



## **Supplement dated 9 July 2020 to the Base Listing Particulars dated 29 July 2019**

### **AUDACIA CAPITAL (IRELAND) PLC**

(the "Issuer")

(Incorporated with limited liability in Ireland under registered number 622442)

This supplement (the "**Supplement**") is supplemental to, forms part of, and should be read in conjunction with, the base listing particulars dated 29 July 2019, as amended by Supplement No. 1 dated 12 November 2019, Supplement No. 2 dated 28 May 2020 and Supplement No. 3 dated 19 June 2020 (together, the "**Listing Particulars**") issued for the purposes of giving information with regard to the issue of notes ("**Notes**") of Audacia Capital (Ireland) plc (the "**Issuer**"). The aggregate nominal amount of Notes issued by the Issuer under the Listing Particulars and at any one time outstanding will not at any time exceed €150,000,000.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the extent that there is any inconsistency between (a) any statement in, or incorporated by reference in, this Supplement and (b) any statement in, or incorporated by reference in, the Listing Particulars, the statement in (a) above will prevail. This Supplement constitutes a Supplementary Listing Particulars for the purpose of listing on the Official List of Euronext Dublin and trading on the Global Exchange Market of Euronext Dublin and should be read in conjunction with the Listing Particulars. Application has been made to Euronext Dublin to approve this Supplement and to admit certain Series of Notes to listing on the Official List of Euronext Dublin and to trading on the Global Exchange Market of Euronext Dublin.

Words and expressions defined in the Listing Particulars shall, unless the context otherwise requires, have the same meaning when used in this Supplement. Save as set out below, there has been no other significant new factor, material mistake or inaccuracy relating to the information included in the Listing Particulars since the publication of the Listing Particulars.

### **Purpose of this Supplement**

The purpose of this Supplement is to include a description of an additional Collateral Obligor set out below in the Collateral Annex.

### **Amendment to Appendix 1 – Collateral Annex**

The Issuer has been validly incorporated and the board of directors of the Issuer has approved the issuance of Notes in relation to one or more Series for the Collateral Obligor set out below.

The following text shall be inserted to the end of Appendix 1 - Collateral Index of the Listing Particulars:

**AQUARION SCFI LIMITED**  
**COLLATERAL ANNEX FOR LISTING PARTICULARS**

<b>NAME OF THE COLLATERAL OBLIGOR</b>	Aquarion SCFI Limited (in respect of this Collateral Annexure only, the “ <b>Collateral Obligor</b> ”)
<b>JURISDICTION OF INCORPORATION</b>	Ireland
<b>REGISTERED ADDRESS</b>	40 Upper Mount Street, Dublin 2, Ireland
<b>LEGISLATION UNDER WHICH THIS OBLIGOR OPERATES</b>	Ireland
<b>LEGAL FORM</b>	Private company limited by shares
<b>DATE OF INCORPORATION</b>	17 June 2020
<b>REGISTERED NUMBER</b>	672394
<b>SHARE CAPITAL</b>	EUR 100
<b>SHAREHOLDERS</b>	Aquarion AG  With its registered office and correspondence address at Zugerstrasse 76B, 6340 Baar, Switzerland (“ <b>Aquarion</b> ” and the “ <b>Guarantor</b> ”). For further details in relation to the Guarantor, please see Appendix 1.
<b>DIRECTORS</b>	Paul Jeffrey Coe with his business address at:  Zugerstrasse 76B,  6340 Baar,  Switzerland.
<b>FINANCIAL YEAR END</b>	31 December
<b>AUDITORS</b>	The Collateral Obligor (newly established) is to be audited by RBK Business Advisers, a member firm of Chartered Accountants Ireland and regulated by the Chartered Accountants Regulatory Board in Ireland (registration number AI3018374).
<b>HISTORICAL FINANCIAL INFORMATION / FINANCIAL STATEMENTS</b>	As a newly established special purpose vehicle, the Collateral Obligor has produced no financial statements and has not been required to do so.
<b>OVERVIEW OF THE PRINCIPAL ACTIVITIES OF THE COMPANY</b>	The Collateral Obligor is a special purpose vehicle for the retain proceeds from the Series to introduce a product to the market (as described below), or to on-lend the proceeds of the Series to other members of the group of companies set out at Appendix

	<p>2 (the “<b>Aquarion Group</b>”), with all indirect proceeds of the Notes to be applied to the Aquarion Group’s water treatment and wastewater treatment business generally.</p> <p>The Aquarion Group is a leading provider of advanced water systems, solutions and technologies for the Oil &amp; Gas industry, the energy sector and other process industries. As a total enhanced Engineering, Procurement and Construction (EPC) solution provider, the Aquarion Group offers solutions to some of the most critical water and waste water requirements such as produced water, seawater for injection, process and potable water, cooling water, boiler feed water, spent caustic treatment and refinery waste water. The Aquarion Group considers that it provides the best available technologies, high quality engineering, international expertise and local know-how from its operations in Germany, Switzerland, Italy, UK, Ireland, Russia and South-East Asia. The Aquarion Group considers that it has developed a range of leading edge products, ahead of the general pre-existing market in the treatment of water and wastewater. The Aquarion Group is comprised in several divisions dependent on geographical location, sector and product. Some of those divisions were divested, restructured or wound up, as described earlier relating to the historical financial information.</p>
<p><b>MATERIAL ADVERSE CHANGE / LEGAL AND ARBITRATION</b></p>	<p>The Collateral Obligor has confirmed that there has been no material adverse change in the prospects of the Collateral Obligor as a whole since the date of its incorporation. It has not traded since incorporation.</p> <p>The Collateral Obligor has confirmed that there has been no significant change in the financial or trading position of the Collateral Obligor as a whole since the date of its incorporation. It has not traded since incorporation.</p> <p>The Collateral Obligor's directors are not in any event aware of any governmental, legal or arbitration proceedings during a period covering at least the previous 12 months, which may have, or have had to date, any effect on the Collateral Obligor’s financial position or profitability.</p>
<p><b>CONFLICTS OF INTEREST</b></p>	<p>There is no conflict of interest between the Collateral Obligor, its officers, affiliates their officers and the Issuer or the Issuer's directors as at the date of issue of the Series.</p>
<p><b>LEGAL JURISDICTION OF THE COLLATERAL BEING PROVIDED</b></p>	<p>England &amp; Wales</p>
<p><b>MATURITY DATE OF THE COLLATERAL BEING PROVIDED</b></p>	<p>Date on which the liabilities of the Collateral Obligor to the Issuer are repaid in full.</p>
<p><b>INDICATION OF SIGNIFICANT REPRESENTATIONS AND</b></p>	<p>The Collateral Obligor has undertaken to grant a first ranking floating charge to the Issuer over its entire assets and undertaking. The charge will be first-ranking upon its grant,</p>

<b>COLLATERALS GIVEN TO THE ISSUER RELATING TO THE COLLATERAL</b>	<p>subject to registration with the Registrar of Companies in Ireland.</p> <p>Aquarion, as sole shareholder of the Collateral Obligor, has also, as stated above, undertaken to pledge by way of further security 100% of the shares in the Collateral Obligor in favour of the Issuer.</p> <p>Aquarion is also acting as Guarantor of the Collateral Obligor's liabilities to the Issuer under the Programme.</p> <p>The Collateral Obligor is required to provide to the Issuer quarterly management accounts (comprised in a profit and loss account and balance sheet), and annual audited accounts, together with such other information as the Issuer may reasonably require from time to time. The Collateral Obligor will also provide a summary of its loan book to the Aquarion Group, as well as a report as to the ongoing use of funds by the Aquarion Group on a quarterly basis. Noteholders are not entitled to review such documentation, although the Issuer shall make an announcement in case there is any actual or threatened default of the Series.</p> <p>Securitization Bonds are subscribed by the Issuer subject to a retention policy of 8% of the subscription proceeds remaining with the Issuer in cash and liquid assets in order to provide a minimum level of liquidity for the Series.</p>
<b>OVERVIEW OF THE TERMS AND CONDITIONS OF THE COLLATERAL AND SALE</b>	<p>The Collateral is comprised in cash or other liquid assets, the Securitization Bonds and the assets and undertaking of the Collateral Obligor's business.</p>
<b>MATURITY OF THE SERIES</b>	<p>30 June 2025 or, by way of Early Redemption (see below), 30 June 2023</p>
<b>INTEREST RATE OF SERIES<sup>1</sup></b>	<p>7.2 %</p>
<b>PRIMARY CURRENCY OF THE SERIES</b>	<p>EUR</p>
<b>MATURITY OF THE SECURITISATION BONDS</b>	<p>30 June 2025 or, by way of Early Redemption (see below), 30 June 2023</p>
<b>INTEREST RATE OF SECURITISATION BONDS</b>	<p>8 %</p>
<b>PRIMARY CURRENCY OF THE SECURITIZATION BONDS</b>	<p>EUR</p>

<b>REDEMPTION VALUATIONS DAYS</b>	30 June 2023
<b>REDEMPTION NOTICE PERIOD</b>	The Redemption Notice Period shall be one calendar quarter prior to the relevant Redemption Valuation Day. Except where the Issuer and any Noteholder agree otherwise in writing, any request for redemption received in the Redemption Notice Period shall be held over until the following Redemption Valuation Day or the Final Maturity Date, as applicable.
<b>COMPANY STRATEGY AND PURPOSE OF SECURITISATION BONDS</b>	<p>The purpose of the Securitization Bonds is primarily to provide working capital to the Aquarion Group generally including to the AquaCritox-SCFI Project (as defined below).</p> <p>Without limiting the use of proceeds of the Series, it is proposed that the Collateral Obligor shall apply proceeds from the Series towards the further development and distribution among the global oil &amp; gas market of a pre-existing and patented Aquarion Group product named “AquaCritox” (the “<b>AquaCritox – SCFI Project</b>”).</p> <p>AquaCritox is an alternative to existing processes for the treatment and recycling of water, wastewater, sludges and energy. The Aquarion Group considers that this has particular relevance to the Oil &amp; Gas sector. As at the date of this document, a family of eight patents are registered to SCFI Limited (see below further information in respect of SCFI Limited) in various jurisdictions relating to AquaCritox, and ‘AquaCritox’ is also a registered trademark of SCFI Limited. These patents broadly relate to the sub and supercritical water oxidation or gasification of a stream containing oxidizable material, and for certain high temperature and high pressure reaction systems for the treatment of water and wastewater. Specifically, the AquaCritox process enables treatment without pre-drying and at significantly greater volumes per hour than under existing processes, and at significantly lower capital and operating costs than under existing processes. The business is fully aligned with the 17 published global sustainable development goals of the United Nations, which it treats as key performance indicators of a given product. Accordingly, the Collateral Obligor considers that there is already substantial demand for its products generally and, in particular, AquaCritox which is realistically only likely to increase.</p> <p>SCFI Limited is as at the date of this document an affiliate of Aquarion under its control, and in which Aquarion holds an equity interest of 45%. Aquarion shall acquire a further 50% equity interest in SCFI Limited on or about 19 July 2020 pursuant to a Sale and Purchase Agreement dated 26 July 2019. Accordingly, in all material respects, during the term of the Series, SCFI Limited will become a 95% subsidiary of the Guarantor.</p> <p>The budget and projections for the AquaCritox – SCFI Project are set out at Appendix 3 (the “<b>AquaCritox SCFI Project</b>”).</p>

	<p><b>Budget and Projections</b>”), which assumes normalised working capital within the Acquarion group to finance the respective facilities, irrespective of take-up of the Series, and similar market conditions to those present at the time of preparation of the projections.</p> <p>The Issuer has seen a business plan for the use of the subscription proceeds for the Securitization Bonds as at May 2020, which is open to inspection in physical form at the registered office of the Issuer.</p> <p>The CVs of the management team are also open to inspection in physical form at the registered office of the Issuer, which demonstrate a blue chip background at a senior level both generally and within the specialist water and wastewater treatment sector. It is the Issuer's opinion that the team demonstrates sufficient expertise and sufficient role coverage within the team to deliver the business plan.</p>
<p><b>RISK FACTORS OF THE SECURITIZATION BONDS</b></p>	<p><b>1. General</b></p> <p>There can be no guarantee that the Collateral Obligor or the Aquarion Group will achieve its stated trading objectives. The value of the Collateral Obligor's assets may go down as well as up in the ordinary course of the business, given its market exposures as a whole.</p> <p>The Issuer may therefore realise less than its original investment in the event that the Collateral Obligor and the Aquarion Group as a whole has insufficient assets, and therefore the Noteholders will receive less than the principal value of the Notes.</p> <p>Further, any particular division or product of the Aquarion Group or of any Aquarion Group member may suffer in the market for commercial reasons within and outside the control of the Collateral Obligor, Aquarion and the Issuer. A failure of a particular division or product or Aquarion Group member may also affect the consolidated underlying value of Aquarion as a whole and, therefore the ability of Aquarion or the Collateral Obligor to pay its debts as they fall due and generally service the Securitization Bonds.</p> <p><b>2. Operational risks</b></p> <p>Carrying on a business imports an inherent risk of failure of that business for many reasons. Unanticipated situations may arise on site or may affect cash-flow or the net assets of any Aquarion Group member, any of which may cause increased cost or delay or cause the business to fail (in extreme circumstances).</p> <p><b>3. Unforeseen matters and withholdings of information</b></p> <p>Whilst the Issuer has undertaken an established due diligence process prior to the issue of Notes, there may be hidden defects which were not apparent or identified and which may later affect the value of the Aquarion Group.</p>

	<p><b>4. Government and legislative change and threat of litigation</b></p> <p>Changes in the law or regulation could affect the return on any investment in the Collateral Obligor. The additional cost burden of any change in legislation may make it uneconomic for one or more projects to proceed. Additional compliance costs may also render the Collateral Obligor directly or indirectly unable to pay its debts or service the Securitization Bonds in such circumstances.</p> <p><b>5. AquaCritox SCFI Project Budget and Projections</b></p> <p>Aquarion has based the forward-looking statements contained in the AquaCritox SCFI Project Budget and Projections on their current expectations, estimates and projections about the Aquarion Group and the industries in which we operate in general. The financial forecasts made therein include accounts that have been prepared on a consistent basis with Aquarion's audited financial statements for the years ending 31 December 2017 and 2018. Prospective Noteholders are cautioned that these statements are not guarantees of future performance as they involve assumptions that, while made in good faith, may prove to be incorrect, and involve risks and uncertainties that neither the Issuer nor the Collateral Obligor can predict. In addition, these forward-looking are based on statements and assumptions about future events that may prove to be inaccurate. Accordingly, the actual outcomes and results may differ materially from what have been expressed or forecasted in the forward-looking statements contained in the AquaCritox SCFI Project Budget and Projections.</p>
<p><b>INSPECTION DOCUMENTS</b></p>	<p>The following documents are open to inspection (and will remain open to inspection for as long as the securities are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market) at the registered office of the Issuer in relation to this Collateral Obligor:</p> <ol style="list-style-type: none"> <li>1. Business Plan for the Aquacritox – SCFI Project dated May 2020.</li> <li>2. Management accounts for Aquarion for the period ended 31 December 2019.</li> <li>3. Management accounts for Aquarion for the period ended 31 May 2020.</li> <li>4. The biographies of: <ol style="list-style-type: none"> <li>(a) Dr. Dr. Karl Michael Millauer;</li> <li>(b) Jennifer Wick; and</li> <li>(c) Ashok Parekh.</li> </ol> </li> <li>5. Memorandum and articles of association of the Collateral Obligor.</li> </ol>

	6. Guarantee from Aquarion.
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**APPENDIX 1**  
**AQUARION AG**

<b>NAME OF THE GUARANTOR</b>	Aquarion AG (“ <b>Aquarion</b> ” and, in respect of this Collateral Annexure only the “ <b>Guarantor</b> ”)
<b>JURISDICTION OF INCORPORATION</b>	Switzerland
<b>REGISTERED ADDRESS</b>	Zugerstrasse 76B 6340 Baar Switzerland
<b>LEGISLATION UNDER WHICH THIS OBLIGOR OPERATES</b>	Switzerland
<b>LEGAL FORM</b>	Joint stock company limited by shares
<b>DATE OF INCORPORATION</b>	6 December 2010
<b>REGISTERED NUMBER</b>	CHE-116.309.082
<b>SHARE CAPITAL</b>	CHF 9,087,720
<b>SHAREHOLDERS</b>	<p>Water Re-Use Limited (84%)</p> <p>Karl-Michael Millauer (14.8%)</p> <p>Thomas Will (1.2%)</p> <p>The contact address for Water Re-Use Limited, its registered office (see below). For the individuals specified above, the contact address shall be the registered office of Aquarion at Zugerstrasse 76B, 6340 Baar, Switzerland.</p> <p>Water Re-Use Limited is a Guernsey company (registered number: 63601), wholly owned by two nominee companies (provided according to a service agreement with domiciliation agent, Alter Domus) on trust for Sustainable Growth Fund SCSp, SICAV-CIF. The registered office of Water Re-Use Limited is La Tonnelle House Les Banques St. Sampson Guernsey GY1 3HS.</p> <p>Sustainable Growth Fund SCSp, SICAV-CIF is a Luxembourg-regulated Alternative Investment Fund Manager, which is managed by its general partner, a Luxembourg company, Sustainable Growth Management GP S.à.r.l. No individual investor in that company (limited partner directly or indirectly) owns or controls more than 25% of its voting rights. Accordingly, Sustainable Growth Management GP S.à.r.l. and therefore Sustainable Growth Fund SCSp, SICAV-CIF is</p>

	<p>controlled by its directors, Jennifer Lynn Wick (also a director of Aquarion – see below) and Michael Joseph Hammons.</p> <p>Any control exerted by Sustainable Growth Fund SCSp, SICAV-CIF over Aquarion is limited by (i) the nature of activities such regulated fund can engage with under the Alternative Investment Funds Directive (AIFMD) and other European Union legislation and (ii) representatives of the fund have been appointed as directors of Aquarion (Ashok Parerekh and Jennifer Lynn Wick) have been appointed in a supervisory capacity only and do not have authority to enter into legal obligations on behalf of Aquarion.</p> <p>The contact addresses for the directors of Sustainable Growth Management GP S.à.r.l. acting as such is 5 Rue Heienhaff, 1736 Senningerberg, Luxembourg, the registered office of that company.</p>
<b>DIRECTORS</b>	<ol style="list-style-type: none"> <li>1. Thomas Will (Director (Geschäftsführer));</li> <li>2. Karl Michael Millauer (Supervisory Board member);</li> <li>3. Ashok Parekh (Supervisory Board member);</li> <li>4. Bjorn Lamprecht (Director (Mitglied der Geschäftsleitung)); and</li> <li>5. Jennifer Lynn Wick (President of the Supervisory Board).</li> </ol> <p>each with their business address at: Zugerstrasse 76B, 6340 Baar, Switzerland.</p> <p>Thomas Will is the executive director of Aquarion in respect of its business management and Bjorn Lamprecht is the executive director of Aquarion in respect of its financial management.</p>
<b>FINANCIAL YEAR END</b>	31 December
<b>AUDITORS</b>	<p>In relation to the financial statements for the period ended 31 December 2019:</p> <p>PKF Wirtschaftsprüfung AG Lavaterstrasse 40 CH-8002 Zürich Switzerland</p> <p>PKF Wirtschaftsprüfung AG is a Swiss registered auditor (number: 500498) on the Swiss national register of auditors.</p>

	<p>In relation to the financial statements for the period ended 31 December 2018, BDO Limited (a Swiss branch of a Guernsey company):</p> <p>BDO Limited Schiffbaustrasse 2 8031, Zurich Switzerland</p> <p>Chartered accountants registered with Institute of Chartered Accountants of England &amp; Wales (ICAEW).</p>
<p><b>HISTORICAL FINANCIAL INFORMATION / FINANCIAL STATEMENTS</b></p>	<p>The audited accounts for Aquarion for the years ended 31 December 2017 and 2018 are attached at Appendix 4 and Appendix 5 respectively. Half-yearly audited accounts for Aquarion up to June 2019 are attached at Appendix 6.</p> <p>For reference, Aquarion is a substantial company for which the statutory accounts are required to be audited on an annual basis. The audited net asset surplus of Aquarion was EUR 40,000,000 as at 31 December 2018. Aquarion has more than 300 employees and an established global customer base including many blue-chip companies over its several divisions and many separate products.</p> <p>Management accounts for Aquarion for the period ended 31 December 2019 and 31 May 2020 are also open to inspection in physical form at the registered office of the Issuer (and the year-end for 2019 will be audited in due course).</p>
<p><b>OVERVIEW OF THE PRINCIPAL ACTIVITIES OF THE COMPANY</b></p>	<p>Aquarion is the holding company for the Aquarion Group and its water treatment and wastewater treatment business.</p> <p>The Aquarion Group is a leading provider of advanced water systems, solutions and technologies for the Oil &amp; Gas industry, the energy sector and other process industries. As a total enhanced Engineering, Procurement and Construction (EPC) solution provider, the Aquarion Group offers solutions to some of the most critical water and waste water requirements such as produced water, seawater for injection, process and potable water, cooling water, boiler feed water, spent caustic treatment and refinery waste water. The Aquarion Group considers that it provides the best available technologies, high quality engineering, international expertise and local know-how from its operations in Germany, Switzerland, Italy, UK, Ireland, Russia and South-East Asia. The Aquarion Group considers that it has developed a range of leading edge products, ahead of the general pre-existing market in the treatment of water and wastewater. The Aquarion Group is comprised in several divisions dependent on geographical location, sector and product. Some of those divisions were divested, restructured or wound up, as described earlier relating to the historical financial information.</p>

<b>NATURE AND SCOPE OF GUARANTEE</b>	<p>Aquarion as Guarantor and the Issuer as obligee have agreed to enter into a guarantee for the purpose of providing credit support to the Issuer for the liabilities from time to time outstanding of the Collateral Obligor to the Issuer (the “<b>Guarantee</b>”).</p> <p>The Guarantee provides that in consideration of the Issuer subscribing to the Securitised Bonds issued by the Collateral Obligor, Aquarion guarantees to the Issuer, if the Collateral Obligor does not pay when due any sums owing under the Securitised Bonds, to pay on demand all sums due to the Issuer.</p>
<b>MATERIAL ADVERSE CHANGE / LEGAL AND ARBITRATION</b>	<p>Aquarion has confirmed that there has been no material adverse change in the financial position or prospects of Aquarion as a whole since its incorporation.</p> <p>Aquarion has confirmed that there has been no significant change in the financial or trading position of Aquarion as a whole since the date of its incorporation.</p> <p>Aquarion's directors are not aware of any governmental, legal or arbitration proceedings during a period covering at least the previous 12 months, which may have, or have had to date, any effect on Aquarion's financial position or profitability.</p>
<b>CONFLICTS OF INTEREST</b>	<p>There is no conflict of interest between Aquarion, its officers, affiliates their officers and the Issuer or the Issuer's directors as at the date of issue of the Series.</p>
<b>LEGAL JURISDICTION OF THE COLLATERAL BEING PROVIDED</b>	<p>England &amp; Wales (the governing law of the corporate guarantee relating to the Programme)</p>
<b>MATURITY DATE OF THE COLLATERAL BEING PROVIDED</b>	<p>Date on which the liabilities of the Collateral Obligor to the Issuer are repaid in full.</p>
<b>INDICATION OF SIGNIFICANT REPRESENTATIONS AND COLLATERALS GIVEN TO THE ISSUER RELATING TO THE COLLATERAL</b>	<p>The Collateral Obligor is required to provide to the Issuer quarterly management accounts of Aquarion (comprised in a profit and loss account and balance sheet), and annual audited accounts of Aquarion, together with such other information as the Issuer may reasonably require from time to time. The Collateral Obligor will also provide a summary of its loan book to the Aquarion Group, as well as a report as to the ongoing use of funds by the Aquarion Group on a quarterly basis. Noteholders are not entitled to review such documentation, although the Issuer shall make an announcement in case there is any actual or threatened default of the Series.</p> <p>Securitization Bonds are subscribed by the Issuer subject to a retention policy of 8% of the subscription proceeds remaining with the Issuer in cash and liquid assets in order to provide a minimum level of liquidity for the Series.</p>

<b>OVERVIEW OF THE TERMS AND CONDITIONS OF THE COLLATERAL AND SALE</b>	The Collateral is comprised in cash or other liquid assets, the Securitization Bonds and the assets and undertaking of the Collateral Obligor's business.
<b>COMPANY STRATEGY AND PURPOSE OF SECURITISATION BONDS</b>	<p>The purpose of the Securitization Bonds is primarily to provide working capital to the Aquarion Group generally including to the AquaCritox-SCFI Project, as described above.</p> <p>The Issuer has seen a business plan for the use of the subscription proceeds for the Securitization Bonds as at May 2020, which is open to inspection in physical form at the registered office of the Issuer.</p> <p>The CVs of the management team are also open to inspection in physical form at the registered office of the Issuer, which demonstrate a blue chip background at a senior level both generally and within the specialist water and wastewater treatment sector. It is the Issuer's opinion that the team demonstrates sufficient expertise and sufficient role coverage within the team to deliver the business plan.</p> <p>Please refer to the section 'Company Strategy and Purpose of Securitization Bonds' in the Collateral Annexure.</p>
<b>RISK FACTORS OF THE SECURITIZATION BONDS</b>	<p><b>1. General</b></p> <p>There can be no guarantee that the Guarantor or the Aquarion Group will achieve its stated trading objectives. The value of the Guarantor's assets may go down as well as up in the ordinary course of the business, given its market exposures as a whole.</p> <p>The Issuer may therefore realise less than its original investment in the event that the Guarantor, the Collateral Obligor and the Aquarion Group as a whole has insufficient assets, and therefore the Noteholders will receive less than the principal value of the Notes.</p> <p>Further, any particular division or product of the Aquarion Group or of any Aquarion Group member may suffer in the market for commercial reasons within and outside the control of the Collateral Obligor, Aquarion and the Issuer. A failure of a particular division or product or Aquarion Group member may also affect the consolidated underlying value of Aquarion as a whole and, therefore the ability of Aquarion or the Collateral Obligor to pay its debts as they fall due.</p> <p><b>2. Operational risks</b></p> <p>Carrying on a business imports an inherent risk of failure of that business for many reasons. Unanticipated situations may arise on site or may affect cash-flow or the net assets of any Aquarion Group member, any of which may cause increased cost or delay or cause the business to fail (in extreme circumstances).</p> <p><b>3. Unforeseen matters and withholdings of information</b></p>

