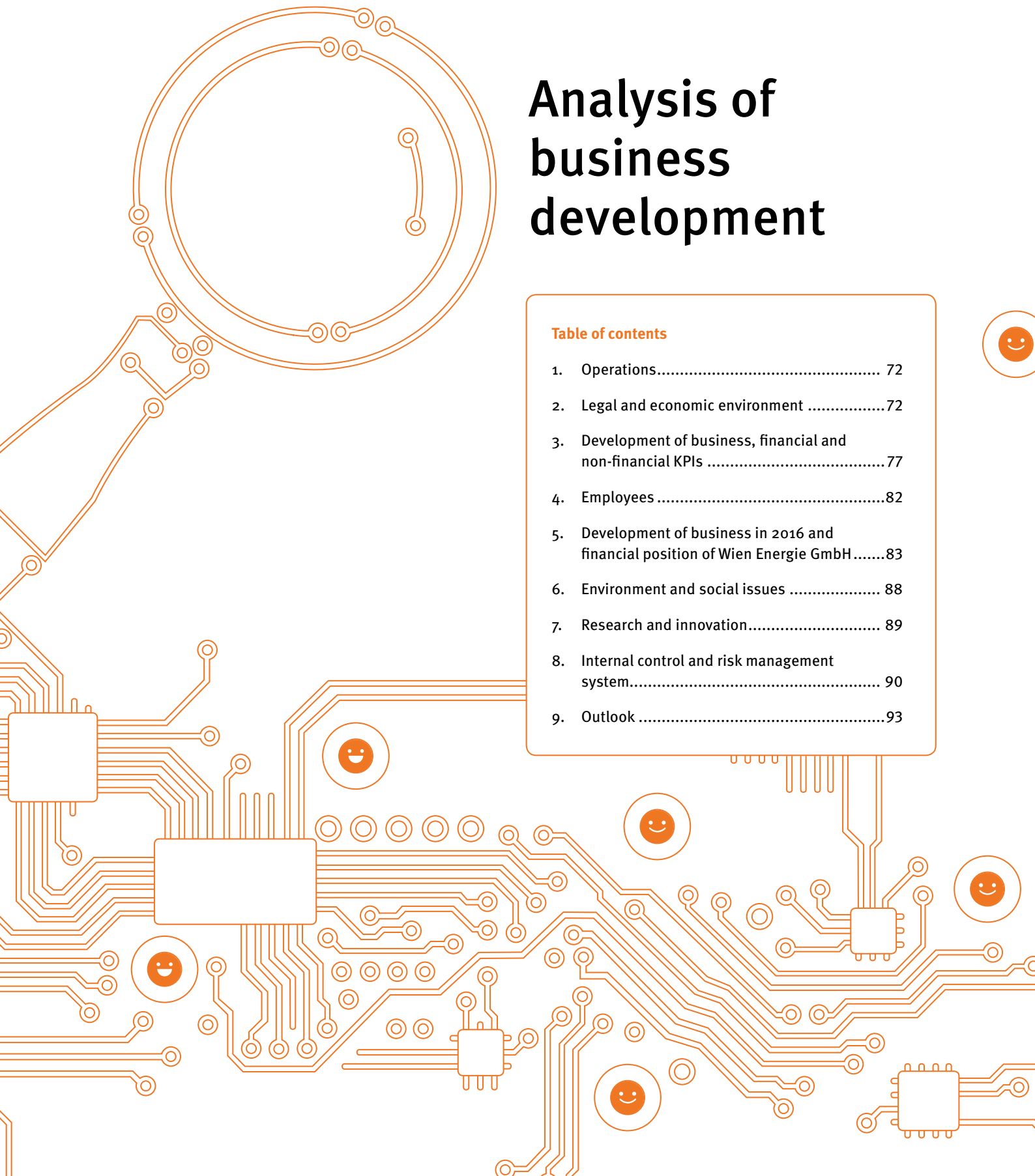




Analysis of business development

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1. Operations

Wien Energie is the largest regional energy services provider in Austria, providing more than two million people, approximately 230,000 businesses, industrial facilities and public buildings, as well as around 4,500 farms in Vienna, Lower Austria and Burgenland with electricity, natural gas, heat, district cooling and innovative energy services. Wien Energie GmbH produces electricity and heat from renewable energy sources, thermal waste recycling and high-efficiency cogeneration power plants. Wien Energie GmbH is also active in the field of telecommunications, where it provides additional services. Wien Energie GmbH is a wholly-owned subsidiary of Wiener Stadtwerke Holding AG.

2. Legal and economic environment

The energy and climate policy of the European Union

In July 2016, the European Commission published a summer package on the Energy Union and to implement the 2030 Climate and Energy Framework. This included:

- A proposal for a regulation to set binding national annual targets for Member States to reduce greenhouse gas emissions between 2021 and 2030 (effort sharing) in the non-ETS sector
- A proposal for a regulation on the inclusion of emissions and the reduction of greenhouse gases from land use, land use change and forestry (LULUCF sector)
- An announcement by the European Commission concerning a strategy for low-emission mobility

The European Commission's programme of work for 2017 also comprises, in addition to ten general focal areas, work with a focus on energy policy. At the end of 2016, the European Commission published its so-called winter package, which contains specific proposals for the energy sector:

- An announcement on smart financing for smart buildings
- An overhaul of the Buildings Directive and the Energy Efficiency Directive
- A change to the Energy Market Design Directive
- A change to the Renewable Energies Directive (including the sustainability of bioenergy)
- A change to the Governance Directive
- A change to the directives concerning security of supply in the areas of electricity and gas
- An initiative to accelerate innovative work in the field of environmentally-friendly energy sources

Furthermore, the European Parliament and the Council are called upon to give priority to legislative proposals that have already been submitted, such as the gas supply package, the EU's emissions trading system and the associated rules on sharing the burden, as well as the initiative to reduce greenhouse gases from land use and forestry. The implementation of the action plan for the circular economy also comprises several documents: a strategy for the use, recycling and re-use of plastics; water-related measures; an initiative to eliminate legal, technical or practical bottlenecks at the interface to chemical, product-specific and waste-specific legal regulations; monitoring frameworks for the circular economy.

According to the ideas of European Commission, Union law should be simplified and generate fewer costs. The 'Streamlining monitoring and reporting obligations in

environment policy' consultation was held as part of the REFIT programme of the European Commission. The issues related to different areas of environmental law. In view of this and with regard to the gas crises in the winters of 2006 and 2009, the European Commission presented a package of legislative and non-legislative measures in February 2016, which comprised a strategy for the production of heat and cooling, a revised regulation on the security of the supply of gas, a resolution on energy-related intergovernmental agreements and strategies for LNG and storing gas. This has led to a range of different implementation measures, with more to follow.

The European Commission's sector investigation of capacity mechanisms was launched in eleven Member States – including Germany, France and Poland – in 2015. Austria is not part of this investigation. In April 2016, the Directorate General Competition presented its initial findings concerning the capacity mechanisms.

The Agency for the Cooperation of Energy Regulators (ACER) submitted a recommendation back in autumn 2015 to split the Austro-German price zone. It is ACER's job to monitor and regulate Europe's energy markets with a view to ensuring transparency and stability. The conflict between Germany and its neighbours has been brewing since 2012 given that German surplus capacities from renewable energies regularly overload the grids in these countries. From the point of view of the German Federal Network Agency, it is necessary to introduce a bottleneck management system at the Austro-German border by 3 July 2018. The current decisions are the subject of controversial legal discussions and ongoing or pending legal proceedings to review the formal legitimacy and material merits of the measures to split the price zones.

Surplus capacities in Germany are overloading the grids in neighbouring countries

The energy and environmental policy of Austria

In line with the European energy and climate targets set as part of the energy union to be achieved by 2030, an Austrian energy and climate strategy for 2030 is being drawn up. The new Energy and Climate Strategy 2030 will be part of the national energy and climate plans.

