERFORMANCE INDICATORS

ENERGY – GENERATION AND DISTRIBUTION	2017	2016	CHANGE	% CHANGE
Generation GWh				
Electricity	5,968.7	5,872.2	96.5	1.6
Heat	5,467.2	5,374.2	93.0	1.7
Total generation	11,435.9	11,246.4	189.5	1.7
<i>Incl. associates</i>				
Sales (Gwh)				
Electricity	9,019.3	9,280.8	-261.5	-2.8
Natural gas	6,527.8	6,627.9	-100.1	-1.5
Heat	6,133.6	5,992.7	140.9	2.4
Total sales	21,680.7	21,901.4	-220.7	-1.0
<i>Consolidated subsidiaries</i>				



Both thermal and hydro power generation were virtually unchanged from the previous year, while wind power posted strong growth. The key factors behind the latter were better wind conditions, the commissioning of the Andlersdorf wind park, full-year operation of the Glinzendorf 2 wind farm, which went online in 2016, and the entry into service of the Oberwaltersdorf wind park.

Solar generation also rose year on year in 2017 due to the commissioning of numerous photovoltaic systems, including citizen-owned solar power installations. Biomass electricity generation climbed year on year because of increased hours of plant use.



District heating sales rose as a result of the lower temperatures. Generation from waste incineration edged up due to increased hours of operation at the Flötzersteig energy from waste (EfW) plant. Reduced cogeneration by CHP plants was offset by increased stand-alone boiler generation. Somewhat higher cogeneration at the biomass-fired power station reflected additional hours of operation.

GRIDS	2017	2016	CHANGE	% CHANGE
Regulated transmission (GWh)				
Electricity	11,128.4	11,127.1	1.3	0.0
Natural gas	20,885.1	19,244.8	1,640.2	8.5
Total transmission	32,013.5	30,371.9	1,641.5	5.4

Electricity transmission

During the reporting period, grid withdrawal was unchanged year on year.

Gas transmission

Gas transmission advanced year on year, chiefly as a result of higher transit to CHP stations and district heating stations.

TRANSPORT	2017	2016	CHANGE	% CHANGE
Million passengers				
Wiener Linien	961.7	954.2	7.5	0.8
Wiener Lokalbahnen (rail)	12.4	12.5	-0.1	-0.8
Total	974.1	966.7	7.4	0.8
Million seat kilometres				
Wiener Linien	20,234.8	19,797.3	437.5	2.2
Wiener Lokalbahnen	535.0	538.3	-3.3	-0.6
Total	20,769.8	20,335.6	434.2	2.1

Rounding differences not eliminated.

Passengers

Wiener Linien marked up a year-on-year increase of 0.8% in passenger numbers in 2017. Some 962m passengers were carried on regular services (integrated transport system tariff).

The growth is partly attributable to rising sales of season tickets and improved special offers. Meanwhile the number of passengers using night services shrank by about one-third in 2017.

Passenger volume on Wiener Lokalbahnen services was down slightly year on year. The reason for this was the replacement of a track section which interrupted rail traffic.

With regard to the total number of passengers, it should be noted that the statistic for Wiener Lokalbahnen is confined to light rail traffic as there are only rough estimates for the bus operations.

The number of annual season ticket holders rose by some 45,000 (6.1%) year on year to around 778,000. This total includes around 159,000 senior annual season tickets.

Seat kilometres

In 2017 Wiener Linien recorded about 20,234.8m seat kilometres (2016: 19,797.3m), of which 17,032.0m were accounted for by rail traffic (2016: 16,584.7m).

FUNERAL SERVICES AND CEMETERIES	2017	2016	CHANGE	% CHANGE
Funeral services				
Burials	5,259	5,294	-35	-0.7
Cremations	3,155	3,012	143	4.7
Public health funerals	843	827	16	1.9
Third-party services	2,804	2,771	33	1.2
Cemetery services				
Coffin burials	8,558	8,450	108	1.3
Urn burials	3,920	3,736	184	4.9
Grave tenure renewals	30,586	32,509	-1,923	-5.9
Cemetery gardening services				
Grave care services	29,048	29,443	-395	-1.3
Flowers and wreaths	4,089	3,466	623	18.0

Funeral services

Bestattung Wien's "main case" service category – burials and cremations – posted a year-on-year increase of 108 ceremonies or 1.3% to 8,414 (2016: 8,306). Service packages provided on behalf of third-party funeral directors grew by 33, or 1.19%, to 2,804 packages (2016: 2,771).

Cemetery services

The decrease in grave tenure renewals is a reflection of the long-term decline in the importance attached to coming to terms with death and to the related services.

CAR PARKS	2017	2016	CHANGE	% CHANGE
Number				
Multi-storey car parks owned and leased	50	49	1	2.0
Parking spaces owned and leased	13,194	12,917	277	2.1
Multi-storey car parks under management	32	26	6	23.1
Parking spaces under management	11,369	8,218	3,151	38.3

In 2017 Wipark significantly expanded its market share by signing new management or leasehold agreements covering a total of 4,200 parking spaces, and it remains the market-leading car park operator in Vienna. Stand-out business developments during the year were the agreement for operation of the multi-storey car park at Vienna General Hospital with some 2,600 spaces, signed in July 2017, and the opening in

September 2017 of the new Oberlaa and Neulaa park-and-ride facilities with a total of about 340 spaces, in connection with the U1 underground line extension. The effects on capacity were partly offset by the termination of the rental agreement for the Theodor-Kramer-Strasse car park at the start of 2017. Wipark's portfolio of self-owned multi-storey car parks was unchanged in 2017.

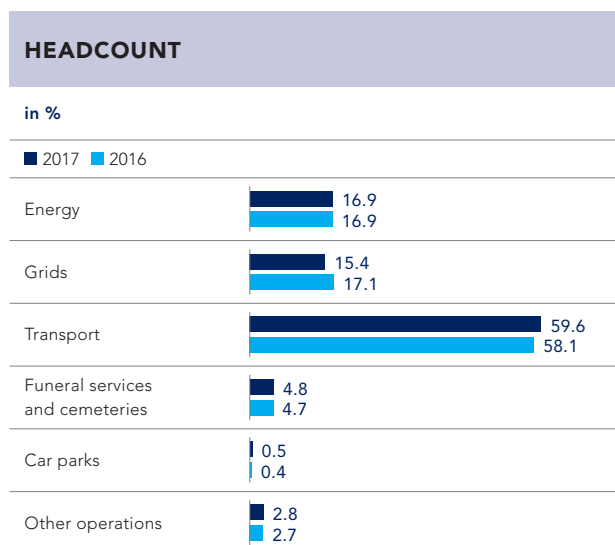
1.5 Employees.

The Wiener Stadtwerke Group's workforce of just over 15,500 employees make a major contribution to maintaining Vienna's high quality of life.

HEADCOUNT	2017	2016	CHANGE	% CHANGE
Ave. FTE				
City of Vienna employees (permanent and contract staff)	6,806.3	7,523.6	-717.3	-9.5
Employees of Group companies (under collective agreements)	8,367.0	8,161.8	205.2	2.5
Apprentices	369.3	386.0	-16.7	-4.3
Total Wiener Stadtwerke Group* headcount	15,542.6	16,071.4	-528.7	-3.3
Women as % of workforce	17.4	17.3	0.1	0.6
Staff turnover (%)	5.1	3.9	1.2	30.8
Accident rate (accidents per 1,000 employees)	21.4	18.6	2.8	15.1
In-service training days (excl. apprentices)	53,538.6	52,986.0	553	1.0

Rounding differences not eliminated.

* Excl. staff on parental leave, and military and community service



Apprentice training

Just under 400 apprentices are being trained in 13 different trades, making the Wiener Stadtwerke Group one of Vienna's largest providers of apprenticeship training.

The Group is committed to giving young people a sound training, thereby improving their prospects on the job market. Many of our apprentices are employed by the Group after completing their training.

As part of its equal opportunities policies, the Group sets great store by helping female apprentices to make their way in craft and technical occupations. For instance, every year Wiener Stadtwerke takes part in Wiener Töchtertag (Vienna Daughters' Day) – an event designed to arouse young women's and girls' interest in traditionally male-dominated occupations.

Staff development

Wiener Stadtwerke's Strategic Staff Development function deals with all the training, and staff and organisational development activities planned, implemented and evaluated by the Group and Group companies.

It creates the conditions to offer Group employees of all ages a working environment that enables them to make the most of their personal development potential. Its work is geared to the four career phases that employees typically pass through.

Health and safety

Safeguarding employee health and safety is one of Wiener Stadtwerke's central objectives. In certain cases, the wide-ranging action taken to protect health and safety in the workplace goes far beyond statutory requirements.

This is seen as an aspect of our social responsibility. At the same time, Wiener Stadtwerke believes that a healthy and well protected workforce is crucial to the Group's commercial success.

1.6 Environment.

Full account was taken of sustainability when developing the corporate strategies of the Wiener Stadtwerke Group and its subsidiaries. A central element of the Group strategy are three issue clusters, adopted in November 2017, that set out the basic sustainability goals in detail.

The sustainability programme, which is updated and adopted by the Management Board on an annual basis, sets out the objectives and related action plans for the entire Group. In line with its clearly structured and efficient sustainability management practices, all the Group's business units are involved in the sustainability process. Every year, progress towards implementing specific policies is evaluated and published.

Power and heat generation at the gas-fired (and in a few cases also oil-fired) power stations operated by Wien Energie gives rise to CO₂ emissions. These also arise from other, mainly fossil fuel-fired power stations and EfW plants, as well as rights to procure electricity from other stations. At the same time, however, expanded use of renewable energy sources to provide power and heat is helping to reduce the Group's direct carbon emissions. Besides the Energy Segment, the transport business also adds to the Group's CO₂ emissions, though

to a far lesser extent. For climate policy actions to have the desired effect, it is essential to view Vienna's energy use and emissions as a whole. The Wiener Stadtwerke Group plays a major part in reducing emissions through its energy efficiency policies, both in its generation operations, and in its own consumption and that of its customers.

Another aspect of environmental performance is direct emissions of primary air pollutants. Low-emission technologies (e.g. at thermal power stations, heating stations and energy from waste plants) and the ending of the use of heavy heating oil have both helped to cut emissions of air pollutants by the Group's energy operations. By steadily expanding services that prevent emissions elsewhere (especially fine particulates and nitrogen oxide [NO_x] from stand-alone central heating boilers and cars), Wiener Stadtwerke also does much to improve air quality in Vienna.

The Group's approach to waste, the remediation of contaminated sites, water use, and the discharge of cooling water and wastewater all impact on the environment. The efforts of the subsidiaries to mitigate these burdens on the environment vary according to the nature of their business operations.

ENERGY

Wien Energie's positive track record in terms of protecting the environment and combating climate change mainly concerns the conservation of fossil fuels, expanded use of renewable energy sources and

the related reduction in emissions of greenhouse gases and air pollutants. Reliance on CHP calls for significantly lower primary energy inputs than separate firing.

Wien Energie has set itself the target of generating at least 35% of its electricity from renewables by 2030, and it is aiming for a renewable share of about 40% in the district heating business. In order to expand photovoltaic use, business and finance models going back to 2012 have been extended in response to the excellent take-up. The so-called "citizen-owned" power schemes are funded by private individuals' investments.

Another contribution to climate action is the roll-out of Wien Energie's district cooling technology, which is an energy-efficient form of air conditioning. The company's innovative district heating and cooling technology, using heat pumps, is designed to maximise energy efficiency.

GRIDS

Sustainability, and the continuous monitoring and improvement of environmental performance across all business activities, in accordance with the ISO 14001 environmental management system, are integral to Wiener Netze's corporate strategy, as is the embedding of sustainability in its values. This commitment to the responsible treatment of people, resources and the environment is reflected in decisions ranging from the company's resource-efficient transport concept, the merging of sites in order to reduce trips and emissions, and the construction of a headquarters building complying with near-passive house standards, through to the far-sighted planning of Vienna's power grid to prepare it for the energy transformation.

TRANSPORT

Wiener Linien is Vienna's leading public transport provider. In tandem with the city council it is working towards ambitious targets, including those established by the KliP I and II climate change programmes, the 2003/2008 transport master plan and the 2025 urban development plan. Due to the hefty, 38% proportion of total traffic volume (modal split) in Vienna accounted for by public transport, Wiener Linien is a major contributor to climate action and to the good air quality in the city. Local people's habit of using public transport instead of their cars saves up to 1,500 kg

in CO₂ emissions per person and year. The growing passenger figures recorded by Vienna's public transport services already translate into an annual saving of 130 gigawatt hours of fossil fuel energy that would otherwise be consumed by road transport. That corresponds to the energy needs of a small town like Judenburg or Kitzbühel.

Wiener Lokalbahnen's services enable many commuters to park their cars outside Vienna, and thus also relieve pressure on the environment. About 35,000 passengers per day use the Badner Bahn, which is emission-free thanks to electric traction. To add to the attractions of this cross-province link between Vienna and Baden, Wiener Lokalbahnen is spending EUR 40m on track replacement and accessible stops under a five-year investment programme. The new stops have LED lights, which both improve illumination and save electricity.

FUNERAL SERVICES AND CEMETERIES

The main environmental aspects of this division are biodiversity (cemeteries) and climate change adaptation/microclimates. Cemeteries can not only be a boon to the urban microclimate by acting as part of fresh air corridors and cold air source areas, but also offer a refuge for animal and plant species in urban areas. For instance, Vienna's Central Cemetery is home to deer, badgers, hamsters, owls, bats and many bee colonies. A number of landscape gardening measures have been implemented at the model "green" cemetery in Neustift to enlarge animal habitats. There are tracts that cater to the needs of bats, reptiles, songbirds, butterflies and the Viennese emperor moth. Electric hearses have long been used to avoid disturbing the peace of the cemeteries. These vehicles are both energy-efficient and emission-free.

Phased introduction of power-saving LED lighting in the mortuaries began in 2012. Hietzing cemetery has a photovoltaic system. A water conservation programme has been in place at the South-West cemetery since 2011.

CAR PARKS

With about 24,500 spaces under management at over 80 locations in Vienna, Wipark helps relieve the pressure on street parking in the city. The multi-storey car parks make room for green spaces, playgrounds, pedestrian precincts and revitalised historic squares.

1.7 Research and development.

Wiener Stadtwerke has been operating a joined-up innovation management system since the start of 2016. A Group-wide innovation process, a joint innovation strategy and the necessary organisational framework were developed, defined and implemented in a collaboration involving all Group companies.

In 2017 we made good progress with our approach of building on our existing innovation potential in a structured and sustainable manner. This progress will make Wiener Stadtwerke more efficient and future capable, and will reinforce the Group's central role in the "smart city" of tomorrow. The year was one of engagement with future issues of relevance to the Group and new technologies, the launch and implementation of numerous innovation and research projects, and closer internal and external collaboration.

Powerhouse of progress – Innovation Management

Working side by side with the innovative areas of the subsidiaries, the Innovation Management Department is driving efforts to shape the future of the Wiener Stadtwerke Group. The department itself pushes ahead with cross-cutting research focuses, whilst accelerating research and development projects around the Group and giving them increased visibility. Its overarching goal is to create a lively, innovative climate, so as to ensure that Wiener Stadtwerke remains a far-sighted and sustainable business. In order to leverage synergies and efficiencies, in May 2017 the sustainability and smart city agendas – until then dealt with by separate Group headquarters departments – were placed under the wing of the Innovation Management Department, which was also put in charge of the ideas workshop (the Group suggestions scheme).

Large number of leading edge projects supported

In 2017 a total of EUR 1.38m was allocated to Wiener Stadtwerke's FTI (research, technology and innovation) Fund, and was entirely disbursed. The Group's management and Group companies submitted more project proposals than in any year since the establishment of the FTI Fund.

WIENER STADTWERKE'S INNOVATION FUND	2017	2016	CHANGE	% CHANGE
FTI Fund budget (EUR m)	1.4	1.2	0.2	16.7
Number of FTI Fund projects approved	19	15	4.0	26.7

Other highlights

In November 2017 the Vienna University of Technology and Wiener Stadtwerke decided to prolong their successful research cooperation for at least another five years. To date the biggest success of this partnership, which goes back to 2012, has been the URBEM doctoral programme which developed prototype interactive software for modelling urban energy and transport infrastructure. This makes it easier to visualise interactions between different forms of infrastructure. Wiener Stadtwerke is now applying the findings of this research under the current URBEM-live project. The latter is creating a digital planning and decision-making tool to assist in the future development of infrastructure.

In addition, last year the Wiener Stadtwerke Group took part in Vienna Business Agency's Co-Creation Lab

initiative. The specialist jury was impressed by the challenges submitted by Wien Energie and Wipark, and rated both projects as highly innovative. Answers to the challenges are being developed in collaboration with start-ups and technology companies in the Business Agency's network.