	<p>Whilst the Issuer has undertaken an established due diligence process prior to the issue of Notes, there may be hidden defects which were not apparent or identified and which may later affect the value of the Aquarion Group.</p>
<p><b>INSPECTION DOCUMENTS</b></p>	<p>The following documents are open to inspection (and will remain open to inspection for as long as the securities are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market) at the registered office of the Issuer in relation to this Collateral Obligor:</p> <ol style="list-style-type: none"> <li>1. Business Plan for the Aquacritox – SCFI Project dated May 2020.</li> <li>2. Management accounts for Aquarion for the period ended 31 May 2020, respectively.</li> <li>3. Management accounts for Aquarion AG for the period ended 31 December 2019.</li> <li>4. Audited Financial Statements for Aquarion AG up to June 2019.</li> <li>5. Audited Financial Statements for Aquarion AG for the year ended 31 December 2018.</li> <li>6. Audited Financial Statements for Aquarion AG for the year ended 31 December 2017.</li> <li>7. The biographies of: <ol style="list-style-type: none"> <li>(a) Karl Michael Millauer;</li> <li>(b) Jennifer Wick; and</li> <li>(c) Ashok Parekh.</li> </ol> </li> <li>8. Memorandum and articles of association of Aquarion.</li> <li>9. Guarantee from Aquarion.</li> </ol>




**APPENDIX 2**  
**AQUARION GROUP STRUCTURE CHART**



# Company overview

## AQUARION AG



- Headquartered in Baar (CH), Aquarion AG (“Aquarion”) is a leading provider of wastewater treatment and water purification systems.
- Acquarion offers its solution across industries including oil and gas, energy sector and other processing industries:

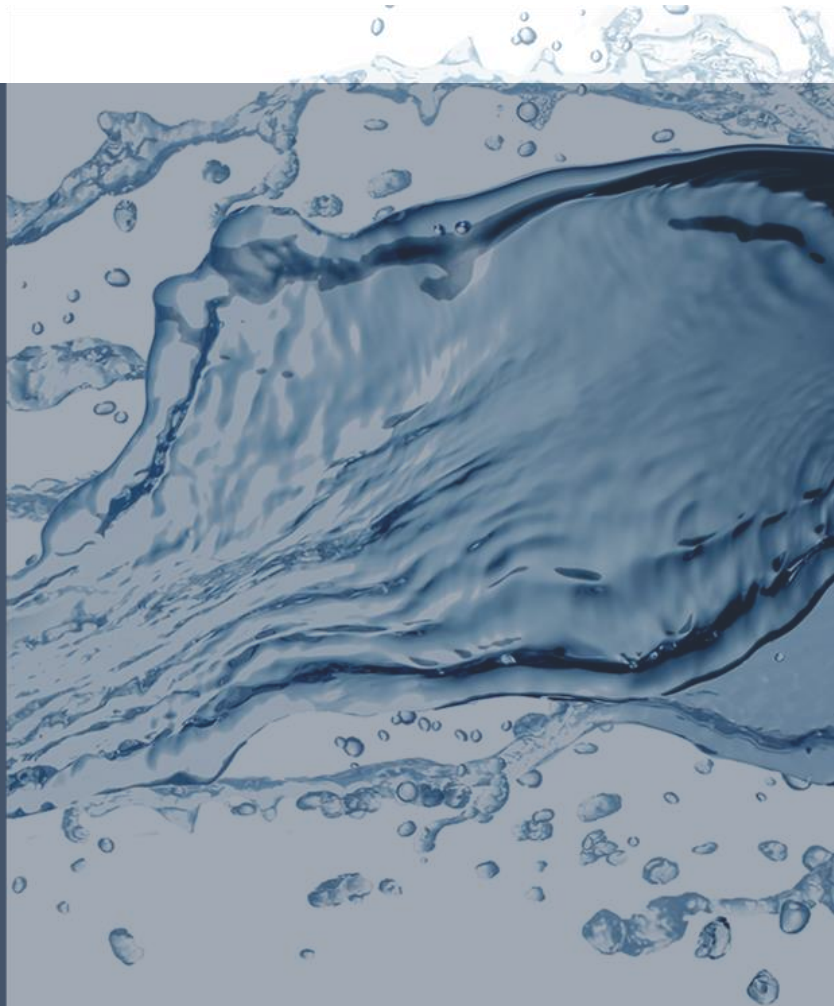
 Semiconductors  
 Chemicals  
 Pulp and paper

 Oil and gas  
 Food and beverage  
Other


- The reuse of water is a major concern for industrial players and water cleaned in dirty industrial processes is typically measured in cubic meter
- In 2019, ScFi Ltd. (“ScFi”) launched a new technology “AquaCritox”
  - AquaCritox is a distinct technology cleaning spent caustic toxic waste from oil and gas, petrochemicals and sludge
- Based in Cork (IRE), ScFi is an Irish subsidiary of Aquarion
- In addition to that, Acquarion provides great desalination technologies

# Company milestones

## AQUARION AG



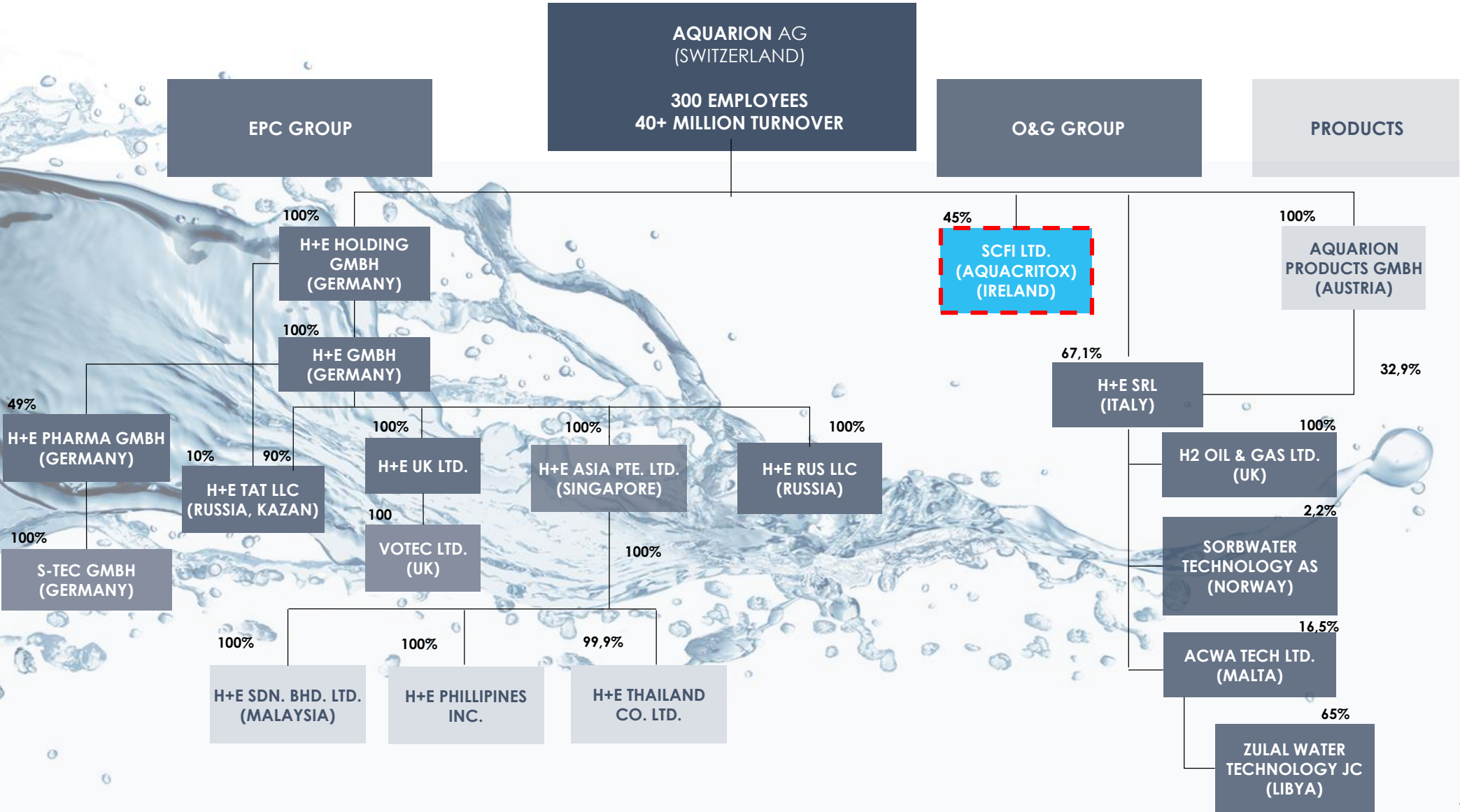
Founded only in 2010, Aquarion's roots trace back more than 100 years in the growing wastewater treatment market:

- 
- 2010 Foundation of Aquarion AG (CH)
  - 2012 Acquisition of H2Oil & Gas Ltd. (UK)
  - 2014 Acquisition of Hager + Elsässer GmbH (DE)
  - 2015 Acquisition of MFT GmbH (DE)  
Launch of ECO2 ZLD (Low cost ZLD solution)
  - 2018 Aailed convertible loan investment of €15m
  - 2019 Global launch of AquaCritox technology under ScFi  
Disinvestment of H+E Asia, MFT and S-Tec

*"When fresh water becomes process water and then wastewater, wastewater must also become fresh water again."*  
Vision of H+E founder: WILLY HAGER 1932

# Organizational structure

## AQUARION AG



**APPENDIX 3**  
**BUDGET AND PROJECTIONS FOR THE SCFI – AQUACRITOX PROJECT**

The most precious  
currency of all: **WATER**

# AGENDA

01 . WHY WATER

02 . WHY AQUARION

03 . DIFFERENTIATED TECHNOLOGIES

04 . KEY FINANCIALS

05 . GROWTH PROJECTIONS





# 01.

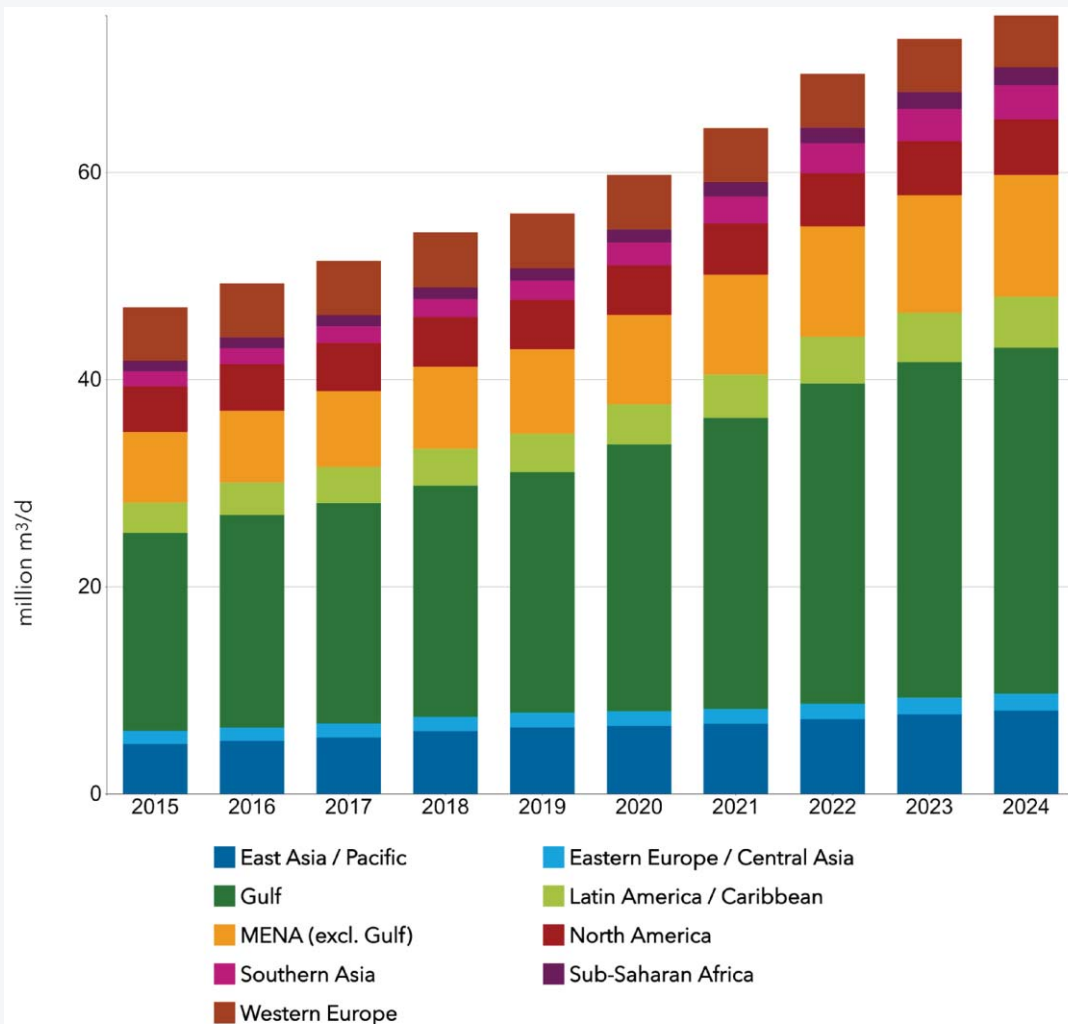
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WHY WATER

*“WATER THE BLUE GOLD”*

# Growing water industry GWI statistics

Growing Water Treatment Capacity by Region.



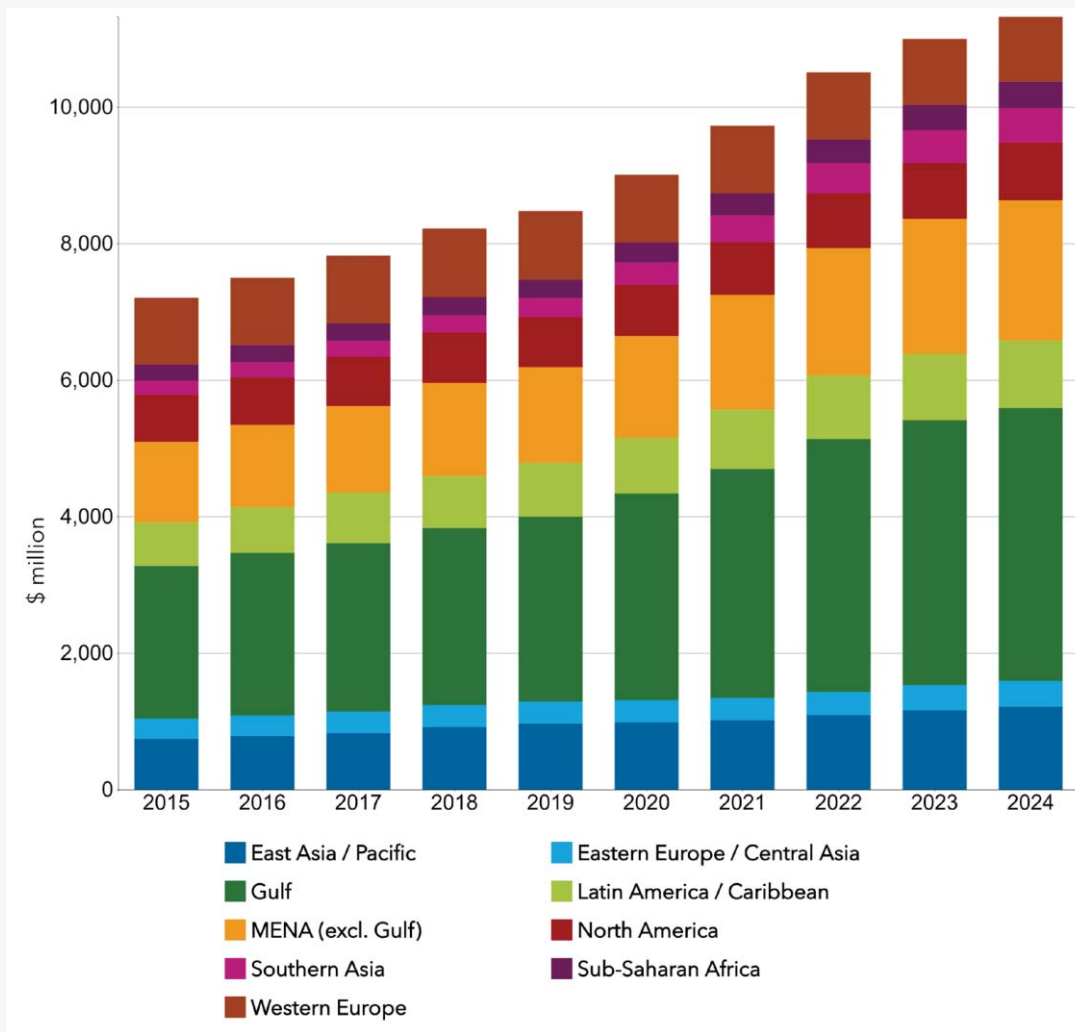
HUGE INCREASE IN  
INSTALLED  
CAPACITY IN  
10 YEARS

FORECAST FOR  
THE FUTURE:

- **5-7% GROWING  
PER YEAR**

# Growing water industry GWI statistics

Growing Water Market Expenditure by Region.



## MARKET SIZE

- **OPEX** → O&M is growing and leading the market amount
- **CAPEX** → will increase further in relation to increased capacity

# Sustainable Development Goals

## UN



- Aquarion follows the 17 UN Sustainable Development Goals
- For the majority of them, they are goals that can be used as KPIs to report against



# 02.




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## WHY AQUARION

# Company overview

## AQUARION AG

- Headquartered in Baar (CH), Aquarion AG ("Aquarion") is a leading provider of wastewater treatment and water purification systems.
- Aquarion offers its solution across industries including oil and gas, energy sector and other processing industries:

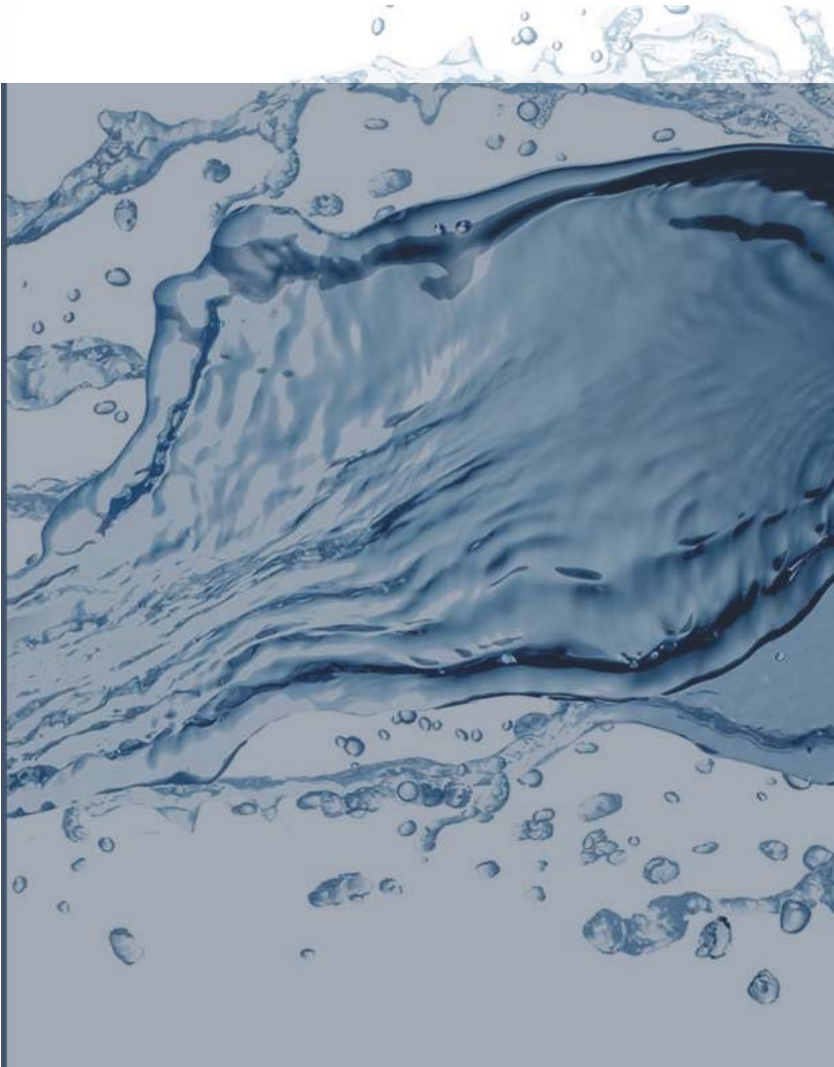
 Semiconductors  
 Chemicals  
 Pulp and paper

 Oil and gas  
 Food and beverage  
Other


- The reuse of water is a major concern for industrial players and water cleaned in dirty industrial processes is typically measured in cubic meter
- In 2019, ScFi Ltd. ("ScFi") launched a new technology "AquaCritox"
  - AquaCritox is a distinct technology cleaning spent caustic toxic waste from oil and gas, petrochemicals and sludge
- Based in Cork (IRE), ScFi is an Irish subsidiary of Aquarion
- In addition to that, Aquarion provides great desalination technologies

# Company milestones

## AQUARION AG



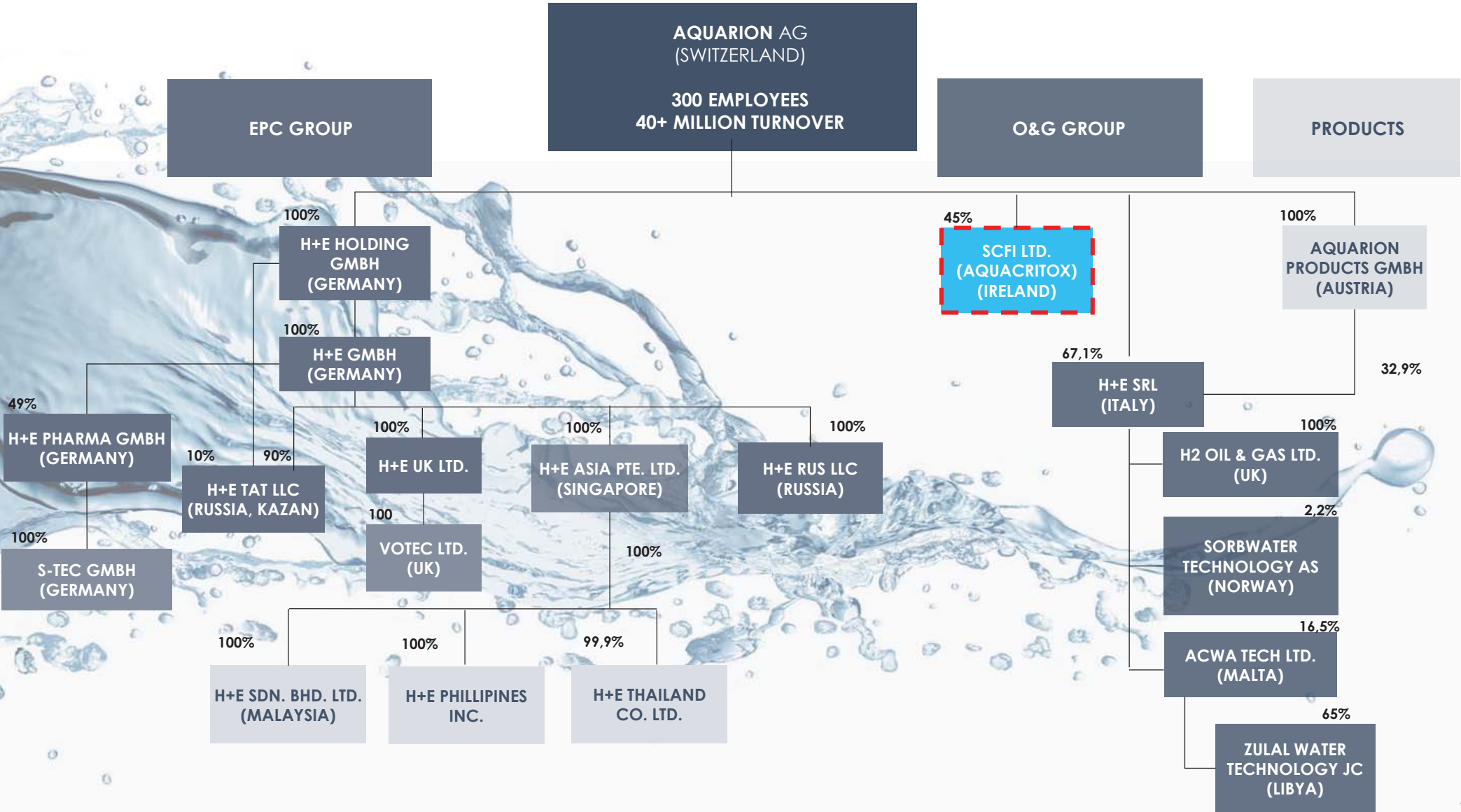
Founded only in 2010, Aquarion's roots trace back more than 100 years in the growing wastewater treatment market:

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*"When fresh water becomes process water and then wastewater, wastewater must also become fresh water again."*  
Vision of H+E founder: WILLY HAGER 1932

# Organizational structure

## AQUARION AG



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# Comprehensive **STATE OF ART SOLUTIONS**



## WASTE, WATER, RECYCLING, RESOURCE RECOVERY

- Today we rank among the providers on the world market with **THE MOST KNOW-HOW**
- Our customers often see us as a **SPARRING PARTNER**
- **BROAD TECHNOLOGY BASE**
- **AMONGST INNOVATION LEADER**
- We have installed **OVER 30,000 PLANTS**

---

# Innovative **SUSTAINABLE OFFERINGS**



## THINK **SUSTAINABILITY**

## LIVE **SUSTAINABILITY**

- **Reduced carbon footprint** by energy recovery systems
- **Reduced water footprint & Reducing fresh water** consumption by water reuse and recycling
- Completely **eliminating or minimizing** wastewater discharge into the environment
- Offering **clean drinking water** to remote areas through containerized solar solutions
- **Recovering valuables** metals and minerals from wastewater

# Process technologies

## UNLIMITED PORTFOLIO



### THERMAL PROCESS TECHNOLOGIES



- » Evaporator
- » Crystallizer
- » Dryer

### CHEMICAL / PHYSICAL TREATMENT SYSTEMS



- » Flocculation / Precipitation
- » Sedimentation
- » Flotation
- » Filtration
- » Decalcification
- » Active carbon
- » Ion exchange

### MEMBRANE TECHNOLOGIES



- » MF
- » UF
- » NF
- » Reverse osmosis
- » HP-RO
- » Membrane-degassing
- » EDI

### BIOLOGICAL TREATMENT TECHNOLOGIES



#### **Anaerobic**

- » Contact sludge
- » UASB
- » EGSB

#### **Aerobic**

- » Activated sludge process (ASP)
- » MBBR
- » Biofiltration
- » MBR
- » SBR

### SPECIAL PROCESS TECHNOLOGIES



- » AOP
- » Ozone



# Customer trust WORLDWIDE

MANY DIFFERENT SECTORS BENEFIT FROM OUR EXPERTISE & SUSTAINABLE OFFERINGS.