Austria is working on a new energy and climate strategy

The new national green book for an integrated energy and climate strategy was published in June 2016. It is intended to form the basis of an informed and fact-based discussion on an integrated energy and climate strategy in Austria, and was divided into four parts (the status quo, the developments and consequences for the Austrian energy and climate strategy, a comparison of different scenarios and studies concerning the development of the Austrian energy system and greenhouse gas emissions in Austria, the mission statement of the future energy and climate policy focusing on sustainability, security of supply, competitiveness and affordability). A consultation was ongoing on this matter until September 2016.

Through the government's law on energy efficiency (*EEffG*), Austria meets its obligations under the Energy Efficiency Directive (2012/27/EU – EED). The aim of the law on energy efficiency, which came into effect in 2014, is to stabilise end energy consumption at 1,050 petajoules by 2020 through a range of energy efficiency measures. As part of implementing the law on energy efficiency, the energy efficiency monitoring office reviews the energy savings achieved within the scope of this federal law every year, to the extent that these were achieved as a result of energy services or other energy efficiency measures, and summarises the respective results in a report. According to information provided by the monitoring office, 156.9 petajoules of cumulative energy savings (notwithstanding possible corrections) were achieved in the first reporting periods, corresponding to around 51 percent of the Austria's overall target of 310 petajoules. Companies deemed to be 'large'

The market launch of e-mobility is to be accelerated

under the law on energy efficiency (*EEffG*), including Wien Energie, were required, under Art. 9 *EEffG*, to introduce a recognised management system including an internal or external energy audit, or conduct an external energy audit, by 1 December 2015.

The Federal Ministry of Agriculture, Forestry, Environment and Water Management, as well as the Federal Ministry for Transport, Innovation and Technology, have put together a package of measures totalling EUR 72 million, in cooperation with car importers, to accelerate the launch of e-mobility on the market in Austria. The focal points of the e-mobility package include a subsidy when buying e-vehicles and incentives to develop a comprehensive network of charging stations (condition: electricity entirely from renewable energy sources).

Economic factors

In 2016, Austria's gross domestic product (GDP) expanded by 1.5 percent over the prior year. Growth was driven by both consumer and investor demand, while the contribution of the export industry to GDP growth was negative. This means that growth in Austria is just below the OECD and EU averages.

Private consumer spending (including that of private not-for-profit organisations) increased by 0.4 percent, while public spending only saw a 0.3 percent increase.

Gross fixed capital formation also rose despite losing momentum in the course of the year. Domestic companies again invested more in equipment, while the demand for buildings fell.

As a result of even lower energy and fuel costs, the average rate of inflation in 2016 was just 0.9 percent, despite a significant rise in rental prices.

The supply-driven rise in employment since 2012 waned somewhat in 2016. The unemployment rate in Austria in 2016 fell from 6.0 percent to 5.7 percent due to an increase in employment figures (according to the Eurostat definition). This means that Austria is in eighth place in Europe. The unemployment rate in the EU-28 was 8.2 percent.

While the US Federal Reserve raised interest rates again in December 2016 (to a range between 0.5 percent and 0.75 percent), the European Central Bank (ECB) continued to pursue a highly expansive monetary policy aimed at boosting inflation and achieving its price stability target of two percent. In order to achieve this, the base lending rate was cut to zero percent in April 2016 and the programmes to buy government-issued bonds were extended and expanded.

2016 was the fourth warmest year on record

Temperature developments

2016 was the fourth warmest year on record at the Central Institute for Meteorology and Geodynamics (ZAMG), records that go back almost 250 years. Despite many months with high levels of precipitation, 2016 saw four percent more sunshine than an average year. A particularly noteworthy fact is that there were virtually no extended periods of very cool or cold weather. Ten months with above-average temperatures stood in contrast to just two cold months. Measured in terms of the total heating degree days, the standard parameter for temperature-related energy requirements, the temperatures prevailing in the supply area of Wien Energie during the reporting period were 0.1 percent higher than the comparable value of recent years, and 5.5 percent higher than in the prior year. These temperatures also had a positive impact on the business development of Wien Energie GmbH compared to the previous year – which was the second warmest year on record at the ZAMG.

Development of crude oil prices

The price of Brent crude oil fell to its lowest level in twelve years in January 2016. It has, however, since recovered considerably and, at the end of the financial year, was at around USD 55 per barrel. This is approximately reflected in the amount of the marginal production costs. The main reason behind the recovery of the oil price may be the decisions made by the Organisation of Petroleum-exporting Countries (OPEC). After extensive talks, the 13 member countries agreed in December on the first cut in production since 2008. According to the agreement, a maximum of 32.5 million barrels will be produced per day – 1.1 million fewer barrels than in October. In addition, Russia also announced its intention to cut production levels.

OPEC agreed on its first cut in production in eight years

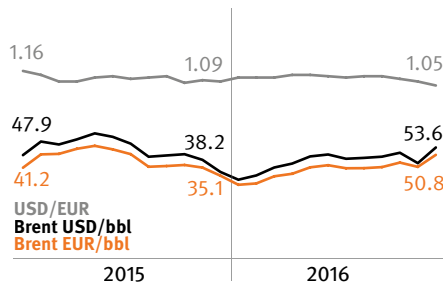
Development of natural gas prices

Gas prices fell to their lowest level in six years in April 2016. Since this time, they have gradually risen to almost two cents per kilowatt hour, although the stable situation in Ukraine and the well-filled gas storage facilities in Europe led to a comfortable supply-side situation. Prices were boosted primarily as a result of the demand for power plant gas. 16.5 terawatt hours of additional electricity was generated by gas-fired generation plants last year in Germany alone compared to 2015.

Natural gas marks a turning point

Oil price development

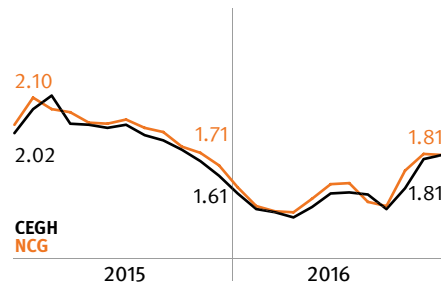
in USD/bbl and EUR/bbl



Source: Thomson Reuters (ICE)

Gas price development

in ct/kWh



Source: Thomson Reuters (EEX NCG) or Wien Energie Energiewirtschaft

Development of electricity prices

January and February 2016 saw electricity spot market prices fall sharply, driven by falling prices on commodities markets, the high energy yield from wind power and the relatively mild weather last winter. New lows for forward prices not seen since the beginning of the liberalisation of the electricity market were the result. However, the drop in prices was offset by higher commodity prices, above all for coal, in the first half of 2016. Prices rose further at the beginning of the fourth quarter, after the French state-owned company Électricité de France (EDF) had to take 21 of its 58 French nuclear reactors off the grid for safety inspections.

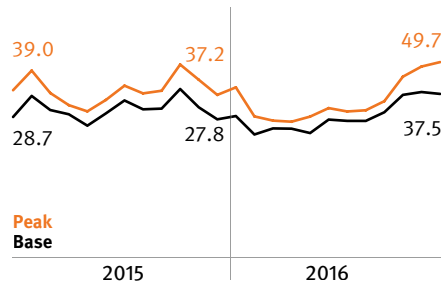
The price of CO₂ emission certificates does not have the desired steering function

Development of prices for CO₂ emission certificates

As was the case in the electricity market, the CO₂ price fell sharply at the start of the year. Additional pressure was put on prices as result of the Brexit vote. The result was prices of little more than four euro per tonne. Since then, pollution rights have been fluctuating between four and six euro per tonne. Such a low price for CO₂ emissions does not have the desired steering effect from an environmental standpoint. Consequently, emissions targets are expected to be tightened by the political decision-makers in the fourth phase of the European Emissions Trading System (EU ETS).