In the new Green Energy Lab alliance, the provinces of Burgenland, Lower Austria, Styria and Vienna have joined forces to create a large model region to test innovative solutions. Wien Energie is involved. Green Energy Lab is the largest development and demonstration project for green energy technologies ever approved, and points the way to a future of 100% renewable power and heating in Austria. This demonstration region, established by the Austrian Climate and Energy Fund, will bring together over 100 companies

and research partners in 31 sub-projects with a total budget of EUR 150m. Green Energy Lab is funded by utilities Energie Burgenland, Energie Steiermark, EVN and Wien Energie, as well as the Energy and Environment Agency of Lower Austria and the Styrian Green Tech Cluster.

Wiener Stadtwerke is also a partner in the other demonstration region supported by the Climate and Energy Fund, the WIVA P&G hydrogen project. Following a pilot project, in July 2017 this initiative responded to the call from the Austrian Research Promotion Agency (FFG) for proposals for energy demonstration regions with a suggestion for a WIVA P&G region, which received a funding commitment. Wiener Stadtwerke is currently conducting a power-to-gas (P2G) feasibility study in the Vienna area.

Meanwhile, as part of the Smarter Together initiative (smartertogether.at), socially-inclusive technical innovations designed to improve liveability in city neighbourhoods are being developed in Vienna, Lyon and Munich. Vienna's Smarter Together urban renewal area is flanked by Simmeringer Hauptstrasse and the Ostbahn (eastern railway) area. A total of 21,000 Vienna residents will benefit from "smart" renovation, energy, transport, and information and communication technology (ICT) solutions. "New mobility" and energy efficiency projects run by Wiener Stadtwerke subsidiaries will take centre stage.

The Wiener Stadtwerke Group and its Wien Energie and Wiener Netze subsidiaries are shareholders of Aspern Smart City Research GmbH & Co KG (ASCR), which commenced operations in October 2013. This joint venture with Siemens, wien3420 and the Vienna Business Agency is aimed at involving real-life consumers in the Seestadt Aspern area in developing the energy solutions of the future. The first phase of the ASCR project commenced in 2013 and is due to run until the end of 2018. The shareholders have already decided to extend the project into a second phase, lasting until 2023. Preparations for ASCR 2.0 are well under way: new buildings are being sought to serve as testbeds, and new research questions are being formulated.

1.8. Internal control and risk management system.

The Wiener Stadtwerke Group has put in place a comprehensive risk management system that enables early identification of opportunities and risks.

Opportunities and risks are defined as possibilities of positive and negative deviations from the expected profit for the period. The internal control system (ICS) comprises all measures implemented to ensure the reliability, effectiveness and economic viability of important processes, as well as compliance with external regulations. The internal audit department evaluates the execution of business processes, as well as the internal control and risk management system in accordance with an annual auditing programme approved by the Management Board.

Basis of the risk management process

The risk management process follows the internationally recognised approaches of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Ongoing surveying, identification and assessment of the risks to which the Group is exposed provides the basis for regular risk reporting. Generally, a distinction is made between qualitatively and quantitatively assessed risks.

Reporting for quantitatively assessed risks forms part of financial reporting (integrated reporting), which is performed by the controlling department. Confidence intervals for future changes in key financial indicators are derived from risk management and included in controlling reporting. A key objective is determining the risk-bearing capacity of individual companies in the Group. An annual risk and opportunity review is carried out as part of the budget/actual comparison. The original risk and opportunity assessments from the previous year, which provided a basis for corporate planning, are compared with actual values. The results feed into the adjustment of the risk catalogue in line with current circumstances. Planning is based on the updated risk catalogue.

Discussion and coordination on the most significant opportunities and risks also forms part of the annual business planning meeting at each Group company. The aim is to identify the risks and opportunities that are anticipated in the coming years, within the context of the overall outlook, in order to incorporate them appropriately into corporate planning. This gives rise to action plans, and monitoring is enhanced for the

corresponding budget items.

Responsibility for adherence to the risk management process lies with the risk controller appointed in each Group company, who reports directly to the company's management on an ongoing basis, and Group risk management, which reports to the Management Board. According to the external audit opinion, this is fully functional and the implementation of processes, activities and controls is consonant with an appropriate risk management system.

The risk landscape for Wiener Stadtwerke is divided into seven risk groups. The most significant risks in each group are as follows.

Financial risk: in terms of Group treasury and long-term financial assets

This risk group mainly comprises risks related to short-term and long-term financial investments. Short-term liquidity management is optimised by Group-wide cash pooling. A conservative approach is taken to long-term investments, based on the rules for pension funds; the underlying business process is subject to annual assessment by an external auditor. Corresponding risk indicators are measured on a regular basis. Limits are established to ensure that timely corrective measures can be taken. Exposure to the default risk of banks, as indicated by their ratings, is curtailed by diversification based on set limits. Risks in the US lease transactions are monitored constantly.

Fixed asset risks: minimised by means of regular investment and maintenance programmes

The extremely high reliability of technical infrastructure is a major and critical factor in Wiener Stadtwerke's success. With this in mind, steps are taken to ensure compliance with very high technical standards as well as precisely defined maintenance and quality controls. Redundancy is maintained in critical areas. In addition, risks are passed on to insurers.

Reliable IT support for business processes is ensured by taking steps to implement high-availability IT systems (including a secondary data centre).

Price risk in respect of primary energy and electricity: minimised by means of hedging transactions

This group comprises the effects of fluctuations in oil, gas, coal, carbon and electricity prices. In line with professional risk management principles, the Wiener Stadtwerke Group counters these risks by entering into corresponding hedging transactions such as derivative financial instruments on the procurement and sales markets. These include forwards, futures, options and swaps.

Market risk: minimised by developing new products and services

Market risks include price and competition risk in distribution services. Wiener Stadtwerke counters these risks by developing new products and services, through its active, customer-focused sales strategy and by way of partnerships and cooperations.

Investment risk: minimised by ongoing monitoring of value

This group includes all risks arising from equity holdings, such as the risk of dividends, being lower than expected or a decline in the value of the investment. Continuous monitoring means that wholly unexpected developments are avoided.

Business environment risks: minimised by constant market monitoring

Political and legal frameworks are the primary concern in terms of changes to Wiener Stadtwerke's operating environment. These are monitored constantly, so that the Group can respond quickly and appropriately.

Organisational and HR risk: integrated employee development reduces risk

As a responsible employer, monitoring HR risk is particularly important to Wiener Stadtwerke. The defined HR risks are regularly evaluated and compared with a benchmark. The Group-wide integrated employee development programme includes a range of measures, such as the employee orientation meeting, that reduce or avoid such risks.

Basis of the internal control system (ICS)

Wiener Stadtwerke's ICS comprises all of the measures taken by the Group to identify material risks and errors in business processes, to assure the economic execution and reliability of those processes, to protect the company's assets, and to effectively ensure transparent and proper management. The ICS ensures that all material risks in all relevant processes are systematically analysed and recorded, that they are minimised by

means of defined periodic controls, and that essential documentation is kept and responsibilities recorded transparently. Compliance with all of the legal regulations relevant to the Group is monitored and controlled. The reliability of financial reporting is assured. Accounting procedures at Wiener Stadtwerke are governed by Group-wide guidelines and rules.

Fine-tuning of the ICS is ensured by an organisational structure defined in a Group guideline, and an obligation to submit periodic reports to management. This guideline also clearly defines roles and responsibilities within the ICS.

Summary

As at 31 December 2017, there are no identifiable risks that, individually or in combination with other risks, could pose a threat to Wiener Stadtwerke's capacity to continue as a going concern.

1.9 Outlook.

In future, the Wiener Stadtwerke Group will continue to face a rapidly changing operating environment. The Group will address the resulting challenges proactively, and with a clear strategy.

Conditions in the energy sector remain difficult, so the Group will continue its efforts to enhance energy efficiency, in order to ensure that it remains on a sound financial footing. The Group will be in a position to drive forward its growth and innovation projects by clearly prioritising its plans.

Expenses for pension obligations are expected to rise in financial 2018. The elimination of additional non-recurring effects from 2017, coupled with higher depreciation and amortisation and operating staff costs, will result in a renewed deterioration in earnings. Wiener Stadtwerke is also pressing ahead with its long-term programme of investment in the Austrian capital's infrastructure.

In 2018, one of the main focuses will be the Group's switch to accounting in accordance with IFRS. The key plans and targets of the various businesses are outlined below.

ENERGY

Clear growth trajectory

Wien Energie is growing steadily. By 2030, Vienna's population will grow by the equivalent of that of Graz. Wien Energie will capitalise on the growth in the city and its surroundings, and invest over EUR 900m in the next five years, with around half of this amount going towards renewables. Besides building new wind parks and increasing hydro power capacity, there will be a focus on expanding photovoltaic systems. This will not only enable Wien Energie to safeguard security of supply in a growing city; it will also increase the share of renewables in the energy mix. In electricity generation, the company is targeting a renewable share of at least 35%, and a renewable share of about 40% in the district heating business.

New, local heat sources

According to forecasts, Vienna's low-temperature

heating market will require additional capacity of 260 MW per year. This covers both new plants and replacement investment in existing facilities. Wien Energie is aiming to achieve a market share of over 75% in its core market (properties without gas heating systems, and detached houses). Under the expansion plan, centralised and decentralised plants – for example heat pumps – will supply around 120 MW. A related project in 2018 will see the installation of a large heat pump with the highest capacity in Central Europe at the Simmering power station. The highly developed district heating network will open up opportunities to increase supply density. This will also be a cost-effective way to connect new customers to the network. Connections to new, local sources of heat – such as geothermal and solar heating and waste heat from industrial facilities – will be increased in future, and such sources will be more closely integrated with the network. The cooling supply network will also be extended – Wien Energie aims to double supplies to customers to 200 MW by 2020.

Innovation – a driving force

Wien Energie will take further strides towards becoming a service provider, with a view to capitalising on the opportunities presented by digitalisation. The company will again launch a number of innovative products and services in the coming year. To this end, it will intensify its partnerships with start-ups and industry newcomers in the mobility, retail, telecommunications and IT sectors. In the telecommunications business, Wien Energie will extend its fibre optic network as part of a drive to expand broadband coverage. Over the next few years, business customers will also be offered new information and communications technology services.

Pioneering electric vehicles

Electric vehicles are another high-potential area of operations for Wien Energie. The company sees itself as a trailblazer, particularly in terms of installing the necessary e-vehicle charging points. By the end of the reporting period, the company had installed more than 550 charging stations in semi-public and private locations in the greater Vienna area. This rapid programme of expansion will continue at the same high pace in 2018. In addition, Wien Energie has been commissioned by the City of Vienna to install an initial network of public charging points. By mid-2018, 230 points will be put in place, with ten in each of Vienna's districts, and by the end of 2020 the number of public charging points is due to reach the 1,000 mark.

GRIDS

Smart metering

The smart meter implementation (SMI) programme is the largest project in Wiener Netze's history, and currently the largest smart meter roll-out in the German-speaking world, with around 1.6 million meters due to be installed.

The EU Electricity Directive and the Austrian Electricity Act, as well as the applicable Austrian subordinate legislation (*Intelligente Messgeräte Anforderungen Verordnung* [Requirements for Smart Meters Order], *Intelligente Messgeräte Einführungs-Verordnung* [Smart Meter Introduction Order] and *Datenformat- und Verbrauchsdarstellungs-Verordnung* [Data Format and Consumption Information Presentation Order]) form the legally binding framework for the programme.

The main benefit of this strategically significant project for Wiener Netze as an electricity system operator, and for the company's customers, is the enhanced efficiency of the distribution system. The increased ability to automate customer-facing processes (e.g. meter readings and billing), improved system monitoring and representation of system load, and more efficient outage and disturbance management are other notable advantages. Intelligent meters also form an interface with smart grids, which will become increasingly necessary for system load management as renewable generation capacity is expanded.

The roll-out is a complex undertaking, both from a technical and an organisational perspective. The integration of a host of new systems and changes to current ones, as well as the replacement of old systems, will require significant adaptations in process and organisational structures. In order to ensure successful implementation of the SMI programme, a number of sub-projects were put in place, with each focusing on a separate activity, including the installation of central IT infrastructure, development of all the required software applications and interfaces, the transfer of operations to the new system, and commercial and technical management. A total of around 500 employees are involved in the programme. In the final phase of the roll-out, as many as seven meters will be replaced every minute.

Electricity grid

A number of extensive, long-term projects are currently under implementation, including the upgrade of medium- and high-voltage plants, the renovation of electricity substations in woodland conservation areas,

and adaptation and optimisation measures in accordance with the target network plan. Substations are being continuously automated (remotely controlled and with remote site-status signalling) with a view to maintaining the current high level of supply security and quality for customers. As a result of the upgrades, disturbances and various types of supply interruption can be rectified by means of changes in switching status, enabling supply to be quickly restored (ASIDI project). System monitoring is continuing in order to satisfy the legislative and regulatory requirements. Thanks to the findings generated by the ASCR research project, Wiener Netze expects to be in a position to guarantee network-wide monitoring by installing metering equipment at selected strategic locations.

Gas supply network

Current forecasts see Vienna's population continuing to grow in the next few years. For the gas supply network, this will involve further extending the grid to new residential developments and putting the associated infrastructure in place. Housing developers are increasingly choosing combinations with renewable energy sources, such as eco-friendly solar heating facilities. This mainly applies to growing areas that cannot be supplied with district heating, owing to their location.

District heating network

Wiener Netze GmbH is responsible for the installation and upkeep of the district heating network. The ongoing extension of the network is mainly driven by population growth and the resulting demand for living space, and associated education and service facilities. Accordingly, integration of new areas in the network, as well as increased coverage and expansion as part of housing construction projects, will be carried out at strategically favourable interconnection points. Such new connections require sufficient network capacity, and potential follow-up developments need to be taken into account in the course of the initial planning. This is particularly true of the long-term settlement plans for Seestadt Aspern.

TRANSPORT

Planning and preparations for the new U5 underground line and the southward extension of the U2 line are progressing rapidly. The planning permission required under the applicable railway legislation will be obtained in 2018, and compulsory purchases are continuing. The tenders for building shells are due for completion and announcement. In the second half of

the year work on building shells around Matzleinsdorfer Platz and upgrades to residential properties will begin in the second half of 2018. The fully automated U5 is due to enter service in 2024 (test operation), with the extension of the U2 to Matzleinsdorfer Platz scheduled for completion about two years later.

Modernisation of the U4 and U6 lines will continue in 2018 and 2019. This will include essential upgrades to train safety systems as well as the installation of points along the U4 line, and the renovation of superstructures and substructures between Margaretengürtel and Karlsplatz, which will require temporary interruptions to services on certain track sections (with replacement buses running during the summer holiday season).

FUNERAL SERVICES AND CEMETERIES

Based on the currently available plans and forecasts, and in line with the principle of commercial prudence, the scope of activities in this business (number of ceremonies, grave tenure renewals, etc.) is expected to remain more or less unchanged. Revenue is also expected to remain roughly stable.

Implementation of measures aimed at boosting efficiency, as well as quality improvements and additions to the product and service portfolios of the subsidiaries in line with the business's current strategic direction will be stepped up in 2018.

CAR PARKS

Revenue growth is expected in the next few years, particularly as a result of the car park projects in Neu Leopoldau (commissioning scheduled for 2019). Capacity utilisation at existing car parks is expected to remain relatively stable, with a slight increase in revenue due to the annual index-linked adjustment of parking fees.

In recent years, Wipark's growth has mainly been driven by car park management agreements, but in future the company's strategic focus will shift to car park ownership, as this is seen as holding stronger potential for increased profitability. Besides the projects already under way in Neu Leopoldau, Wipark will be looking to implement new projects for company-owned car parks. Wipark will no longer be targeting new car park management contracts, although exceptions may be made in the case of car parks in strategically important locations.

THE MANAGEMENT BOARD

Vienna, 28 March 2018

Martin Krajcsir
Chief Executive Officer

Gabriele Domschitz
Member of the Management Board

Peter Weinelt
Deputy Chief Executive Officer

2

Consolidated financial statements.

2.5 CONSOLIDATED FIXED ASSETS MOVEMENT SCHEDULE.

2.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION.

2.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.