OIL & GAS	PHARMA- CEUTICALS	FOOD & BEVERAGE	SEMI- CONDUCTOR	CHEMICAL	POWER
					
  	 	 	   	 	   

# Sustainable Development Goals

## RESULTS FOR AQUARION



### Goal 2 (Zero Hunger)

Food security and sustainable agriculture are key pillars in achieving this goal. Water purification improves global water quality and contributes to improved nutrition.



### Goal 3 (Good Health and Well-Being for people)

Attention to health also includes the prevention and treatment of hazardous chemicals, and water and soil pollution and contamination. Aquarion's water treatment solutions take part in improving global health.



### Goal 6 (Clean Water and Sanitation)

Aquarion's business is fully aligned with this particular Sustainable Development Goal, since it is involved in the sustainable management of water on a large scale.



### Goal 7 (Affordable and Clean Energy)

Water purification systems, like the ones produced by Aquarion, enable the clean production of energy. In particular, Aquarion's zero liquid discharge and membrane technology is used for energy and power plant water treatment.



### Goal 8 (Decent Work and Economic Growth)

Aquarion's products enable sustainable growth in developed and developing countries. It helps to achieve higher levels of economic productivity by improving water quality.



### Goal 9 (Industry, Innovation and Infrastructure)

Industrial wastewater systems, as well as municipal wastewater treatment systems are part of the essential infrastructure for any economy.



### Goal 11 (Sustainable Cities and Communities)

On a large scale, Aquarion is impacting cities and communities as a whole, through its work in the different industries (e.g. energy & power, pulp & paper) as well as through municipal projects.



### Goal 12 (Responsible Consumption and Production)

In the business of water purification and recycling, Aquarion is a substantial enabler of this goal, cleaning significant m<sup>3</sup> of water every day.



### Goal 14 (Life Below Water)

Oceans cover 71% of the earth's surface. They are essential for making the planet livable. Closing the water recycling loop, Aquarion works towards reducing marine pollution and acidification.

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# Recent developments

# **TECHNOLOGIES**



- **Hybrid systems:** “Merging” process combinations – capitalizing on process benefits
- **Modular, containerized systems**
- **ZLD.eco2** - Economical MLD/ ZLD incl. recycling stages for water + recycling circuits
- **Brownfield:** Retrofitting and optimization of existing plants and processes
- **O&M** Long Term Operation maintenance contracts
- **INDUSTRY 4.0**
- **AquaCritox™:** Innovative patented technology for treatment of heavy contaminated wastewater launched by ScFi

More details in next section




# 03.

---

DIFFERENTIATED  
TECHNOLOGIES

# TECHNOLOGY OVERVIEW: DIFFERENTIATED TECHNOLOGIES

## OVERVIEW OF BESPOKE TECHNOLOGIES AND DIFFERENTIATING FACTORS

Technology	Differentiation	Applicable Markets	Key Clients
	<ul style="list-style-type: none"> <li>▪ Suitable for all types of spent caustics</li> <li>▪ Standard plant design: Designed to be supplied to site preassembled as a skid.</li> <li>▪ Factory assembled skid</li> <li>▪ Small foot print</li> <li>▪ Minimal onsite construction</li> <li>▪ No requirement for steam or cooling water</li> <li>▪ Fully automated</li> <li>▪ 1200% increase in oxygen transfer rate</li> </ul>	<ul style="list-style-type: none"> <li>▪ Chemical/Pharmaceutical &amp; Petrochemical Industry</li> <li>▪ Bio Pharma</li> <li>▪ Paper Industry</li> <li>▪ Toll treatment facilities</li> <li>▪ Sewage treatment plants</li> <li>▪ Food waste generator/ processor</li> <li>▪ Catalyst recovery</li> </ul>	<ul style="list-style-type: none"> <li>▪ Aughinish Alumina Limited (Rusal)</li> <li>▪ Ferrero</li> <li>▪ Saudi Aramco – Saudi Arabia</li> <li>▪ Paterna Wastewater treatment Plan, Valencia Spain</li> </ul>

# TECHNOLOGY OVERVIEW: DIFFERENTIATED TECHNOLOGIES

## OVERVIEW OF BESPOKE TECHNOLOGIES AND DIFFERENTIATING FACTORS

Technology	Differentiation	Applicable Markets	Key Clients
<b>ANAFIT®.CS</b>	<ul style="list-style-type: none"><li>▪ Reduction in organic load, and therefore its COD value,</li><li>▪ High degree of homogenization in the methane reactor guarantees the production of biogas of consistently high quality.</li><li>▪ Stability of the degradation process.</li><li>▪ Completely unaffected by mineral precipitates, especially calcium carbonate.</li></ul>	<ul style="list-style-type: none"><li>▪ Food &amp; Beverage (Sugar Industry)</li></ul>	<ul style="list-style-type: none"><li>▪ Nordic Sugar</li><li>▪ Südzucker</li><li>▪ Nobaria Sugar</li><li>▪ Delta Sugar</li></ul>
<b>BIOFIT®.Oxyd2</b>	<ul style="list-style-type: none"><li>▪ Using Ozone to remove persistent COD</li><li>▪ Reliably remove residues in wastewater from industrial production processes</li><li>▪ Breaks down the polluting substances to the point where the microorganisms will accept them as food</li></ul>	<ul style="list-style-type: none"><li>▪ Paper &amp; Pulp</li><li>▪ Chemical</li><li>▪ Oil &amp; Gas</li></ul>	<ul style="list-style-type: none"><li>▪ UPM Plattling</li></ul>

# TECHNOLOGY OVERVIEW: DIFFERENTIATED TECHNOLOGIES

## OVERVIEW OF BESPOKE TECHNOLOGIES AND DIFFERENTIATING FACTORS

Technology	Differentiation	Applicable Markets	Key Clients
<b>BIOFIT®.F</b>	<ul style="list-style-type: none"> <li>requires very little space</li> <li>operate with low power consumption</li> <li>Guarantee the highest biological conversion rates</li> <li>enable infinitely variable expansion to larger wastewater treatment plants</li> <li>Easy integration into existing plants.</li> </ul>	<ul style="list-style-type: none"> <li>Paper &amp; Pulp</li> <li>Food &amp; Beverage</li> <li>Oil &amp; Gas</li> </ul>	<ul style="list-style-type: none"> <li>IPEK KAGIT</li> <li>"Papierfabrik Wattens"</li> <li>Sappi Stockstadt</li> <li>Glatfelter</li> </ul>
<b>BIOFIT®.H</b>	<ul style="list-style-type: none"> <li>robust moving bed process for the biological pre-treatment of highly contaminated wastewater</li> <li>faster degradation rate</li> <li>Easy to accommodate and fit</li> <li>highly efficient wastewater treatment plant upgrade</li> </ul>	<ul style="list-style-type: none"> <li>Paper &amp; Pulp</li> <li>Food &amp; Beverage</li> <li>Oil &amp; Gas</li> </ul>	<ul style="list-style-type: none"> <li>"Perlen Papier AGPerlen"</li> <li>Sappi Stockstadt</li> <li>Stora Enso</li> <li>UPM Nordland</li> </ul>
<b>AEROFIT®.V</b>	<ul style="list-style-type: none"> <li>High oxygen transfer efficiency</li> <li>Long service life</li> </ul>	<ul style="list-style-type: none"> <li>Paper &amp; Pulp</li> <li>Food &amp; Beverage</li> <li>Oil &amp; Gas</li> </ul>	<ul style="list-style-type: none"> <li>W. Hamburger GmbH,Pitten"</li> <li>IlimUst-Ilimsk"</li> <li>Südzucker AGZeit</li> <li>OOO Kristall Kirsanov</li> <li>BP Gelsenkirchen</li> </ul>

# TECHNOLOGY OVERVIEW: DIFFERENTIATED TECHNOLOGIES

## OVERVIEW OF BESPOKE TECHNOLOGIES AND DIFFERENTIATING FACTORS

Technology	Differentiation	Applicable Markets	Key Clients
ZLD.eco <sup>2</sup> (1)	<ul style="list-style-type: none"> <li>World's lowest cost, unique Zero Liquid Discharge system</li> <li>Reduction in both the investment and the operating costs</li> <li>High-pressure reverse osmosis stage</li> <li>Size reduction of the evaporator</li> <li>Energy recovery devices leads to lower OPEX</li> </ul>	<ul style="list-style-type: none"> <li>Oil and gas</li> <li>Mining</li> <li>Chemical</li> <li>Power</li> <li>All industries with ZLD mandate</li> </ul>	<ul style="list-style-type: none"> <li>Alstom Power Italia S.p.a., Gissi</li> <li>GEMÜ Gebr. Müller Apparatebau</li> <li>UHDE for EHC Egypt</li> </ul>
FLOCOPAC®.L	<ul style="list-style-type: none"> <li>High performance clarifier with flocculation and sludge thickening</li> <li>Excellent treated water quality</li> <li>Reduction in chemical dosing</li> <li>Low space requirements</li> <li>Standardization capability</li> <li>FLOCOPAC® can be done as a concrete structure or in Steel</li> </ul>	<ul style="list-style-type: none"> <li>Power</li> <li>Food &amp; Beverage</li> <li>Paper &amp; Pulp</li> <li>Oil &amp; Gas</li> </ul>	<ul style="list-style-type: none"> <li>RWE Niederaussem</li> <li>"VinaKraft-SCG Group Vietnam"</li> <li>Pertamina Cilacap</li> <li>Nile Sugar Co., Nubariya"</li> </ul>

Footnotes: (1) Please note it is still a patent pending process and in development stage so I have added customers where we have provided thermal equipment.

# TECHNOLOGY OVERVIEW: DIFFERENTIATED TECHNOLOGIES

## OVERVIEW OF BESPOKE TECHNOLOGIES AND DIFFERENTIATING FACTORS

Technology	Differentiation	Applicable Markets	Key Clients
<b>TOVEKO Sand Filters</b>	<ul style="list-style-type: none"> <li>▪ Continuously monitor head loss across the filter bed</li> <li>▪ Continuously wash dirty sand whilst the filter is in service</li> <li>▪ Have a highly efficient sand washer that copes with sticky solids including oil and polyelectrolyte</li> <li>▪ Consume very little wash water</li> <li>▪ Do not require large tanks, supply pumps etc. for backwashing</li> <li>▪ Do not require large dirty backwash water collection and pumping systems</li> <li>▪ Start stop and control the sand washing rate automatically</li> <li>▪ Have a low profile (2.3m maximum for steel filters)</li> <li>▪ Allow gravity feed, eliminating expensive pumping systems</li> <li>▪ Are pre-assembled and tested, allowing rapid site installation and start-up</li> </ul>	All market segments	<ul style="list-style-type: none"> <li>▪ Gränges Aluminium</li> <li>▪ Arjeplog Municipality</li> <li>▪ Kramfors Municipality</li> <li>▪ ABU Garcia</li> <li>▪ Galvanoteknik</li> <li>▪ Nyströms Metall</li> <li>▪ Samhall Jokkmokk</li> </ul>

# DISRUPTIVE TECHNOLOGY: ScFi's AQUACRITOX®

TREATMENT OF SPENT CAUSTIC, SLUDGE TREATMENT & TREATMENT OF HEAVY CONTAMINATED WASTEWATER



Demonstration unit successfully operating @ Ferrero, Ireland

## APPLICATION & INDUSTRY

- Spent caustic
- Water sludge
- Bio solids
- Heavy contaminated wastewater

## POTENTIAL FOR AQUARION

- Patented process
- High market potential

## BENEFITS

- Lower treatment time
- Radical reduction of sewage
- Recovery of valuable nutrients & embedded energy
- Lower CAPEX & OPEX

## MARKET APPROACH

- Turn-key project [EPC / O&M]
- **Build-Own-Transfer**
- Trailer mounted rental units

# COMPETING TECHNOLOGY: ScFi's AQUACRITOX®

**MOST EFFICIENT TREATMENT OF SPENT CAUSTIC, SLUDGE TREATMENT & TREATMENT OF HEAVY CONTAMINATED WASTEWATER**

CRITERIA	WATER					OIL & GAS
	INCINERATION	PYROLYSIS	LAND SPREADING	ANAEROBIC DIGESTION	WET AIR OXIDATION	AQUARION PATENTED PROCESS
Pre drying needed?	Yes	Yes	No	No	No	No (reduces energy cost)
Reaction time	Minutes	Medium	Weeks	15-20 days	Hours	Minutes (more waste treated/hr)
Volume reduction	95-99%	90%	None	24-35%	90%	95-99%
Operating cost	Medium	Medium	Low	Low	Low	Low
Capital Cost	High	Medium	Low	Medium	Medium	Low

---

# IP RIGHTS & TRADEMARKS:

## Aquarion AG

AQUARION HAS INTELLECTUAL PROPERTY RIGHTS / PATENTS IN THE FOLLOWING THREE COMPANIES:

**1** H2Oil & Gas:

- 5 patents for filtration systems

**2** H+E Germany:

- ZLD Eco 2 patent pending application
- Trade marks for various technologies

**3** ScFi:

- Patent mainly for supercritical water oxidation and High pressure and high temperature reaction system

Detailed overview of patents on next slide

# INTELLECTUAL PROPERTY:

## ScFi's AQUACRITOX®

### PATENT PROTECTED TECHNOLOGY

Our Ref	Filing Date	Status Code	Application Number	Grant Date	Patent Number	Title
HOLL08/C/DE	31/08/2000	Granted	00959090.2	10/13/2004	600 14 943.9	High pressure and high temperature reaction system
HOLL08/C/FR	31/08/2000	Granted	00959090.2	10/13/2004	1224151	High pressure and high temperature reaction system
HOLL08/C/GB	31/08/2000	Granted	00959090.2	10/13/2004	1224151	High pressure and high temperature reaction system
HOLL08/C/IT	31/08/2000	Granted	00959090.2	10/13/2004	1224151	High pressure and high temperature reaction system
HOLL08/C/US	31/08/2000	Granted	10/070,398	10/25/2005	6,958,122	High pressure and high temperature reaction system
HOLL10/C/DE	11/11/2005	Granted	05800932.5	1/18/2012	602005032315.5	Method and system for supercritical water oxidation of a stream containing oxidizable material
HOLL10/C/ES	11/11/2005	Granted	05800932.5	1/18/2012	1812352	Method and system for supercritical water oxidation of a stream containing oxidizable material
HOLL10/C/FR	11/11/2005	Granted	05800932.5	1/18/2012	1812352	Method & system for supercritical water oxidation of a stream containing oxidizable material
HOLL10/C/GB	11/11/2005	Granted	05800932.5	1/18/2012	1812352	Method and system for supercritical water oxidation of a stream containing oxidizable material
HOLL14/C/US	02/07/2012	Granted	14/131,107	11/3/2015	9,175,314	Anaerobic Digestion with Supercritical Water Hydrolysis as Pretreatment

# WHY CHOOSE: ScFi's AQUACRITOX®



- AQUACRITOX® AS **ECONOMIC ALTERNATIVE** TO EXISTING PROCESSES
- AQUACRITOX® AS **ADDITIONAL TREATMENT FOR RECYCLING MATERIALS AND ENERGY**
- AQUACRITOX® AS POSSIBILITY TO **COMPLY WITH PENDING AND FUTURE REGULATORY DEMANDS**

-----IN **OIL & GAS SECTOR** AND OTHER APPLICATIONS



# 04.

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## KEY FINANCIALS

# GLANCE AT KEY METRICS

## Aquarion Group

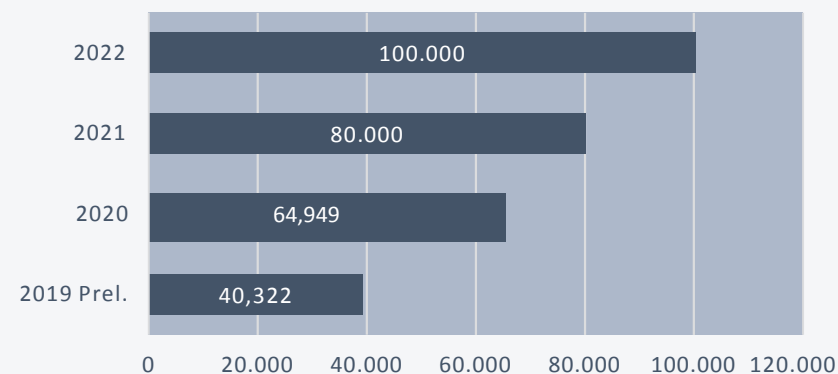
€ 60+ MILLION ORDER INTAKE IN 2019 AND € 45+ MILLION ORDER BACKLOG AT END OF 2019

### EQUITY RATIO



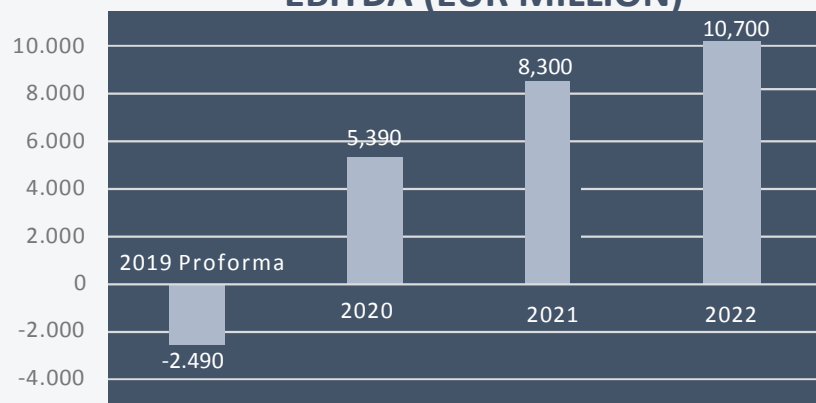
\* Including subordinated loans

### REVENUE (EUR MILLION)



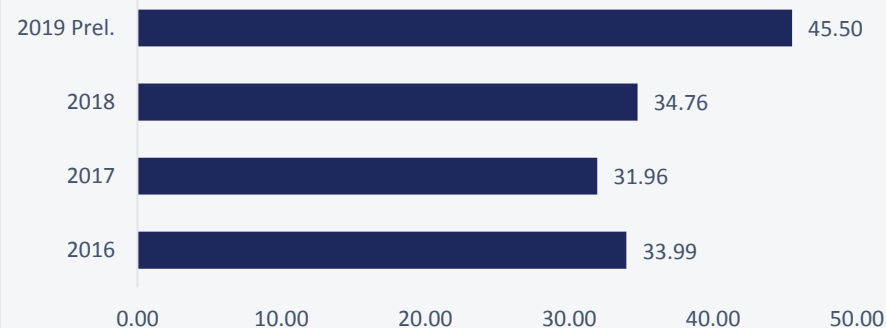
\* Results excluding ScFi

### EBITDA (EUR MILLION)



\* Results excluding ScFi

### BACKLOG (EUR MILLION)

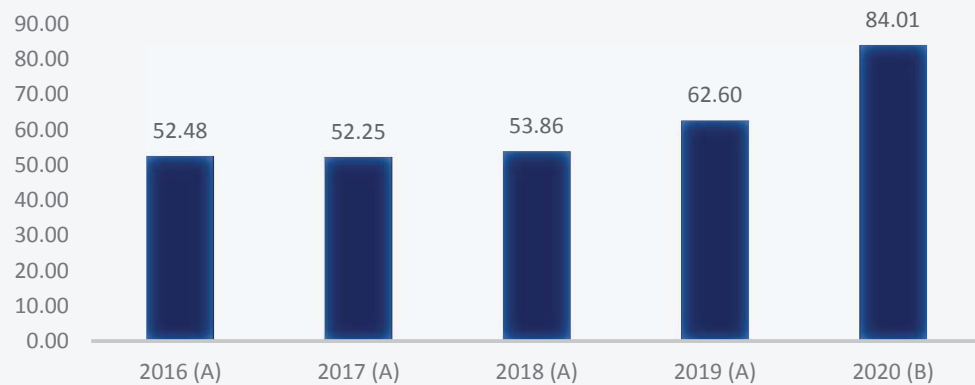


# GLANCE AT KEY METRICS

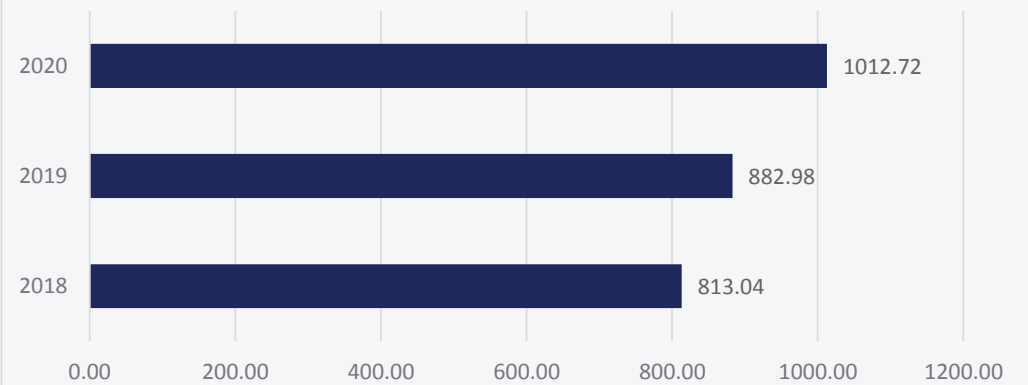
## Aquarion Group

€ 60+ MILLION ORDER INTAKE IN 2019 AND € 45+ MILLION ORDER BACKLOG AT END OF 2019

### ORDER INTAKE (EUR MILLION)

























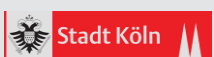


### Pro-Forma Pipeline in EUR (Million)



# GLOBAL REFERENCES (1/3)

## Aquarion Group

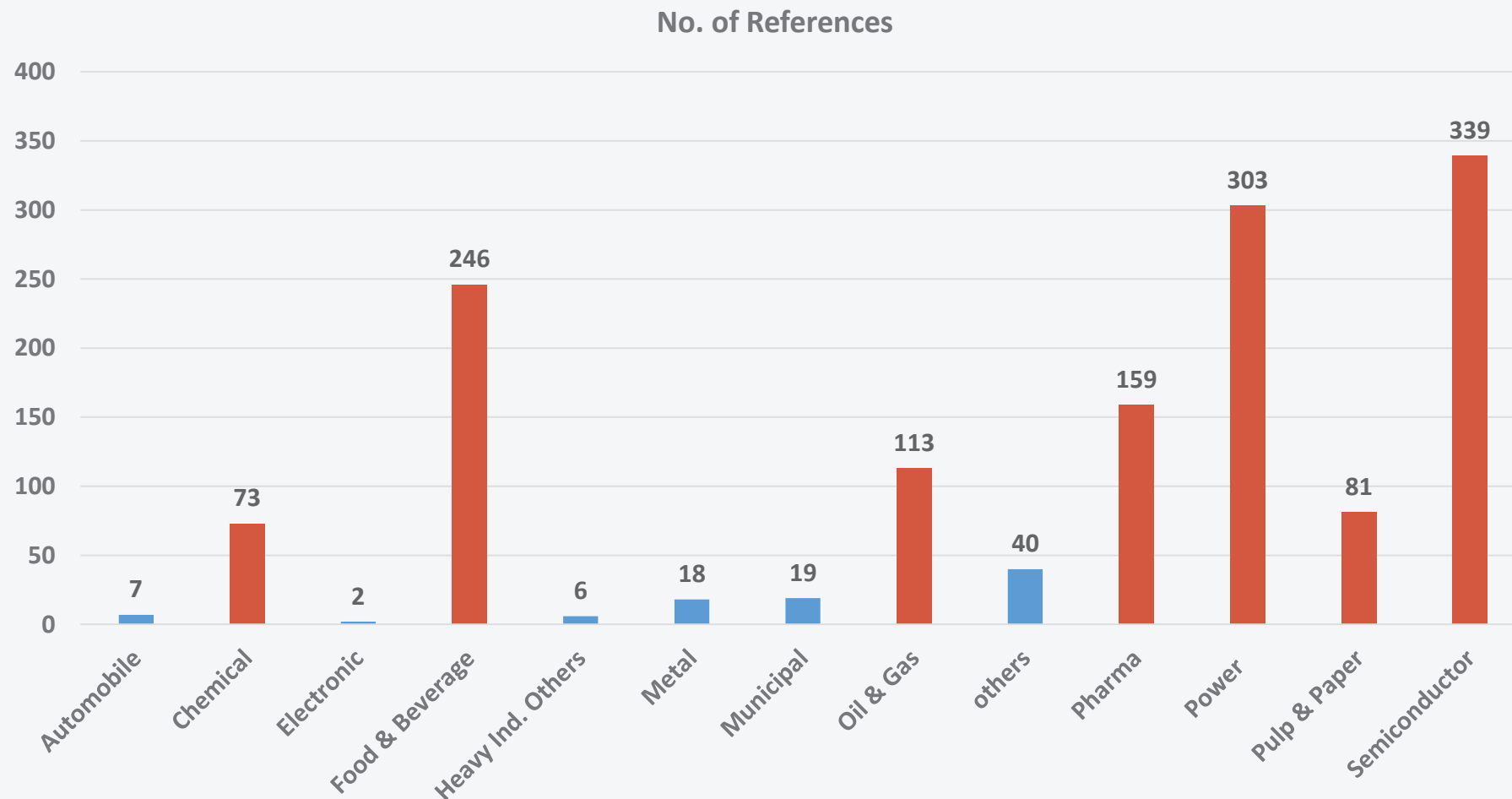
AQUARION HAS STRONG REFERENCES ACROSS INDUSTRIES WORLDWIDE

Key markets	H+E references globally	H+E Customers
 Oil & Gas Up & Downstream	113	  
 Paper & Pulp	81	 
 Energy & Solar	303	   
 Chemical	73	 
 Food & Beverage	246	 
 Semiconductor	339	 
 Municipalities	59	  