Development of electricity prices

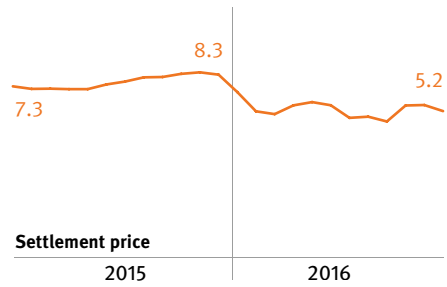
in EUR/MWh



Source: Base/Peak (EEX market price), 10 January 2017

CO₂ certificate prices

in EUR/t



Source: Thomson Reuters (ICE), 10 January 2017

3. Development of business, financial and non-financial KPIs

Factors influencing financial results

An application was made to the City of Vienna to send a total of 201 employees of Wien Energie and employees transferred to WienIT into retirement so as to optimise organisational structures, further reduce personnel costs and thus to improve efficiency. These retirement applications for civil servants were accepted by the City of Vienna's council staff committee (*Gemeinderätliche Personalkommission*). This means that 79 people retired from Wien Energie in 2016. The remaining retirements are planned for the coming years.

Another issue affecting Wien Energie Group division is the merger of EnergieAllianz Austria GmbH (EAA) with e&t Handelsgesellschaft m.b.H. e&t was a sister company of EAA, performing the electricity trading activities of Wien Energie, as well as the electricity and gas trading activities of EVN and Burgenland Holding. As a result of the merger, these trading volumes have been included in the Wien Energie Group in accordance with the level of investment, i.e. 45 percent. However, these transactions have virtually no effect on net income, which means that there is no material earnings effect.

Notes to the Profit and Loss Account of Wien Energie

The profit and loss account of the Wien Energie Group division contains a summary of the results of Wien Energie GmbH and its investments according to the current list of holdings.

Profit and loss account

in EUR million	2016	2015	+/-	+/- %
Turnover*	2,056.7	1,853.1	203.6	11.0
Change in inventory	0.1	0.0	0.1	n.c.
Other own work capitalised	0.6	2.8	-2.2	-77.5
Other operating income*	20.0	57.7	-37.8	-65.4
Cost of materials and services	-1,481.2	-1,252.3	-228.9	-18.3
Personnel expenses	-290.5	-237.6	-52.9	-22.3
Depreciation and amortisation	-91.0	-85.2	-5.8	-6.8
Other operating expenses	-218.2	-238.3	20.0	8.4
Earnings before interest and tax (EBIT)	-3.6	100.3	-103.9	-103.6
Financial result	-76.0	-72.1	-4.0	-5.5
Earnings before tax (EBT)	-79.6	28.2	-107.8	-382.4

* The Accounting Amendment Act (*RÄG 2014*) resulted in revenues from the provision of personnel, rental income, income from the reversal of building grants and income from additional electricity-related business previously reported under other operating income being reclassified as turnover in 2016. The values for 2015 were also correspondingly adjusted to improve comparability.

n.c.: not calculable

The merger of EnergieAllianz Austria and e&t Handelsgesellschaft increased turnover

Turnover

Turnover of the Wien Energie Group division amounted to EUR 2,056.7 million in the 2016 financial year, representing a year-on-year increase of EUR 203.6 million. This increase is largely due to the merger of EnergieAllianz Austria GmbH with e&t Handelsgesellschaft m.b.H. and the associated additional electricity and gas trading turnover. However, this only had a very limited effect on earnings.

Other own work capitalised

The decline in own work capitalised compared to the prior year is due to the completion of the Spittelau waste incineration plant and the Arsenal district heating plant in the prior year.

Other operating income

Both income from the reversal of provisions and other income were lower in 2016 than in 2015. One reason for this is that there were no extraordinary items in the income from system service fees in 2016, which was the case in the prior year.

Cost of materials and services

The cost of materials and services is mainly composed of the costs incurred for gas used to produce electricity, heat and cooling, as well as for procuring energy from third parties and electricity, gas and heat for resale. EUR 228.9 million more was spent on materials compared to the prior year. This rise is largely due to the merger of EnergieAllianz Austria GmbH with e&t Handelsgesellschaft m.b.H.

Personnel expenses

The rise in personnel expenses is largely due to the additions to pension provisions. The additional expense for severance pay also served to increase expenses, caused by the restructuring measures – already set out under ‘Factors influencing financial results’ – as well as the cost of employees now included in the Wien Energie Group division as a result of the merger of EnergieAllianz Austria GmbH with e&t Handelsgesellschaft m.b.H.

Depreciation and amortisation

Depreciation and amortisation in the 2016 financial year amounted to EUR 91.0 million, which represents a year-on-year increase of EUR 5.8 million. This deviation is largely due to the capitalisation of the IT projects SAP Core Neu, CRM Plus and the usufruct rights in the telecommunications field, as well as unscheduled write-downs of wind power projects.

Other operating expenses

The reduction of EUR 20.0 million in other operating expenses compared to 2015 is primarily due to the successful implementation of measures to improve efficiency as part of the E17 project of Wien Energie GmbH.

Earnings before interest and tax (EBIT)

In total, the EBIT of the Wien Energie Group division in 2016 amounted to EUR –3.6 million, EUR 103.9 million less than in the prior year.

Financial result

The financial result fell by EUR 4.0 million compared to the prior year. This stems from lower income from investments, unscheduled write-downs of financial assets and the change in the actuarial interest rate for pension obligations. In contrast, additions made to financial assets, which were required for the first time in connection with the Accounting Amendment Act (RÄG 2014), had a positive effect.

Expenses for severance pay have risen as a result of restructuring measures

EBIT amounts to EUR –3.6 million

EBT

Taking the financial result into account, the Company recorded EBT of EUR –79.6 million for the 2016 financial year.

Headcount-related KPIs

in TEUR	2016	2015	+/-	+/- %
Turnover per employee*	775.5	691.5	83.9	12.1

* The headcount corresponds to the average FTE.

In the 2016 financial year, turnover per employee was TEUR 775.5 on average, TEUR 83.9 higher than in the prior year. The primary reason for this was the 11.0 percent rise in turnover caused by the merger of EnergieAllianz Austria GmbH with e&t Handelsgesellschaft m.b.H. Earnings before interest, taxes, depreciation and amortisation (EBITDA) fell by EUR 98.0 million in a year-on-year comparison, heavily affected by extraordinary items. Correspondingly, EBITDA per employee fell by TEUR 36.2 to TEUR 33.0.

Investments

Wien Energie made investments totalling EUR 74.0 million in the 2016 financial year, representing a year-on-year decrease of 44.7 percent.

Investments

in EUR million	2016	2015	+/-	+/- %
Intangible assets	13.6	13.7	-0.2	-1.4
Tangible assets	36.0	114.1	-78.1	-68.4
Financial assets	24.4	6.1	18.4	301.9
Total investments	74.0	133.9	-59.9	-44.7

Investments in 2016 financial year were broken down as follows:

Investments in intangible assets relate to usufruct rights to telecommunications networks, as well as capitalisations for software developments. Investments in tangible assets relate primarily to additions associated with the construction of the Andlersdorf wind farm, the Leopoldau e-heater, the expansion of district heating connections, refrigeration and heating centres, as well as photovoltaic power plants and operationally necessary expansions in thermal production. The year-on-year decline is mainly the result of the completion of large projects such as the Pottendorf wind farm and the Spittelau waste incineration plant.

Investments in financial assets stemmed, among other factors, from the participation in Aspern Smart City Research GmbH, as well as the Oberwaltersdorf and Glinzendorf wind power projects.

Non-financial performance indicators

Energy in GWh ¹	2016	2015	+/-	+/-%
Production				
Electricity	5,872.2	5,011.3	860.9	17.2
Heat	5,374.2	4,981.9	392.3	7.9
Total	11,246.4	9,993.2	1,253.2	12.5
Sales				
Electricity	9,280.8	9,444.0	-163.2	-1.7
Gas	6,627.9	6,632.8	-4.9	-0.1
Heat	5,992.7	5,681.0	311.7	5.5
Total	21,901.4	21,757.8	143.6	0.7

¹ Fully and proportionally consolidated subsidiaries

The overall energy production level of the Wien Energie Group division in the reporting period increased year-on-year by 12.5 percent to 11,246.4 gigawatt hours. Total sales in the electricity division were slightly below the level of the prior year, while in the heating division they were slightly higher. In total, sales increased by 0.7 percent year-on-year.