2.2 CONSOLIDATED STATEMENT OF CASH FLOWS.

2.3 CONSOLIDATED INCOME STATEMENT.



2.1 Consolidated statement of financial position.

ASSETS	31 DEC. 2017	31 DEC. 2016
EUR		
A. Fixed assets		
I. Intangible assets	174,573,718	179,889,437
1. Concessions, industrial property rights and similar rights, and licences thereto	149,553,368	157,785,484
2. Goodwill	10,552,385	11,462,978
3. Prepayments	14,467,965	10,640,975
II. Property, plant and equipment	9,949,330,124	10,033,265,725
1. Land, leasehold rights and buildings, including buildings on third-party land	5,241,860,853	4,848,504,681
2. Plant and equipment	4,222,441,091	4,202,770,026
3. Other fixtures, fittings, tools and equipment	202,270,040	194,033,219
4. Prepayments and assets under construction	282,758,140	787,957,799
III. Financial assets	2,441,490,155	2,402,693,397
1. Investments in subsidiaries	43,924,382	35,495,147
2. Loans to subsidiaries	39,459,962	35,579,667
3. Investments in associates	3,536,951	3,413,201
4. Investments	807,513,658	784,907,429
5. Loans to associates	19,375,595	9,606,566
6. Securities and similar instruments held as fixed assets	1,411,972,388	1,420,749,089
7. Other loans	115,707,219	112,942,299
Total fixed assets	12,565,393,997	12,615,848,559
B. Current assets		
I. Inventories	128,123,114	131,698,490
1. Raw materials and consumables	96,158,346	102,076,958
2. Finished goods and goods for resale	27,656,697	24,757,686
3. Goods and services not yet invoiced	4,273,908	4,806,742
4. Prepayments	34,162	57,105
II. Receivables and other assets	543,437,231	597,186,158
1. Trade receivables of which debtors due after more than one year: EUR 1,884,244 (2016: EUR 3,664,628)	360,025,750	339,511,780
2. Receivables from subsidiaries of which debtors due after more than one year: EUR 34,421 (2016: EUR 3,575,031)	14,775,963	11,374,646
3. Receivables from associates of which debtors due after more than one year: nil (2016: nil)	44,303	309,243
4. Other receivables and assets of which debtors due after more than one year: EUR 37,315,880 (2016: EUR 32,878,377)	168,591,214	245,990,489
III. Cash and cash equivalents	894,515,414	667,681,284
Total current assets	1,566,075,758	1,396,565,933
C. Accrued and deferred income	64,767,538	132,664,297
of which relating to pension deficit	-	66,693,953
D. Deferred tax assets	108,200	133,612
TOTAL ASSETS	14,196,345,493	14,145,212,401

EQUITY AND LIABILITIES	31 DEC. 2017	31 DEC. 2016
EUR		
A. Capital and reserves		
I. Called-up and paid-up share capital Additional paid-in capital EUR 500,000,000 (2016: EUR 500,000,000)	500,000,000	500,000,000
II. Capital reserves	3,692,110,826	3,769,593,247
III. Revenue reserves	405,174,734	692,470,437
IV. Balancing item for non-controlling interests	3,183,113	9,386,914
V. Consolidated profit/loss for the financial year	95,796,124	-279,315,257
Total shareholders' funds	4,696,264,798	4,692,135,341
B. Provisions	4,234,408,142	4,126,924,065
1. Provisions for termination benefits	102,819,481	95,445,204
2. Provisions for pensions	3,530,970,201	3,368,022,116
3. Tax provisions	2,398,632	2,019,774
4. Other provisions	598,219,829	661,436,970
C. Liabilities	1,303,267,675	1,393,114,748
of which creditors falling due within one year: EUR 915,211,707 (2016: EUR 885,106,752) of which creditors falling due after more than one year: EUR 388,055,969 (2016: 508,007,996)		
1. Bank loans of which creditors falling due within one year: EUR 2,096,428 (2016: EUR 4,741,461) of which creditors falling due after more than one year: EUR 71,663,224 (2016: EUR 73,778,601)	73,759,652	78,520,062
2. Bonds of which creditors falling due within one year: EUR 23,000,000 (2016: nil) of which creditors falling due after more than one year: EUR 177,000,000 (2016: EUR 200,000,000)	200,000,000	200,000,000
3. Payments received on account of orders of which creditors falling due within one year: EUR 22,002,937 (2016: EUR 13,291,239) of which creditors falling due after more than one year: nil (2016: EUR 8,545,309)	22,002,937	21,836,549
4. Trade payables of which creditors falling due within one year: EUR 380,085,550 (2016: EUR 362,326,467) of which creditors falling due after more than one year: EUR 1,562,528 (2016: EUR 3,881,844)	381,648,078	366,208,311
5. Payables to subsidiary undertakings of which creditors falling due within one year: EUR 12,726,733 (2016: EUR 12,711,939) of which creditors falling due after more than one year: nil (2016: nil)	12,726,733	12,711,939
6. Payables to associates of which creditors due in less than one year 770.163/2016 EUR 128,465 of which creditors falling due after more than one year: nil (2016: nil)	770,163	128,465
7. Other liabilities of which creditors falling due within one year: EUR 474,529,896 (2016: EUR 491,907,182) of which creditors falling due after more than one year: EUR 137,830,217 (2016: EUR 221,802,242) taxes of which amounts falling due within one year: EUR 144,280,797 (2016: EUR 178,198,956) of which amounts falling due after more than one year: nil (2016: nil) social security payments of which amounts falling due within one year: EUR 13,931,549 (2016: EUR 13,016,415) of which amounts falling due after more than one year: nil (2016: nil)	612,360,112	713,709,424
Total liabilities	5,537,675,817	5,520,038,813
D. Accrued and deferred liabilities	3,962,404,878	3,933,038,247
TOTAL EQUITY AND LIABILITIES	14,196,345,493	14,145,212,401

2.2 Consolidated statement of cash flows.

CONSOLIDATED STATEMENT OF CASH FLOWS	2017	2016
2017 TEUR*		
1. Profit before taxation	-53,663	-402,823
2. Amortisation/impairment and revaluations of investment assets	598,718	618,706
3. Gains/losses on disposal of investments	-11,525	-29,015
4. Other non-cash expenses/income not recognised in items 7-9	-202,009	-185,806
5. Allocation to/release of long-term provisions	168,484	464,263
6. Operating cash flow before changes in working capital	500,004	465,326
7. Increase/decrease in inventories, receivables and accrued and deferred income	56,010	35,020
8. Allocation to/release of short-term provisions	21,481	-5,821
9. Increase/decrease in trade payables, other liabilities and accrued and deferred liabilities	-46,746	-101,954
10. Change in working capital	30,746	-72,755
11. Increase/decrease in long-term receivables and accrued and deferred assets	475	12,885
12. Increase/decrease in long-term payables and accrued and deferred liabilities	-34,487	-4,968
13. Change in long-term operating cash flow	-34,012	7,917
14. Net cash flow before changes in working capital (before tax)	496,737	400,488
15. Cash inflows from/outflows for income tax	-280	15,586
16. Net cash flows from operating activities	496,457	416,074
17. Cash inflows from disposal of fixed assets (excl. financial assets)	31,653	41,650
18. Cash inflows from disposals of financial assets and other investments	164,802	26,690
19. Cash outflows for additions to fixed assets (excl. financial assets)	-456,322	-543,401
20. Cash outflows for additions to financial assets and other investments	-271,729	-91,001
21. Cash inflows from/outflows for securities held as current assets	-	-
22. Construction subsidies and investment grants received	205,332	246,678
23. Additions to cash and cash equivalents from merger	671	15,881
24. Net cash flows from investing activities	-325,592	-303,503
25. Capital contributions and repayment of capital contributions	59,171	137,970
26. Cash inflows from new loans/outflows for loan repayments	-4,761	-10,447
27. Net cash flows from financing activities	54,411	127,523
28. Change in cash and cash equivalents (items 16, 24 and 27)	225,276	240,093
29. Cash and cash equivalents at start of period	660,684	420,591
30. Cash and cash equivalents at end of period	885,960	660,684
31. Change in cash and cash equivalents	225,276	240,093

Cash and cash equivalents comprise cash in hand and at bank, and receivables and payables arising from the cash pooling arrangement with non-consolidated subsidiaries

* TEUR = EUR '000

2.3 Consolidated income statement.

CONSOLIDATED INCOME STATEMENT	2017	2016
2017 EUR		
1. Revenue	3,451,807,156	3,321,001,583
2. Changes in inventories of finished goods and work in progress, and goods and services not yet invoiced	242,611	361,899
3. Other own work capitalised	53,915,192	53,624,744
4. Other operating income	603,204,034	591,491,202
a) Gains on disposal and revaluation of fixed assets other than financial assets	21,892,703	29,592,325
b) Gains on release of provisions	51,821,426	8,379,789
c) Sundry other	529,489,905	553,519,088
5. Cost of raw materials, consumables and services	-1,553,727,163	-1,590,820,318
a) Raw materials and consumables	-534,029,977	-730,119,157
b) Services	-1,019,697,185	-860,701,162
6. Staff costs	-1,233,745,855	-1,395,985,001
a) Wages	-364,158,089	-425,673,714
b) Salaries	-408,211,103	-376,722,155
c) Social security costs of which expenses for retirement benefits: EUR -270,694,512 (2016: EUR -391,654,321) expenses for termination benefits and payments to employee benefit funds: EUR -14,450,693 (2016: EUR -24,379,474) expenses for statutory social security contributions and other pay-related contributions: EUR -170,571,950 (2016: EUR -172,033,679)	-461,376,662	-593,589,132
7. Depreciation of property, plant and equipment and amortisation of intangible assets, and impairment of which impairment of fixed assets in accordance with section 204(2) ABC: EUR -21,636,390 (2016: EUR -6,329,837)	-575,510,445	-550,657,381
8. Other operating expenses	-667,279,216	-650,626,093
a) Taxes other than income taxes	-62,387,622	-58,043,502
b) Sundry other	-604,891,593	-592,582,591
9. Operating profit	78,906,315	-221,609,365
10. Income from investments of which subsidiaries: EUR 3,990,436 (2016: EUR 2,274,436)	47,807,797	25,363,959
11. Income from investments and loans held as fixed assets of which subsidiaries: EUR 942,856 (2016: EUR 599,808)	9,779,204	11,542,679
12. Other interest and similar income of which arising from subsidiaries: EUR 26,080 (2016: EUR 27,090)	2,710,563	8,851,037
13. Gains on disposal and revaluation of financial assets	15,930,093	6,757,904
14. Gains on investments in associates	416,044	2,640,636
15. Expenses arising from financial assets of which amortisation: EUR -33,981,730 (2016: EUR -74,767,742) of which expenses arising from subsidiaries: EUR -40,000 (2016: EUR -24,145,319)	-47,183,966	-74,801,642
16. Interest and similar expense of which related to subsidiaries: EUR -6,310 (2016: EUR -16,934)	-162,029,148	-161,567,949
17. Net finance costs	-132,569,413	-181,213,375
18. Loss before taxation	-53,663,098	-402,822,740

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CONSOLIDATED INCOME STATEMENT	2017	2016
2017 EUR		
19. Income tax expense of which deferred taxes: EUR 9,608 (2016: EUR 470,079)	-1,398,399	-964,168
20. Loss after taxation	-55,061,497	-403,786,908
21. Loss for the financial year	-55,061,497	-403,786,908
22. Non-controlling interest in profit for the financial year	5,073,204	-131,208
23. Consolidated loss for the financial year	-49,988,294	-403,918,116
24. Release of capital reserves	145,784,418	116,590,876
25. Release of revenue reserves	-	13,049,747
26. Allocation to revenue reserves	-	-5,037,764
27. Consolidated profit/loss for the financial year	95,796,124	-279,315,257

2.4 Consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2016 | EUR

WSTW GROUP 2016	SHARE CAPITAL	CAPITAL RESERVES	REVENUE RESERVES
1 Jan. 2016	500,000,000	3,741,258,368	577,052,798
Profit/loss brought forward	-	-	123,378,763
Profit for the year	-	-	-
Dividend distribution	-	-	-
Change in scope of consolidation	-	-	-
Foreign exchange differences	-	-	50,859
Capital contribution by City of Vienna	-	144,925,755	-
Coverage of annual loss at Wiener Linien	-	-116,590,876	-
Movements in reserves	-	-	-8,011,983
31 Dec. 2016	500,000,000	3,769,593,247	692,470,437

2017 | EUR

WSTW GROUP 2017	SHARE CAPITAL	CAPITAL RESERVES	REVENUE RESERVES
1 Jan. 2017	500,000,000	3,769,593,247	692,470,437
Profit/loss brought forward	-	-	-287,315,257
Profit for the year	-	-	-
Dividend distribution	-	-	-
Change in scope of consolidation	-	-	-
Foreign exchange differences	-	-	19,554
Capital contribution by City of Vienna	-	68,301,998	-
Coverage of annual loss at Wiener Linien	-	-145,784,418	-
Movements in reserves	-	-	-
31 Dec. 2017	500,000,000	3,692,110,826	405,174,734

CONSOLIDATED PROFIT/LOSS FOR THE FINANCIAL YEAR	SUBTOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
128,378,763	4,946,689,928	11,211,823	4,957,901,751
-123,378,763	-	-	-
-403,918,116	-403,918,116	131,208	-403,786,908
-5,000,000	-5,000,000	-1,956,116	-6,956,116
-	-	-	-
-	50,859	-	50,859
-	144,925,755	-	144,925,755
116,590,876	-	-	-
8,011,983	-	-	-
-279,315,257	4,682,748,426	9,386,914	4,692,135,341

CONSOLIDATED PROFIT/LOSS FOR THE FINANCIAL YEAR	SUBTOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
-279,315,257	4,682,748,426	9,386,914	4,692,135,341
287,315,257	-	-	-
-49,988,294	-49,988,294	-5,073,204	-55,061,497
-8,000,000	-8,000,000	-1,130,597	-9,130,597
-	-	-	-
-	19,554	-	19,554
-	68,301,998	-	68,301,998
145,784,418	-	-	-
-	-	-	-
95,796,124	4,693,081,684	3,183,113	4,696,264,798

2.5 Fixed assets movement schedule.

FIXED ASSETS MOVEMENT SCHEDULE

2017 | EUR

	AT COST						31 DEC. 2017
	1 JAN. 2017	FOREIGN EXCHANGE DIFFERENCES 2017	ADDITIONS 2017	ADDITION ON CONSOLIDATION 2017	DISPOSALS 2017	TRANSFERS 2017	
I. Intangible assets							
1. Concessions, industrial property rights and similar rights, and licences thereto	630,873,230	-	12,686,966	386,464	5,618,456	6,516,864	644,845,069
2. Goodwill	22,723,790	-	-	-	260,007	-	22,463,783
3. Prepayments	10,640,975	-	9,796,609	-	421,601	-5,548,018	14,467,965
Total intangible assets	664,237,995	-	22,483,575	386,464	6,300,063	968,845	681,776,817
II. Property, plant and equipment							
1. Land, leasehold rights and buildings, including buildings on third-party land	8,690,054,321	22,475	99,311,036	-	47,237,723	475,052,345	9,217,202,453
2. Plant and equipment	12,681,089,380	49,313	183,016,333	-	172,898,057	171,626,543	12,862,883,512
3. Other fixtures, fittings, tools and equipment	860,670,190	4	32,778,163	-	64,560,686	19,254,697	848,142,367
4. Prepayments and assets under construction	787,957,443	-	161,710,262	28,350	35,840	-666,902,431	282,757,784
Total property, plant and equipment	23,019,771,334	71,791	476,815,792	28,350	284,732,306	-968,845	23,210,986,116
III. Financial assets							
1. Investments in non-consolidated subsidiaries	104,058,047	-	6,824,534	1,017,150	13,538,600	-	98,361,131
2. Loans to non-consolidated subsidiaries	54,046,427	-	191,627	-	14,778,093	-	39,459,962
3. Investments in associates	39,860,642	-	416,044	-	292,294	-	39,984,393
4. Investments	862,821,174	-	69,531,137	-	48,201,902	-	884,150,409
5. Loans to undertakings with which the Company is associated by virtue of participating interests	10,295,166	-	10,700,000	-	930,971	-	20,064,195
6. Securities and similar instruments held as fixed assets	1,421,460,412	-	189,413,804	-	198,190,504	-	1,412,683,712
7. Other loans	112,942,299	-	2,921,676	-	156,756	-	115,707,219
Total financial assets	2,605,484,167	-	279,998,822	1,017,150	276,089,119	-	2,610,411,020
Total fixed assets	26,289,493,496	71,791	779,298,189	1,431,964	567,121,488	-	26,503,173,952

ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENT							CARRYING AMOUNT		
1 JAN. 2017	FOREIGN EXCHANGE DIFFERENCES 2017	ADDITIONS/ DEPRECIATION 2017	ADDITION ON CONSOLIDATION 2017	REVALUATION 2017	DISPOSALS 2017	TRANSFERS 2017	31 DEC. 2017	CARRYING AMOUNT 31 DEC. 2016	CARRYING AMOUNT 31 DEC. 2017
473,087,746	-	27,627,382	192,099	-	5,615,527	-	495,291,701	157,785,484	149,553,368
11,260,813	-	910,592	-	-	260,007	-	11,911,398	11,462,978	10,552,385
-	-	-	-	-	-	-	-	10,640,975	14,467,965
484,348,559	-	28,537,975	192,099	-	5,875,533	-	507,203,099	179,889,437	174,573,718
3,841,549,639	-8,612	170,828,775	-	2,071,459	34,967,829	6,138	3,975,341,600	4,848,504,681	5,241,860,853
8,478,319,355	-18,897	332,928,900	-	-	170,830,869	-6,138	8,640,442,421	4,202,770,026	4,222,441,091
666,636,971	-4	43,214,796	-	42,707	63,936,737	-	645,872,326	194,033,219	202,270,040
-356	-	-	-	-	-	-	-356	787,957,799	282,758,140
12,986,505,609	-27,513	546,972,470	-	2,114,166	269,735,435	-	13,261,655,992	10,033,265,725	9,949,330,124
68,562,900	-	-	-	2,181,952	11,944,199	-	54,436,749	35,495,147	43,924,382
18,466,760	-	-	-	4,645,901	13,820,859	-	-	35,579,667	39,459,962
36,447,441	-	-	-	-	-	-	36,447,441	3,413,201	3,536,951
77,913,745	-	33,709,360	-	-	34,986,354	-	76,636,751	784,907,429	807,513,658
688,600	-	-	-	-	-	-	688,600	9,606,566	19,375,595
711,323	-	-	-	-	-	-	711,323	1,420,749,089	1,411,972,388
-	-	-	-	-	-	-	-	112,942,299	115,707,219
202,790,770	-	33,709,360	-	6,827,853	60,751,412	-	168,920,865	2,402,693,397	2,441,490,155
13,673,644,937	-27,513	609,219,805	192,099	8,942,018	336,362,380	-	13,937,779,956	12,615,848,559	12,565,393,997

3

Notes to the consolidated financial statements.