# GLOBAL REFERENCES (2/3)

## Aquarion Group

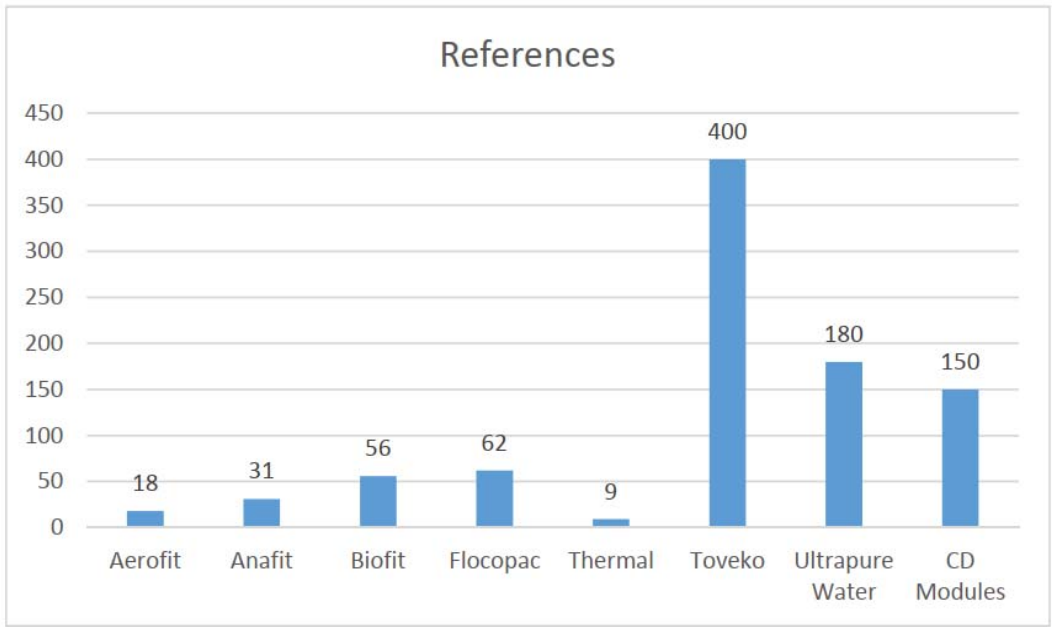
AQUARION REFERENCES FOR KEY MARKET SEGMENTS **TO TARGET**



# GLOBAL REFERENCES (3/3)

## Aquarion Group

### GLOBAL REFERENCES TIED TO DIFFERENTIATED TECHNOLOGIES



Differentiated Technologies	References
Aerofit	18
Anafit	31
Biofit	56
Flocopac	62
Thermal	9
Toveko	400
Ultrapure Water	180
CD Modules	150

# REVENUE REALIZATION (1/2)

## Aquarion Group

H+E ESTABLISHED A STRONG AND ROBUST PIPELINE RESULTING IN ~€65M REVENUE REALIZATION IN 2020

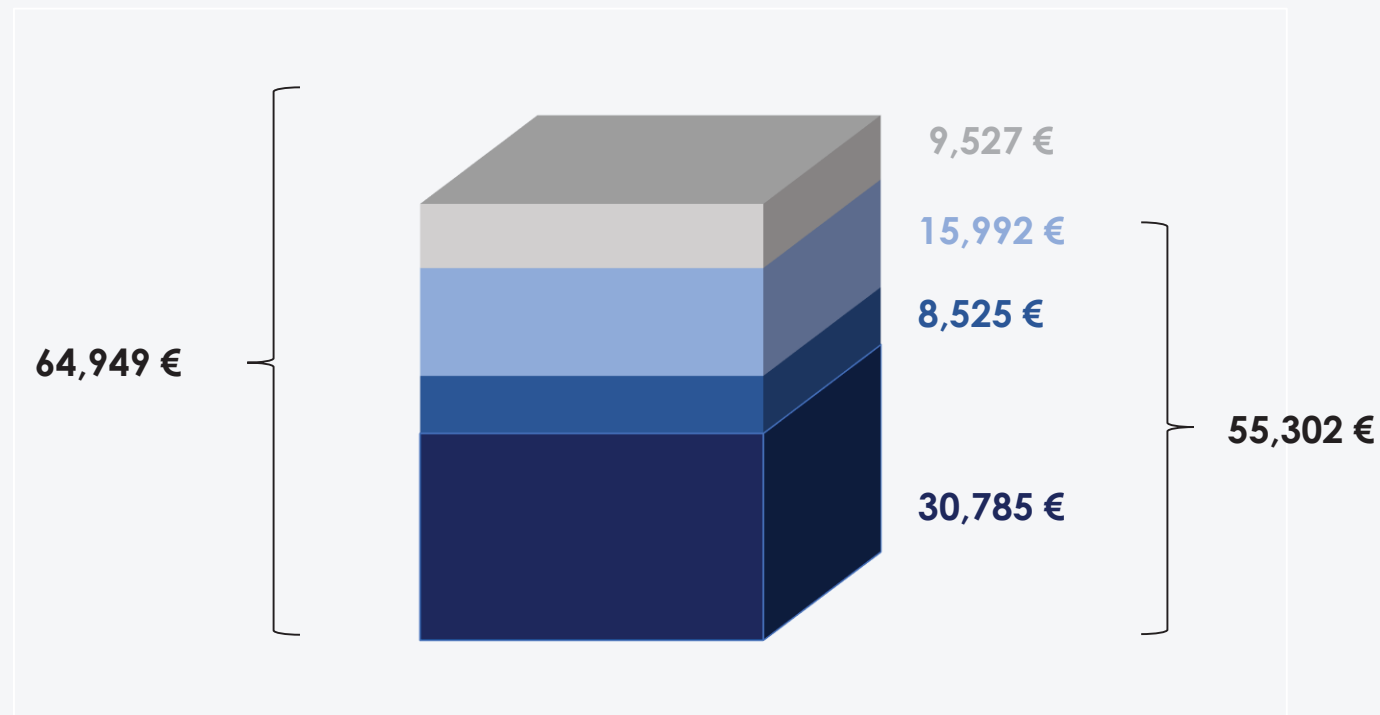
Entity	Backlog end of December 2019	Exp. Revenue from Backlog in 2020	Total Orders in Q1-2020	New Orders in Q2-2020	New Orders in Q3-2020	New Orders in Q4-2020	Total Order Intake in 2020	Exp. Revenue from New orders in 2020	Total Revenue	Remaining backlog from 2019	Backlog from new orders in 2020	Total Backlog end of 2020
H+E Italy	3,688	188	40	4,500	5,000	1,000	10,540	2,995	3,183	3,500	7,545	11,045
H2O (UK)	2,566	1,796	3,300	650	2,500	0	6,450	2,503	4,298	770	3,948	4,717
H+E (UK)	672	672	1,475	805	400	1,700	4,380	1,374	2,046	0	3,006	3,006
H+E (GER)	38,346	30,785	4,410	22,771	17,995	8,787	53,963	15,992	46,777	7,561	37,971	45,532
Service Revenue H+E (GER)	0	0	1,991	2,131	2,131	2,272	8,525	8,525	8,525	0	0	0
								<b>H+E (GER) Subtotal</b>	<b>55,302</b>			
Aquarion Austria	82	82	0	50	50	50	150	38	120	0		
	45,354	33,523	11,216	30,907	28,076	13,809	84,008	<b>Total</b>	<b>64,949</b>	<b>11,830</b>	<b>52,470</b>	<b>64,300</b>

# REVENUE REALIZATION (2/2)

## Aquarion Group

### SUMMARY OF FINANCIAL REVENUE REALIZATION 2020

€65M Revenue for 2020



■ Group Companies New Orders

■ GmbH New Orders

■ GmbH Service

■ GmbH Backlog Capital

# FINANCIAL BUDGET 2020

## Aquarion Group

### Budget 2020 : Future is Bright

Budget 2020 IFRS consolidated	Aquarion Group '000 EUR	H+E GmbH '000 EUR
<b>Income Statement (YTD)</b>	<b>Dec 2020</b>	<b>Dec 2020</b>
Revenue	<b>64,949</b>	<b>55,302</b>
POC Sales	49,900	46,625
Net Sales	15,100	8,677
Material and subcontractors	-40,050	-36,593
<b>Margin I</b>	<b>24,899</b>	<b>18,709</b>
<i>in % of total revenue</i>	38.4	34
Personnel expenses	-15,400	-10,635
Other operating expenses	-4,110	-2,750
<b>EBITDA</b>	<b>5,390</b>	<b>5,323</b>
Depreciation	-620	-637
<b>EBIT</b>	<b>4,770</b>	<b>4,686</b>
<i>in % of total revenue</i>	7.3	8.5%
Financial result	-2,375	-1,153
<b>EBT</b>	<b>2,395</b>	<b>3,533</b>
Taxes on income	-2,145	-1,587
<b>Net Income (Loss)</b>	<b>250</b>	<b>1,946</b>

- Aquarion Group and H+E follow an excellent growth path since organization has been optimized
- H+E GmbH generates approx. 80% of the total group's revenues
- High revenue growth is backed up with a substantial qualified pipeline

# FINANCIAL BUDGET 2021 & 2022

## Aquarion Group

### Budget 2021 & 2022 : Future is Bright

Budget 2021 and 2022 IFRS consolidated	Aquarion Group '000 EUR	H+E GmbH '000 EUR	Aquarion Group '000 EUR	H+E GmbH '000 EUR
<b>Income Statement (YTD)</b>	<b>Dec 2021</b>	<b>Dec 2021</b>	<b>Dec 2022</b>	<b>Dec 2022</b>
Revenue	80,000	65,000	100,000	75,000
POC Revenue	58,000	54,275	72,500	62,250
Net Revenue	22,000	10,725	27,500	12,750
Material and subcontractors	-48,000	-38,805	-59,750	-44,775
Margin I	32,000	26,195	40,250	30,225
% of Revenue	40	40	40	40
Personnel Expenses	-18,500	-15,600	-23,100	-18,000
Other Operating expenses	-5,200	-3,250	-6,450	-3,750
EBITDA	8,300	7,345	10,700	8,475
Depreciation	-650	-637	-830	-637
EBIT	7,650	6,708	9,870	7,838
% of Revenue	9.6	10.3	9.9	10.5
Financial result	-2,100	-1,153	-2,800	-1,153
EBT	5,550	5,555	7,070	6,685
Taxes on income	-2,770	-1,833	-3,415	-2,206
Net income (loss)	2,780	3,722	3,655	4,479

- Lower results at group level is due to funding of group development & expansion activities like
  - Investment in R & D
  - Investment in Demonstration units and pilot plants
  - Market introduction of new technologies.
  - Expansion in new regions

# FINANCIAL BUDGET 2020

## H+E GmbH

H+E GmbH on track to achieve budgeted revenue for 2020

	Actual	Actual	Budget
H+E GmbH	2019	Q1'20	2020
IFRS local	'000 EUR	'000 EUR	'000 EUR
	Preliminary	Preliminary	
Income Statement (YTD)	Dec 2019	Mar 2020	Dec 2020
Revenue	30,834	10,188	55,302
POC Sales	22,483	8,467	46,625
Net Sales	8,352	1,720	8,677
Material and subcontractors	-18,503	-7,070	-36,593
<b>Margin I</b>	<b>12,331</b>	<b>3,118</b>	<b>18,709</b>
<i>in % of total revenue</i>	40%	31%	34%
Personnel expenses	-9,687	-2,268	-10,635
Other operating expenses	-1,176	-496	-2,750
<b>EBITDA</b>	<b>1,468</b>	<b>353</b>	<b>5,323</b>
Depreciation	-518	-134	-637
<b>EBIT</b>	<b>951</b>	<b>219</b>	<b>4,686</b>
<i>in % of total revenue</i>	3.1%	2.1%	8.5%
Financial result	-206	19	-1,153
<b>EBT</b>	<b>745</b>	<b>238</b>	<b>3,533</b>
Taxes on income	-385	-3	-1,587
<b>Net Income (Loss)</b>	<b>360</b>	<b>235</b>	<b>1,946</b>

# FINANCIAL BUDGET 2020

## ScFi

### Budget 2020: Business Plan for AquaCritox – ScFi

PROFIT FORECASTS	Year	Year	Year	Year	Year
All in €'000	2020	2021	2022	2023	2024
	Forecast	Forecast	Forecast	Forecast	Forecast
<b>REVENUE</b>	<b>4,600</b>	<b>18,189</b>	<b>22,876</b>	<b>26,400</b>	<b>40,523</b>
Material Purchases	-2,070	-8,185	-10,294	-11,880	-18,235
Contract and IC Labour	-287	-1,973	-2,546	-2,815	-4,623
<b>COST OF SALES</b>	<b>-2,357</b>	<b>-10,159</b>	<b>-12,841</b>	<b>-14,695</b>	<b>-22,859</b>
<b>GROSS MARGIN i</b>	<b>2,243</b>	<b>8,031</b>	<b>10,036</b>	<b>11,705</b>	<b>17,664</b>
Gross Margin %	49%	44%	44%	44%	44%
Personnel Expenses	-600	-1,058	-1,259	-1,565	-1,875
Other Operating Expenses	-235	-483	-577	-654	-880
<b>EBITDA</b>	<b>1,408</b>	<b>6,490</b>	<b>8,199</b>	<b>9,486</b>	<b>14,909</b>
Depreciation	-3	-4	-5	-7	-8
<b>EBIT</b>	<b>1,405</b>	<b>6,486</b>	<b>8,194</b>	<b>9,479</b>	<b>14,902</b>
% of Total Revenue	31%	36%	36%	36%	37%
Interest	7	93	195	337	559
<b>EBT</b>	<b>1,412</b>	<b>6,578</b>	<b>8,389</b>	<b>9,817</b>	<b>15,461</b>
Taxation	-84	-822	-1,049	-1,227	-1,933
<b>NET RESULT</b>	<b>1,328</b>	<b>5,756</b>	<b>7,340</b>	<b>8,590</b>	<b>13,528</b>
	29%	32%	32%	33%	33%



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## GROWTH PROJECTIONS

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# RESTRUCTURING ACTIONS (1/2)

## Aquarion Group

### THE FOLLOWING OPERATIONAL RESTRUCTURING ACTIONS HAVE BEEN TAKEN:

- Appointment of a fully dedicated group CEO, CFO and CSO
- Reorganization of Aquarion Group under H+E brand (EPC Group ) and Aquarion brand (Product division).
- Reorganization of H+E Asia and formation of JV to bring in business and provide technology solutions
  - Reduction of Staff from 150 to 45
  - Improved project controlling
- Reorganization of Gemwater
  - Reduction of staff from 19 to 8
  - Appointment of Global O&G sales manager
- Focus of group to fewer operational entities: Closure of AQ (FZE), entity in Sharjah, UAE. Now pursuing Middle East Business through qualified agents

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# RESTRUCTURING ACTIONS (2/2)

## Aquarion Group

### THE FOLLOWING OPERATIONAL RESTRUCTURING ACTIONS HAVE BEEN TAKEN:

- Improvement of Sales Organization, launching group-wide CRM system, hiring of CSO, increased focus on marketing and PR activities etc.
- S-Tec, Manufacturing facility in Dresden Germany, initiated discussion with Chinese Pharmaceutical major for 50:50 JV by carving out pharma business of H+E.
- Coordination of purchasing activities
- Increase share of recurring revenues by launching Product & Service division to increase O&M, product / component, service part.
- Launch innovative technologies / applications like ScFi to treat highly contaminated wastewater like spent caustic in our markets.

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# REASON FOR IMPROVEMENTS

## Aquarion Group

### THE FOLLOWING ARE REASONS FOR IMPROVEMENT IN FUTURE YEARS:

- ✓ Loss of H+E Asia came from Micron project and will not occur anymore
- ✓ Loss of divestiture of MFT GmbH will not occur anymore
- ✓ Lot of DD costs in vain will not occur again, for acquisitions, consulting and loans
- ✓ Higher Order Intake and higher sales budgeted and expected in 2020 as many projects in 2019 have been shifted to 2020
- ✓ Pipeline of business has increased to €500m
- ✓ Lot of already awarded projects in 2019 got delayed which will contribute to Revenue and profitability in 2020
- ✓ Holding costs are being considerably reduced and put down to operative companies
- ✓ Better sales integration of all group companies
- ✓ No / Minimal Restructuring costs here onwards

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# FUTURE GROWTH EXPECTATIONS

## Aquarion Group

### THE FOLLOWING ARE REASONS FOR IMPROVEMENT IN FUTURE YEARS:

**Aquarion Group and H+E GmbH follow an excellent growth path since the sales organization has been optimized backed up with a substantial qualified pipeline**

- Qualified pipeline to:
  - Exceed year end targets
  - Achieve our 3-year Growth Strategy
- Sales Leadership focusing on a Market Strategy and Specific Targets
- Top Line Market Strategy is based on a number of themes:
  - Customer focused – Key Accounts, maximise order potential with existing clients
  - New Clients – Existing Solutions in New Markets/New Clients, represents substantial growth potential
  - Global Service Strategy, lever the 30,000 plus references
  - Develop Markets for BOO, BOT, BOOT
  - Develop Regional Markets with Strategic Partners

# USE OF PROCEEDS



- Market introduction of AquaCritox by Investment in ScFi:

*Treatment of heavy contaminated wastewater has very high potential with a revenue of around € 60 million for first year to be increased to € 140 million in next 4 years with a profit margin of more than 10%*

- Increase Recurring revenues by O&M
- Working capital for project financing
- Refinancing of short-term loans to mid term loans

# CONDITIONS FOR BONDS

TO BE UPDATED



- Name of borrower: Aquarion ScFi Limited
- Amount: up to 4.000.000 EUR
- Interest rate: 6.5 % p.a.
- Payment of Interest: Annually
- Valuate day: 15.05.2020 (to be agreed with Mel)
- Term: 5 years with early repayment after 3 years
- Repayment date: 14.05.2023 or 14.05.2025
- Subscription period: Start with 15.05.2020 with no end date (to be agreed with Mel)
- Minimum subscription: 100.000 EUR
- Stock Exchange listing: Listing of the bonds at the Dublin Stock Market
- Guarantee: The guarantor confirms to the bondholders the unconditional and irrevocable guarantee for the payment of principal and interest & all other amounts payable under these partial debentures – will be a SPV with securities.

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# DISCLAIMER

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**APPENDIX 4**  
**AUDITED FINANCIAL STATEMENTS FOR AQUARION AG FOR THE YEAR ENDED 31**  
**DECEMBER 2017**



# Financial Report 2017



## Financial Report 2017

Consolidated Balance Sheet	3
Consolidated Income Statement	4
Consolidated statement of Comprehensive Income	4
Changes in Consolidated Equity Capital	4
Consolidated Cash Flow Statement	5
Notes on the Consolidated Financial Statements	6
Report of the Statutory Auditors	37

## Consolidated Balance Sheet

Amounts in EUR	Appendix	31.12.2017	31.12.2016
<b>Assets</b>			
Intangible assets	6	5.590.877	6.349.743
Tangible assets	5	980.582	1.259.113
Financial assets	4	1.195.512	4.048.866
Deferred tax assets	11	1.490.247	511.991
<b>Total non current assets</b>		<b>9.257.218</b>	<b>12.169.713</b>
Inventories	2	1.715.531	4.322.860
Trade receivables	2	9.935.441	8.983.864
Work in progress	3	6.714.329	6.044.577
Other receivables	2	2.708.717	7.245.677
Cash and cash equivalents	1	4.638.091	3.255.321
Deferred expenses and accrued income		157.317	223.334
<b>Total current assets</b>		<b>25.869.427</b>	<b>30.075.633</b>
<b>Total assets</b>		<b>35.126.644</b>	<b>42.245.346</b>
<b>Equity and liabilities</b>			
Share capital	12	3.296.021	3.296.021
Capital Reserves		5.723.365	5.723.365
Treasury Shares	-	759.326	-
Retained earning	-	12.100.063	2.730.567
Cumulative translation adjustments		506.378	27.110
Available-for-sale financial assets	-	250.000	
<b>Total equity to the shareholders</b>	-	<b>3.583.625</b>	<b>6.261.709</b>
Non controlling interests	-	81.376	4.745
<b>Total equity</b>	-	<b>3.665.001</b>	<b>6.256.964</b>
Provisions	10	547.159	654.262
Financial liabilities	9	8.892.955	10.152.132
Other liabilities		-	6.566
Deferred tax liabilities	11	1.133.804	313.682
<b>Total non current liabilities</b>		<b>10.573.918</b>	<b>11.126.642</b>
Tax liabilities		4.885	285.379
Provisions	10	5.319.421	2.763.964
Financial liabilities	9	10.804.546	7.358.502
Trade liabilities	7	6.018.631	6.759.157
Work in progress	3	3.160.821	3.567.219
Other liabilities	8	1.613.426	2.888.319
Deferred income and accrued expenses		1.295.997	1.239.200
<b>Total current liabilities</b>		<b>28.217.727</b>	<b>24.861.740</b>
<b>Total equity and liabilities</b>		<b>35.126.644</b>	<b>42.245.346</b>

The Consolidated notes on the Financial Statements are an integral part of this Consolidated Financial Statement.

## Consolidated Income Statement

Amounts in EUR	Appendix	31.12.2017	31.12.2016
Revenue	13	52.332.539	55.803.751
Material and subcontractors	14	-30.772.251	-32.206.490
Personnel expenses	15	-19.816.470	-20.516.629
Other operating expenses	16	-6.594.460	-6.839.217
Restructuring	17	-954.129	0
<b>EBITDA</b>		<b>-5.804.771</b>	<b>-3.758.585</b>
Depreciation	5/6	-2.036.196	-709.443
<b>EBIT</b>		<b>-7.840.967</b>	<b>-4.468.028</b>
Financial expenses	18	-1.831.177	-1.043.179
Financial income	19	1.555.207	85.930
Currency gain/loss	20	-1.615.410	163.917
<b>EBT</b>		<b>-9.732.347</b>	<b>-5.261.360</b>
Tax on income	21	286.736	128.960
<b>Net Income</b>		<b>-9.445.611</b>	<b>-5.132.400</b>
Non controlling interests		76.115	71.149
<b>Net income attributable to shareholders of Aquarion AG</b>		<b>-9.369.496</b>	<b>-5.061.251</b>

The Consolidated notes on the Financial Statements is an integral part of this Consolidated Financial Statement.

## Consolidated Statement of Comprehensive Income

<b>Net income</b>	<b>-9.445.611</b>	<b>-5.132.400</b>
<b>Items that may be reclassified in the income statement</b>		
Foreign currency differences	532.972	-16.655
Fair value changes on available-for-sale financial assets	-250.000	0
<b>Other comprehensive income</b>	<b>282.972</b>	<b>-16.655</b>
<b>Comprehensive income</b>	<b>-9.162.639</b>	<b>-5.149.055</b>
Shareholders of Aquarion AG	-9.086.008	-5.090.815
Non-controlling interests	-76.631	-58.240

## Changes in Consolidated Equity

Amounts in EUR	Share capital	Capital reserves	Treasury Shares	Retained earnings	Foreign exchange differences	Available-for-sale financial assets	Equity attributable to shareholders	Non-controlling interests	Total equity
<b>31.12.2015</b>	<b>3.296.021</b>	<b>5.723.365</b>	-	<b>2.330.685</b>	<b>2.454</b>	-	<b>11.352.525</b>	<b>53.494</b>	<b>11.406.019</b>
Consolidated profit	-	-	-	5.061.251	-	-	5.061.251	71.149	5.132.400
Other comprehensive income	-	-	-	-	29.564	-	29.564	12.910	16.655
<b>Comprehensive income</b>	-	-	-	<b>5.061.251</b>	<b>29.564</b>	-	<b>5.090.815</b>	<b>58.240</b>	<b>5.149.056</b>
<b>31.12.2016</b>	<b>3.296.021</b>	<b>5.723.365</b>	-	<b>2.730.567</b>	<b>27.110</b>	-	<b>6.261.709</b>	<b>4.745</b>	<b>6.256.964</b>
Consolidated profit	-	-	-	9.369.496	-	-	9.369.496	76.115	9.445.611
Other comprehensive income	-	-	-	-	533.488	-250.000	283.488	516	282.972
<b>Comprehensive income</b>	-	-	-	<b>-9.369.496</b>	<b>533.488</b>	<b>-250.000</b>	<b>-9.086.007</b>	<b>-76.631</b>	<b>-9.162.639</b>
Purchase Treasury Shares	-	-	759.326	-	-	0	-759.326	-	-759.326
<b>31.12.2017</b>	<b>3.296.021</b>	<b>5.723.365</b>	<b>- 759.326</b>	<b>- 12.100.063</b>	<b>506.378</b>	<b>- 250.000</b>	<b>- 3.583.625</b>	<b>- 81.376</b>	<b>- 3.665.001</b>

## Consolidated Cash Flow Statement

Amounts in EUR	31.12.2017	31.12.2016
<b>Cash flow from operating activities</b>		
Profit of the period	- 9.445.611 -	5.132.400
Amortization / depreciation fixed assets	706.196	709.442
Depreciation Goodwill	1.330.000	-
Deferred tax expenses	- 174.120 -	415.460
Other non cash effective positions	- 362.847	191.744
Change in provisions	2.571.774	1.259.876
Change in trade receivables	- 1.242.954 -	1.718.305
Change in work in progress	- 910.543	1.087.759
Change in other current receivables and prepaid expenses and deferred income	4.576.902 -	6.464.956
Change in inventories	2.583.814 -	2.703.868
Change in trade payables, other current liabilities, advance payments, accruals and deferred income	- 2.326.706	3.499.538
Change in other liabilities (non current)	- 6.566	6.566
<b>Cash flow from operating activities</b>	<b>- 2.700.661 -</b>	<b>9.680.064</b>
<b>Cash flow from investing activities</b>		
Purchase of tangible assets	- 108.936 -	483.595
Purchase of intangible assets	- 925.919 -	151.973
Financial assets	2.576.019	6.358.411
Acquisitions	- 6.662	-
<b>Cash flow from investing activities</b>	<b>1.534.502</b>	<b>5.722.843</b>
<b>Cash flow from financing activities</b>		
Financial liabilities (Addition)	3.629.938	4.551.245
Financial liabilities (Decrease)	- 233.579	-
Purchase Treasury Shares	- 759.326	-
<b>Cash flow from financing activities</b>	<b>2.637.033</b>	<b>4.551.245</b>
<b>Total cash flow</b>	<b>1.470.874</b>	<b>594.024</b>
<b>Liquidity beginning of period</b>	<b>3.255.321</b>	<b>2.687.711</b>
Total cash flow	1.470.874	594.024
Impact of currency translation	- 88.104 -	26.414
<b>Liquidity end of period</b>	<b>4.638.091</b>	<b>3.255.321</b>

The consolidated notes to the Financial Statements are an integral part of these consolidated financial statements.

## CONSOLIDATED NOTES

### Important principles of the consolidated financial statements

Aquarion AG is an incorporated company under Swiss law, located in Baar, Zugerstrasse 76b, Switzerland. According to the Commercial Register extract the company's aim is the acquisition, management and sale of investments to companies, particularly in the field of water treatment systems and processes.

Aquarion Group is a leading provider of advanced water systems and solutions, as well as technologies for the oil & gas industry, the energy industry and other manufacturing industries.

The present consolidated financial statements of Aquarion AG (hereinafter "we", "our", "Aquarion", "the company", "the firm" or "the Group") is prepared in accordance with International Financial Reporting Standards (IFRS).

All amounts in this financial statement are - unless indicated otherwise in a particular case - stated in euros (EUR).