The electricity production of all fully and proportionally consolidated subsidiaries in the Wien Energie Group amounted to 5,872.2 gigawatt hours during the period under review, equivalent to 17.2 percent more than in the prior period. This rise is primarily attributable to the increased level of heat being extracted from cogeneration plants and a higher spark spread. It was also possible to generate more output in the area of renewable energies, notably hydropower and wind power.

Taking into account the shares in power generated by affiliated but non-consolidated investments and those over which Wien Energie can exert a significant influence, electricity production amounted to 5,985.5 GWh (prior year: 5,104.0 GWh). The 20.3 percent share of electricity production from renewable sources was around the same level as in the prior year. In absolute terms, total electricity produced from renewable energies increased by 16.6 percent to 1,214.7 GWh as a result of higher levels of production from hydropower and wind power.

The share of electricity produced from renewable energy sources amounts to 20.3 percent

Overview of share of electricity produced from power generation

in GWh	2016	2015	+/-	+/- %
Power generation (consolidated)	5,872.2	5,011.3	860.9	17.2
+ Power generation by non-consolidated affiliated companies	50.2	45.2	5.0	11.0
+ Power generation via investments entailing significant influence	63.1	47.5	15.6	32.9
= Total power generation (Group) incl. investments (1)	5,985.5	5,104.0	881.5	17.3
of which power generation from renewable energy sources (2)	1,214.7	1,042.2	172.5	16.6
Proportion of renewable energies in total power generation (Group), including investments [(2) / (1)]	20.3%	20.4%	-0.1	-0.6

The production of district heating by all subsidiaries consolidated within the Wien Energie Group amounted to 5,374.2 GWh during the reporting period, 7.9 percent higher than in the prior period. Including the proportional amounts from investments, total production amounts to 5,624.1 GWh, which is 7.3 percent more than in the prior year. At 1,534.5 GWh, the amount of heat produced from waste and biomass was 5.0 percent higher than in the prior year. The proportion of total heat produced from these sources decreased slightly from 27.9 percent to 27.3 percent.

The share of heat produced from waste and biomass comes to 27.3 percent

Overview of share of total heat production from waste and biomass

in GWh	2016	2015	+/-	+/- %
Heat production (consolidated)	5,374.2	4,981.9	392.3	7.9
+ Heat generation by non-consolidated affiliated companies	208.5	199.7	8.8	4.4
+ Heat generation via investments	41.4	60.6	-19.1	-31.6
= Total heat generation (Group) incl. investments (1)	5,624.1	5,242.2	381.9	7.3
of which from waste and biomass (2)	1,534.5	1,461.2	73.4	5.0
Proportion of waste and biomass in total heat production [(2) / (1)]	27.3%	27.9%	-0.6	-2.1

4. Employees

The Wien Energie Group employed an average of 2,652 employees (full-time equivalents) in the 2016 financial year. At the end of 2016, the share of women amounted to 25.9 percent. The number of employees with special needs stood at 68 at the end of the year. The training of a total of 55 apprentices and trainees (at 31 December 2016) will safeguard the Company's future needs for specialists in the technical and commercial divisions.

Average headcount (FTE)¹

	2016	2015	+/-	+/-%
Wage earners	765	782	-17	-2.1
Salaried employees	1,887	1,898	-11	-0.6
Total	2,652	2,680	-27	-1.0
Apprentices / trainees	51	60	-8	-13.8

¹ The headcount corresponds to the number of employees of all fully and proportionately consolidated companies, expressed as average full-time equivalents. Apprentices and trainees are not included.

The personnel policy of the Wien Energie Group division pursues the overriding aim of safeguarding the competitiveness and, therefore, the commercial success of the Company. A key element of personnel management is the endeavour to offer all personnel an attractive working environment.

Implementation of target organisation

Implementation of the target organisation, which came into effect in July 2015, was continued in 2016 so as to be better able to overcome the market's challenging underlying conditions. In addition to insourcing services and merging departments to improve efficiency and harness the potential to increase revenue, work also began to implement structural changes.

Sales & market orientation

Sales activities were brought even closer into line with company targets in 2016. To this end, competencies were evaluated and then fostered in a targeted fashion. Organisational changes were made in the areas of sales to key account customers so as to respond to the fiercer competitive situation and new objectives. Areas that boost the position of Wien Energie through innovative products and services focusing on customer needs were expanded. A dedicated department for e-mobility was also created to do justice to the growing significance of this area.

Corporate culture

Wien Energie places particular emphasis on anchoring performance in its corporate culture. To this end, a project was launched in 2016 in which the new understanding of performance will be successively developed and implemented. These measures help to ensure the efficient implementation of the Company's strategy.

Performance is being anchored more firmly in the corporate culture

5. Development of business in 2016 and financial position of Wien Energie GmbH

The key financial indicators of Wien Energie GmbH for the 2016 financial year are presented below to complement the information provided about the developments of the Wien Energie Group described above.

Notes to the Profit and Loss Account of Wien Energie GmbH

Profit and loss account

in EUR million	2016	2015	+/-	+/- %
Turnover*	1,115.7	1,138.0	-22.3	-2.0
Change in inventory	0.0	0.0	0.0	n.c.
Other own work capitalised	0.6	2.8	-2.2	-77.5
Other operating income*	10.5	35.6	-25.1	-70.6
Cost of materials and services	-684.9	-691.1	6.2	0.9
Personnel expenses	-274.8	-222.5	-52.3	-23.5
Depreciation and amortisation	-85.5	-78.4	-7.1	-9.1
Other operating expenses	-185.7	-193.4	7.7	4.0
Earnings before interest and tax (EBIT)	-104.1	-9.0	-95.1	n.c.
Financial result	17.4	10.9	6.5	59.6
Earnings before tax (EBT)	-86.8	1.8	-88.6	n.c.

* The Accounting Amendment Act (RÄG 2014) resulted in revenues from the provision of personnel, rental income, income from the reversal of building grants and income from additional electricity-related business previously reported under other operating income being reclassified as turnover in 2016. The values for 2015 were also correspondingly adjusted to improve comparability.

Turnover

Turnover fell by EUR 22.3 million compared to the prior year, due primarily to a decline in income from the sale of electricity and gas. Despite the 18 percent rise in electricity production (5,662 GWh in 2016 compared to 4,791 GWh in 2015), the lower price at which electricity was sold in 2016 overcompensated for the volume-related effect.

Low electricity prices reduce turnover

Other own work capitalised

The decline in own work capitalised compared to the prior year is due to the completion of the Spittelau waste incineration plant and the Arsenal district heating plant in the prior year.

Other operating income

Both income from the reversal of provisions and other income were lower in 2016 than in 2015. One reason for this is that there were no extraordinary items in the income from system service fees in 2016, which was the case in the prior year.

Cost of materials and services

The costs of materials and services were reduced by EUR 6.2 million compared to 2015. This is due to the lower price of gas, despite the increase in gas consumption as a result of the increased use of power plants.

Personnel expenses

The rise in personnel expenses is largely due to the additions to pension provisions. The additional expense for severance pay also served to increase expenses, caused by the restructuring measures already set out under 'Factors influencing financial results'.

Depreciation and amortisation

The rise in depreciation and amortisation compared to the prior year is due to the capitalisation of the IT projects SAP Core Neu, CRM Plus and usufruct rights in the telecommunications field, as well as unscheduled write-downs of the Unterlaa and Steinriegel 1 wind power projects.

Other operating expenses

The reduction of EUR 7.7 million in other operating expenses compared to 2015 is due to the successful implementation of measures to improve efficiency as part of the E17 project and relates primarily to marketing expenses and third-party transportation.

Earnings before interest and tax (EBIT)

Given the drop in turnover, lower other operating income, higher depreciation and amortisation and personnel expenses, as well as the precautionary measures taken in respect of power plants, EBIT fell to EUR -104.1 million.

Financial result

The financial result increased by EUR 6.5 million to EUR 17.4 million. This was primarily attributable to income from the additions made to financial assets, which were required for the first time in connection with the Accounting Amendment Act (*RÄG 2014*). This was offset by write-downs on financial assets amounting to EUR 68.9 million.