2017 financial year.

3.7 NOTES TO THE CONSOLIDATED INCOME STATEMENT.

3.8 OTHER DISCLOSURES.

3.9 OTHER NOTES.

**3.1 GENERAL
INFORMATION.**

**3.2 CORPORATE
PROFILE.**

**3.3 ACCOUNTING AND
VALUATION POLICIES.**

**3.6 NOTES TO THE
CONSOLIDATED
STATEMENT OF
FINANCIAL POSITION.**

**3.5 BASIS OF
CONSOLIDATION.**

**3.4 SCOPE OF
CONSOLIDATION.**

3.1 General information.

Wiener Stadtwerke GmbH (formerly Wiener Stadtwerke Holding AG; hereinafter, Wiener Stadtwerke GmbH and its subsidiaries are referred to as the Wiener Stadtwerke Group, or the Group) is obliged to prepare consolidated financial statements for the 2017 financial year according to section 244 *Unternehmensgesetzbuch* (Austrian Business Code).

On 20 December 2017, Wiener Stadtwerke Holding AG was converted into a limited liability company (GmbH) on the basis of the interim financial statements for the year to 30 September 2017 and is now entered in the company register as Wiener Stadtwerke GmbH.

The consolidated financial statements have been prepared in accordance with the requirements of the Austrian Business Code. Consolidation was first carried out on 1 January 1999; as of this date, all subsidiaries and associates at the time were included in consolidation. All companies consolidated at a later date were included in consolidation from the time of acquisition or formation, as applicable.

Pursuant to section 252 Austrian Business Code, the reporting date for the consolidated financial statements is that of the parent company (31 December). The financial statements of the companies included in consolidation were prepared as at the reporting date of the consolidated financial statements (31 December 2017), with the exception of the following proportionately consolidated companies with the reporting date of 30 September 2017:

- Energieallianz Austria GmbH
- PAMA-GOLS Windkraftanlagenbetriebs GmbH & Co KG

Wien Energie Vertrieb GmbH & Co KG (reporting date 30 September) was consolidated on the basis of interim financial statements prepared for the period and as at the reporting date (31 December) of the consolidated financial statements.

Investments accounted for using the equity method were recognised on a deferred basis, based on their financial statements as at 30 September 2016 or 31 December 2016.

3.2 Corporate profile.

The Wiener Stadtwerke Group is principally engaged in the following activities:

- Electricity generation, sales and grid operation
- Gas sales and system operation
- District heating and cooling generation, sales and system operation
- Energy management
- Facility management
- Waste management and incineration
- Telecommunications
- Underground, tram and bus service operations
- Transport services for the disabled
- Freight transportation
- Funeral services
- Cemetery maintenance including cemetery nurseries and stonemasonry workshops
- Car park management
- Investment management
- Property management and development

All of these activities are primarily focused on Vienna and the surrounding area.

3.3 Principal accounting policies.

1. GENERAL PRINCIPLES

The financial statements of all companies included in consolidation are prepared on the basis of uniform accounting policies, which are documented in Group accounting guidelines and a Group accounting manual.

The consolidated financial statements are prepared in accordance with standard accounting practice and generally accepted accounting principles in order to present a true and fair view of the Group's assets, finances and earnings. The income statement is prepared using the nature of expense method. The principle of completeness is adhered to.

Unless otherwise stated, the valuation methods applied in preparing the parent company's annual financial statements are uniformly applied in the valuation of assets and liabilities of subsidiaries included in consolidation, in accordance with section 260 Austrian Business Code. The principle of individual recognition was applied to the valuation of individual assets and liabilities, as was the going concern principle.

The *Rechnungslegungs-Änderungsgesetz* (Financial Reporting [Amendment] Act) 2014 has been applied since the 2016 financial year.

The principle of prudence was observed, in particular by reporting only profits realised at the reporting date. All recognisable risks and impending losses arising in the 2017 financial year or earlier were taken into account.

2. FIXED ASSETS

With the entry into force of the Financial Reporting (Amendment) Act, from the 2016 financial year section 208(2) Austrian Business Code was annulled in full and the principle of mandatory revaluation of assets was introduced. Revaluations must be applied to fixed and current assets if the reasons for recognising impairment in the past cease to apply. Mandatory impairments do not apply to impairment of goodwill.

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are valued at cost less depreciation or amortisation

and, where depreciable or amortisable, are generally depreciated or amortised on a straight-line basis according to their useful lives. Low-value assets with a cost of up to EUR 400 are written off in full in the year of acquisition.

INTANGIBLE ASSETS

Useful life (years)	
Intangible assets	
Concessions, licences, etc.	2-40 or term of contract
Electricity procurement rights and energy use rights	30-50
Goodwill	5-30
Software	3-5
Division-specific property, plant and equipment	
Major construction projects (e.g. tunnels, concrete channels, etc.)	40-80
Energy supply equipment	15-25
Supply infrastructure (grids, power lines, etc.)	5-50
Telecommunication grids	10-30
Vehicles (trams, buses, etc.)	6-30
Other property, plant and equipment	
Production and office buildings	10-100
Other technical equipment	2-35
Fixtures and fittings	2-30

In principle, a full year of depreciation is recognised for assets acquired in the first half of the year, and a half-year of depreciation is recognised for assets acquired in the second half of the year.

Impairments as at the reporting date are recognised if the impairment is expected to be permanent.

Financial assets

Investments in non-consolidated subsidiaries and other investments are recognised at cost less any necessary impairment.

Investments in associates are accounted for using the equity method, using the same valuation methods as for consolidated companies.

Loans are recognised at the lower of cost or present value as at the reporting date.

The moderate lower of cost or market principle is applied to securities held as fixed assets. Impairments are recognised if they are expected to be permanent. For funds of funds, at present the strict lower of cost or market principle is applied, i.e. using the fair value at the reporting date.

Since the 2016 financial year, revaluation of assets – including financial assets – has been mandatory if an impairment was recognised in the past and the reasons for the impairment no longer apply. With the entry into force of the Financial Reporting (Amendment) Act, (applicable to financial years beginning after 31 December 2015), revaluations that were not applied

under the previous legal framework must be recognised, in addition to current revaluations. However, such retrospective revaluations (required on or before 31 December 2015) may be recognised as accrued and deferred liabilities pursuant to business law, provided that a revaluation reserve is recognised for tax purposes. This must be set off against subsequent impairments recognised under business and tax regulations, and reversed on disposal of the assets at the latest. The transitional regulations for revaluations were applied in respect of the Wiener Stadtwerke funds, resulting in accrued and deferred liabilities since the 2016 financial year of TEUR 20,840. Changes in this item will be reported annually, as in the following table.

ACCRUED AND DEFERRED LIABILITIES	ACQUISITION COST 31 DEC. 2015	CARRYING AMOUNT 31 DEC. 2015	ACCRUED AND DEFERRED LIABILITIES 31 DEC. 2016	REVERSALS 2017	ACCRUED AND DEFERRED LIABILITIES 31 DEC. 2017
EUR					
WSTW I	147,029,608	142,935,738	4,093,870	-	4,093,870
WSTW II	194,858,923	182,916,723	11,942,200	-	11,942,200
WSTW III	375,023,737	374,638,585	385,152	334,686	50,466
WSTW IV	312,430,212	308,011,051	4,419,161	-	4,419,161
WSTW V	184,880,846	184,880,846	-	-	-
Total	1,214,223,326	1,193,382,943	20,840,382	334,686	20,505,697

For illustrative purposes, the table shows revaluations previously not recognised and made in 2016 in respect of costs of acquisition or construction, and carrying amounts as at 31 December 2015.

Under the current strategy, the Group continues to manage five mixed investment funds of funds, of which four contain investments in shares. One fund will continue to be managed as a bond fund (including money market assets).

Due to the undisclosed reserves the net asset values are higher than the carrying amounts. The capital-weighted annual performance of the WSTW funds, which are managed conservatively, was positive at 1.52% (2016 year: 2.23%), in spite of continued low interest rates on the financial markets.

3. CURRENT ASSETS

Inventories are valued at the cost of acquisition or construction. The fair value at the reporting date is recognised if it is lower, for instance due to falls in stock exchange or market prices.

Construction cost only comprises directly attributable costs (manufacturing materials and labour), proportionate joint manufacturing materials and labour costs assuming full capacity utilisation, and expenses for voluntary employee benefits and company pension obligations. Pursuant to the Financial Reporting (Amendment) Act, interest on debt financing may also be recognised. General administrative expenses and sales and distribution costs cannot be included.

Calculation of the cost of acquisition or construction for assets of the same type is carried out using the weighted average price method or similar methods. Impairments are recognised for inventory risk resulting from the period of storage or reduced marketability.

Receivables and other assets are valued at cost. Valuation allowances are reported for recognisable risks. Receivables includes Wiener Netze GmbH's regulatory account. The introduction of the regulatory account,

pursuant to the *Elektrizitätswirtschafts- und -organisationsgesetz* (Electricity Act) 2010 and the *Gaswirtschaftsgesetz* (Natural Gas Act) 2011, established a new form of ex-post revenue adjustment. In accordance with the legislation, the regulatory account is used to account for events that could not be taken into consideration in prior decisions establishing allowed costs and system charges. Differences – primarily volume-related – between actual revenue and revenue assumptions from system charges ordinances, and extraordinary expenses or revenue within a period, can then be taken into consideration in subsequent tariffication procedures, with these amounts – spread over a number of years – reflected in higher or lower system charges. Whilst differences between actual and assumed revenue must be recognised in financial statements, the regulatory account may be used in the case of large extraordinary revenue or expenses.

The legislation makes the following provision in case of a delay in compensation for costs through the tariffication procedure: in accordance with section 59(8) Electricity Act 2010 and section 79(8) Natural Gas Act 2011, if the regulatory formula applied for regulatory periods of one or more years (pursuant to subsections 1-6) entails a time lag in compensation through system charges, any discrepancies may be recorded as assets or liabilities (provisions) in the annual financial statements.

Valuation of the items must be carried out in line with the applicable accounting regulations. The regulatory account is recognised on the assets side, under other receivables.

Purchased carbon dioxide (CO₂) emission allowances are also recognised under other receivables and valued according to the strict lower of cost or market principle. Allowances allocated at no cost are not recognised.

Securities held as current assets are valued at the lower of cost or market price at the reporting date.

4. DEFERRED TAX ASSETS

Up to the 2015 financial year, only recognition of deferred tax liabilities was mandatory, while recognition of deferred tax assets was optional. Sections 198 (9-10) Austrian Business Code as amended by the Financial Reporting (Amendment) Act require recognition of deferred tax assets from the 2016 financial year onwards.

In principle, the Group has the option to recognise tax loss carryforwards; however, these are not recoverable and therefore not recognised.

5. PROVISIONS

Provisions for termination benefits and similar obligations

As in previous years, provisions for termination, jubilee and loyalty benefits are calculated using discounted cash flow methods. However, since the 2016 financial year a nominal interest rate has been applied when calculating the discount rate, based on a ten-year average, as for provisions for pensions. The discount rate for 2017 is 3.68% (2016: 4.01%). A rate of 3% is applied for annual salary increases (2016: 2.8%).

As in previous years, no reduction for staff turnover was applied, and a retirement age of 65 was assumed for men and women.

Provisions for pensions

In accordance with the *Wiener Stadtwerke-Zuweisungsgesetz* (Vienna Public Enterprises Allocation Act), State Law Gazette 17/1999, the Company must cover Vienna City Council's pension expenses for employees assigned to Wiener Stadtwerke. As a result, the Company has a direct pension obligation.

Pension provisions are calculated using the projected unit credit (PUC) method and on the basis of a ten-year average discount rate, which was 3.68% in 2017 (2016: 4.01%). As in previous years, no reduction for staff turnover was applied. A retirement age of 65 was assumed for men and women, taking into account the transitional arrangements under section 115i *Dienstordnung* (Service Code) 1994, and the probability of early retirement. The AVÖ 2008-P mortality tables were also used, and the entitlement of a widowed partner to a prescribed percentage of the most recent pension entitlement received by a beneficiary in case of death was taken into account. Wiener Stadtwerke applies an entitlement of 51.26% in this regard (2016: 51.26%). Assumptions regarding annual increases are also made under the PUC method, which applies a nominal growth rate – as in the previous year, a rate of 3% was applied for salaries and 1.5% for current pension benefits. The annual pension entitlement on reaching retirement age as at 31 December 2017 was increased by 2.33% and the entitlement for ongoing benefits in retirement by 1.6% (2016: 2.8% and 0.8% respectively).

Application of the *Rechnungslegungsgesetz* (Financial Reporting Act) and amendments to the Expert Opinion on the Principles of Proper Accounting for Post-employment Benefits according to the Financial Reporting Act (KFS-RL2) resulted in top-up payments relating to an agreement of 26 July 2005 between Vienna City Council and Wiener Stadtwerke GmbH. Based on the agreement, the City's claims to coverage of pension expenses in the amount of the top-up payments must only be paid to the extent that obligations can be exclusively set off against the profit for the year reported in the annual financial statements in accordance with section 231(2)(22) Austrian Business Code, up to a maximum of a twenty-fifth of the top-up amount. Further repayments can, however, be made with the express approval of the City of Vienna. This agreement means that the top-up payment must be recognised in profit or loss in instalments over a longer period. The amount not yet recognised in profit or loss as a result of the agreement is recognised separately under accrued and deferred assets. All outstanding 25ths attributable to Wien Energie GmbH were reversed in full during the reporting period.

Other provisions

In accordance with the principle of prudence, this item includes provisions for all recognisable risks, and for contingent liabilities which are unforeseeable in terms of their amount or cause as at the reporting date.

6. ACCRUED AND DEFERRED LIABILITIES

Investment subsidies are recognised under accrued and deferred liabilities and released according to the useful life of the asset for which the subsidy was received, as necessary in accordance with prudent commercial judgement.

7. FOREIGN CURRENCY RECEIVABLES AND LIABILITIES

Receivables and liabilities denominated in a foreign currency are valued at the exchange rate applying on the day they arise. If translation of a receivable at the exchange rate as at the reporting date results in a lower amount, or translation of a liability at the exchange rate as at the reporting date results in a higher amount, the exchange rate at the reporting date is used for valuation unless a foreign currency hedge has been concluded to hedge the amount in question.

3.4 Scope of consolidation.

1. CONSOLIDATED COMPANIES

The consolidated financial statements of Wiener Stadtwerke GmbH include those companies that are material to presenting a true and fair view of the Group's assets, finances and earnings. The scope of consolidation is determined in accordance with section 247(1) Austrian Business Code. The number of fully and proportionately consolidated companies, and those accounted for using the equity method is disclosed below:

COMPANIES	FULLY CONSOLIDATED	PROPORTIONATELY CONSOLIDATED	EQUITY METHOD
Number of companies			
31 Dec. 2016	27	3	4
Initial consolidation in the reporting period	-	-	-
Deconsolidation in the reporting period	1	-	-
31 Dec. 2017	26	3	4

A list of fully and proportionately consolidated companies and those accounted for using the equity method, as well as other investments can be found in the list of subsidiaries and associates in chapter 5, below.

Wien Energie GmbH is a limited partner in, and participates fully in the assets and profits of Wien Energie Vertrieb GmbH & Co KG. Energieallianz Austria GmbH is a general partner without investment. On the basis of the agreements applying to Energieallianz Austria GmbH, Wien Energie Vertrieb GmbH & Co KG is under joint management. Pursuant to section 262(1) Austrian Business Code, Wien Energie Vertrieb GmbH & Co KG is proportionately consolidated to 100% in accordance with the Group's participation in the company's capital.