The following exchange rates were used:

	Exchange rates at the end of the year balance sheet		Average exchange rates year profit / loss account	
	2017	2016	2017	2016
CHF	1,17	1,07	1,11	1,09
GBP	0,89	0,86	0,88	0,82
MYR	4,85	4,73	4,85	4,58
PHP	59,80	52,27	56,94	52,55
RUB	69,39	64,30	65,88	74,22
SGD	1,60	1,52	1,56	1,53
THB	39,12	37,73	38,28	39,04
USD	1,20	1,05	1,13	1,11
CLP	737,08	-	746,55	-

The consolidated financial statement is generally based on the principle of historical cost (Group acquisition or production costs). For selected activities, the fair value is decisive from the start. The account statements are partly based on estimates. Owing to assumptions about the future development or for other reasons, these amounts are regularly subject to uncertainties. Furthermore, the application of the below accounting standards requires discretionary decisions that can have a significant effect on the amounts reported in the consolidated financial statements. Estimates for which there is a significant risk of a balance correction within twelve months, as well as other far-reaching discretionary decisions will be subsequently discussed.

## Changes in accounting standards

As of January 1, 2017 the company applies following amendments to IFRS:

- Amendment to IAS 7 – Cash Flow Statement: Disclosure Initiative (effective in 2017)
- Amendment to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses (effective in 2017)
- Amendment to IFRS 12 – Annual Improvements to IFRSs 2014-2016 Cycle (effective in 2017)

Noted amendment are concluded to have no impact on consolidated financial statements.

Following new standards and amendments have been published as of year-end, but with mandatory adoption latest in 2018. Noted new standards and amendments will be adopted as of stated date.

- Effective in 2018:
  - o IFRS 9 – Financial Instruments
  - o IFRS 15 – Revenue from Contracts with Customers
  - o Amendment to IFRS 2: Classification and Measurement of Share-based Payment Transactions
  - o Amendment to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
  - o Amendment to IAS 40: Transfers of Investment Property
  - o Amendment to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers
  - o Annual Improvements to IFRS 2014-2016 Cycle: IFRS 1 First –time Adoption of IFRS, IFRS 12 Disclosures of Interests in Other Entities; IAS 28 Investments in Associates and Joint Ventures
- Effective in 2019:
  - o IFRS 16 – Leases
  - o Amendment to IFRS 9: Prepayment Features with Negative Compensation
  - o Amendment to IAS 28: Long-term Interests in Associates and Joint Ventures

Impact of noted standards is going to be assessed. Based on assessment the changes may impact the consolidated financial statements.

## Consolidation principles

### Consolidation companies

The consolidated financial statement includes the financial statements of Aquarion AG and foreign and domestic companies (subsidiaries) directly or indirectly controlled by it. The control is done by majority vote. The financial statements of the Group of companies are fully consolidated, i.e. assets, liabilities, income and expenses are fully incorporated. Minority interests in equity and net income of a subsidiary are also recorded separately. Investments in companies in which the Group is able to exert a significant influence on operating and financial policy decisions (associated companies) are treated according to the equity method. The acquisition costs which are attributable to the equity share capital of the Company changes are updated (see consolidated income statement). The significant influence is usually given by a vote share of at least 20%. The consolidated companies include the Aquarion AG and its subsidiaries in accordance with consolidation companies below. The first-time inclusion of a company of the Group takes place from the date of acquisition (change of control) or the establishment during a fiscal year; after a sale, in the majority of cases, a last-time inclusion is done to the date of change of control (in liquidation until the liquidation date).

### Consolidation procedure

Transactions between Group companies, receivables and liabilities resulting from this, as well as interim successes in the assets of intra-group origin are eliminated.

Acquisitions are treated according to the purchase method: For the first-time consolidation at the acquisition date, the identifiable net assets and contingent liabilities of the company concerned are recognized at their fair values. The positive difference between the percentage share of the Group on revalue equity and the cost of acquisition is recognized as acquired goodwill. This is subjected to an annual impairment test - and more often in case of signs of possible impairment. To this end, at the acquisition date it is assigned to the so-called cash-generating units (smallest identifiable group of assets that are generated independent from other positive liquid means). The impairment test is ascertained by either the fair value less costs to sell or value in use per cash-generating unit is either - depending on

which of these two values is higher - the value of the net assets plus goodwill allocated to the same time, according to a consolidated balance sheet. In the Group the values in use were used, since it is not possible to determine reliably the fair values less costs to sell. A possible impairment is recognized in operating income, and shown separately. It will not be reversed in case of elimination of the impairments. If minority interests are acquired or sold in an existing subsidiary, this is deemed as a transaction with non-controlling interests in their capacity as owners. Any difference between the date of acquisition cost or the selling price of these shares and the percentage of net of equity (according to statements of the Company for the purposes of consolidation, i.e. without revaluation) is offset against the capital reserves. Any difference between the date of acquisition cost or the selling price of these shares and the percentage net of equity (according to statements of the Company for the purposes of consolidation, i.e. without revaluation) is offset against the capital reserves. Deferred variable purchase price components are revalued at the balance sheet date. Valuation adjustments are recorded in the income statement under financial result. Interest effects are recorded for all transactions as a financial expense in the income statement.

Under the equity method, the capital offsetting is done in a separate account. A re-evaluation and other consolidation transactions do not take place, because the relevant information is not usually available. As at the balance sheet date signs of possible impairment of the investment are observed, and if necessary this is subject to an impairment test in accordance with the methodology set out above. A possible impairment is recorded in the financial result. The capital account difference (goodwill) is not subject to separate impairment test, as this is included in the equity value. In the case of accounting indebtedness of the associated companies the equity method is suspended because the Group has no obligation to compensate losses (i.e. equity value of zero).

#### Separate Financial Statements

The consolidated financial statements of the consolidated companies are uniformly prepared in accordance with the following general recognition and measurement standards. Balance sheet date is consistently December 31. Presentation currency of the Group is the euro (EUR). Under the equity method the last financial statements must be carried out according to the IFRS.

#### Currency conversion

##### *a) Functional currency and reporting currency*

The items included in the financial statements of each company are measured using the currency which is the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in euro (EUR), which is the reporting currency. In tables, the monetary values, unless indicated otherwise, are shown in EUR.

##### *b) Transactions and balances*

Foreign currency transactions are converted into the functional currency at the exchange rate at the point in time in the month of transaction. Profits and losses resulting from the settlement of such transactions and from the translation at the spot exchange rates of foreign currency assets and liabilities are recorded in the income statement.

##### *c) Consolidated Companies*

The results and financial position of all companies that have a different functional currency from the recording currency are converted as follows in the reporting currency:

- Assets and liabilities are translated for each balance sheet date at the spot rate;
- Income and expenses are converted for each income statement at average annual rates which essentially correspond to the actual rates; and
- All resulting exchange differences are recorded as a separate entry under equity capital.

In the consolidated financial statements, exchange differences arising from translation of net investment in an independent foreign entity or are from financial liabilities and other currency instruments designated as hedges of such investments, are recorded directly under equity capital.

When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the proceeds or loss recognized. Adjustments to the fair values, which arise through the acquisition of a foreign company, are treated as assets and liabilities of the foreign entity and converted at the spot currency exchange rate.

## Recognition and measurement principles

### a) Cash and cash equivalents

Cash and cash equivalents include cash balances, current bank accounts with credit balances and fixed deposits. These are only indicated in the cash and cash equivalents if they can be converted to predetermined payment amounts at any time, are only subject to insignificant value fluctuations and have a maximum maturity period of three months from the date of deposit. This definition is also applied to the cash flow statement or the fund indicated in the cash flow statement.

### b) Financial assets

For the purposes of subsequent evaluation, the financial instruments on the asset side must be divided into the following categories (excl. liquid assets):

- Financial assets valued at fair value with an effect on income: This includes securities held for trade and financial assets designated as "valued at fair value with an effect on income" at the time they were recorded. Derivative financial instruments are equivalent to receivables held for trade by definition (except for derivatives designated as security instruments and are effective as such). Fair value changes in the reporting year are included in the financial result.
- Financial assets held until maturity (debt securities): These are valued at so-called amortised costs in accordance with the effective interest rate method.
- Loans and receivables: These are also valued at so-called amortised costs in accordance with the effective interest rate method.
- Financial assets available for sale: All remaining financial instruments on the asset side fall into this category. Such financial assets are valued at fair value; fair value changes during the reporting year are recorded directly in the equity capital and indicated separately. In case of a withdrawal, this cumulative value adjustment is reposted in the financial result.
- Financial assets designated as hedged items include: In hedging accounting, if the application requirements have been fulfilled, hedged items and hedging instruments are valued so the respective fair value changes are compensated in the earnings statement. The group does not apply this method.

For the items valued at so-called amortised costs, whether there is impairment on the balance sheet date must be determined. If necessary, the adjustment shall be recorded in the financial result at the lower cash value of the expected payments. If the value increases at a later time, the impairment value adjustment will be reversed via the financial result. For financial assets available for sale, whether there is impairment on the balance sheet date in case of a fair value reduction must be determined. If necessary, the difference between the procurement costs and the fair value shall be recorded in the financial result, whereby the cumulative depreciation in the equity capital is reposted there. If the value increases at a later time, the impairment value adjustment will be reversed via the financial result for debt securities and it remains as is for equity capital securities. When they are recorded, financial assets are principally recorded at fair value (if necessary, except for items valued at fair value with an effect on income, plus direct transaction costs). The group currently includes only the following categories:

- Loans and receivables: This category corresponds with the receivables in accordance with the balance sheet (circulation and invested capital). The receivables primarily have short-term maturity periods; the scope of long-term loans is negligible. The classification as short or long-term depends on whether the remaining term is up to one year or more. The amortised costs correspond with nominal values in the group. These are periodically reviewed to determine if they are sufficiently secure and the value is individually adjusted accordingly in case of materiality. Establishment and dissolution of these value adjustments are recorded in other operating costs or the respective loan under financial expenses. The fair values approximately correspond with the balance sheet values since these, with the exception of the discount effect, are largely equivalent to the estimated received payments and the conditions are standard for the market.
- Financial assets available for sale: This category corresponds with the financial assets in accordance with the balance sheet. The financial assets are shares in different companies which are held long-term. They are recorded at the procurement costs since their value is generally insignificant.

c) Work in progress

Customer orders at construction sites are balanced in accordance with the percentage of completion method. The respective state of completion is defined by the order-based progress calculation. In the balance sheet, the customer orders are recorded as net assets or net liabilities from objects in progress.

If the earnings from a production order cannot be reliably estimated, the revenue will only be recorded in the amount of the incurred order costs which is likely recoverable, while simultaneously recording the incurred order costs as an expense in the respective period. This corresponds with a valuation at manufacturing costs. If it is probable that the total order costs will exceed the total order revenue, the expected losses will be immediately recorded as an expense.

d) Intangible assets

Intangible assets (except for goodwill; see consolidation principles: consolidation procedures) are valued at their procurement costs and amortised in accordance with the straight-line method from the time of operational readiness throughout the usage duration.

e) Property and equipment

Property and equipment is valued at their procurement costs and amortised in accordance with the straight-line method from the time of operational readiness throughout the following estimated, regularly reviewed usage duration:

- Production buildings (warehouses, production halls): 15-25 years
- Administrative buildings: 30-40 years
- Office equipment and furniture: 3-10 years
- Machines and machine components: 3-10 years

This applies, if significant, for subsequent expenses for increasing the value of already existing objects in these categories. Expenses for maintenance and repairs are not capitalised. There are no personal contributions in the group's property and equipment.

f) Financial assets

Financial assets are valued at their procurement costs minus the necessary value adjustments.

When acquiring shares in affiliated companies, goodwill can be generated. This corresponds to the excess acquisition costs of the shares above the proportional fair market value of the identified net assets. The goodwill is included in the shares of the affiliated companies. Affiliated companies are valued in accordance with the equity method. The earnings from affiliated companies are indicated as a part of the financial result.

g) Leasing

For contracts economically equivalent to a third-party financed purchase of the object provided for use (financial leases), the cash value of the minimal leasing rates or rents are capitalised as property and equipment and accordingly amortised. The liability in the same amount is recognised and periodically reduced by the repayment component of the leasing rate or rent and indicated in the short and long-term financial liabilities depending on when they mature. The interest component is recorded respectively as a financial expense. For all other leasing and rental agreements (operating leases), only the leasing rate or rent is debited as an operating expense in the profit and loss statement.

h) Impairment

On the balance sheet date, attention is paid to indications of a potential impairment of intangible assets with a set duration of use or tangible assets. If necessary, the balance sheet value of such an asset will be compared to its fair value minus the cost of sale or recoverable amount (value in use) (depending on which of these values is higher). Potential value impairments are recorded in the operating income and indicated separately. If there is a verifiable increase in value at a later time, the impairment value impairment will be reversed via the operating income. This does not apply to goodwill. For indefinitely usable intangible assets and goodwill, the impairment test is performed annually.

i) Financial liabilities

For the purposes of subsequent evaluation, the financial instruments on the liabilities side must be divided into the following categories:

– Other financial liabilities: These are valued at so-called amortised costs in accordance with the effective interest rate method.

When they are recorded, financial liabilities are principally recorded at fair value (if necessary, except for items valued at fair value with an effect on income, plus direct transaction costs). The group currently includes only the following categories:

– Other financial liabilities: These correspond with the financial liabilities and the other liabilities in accordance with the balance sheet (Short-term and long-term third-party capital): The majority of the accounts payable and other liabilities have short-term maturities. The classification as short or long-term depends on whether the remaining term is up to one year or more. The amortised costs correspond with nominal values in the group. This also applies for liabilities to banks with a fixed interest rate (market interest rate) and for which the pay-out and repayment amount are identical. The fair values approximately correspond with the balance sheet values since these, with the exception of the discount effect, are largely equivalent to the estimated payments made, the conditions are standard for the market and the group is capable of making the interest and capital payments in accordance with the agreement.

j) Pension liabilities

The company has a low number of employees in the Swiss company. The Swiss pension plan are so called defined benefits plans. Due to the materiality considerations, however, such a calculation was omitted.

In accordance with Italian law, the companies have the choice between a public or private occupational pension or to invest the contributions based on the old method "Fondo TFR". Gemwater S.r.l. chose the "Fondo TFR". Contributions are regularly allocated to these funds which must be charged interest at a legally stipulated interest rate.

The existing pension commitments under German law were granted to some employees of the German H+E GmbH in the past. Commitments are in place for retirement, disability and survivors' benefits. These benefit obligations are fully financed by the employer and have to be met directly by H+E GmbH, which is why H+E GmbH has to make pension provisions for these benefit obligations under German law. Special separate cover assets do not exist for these obligations.

k) Provisions

Provisions are recorded for uncertain liabilities, provided the future outflow of resources is probable and the amount can be reliably estimated. If there is a significant effect, long-term provisions are assumed based on the cash value.

l) Income taxes

Owed or deferred taxes on group company profit (or profit shares) are indicated as current tax liabilities. The corresponding expense is indicated separately. Deferred profit taxes are recorded on temporal differences between the values in the consolidated balance sheet and those in the tax balance sheet, namely, based on the effective tax rates. For deferred tax assets (those on tax-deductible, temporal differences) this only applies if it is likely that sufficiently high taxable profits will be accrued to effectively deduct these differences. In addition, deferred tax assets are recorded on tax losses insofar as in the future, it is probable that sufficiently high taxable profits will be accrued to effectively offset these tax losses ("more likely than not"). Taxes that might be incurred on retained profits from subsidiary and affiliated companies are not recorded since these profits will not be distributed or the group cannot define the distribution date. Deferred tax assets and liabilities are balanced per group company in the consolidated balance sheet insofar as current liabilities can be offset against potential recoverable profit taxes.

m) Equity

Expenses directly connected to an equity transaction (see changes in the consolidated equity capital) are directly deducted from the capital reserves. Own shares are deducted from equity at their procurement costs. In case of resale, the profit or loss is directly offset against the capital reserves. There were no such transactions at Aquarion AG. Claims waivers from shareholders are directly offset against the equity.

n) Revenue

The revenue indicated in the total consolidated income statement are due to sales or the valuation of work in progress in accordance with the POC method.

o) Materials and subcontractors

The materials and subcontractors expense are recorded based on an allocation appropriate for the period if the materials or services were procured.

p) Personnel costs

The personnel costs include all costs connected to employee remuneration and social insurances.

q) Other operating expenses

Includes the expenses for rents and maintaining office spaces and general expenses that cannot be allocated to the other expense items.

r) Depreciations and amortizations

The periodical value adjustments to the capital assets, tangible assets and intangible assets are taken into account with the depreciations and amortisations.

s) Recognition of interest and dividend earnings

Interest earnings are recorded pro rata in accordance with the effective interest rate method. Dividend earnings are recorded at the time at which the right to receive payment is established.

t) Currency conversion

Transactions in other currencies than the functional currency are recorded at the exchange rate at the time of the transaction. Exchange gains and losses realised on the transactions and unrealised exchange gains and losses from the translation of monetary receivables and liabilities in the functional currency at the year-end rate are recognised in the financial result.

u) Earnings per share

Since the company is not publicly listed, the earnings per share have been omitted.

## **Estimations and other discretionary decisions**

### Extensive uncertainties in estimates

A quantification of the effects of uncertainties (sensitivities) is hardly practical for the estimates below. However, adjustments to the actual conditions having a significant, short-term effect on the relevant balance sheet item cannot be excluded.

### Work in progress

The valuation of work in progress is connected to a discretionary decision. These can deviate from the effective assessments. If these assessments deviate, the intrinsic value of the work in progress might be impaired.

### Financial assets

The company has recognised financial loans. At the current time, there are no indications that might impair the intrinsic value of the loan. If the intrinsic value were to be impaired, the balance sheet would have to be adjusted accordingly.

#### Intangible assets

The assessment of the intangible assets is primarily based on intrinsic value tests. In this assessment, there are discretionary decisions that are based on the current conditions. If these conditions were to change, there may be impairment in this area and appropriate value adjustments would have to be made.

#### Continuation of the company

The annual financial statement was drafted based on the continuation of the company. If the continuation of the company is no longer ensured, an annual financial statement would have to be drafted based on the recoverable values. The continuation of the company depends on the financing of the company and the future earnings of the subsidiaries.

#### Miscellaneous

The accounting contains several estimates (e.g. assurance of recovery of receivables from services, duration of use from tangible assets, high provisions or potential liabilities, revenue allocated to the subsequent year from services over multiple years).

#### Other extensive discretionary decisions when applying accounting principles

#### Leasing

A leasing agreement qualifies as an operating lease because the position of the group does not correspond to that of an owner, even when considered economically and the standard criteria for a qualification as a financial lease have not been fulfilled.

#### Miscellaneous

Other discretionary decisions must also be made in the framework of the accounting principles. However, these are not significant for the consolidated annual financial statement.

### **Type, scope and management of financial risks**

Due to its operative business, the group is primarily subject to a credit risk. The group's risk management is aimed at reducing the potentially negative effects on the financial result to a minimum. Derivative financial instruments can be considered for securing financial risks, but have not been utilized to date.

The company has performed a documented risk assessment.

#### Credit risk

The credit risk is that business partners will not fulfil their obligations. All receivables are periodically reviewed to determine the degree of certainty of payment. The customers' financial situation, the experience to date and/or other factors are taken into account. In general, there are no securities. The value of not fully recoverable receivables is adjusted, whereby these value adjustments have been insignificant to date. The maximum default risk corresponds with the balance sheet value. On December 31, 2017, the group holds approximately 100% of its liquid assets at first-class banks.

#### Currency risk

The group executes the majority of its transactions in EUR, USD and SGD. Thus the group is subject to certain currency fluctuations. The following table summarises the foreign exchange risk exposure:

Amounts in EUR	EUR	GBP	CHF	USD	MYR	PHP
CHF	0	87	0	0	0	0
EUR	0	0	0	0	0	0
GBP	0	0	-11.635	-10.938	0	0
JPY	0	70.553	0	0	0	0
MYR	0	-2.148	0	-81.064	0	0
PHP	220	0	0	0	0	0
RUB	0	0	0	0	0	0
SEK	0	65	0	0	0	0
SGD	0	0	0	763.675	-7.324	0
THB	0	0	0	0	-6.801	0
USD	4.491.344	-87.758	-20.246	0	-43.839	1.653
Other	553.464	-100	-3.557	-48.787	0	0
<b>Total</b>	<b>5.045.028</b>	<b>-19.301</b>	<b>-35.438</b>	<b>622.886</b>	<b>-57.964</b>	<b>1.653</b>
<b>Net exposure</b>						

As of 31 December 2017, the Company is exposed to the SGD currency from an amount of USD 763.675. A weakening of 20% of the SGD against the USD reduces the net profit by EUR 152.735 (and a strengthening of 20% increases the net profit by EUR 152.735).

As of 31 December 2017, the Company is exposed to the USD currency from an amount of EUR 4.494.344. A weakening of 20% of the USD against the EUR increases the net loss by EUR 898.269 (and a strengthening of 20% reduces the net loss by EUR 898.269).

#### Interest rate risk

The interest rate risk contains fair value risks incurred on fix interest rate credit loans and cash flow risks incurred on variable interest rate credit loans. The composition of the financial liabilities subject to interest is detailed in the appendix. The group regularly analyses the interest rate risk by assessing the development of the variable and fixed interest rates and restructuring the financing accordingly. As of December 31, 2017, there are no significant interest rate risks.

#### Liquidity risks

The management continuously reviews the group's liquidity in close cooperation with the administrative board. An ongoing, updated liquidity plan which is based on the projected revenues, costs and investments serves to control the liquidity risks.

Financing of the Group will be secured by third party loans, as well as shareholder loans. In the course of financial reorganisation the company has restructured its loans and standardized them. Most of the loans have a term until September 30, 2019 at a uniform interest rate of 8%. Furthermore the company secured additional growth capital of 15 Mio. EUR from May 2018 by a convertible loan from "Sustainable Growth Funds".

### Financial instruments based on balance sheet items and categories

	Loans and receivables	Financial assets available for sale	Level 1	Level 2	Level 3
<b>Financial assets in EUR</b>					
<b>31.12.2016</b>					
Trade receivables	8.983.864		8.983.864		
<b>Current assets</b>	<b>8.983.864</b>	-			
Investments		638.830			638.830
Securities with banks and third parties	3.381.279		3.381.279		
Other loans and receivables	28.757				28.757
<b>Non-current assets</b>	<b>3.410.036</b>	<b>638.830</b>			
<b>Total financial assets</b>	<b>12.393.900</b>	<b>638.830</b>			
<b>31.12.2017</b>					
Trade receivables	9.935.441		9.935.441		
<b>Current assets</b>	<b>9.935.441</b>	-			
Investments		388.830			388.830
Securities with banks and third parties	781.345		781.345		
Other loans and receivables	25.337				25.337
<b>Non-current assets</b>	<b>806.682</b>	<b>388.830</b>			
<b>Total financial assets</b>	<b>10.742.123</b>	<b>388.830</b>			

The financial assets are predominantly short-term assets. The book values equal fair values of the assets. The participations correspond with the actual market value. The book value equals therefore fair value.

Valuation hierarchy:

- 1 = price listed on an active market
- 2 = factors observed directly in the market
- 3 = factors not based on any observable market data

	Other financial liabilities	Level 1	Level 2	Level 3
<b>Financial liabilities in EUR</b>				
<b>31.12.2016</b>				
Convertible bonds	-			-
Bank loans	4.757.007	4.757.007		
Other loans, liabilities and interests	2.601.495			2.601.495
Trade liabilities	6.759.157	6.759.157		
<b>Total short-term liabilities</b>	<b>14.117.659</b>			
Convertible bonds	750.000			750.000
Financial liabilities	9.402.132			9.402.132
<b>Total long-term liabilities</b>	<b>10.152.132</b>			
<b>Total financial liabilities</b>	<b>24.269.791</b>			
<b>31.12.2017</b>				
Convertible bonds	-			-
Bank loans and overdrafts	6.927.070	6.927.070		
Other loans and liabilities	3.877.476			3.877.476
Trade liabilities	6.018.631	6.018.631		
<b>Total short-term liabilities</b>	<b>16.823.177</b>			
Convertible bonds	750.000			750.000
Financial liabilities	8.142.955			8.142.955
<b>Total long-term liabilities</b>	<b>8.892.955</b>			
<b>Total financial liabilities</b>	<b>25.716.132</b>			

The financial liabilities interest rates are market-based and correspond with the effective interest rate, hence the book value essentially equals fair value.

Valuation hierarchy:

- 1 = price listed on an active market
- 2 = factors observed directly in the market
- 3 = factors not based on any observable market data

As of December 31, 2017 and 2016, the group consists of the following consolidated companies:

Company	Purpose	Share capital	Holdings in 2017	Holdings in 2016
Gemwater S.R.L., Italy	Production, trade and consultation in the water treatment systems and processes sector	EUR 300.000	100,0%	100,0%
Aquarion Water GmbH, Austria	Acquisition, management and sales of shares in companies, in particular in the water treatment systems and processes sector	EUR 35.000	100,0 %	100,0 %
H2Oil & Gas Ltd., UK	Production, trade and consultation in the water treatment systems and processes sector	GBP 300.000	100,0%	100,0%
Aquarion Water GmbH, Germany	Production, trade and consultation in the water treatment systems and processes sector	EUR 300.000	100,0%	100,0%
H+E GmbH, Germany	Production, trade and consultation in the water treatment systems and processes sector	EUR 1.000.000	100,0%	100,0%
S-Tec GmbH, Germany	Production, trade and consultation in the water treatment systems and processes sector	EUR 100.000	100,0%	100,0%
H+E UK Ltd., UK	Production, trade and consultation in the water treatment systems and processes sector	GBP 160.000	80,0%	80,0%
Hager + Elsaesser Asia Pte. Ltd., Singapore	Production, trade and consultation in the water treatment systems and processes sector	USD 70.043	100,0%	100,0%
Hager + Elsässer Sdn. Bhd. Ltd., Malaysia	Production, trade and consultation in the water treatment systems and processes sector	MYR 750.000	100,0%	100,0%
Stulz Hager + Elsaesser (Philippines) Inc., Philippines	Production, trade and consultation in the water treatment systems and processes sector	PHP 9.050.000	100,0%	100,0%
Hager + Elsaesser (Thailand) Co Ltd., Thailand	Production, trade and consultation in the water treatment systems and processes sector	THB 100.000	100,0%	100,0%
H+E RUS LLC., Russia	Production, trade and consultation in the water treatment systems and processes sector	RUB 500.000	75,0%	75,0%
H+E TAT LLC., Russia	Production, trade and consultation in the water treatment systems and processes sector	RUB 10.000	100,0%	100,0%
Membran-Filtrations-Technik GmbH, Germany	Production, trade and consultation in the water treatment systems and processes sector	EUR 50.000	100,0%	100,0%
Votec Ltd., UK	Production, trade and consultation in the water treatment systems and processes sector	GBP 99	52,8%	52,8%
H+E Chile SPA, Chile	Production, trade and consultation in the water treatment systems and processes sector	CLP 6.000	100,0%	-

Through an acquisition on 01/07/2014 the assets of Hager+Elsässer were acquired and incorporated in H+E GmbH and the S-Tec GmbH. Both H+E GmbH and S-Tec GmbH were shelf companies that have been acquired for this purpose.