EBT

In the 2016 financial year, Wien Energie GmbH recorded total earnings before tax of EUR -86.8 million.

Asset and capital structure

Abridged balance sheet

in EUR million	2016	2015	+/-	+/- %
Fixed assets	1,754.4	1,794.9	-40.5	-2.3
Current assets	362.0	293.1	68.9	23.5
Accrued income and prepayments	78.6	90.7	-12.1	-13.4
Deferred tax assets	0.5	0.0	0.5	n.c.
Total assets	2,195.5	2,178.7	16.8	0.8

Shareholder's equity	303.5	395.8	-92.4	-23.3
Investment grants from public funds	17.8	18.9	-1.2	-6.1
Non-current borrowings	1,624.6	1,404.8	219.8	15.6
Current borrowings	249.7	359.2	-109.5	-30.5
Total equity and liabilities	2,195.5	2,178.7	16.8	0.8

Key balance sheet figures

	2016	2015	+/-	+/- %
Equity ratio	13.8	18.2	-4.3	-23.9
Capitalisation ratio	79.9	82.4	-2.5	-3.0

$$\text{Equity ratio} = \frac{\text{Shareholder's equity}}{\text{Balance sheet total}} \times 100$$

$$\text{Capitalisation ratio} = \frac{\text{Fixed assets}}{\text{Balance sheet total}} \times 100$$

Fixed assets

The carrying amount of fixed assets fell by EUR 40.5 million compared to the prior year. While the value of intangible assets rose by EUR 24.2 million, property, plant and equipment fell by EUR 36.3 million. This is due to higher depreciation with less investment activity.

The largest position under property, plant and equipment in terms of value, at nearly 70 percent of the total, is the technical equipment and machinery. These increased by EUR 21.4 million compared to the prior year. Wien Energie GmbH's capitalisation ratio generally amounts to 79.9 percent.

Financial assets declined in a year-on-year comparison, falling by EUR 28.4 million. This was mainly due to write-downs of financial assets and investments (including Wien Energie Bernegger Wasserspeicher Pfaffenboden GmbH).

Current assets

Current assets comprise inventories, accounts receivable and other assets, as well as cash in hand and positive bank balances. All three positions saw a sharp rise compared to the prior year totalling EUR 68.9 million. The primary reason here was higher receivables from affiliated companies, of which EUR 27.2 million from cash pooling.

Prepayments and accrued income

Accrued income and prepayments primarily consist of differential amounts not recognised in income related to provisions for pensions. Due to the negative result for the year, the differential amount was not reversed by one twenty-fifth.

Deferred tax assets

Deferred tax assets amounting to EUR 0.5 million were recognised for the first time as required by the Accounting Amendment Act (*RÄG 2014*) in the 2016 financial year.

Shareholder's equity

The shareholder's equity is made up of the capital stock (EUR 230 million), capital reserves (EUR 43.8 million) and revenue reserves (EUR 24.6 million) and increased by the balance sheet profit in the amount of EUR 5.0 million. The equity ratio amounts to 13.8 percent. The decline in shareholder's equity relative to the prior year is due to the net loss for the year.

Provisions

Around three quarters of the provisions reported on the balance sheet date of 31 December 2016 are attributable to provisions for pensions. These indirect pension obligations exist as a result of the Vienna Public Enterprises Allocation Act (*Wiener Stadtwerke-Zuweisungsgesetz*), published in the State Law Gazette (LGBl 17/1999), which requires that the Company reimburse the City of Vienna for the pension-related expenses of municipal employees assigned to work for it. The calculation here is based on an actuarial report. Both provisions for pensions and other provisions increased compared to the prior year.

Liabilities

Liabilities to affiliated companies in particular were lower in a year-on-year comparison.

They comprise, among other items, the borrowed capital from the Group cash pool of Wiener Stadtwerke, as well as long-term Group financing. This position also includes liabilities from the purchase of shares in previous years from Wiener Netze GmbH for Wien Energie Vertrieb GmbH & Co KG.

Accrued expenses and deferred income

Accrued expenses and deferred income refers mainly to building grants received by heating and cooling customers.

Moreover, an addition to the power drawing rights at Freudenuau and additions to the Wiener Stadtwerke fund pursuant to Art. 906 of the Austrian Commercial Code (*UGB*) (reserve for additions) were recognised as accrued expenses. This is possible under the Accounting Amendment Act (*RÄG 2014*) as this relates to impairment reversals from prior years.

Cash flow

in EUR million	2016	2015	+/-	+/- %
Consolidated profit/loss for the year	-86.2	2.0	-88.2	n.c.
Non-cash expenses/income plus reclassifications	306.7	169.9	136.8	80.5
Cash flow from earnings	220.5	171.9	48.6	28.3
Change in working capital	-55.4	44.9	-100.3	-223.5
Change in non-current operational cash flow	20.2	-28.1	48.3	172.0
Cash flow from operating activities	185.3	188.7	-3.3	-1.8
Cash flow from investment activities	-42.1	-104.0	61.9	59.5
Cash flow from financing activities	-23.8	-89.6	65.8	73.4
Total cash flow	119.4	-4.9	124.3	n.c.
Start of the period	-72.1	-67.2	-4.9	-7.3
End of the period	47.3	-72.1	119.4	165.6

Despite a negative annual result compared to the prior year, there was a major improvement in cash flow from operating activities due to non-cash expenses and income.

The positive deviation relates both to the cash flow from operating activities, as well as investing and financing activities.

The deviation compared to the prior year is due to a significant decline in investments. The reduction is primarily the result of the completion of the Spittelau waste incineration plant, the Arsenal district heating plant and the Pottendorf wind farm, all of which were large projects.

The lower level of investment had a positive effect on funding requirements. Furthermore, the cash flow from financing activities is also affected by the low repayment of liabilities due to banks and to affiliated companies. The payment of dividends to Wiener Stadtwerke Holding AG, in contrast, had a negative impact on the cash flow from financing activities.

6. Environment and social issues

Wien Energie's business model is an example of environmental protection – the Vienna Model saves up to three million tonnes of CO₂ emissions every year and will be expanded. Wien Energie's measures, in particular the expansion of renewable energy production and the expansion of district heating, are therefore the most important parts of Vienna's climate protection programme.

The priority given to protecting the environment, quality management and occupational safety is reflected in a professional governance structure. On the one hand, in Wiener Stadtwerke's sustainability management system, with a sustainability programme evaluated, updated and approved by the Management Board every year. On the other, through the integrated management system (IMS) – including the aspects of quality management (ISO 9001), environment protection (ISO 14001 / EMAS) and occupational health and safety (OHSAS 18001) – focusing on generation (all sites) and the supply of district heating.

The focus is currently on diversifying the Vienna Model. This means:

more renewable electricity

- Commissioning the most significant wind farm project today in Pottendorf with 15 wind turbines and an installed output of 43 megawatts
- Constructing a new small-scale hydropower plant on the Donauinsel (400 megawatt hours a year)
- Vienna's first citizen solar power plant for council flat tenants in the city-owned apartment block Am Schöpfwerk, with an output of 319 kilowatt peak
- New product for farming: *SolarKraft – EinfachGießen* comes with a mobile photovoltaic irrigation system and a comprehensive service package

more environmental and waste heat

- Feeding waste heat from the Manner chocolate plant in Vienna's Hernals district into the local district heating since October 2016
- Implementing the investment decision relating to large-scale heat pumps and e-heaters
- The new *Hybrid-Wärme* product is an innovative combination of gas boiler and heat pump

more efficiency

- LED lights for Vienna: around 55,000 public lights in Vienna will be switched to environmentally-friendly, energy-efficient and sustainable LED technology by 2020, with the support of Wien Energie. The conversion work will start in 2017

more infrastructure and more products and services for e-mobility

- At the end of 2016, there were 440 dedicated charging stations and the next phase of the programme is set to increase this number to 600 charging stations by the end of 2017
- Successful launch of the energy efficiency competence centre

Ombudsman office for customers experiencing social hardship

Wien Energie GmbH is acutely aware of its responsibility to the people living in the Greater Vienna metropolitan area. The team at Wien Energie's ombudsman office has been looking after specific cases of social hardship since 2011 in cooperation with private and public social institutions. Key is that all parties work together to develop a solution tailored to the individual case. The aim is to safeguard the long-term supply of energy.