Various Group companies (see the list of subsidiaries and associates for details) are not included in the scope of consolidation as fully consolidated companies or investments accounted for using the equity method. Inclusion of these companies is immaterial to presenting a true and fair view of the Group's assets, finances and earnings (section 249(2) and section 263(2) Austrian Business Code). The subsidiaries not included as fully consolidated companies are mostly companies with minimal trading volume, which together account for less than 2% of the Group's total assets.

Pursuant to section 249(1) Austrian Business Code, Gemeinnützige Wohnungs- und Siedlungsgesellschaft der Wiener Stadtwerke GmbH is not included in the scope of consolidation.

One company that reports in a foreign currency has been included in the consolidated financial statements since 2012, from which time a foreign currency translation has been carried out.

A breakdown of holdings in Group companies is available at the parent company's registered office.

2. CHANGES IN CONSOLIDATION DURING THE PERIOD UNDER REVIEW

IWS Town Town AG – disposal of ORBI Tower

Due to the planned disposal of the ORBI Tower, the majority stake in IWS Town Town AG acquired in 2016 was not included in the consolidated financial statements.

The ORBI Tower was sold in the 2017 financial year together with the subsidiary of IWS TownTown AG, TownTown Immobiliendevlopment GmbH & Co ORBI Tower KG, and transferred to the purchaser.

The remainder of IWS TownTown AG's assets and activities are immaterial to the Group, and the company will not be included in the consolidated financial statements in future.

Reorganisation of WienIT (accretion)

WienIT GmbH & Co. KG was incorporated into WienIT GmbH in 2017.

Merger of Neue Urbane Mobilität Wien GmbH

Neue Urbane Mobilität Wien GmbH was merged into Wiener Stadtwerke Vermögensverwaltung GmbH in 2017. The resulting negative consolidation difference was recognised in profit or loss under other operating income.

3.5 Basis of consolidation.

Previously, the book value method was applied to capital consolidation. In accordance with the Financial Reporting (Amendment) Act, from 1 January 2016 only the purchase method may be used. Up to and including the 2008 financial year, differences between the value of the investment and the share of equity in a subsidiary were offset in Group reserves. The amount was offset on initial consolidation of the subsidiary in the consolidated financial statements. The interests in the subsidiary's equity not attributable to the Group were recognised under the balancing item for non-controlling interests. After 2008, positive consolidation differences were recognised as goodwill, and negative differences offset in Group reserves. Pursuant to section 261(2) Austrian Business Code, negative consolidation differences that relate to a realised profit as at the reporting date are now reversed through profit or loss. A direct adjustment in reserves is no longer possible.

Elimination of intra-Group liabilities involves the offsetting of concessions, prepayments, loans, trade receivables, and other receivables and accrued and deferred assets against the corresponding liabilities and provisions.

Elimination of intra-Group income and expenses on consolidation is carried out between the companies included in consolidation in accordance with section 257(1) Austrian Business Code. In the case of assets produced in the Group, the attributable revenue is reclassified as own work capitalised, provided that it relates to own work. Otherwise, the original expenses are reduced.

Intra-Group profits are eliminated in profit or loss, subject to the principle of materiality. Elimination of intra-Group profits is not carried out in relation to companies accounted for using the equity method, since the impact on the overall picture of intra-Group relationships is not material.

For companies accounted for using the equity method and proportionately consolidated companies, differences arising on capital consolidation are offset according to the same principles as for fully consolidated companies. Where possible and not immaterial, valuation is adjusted in line with the Group's uniform valuation policies.

To a certain degree, approximate calculations and assumptions must be made when preparing the consolidated financial statements, which influence the assets and liabilities recognised, other obligations as at the reporting date, and income and expenses during the reporting period. The actual amounts arising in the future may deviate from these estimates.

3.6 Notes to the consolidated statement of financial position.

1. FIXED ASSETS

The changes in individual items of the Group's fixed assets and the breakdown of depreciation, amortisation and impairment by item are presented in the fixed assets movement schedule for 2017.

The underlying value of land is TEUR 222,587 (2016: TEUR 210,809).

INTANGIBLE ASSETS	31 DEC. 2017	31 DEC. 2016
EUR		
1. Concessions, industrial property rights and similar rights, and licences thereto	149,553,368	157,785,484
2. Goodwill	10,552,385	11,462,978
3. Prepayments	14,467,965	10,640,975
Intangible assets	174,573,718	179,889,437

PROPERTY, PLANT AND EQUIPMENT	31 DEC. 2017	31 DEC. 2016
EUR		
1. Land, leasehold rights and buildings, including buildings on third-party land	5,241,860,853	4,848,504,681
2. Plant and equipment	4,222,441,091	4,202,770,026
3. Other fixtures and fittings, tools and equipment	202,270,040	194,033,219
4. Prepayments and assets under construction	282,758,140	787,957,799
Property, plant and equipment	9,949,330,124	10,033,265,725

FINANCIAL ASSETS	31 DEC. 2017	31 DEC. 2016
EUR		
1. Investments in non-consolidated subsidiaries*	43,924,382	35,495,147
2. Loans to non-consolidated subsidiaries*	39,459,962	35,579,667
3. Investments in associates*	3,536,951	3,413,201
4. Investments*	807,513,658	784,907,429
5. Loans to associates	19,375,595	9,606,566
6. Securities and similar instruments held as fixed assets	1,411,972,388	1,420,749,089
7. Other loans	115,707,219	112,942,299
Financial assets	2,441,490,155	2,402,693,397

* For a detailed presentation see the list of subsidiaries and associates, below.

LOANS, 2017	31 DEC. 2017	DUE WITHIN ONE YEAR	DUE AFTER MORE THAN ONE YEAR
EUR			
Loans to non-consolidated subsidiaries	39,459,962	18,210,775	21,249,186
Loans to associates	19,375,595	1,388,663	17,986,932
Other loans	115,707,219	71,353,350	44,353,869
Total	174,542,776	90,952,788	83,589,987

Other loans include lease transactions concluded in the United States. Further details are shown in Note 8.1 Contingent liabilities/assets, below.

LOANS, 2016	31 DEC. 2016	DUE WITHIN ONE YEAR	DUE AFTER MORE THAN ONE YEAR
EUR			
Loans to non-consolidated subsidiaries*	35,579,667	12,478,206	23,101,460
Loans to associates	9,606,566	930,971	8,675,595
Other loans	112,942,299	23,400	112,918,899
Total	158,128,531	13,432,577	144,695,954

The following table shows the carrying amounts and fair values of securities held as fixed assets as at 31 December 2017:

SECURITIES AND SIMILAR INSTRUMENTS HELD AS FIXED ASSETS	CARRYING AMOUNT AS AT 31 DEC. 2017	FAIR VALUE AS AT 31 DEC. 2017	DIFFERENCE (%)
EUR			
WSTW I-V	1,273,406,035	1,488,820,692	16.9
Securities and equity interests	195,058	333,964	71.2
US lease custody accounts	134,722,086	134,722,086	0.0
Reinsurance for pension obligations	3,649,209	3,649,209	0.0
Total	1,411,972,388	1,627,525,952	15.3

Due to the undisclosed reserves the net asset values are higher than the carrying amounts; the latter are equal to the acquisition cost owing to the revaluations recognised during the reporting period.

The capital-weighted performance of the WSTW funds in the year to date (1 January to the reporting date) was positive, at 1.52%, despite the continued adverse conditions on financial markets.

STRUCTURE OF THE WSTW FUND PORTFOLIO AS AT 31 DEC. 2017

%	
	Money markets, term deposits with systemically important Austrian and European banks
20.42	
	Bonds
64.76	
	Shares
13.43	
	Other
1.39	
100.00	Total

2. CURRENT ASSETS

INVENTORIES	31 DEC. 2017	31 DEC. 2016
EUR		
1. Raw materials and consumables	96,158,346	102,076,958
2. Finished goods and goods for resale	27,656,697	24,757,686
3. Goods and services not yet invoiced	4,273,908	4,806,742
4. Prepayments	34,162	57,105
Inventories	128,123,114	131,698,490

RECEIVABLES AND OTHER ASSETS	31 DEC. 2017	DUE WITHIN ONE YEAR	DUE AFTER MORE THAN ONE YEAR	31 DEC. 2016
EUR				
Trade receivables	360,025,750	358,141,506	1,884,244	339,511,780
Receivables from non-consolidated subsidiaries	14,775,963	14,741,543	34,421	11,374,646
Receivables from associates	44,303	44,303	-	309,243
Other receivables and assets	168,591,214	131,275,335	37,315,880	245,990,489
Total	543,437,231	504,202,686	39,234,545	597,186,158

In 2017 other receivables mainly related to those from the tax authorities, the Lower Austrian provincial government and the City of Vienna, as well as receivables from the regulatory account pursuant to the *Elektrizitätswirtschafts- und -organisationsgesetz* (Electricity Act) 2010 and the *Gaswirtschaftsgesetz* (Natural Gas Act) 2011 (see Note 3 Current assets).

The "Other receivables and assets" item includes gains of TEUR 64,534 (2016: TEUR 52,979), which will only be received in cash after the end of the reporting period.

General provisions of TEUR 22 (2016: TEUR 242) were recognised in this respect. Specific provisions for trade receivables and other receivables amounted to TEUR 81,125 (2016: TEUR 71,328).

The Federal Fiscal Court ruling of 15 October 2015 entitles Wiener Stadtwerke to claim repayment of the supplementary employer's contribution for permanent civil servants and contract staff assigned to the Group under the *Wiener Stadtwerke – Zuweisungsgesetz*

(Vienna Public Enterprises Allocation Act); the Group has paid the supplementary contribution since 1999. These repayments were recognised as receivables from the tax authorities of TEUR 22,056 in the 2015 financial statements. In the light of the current status of the legal proceedings and the arguments put forward by the tax authorities in their notices, the Group does not think it necessary to recognise an impairment, as it is probable that the amounts in question will be repaid, albeit perhaps after extended redress proceedings.

3. ACCRUED AND DEFERRED ASSETS

This item mainly relates to prepayments for goods and services, and accruals for wages and salaries.

All outstanding 25ths of accrued and deferred assets attributable to Wien Energie GmbH were reversed during the reporting period. A one-off amount of TEUR 66,694 was recognised under staff costs, and led to a reduction in earnings.

4. CONSOLIDATED EQUITY

Share capital was unchanged at TEUR 500,000.

As with the parent company, Wiener Stadtwerke GmbH, capital and reserves includes appropriated capital reserves of TEUR 394 and statutory revenue reserves of TEUR 49,606.

The revenue reserves include goodwill and negative goodwill arising on consolidation, as well as foreign exchange differences. The profit of TEUR 8,000 reported in 2016 was distributed in the form of a dividend to the sole owner, the City of Vienna.

The goodwill and negative goodwill recognised in equity as at 31 December 2017 were as follows (details can be found in the statement of changes in equity):

CONSOLIDATED SUBSIDIARIES	31 DEC. 2017	31 DEC. 2016
EUR		
Wiener Netze GmbH	-243,387	-243,387
Wien Energie GmbH	90,435,610	90,435,610
Facilitycomfort Energie- und Gebäudemanagement GmbH	3,753,930	3,753,930
WienIT GmbH	-23	-23
Wiener Linien GmbH & Co. KG	126,380,113	126,380,113
Wiener Linien GmbH	-875	-875
AG der Wiener Lokalbahnen	-676,500	-676,500
Wiener Lokalbahnen Verkehrsdienste GmbH	1,275,833	1,275,833
B&F Wien - Bestattung und Friedhöfe GmbH	350,968	350,968
Wiener Stadtwerke Vermögensverwaltung GmbH	-100,793	-100,793
Wiener Erdgasspeicher GmbH	2,458,756	2,458,756
Wipark Garagen GmbH	36,406	36,406
Total	223,670,037	223,670,037
ENTITIES CONSOLIDATED USING THE PROPORTIONATE METHOD		
EUR		
Energieallianz Austria GmbH	-29,726	-29,726
PAMA-GOLS Windkraftanlagenbetriebs GmbH & Co KG	-8,745	-8,745
Total	-38,472	-38,472
COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD		
EUR		
e&i EDV Dienstleistungsgesellschaft m.b.H.	103,529	103,529
EPZ Energieprojekt Zurndorf GmbH & Co KG	-3,013,352	-3,013,352
Kraftwerk Nussdorf Errichtungs- und Betriebs GmbH & Co KG	188,969	188,969
TELEREAL Telekommunikationsanlagen GmbH	-7	-7
Total	-2,720,861	-2,720,861

5. PROVISIONS

PROVISIONS	31 DEC. 2017	31 DEC. 2017
EUR		
Pensions	3,530,970,201	3,368,022,116
Termination benefits	102,819,481	95,445,204
Taxation	2,398,632	2,019,774
Other	598,219,829	661,436,970
Total	4,234,408,142	4,126,924,065

Information on the method used to calculate pension provisions is provided in the section on principal accounting policies, above.

Pension obligations are made up as follows:

PROVISION FOR PENSION OBLIGATIONS	31 DEC. 2017	31 DEC. 2016
EUR		
Provision for pension obligations	3,530,970,201	3,368,022,116
Less differences not yet recognised in profit or loss (reported under "Accrued and deferred assets")	-	-66,693,953
Net obligation	3,530,970,201	3,301,328,163

The change in provisions for pensions is due to the annual allocations (entitlements and interest components) and a change in the discount rate to 3.68% (2016: 4.01%).

Other provisions

This item includes obligations relating to employees of TEUR 224,121 (2016: TEUR 208,855) and a provision of TEUR 218,044 (2016: TEUR 236,177) in relation to the sale of electricity through subscription rights.

Further provisions are related to environmental activities and claims for refunds from customers.

6. LIABILITIES

Liabilities analysed by maturities are as follows:

LIABILITIES, 2017	31 DEC. 2017	DUE WITHIN ONE YEAR	DUE IN BETWEEN ONE AND FIVE YEARS	DUE AFTER MORE THAN FIVE YEARS
EUR				
Bank loans	73,759,652	2,096,428	1,663,224	70,000,000
Bonds	200,000,000	23,000,000	10,000,000	167,000,000
Payments received on account of orders	22,002,937	22,002,937	-	-
Trade payables	381,648,078	380,085,550	1,562,528	-
Payables to non-consolidated subsidiaries	12,726,733	12,726,733	-	-
Payables to associates	770,163	770,163	-	-
Other liabilities	454,147,766	316,317,550	20,558,026	117,272,191
Other liabilities – taxation	144,280,797	144,280,797	-	-
Other liabilities – social security payments	13,931,549	13,931,549	-	-
Total	1,303,267,675	915,211,707	33,783,778	354,272,191

LIABILITIES, 2016	31 DEC. 2016	DUE WITHIN ONE YEAR	DUE IN BETWEEN ONE AND FIVE YEARS	DUE AFTER MORE THAN FIVE YEARS
EUR				
Bank loans	78,520,062	4,741,461	3,428,933	70,349,668
Bonds	200,000,000	-	33,000,000	167,000,000
Payments received on account of orders	21,836,549	13,291,239	8,545,309	-
Trade payables	366,208,311	362,326,467	1,373,915	2,507,929
Payables to non-consolidated subsidiaries	12,711,939	12,711,939	-	-
Payables to associates	128,465	128,465	-	-
Other liabilities	522,494,052	300,691,810	74,321,596	147,480,646
Other liabilities – taxation	178,198,956	178,198,956	-	-
Other liabilities – social security payments	13,016,415	13,016,415	-	-
Total	1,393,114,748	885,106,752	120,669,753	387,338,243

In 2013, Wiener Stadtwerke GmbH (formerly Wiener Stadtwerke Holding AG) raised EUR 200m by issuing bonded loans and registered bonds on the capital market. In January 2014 the Group took out a 12-month, fixed-interest loan of EUR 70m, repayable at maturity, from the European Investment Bank (EIB). EUR 40m of the bonded loans issued in 2013 were refinanced in 2015. In the course of this transaction, the interest rate was changed from floating to fixed, and the maturities were adjusted.

Other liabilities chiefly concern those arising from Wiener Linien's US lease transaction, those to the tax authorities and the City of Vienna, and those arising from citizen-owned solar power projects. There were no liabilities secured by bills of exchange in the reporting period.

This item also includes expenses of TEUR 146,128 (2016: TEUR 157,041), which will only be reflected in

cash flow after the end of the reporting period.

Real collateral

There are liabilities to the Finance Department of the City of Vienna of TEUR 3,188 (2016: TEUR 3,188) which are secured by a pledged building lease.