The assets acquired also included 80% of the H+E UK Ltd., UK, 100% of Hager + Elsässer Sdn. Bhd. Ltd., Malaysia, 100% of Stulz Hager + Elsaesser (Philippines) Inc., Philippines, 100% of Hager + Elsaesser (Thailand) Co Ltd., Thailand and 70% of Hager + Elsaesser Asia Pte. Ltd., Singapore. Another 30% of Hager + Elsaesser Asia Pte. Ltd., Singapore was acquired against a payment of 25,000 SGD.

Another event was the founding of H+E TAT LLC. on 18/08/2014 in Kazan, Russia. Following on this was the founding of H+E RUS LLC on 16/10/2014 in Moscow, Russia.

As of January 1, 2015 66% of the capital of Votec Ltd., UK was acquired by H+E UK Ltd. for 20.000 GBP. With the same date the company was included in the group of consolidated companies for the first time.

As of January 1, 2015 100% of the capital of MFT – Membran-Filtrations-Technik GmbH, GER was acquired for 6.045.550 EUR. MFT is a mid-sized company, which is mainly concentrating on the design, construction and service of membrane equipment for clean water, drinking water and waste water applications. With the same date the company was included in the group of consolidated companies for the first time.

Another event was the founding of H+E Chile SPA on 16/02/2017 in Santiago, Chile.

The minority interests in H+E UK Ltd., Votec Ltd. and H+E RUS LLC. are shown separately in the balance sheet and income statement.

## Individual positions of consolidated financial statement

### 1 Cash and cash equivalents

in EUR	31.12.2017	31.12.2016
Cash on hand	13.041	22.762
Bank	4.625.050	3.232.559
<b>Total cash and cash equivalents</b>	<b>4.638.091</b>	<b>3.255.321</b>

The liquid asset book values are as follows with regard to currencies:

Currencies of cash and cash equivalents:	31.12.2017	31.12.2016
CHF	5.904	25.730
EUR	3.310.774	2.243.409
GBP	120.513	157.069
JPY	46.547	146.635
MYR	51.427	3.611
PHP	44.317	29.944
RUB	356.703	25.495
SEK	65	203
SGD	64.443	143.009
THB	8.622	14.114
USD	74.363	465.837
Other	554.413	265
<b>Total cash and cash equivalents</b>	<b>4.638.091</b>	<b>3.255.321</b>

The bank accounts are yield interest at customary conditions. The bank accounts are kept at first-rate banking institutions.

## 2 Inventories / Trade receivables / Other receivables

### Inventories

Amounts in EUR	31.12.2017	31.12.2016
Advances to suppliers	143.786	1.707.330
Valuation reserves finished goods	- 88.071	- 28.626
Unfinished goods	76.761	101.379
Finished goods	66.628	80.598
Purchased finished goods	119.601	624.337
Raw material and supplies	1.396.827	1.837.841
<b>Total</b>	<b>1.715.531</b>	<b>4.322.860</b>

### Trade receivables

Amounts in EUR	31.12.2017			31.12.2016		
	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Not overdue	5.501.437 -	10.062	5.491.375	5.631.682 -	5.308	5.626.374
<b>Overdue</b>						
< 1 year	3.356.317	-	3.356.317	2.882.367 -	66.519	2.815.848
> 1 year	1.242.820 -	155.071	1.087.749	754.191 -	212.549	541.642
> 5 year	116.500 -	116.500	-	-	-	-
<b>Total trade receivables</b>	<b>10.217.074 -</b>	<b>281.633</b>	<b>9.935.441</b>	<b>9.268.240 -</b>	<b>284.376</b>	<b>8.983.864</b>

#### Allowance for doubtful receivables

	31.12.2017	31.12.2016
As of 1st January	- 284.376 -	221.887
Change to basis of consolidation	-	-
Increase	-	76.643
Decrease	-	2.628
Dissolution	2.743	11.526
Foreign exchange differences	-	-
<b>As of 31st December</b>	<b>- 281.633 -</b>	<b>284.376</b>

The validity of trade receivables is assessed regularly and the credit worthiness of new clients is assessed thoroughly. The credit risk of the Group is limited thanks to the comprehensive and diversified client base.

The division into currencies is as follows:

	31.12.2017	31.12.2016
in CHF	-	2.379
in EUR	3.464.444	4.329.966
in GBP	324.984	822.124
in MYR	24.179	694.729
in PHP	81.444	150.454
in RUB	186.173	227.728
in SGD	1.153.672	133.681
in JPY	24.006	-
in USD	4.676.539	2.622.803
<b>Total</b>	<b>9.935.441</b>	<b>8.983.864</b>

### Other short-term receivables

Amounts in EUR	31.12.2017	31.12.2016
Other financial receivables	1.608.856	6.661.106
Advances - wage and salary	11.632	99.348
Income tax refunds	278.287	60.225
VAT refunds	605.856	652.486
Refunds from other taxes	66.265	14.478
Credit balances with suppliers	95	773
Securities	11.830	4.272
Miscellaneous receivables	125.896	82.527
<b>Total</b>	<b>2.708.717</b>	<b>7.245.677</b>

### 3 Work in progress

Amounts in EUR	31.12.2017	31.12.2016
Contract revenues since start of project	19.602.048	26.982.926
Advance payment received	16.048.540	24.505.568
<b>Work in progress, net</b>	<b>3.553.508</b>	<b>2.477.358</b>
of which work in progress, assets	6.714.329	6.044.577
of which work in progress, liabilities	3.160.821	3.567.219

### 4 Financial assets

Other financial assets	Duration	Interest rate	Collateral	31.12.2017	31.12.2016
Deposit	-	0,00%	no	781.345	3.381.279
Other financial assets	unlimited	0,00%	no	25.337	28.757
<b>Total</b>				<b>806.682</b>	<b>3.410.036</b>

Participations in EUR	Participation rate	01.01.17	Change	31.12.2017	31.12.2016
Acwa Tech Ltd.	16,5%	77.490	no	77.490	77.490
Sorbwater Technology AS	2,2%	561.340	yes	311.340	561.340
<b>Total</b>		<b>638.830</b>		<b>388.830</b>	<b>638.830</b>
<b>Total financial assets</b>				<b>1.195.512</b>	<b>4.048.866</b>

An impairment of EUR 250.000 was recognized for the investment of Gemwater SRL in Sorbwater Technology AS.

**5 Property and equipment**

2016	Building	Plant and machinery	Tools and other equipment	Payments on account and assets under construction	Assets of minor value	Total
<b>Purchase values</b>						
Value at beginning of the period	91.105	621.947	1.525.190	36.576	64.627	2.339.445
Additions	43.755	293.370	135.662	15.802	2.137	490.726
Disposals	-	-18.251	-	-	-	-18.251
Reclassification	-	12.141	-	-12.141	-	-
Change in scope of consolidation	-	-	-	-	-	-
Translation differences	-8.490	4.036	-16.931	-	-2	-21.387
Value at end of period	126.370	913.243	1.643.921	40.237	66.762	2.790.533
<b>Cumulated depreciation</b>						
Value at beginning of the period	-10.853	-344.498	-772.659	-	-33.340	-1.161.350
Depreciation	-14.314	-101.758	-268.678	-	-12.704	-397.454
Disposals	-	11.121	-	-	-	11.121
Transfer	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Foreign exchange differences	149	-1.563	17.677	-	3	16.266
Value at end of period	-25.018	-436.698	-1.023.660	-	-46.044	-1.531.420
31.12.2016						
Net book values						-
Value at beginning of the period	80.252	277.449	752.531	36.576	31.287	1.178.095
Value at end of period	101.352	476.545	620.261	40.237	20.718	1.259.113

2017	Building	Plant and machinery	Tools and other equipment	Payments on account and assets under construction	Assets of minor value	Total
<b>Purchase values</b>						
Value at beginning of the period	126.370	913.243	1.643.921	40.237	66.762	2.790.533
Additions	2.123	22.407	131.094	3.035	6.758	165.417
Disposals	-	-	-57.428	-	-7.365	-64.793
Reclassification	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Translation differences	-3.852	-15.930	-61.386	-	-135	-81.303
Value at end of period	124.641	919.720	1.656.201	43.272	66.020	2.809.854
<b>Cumulated depreciation</b>						
Value at beginning of the period	-25.018	-436.698	-1.023.660	-	-46.044	-1.531.420
Depreciation	-19.617	-85.364	-239.044	-	-15.395	-359.420
Disposals	-	-	948	-	7.364	8.312
Transfer	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Foreign exchange differences	1.395	8.752	42.974	-	135	53.256
Value at end of period	-43.240	-513.310	-1.218.782	-	-53.940	-1.829.272
31.12.2017						
Net book values						
Value at beginning of the period	101.352	476.545	620.261	40.237	20.718	1.259.113
Value at end of period	81.401	406.410	437.419	43.272	12.080	980.582

**Leasing Commitments**

<b>Amounts in EUR</b>	<b>31.12.2016</b>	<b>0 - 1 Year</b>	<b>1 - 5 Years</b>	<b>&gt; 5 Years</b>
Land and building	2.249.131	873.296	1.375.835	-
Other leasing and rentals	1.169.613	358.964	784.368	26.281
<b>Total</b>	<b>3.418.744</b>	<b>1.232.260</b>	<b>2.160.203</b>	<b>26.281</b>

<b>Amounts in EUR</b>	<b>31.12.2017</b>	<b>0 - 1 Year</b>	<b>1 - 5 Years</b>	<b>&gt; 5 Years</b>
Land and building	2.119.850	930.732	1.188.117	1.001
Other leasing and rentals	805.741	314.822	488.960	1.959
<b>Total</b>	<b>2.925.591</b>	<b>1.245.554</b>	<b>1.677.077</b>	<b>2.960</b>

## 6 Intangible assets

2016	Franchises trademarks and licences	Goodwill from consolidation	Technology, Know How	Customer base	Total
<b>Purchase values</b>					
Value at beginning of the period	509.923	5.169.073	375.000	1.045.069	7.099.066
Additions	3.932	-	148.041	-	151.973
Disposals	-	-	-	-	-
Reclassification	-244.328	-	244.328	-	-
Change in scope of consolidation	-	-	-	-	-
Translation differences	-19.547	-	-	-63.800	-83.347
Value at end of period	249.980	5.169.073	767.369	981.269	7.167.692
<b>Cumulated depreciation</b>					
Value at beginning of the period	-209.568	-	-64.700	-267.514	-541.783
Depreciation	-25.334	-	-74.266	-212.389	-311.989
Disposals	-	-	-	-	-
Transfer	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-
Foreign exchange differences	19.659	-	-	16.164	35.823
Value at end of period	-215.243	-	-138.966	-463.739	-817.949
31.12.2016					
Net book values					
Value at beginning of the period	300.355	5.169.073	375.000	777.555	6.621.984
Value at end of period	34.737	5.169.073	628.403	517.530	6.349.743

2017	Franchises, trademarks and licences	Goodwill from consolidation	Technology, Know How	Customer base	Total
<b>Purchase values</b>					
Value at beginning of the period	249.980	5.169.073	767.369	981.269	7.167.692
Additions	793.209	-	211.524	-	1.004.733
Disposals	-	-	-78.814	-	-78.814
Reclassification	11.000	-	-11.000	-	-
Change in scope of consolidation	-	-	-	-	-
Translation differences	-4.427	-	-	-13.407	-17.834
Value at end of period	1.049.762	5.169.073	889.079	967.862	8.075.777
<b>Cumulated depreciation</b>					
Value at beginning of the period	-215.243	-	-138.966	-463.739	-817.949
Depreciation	-31.583	-1.330.000	-106.542	-208.651	-1.676.776
Disposals	-	-	-	-	-
Transfer	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-
Foreign exchange differences	4.367	-	-1	5.459	9.825
Value at end of period	-242.459	-1.330.000	-245.509	-666.931	-2.484.900
31.12.2017					
Net book values					
Value at beginning of the period	34.737	5.169.073	628.403	517.530	6.349.743
Value at end of period	807.303	3.839.073	643.570	300.931	5.590.877

During the annual impairment test conducted during the fourth quarter, the carrying amount of the cash generating units (net assets and goodwill) is compared to the value in use of the cash generating units (CGU). An impairment is booked if the carrying amount exceeds the value in use.

The impairment test has been conducted based on the following data:

The value in use of the CGU is calculated by using the Discounted Cash Flow method (DCF method). It is based on the discounted nominal pre-tax CGU net cash flows over the next 3 years. The net cash flows are calculated by using the financial plan as approved by the board of directors. The financial plans are created during the fourth quarter and reflect the current and expected future market developments. It also takes into account the expected individual revenue situation of the cash-generating unit.

The discount rate consists of the interest rates and a premium for any risks associated with the CGU. For the period after year 4, the cash flow of year 3 is capitalised at a conservative constant growth rate.

The following assumptions enter the use value calculation:

Company	31.12.17			31.12.16		
	WACC pre-tax	WACC post-tax	CAGR	WACC pre-tax	WACC post-tax	CAGR
Gemwater SRL.	8,61%	5,68%	89,0%	8,61%	5,68%	33,3%
H2Oil&Gas Ltd.	8,61%	5,68%	4,8%	8,61%	5,68%	95,5%
Membran-Filtrations-Technik GmbH	8,61%	5,68%	-36,6%	8,61%	5,68%	1,8%

in EUR	31.12.17	31.12.16
Gemwater SRL.	485.216	485.216
H2Oil&Gas Ltd.	52.257	52.257
Membran-Filtrations-Technik GmbH	3.301.600	4.631.600
<b>Total Goodwill</b>	<b>3.839.073</b>	<b>5.169.073</b>

In 2017, the impairment test for the goodwill of the Membran-Filtrations-Technik GmbH resulted in an impairment of EUR 1.330.000.

Sensitivity analysis:

A change of the basic data used for the impairment test could result in a need for additional value reduction.

The sensitivity analyses are therefore conducted with regard to possible changes in constant growth rates and the discount rates.

A discount rate increase by one percentage point would lead to a required value correction of 0,7 million EUR for Membran-Filtrations-Technik GmbH. A reduction of the constant growth rate by one percentage point would trigger a required value reduction of 0,7 million EUR.

Otherwise, no further value correction would be required for any cash-generating unit of Aquarion if the discount rate was increased by one percentage point or the growth rate was reduced by one percentage point.

## 7 Accounts payable

Amounts in EUR	31.12.2017	31.12.2016
Account payables	6.018.631	6.759.157
<b>Total</b>	<b>6.018.631</b>	<b>6.759.157</b>

The due dates of liabilities form goods and services are as follows:	31.12.2017	31.12.2016
< 1 year	6.018.631	6.759.157
> 1 year		
> 5 year		
<b>Total</b>	<b>6.018.631</b>	<b>6.759.157</b>

Breakdown by currencies:	31.12.2017	31.12.2016
in CHF	117.948	79.332
in EUR	4.120.276	3.237.375
in GBP	272.874	410.088
in MYR	587.695	1.242.012
in PHP	19.931	32.678
in RUB	3.158	2.989
in SGD	461.764	996.217
in THB	6.894	8.631
in USD	231.790	354.668
in JPY	142.908	251.525
in other currencies	53.393	143.643
<b>Total</b>	<b>6.018.631</b>	<b>6.759.158</b>

The liabilities from goods and services are not taxed. No collaterals have been submitted.

## 8 Other short-term liabilities

Amounts in EUR	31.12.2017	31.12.2016
Wages and salaries	62.550	58.987
Value added tax	351.939	264.307
Income tax	16.913	16.670
Other tax	106.335	146.059
Social plans	54.178	66.672
Payroll tax	232.878	215.834
Social security	120.260	72.324
Other liabilities	668.373	2.047.466
<b>Total</b>	<b>1.613.426</b>	<b>2.888.319</b>

## 9 Financial liabilities

### Long-term financial liabilities

Amounts in EUR	Duration 31.12.2017	Interests 31.12.2017	Duration 2018	Interests	Collateral	31.12.2017	31.12.2016
Bonds	31.01.2019	8,00%	31.01.2019	8,00%	none	750.000	750.000
Other financial liabilities third parties	30.06.2018	8,00%	30.09.2019	8,00%	none	7.000.000	5.000.000
LA-064	31.12.2017	8,00%	30.09.2019	8,00%	none	499.982	-
Other financial liabilities third parties	16.12.2017	8,00%	30.09.2019	8,00%	none	200.000	-
Loan Commerzbank AG					Shares MFT GmbH	-	2.137.500
Other Bank liabilities					none	-	5.894
Other liabilities					none	442.973	-
Earn-Out Membran-Filtrations-Technik GmbH					none	-	2.258.738
<b>Total financial liabilities</b>						<b>8.892.955</b>	<b>10.152.132</b>

Long-term financial liabilities were subordinated in the total amount of 2,5 million EUR.

### Short-term financial liabilities

Amounts in EUR	Duration 31.12.2017	Interests 31.12.2017	Duration 2018	Interests	Collateral	31.12.2017	31.12.2016
LA-053	31.01.2018	8,00%	30.09.2019	8,00%	none	200.000	200.000
LA-054	30.06.2018	8,00%	30.09.2019	8,00%	none	100.000	100.000
LA-055	31.01.2018	8,00%	30.09.2019	8,00%	none	100.000	100.000
LA-057	30.06.2018	8,00%	30.09.2019	8,00%	none	100.000	100.000
LA-058	31.01.2018	10,00%	31.12.2018	8,00%	none	300.000	300.000
LA-061	31.01.2018	10,00%	30.09.2019	8,00%	none	75.000	100.000
LA-064				8,00%	none	-	247.221
LA-066				8,00%	none	-	233.579
LA-067	31.01.2018	8,00%	30.09.2019	8,00%	none	100.000	100.000
LA-070	20.01.2018	8,00%	30.09.2019	8,00%	none	500.000	500.000
LA-071	31.01.2018	8,00%	05.02.2018	10,00%	none	200.000	200.000
LA-072	20.01.2018	9,00%	30.09.2019	8,00%	none	250.000	-
LA-073	20.01.2018	9,00%	30.09.2019	8,00%	none	500.000	-
LA-074	31.05.2018	2,00%	30.09.2019	8,00%	none	200.000	-
Loan Commerzbank AG					Shares MFT GmbH	1.425.000	-
Other Bank liabilities					none	5.502.070	4.757.007
Advance payments from customers					none	625.566	258.945
Earn-Out Membran-Filtrations-Technik GmbH					none	420.000	-
Other financial liabilities third parties					none	206.910	161.750
<b>Total financial liabilities</b>						<b>10.804.546</b>	<b>7.358.502</b>

As in 2015 and 2016, a breach of the covenants from the loan agreement with Commerzbank AG occurred also in 2017. This loan was fully repaid in May 2018 as part of the financial reorganization.

## 10 Provisions

2016	Provisions for pensions	Provisions for warranties	Provisions for legal costs	Provisions for others	Total
Amounts in EUR					
Value at beginning of the period	371.247	971.514	65.000	747.097	2.154.858
Increase	132.929	93.137	333.263	1.100.870	1.660.199
Used	-11.998	-16.495	-65.000	-256.719	-350.212
Reversed	-	-42.137	-	-7.973	-50.110
Reclassification	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-
Foreign exchange differences	120	2.842	-	529	3.491
Value at end of period	492.298	1.008.861	333.263	1.583.804	3.418.226
of which long-term accruals	492.298	-	-	161.964	654.262
of which short-term accruals	-	1.008.861	333.263	1.421.840	2.763.964

2017	Provisions for pensions	Provisions for warranties	Provisions for legal costs	Provisions for others	Total
Amounts in EUR					
Value at beginning of the period	492.298	1.008.861	333.263	1.583.804	3.418.226
Increase	99.601	416.582	-	3.758.057	4.274.240
Used	-113.285	-41.280	-231.049	-551.354	-936.968
Reversed	-	-359.311	-	-406.187	-765.498
Reclassification	-	231.009	-	-231.009	-
Change in scope of consolidation	-	-	-	-	-
Foreign exchange differences	-3.207	-6.261	-	-113.952	-123.420
Value at end of period	475.407	1.249.600	102.214	4.039.359	5.866.580
of which long-term accruals	475.407	-	-	71.752	547.159
of which short-term accruals	-	1.249.600	102.214	3.967.607	5.319.421

Other provisions mainly include project-related provisions for outstanding services.

## 11 Deferred Tax Assets and Liabilities

2016	Intangible assets	Property, plant and equipment	Pension obligations	Other assets, provisions and accruals	Tax loss carryforwards	Total
Gross deferred tax assets beginning of the period	-	93	-	45.503	175.237	220.833
Gross deferred tax liabilities beginning of the period	-359.468	-44.178	-	-25.422	-	-429.068
Net deferred tax balance beginning of the period	-359.468	-44.085	-	20.081	175.237	-208.235
Credited/(debited) to income	80.598	90.637	-	103.965	5.234	280.434
Credited/(debited) to other comprehensive income	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Transfer	-	39.834	-	100.426	-5.234	135.026
Translation differences	10.004	-4.340	-	897	-15.477	-8.916
Net deferred tax balance end of period	-268.866	82.046	-	225.369	159.760	198.309
31.12.2016						
Gross deferred tax assets end of the period	-	82.046	-	270.185	159.760	511.991
Gross deferred tax liabilities end of the period	-268.866	-	-	-44.816	-	-313.682
Net deferred tax balance end of period	-268.866	82.046	-	225.369	159.760	198.309
2017						
Gross deferred tax assets beginning of the period	-	82.046	-	270.185	159.760	511.991
Gross deferred tax liabilities beginning of the period	-268.866	-	-	-44.816	-	-313.682
Net deferred tax balance beginning of the period	-268.866	82.046	-	225.369	159.760	198.309
Credited/(debited) to income	66.122	-44.808	-	-603.008	883.418	301.724
Credited/(debited) to other comprehensive income	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Transfer	-	19.892	-	-79.669	-28.445	-88.222
Translation differences	1.669	-2.052	-	-7.754	-7.850	-15.987
Net deferred tax balance end of period	-201.075	15.697	-	-465.062	1.006.883	356.443
31.12.2017						
Gross deferred tax assets end of the period	-	25.231	-	458.133	1.006.883	1.490.247
Gross deferred tax liabilities end of the period	-201.075	-9.534	-	-923.195	-	-1.133.804
Net deferred tax balance end of period	-201.075	15.697	-	-465.062	1.006.883	356.443

## 12 Share capital

In CHF

January to December 2016	Number of share			Capital		
	circulated	own	outstanding	circulated	own	outstanding
At beginning of period	4.043.860	-	4.043.860	4.043.860	-	4.043.860
Capital increase	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-
Sale of own shares	-	-	-	-	-	-
At end of period	4.043.860	-	4.043.860	4.043.860	-	4.043.860

January to December 2017	Number of share			Capital		
	circulated	own	outstanding	circulated	own	outstanding
At beginning of period	4.043.860	-	4.043.860	4.043.860	-	4.043.860
Capital increase	-	-	-	-	-	-
Purchase of own shares	-	456.854	-456.854	-	456.854	-456.854
Sale of own shares	-	-	-	-	-	-
At end of period	4.043.860	456.854	3.587.006	4.043.860	456.854	3.587.006

The share capital is split into 2,021,930 registered shares with restricted transferability and 2,021,930 preference shares with a nominal value of CHF 1.00 per share. The purchase price of the treasury shares amounted to EUR 759.326 as a down payment in 2017.

## 13 Revenue

The revenue reflected in the consolidated income statement are due to sales or the valuation of work in progress in accordance with the POC method. The respective details are revealed in footnote 3 "work in progress".

Amounts in EUR	31.12.2017	31.12.2016
Revenues	13.604.256	15.195.724
POC revenues	38.728.283	40.608.027
<b>Total revenues</b>	<b>52.332.539</b>	<b>55.803.751</b>

## 14 Materials and subcontractors

Amounts in EUR	31.12.2017	31.12.2016
Increase or decrease in inventory	147.496	1.248.305
Purchased finished goods	- 1.098.504	- 2.446.504
Raw material and outside labour	- 24.465.513	- 24.830.523
Other material	-	- 1.736
Project related costs	- 5.355.730	- 6.176.032
<b>Total Material and subcontractors</b>	<b>- 30.772.251</b>	<b>- 32.206.490</b>

## 15 Personnel costs

Amounts in EUR	31.12.2017	31.12.2016
Salaries and wages	- 16.658.541	- 17.257.951
Personnel benefits	- 264.082	- 272.933
Social insurance	- 2.288.072	- 2.168.703
Outside labor	- 55.181	- 419.925
Other personnel expenses	- 550.594	- 397.117
<b>Total personnel expenses</b>	<b>- 19.816.470</b>	<b>- 20.516.629</b>

The social security employee benefits include all standard insurance of employees including reimbursements from these insurance benefits. Other personnel expenses consist primarily of expense allowances of employees.

## Key persons

Members of the Group Executive Board of Aquarion AG. receive compensation comprising a fixed annual salary, variable compensation and reimbursement of expenses. The Group pays social security contributions on these compensations as well as pension fund contributions.

The following table shows the recognised expenses for the compensation to the key management during the period under review since their appointment to the current function.

Amounts in EUR	31.12.2017	31.12.2016
Short-term benefits	- 615.651	- 647.018
Post-employment benefits	-	-
Share-based payments	-	-
<b>Total</b>	<b>- 615.651</b>	<b>- 647.018</b>

## Employee benefit obligations

Under Italian law, companies are free to choose a state or private vocational old-age provision or to set up contributions according to the old "Fondo TFR" model. GemWater S.r.l. has chosen the "Fondo TFR". Regular contributions (about 7% of the remuneration paid to the staff) are allocated to this fund, which must bear a stipulated rate of interest (composed of a fixed interest rate of 1.5% plus 75% of the change in the National Consumer Price Index).

Due to the "variable" components of the interest rate and the fact that the contributions are for the account of the employer, this "Fondo TFR" falls under the definition of IAS 19 of defined benefit plans.

It should be noted that in the event of disability of a Gemwater S.r.l. employee, the pension is covered by the national insurance office INPS, thus eliminating any obligation by the company and any already deferred amounts revert back to the company.

The existing pension commitments under German law were granted to some employees of the German H+E GmbH in the past. Commitments are in place for retirement, disability and survivors' benefits. These benefit obligations are fully financed by the employer and have to be met directly by H+E GmbH, which is why H+E GmbH has to make pension provisions for these benefit obligations under German law. Special separate cover assets do not exist for these obligations.

The evaluation of the likely liability was assessed using the projected unit credit method, with statistical assumptions regarding the future development of consumer prices and any taxation having been made. In addition, historical data

of the company and general demographic data were used to determine a forward-looking projection of entries and exits as well as retirements, deaths, disability cases and the early pay-out of contributions.