7. Research and innovation

In order to be in the best position possible to meet the challenges associated with the fundamental transition taking place in European energy markets, Wien Energie GmbH is involved in a range of different research and development projects. Among other things, these activities serve to safeguard competitiveness, establish new commercial fields and continually optimise the use of resources. Some of the research and development projects are part-funded by Wiener Stadtwerke Holding AG's FTI fund.

After setting up an innovation management system in the prior year, the focus in 2016 was on carrying out the first innovation projects. These also served to identify new working methods and to anchor these in the Company. Within the framework of various pilot projects, ideas for product innovations for Wien Energie's customers were sought using modern creativity and product development methods such as design thinking and lean startup. The projects were coordinated by internal innovation scouts. These scouts act as a link between the Research and Innovation department and the other departments. Not only are they responsible for adopting and promoting ideas from all areas of the Company, but they are also a key factor in establishing a culture of innovation. Particular care was taken during the pilot projects to involve customers as early as possible.

The findings of these projects have helped to further develop the innovation management system, enabling Wien Energie to regularly impress its customers with innovations in the future.

It is becoming increasingly important to welcome external innovation stimuli and to integrate these into the Company's own innovation process so that it as to be able to hold its own in the difficult environment of the energy industry. This is why several open innovation initiatives were launched in 2016:

- **Cooperation with the Vienna University of Economics and Business**
Together with the Institute for Strategy, Technology and Organisation at the Vienna University of Economics and Business, new ideas and businesses were developed for relevant topics in the course of lectures and seminars. One team that developed a solution for interactive bills caused a stir with its considerable imagination and high-quality development. Wien Energie would like to maintain this cooperation and expand it to include other universities so as to develop new solutions together with students on a regular basis.
- **Startup Day**
Start-ups are an indispensable driver of innovation – in the energy industry too. This is why Wien Energie organised its first Startup Day in 2016, inviting promising new companies from a range of different sectors. Demand was greater than expected. Over 180 international start-ups expressed their interest in working together with Wien Energie on new products. In the course of two rounds of pitches, the start-ups demonstrated how to present complex ideas in an interesting and precise way. A large number of Wien Energie employees took the opportunity to talk with the creative entrepreneurs. The Startup Day has already led to some early collaborations.

New product ideas are developed using modern methods such as design thinking

External stimuli are becoming increasingly important for the innovation process

- **Innovation Challenge**

The Innovation Challenge was launched at the end of 2016. In this new format, in-house experts work together with start-ups on new ideas for Wien Energie. Wien Energie employees are released from work two days a week for a period of two months to work on these innovation projects. The results of these projects will be presented in 2017.

- **Industry meets Makers**

In the start-up initiative entitled 'Industry meets Makers', budding entrepreneurs developed concepts for e-charging stations in the public domain, together with Wien Energie. The results were encouraging. Work is now continuing on two concepts, and one of the 'Industry meets Makers' participants is doing an internship at Wien Energie.

8. Internal control and risk management system

In coordination with the Wiener Stadtwerke Group, Wien Energie has implemented a comprehensive system of risk management which makes it possible to identify opportunities and risks at an early stage. Risks and opportunities are defined here as potential, negative or positive, deviations from the expected course of business.

The risk management process follows the internationally recognised standards of COSO (Committee of Sponsoring Organizations of the Treadway Commission). The ongoing identification, recording and assessment of the risks faced by all Group companies form the basis for the regular risk reports. Generally speaking, a distinction is made between qualitative and quantitative risks.

Quantitative risks will be included in the financial report prepared by Controlling as of 2017 (integrated reporting). As regards the key financial performance indicators of the Company, ranges are derived from risk management in the form of confidence intervals and degrees of target attainment defined by the Group for their future development, and presented in reports. A key objective here is ensuring the ability of the Company to bear risk.

A risk and opportunities review is carried out on a yearly basis. In the course of this, the original assessments of risks and opportunities of the past year are compared with the actual outcomes.

The discussion and coordination of the most important opportunities and risks are also included in the annual business planning meeting. The aim is to identify, based on a holistic view, which opportunities and risks can be anticipated in the coming years so as to be able to take these into account in the corporate planning. Appropriate measures are subsequently identified and monitoring intensified in the relevant planning areas.

The established risk controller function is responsible for ensuring compliance with the defined risk management process. This position reports regularly and directly to the relevant general manager.

The risk management system of the entire Group was subjected to an external audit in 2013 by the auditing and tax advisory firm BDO Austria GmbH. The aim of the audit was to determine the appropriacy and functionality of the risk management system in place. The result of the audit is that it is fully functional and the manner in which its processes, activities and checks are carried out corresponds to an appropriate risk management system.

The risk landscape of Wien Energie is divided into the following seven risk groups:

Technical risks: Mitigation by means of regular maintenance and investment programmes

The very high level of reliability of its technical infrastructure is a major and critical factor for the success of Wien Energie. For this reason, particularly close attention is paid to compliance with high technical standards and carefully defined maintenance and quality checks. Redundant data are held in critical areas. In addition, risks are mitigated by means of appropriate insurance policies. Measures to achieve a high level of availability of the IT systems (e.g. operating a secondary data processing centre) ensure reliable support for business processes.

High technical standards ensure safety

Price-related risks in terms of primary energy and electricity: Risk mitigation via hedge transactions

Oil, gas and electricity prices are set on international commodity exchanges and thus are exposed to high levels of volatility, driven by global developments. These price risks are mitigated by means of forward transactions and derivative financial instruments such as futures, swaps, supply contracts with performance options, etc., which are only used to hedge risks. Sufficient reserves of fuel are available.

Environmental risks: Risk mitigation by means of permanent market monitoring

Underlying political and legal conditions can have a considerable impact on the commercial success of Wien Energie. These factors are regularly reviewed in order to be able to identify risks as early as possible and to react accordingly. Weather risks are also included in this risk class. These are caused by temperatures that deviate from the long-term average. Temperature deviations cause a rise or drop in heating sales, thereby having an impact on the development of earnings.

Market risk: Risk mitigation through the development of new products and services

Market risks include price and competition-based risks in the area of sales. Wien Energie GmbH mitigates these risks by developing new products and services, through a pro-active, customer-oriented sales policy, and through a series of partnerships and cooperations.

In addition, the risks of customers defaulting on amounts owed are mitigated by means of constantly monitoring outstanding amounts and associated dunning procedures.

Investment risk: Mitigation by means of monitoring and standardised guidelines

Wien Energie is involved in selected energy segments in both domestic and selected international projects. Appropriate internal guidelines have been put into place that, in combination with an effective commitment to good corporate governance, ensure that the associated risks are regularly monitored. Any possible currency-related effects are countered by means of the close monitoring of foreign exchange and financial markets.

Long-term financial investment is conservative

Financial risks: Actively controlled by treasury and asset management

This risk class includes, in particular, those risks associated with short and long-term investments. Short-term working capital is managed and optimised by a Group-wide cash pooling scheme. Long-term financial investment is conservative. The focus is based on the regulations for pension funds; the underlying business process is subjected to an external audit every year by an auditor. Corresponding risk analysis concepts are regularly employed. Limits ensure that countermeasures can be taken in good time. The risk of banks defaulting, which is determined on the basis of their rating, is mitigated through diversification controlled by limits.

Organisational and personnel risks: IPD as risk mitigation

Potential personnel risks are regularly evaluated by the Wiener Stadtwerke Group, compared with a benchmark and made available to Wien Energie GmbH. Within the scope of the Group's integrated personnel development (IPD) concept, various methods are used such as, for example, employee orientation meetings, which are intended to mitigate and/or avoid these risks.