7. ACCRUED AND DEFERRED LIABILITIES

This item mainly comprises investment grants of TEUR 3,228,527 (2016: TEUR 3,215,459) and construction subsidies of TEUR 496,562 (2016: TEUR 492,373) relating to fixed assets. These represent future income which will be reversed in parallel with the depreciation of the assets for which the subsidies were granted, thereby partially offsetting depreciation and amortisation expense.

State investment grants are made up as follows:

STATE INVESTMENT GRANTS	31 DEC. 2017	31 DEC. 2016
EUR		
Concessions, including rights	14,502,684	14,083,076
Prepayments – intangible fixed assets	485	7,102
Total intangible assets	14,503,169	14,090,178
Land and buildings	2,366,273,954	1,974,663,369
Plant and machinery	732,271,581	690,388,487
Other fixtures and fittings, tools and equipment	34,824,652	27,308,640
Prepayments and assets under construction	80,653,729	509,008,463
Total property, plant and equipment	3,214,023,917	3,201,368,959
State investment grants	3,228,527,085	3,215,459,138

Accrued and deferred liabilities also include the following revaluations:

REVALUATIONS INCLUDED IN ACCRUED AND DEFERRED LIABILITIES	COST 31 DEC. 2015	CARRYING AMOUNT 31 DEC. 2015	ACCRUED AND DEFERRED LIABILITIES 31 DEC. 2016	ALLOCATION/ RELEASE	ACCRUED AND DEFERRED LIABILITIES 31 DEC. 2017
EUR					
Securities held as fixed assets	1,214,223,326	1,193,382,943	20,840,382	-334,686	20,505,697
Intangible fixed assets	98,877,499	53,464,363	25,122,073	-1,225,467	23,896,606
Total	1,313,100,824	1,246,847,306	45,962,455	-1,560,153	44,402,303

8. OFF-BALANCE-SHEET CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities/assets

Contingent liabilities totalled TEUR 196,869 (2016: TEUR 288,456) as at the end of the reporting period. There were contingent assets of TEUR 109,419 (2016: TEUR 151,251).

Contingent liabilities include US lease transactions concluded by Wiener Linien GmbH & Co. KG amounting to TEUR 109,419 (2016: TEUR 151,251). These are offset by rights of recourse of an equal amount on the assets side.

In 1998 Wiener Linien acquired underground trains and trams by way of lease transactions concluded in the USA on a lease in, lease out (LILO) basis. The vehicles were then leased to a US trust under a head lease agreement. At the same time, Wiener Linien subleased the vehicles back from the trust. The American trust made an advance lease payment to Wiener Linien. The amount of the payment was set with a view to making allocations to two custody accounts (the debt account and the equity account) in order to cover the liabilities arising from the sublease. The cash inflow in excess of the allocations to the accounts (net present value benefit) is recognised under accrued and deferred liabilities, and will be reversed under the "Other interest and similar income" item over the term of the lease agreements.

As a result of the assumption of payment obligations in respect of the debt capital portion of the sublease instalments by Bank Austria Leasing (payment undertaking agreement), the debt account is offset by an identical liability due to US trusts and is not reported in the statement of financial position. However, as the Company is still liable for the as yet unpaid sublease obligations, this amount is included in the "Contingent liabilities" item.

The securities in the equity account are intended to cover the remaining sublease fees to be paid by the Company.

Other US lease transactions were concluded in the form of service contracts in 1999, 2001 and 2003. The obligations in question were assigned in full to

financial institutions (payment undertakers), and the net cash inflow was initially reported under accrued and deferred liabilities in the statement of financial position. As with previous transactions, the amount was reversed under other interest and similar income over the term of the lease agreements. The obligations assigned to the counterparties to the payment undertaking agreements (PUAs) were originally reported as contingent liabilities.

The financial transactions were conducted in US dollars, and the amounts translated on the basis of the historical rates for such transactions. The USD-denominated receivables and liabilities outstanding as the end of the reporting period have matching maturities and can be seen as a hedged position.

As the obligations assigned to the counterparties to the PUAs represent a performance risk for Wiener Linien in the event of default by the counterparties, this is recognised in the annual financial statements as follows.

- With regard to the counterparties for which there is a subordinated statutory guarantee liability, the default risk is extremely low, meaning that in the Company's view there is no need to recognise a valuation adjustment in the annual financial statements.
- With regard to the counterparty AIG, owing to the risk of default – current Standard & Poor's rating below AA (A-) and no collateral as described above – contingent assets of around TEUR 47,323 were recognised under other loans and the corresponding amounts are reported as liabilities in an identical amount to US trusts. A value adjustment was recognised in the form of a provision. The amount of the latter was calculated on the basis of the historical probability of default, taking into account the counterparty's credit rating and the residual maturity of the transactions. As at 31 December 2017 the Company had discounted future payment obligations of some TEUR 49,016 (2016: TEUR 52,565), for which a provision of approximately TEUR 455 (2016: TEUR 608) was recognised in the financial statements for the year ended 31 December 2017 (reversal of TEUR 153 recognised in profit or loss).

Special characteristics/events after conclusion of the contract:

- The transactions concluded in 1998 were restructured in December 2003. The parts of the transactions concluded with Bank of America (then NationsBank) on a LILLO basis for underground trains and trams were replaced with service contracts, resulting in an additional net present value benefit for Wiener Linien. The credit rating of collateral provider AIG was downgraded in 2008, meaning that additional collateral was required; this took the form of US treasury bonds. These securities are pledged to Investor Bank of America. They qualified for hedge accounting when a foreign currency loan was taken out in February 2009. The collateral is tested for impairment on 15 January of each year. The securities purchased and the related foreign currency loan matured in 2014. Since then Wiener Linien has made rolling purchases of one-year US treasury bonds each year, in amounts identical to the difference to be covered between the termination value and the equity custody account. This difference varies from year to year and tends to decline over the course of the transaction. At the same time, a forward foreign exchange swap is concluded each year, eliminating the exchange risk associated with converting the US dollar amounts that become available one year later. Under this approach, risk-free withdrawal from the transaction is possible (e.g. due to termination of the underlying CBL transaction), as is the annual adjustment of the relevant collateral requirement.
- In 2017 the second tranche and the final part of the first US leasing transaction (Trust SS 1998-1) was completed by way of an EBO; the other parts of the transaction were completed in 2006 and 2016.
- In March 2015, in connection with the third US lease transaction (trusts FB 1999-1 and 2), the equity PUA was exchanged for US treasury bonds from UniCredit Bank Austria's holdings. Under the contractual terms of this transaction, identical amounts were recognised as liabilities to the US trusts and as securities under the "Financial assets" item. Additionally, the payment obligation on the part of UniCredit Bank Austria was transferred from contingent assets to the "Other loans" item in the statement of financial position. In order to eliminate exchange risk, the contractually agreed payments were hedged with forward foreign exchange swaps. As a result, the conversion of US dollar amounts that become available is not subject to exchange risk.

The consolidated statement of financial position includes the following items connected with the US lease transactions:

US LEASE TRANSACTIONS	31 DEC. 2017	31 DEC. 2016
TEUR		
Securities held as fixed assets		
Custody account for US lease I and R	60,592	101,751
Custody account for furnishing of additional collateral for US lease R	21,756	22,352
Custody account for US lease IIIa	52,374	51,908
Total	134,722	176,011
Other loans		
Prepayment instruments with BACA (US lease IIIa)	49,880	50,014
Prepayment instruments with AIG (US lease R)	47,323	44,605
Total	97,203	94,619
Cash at bank		
(from the PUA for US lease IV [Bank Austria UniCredit Group] State Street, Trust SS1998-2)	1	1,788
Provisions		
	455	608
Other obligations to US trusts		
	160,289	200,052
Accrued and deferred liabilities		
Accrued net present value benefit from US lease transactions	3,114	4,133
Contingent liabilities = contingent assets	109,419	151,251

The other contingent liabilities include contractual obligations to Verbund, as well as letters of comfort and guarantee bonds for OeMAG Abwicklungsstelle für Ökostrom AG, Wiener Lokalbahnen Cargo GmbH trains and the Glinzendorf wind park.

Partly restricted and partly unrestricted letters of comfort and guarantees have been issued jointly and severally for Energieallianz Austria GmbH. Taking into account the contracts concluded by Energieallianz Austria GmbH with the various trading partners, net liabilities amounted to TEUR 5,663 (2016: TEUR 37,729). If the guarantees and/or letters of comfort issued by Energieallianz Austria GmbH's trading partners are unilaterally withdrawn or enforced, Wien Energie GmbH is entitled to assert claims of TEUR 4,929 (2016: TEUR 36,647) against the other shareholders.

Other financial liabilities pursuant to section 238(1) (14) Austrian Business Code

Future commitments arising from the use of off-balance-sheet property, plant and equipment are as follows:

COMMITMENTS	2017	2016
EUR		
Falling due within one year	38,268,999	37,029,783
Falling due within the next five years	172,821,513	171,546,535

Financial instruments

Derivatives are used as hedges in the energy business. They are treated as anticipatory hedges and offset future underlying transactions. As at the end of the reporting period, the derivatives held by the companies concerned (Wien Energie GmbH, Wien Energie Vertrieb GmbH & Co KG and Energieallianz Austria GmbH) were as follows (adjusted for intra-Group transactions):

FINANCIAL INSTRUMENTS	2017		2016	
	Nominal amount*	Fair value**	Nominal amount*	Fair value**
TEUR				
Forward electricity purchases	564,007	512,914	547,209	30,781
Forward electricity sales	335,253	382,918	261,889	-9,635
Electricity financial swaps and futures				
1. Purchases	166,076	169,898	204,372	9,603
2. Sales	174,894	212,228	125,321	-581
Oil swaps purchased	14,709	1,552	4,926	2,305
Forward gas purchases	109,071	29,808	104,201	12,104
Forward gas sales	22,929	28,372	45,108	-13,260
Gas swaps purchased	83	90	-	-
Gas options purchased	-	-	756	-108
CO ₂ allowance purchases	15,498	19,035	13,776	-3,911
CO ₂ allowance sales	23,827	29,128	23,677	6,728
Coal swaps	5,727	936	7,785	34

* The nominal amount corresponds to the value of the contract (agreed quantity x agreed price).

** The fair value corresponds to the market value of the derivatives.

The fair values were calculated on the basis of market parameters (quantity, price, maturity date).

In 2017 oil and coal swaps were used to hedge primary energy transactions. The electricity futures are settled either by physical delivery or financially. With regard to the gas swaps, these are forwards which are settled financially. Underlying collateral pledged for financial swaps and futures was TEUR 11,062 (2016: TEUR 18,253) at the end of the reporting period; this is stated as other receivables, and the profits (positive variation margins) from unrealised transactions of TEUR 78,152 (2016: TEUR 13,612) are reported under accrued and deferred assets.

Wien Energie GmbH and Wien Energie Vertrieb GmbH & Co KG concluded derivative agreements as physical and – more importantly – financial hedges for procurement to meet delivery obligations to customers. These procurement hedges are matched by highly probable sales transactions on the customer side (clearly identifiable relationship between the hedge and the underlying, or a change in the value of hedges and future quasi-hedged underlyings). Because of this, forward transactions concluded before the reporting date and electricity sales effected after the end of the reporting period qualify for hedge accounting. These accounting principles are based on the 2015 AFRAC position paper, *Die unternehmensrechtliche*

Bilanzierung von Derivaten und Sicherungsinstrumenten (Accounting for derivatives and hedging instruments in accordance with the Austrian Business Code), which was last updated in September 2017.

Starting in the 2017 financial year, accounting for financial instruments has been based on the IDW position paper, *Besonderheiten der Bilanzierung von Energiebeschaffungs- und Energieabsatzverträgen in handelsrechtlichen Abschlüssen von Energieversorgungsunternehmen* (Special features of accounting for energy procurement and sales contracts in energy supply companies' statutory financial statements; IDW RS ÖFA 3, dated 24 August 2015). As the numerous energy procurement and sales transactions are closely connected in financial terms, and individual valuation would result in contingent losses being recognised that would not actually be incurred, IDW RS ÖFA 3 permits justified deviation from the individual valuation principle and, under certain circumstances, the aggregation of energy procurement and sales contracts to form contract portfolios for accounting purposes. Portfolio-based accounting requires a substantive and time-based relationship between the underlying transactions (hedge effectiveness). The portfolio structure must be aligned with the internal control system, and a risk management system including contribution costing must be in place for each contract portfolio.

3.7 Notes to the consolidated income statement.

1. REVENUE

Pursuant to the Financial Reporting (Amendment) Act, the definition of revenue was extended in section 189a(5) Austrian Business Code. This means that items can no longer be allocated to the ordinary course of business as previously. Instead, all proceeds from the sale of goods and services are recognised as revenue. Due to the close connection between revenue and trade receivables, items in other receivables have also been reclassified in the statement of financial position.

REVENUE BREAK-DOWN	2017	2016
EUR		
Energy	3,400,083,796	3,189,493,393
Transport	669,713,469	662,123,899
Funeral services	85,878,450	82,608,929
Car park group	23,720,407	21,974,475
Other	104,006,534	104,096,663
Intra-Group revenue	-831,595,500	-739,295,775
Total	3,451,807,156	3,321,001,583

The Group generated revenue of TEUR 373,932 (2016: TEUR 339,168) abroad.

OTHER OPERATING INCOME	2017	2016
EUR		
1. Gains on disposal and revaluation of fixed assets other than financial assets	21,892,703	29,592,325
2. Gains on reversals of provisions	51,821,426	8,379,789
3. Sundry other	529,489,905	553,519,088
Other operating income	603,204,034	591,491,202

Sundry other operating income includes proceeds of TEUR 139,059 (2016: TEUR 130,824) from the release of investment grants and of TEUR 47,577 (2016: TEUR 44,923) from the release of construction subsidies, as well as subsidies from the City of Vienna relating to the operations of Wiener Linien GmbH & Co. KG.

2. COST OF RAW MATERIALS, CONSUMABLES AND SERVICES

EXPENSES	2017	2016
EUR		
1. Cost of raw materials	534,029,977	730,119,157
2. Cost of services	1,019,697,185	860,701,162
Cost of raw materials, consumables and services	1,553,727,163	1,590,820,318

The cost of services mainly relates to energy procurement.

3. STAFF COSTS

Since 2015, the interest components of the provisions for pensions, and termination, jubilee and loyalty benefits have been reported as interest expense under net finance income, and no longer under staff costs, in order to enhance the clarity of the income statement.

STAFF COSTS	2017	2016
EUR		
1. Wages	364,158,089	425,673,714
2. Salaries	408,211,103	376,722,155
3. Expenses for termination benefits und payments to employee benefit funds	14,450,693	24,379,474
4. Expenses for pension obligations	270,694,512	391,654,321
5. Expenses for statutory social security contributions and other pay-related contributions	170,571,950	172,033,679
6. Other employee benefits	5,659,508	5,521,658
Staff costs	1,233,745,855	1,395,985,001

Due to early retirements there was a fall in expenses for allocations to pension provisions in 2017. This resulted in lower total staff costs in the reporting period, in spite of the early reversal of the outstanding 25ths attributable to Wien Energie GmbH, amounting

to TEUR 66,694, which brought about an increase in staff costs and can be seen as a non-recurring item.

Wages and salaries include gains of TEUR 5,259 for jubilee and loyalty benefits (2016: losses of TEUR 759).

In light of a ruling by the Administrative Court of Appeal, the current rules for recognition of prior service for permanent civil servants and contract staff will have to be revised. As a draft amendment to public service legislation is yet to be presented, an additional allocation of TEUR 2,730 was made and recognised in profit or loss through staff costs, as in 2016. The total provision for recognition of prior service totalled TEUR 16,380 at the end of the reporting period.

The average headcount was as follows:

HEADCOUNT	2017	2016
Ave. FTE		
Manual workers	8,628	9,438
Salaried employees	6,546	6,248
Apprentices	369	386
Total*	15,543	16,071

*Excl. staff on parental leave, military and civilian national service

In 2017, 495 manual workers became salaried employees.

Employees of the proportionately consolidated subsidiary Energieallianz Austria GmbH are included in Group headcount on a pro rata basis. Wien Energie Vertrieb GmbH & Co KG and PAMA-GOLS Windkraftanlagenbetriebs GmbH & Co KG have no employees of their own.

Expenses for termination benefits and pension obligations are broken down as follows:

TERMINATION BENEFITS	2017	2016
EUR		
Management Board and CEO	78,341	96,751
Management staff	123,566	234,520
Other employees	14,248,785	24,048,203
Termination benefits	14,450,693	24,379,474

PENSION OBLIGATIONS	2017	2016
EUR		
Management Board and CEO	189,481	433,903
Management staff	1,614,911	1,547,038
Other employees	268,890,120	389,673,379
Termination benefits	270,694,512	391,654,321

The expenses for termination benefits and pension obligations include allocations and reversals, as well as payouts of termination benefits and pensions. Expenses for termination benefits include TEUR 4,036 (2016: TEUR 4,490) in payments to employee benefit funds.