The liabilities captured in the balance sheet are determined as follows:

In EUR	31.12.2017	31.12.2016
Present value of benefit obligations	-475.407	-492.298
Fair value of the assets		
<b>Recognised employee benefit obligations</b>	<b>-475.407</b>	<b>-492.298</b>

The amount recognised in the income statement is determined as follows:

In EUR	31.12.2017	31.12.2016
Past service cost	-98.031	-102.485
Change of plans	0	0
<b>Personnel expenses</b>	<b>-98.031</b>	<b>-102.485</b>
Interest expenses	-9.599	-8.270
Expected return on assets		
<b>Financial expenses</b>	<b>-9.599</b>	<b>-8.270</b>

Movement in the present value of the benefit obligations:

In EUR	31.12.2017	31.12.2016
Balance at 01/01	-492.298	-371.246
Income statement charge for pension obligations		
Past service cost	-98.031	-102.485
Interest expenses	-9.599	-8.270
Change of plans		
Services rendered	84.023	1.720
Acquisition	0	0
Profits/Losses from reassessments recognised in other comprehensive income:		
Actuarial profits and losses from changes in demographic assumptions		
Actuarial profits and losses from changes in financial assumptions		
Experience adjustments	40.498	-12.017
<b>Balance at 31/12</b>	<b>-475.407</b>	<b>-492.298</b>

The amounts recognized in other comprehensive income are not material and are recognized in other income.

Change in fair value of the assets:

In EUR	31.12.2017	31.12.2016
Balance at 01/01	0	0
Income statement charge for plan assets		
Expected return on assets	0	0
Profits/losses from reassessments recognised in other comprehensive income:		
Returns on plan assets (excluding amounts received as interest expense)	0	0
Employer contributions paid	84.023	1.720
Employee contributions paid		
Services rendered	-84.023	-1.720
<b>Balance at 31/12</b>	<b>0</b>	<b>0</b>

Main actuarial assumptions:

In %

	2017	2016	2015
Discounting	1.80	2.40	2.40
Expected average salary increase	2.20	2.20	2.20
Inflation rate H+E GmbH	2.00	2.00	2.00
Inflation rate Gemwater SRL	1.40	1.70	1.70
Resignations	n/A	n/A	n/A
Premature withdrawal of capital	n/A	n/A	n/A
Reduction in the probability of death (SIM/SIF 2010)	10.00	10.00	10.00

Sensitivities of the main actuarial assumptions:

The discount rate and the average salary increase rate were identified as main actuarial assumption. A change in the assumption would affect the amount of the benefit obligations as on 31/12/2017 as follows:

In EUR	Discount rate		Expected average salary increase	
	Increase	Reduction	Increase	Reduction
Sensitivity level	0,5%	0,5%	0,5%	0,5%
<b>Total provisions for pension</b>	<b>-471'941</b>	<b>-567'568</b>	<b>-524'981</b>	<b>-508'638</b>

The analysis takes realistic possible changes into account in the main actuarial assumptions. The changes were examined individually. An interaction of the assumptions was not considered.

## 16 Other operating costs

Amounts in EUR	31.12.2017	31.12.2016
Expenses for outside warehousing and transportation	- 61.491 -	31.422
Energy expenses	- 196.176 -	241.287
Expenses for rent, leasing and repairs	- 1.581.790 -	1.531.812
Correction to receivables	- 48.081 -	25.476
Commissions	- 194.815 -	-
Marketing expenses	- 76.674 -	171.792
Travel expenses	- 1.136.431 -	1.149.495
Car expenses	- 370.390 -	368.367
Expenses for office supplies	- 294.516 -	375.727
Legal and consulting fees	- 1.734.813 -	2.033.262
Insurances	- 331.429 -	318.976
Miscellaneous outside services	- 1.429.325 -	1.177.801
Taxes other than income	- 11.931 -	16.813
Other expenses	- 425.464 -	552.085
Other income	1.252.284	1.093.998
Foreign currency differences	46.582	61.100
<b>Total</b>	<b>- 6.594.460 -</b>	<b>6.839.217</b>

## 17 Restructuring

In 2017, a project to restructure the Aquarion Group was started. Expenses for external advisors amounted to EUR 954.129. The project was completed in 2017.

## 18 Financial expenses

Amounts in EUR	31.12.2017	31.12.2016
Interest expenses	- 1.506.846 -	639.031
Other financial expenses	- 324.331 -	404.148
<b>Total financial expenses</b>	<b>- 1.831.177 -</b>	<b>1.043.179</b>

## 19 Financial income

Amounts in EUR	31.12.2017	31.12.2016
Interest income	12.102	41.407
Other financial income	124.367	44.523
Financial income from Earn-Out adjustments	1.418.738	-
<b>Total financial income</b>	<b>1.555.207</b>	<b>85.930</b>

## 20 Currency gain / (loss)

Amounts in EUR	31.12.2017	31.12.2016
Currency gains	1.923.239	2.058.679
Currency losses	- 3.538.648	1.894.762
<b>Total</b>	<b>- 1.615.410</b>	<b>163.917</b>

## 21 Income tax

Amounts in EUR	31.12.2017	31.12.2016
Current income taxes	- 14.989	151.476
Deferred income taxes	301.724	280.436
<b>Total income taxes</b>	<b>286.736</b>	<b>128.960</b>

The tax expenses amount up to -2,87% (prior year: -2,45%) of the earnings before taxes. The tax rate of -2.87% is significantly below the expected tax rate due to the non-capitalization of tax loss carryforwards.

Companies have non-capitalised tax loss carry-forwards with the following due dates:

Amounts in EUR	31.12.2017	0 - 1 Year	1 - 5 Years	> 5 Jahre	unlimited
Aquarion AG (CH)	14.595.749	325.682	4.740.522	9.529.545	-
Aquarion Water GmbH (GER)	798.734	-	-	-	798.734
H2Oil&Gas. Ltd. (UK)	206.785	-	-	-	206.785
Gemwater SRL. (IT)	-	-	-	-	-
Aquarion Water GmbH (AUT)	640.312	-	-	-	640.312
H+E TAT LLC. (Russia)	-	-	-	-	-
S-Tec GmbH (GER)	-	-	-	-	-
H+E GmbH (GER)	-	-	-	-	-
H+E UK Ltd. (UK)	1.155.904	-	-	-	1.155.904
Hager +Elsässer Sdn. Bhd. Ltd. (MAL)	64.677	-	-	-	64.677
Hager + Elsaesser (Thailand) Co Ltd. (THL)	-	-	-	-	-
Hager + Elsaesser (Philippines) Inc. (PHL)	17.888	-	-	-	17.888
Hager + Elsaesser Asia Pte. Ltd. (SGP)	6.828.984	-	-	-	6.828.984
H+E RUS LLC. (RUS)	-	-	-	-	-
Membran-Filtrations-Technik GmbH (GER)	-	-	-	-	-
Votec Ltd. (UK)	71.551	-	-	-	71.551

## 22 Future liabilities

There are no essential unrecorded future liabilities.

## 23 Past collaterals

Aquarion AG has pledged the shares in Membran-Filtrationstechnik GmbH to Commerzbank AG, Switzerland for a loan granted by Commerzbank AG, Switzerland.

No other past collaterals or pledging obligations exist.

## 24 Transactions with affiliated persons

Affiliated persons include members of the Administrative Council, the Management and other key persons as well as their kind, important shareholders and companies they control, associated companies and the Group's benefit plans.

In addition to this data, there are still disclosures on related parties.

### a) Group and associated companies

The transactions between parent and subsidiary companies have been eliminated in the consolidated financial statement

### b) Share-ownership ratio pursuant to art. 663c OR

At December 31, 2016, Aquarion AG had issued 4,043,860 shares at a nominal value of CHF 1.00. As member of the management and member of the Board Karl Michael Millauer is direct shareholder of Aquarion AG.

There is an indirect shareholding of Members of the Board in 2017 through schütz holding AG and a further indirect shareholding through the family of a member of the management.

By agreement dated November 03, 2017, Aquarion AG acquired the previous shares of Compagnia Tecnica SRL..

Other significant shareholders, as known to the company, with a share ownership of >5% are as follows (as of December 31, 2017):

	31.12.2017		31.12.2016	
	Nominal shares	Participation rate	Nominal shares	Participation rate
Green Gateway Fund L.P.	2.021.930	50,0%	2.021.930	50,0%
Karl Michael Millauer	661.608	16,4%	661.608	16,4%
schütz holding schweiz ag	404.785	10,0%	404.785	10,0%
Compagnia Tecnica SRL.	0	0,0%	456.854	11,3%
A.C. Mandressi SRL.	372.208	9,2%	372.208	9,2%
Aquarion AG (Treasury Shares)	456.854	11,3%	0	0,0%

### c) Transactions with affiliated persons

Transactions with affiliated persons occurred as follows:

Amounts in EUR	Duration	Interests	Duration 2018	Interests	Collateral	31.12.2017	31.12.2016
	31.12.2017	31.12.2017					
H. Birnbaumer	30.06.2018	8,00%	30.09.2019	8,00%	none	100.000	100.000
H. Birnbaumer	30.06.2018	8,00%	30.09.2019	8,00%	none	100.000	100.000
H. Birnbaumer	31.01.2018	8,00%	30.09.2019	8,00%	none	100.000	100.000
H. Birnbaumer	31.01.2018	10,00%	30.09.2019	8,00%	none	75.000	100.000
KM Millauer	31.12.2017	8,00%	30.09.2019	8,00%	none	499.982	247.221

Mr. Birnbaumer is qualified as affiliated person because he owns 12,750 common shares of Aquarion AG.

Mr. Millauer is qualified as affiliated person because he owns directly 661.608 common shares of Aquarion AG.

## **25 Subsequent events**

The bank guarantees to the amount of 6.345.000 USD in total drawn in mid-April 2016 by the Iraqi customer, the oil Ministry, were repaid for the most part in the last week of July, but only after intensive, primarily political efforts. Gemwater has received 5.140.625 USD. In January and April 2018 Gemwater SRL received further payments of 967.200 USD and 2,584,780 USD respectively from this project. The remaining amounts from the project will be paid after completion of the facilities.

The company has restructured its loan liabilities in the course of financial reorganisation.

The vast majority of all lenders have agreed to extend the loans until the end of the third quarter of 2019 and to a uniform interest rate. Furthermore the company succeeded in securing an additional growth capital of 15 million EUR by a convertible loan from "Sustainable Growth Funds" to put the future growth on a sound financial footing.

After the balance sheet date, creditors declared additional subordination in the amount of 3,7 million EUR to the already declared subordination of 2,5 million EUR. The total subordination now amounts to 6,2 million EUR.

The present consolidated financial statement has been approved by the Aquarion AG Board of Directors on May 29<sup>th</sup>, 2018.

## REPORT OF THE STATUTORY AUDITOR

To the General Meeting of Aquarion AG, Baar

### Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Aquarion AG, which comprise the consolidated balance sheet as at December 31, 2017, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements for the year then ended.

#### Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2017 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



## Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and that there are no circumstances incompatible with our independence.

In the course of our audit performed in accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we noted that an internal control system for the preparation of financial statements designed according to the instructions of the Board of Directors has not been documented in all material respects.

In our opinion, the internal control system is not in accordance with Swiss law and accordingly we are unable to confirm the existence of the internal control system for the preparation of the financial statements.

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, 29 May 2018

BDO Ltd

Christoph Tschumi  
Auditor in Charge  
Licensed Audit Expert

David Hämmerli  
Licensed Audit Expert

Enclosures  
Consolidated financial statements

**APPENDIX 5**  
**AUDITED FINANCIAL STATEMENTS FOR AQUARION AG FOR THE YEAR ENDED 31**  
**DECEMBER 2018**



# Financial Report 2018



## Financial Report 2018

Consolidated Balance Sheet	3
Consolidated Income Statement	4
Consolidated statement of Comprehensive Income	4
Changes in Consolidated Equity Capital	5
Consolidated Cash Flow Statement	6
Notes to the Consolidated Financial Statements	7
Report of the Statutory Auditors	42

## Consolidated Balance Sheet

Amounts in EUR	Appendix	31.12.2018	31.12.2017
<b>Assets</b>			
Intangible assets	6	5.441.325	5.590.877
Tangible assets	5	884.280	980.582
Financial assets	4	1.549.127	1.195.512
Deferred tax assets	11	1.403.701	1.490.247
<b>Total non current assets</b>		<b>9.278.433</b>	<b>9.257.218</b>
Inventories	2	2.421.084	1.715.531
Trade receivables	2	9.994.939	9.935.441
Contract assets	3	8.122.718	6.714.329
Other receivables	2	1.757.233	2.708.717
Deferred expenses and accrued income		345.506	157.318
Cash and cash equivalents	1	6.029.023	4.638.091
<b>Total current assets</b>		<b>28.670.503</b>	<b>25.869.427</b>
<b>Total assets</b>		<b>37.948.936</b>	<b>35.126.644</b>
<b>Equity and liabilities</b>			
Share capital	12	3.296.021	3.296.021
Capital Reserves		5.723.365	5.723.365
Treasury Shares		0	-759.326
Retained earning		-25.703.360	-12.100.063
Cumulative translation adjustments		-192.503	506.378
Available-for-sale financial assets		-505.697	-250.000
<b>Total equity to the shareholders</b>		<b>-17.382.174</b>	<b>-3.583.625</b>
Non controlling interests		-37.447	-81.376
<b>Total equity</b>		<b>-17.419.621</b>	<b>-3.665.001</b>
Provisions	10	486.147	547.159
Financial liabilities	9	26.500.000	8.892.955
Deferred tax liabilities	11	1.109.582	1.133.804
<b>Total non current liabilities</b>		<b>28.095.729</b>	<b>10.573.918</b>
Tax liabilities		1.465	4.885
Provisions	10	4.014.401	5.319.421
Financial liabilities	9	9.524.384	10.804.546
Trade liabilities	7	9.915.223	6.018.631
Contract liabilities	3	1.942.889	3.160.821
Other liabilities	8	869.060	1.613.426
Deferred income and accrued expenses		1.005.407	1.295.997
<b>Total current liabilities</b>		<b>27.272.829</b>	<b>28.217.727</b>
<b>Total equity and liabilities</b>		<b>37.948.936</b>	<b>35.126.644</b>

The consolidated notes to the Financial Statements are an integral part of these consolidated financial statements.

## Consolidated Income Statement

Amounts in EUR	Appendix	31.12.2018	31.12.2017
Revenue	13	49.921.394	52.332.539
Material and subcontractors	14	-31.676.999	-30.772.251
Personnel expenses	15	-19.411.789	-19.816.470
Other operating expenses	16	-6.851.575	-6.594.460
Restructuring	17	0	-954.129
<b>EBITDA</b>		<b>-8.018.969</b>	<b>-5.804.771</b>
Depreciation	5/6	-551.701	-2.036.196
<b>EBIT</b>		<b>-8.570.670</b>	<b>-7.840.967</b>
Financial expenses	18	-5.671.846	-1.831.177
Financial income	19	156.152	1.555.207
Currency gain/loss	20	603.196	-1.615.410
<b>EBT</b>		<b>-13.483.168</b>	<b>-9.732.347</b>
Tax on income	21	-69.176	286.736
<b>Net Income</b>		<b>-13.552.344</b>	<b>-9.445.611</b>
Non controlling interests		-50.952	76.115
<b>Net income attributable to shareholders of Aquarion AG</b>		<b>-13.603.296</b>	<b>-9.369.496</b>

The consolidated notes to the Financial Statements are an integral part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income

Amounts in EUR	31.12.2018	31.12.2017
<b>Net income</b>	<b>-13.552.344</b>	<b>-9.445.611</b>
<b>Items that may be reclassified in the income statement</b>		
Foreign currency differences	-705.903	532.972
Fair value changes on available-for-sale financial assets	-255.697	-250.000
<b>Other comprehensive income</b>	<b>-961.600</b>	<b>282.972</b>
<b>Comprehensive income</b>	<b>-14.513.944</b>	<b>-9.162.639</b>
Shareholders of Aquarion AG	-14.557.872	-9.086.008
Non-controlling interests	43.929	-76.631

## Changes in Consolidated Equity

Amounts in EUR	Share capital	Capital reserves	Treasury Shares	Retained earnings	Foreign exchange differences	Available-for-sale financial assets	Equity attributable to shareholders	Non-controlling interests	Total equity		
<b>31.12.2016</b>	<b>3.296.021</b>	<b>5.723.365</b>	-	<b>2.730.567</b>	-	<b>27.110</b>	-	<b>6.261.709</b>	-	<b>4.745</b>	<b>6.256.964</b>
Consolidated profit	-	-	-	-9.369.496	-	-	-	9.369.496	-	76.115	-9.445.611
Other comprehensive income	-	-	-	-	533.488	-250.000	-	283.488	-	516	282.972
<b>Comprehensive income</b>	-	-	-	<b>-9.369.496</b>	<b>533.488</b>	<b>-250.000</b>	-	<b>9.086.007</b>	-	<b>76.631</b>	<b>- 9.162.639</b>
Purchase Treasury Shares	-	-	<b>759.326</b>	-	-	-	-	-759.326	-	-	-759.326
<b>31.12.2017</b>	<b>3.296.021</b>	<b>5.723.365</b>	<b>- 759.326</b>	<b>- 12.100.063</b>	<b>506.378</b>	-	-	<b>3.583.625</b>	-	<b>81.376</b>	<b>- 3.665.001</b>
Consolidated profit	-	-	-	-13.603.296	-	-	-	13.603.296	-	50.952	-13.552.344
Other comprehensive income	-	-	-	-	698.881	255.697	-	954.577	-	7.024	-961.600
<b>Comprehensive income</b>	-	-	-	<b>-13.603.296</b>	<b>-698.881</b>	<b>255.697</b>	-	<b>-14.557.872</b>	-	<b>43.929</b>	<b>-14.513.944</b>
Purchase Treasury Shares	-	-	-292.085	-	-	-	-	-292.085	-	-	-292.085
Sale Treasury Shares	-	-	1.051.411	-	-	-	-	1.051.411	-	-	1.051.411
<b>31.12.2018</b>	<b>3.296.021</b>	<b>5.723.365</b>	-	<b>- 25.703.360</b>	<b>-192.503</b>	<b>-505.697</b>	-	<b>17.382.174</b>	-	<b>37.447</b>	<b>-17.419.621</b>

## Consolidated Cash Flow Statement

Amounts in EUR	31.12.2018	31.12.2017
<b>Cash flow from operating activities</b>		
Profit of the period	-13.552.344	-9.445.611
Amortization / depreciation fixed assets	551.701	706.196
Depreciation Goodwill	0	1.330.000
Deferred tax expenses	60.264	-174.120
Non cash effective interest / redemption fee	3.015.207	0
Allowance for doubtful accounts with shareholders	1.100.000	0
Other non cash effective positions	14.885	-362.847
Change in provisions	-1.416.768	2.571.774
Change in trade receivables	-106.701	-1.242.954
Change in contract assets	-1.357.338	-910.543
Change in other current receivables and prepaid expenses and deferred income	814.636	4.576.902
Change in inventories	-695.478	2.583.814
Change in trade payables, contract liabilities, other current liabilities	1.744.004	-2.326.706
Change in other liabilities (non current)	0	-6.566
<b>Cash flow from operating activities</b>	<b>-9.827.932</b>	<b>-2.700.661</b>
<b>Cash flow from investing activities</b>		
Purchase of tangible assets	-218.563	-108.936
Purchase of intangible assets	-83.805	-925.919
Financial assets	-608.472	2.576.019
Acquisitions	0	-6.662
<b>Cash flow from investing activities</b>	<b>-910.840</b>	<b>1.534.502</b>
<b>Cash flow from financing activities</b>		
Financial liabilities (Addition)	15.114.337	3.629.938
Financial liabilities (Decrease)	-2.667.658	-233.579
Purchase Treasury Shares	-292.085	-759.326
<b>Cash flow from financing activities</b>	<b>12.154.594</b>	<b>2.637.033</b>
<b>Total cash flow</b>	<b>1.415.822</b>	<b>1.470.874</b>
<b>Liquidity beginning of period</b>	<b>4.638.091</b>	<b>3.255.321</b>
Total cash flow	1.415.822	1.470.874
Impact of currency translation	-24.890	-88.104
<b>Liquidity end of period</b>	<b>6.029.023</b>	<b>4.638.091</b>

The consolidated notes to the Financial Statements are an integral part of these consolidated financial statements.

## CONSOLIDATED NOTES

### Important principles of the consolidated financial statements

Aquarion AG is an incorporated company under Swiss law, located in Baar, Zugerstrasse 76b, Switzerland. According to the Commercial Register extract the company's aim is the acquisition, management and sale of investments to companies, particularly in the field of water treatment systems and processes.

Aquarion Group is a leading provider of advanced water systems and solutions, as well as technologies for the oil & gas industry, the energy industry and other manufacturing industries.

The present consolidated financial statements of Aquarion AG (hereinafter "we", "our", "Aquarion", "the company", "the firm" or "the Group") is prepared in accordance with International Financial Reporting Standards (IFRS).

All amounts in this financial statement are - unless indicated otherwise in a particular case - stated in euros (EUR).

The following exchange rates were used:

	Exchange rates at the end of the year balance sheet		Average exchange rates year profit / loss account	
	2018	2017	2018	2017
CHF	1,13	1,17	1,15	1,11
GBP	0,89	0,89	0,88	0,88
MYR	4,73	4,85	4,76	4,85
PHP	60,11	59,80	62,23	56,94
RUB	79,72	69,39	74,05	65,88
SGD	1,56	1,60	1,59	1,56
THB	37,05	39,12	38,16	38,28
USD	1,15	1,20	1,18	1,13
CLP	794,79	737,08	756,82	746,55
AUD	1,62	-	1,58	-

The consolidated financial statement is generally based on the principle of historical cost (Group acquisition or production costs). For selected activities, the fair value is decisive from the start. The account statements are partly based on estimates. Owing to assumptions about the future development or for other reasons, these amounts are regularly subject to uncertainties. Furthermore, the application of the below accounting standards requires discretionary decisions that can have a significant effect on the amounts reported in the consolidated financial statements. Estimates for which there is a significant risk of a balance correction within twelve months, as well as other far-reaching discretionary decisions will be subsequently discussed.

## Changes in accounting standards

As of January 1, 2018 the company applies following amendments to IFRS:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- Amendment to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendment to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendment to IAS 40: Transfers of Investment Property
- Amendment to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers
- Annual Improvements to IFRS 2014-2016 Cycle: IFRS 1 First –time Adoption of IFRS, IFRS 12 Disclosures of Interests in Other Entities; IAS 28 Investments in Associates and Joint Ventures

IFRS 15 replaces the previous accounting standards IAS 11 and IAS 18 as well as various interpretations of the IFRS Committee. IFRS 9 replaces the previous accounting standard IAS 39. A review showed that the two amendments had no impact on the consolidated financial statements of the Group.

The other amendments also had no impact on the consolidated financial statements of the Group.

Following new standards and amendments have been published as of year-end, but not yet effective. Noted new standards and amendments will be adopted as of stated date. We do not expect the amendments to have a material impact on the consolidated financial statements of the Group.

Effective in 2019:

- IFRS 16 – Leases
- Amendment to IFRS 9: Prepayment Features with Negative Compensation
- Amendment to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendment to IAS 19: Employee Benefits – Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRS (Zyklus 2015-2017): IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- IFRIC 23 Uncertainty over Income Tax Treatments

Effective in 2021:

- IFRS 17 – Insurance Contracts

Impact of noted standards is going to be assessed. Based on assessment the changes may impact the consolidated financial statements.

## Consolidation principles

### Consolidation companies

The consolidated financial statement includes the financial statements of Aquarion AG and foreign and domestic companies (subsidiaries) directly or indirectly controlled by it. The control is done by majority vote. The financial statements of the Group of companies are fully consolidated, i.e. assets, liabilities, income and expenses are fully incorporated. Minority interests in equity and net income of a subsidiary are also recorded separately. Investments in companies in which the Group is able to exert a significant influence on operating and financial policy decisions (associated companies) are treated according to the equity method. The acquisition costs which are attributable to the equity share capital of the Company changes are updated (see consolidated income statement). The significant influence is usually given by a vote share of at least 20%. The consolidated companies include the Aquarion AG and its subsidiaries in accordance with consolidation companies below. The first-time inclusion of a company of the Group takes place from the date of acquisition (change of control) or the establishment during a fiscal year; after a sale, in the majority of cases, a last-time inclusion is done to the date of change of control (in liquidation until the liquidation date).

#### Consolidation procedure

Transactions between Group companies, receivables and liabilities resulting from this, as well as interim successes in the assets of intra-group origin are eliminated.

Acquisitions are treated according to the purchase method: For the first-time consolidation at the acquisition date, the identifiable net assets and contingent liabilities of the company concerned are recognized at their fair values. The positive difference between the percentage share of the Group on revalue equity and the cost of acquisition is recognized as acquired goodwill. This is subjected to an annual impairment test - and more often in case of signs of possible impairment. To this end, at the acquisition date it is assigned to the so-called cash-generating units (smallest identifiable group of assets that are generated independent from other positive liquid means). The impairment test is ascertained by either the fair value less costs to sell or value in use per cash-generating unit is either - depending on which of these two values is higher - the value of the net assets plus goodwill allocated to the same time, according to a consolidated balance sheet. In the Group the values in use were used, since it is not possible to determine reliably the fair values less costs to sell. A possible impairment is recognized in operating income, and shown separately. It will not be reversed in case of elimination of the impairments. If minority interests are acquired or sold in an existing subsidiary, this is deemed as a transaction with non-controlling interests in their capacity as owners. Any difference between the date of acquisition cost or the selling price of these shares and the percentage of net of equity (according to statements of the Company for the purposes of consolidation, i.e. without revaluation) is offset against the capital reserves. Any difference between the date of acquisition cost or the selling price of these shares and the percentage net of equity (according to statements of the Company for the purposes of consolidation, i.e. without revaluation) is offset against the capital reserves. Deferred variable purchase price components are revalued at the balance sheet date. Valuation adjustments are recorded in the income statement under financial result. Interest effects are recorded for all transactions as a financial expense in the income statement.

Under the equity method, the capital offsetting is done in a separate account. A re-evaluation and other consolidation transactions do not take place, because the relevant information is not usually available. As at the balance sheet date signs of possible impairment of the investment are observed, and if necessary this is subject to an impairment test in accordance with the methodology set out above. A possible impairment is recorded in the financial result. The capital account difference (goodwill) is not subject to separate impairment test, as this is included in the equity value. In the case of accounting indebtedness of the associated companies the equity method is suspended because the Group has no obligation to compensate losses (i.e. equity value of zero).

#### Separate Financial Statements

The consolidated financial statements of the consolidated companies are uniformly prepared in accordance with the following general recognition and measurement standards. Balance sheet date is consistently December 31. Presentation currency of the Group is the euro (EUR). Under the equity method the last financial statements must be carried out according to the IFRS.

#### Currency conversion

##### *a) Functional currency and reporting currency*

The items included in the financial statements of each company are measured using the currency which is the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in euro (EUR), which is the reporting currency. In tables, the monetary values, unless indicated otherwise, are shown in EUR.