Internal control system (ICS)

Wien Energie's ICS refers to all of the measures implemented at the Company to safeguard the efficiency and effectiveness of business processes, to identify major risks and errors, to protect the Company's assets, ensure compliance with external regulations, and to effectively secure the transparent and proper management of the Company. The Internal Audit Division concentrates on how business processes are handled, as well as on the internal control and risk management system, in accordance with an annual audit programme approved by the Management Board.

Compliance with all legal requirements is monitored

The ICS ensures that all relevant business processes and their material risks are recorded and minimised through corresponding controls, and that important documentation and responsibilities are transparently recorded and stored. Compliance with all of the legal requirements relevant to the Group is monitored and checked. The reliability of financial reporting is ensured. The ICS is developed in an organisational structure defined by a Group guideline and through a periodic reporting obligation to the general management teams. The roles and responsibilities within the ICS control process are clearly defined in this Group guideline. Ongoing risk identification and recognising errors occupy a key role.

At 31 December 2016, Wien Energie GmbH is not aware of any risks that, either independently or in combination with other factors, could represent a risk or risks to the future existence of the Company.

9. Outlook

Clear course of growth

Wien Energie is on a growth trajectory. The number of people living in Vienna is set to rise by a number equivalent to the population of Linz by 2030. Wien Energie will take advantage of the opportunities afforded by a growing city and surrounding population, investing over EUR 800 million over the next five years, around half of which in technologies for renewable energies. In addition to constructing more wind farms and expanding the use of hydropower, the focus is squarely on the expansion of photovoltaic installations. In doing so, not only will Wien Energie safeguard security of supply in a growing city, but also increase the proportion of energy produced from renewable sources. The aim is to produce at least 35 percent of electricity from renewable sources by 2030, and at least 40 percent of heat from renewable sources.

Boosting efficiency and improving earnings

Within the Company, the E17 project to boost operational efficiency is being continued and is expected to improve earnings by EUR 86 million by 2017. Nearly three quarters of this target had already been met by the end of 2016. Safeguarding earnings power and boosting profitability also serves to ensure the Company's long-term ability to finance its programme of investment.

From supplier to innovative service provider

Wien Energie will continue to evolve from a traditional utility company to become a service provider leveraging the opportunities offered by digitalisation. The Company will also bring innovative products and services to the market in the coming year. To this end, partnerships will be intensified with start-ups and industry newcomers from the fields of mobility, retail, telecommunications and IT. In the area of telecommunications, Wien Energie will further extend its fibre-optic network as part of its broadband offensive. In addition to this, Wien Energie will offer new services in the area of information and communication technology for business customers over the coming years. The Company will also launch a brand new market image in 2017.

Smart home solutions

Following the market launch of the new intelligent, all-in-one solution for detached homes, *HausMaster*, the offering is set to be supplemented by further product features and smart home components in the coming months. There are plans in the medium term to also create offers for customers living in rented apartments.

E-mobility

E-mobility is a clear area where Wien Energie can grow in the future. This Company sees itself as a pioneer here by setting up the necessary infrastructure of e-charging stations. Wien Energie had set up 440 publicly accessible charging stations in the Greater Vienna metropolitan area by the end of 2016. This expansion programme will be continued at full speed in 2017. Furthermore, Wien Energie will manage the setting up of a basic public network of charging stations as a cooperation partner of the City of Vienna.

Wien Energie will continue to evolve from a traditional utility company to become a service provider leveraging the opportunities offered by digitalisation.

New local sources of heat

According to forecasts, annual heat requirements in Vienna will increase by 200 megawatts a year. Wien Energie would like to capture around half of this growth for itself. The expansion plan sets out our objective to develop around 100 megawatts both centrally and by decentralised means, such as heat pumps. The existing, well-developed district heating network offers us the opportunity to concentrate supply. This makes it possible to access new customers with manageable means. Furthermore, we will make increased use of new, local sources of heat – such as geothermal energy, solar energy or industrial waste heat – and integrate these into the existing network. By the same token, the supply of cooling will also be increased. Wien Energie will double its total installed output to 200 megawatts by 2020.

Conditions in the energy sector

The European energy market is continuing to change. Highly volatile prices, rising competition and digitalisation will continue to shape developments. Moreover, energy and climate strategies at all political levels – EU, Austria, City of Vienna – are being revamped.

Merely selling purely kilowatt hours belongs to the past. Wien Energie is evolving and growing. As Austria's largest energy service provider, the Company will continue to focus its activities on the customer in the future, winning people over with its expertise and meeting the challenges of the new market with the necessary commercial prudence.

Vienna, 24 March 2017

For the Management Board:

Peter Gönitzer
Karl Gruber
Michael Strebl, Chairman

Management and executive bodies

Members of the Management Board of Wien Energie GmbH

Michael Strebl, Chairman, since 1 October 2016
Thomas Irschik, Chairman, until 30 September 2016
Peter Gönitzer
Karl Gruber, from 1 March 2016
Susanna Zapreva, until 29 February 2016

Wien Energie Supervisory Board

Chairman:

Peter Weinelt,

Member of the Board of Management of Wiener Stadtwerke Holding AG, and Chairman, since 2 November 2016

Robert Grüneis,

Member of the Board of Management of Wiener Stadtwerke Holding AG, and Chairman, until 2 November 2016

1st Deputy Chairman:

Franz Oberndorfer,

Head of the directorate of the municipal department of the City of Vienna (from 30 March 2016, Member of the Supervisory Board, from 14 March 2016)

2nd Deputy Chairman:

Robert Lasshofer,

General Manager of Wiener Städtische Allgemeine Versicherung AG, Vienna Insurance Group

Members

Stephan Auer-Stüger,

City of Vienna (until 13 March 2016)

Christian Gantner,

ebswien hauptkläranlage GmbH (from 14 March 2016)

Martin Krajcsir,

Wiener Stadtwerke Holding AG (1st Deputy Chairman until 29 March 2016)

Heidrun Maier-de Kruijff,

VÖWG

Alena Sirka-Bred,

Municipal Department 26 – Data Protection, Information Law and Civil Status (until 13 March 2016)

Bernd Vogl,

MA 20, member since 5 October 2016

Employee representatives:

Kurt Januschke, Wien Energie GmbH

Roland Boigner, Wien Energie GmbH

Martin Kink, Wien Energie GmbH

Christian Szalay, Wien Energie GmbH,
since 2 November 2016

Shareholder structure

Wien Energie GmbH is a wholly-owned subsidiary of Wiener Stadtwerke Holding AG, and is therefore indirectly owned by the City of Vienna.

Management of Wien Energie Vertrieb

Wolfgang Altmann,

Regional General Manager of Wien Energie Vertrieb GmbH & Co KG and authorised signatory of EnergieAllianz Austria GmbH

Christian Wojta,

Regional General Manager of Wien Energie Vertrieb GmbH & Co KG and General Manager of EnergieAllianz Austria GmbH

Management of Wien Energie Energiecomfort

Martina Jochmann

List of holdings

Fully consolidated companies

Interest in %

	Wien Energie GmbH	Group division Wien Energie
1. Wien Energie GmbH, Thomas-Klestil-Platz 14, 1030 Vienna	100.00	100.00
2. Facilitycomfort Energie- und Gebäudemanagement GmbH, Spittelauer Lände 45, 1090 Vienna	100.00	100.00
3. Wien Energie Bundesforste Biomasse Kraftwerk GmbH, 1. Haidequerstraße 1, 1110 Vienna	66.66	66.66
4. Wien Energie Bundesforste Biomasse Kraftwerk GmbH & Co KG, 1. Haidequerstraße 1, 1110 Vienna	66.66	66.66
5. Vienna Energy Természeti Erő KFT, Aradi utca 16, HU-1062 Budapest, Hungary	100.00	100.00

Companies consolidated under the equity method

Interest in %

	Wien Energie GmbH	Group division Wien Energie
1. e&i EDV Dienstleistungsgesellschaft m.b.H., Thomas-Klestil-Platz 6, 1030 Vienna	50.00	50.00
2. EPZ Energieprojekt Zurndorf GmbH & Co KG, Kasernenstrasse 9, 7000 Eisenstadt	42.40	42.40
3. Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH & Co KG, Am Hof 6a, 1010 Vienna	33.33	33.33