4. DEPRECIATION, AMORTISATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The breakdown of depreciation, amortisation and impairment of property, plant and equipment and intangible assets by individual items is shown in the fixed assets movement schedule.

AMORTISATION AND IMPAIRMENT OF INTANGIBLE ASSETS	2017	2016
EUR		
1. Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	575,510,445	550,657,381
of which impairment of fixed assets in accordance with section 204(2) Austrian Business Code	21,636,390	6,329,837

5. OTHER OPERATING EXPENSES

OTHER OPERATING EXPENSES	2017	2016
EUR		
1. Taxes other than income taxes	62,387,622	58,043,502
2. Sundry other	604,891,593	592,582,591
Other operating expenses	667,279,216	650,626,093

Other operating expenses mainly comprise maintenance costs of TEUR 236,724 (2016: TEUR 248,239), transport costs of TEUR 64,272 (2016: TEUR 63,592), rent amounting to TEUR 49,219 (2016: TEUR 48,217), cleaning expenses of TEUR 34,044 (2016: TEUR 32,566), other advertising expenses totalling TEUR 14,734 (2016: TEUR 15,076), legal and consulting costs of TEUR 22,101 (2016: TEUR 21,232) and sundry other operating expenses of TEUR 85,103 (2016: TEUR 62,792).

Auditor's fees

Auditor's fees in the period under review totalled TEUR 1,764, which is broken down as follows:

AUDITOR'S FEES	2017
EUR	
Auditing services	40,000
Other auditing services	392,000
Tax advice	–
Other services	1,331,912
Total	1,763,912

6. INCOME/EXPENSES FROM INVESTMENTS IN ASSOCIATES

Income or expenses from investments in associates recognised in the consolidated financial statements during the reporting period are shown below:

INCOME/EXPENSES FROM INVESTMENTS IN ASSOCIATES	1 JAN. 2017	ADDITIONS	DISPOSALS	DECONSOLIDA- TION	31 DEC. 2017
EUR					
Total	3,413,201	416,044	-292,294	–	3,536,951

7. EXPENSES ARISING FROM FINANCIAL ASSETS

EXPENSES ARISING FROM FINANCIAL ASSETS	2017	2016
EUR		
Expenses arising from financial assets held as current assets	47,183,966	74,801,642
of which amortisation and impairment	33,981,730	74,767,742

Amortisation and impairment primarily relates to impairments of investments in the energy business.

8. INCOME TAX EXPENSE

Income tax expense in the reporting period was TEUR 1,398 (2016: TEUR 964). This includes benefits of TEUR 103 (2016: TEUR 99) from tax allocations to non-consolidated Group companies.

This gave rise to a surplus of deferred tax assets within the Wiener Stadtwerke Group. However, these assets are not recognised for the tax group members, as the assets will not retain their value owing to future tax losses. The recognised deferred taxes relate to companies that are not members of the Wiener

Stadtwerke GmbH tax group or fall under a different tax jurisdiction. The tax assets relate to the Energieallianz Austria subgroup (tax rate of 25%) and amount to TEUR 108 (2016: TEUR 134). Deferred tax liabilities of TEUR 668 (2016: TEUR 701) concern the Hungarian company VIENNA ENERGY TERMÉSZETI ERŐ KFT. (tax rate of 9%).

9. MOVEMENTS IN RESERVES

Readers are referred to the consolidated statement of changes in equity for details of the movements in reserves.

3.8 Supplementary information.

Consolidated statement of cash flows

Cash and cash equivalents comprise cash in hand and at bank, and receivables and payables arising from the cash pooling arrangement with non-consolidated subsidiaries.

Since 2016, cash flows have been presented in accordance with the structure set out in the expert opinion of the Austrian Chamber of Accountants and Tax Consultants.

Events after the reporting period

There were no events after the end of the reporting period that would have been material to the presentation of the Group's assets, finances and earnings.

Distribution of profits

The Group plans to distribute a dividend of TEUR 8,000 from the profit for the year to the sole shareholder (the City of Vienna) and to allocate the remaining amount to reserves.

Cash pooling

In order to ensure effective liquidity management and optimise interest expense, Wiener Stadtwerke introduced a Group-wide arrangement on 1 July 2010.

Framework agreements have been concluded between Wiener Stadtwerke Finanzierungs-Services GmbH (the master company) and the pool members. The members (including Wiener Stadtwerke Finanzierungs-Services GmbH) have also signed associated agreements with the account holding bank and Group guidelines have been implemented. The latter agreements and the guidelines govern the exchange of information, charging of fees and interest, the integration of new members and options for withdrawing from the cash pooling arrangement.

Governing bodies

The members of the Management Board of the *Aktiengesellschaft* (stock corporation) until 20 December 2017 and the Management Board following the Company's reorganisation as a *Gesellschaft mit beschränkter Haftung* (limited liability company) from 20 December 2017 were:

- Martin Krajcsir
(Chairman of the Management Board until 20 Dec. 2017 and from 20 Dec. 2017)
- Peter Weinelt
(Member of the Management Board until 20 Dec. 2017, Deputy Chairman of the Management Board from 20 Dec. 2017)
- Gabriele Domschitz
(Member of the Management Board until 20 Dec. 2017 and from 20 Dec. 2017)
- Robert Grüneis
(Member of the Management Board until 28 Feb. 2017)

The total remuneration of members of the Management Board in 2017 was TEUR 1,237 (2016: TEUR 1,230).

In the period under review, the members of the Supervisory Board were:

- Erich Hechtner
(Chairman)
- Dietmar Griebler
(First Deputy Chairman)
- Andrea Faast
(Second Deputy Chairwoman)
- Andreas Bauer
- Michael Bauer
- Prof. Michael Holoubek
- Kurt Januschke
- Brigitte Jilka
- Günter Koch
- Maria Kubitschek
- Karin Rest
- Günther Schmalzer
- Stefan Freytag
- Andreas Staribacher
- Roland Boigner

The remuneration of the members of the Supervisory Board amounted to TEUR 58 (2016: TEUR 55) in 2017.

3.9 Other notes.

Related parties

No material transactions were concluded with related parties on a non-arm's length basis during the reporting period.

THE MANAGEMENT BOARD

Vienna, 28 March 2018

Martin Krajcsir
Chief Executive Officer

Gabriele Domschitz
Member of the Management Board

Peter Weinelt
Deputy Chief Executive Officer

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Auditor's report*.

* The publication or dissemination of the consolidated financial statements including our audit report is only permissible in the version in which the statements were certified. This audit report relates exclusively to the full, German-language financial statements, including the Group operating and financial review, prepared in German. For versions other than that certified, reference is made to the provisions of section 281(2) Austrian Business Code.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS: OPINION

We have audited the consolidated financial statements of Wiener Stadtwerke GmbH, Vienna, and its subsidiaries ("the Group") comprising the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the notes to the consolidated financial statements.

In our opinion, the consolidated financial statements conform to the legal regulations to the maximum extent possible and give a true and fair view of the Group's assets and finances as at 31 December 2017, as well as its earnings and cash flows for the year then ended, in accordance with the applicable Austrian company law provisions.

BASIS FOR THE AUDIT OPINION

We conducted our audit of the financial statements in accordance with the generally accepted auditing standards applicable in Austria. These standards require application of the International Standards on Auditing (ISA). Our responsibilities under these rules and standards are described in detail in the section 'Responsibility of the auditor for the audit of the consolidated financial statements' below. We are independent of the Group in accordance with Austrian company law and statutory professional standards, and have fulfilled our other professional duties in accordance with these requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a sound basis for our audit opinion.

RESPONSIBILITY OF THE COMPANY'S LEGAL REPRESENTATIVES FOR THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The Group's legal representatives are responsible for the preparation of consolidated financial statements which, to the maximum extent possible, present a true and fair view of the Group's assets, finances and earnings, in accordance with the regulations applicable in Austria. The Group's legal representatives are also responsible for implementing an internal control system, to the extent that they deem this necessary for the preparation of consolidated annual financial

statements that present a true and fair view of the Group's assets, finances and earnings that is free from material misstatement whether due to fraud or error.

When preparing the consolidated financial statements, the Group's legal representatives are responsible for assessing the Group's capacity to continue as a going concern, for disclosing information – where relevant – related to the Group's capacity to continue as a going concern, as well as for applying the going concern principle unless the legal representatives intend to dissolve the Group or cease business activities, and have no other realistic alternatives but to do so.

The Supervisory Board is responsible for monitoring the Group's accounting processes.

RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance that the consolidated financial statements are free from material misstatement whether due to fraud or error, and to issue an audit certificate that contains our opinion. Reasonable assurance is a high degree of certainty, but not a guarantee, that an audit carried out in accordance with generally accepted auditing standards as applicable in Austria, which requires application of the ISA, will always reveal any material misstatements. Misstatements may result from fraudulent acts or from errors and are considered material if it can be reasonably assumed that they have an influence, either individually or collectively, on economic decisions taken by users on the basis of these consolidated financial statements.

In the course of an audit in accordance with the generally accepted auditing standards applicable in Austria, which requires application of the ISA, we exercise due discretion and maintain professional scepticism throughout the audit.

The following also applies:

- We identify and assess the risk of material misstatements – whether due to fraud or error – in the financial statements, plan audit procedures in response to these risks, execute them and obtain audit evidence that is sufficient and appropriate to serve as a reliable basis for our audit opinion. The risk that misstatements resulting from fraudulent actions will not be discovered is higher than in the

case of misstatements due to errors, because fraudulent actions may involve collusion, falsifications, intentionally incomplete or misleading declarations, or overriding internal controls.

- We obtain an understanding of the internal control system, to the extent relevant to the preparation of the consolidated financial statements, in order to determine audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of that control system.
- We assess the reasonableness of the accounting methods applied and of the estimates made by the Group's legal representatives in the accounts and the related notes.
- On the basis of the audit evidence obtained, we draw conclusions on the appropriateness of application of the going concern principle by the Group's legal representatives, and on whether there is any material uncertainty related to events or circumstances that may raise serious doubts as to the Group's capacity to continue as a going concern. If we reach the conclusion that material uncertainty exists, we are obliged to point out the relevant disclosures in the consolidated financial statements in our audit certificate, or, if this information is unreasonable, to modify our audit opinion. We base our conclusions on the audit evidence obtained up to the date of our audit certificate. However, future events or circumstances may affect the Group's capacity to continue as a going concern.
- We assess the overall presentation, structure and content of the consolidated financial statements including the related disclosures, and whether the consolidated financial statements reflect underlying transactions and events so as to present a true and fair view.
- We obtain sufficient audit evidence on financial reporting of Group entities or business activities so as to be able to reach an audit opinion on the consolidated financial statements. We are responsible for managing, monitoring and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinion.

We consult with the Supervisory Board regarding, among other things, the planned scope of and schedule for the audit of the consolidated financial statements, and with regard to significant audit findings, including any significant deficiencies in the internal control system discovered during our audit.

OPINION ON THE GROUP OPERATING AND FINANCIAL REVIEW

According to the applicable regulations in Austria, the Group operating and financial review must be audited to ascertain whether it is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements. The Group's legal representatives are responsible for the preparation of the consolidated financial statements in accordance with the regulations applicable in Austria.

We have conducted our audit of the Group operating and financial review in accordance with the relevant codes of professional conduct.

Opinion

In our opinion, the Group operating and financial review has been prepared in accordance with the applicable legal requirements and is consistent with the consolidated financial statements.

Declaration

Based on the findings of our audit of the consolidated financial statements and the understanding obtained of the Group and its operating environment, no material misstatements were identified in the Group operating and financial review.

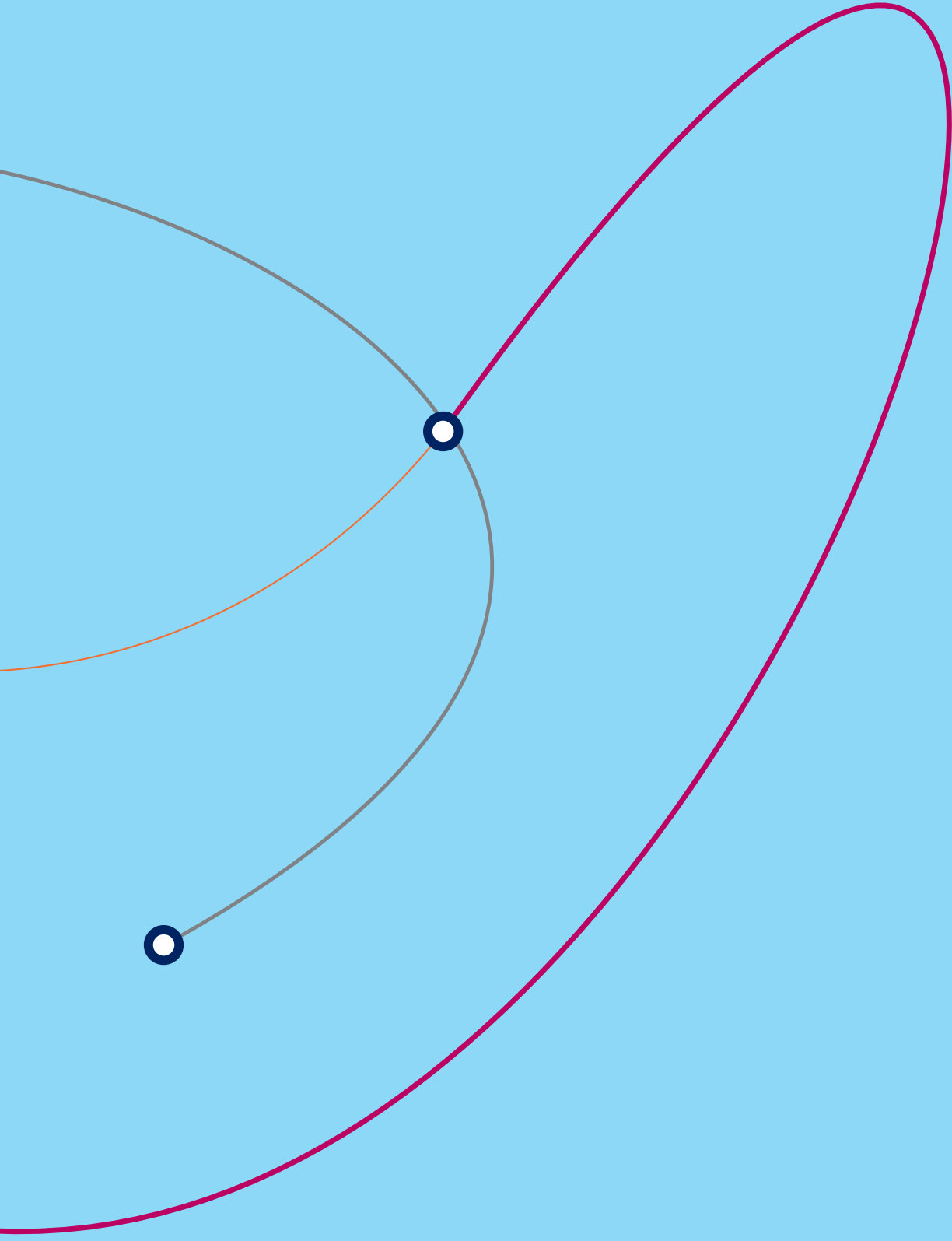
Vienna, 28 March 2018

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.
Stefan Uher m.p., auditor
Victoria Scherich m.p., auditor

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Subsidiaries and associates.





CONSOLIDATED SUBSIDIARIES	2017		2016	
	WSTW GmbH	WSTW Group	WSTW GmbH	WSTW Group
Interest (%)				
1. Wiener Stadtwerke GmbH, Thomas-Klestil-Platz 14, 1030 Vienna	100.00	100.00	100.00	100.00
2. Wien Energie GmbH, Thomas-Klestil-Platz 14, 1030 Vienna	100.00	100.00	100.00	100.00
3. Wiener Netze GmbH, Erdbergstrasse 236, 1110 Vienna	100.00	100.00	100.00	100.00
4. FACILITYCOMFORT Energie- und Gebäudemanagement GmbH, Spittelauer Lände 45, 1090 Vienna	0.00	100.00	0.00	100.00
5. Wiener Linien GmbH, Erdbergstrasse 202, 1030 Vienna	100.00	100.00	100.00	100.00
6. Wiener Linien GmbH & Co KG, Erdbergstrasse 202, 1030 Vienna	100.00	100.00	100.00	100.00
7. B&F Wien - Bestattung und Friedhöfe GmbH, Simmeringer Hauptstrasse 339, 1110 Vienna	100.00	100.00	100.00	100.00
8. FRIEDHÖFE WIEN GmbH, Simmeringer Hauptstrasse 339, 1110 Vienna	0.00	100.00	0.00	100.00
9. WienIT EDV Dienstleistungsgesellschaft mbH, Thomas-Klestil-Platz 6, 1030 Vienna	100.00	100.00	100.00	100.00
10. WienIT EDV Dienstleistungsgesellschaft mbH & Co KG, Thomas-Klestil-Platz 6, 1030 Vienna	0.00	0.00	3	100.00
11. Wipark Garagen GmbH, Thomas-Klestil-Platz 13, 1030 Vienna	99.37	100.00	99.37	100.00
12. Aktiengesellschaft der Wiener Lokalbahnen, Purkytgasse 1B, 1230 Vienna	99.94	100.00	99.94	100.00
13. Wiener Lokalbahnen Verkehrsdienste GmbH, 7. Haidequerstrasse 6, 1110 Vienna	0.00	100.00	0.00	100.00
14. Wiener Lokalbahnen Cargo GmbH, Freudenuer Hafenstrasse 8-10, 1020 Vienna	0.00	100.00	0.00	100.00
15. Wiener Stadtwerke Vermögensverwaltung GmbH, Thomas-Klestil-Platz 14, 1030 Vienna	100.00	100.00	100.00	100.00
16. Wiener Stadtwerke Finanzierungs-Services GmbH, Thomas-Klestil-Platz 14, 1030 Vienna	0.00	100.00	0.00	100.00
17. Wien Energie TownTown GmbH, Thomas-Klestil-Platz 14, 1030 Vienna	0.00	100.00	0.00	100.00
18. WSTW TownTown GmbH & Co Residenz KG, Thomas-Klestil-Platz 14, 1030 Vienna	0.00	100.00	0.00	100.00
19. WSTW TownTown GmbH & Co Stationsturm KG, Thomas-Klestil-Platz 14, 1030 Vienna	0.00	100.00	0.00	100.00
20. Bestattung Wien GmbH, Simmeringer Hauptstrasse 339, 1110 Vienna	0.00	100.00	0.00	100.00
21. BFW Gebäudeerrichtungs- u. Vermietungs GmbH, Simmeringer Hauptstrasse 339, 1110 Vienna	0.00	100.00	0.00	100.00
22. BFW Gebäudeerrichtungs- u. Vermietungs GmbH & Co KG, Simmeringer Hauptstrasse 339, 1110 Vienna	0.00	100.00	0.00	100.00
23. Wien Energie Bundesforste Biomasse Kraftwerk GmbH, 1. Haidequerstrasse 1, 1110 Vienna	0.00	66.67	0.00	66.67
24. Wien Energie Bundesforste Biomasse Kraftwerk GmbH & Co KG, 1. Haidequerstrasse 1, 1110 Vienna	0.00	66.67	0.00	66.67
25. Wiener Erdgasspeicher GmbH, Erdbergstrasse 236, 1110 Vienna	0.00	100.00	0.00	100.00
26. Beteiligungsmanagement IWS Verwaltungs GmbH, Thomas-Klestil-Platz 14, 1030 Vienna	0.00	100.00	0.00	100.00
27. Vienna Energy Természeti Erő Kft, Aradi utca 16, HU-1062 Budapest	0.00	100.00	0.00	100.00

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	2017		2016	
	WSTW GmbH	WSTW Group	WSTW GmbH	WSTW Group
Interest (%)				
1. e&i EDV Dienstleistungsgesellschaft m.b.H., Thomas-Klestil-Platz 6, 1030 Vienna	0.00	50.00	0.00	50.00
2. EPZ Energieprojekt Zurndorf GmbH & Co KG, Kasernenstrasse 9, 7000 Eisenstadt	0.00	42.40	0.00	42.40
3. TELERREAL Telekommunikationsanlagen GmbH, Mollardgasse 8/Top 19, 1060 Vienna	0.00	25.00	0.00	25.00
4. Kraftwerk Nussdorf Errichtungs- und Betriebs GmbH & Co KG, Am Hof 6a, 1010 Vienna	0.00	33.33	0.00	33.33

PROPORTIONATELY CONSOLIDATED COMPANIES	2017		2016		
	WSTW GmbH	WSTW Group	WSTW GmbH	WSTW Group	
Interest (%)					
1. Wien Energie Vertrieb GmbH & Co KG, Thomas-Klestil-Platz 14, 1030 Vienna	0.00	100.00	0.00	100.00	
2. Energieallianz Austria GmbH, Wienerbergstrasse 11, 1100 Vienna	0.00	45.00	0.00	45.00	
Naturkraft Energievertriebsgesellschaft m.b.H., Wienerbergstrasse 11, 1100 Vienna	0.00	45.00	1	45.00	1
SWITCH Energievertriebsgesellschaft m.b.H., Wienerbergstrasse 11, 1100 Vienna	0.00	45.00	1	45.00	1
EAA 24x7 GmbH, Wienerbergstrasse 11, 1100 Vienna	0.00	45.00	1	45.00	1
3. PAMA-GOLS Windkraftanlagenbetriebs GmbH & Co KG, Kasernenstrasse 9, 7000 Eisenstadt	0.00	50.00	0.00	50.00	

COMPANIES NOT ACCOUNTED FOR USING THE EQUITY METHOD***	2017		2016	
	WSTW GmbH	WSTW Group	WSTW GmbH	WSTW Group
Interest (%)				
1. PAMA-GOLS Windkraftanlagenbetriebs GmbH, Kasernenstrasse 9, 7000 Eisenstadt	0.00	50.00	0.00	50.00
2. Bytkomfort s.r.o., SNP 9, SK-94060 Nové Zámky	0.00	49.00	0.00	49.00
3. TownTown Tiefgaragen GmbH, Würtzlerstrasse 3/8, 1030 Vienna	0.00	44.00	0.00	44.00
4. TownTown Tiefgaragen GmbH & Co. KG, Würtzlerstrasse 3/8, 1030 Vienna	0.00	44.00	0.00	44.00
5. Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH, Am Hof 6a, 1010 Vienna	0.00	33.33	0.00	33.33
6. EVN-Wien Energie Windparkentwicklungs- und Betriebs GmbH, Thomas-Klestil-Platz 14, 1030 Vienna	0.00	50.00	0.00	50.00
7. EVN-Wien Energie Windparkentwicklungs- und Betriebs GmbH & Co KG, Thomas-Klestil-Platz 14, 1030 Vienna	0.00	50.00	0.00	50.00
8. Aspern Smart City Research GmbH, Seestadtstrasse 27, 1220 Vienna	0.00	49.95	0.00	49.95
9. Aspern Smart City Research GmbH & Co KG, Seestadtstrasse 27, 1220 Vienna	0.00	49.95	0.00	49.95
10. Bestatterakademie GmbH, Simmeringer Hauptstrasse 339, 1110 Vienna	0.00	49.00	0.00	49.00
11. WEEV Beteiligungs GmbH, EVN Platz, 2344 Maria Enzersdorf	0.00	0.00	8	49.99
12. EP Zurndorf GmbH, Kasernenstrasse 9, 7000 Eisenstadt	0.00	42.40	0.00	42.40

NON-CONSOLIDATED COMPANIES*/**	2017		2016	
	WSTW GmbH	WSTW Group	WSTW GmbH	WSTW Group
Interest (%)				
1. WIENSTROM Naturkraft GmbH, Thomas-Klestil-Platz 14, 1030 Vienna	0.00	100.00		100.00
2. WIENSTROM Naturkraft GmbH & Co KG, Thomas-Klestil-Platz 14, 1030 Vienna	0.00	0.00	7	100.00
3. SERVISKOMFORT s.r.o., Volgogradská 88, SK-08001 Prešov	0.00	100.00		100.00
4. Vienna Energy forta naturala S.R.L., Sfanta Vineri Street no.29, Bectro-Center, RO-030203 Bucharest	0.00	100.00		100.00
5. HAUSCOMFORT GmbH, Spittlauer Lände 45, 1090 Vienna	0.00	100.00		100.00
6. Energiecomfort Hungary Energetik, Régi Várház tér 12, HU-9200 Mosonmagyaróvár	0.00	100.00		100.00
7. Gemeinnützige Wohnungs- und Siedlungsgesellschaft der Wiener Stadtwerke Gesellschaft m.b.H., Nelkengasse 6/6, 1060 Vienna	100.00	100.00		100.00
8. R.H. pro domo Servicegesellschaft m.b.H., Nelkengasse 6/6, 1060 Vienna	0.00	100.00	2	100.00
9. WIENCOM Werbeberatungs GmbH, Thomas-Klestil-Platz 14, 1030 Vienna	100.00	100.00		100.00
10. Sarglogistik Vienna GmbH, Anton-Mayer-Gasse 3, 1110 Vienna	0.00	100.00		100.00
11. pax diebestattung GmbH, Landstrasser Hauptstrasse 39, 1030 Vienna	0.00	100.00		100.00
12. KREMATORIUM WIEN GmbH, Simmeringer Hauptstrasse 339, 1110 Vienna	0.00	100.00		100.00
13. Neue Urbane Mobilität Vienna GmbH, Thomas-Klestil-Platz 14, 1030 Vienna	0.00	0.00	4	100.00
14. Tierfriedhof Vienna GmbH, Simmeringer Hauptstrasse 339, 1110 Vienna	0.00	70.00		70.00
15. Druckerei Lischkar & Co. Gesellschaft m.b.H., Migaziplatz 4, 1120 Vienna	0.00	100.00		100.00
16. Spravbytkomfort a.s., Volgogradská 88, SK-08001 Prešov	0.00	55.00		55.00
17. Neu Leopoldau Entwicklungs GmbH, Messeplatz 1, 1021 Vienna	0.00	51.00		51.00
18. MHC Calinesti Rau S.R.L., Sfanta Vineri Street no.29, Bectro-Center, RO-030203 Bucharest	0.00	100.00		100.00
19. PTGwsg GmbH, Nelkengasse 6/6, 1060 Vienna	0.00	100.00	5	100.00
20. Energy Eastern Europe Hydro Power GmbH, Thomas-Klestil-Platz 14, 1030 Vienna	0.00	100.00		100.00
ERS d.o.o. Male Hidroelektrane, Akademika Petra Mandića 11c, 71 123 Istočno Sarajevo	0.00	100.00	6	100.00
EBH d.o.o., Zmajica od Bosne 7-7a, 33 000 Sarajevo	0.00	100.00	6	100.00
EMK d.o.o., Jane Sandanski 113-12, 1000 Skopje	0.00	100.00	6	100.00
ECG d.o.o. Male Hidroelektrane, Marka Miljanova 27, 81 000 Podgorica	0.00	100.00	6	100.00
21. Upstream - next level mobility GmbH, Thomas-Klestil-Platz 13, 1030 Vienna	49.00	100.00		100.00
22. Wiener Linien Verkehrsprojekte GmbH, Erdbergstrasse 202, 1030 Vienna	0.00	100.00		100.00
23. IWS TownTown AG, Thomas-Klestil-Platz 14, 1030 Vienna	0.00	70.00		70.00
24. TownTown Immobiliendevlopment GmbH, Thomas-Klestil-Platz 14, 1030 Vienna	0.00	70.00		70.00
25. TownTown Immobiliendevlopment GmbH & Co ORBI Tower KG, Thomas-Klestil-Platz 14, 1030 Vienna	0.00	0.00	8	70.00
26. IWS TownTown AG & Co OG, Thomas-Klestil-Platz 14, 1030 Vienna	0.00	70.00		70.00
27. Kraftwerk-Gulling GmbH, Thomas-Klestil-Platz 14, 1030 Vienna	0.00	100.00		0.00
28. Kraftwerk-Gulling GmbH & Co KG, Thomas-Klestil-Platz 14, 1030 Vienna	0.00	100.00		0.00

* Excluded pursuant to section 249(2) Austrian Business Code

** Details of capital and reserves and of profit for the year are not presented, as the companies concerned are immaterial to presenting a true and fair view of the Group's assets, finances and earnings

*** Excluded pursuant to section 263(2) Austrian Business Code

1 Fully-owned subsidiary of Energieallianz Austria GmbH

2 Liquidated in 2017

3 Integrated into WienIT EDV Dienstleistungsgesellschaft mbH in 2017

4 Merged with Wiener Stadtwerke Vermögensverwaltung GmbH in 2017

5 Liquidated in 2017

6 Fully-owned subsidiary of Energy Eastern Europe Hydro Power GmbH

7 Integrated into WIENSTROM Naturkraft GmbH in 2017

8 Disposed of in 2017

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Glossary.

SPECIALISED TECHNICAL AND INDUSTRY TERMINOLOGY

Biodiversity

Biodiversity (biological diversity) is the variability among living organisms from all sources.

Bonded loan

Bonded loans are a form of long-term corporate debt. A loan is extended to a borrower by a large financial intermediary without recourse to the organised capital market. These instruments are only available to companies with impeccable credit ratings.

Capex ratio

The capex ratio is a measure of a company's propensity to invest. It indicates the percentage of revenue that an enterprise reinvests in intangible assets, and property, plant and equipment.

Cash flow

This is a measure of a company's financial strength and its ability to generate the resources required for dividend payments, debt service and investment spending independently.

Citizen-owned solar power installation

Wien Energie offers private individuals opportunities to play their part in expanding renewable electricity generation capacity and earn attractive returns by investing in new photovoltaic systems.

CO₂ emission allowances

These entitle the holder to emit a given amount of CO₂. They are tradeable, and their price is determined by supply and demand.

Combined heat and power (CHP)

The simultaneous generation of electricity and heat (combined heat and power) maximises fuel efficiency.

District cooling

This refers to the delivery of a cooling medium used to air-condition buildings. Either a central district cooling station generates the cooling energy and it is transported to consumers via a heat-insulated network, or absorbers at distributed refrigeration centres are used to produce it from the hot water supplied via the district heating network.

Energy efficiency

Energy efficiency is the ratio of energy output to energy inputs. (Power generation at power stations

inevitably involves the transformation of a large part of the primary energy employed into heat. At CHP stations this heat is used for district heating.)

Equity ratio

(Equity/total capital less government grants and prepayments on account of orders) x 100

Financial Reporting (Amendment) Act 2014

The RÄG 2014 (Financial Reporting [Amendment] Act 2014) is applicable to the financial years beginning after 31 December 2015.

Fixed assets ratio

(fixed assets/total assets) x 100

Funeral services

The term "funeral services" encompasses all the services that Bestattung Wien provides and charges for. Entire burial and cremation packages make up most of these, but they also include smaller items.

GDPR

The General Data Protection Regulation (GDPR) is a European Union regulation that harmonises the rules for the processing of personal data by private entities and public authorities throughout the EU. It is aimed at protecting personal data within the EU and ensuring the free movement of data within the European single market.

Modal split

This refers to the breakdown of total traffic volume into the various transport modes, by percentage shares.

NO_x

NO_x is the abbreviation of nitrogen oxide which is the collective term for the gaseous oxides of nitrogen.

Photovoltaic system

This is a system that uses sunlight to produce electricity. If the plant produces heat it is called a solar thermal system.

Primary energy

This is energy captured from naturally occurring energy forms or sources and which, unlike secondary energy, can be used without first being converted. Besides the fossil fuels – natural gas, oil, lignite and hard coal – this includes renewable energy sources including solar, geothermal, wind, hydro power and biomass.

PUC

The projected unit credit (PUC) method is an actuarial method for calculating company pension obligations.

Risk management

Risk management is the systematic recognition and evaluation of risk, and the management of responses to identified risks. This process has many areas of application, including the management of business, credit, financial investment, environmental, insurance and technical risk.

Seat kilometres

The seat kilometre is a unit employed in the public transport industry. It refers to the product of the seats offered by a transport company and the distance travelled by the means of transport concerned. It takes no account of whether the seats are occupied.

Smart city

The expression "smart city" refers to a city where information and communication technology and resource efficient technologies are systematically deployed in order to conserve resources, enhance citizens' quality of life and the competitiveness of the local economy, and ultimately increase the city's sustainability. As a minimum, the areas of energy, transport, urban planning and governance are taken into account.

Smart grid

A smart grid is an intelligent power network, capable of the (communications) networking and control of power generators, storers and consumers, and operators of transmission and distribution network resources. The aim is to connect distributed generating stations and plants with volatile output (e.g. from renewable sources such as photovoltaic, wind and biogas plants) to the grid without compromising network stability, thereby underpinning efficient and reliable system operation, and security of supply.

Smart metering

Smart metering combines cutting edge meter technology with information and communication technology to give consumers near-real-time updates on their power consumption, transmit meter readings to the system operator electronically, and price electricity according to current supply availabilities.

Total heating degrees

The difference between a given room temperature (measured in degrees Celsius) and the average air temperature for a day is referred to as a degree day figure. The total of all the degree days for a year is the total heating degrees. This is a good indicator of heating demand during a year, and hence of energy suppliers' business performance.

URBEM

This is a research project jointly supported by Wiener Stadtwerke and TU Wien. Ten doctoral students are developing and visualising innovative energy and transport scenarios for Vienna's infrastructure, almost like a real-life version of the computer game SimCity.

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