Proportionally consolidated subsidiaries

Interest in %

	Wien Energie GmbH	Group division Wien Energie
1. Wien Energie Vertrieb GmbH & Co KG, Thomas-Klestil-Platz 14, 1030 Vienna	100.00	100.00
2. EnergieAllianz Austria GmbH, Wienerbergstrasse 11, 1100 Vienna	45.00	45.00
a) Naturkraft Energievertriebsgesellschaft m.b.H., Wienerbergstraße 11, 1100 Vienna	45.00	45.00 ¹
b) SWITCH Energievertriebsgesellschaft m.b.H., Wienerbergstraße 11, 1100 Vienna	45.00	45.00 ¹
c) EAA 24x7 GmbH, Wienerbergstraße 11, 1100 Vienna	45.00	45.00 ¹
3. Pama-Gols Windkraftanlagenbetriebs GmbH & Co KG, Kasernenstrasse 9, 7000 Eisenstadt	50.00	50.00

¹ Wholly-owned subsidiary of EnergieAllianz Austria GmbH

Companies not included in the full scope of consolidation^{1/2}

Interest in %

	Wien Energie GmbH	Group division Wien Energie
1. Wienstrom Naturkraft GmbH, Thomas-Klestil-Platz 14, 1030 Vienna	100.00	100.00
2. Wienstrom Naturkraft GmbH & Co KG, Thomas-Klestil-Platz 14, 1030 Vienna	100.00	100.00
3. Serviskomfort s.r.o., Volgogradská 88, SK-08001 Prešov, Slovakia	0.00	100.00
4. MHC Calinesti Rau S.R.L., Street Sfanta Vineri, no.29, Bectro-Center, RO-030203 Bucharest, Romania	100.00	100.00
5. Hauscomfort GmbH, Thomas-Klestil-Platz 15, 1030 Vienna	0.00	100.00
6. Energiecomfort Hungary Energetik, Régi Várház tér 12, HU-9200 Mosonmagyaróvár, Hungary	0.00	100.00
7. Vienna Energy forta naturala S.R.L., Street Sfanta Vineri, no.29, Bectro-Center, RO-030203 Bucharest, Romania	100.00	100.00
8. Spravbytkomfort a.s., Volgogradská 88, SK-08001 Prešov, Slovakia	0.00	55.00
9. Wien Energie Bernegger Wasserspeicherkraftwerk Pfaffenboden GmbH, Gradau 15, 4591 Molln	100.00	100.00
10. Energy Eastern Europe Hydro Power GmbH, Hans-Klöpper-Strasse 28-30, 8750 Judenburg	100.00	100.00

1 Not consolidated on the grounds of Article 249 (2) of the Austrian Commercial Code (UGB)

2 On the grounds of immateriality in terms of providing a true and fair picture of the assets, financial and earnings positions, no details of equity or annual result are provided.

Companies not consolidated under the equity method¹

Interest in %

	Wien Energie GmbH	Group division Wien Energie
1. Pama-Gols Windkraftanlagenbetriebs GmbH, Kasernenstrasse 9, 7000 Eisenstadt	50.00	50.00
2. Ortswärme Oberstausen Verwaltungs GmbH, Schloßstrasse 8, D-87534 Oberstausen, Germany	0.00	50.00
3. Ortswärme Oberstausen GmbH & Co KG, Schloßstrasse 8, D-87534 Oberstausen, Germany	0.00	50.00
4. Bytkomfort s.r.o., SNP 9, SK-94060 Nové Zámky, Slovakia	0.00	49.00
5. Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH, Am Hof 6a, 1010 Vienna	33.33	33.33
6. EVN-Wien Energie Windparkentwicklungs- und Betriebs GmbH, Thomas-Klestil-Platz 14, 1030 Vienna	50.00	50.00
7. EVN-Wien Energie Windparkentwicklungs- und Betriebs GmbH & Co KG, Thomas-Klestil-Platz 14, 1030 Vienna	50.00	50.00
8. Aspern Smart City Research GmbH, Thomas-Klestil-Platz 14, 1030 Vienna	29.95	29.95
9. Aspern Smart City Research GmbH & Co KG, Seestadtstrasse 27, 1220 Vienna	29.95	29.95
10. EP Zurndorf GmbH, Kasernenstrasse 9, 7000 Eisenstadt	42.40	42.40

1 Not consolidated on the grounds of Article 263 (2) UGB

Corporate governance

The risk and control instruments employed by Wien Energie serve to implement the Company's strategy, taking into account all statutory and Group-internal requirements. The economic, environmental and social orientation of the Company should be preserved on a sustainable basis with the auditing mechanisms and bodies in place.

Wien Energie's risk management system is based on the internationally recognised standards of COSO (Committee of Sponsoring Organizations of the Treadway Commission). The Company can react to unforeseen events in a rapid and appropriate way using standardised processes based on risk assessment questionnaires or a risk database and risk control matrices. Results from ongoing risk evaluation are regularly forward to the management team. There are risk controllers in every corporate division who check the smooth running of risk management processes. In addition to this, they monitor the work of the various issue-specific risk controllers who are employed in the areas of finance, IT, procurement, investments and personnel, thereby ensuring an effective link between the different monitoring bodies. For details about risk management, see the analysis of the course of business from page 90.

Internal control system (ICS)

ICS refers to a control system aimed at monitoring and controlling the efficacy and efficiency of commercial operations, the reliability of financial reporting and compliance with the legal requirements relevant to the Group. The ICS documentation system then serves as a basis for ICS internal auditing activities.

Supervisory Board

In accordance with Art. 29 of the Austrian Companies Act (*GmbH-Gesetz*), Wien Energie has set up a supervisory board that fulfils its duties as defined by law and plays a key role in determining the strategic alignment of the Company. A list of its members is provided on page 95.

Four ordinary and two extraordinary Supervisory Board meetings were held during the 2016 financial year. The General Management fulfilled its obligation to provide information as stipulated in Art. 28 of the Austrian Companies Act (*GmbH-Gesetz*), obtaining the statutory or legally required consent of the Supervisory Board in cases where this approval is needed or for fundamental decisions.

Other controlling bodies

In compliance with the Austrian Stock Corporation Act (*Aktiengesetz*), Wiener Stadtwerke Holding AG has an Internal Audit Department. In the course of internal auditing, all divisions are audited, including subsidiaries and majority shareholdings. The Internal Audit Division concentrates on commercial viability, appropriacy, safety and the correct of work processes at Wien Energie, in which the auditors have access to all documents as a result of their passive and active right to be informed. Furthermore, they are must be entitled to full access to all company facilities.

Vienna's city constitution stipulates that all companies in which the City of Vienna holds a majority stake must be audited by the Audit Division of the City of Vienna. They regularly inspect a whole host of corporate aspects and processes at Wien Energie, ranging from monitoring the technical functionality of facilities to auditing commercial procedures.

The Austrian Court of Audit is another external controlling body, one which is responsible for evaluating the performance of Wien Energie. In addition to the accounting audit, the use of funds is also audited to ensure economy, appropriacy and commercial viability.

Code of conduct and compliance

Both Wiener Stadtwerke and its subsidiaries have a particular obligation to ensure a high level of service quality as well as to the values of integrity, reliability, transparency and accountability. In order to raise awareness for these obligations, the most important fundamentals relating to conduct were compiled to create a code of conduct.

Wiener Stadtwerke's code of conduct serves as a guide for each and every employee in the Wiener Stadtwerke Group. It can be accessed at www.wienerstadtwerke.at/Verhaltenskodex.

A compliance management system has been established at Wiener Stadtwerke Holding AG to ensure compliance with all the relevant guidelines and legal requirements. Compliance officers at each of the Group companies are responsible for coordinating action in this area. Ongoing training courses for employees are held to raise awareness of critical issues, notably in the areas of procurement and divestiture.

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Wien Energie has taken great care to ensure that the information and data contained in this Annual Review are accurate. However, no liability shall be accepted for any inaccuracies, omissions or printing errors.

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