##### *b) Transactions and balances*

Foreign currency transactions are converted into the functional currency at the exchange rate at the point in time in the month of transaction. Profits and losses resulting from the settlement of such transactions and from the translation at the spot exchange rates of foreign currency assets and liabilities are recorded in the income statement.

##### *c) Consolidated Companies*

The results and financial position of all companies that have a different functional currency from the recording currency are converted as follows in the reporting currency:

- Assets and liabilities are translated for each balance sheet date at the spot rate;
- Income and expenses are converted for each income statement at average annual rates which essentially correspond to the actual rates; and

- All resulting exchange differences are recorded as a separate entry under equity capital.

In the consolidated financial statements, exchange differences arising from translation of net investment in an independent foreign entity or are from financial liabilities and other currency instruments designated as hedges of such investments, are recorded directly under equity capital.

When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the proceeds or loss recognized. Adjustments to the fair values, which arise through the acquisition of a foreign company, are treated as assets and liabilities of the foreign entity and converted at the spot currency exchange rate.

## Recognition and measurement principles

### a) Cash and cash equivalents

Cash and cash equivalents include cash balances, current bank accounts with credit balances and fixed deposits. These are only indicated in the cash and cash equivalents if they can be converted to predetermined payment amounts at any time, are only subject to insignificant value fluctuations and have a maximum maturity period of three months from the date of deposit. This definition is also applied to the cash flow statement or the fund indicated in the cash flow statement.

### b) Financial assets

For the purposes of subsequent evaluation, the financial instruments on the asset side must be divided into the following categories (excl. liquid assets):

In accordance with the new IFRS 9 standard, financial assets are classified as "at fair value recognised entirely in other comprehensive income" or "at fair value recognised entirely in profit".

– Financial assets valued at fair value with an effect in profit: This includes securities held for trade and financial assets designated as "valued at fair value with an effect on income" at the time they were recorded. Derivative financial instruments are equivalent to receivables held for trade by definition (except for derivatives designated as security instruments and are effective as such). Fair value changes in the reporting year are included in the financial result.

– Financial assets held until maturity (debt securities): These are valued at so-called amortised costs in accordance with the effective interest rate method.

– Loans and receivables: These are also valued at so-called amortised costs in accordance with the effective interest rate method.

– Financial assets available for sale: All remaining financial instruments on the asset side fall into this category. Such financial assets are valued at fair value; fair value changes during the reporting year are recorded directly in the other comprehensive income and indicated separately. In case of a withdrawal, this cumulative value adjustment is reposted in the financial result.

– Financial assets designated as hedged items include: In hedging accounting, if the application requirements have been fulfilled, hedged items and hedging instruments are valued so the respective fair value changes are compensated in the earnings statement. The group does not apply this method.

For the items valued at so-called amortised costs, whether there is impairment on the balance sheet date must be determined. If necessary, the adjustment shall be recorded in the financial result at the lower cash value of the expected payments. If the value increases at a later time, the impairment value adjustment will be reversed via the financial result. For financial assets available for sale, whether there is impairment on the balance sheet date in case of a fair value reduction must be determined. If necessary, the difference between the procurement costs and the fair value shall be recorded in the financial result, whereby the cumulative depreciation in the equity capital is reposted there. If the value increases at a later time, the impairment value adjustment will be reversed via the financial result for debt securities and it remains as is for equity capital securities. When they are recorded, financial assets are principally recorded at fair value (if necessary, except for items valued at fair value with an effect on income, plus direct transaction costs). The group currently includes only the following categories:

– Loans and receivables: This category corresponds with the receivables in accordance with the balance sheet (circulation and invested capital). The receivables primarily have short-term maturity periods; the scope of long-term

loans is negligible. The classification as short or long-term depends on whether the remaining term is up to one year or more. The amortised costs correspond with nominal values in the group. These are periodically reviewed to determine if they are sufficiently secure and the value is individually adjusted accordingly in case of materiality. Establishment and dissolution of these value adjustments are recorded in other operating costs or the respective loan under financial expenses. The fair values approximately correspond with the balance sheet values since these, with the exception of the discount effect, are largely equivalent to the estimated received payments and the conditions are standard for the market.

c) Inventories

Raw materials and supplies are generally valued at acquisition cost. Unfinished and finished goods and services are valued at production costs (direct costs, appropriate material and production overheads).

d) Contract assets and contract liabilities

Customer orders on construction sites are accounted for the basis of revenue recognition when the performance obligations are fulfilled over time. The respective state of completion is defined by the order-based progress calculation. In the balance sheet, customer orders are recorded as net position from contract assets and contract liabilities.

If the earnings from a production order cannot be reliably estimated, the revenue will only be recorded in the amount of the incurred order costs which is likely recoverable, while simultaneously recording the incurred order costs as an expense in the respective period. This corresponds with a valuation at manufacturing costs. If it is probable that the total order costs will exceed the total order revenue, the expected losses will be immediately recorded as an expense.

e) Intangible assets

Intangible assets (except for goodwill; see consolidation principles: consolidation procedures) are valued at their procurement costs and amortised in accordance with the straight-line method from the time of operational readiness throughout the usage duration:

- Software: 3-5 years
- Product development: 10 years

f) Property and equipment

Property and equipment is valued at their procurement costs and amortised in accordance with the straight-line method from the time of operational readiness throughout the following estimated, regularly reviewed usage duration:

- Production buildings (warehouses, production halls): 15-25 years
- Administrative buildings: 30-40 years
- Office equipment and furniture: 3-10 years
- Machines and machine components: 3-10 years

This applies, if significant, for subsequent expenses for increasing the value of already existing objects in these categories. Expenses for maintenance and repairs are not capitalised. There are no personal contributions in the group's property and equipment.

g) Financial assets

Financial assets are valued at their procurement costs minus the necessary value adjustments.

When acquiring shares in affiliated companies, goodwill can be generated. This corresponds to the excess acquisition costs of the shares above the proportional fair market value of the identified net assets. The goodwill is included in the shares of the affiliated companies. Affiliated companies are valued in accordance with the equity method. The earnings from affiliated companies are indicated as a part of the financial result.

h) Leasing

For contracts economically equivalent to a third-party financed purchase of the object provided for use (financial leases), the cash value of the minimal leasing rates or rents are capitalised as property and equipment and accordingly amortised. The liability in the same amount is recognised and periodically reduced by the repayment component of the leasing rate or rent and indicated in the short and long-term financial liabilities depending on when they mature. The interest component is recorded respectively as a financial expense. For all other leasing and rental agreements (operating leases), only the leasing rate or rent is debited as an operating expense in the profit and loss statement.

i) Impairment

On the balance sheet date, attention is paid to indications of a potential impairment of intangible assets with a set duration of use or tangible assets. If necessary, the balance sheet value of such an asset will be compared to its fair value minus the cost of sale or recoverable amount (value in use) (depending on which of these values is higher). Potential value impairments are recorded in the operating income and indicated separately. If there is a verifiable increase in value at a later time, the impairment value impairment will be reversed via the operating income. This does not apply to goodwill. For indefinitely usable intangible assets and goodwill, the impairment test is performed annually.

j) Financial liabilities

For the purposes of subsequent evaluation, the financial instruments on the liabilities side must be divided into the following categories:

– Other financial liabilities: In accordance with IFRS 9, these can be measured at amortised cost or at fair value. When measured at fair value, expenses or income can be recognised either in full in the result for the period or directly in other comprehensive income.

When they are recorded, financial liabilities are principally recorded at fair value (if necessary, except for items valued at fair value with an effect on income, plus direct transaction costs). The group currently includes only the following categories:

– Other financial liabilities: These correspond with the financial liabilities and the other liabilities in accordance with the balance sheet (Short-term and long-term third-party capital): The majority of the accounts payable and other liabilities have short-term maturities. The classification as short or long-term depends on whether the remaining term is up to one year or more. The amortised costs correspond with nominal values in the group. This also applies for liabilities to banks with a fixed interest rate (market interest rate) and for which the pay-out and repayment amount are identical. The fair values approximately correspond with the balance sheet values since these, with the exception of the discount effect, are largely equivalent to the estimated payments made, the conditions are standard for the market and the group is capable of making the interest and capital payments in accordance with the agreement.

k) Pension liabilities

The company has a low number of employees in the Swiss company. The Swiss pension plan are so called defined benefits plans. Due to the materiality considerations, however, such a calculation was omitted.

In accordance with Italian law, the companies have the choice between a public or private occupational pension or to invest the contributions based on the old method "Fondo TFR". H+E S.R.L., Italy chose the "Fondo TFR". Contributions are regularly allocated to these funds which must be charged interest at a legally stipulated interest rate.

The existing pension commitments under German law were granted to some employees of the German H+E GmbH in the past. Commitments are in place for retirement, disability and survivors' benefits. These benefit obligations are fully financed by the employer and have to be met directly by H+E GmbH, which is why H+E GmbH has to make pension provisions for these benefit obligations under German law. Special separate cover assets do not exist for these obligations.

l) Provisions

Provisions are recorded for uncertain liabilities, provided the future outflow of resources is probable and the amount can be reliably estimated. If there is a significant effect, long-term provisions are assumed based on the cash value.

m) Income taxes

Owed or deferred taxes on group company profit (or profit shares) are indicated as current tax liabilities. The corresponding expense is indicated separately. Deferred profit taxes are recorded on temporal differences between the values in the consolidated balance sheet and those in the tax balance sheet, namely, based on the effective tax rates. For deferred tax assets (those on tax-deductible, temporal differences) this only applies if it is likely that sufficiently high taxable profits will be accrued to effectively deduct these differences. In addition, deferred tax assets are recorded on tax losses insofar as in the future, it is probable that sufficiently high taxable profits will be accrued to effectively offset these tax losses ("more likely than not"). Taxes that might be incurred on retained profits from subsidiary and affiliated companies are not recorded since these profits will not be distributed or the group cannot define the distribution date. Deferred tax assets and liabilities are balanced per group company in the consolidated balance sheet insofar as current liabilities can be offset against potential recoverable profit taxes.

n) Equity

Expenses directly connected to an equity transaction (see changes in the consolidated equity capital) are directly deducted from the capital reserves. Own shares are deducted from equity at their procurement costs. In case of resale, the profit or loss is directly offset against the capital reserves. Claims waivers from shareholders are recognized directly in equity.

o) Revenue

The revenues shown in the income statement are based on sales or the valuation of work in progress over time after the revenue has been recognized when the performance obligations have been fulfilled. Revenues are allocated into the following main segments:

- Service business
- Spare parts
- Project business

Revenue from services and spare part deliveries is recognized as soon as the power of disposition is exercised at a contractually agreed time. Revenue from project business is recognized over time when the contractual performance obligations are fulfilled. The progress of the project is determined on the basis of the internal and external costs incurred to date in relation to the planned costs. The planned costs are continuously reviewed on the basis of periodic interim calculations. The transaction price is determined on the basis of the contract amount agreed with the customer.

p) Materials and subcontractors

The materials and subcontractors expense are recorded based on an allocation appropriate for the period if the materials or services were procured.

q) Personnel costs

The personnel costs include all costs connected to employee remuneration and social insurances.

r) Other operating expenses

Includes the expenses for rents and maintaining office spaces and general expenses that cannot be allocated to the other expense items.

s) Depreciations and amortizations

The periodical value adjustments to the capital assets, tangible assets and intangible assets are taken into account with the depreciations and amortisations.

t) Recognition of interest and dividend earnings

Interest earnings are recorded pro rata in accordance with the effective interest rate method. Dividend earnings are recorded at the time at which the right to receive payment is established.

u) Currency conversion

Transactions in other currencies than the functional currency are recorded at the exchange rate at the time of the transaction. Exchange gains and losses realised on the transactions and unrealised exchange gains and losses from the translation of monetary receivables and liabilities in the functional currency at the year-end rate are recognised in the financial result.

v) Earnings per share

Since the company is not publicly listed, the earnings per share have been omitted.

### **Estimations and other discretionary decisions**

Extensive uncertainties in estimates

A quantification of the effects of uncertainties (sensitivities) is hardly practical for the estimates below. However, adjustments to the actual conditions having a significant, short-term effect on the relevant balance sheet item cannot be excluded.

Contract assets and Contract liabilities

The valuation of Contract assets and Contract liabilities is connected to a discretionary decision. These can deviate from the effective assessments. If these assessments deviate, the intrinsic value of the work in progress might be impaired.

Financial assets

The company has recognised financial loans. At the current time, there are no indications that might impair the intrinsic value of the loan. If the intrinsic value were to be impaired, the balance sheet would have to be adjusted accordingly.

Intangible assets

The assessment of the intangible assets is primarily based on intrinsic value tests. In this assessment, there are discretionary decisions that are based on the current conditions. If these conditions were to change, there may be impairment in this area and appropriate value adjustments would have to be made.

Continuation of the company

The annual financial statement was drafted based on the continuation of the company. If the continuation of the company is no longer ensured, an annual financial statement would have to be drafted based on the recoverable values. The continuation of the company depends on the financing of the company and the future earnings of the subsidiaries.

Miscellaneous

The accounting contains several estimates (e.g. assurance of recovery of receivables from services, duration of use from tangible assets, high provisions or potential liabilities, revenue allocated to the subsequent year from services over multiple years).

Other extensive discretionary decisions when applying accounting principles

#### Leasing

A leasing agreement qualifies as an operating lease because the position of the group does not correspond to that of an owner, even when considered economically and the standard criteria for a qualification as a financial lease have not been fulfilled.

#### Miscellaneous

Other discretionary decisions must also be made in the framework of the accounting principles. However, these are not significant for the consolidated annual financial statement.

### Type, scope and management of financial risks

Due to its operative business, the group is primarily subject to a credit risk. The group's risk management is aimed at reducing the potentially negative effects on the financial result to a minimum. Derivative financial instruments can be considered for securing financial risks, but have not been utilized to date.

The company has performed a documented risk assessment.

#### Credit risk

The credit risk is that business partners will not fulfil their obligations. All receivables are periodically reviewed to determine the degree of certainty of payment. The customers' financial situation, the experience to date and/or other factors are taken into account. In general, there are no securities. The value of not fully recoverable receivables is adjusted, whereby these value adjustments have been insignificant to date. The maximum default risk corresponds with the balance sheet value. On December 31, 2018, the group holds approximately 100% of its liquid assets at first-class banks.

#### Currency risk

The group executes the majority of its transactions in EUR, USD and GBP. Thus the group is subject to certain currency fluctuations. The following table summarises the foreign exchange risk exposure:

Amounts in EUR	EUR	GBP	CHF	USD	MYR	PHP
CHF	0	86	0	0	0	0
EUR	0	0	0	0	0	0
GBP	-5.767	0	-24.861	0	0	0
JPY	0	395.896	0	0	0	0
MYR	0	0	0	-42.813	0	0
PHP	0	0	0	-1.628	0	0
RUB	0	0	0	0	0	0
SEK	0	27	0	0	0	0
SGD	0	0	-52.831	186.258	-623	0
THB	0	0	0	0	-5.305	0
USD	2.552.811	118.914	207.519	0	8.006	2.927
Other	-1.580	3	-6.158	-49.575	0	-3.554
<b>Total</b>	<b>2.545.464</b>	<b>514.926</b>	<b>123.669</b>	<b>92.242</b>	<b>2.078</b>	<b>-627</b>
<b>Net exposure</b>						

As of 31 December 2018, the Company is exposed to the JPY currency from an amount of EUR 395.896. A weakening of 20% of the YPN against the GBP reduces the net profit by EUR 79.179 (and a strengthening of 20% increases the net profit by EUR 79.179).

As of 31 December 2018, the Company is exposed to the USD currency from an amount of EUR 2.552.811. A weakening of 20% of the USD against the EUR increases the net loss by EUR 510.562 (and a strengthening of 20% reduces the net loss by EUR 510.562).

#### Interest rate risk

The interest rate risk contains fair value risks incurred on fix interest rate credit loans and cash flow risks incurred on variable interest rate credit loans. The composition of the financial liabilities subject to interest is detailed in the appendix. The group regularly analyses the interest rate risk by assessing the development of the variable and fixed interest rates and restructuring the financing accordingly. As of December 31, 2018, there are no significant interest rate risks.

#### Liquidity risks

The management continuously reviews the liquidity of the group in close cooperation with the board. To manage these liquidity risks, the liquidity plan is updated on an ongoing basis which is based on the planned sales, costs, investments as well as cash flows from financing activities.

The group financing are secured on one hand by the bank credit lines and loans from third parties and on the other hand by shareholder loans and bridge loan from shareholder.

The group received a growth capital of 15 million EUR in May 2018 by a convertible loan from Water Re-Use Ltd. This loan was converted into share capital in the course of financial restructuring in the amount of 10,3 million EUR in March and April 2019, which led Water Re-Use Ltd. to become the sole shareholder of the group. The term of the remaining 4,7 million EUR was extended until 30.09.2021 at the same time and the interest payments were deferred until maturity date. Furthermore, the loan of the previous shareholder Green Gateway Fund and as well the loan of Green Shoots Ltd. were extended until 30.09.2021. For these loans the interest payments were also deferred until maturity date. This secures that the major part of debt financing does not affect the liquidity of the group until 30.09.2021.

It is planned either to extend the remaining third party loans of approx. 2,5 million EUR until their maturity date of 30.09.2019 or to replace them into the new bond to the extent of 2,0 - 3,0 million EUR.

The existing bank credit lines at Commerzbank for H+E Stuttgart and H+E Asia in the amount of 4,5 million EUR as at the end of 2018 was converted into a bank loan of H+E Stuttgart with repayment instalments of 300K EUR for each quarter until 2022. A new bank credit line to the extent of 2,0 – 3,0 million EUR is under negotiation.

In addition, we refer to the further measures described under subsequent events to secure short-term liquidity (Note 25).

### Financial instruments based on balance sheet items and categories

	Loans and receivables	Financial assets available for sale	Level 1	Level 2	Level 3
<b>Financial assets in EUR</b>					
<b>31.12.2017</b>					
Trade receivables	9.935.441		9.935.441		
<b>Current assets</b>	<b>9.935.441</b>	-			
Investments		388.830			388.830
Securities with banks and third parties	781.345		781.345		
Other loans and receivables	25.337				25.337
<b>Non-current assets</b>	<b>806.682</b>	<b>388.830</b>			
<b>Total financial assets</b>	<b>10.742.123</b>	<b>388.830</b>			
<b>31.12.2018</b>					
Trade receivables	9.994.939		9.994.939		
<b>Current assets</b>	<b>9.994.939</b>	-			
Investments		133.133			133.133
Securities with banks and third parties	1.316.225		1.316.225		
Other loans and receivables	99.769				99.769
<b>Non-current assets</b>	<b>1.415.994</b>	<b>133.133</b>			
<b>Total financial assets</b>	<b>11.410.933</b>	<b>133.133</b>			

The financial assets are predominantly short-term assets. The book values equal fair values of the assets. The participations correspond with the actual market value. The book value equals therefore fair value.

Valuation hierarchy:

1 = price listed on an active market

2 = factors observed directly in the market

3 = factors not based on any observable market data

	Other financial liabilities	Level 1	Level 2	Level 3
<b>Financial liabilities in EUR</b>				
<b>31.12.2017</b>				
Convertible bonds	-			-
Bank loans	6.927.070	6.927.070		
Other loans, liabilities and interests	3.877.476			3.877.476
Trade liabilities	6.018.631	6.018.631		
<b>Total short-term liabilities</b>	<b>16.823.177</b>			
Convertible bonds	750.000			750.000
Financial liabilities	8.142.955			8.142.955
<b>Total long-term liabilities</b>	<b>8.892.955</b>			
<b>Total financial liabilities</b>	<b>25.716.132</b>			
<b>31.12.2018</b>				
Convertible bonds	750.000			750.000
Bank loans and overdrafts	2.228.213	2.228.213		
Other loans and liabilities	6.546.171			6.546.171
Trade liabilities	9.915.223	9.915.223		
<b>Total short-term liabilities</b>	<b>19.439.607</b>			
Convertible bonds	-			-
Financial liabilities	26.500.000			26.500.000
<b>Total long-term liabilities</b>	<b>26.500.000</b>			
<b>Total financial liabilities</b>	<b>45.939.607</b>			

The financial liabilities interest rates are market-based and correspond with the effective interest rate, hence the book value essentially equals fair value.

Long-term financial liabilities include a loan granted by Water Re-Use Ltd. in 2018 amounting to 15,0 million EUR. Compliance with financial covenants has been contractually agreed. The covenants were fully complied in 2018.

Valuation hierarchy:

- 1 = price listed on an active market
- 2 = factors observed directly in the market
- 3 = factors not based on any observable market data

As of December 31, 2018 and 2017, the group consists of the following consolidated companies:

Company	Purpose	Share capital	Holdings in 2018	Holdings in 2017
H+ES.R.L., Italy (formerly Gemwater S.R.L.)	Production, trade and consultation in the water treatment systems and processes sector	EUR 300.000	100,0%	100,0%
Aquarion Products GmbH, Austria (formerly Aquarion Water GmbH)	Production, trade and consultation in the water treatment systems and processes sector; Acquisition, management and sales of shares in companies with same or similar business	EUR 35.000	100,0 %	100,0 %
H2Oil & Gas Ltd., UK	Production, trade and consultation in the water treatment systems and processes sector	GBP 300.000	100,0%	100,0%
H+E Holding GmbH, Germany (formerly Aquarion Water GmbH)	Production, trade and consultation in the water treatment systems and processes sector	EUR 300.000	100,0%	100,0%
H+E GmbH, Germany	Production, trade and consultation in the water treatment systems and processes sector	EUR 1.000.000	100,0%	100,0%
S-Tec GmbH, Germany	Production, trade and consultation in the water treatment systems and processes sector	EUR 100.000	100,0%	100,0%
H+E UK Ltd., UK	Production, trade and consultation in the water treatment systems and processes sector	GBP 200.000	80,0%	80,0%
Hager + Elsaesser Asia Pte. Ltd., Singapore	Production, trade and consultation in the water treatment systems and processes sector	USD 2.930.901	100,0%	100,0%
Hager + Elsässer Sdn. Bhd. Ltd., Malaysia	Production, trade and consultation in the water treatment systems and processes sector	MYR 9.271.145	100,0%	100,0%
Stulz Hager + Elsaesser (Philippines) Inc., Philippines	Production, trade and consultation in the water treatment systems and processes sector	PHP 9.050.000	100,0%	100,0%
Hager + Elsaesser (Thailand) Co Ltd., Thailand	Production, trade and consultation in the water treatment systems and processes sector	THB 100.000	100,0%	100,0%
H+E RUS LLC., Russia	Production, trade and consultation in the water treatment systems and processes sector	RUB 500.000	75,0%	75,0%
H+E TAT LLC., Russia	Production, trade and consultation in the water treatment systems and processes sector	RUB 10.000	100,0%	100,0%
Membran-Filtrations-Technik GmbH, Germany	Production, trade and consultation in the water treatment systems and processes sector	EUR 50.000	100,0%	100,0%
Votec Ltd., UK	Production, trade and consultation in the water treatment systems and processes sector	GBP 99	52,8%	52,8%
H+E Chile SPA, Chile	Production, trade and consultation in the water treatment systems and processes sector	CLP 6.000	100,0%	100,0%
HAGER + ELSAESSER PTY. LTD., Australia	Production, trade and consultation in the water treatment systems and processes sector	AUD 100	100,0%	100,0%
H+E Pharma GmbH, Germany	Production, trade and consultation in the water treatment systems and processes sector	EUR 25.000	100,0%	-

Through an acquisition on 01/07/2014 the assets of Hager+Elsässer were acquired and incorporated in H+E GmbH and the S-Tec GmbH. Both H+E GmbH and S-Tec GmbH were shelf companies that have been acquired for this purpose.

The assets acquired also included 80% of the H+E UK Ltd., UK, 100% of Hager + Elsässer Sdn. Bhd. Ltd., Malaysia, 100% of Stulz Hager + Elsaesser (Philippines) Inc., Philippines, 100% of Hager + Elsaesser (Thailand) Co Ltd., Thailand and 70% of Hager + Elsaesser Asia Pte. Ltd., Singapore. Another 30% of Hager + Elsaesser Asia Pte. Ltd., Singapore was acquired against a payment of 25,000 SGD.

Another event was the founding of H+E TAT LLC. on 18/08/2014 in Kazan, Russia. Following on this was the founding of H+E RUS LLC on 16/10/2014 in Moscow, Russia.

As of January 1, 2015 66% of the capital of Votec Ltd., UK was acquired by H+E UK Ltd. for 20.000 GBP. With the same date the company was included in the group of consolidated companies for the first time.

As of January 1, 2015 100% of the capital of MFT – Membran-Filtrations-Technik GmbH, GER was acquired for 6.045.550 EUR. MFT is a mid-sized company, which is mainly concentrating on the design, construction and service of membrane equipment for clean water, drinking water and waste water applications. With the same date the company was included in the group of consolidated companies for the first time.

As of February 16, 2017 H+E Chile SPA was founded in Santiago, Chile. On November 24, 2017 Hager + Elsaesser Pty. Ltd. was founded in West Perth, Australia. In addition, H+E Pharma GmbH was founded on September 18, 2018 with registered office in Stuttgart.

The minority interests in H+E UK Ltd., Votec Ltd. and H+E RUS LLC. are shown separately in the balance sheet and income statement.

## Individual positions of consolidated financial statement

### 1 Cash and cash equivalents

in EUR	31.12.2018	31.12.2017
Cash on hand	10.607	13.041
Bank	6.018.416	4.625.050
<b>Total cash and cash equivalents</b>	<b>6.029.023</b>	<b>4.638.091</b>

The liquid asset book values are as follows with regard to currencies:

Currencies of cash and cash equivalents:	31.12.2018	31.12.2017
CHF	519	5.904
EUR	4.711.568	3.310.774
GBP	170.166	120.513
JPY	385.991	46.547
MYR	14.735	51.427
PHP	11.928	44.317
RUB	103.212	356.703
SEK	27	65
SGD	133.154	64.443
THB	7.387	8.622
USD	487.608	74.363
Other	2.728	554.413
<b>Total cash and cash equivalents</b>	<b>6.029.023</b>	<b>4.638.091</b>

The bank accounts are yield interest at customary conditions. The bank accounts are kept at first-rate banking institutions.

## 2 Inventories / Trade receivables / Other receivables

### Inventories

Amounts in EUR	31.12.2018	31.12.2017
Advances to suppliers	712.094	143.786
Valuation reserves finished goods	-138.581	-88.071
Unfinished goods	121.270	76.761
Finished goods	52.658	66.628
Purchased finished goods	373.877	119.601
Raw material and supplies	1.299.766	1.396.827
<b>Total</b>	<b>2.421.084</b>	<b>1.715.531</b>

### Trade receivables

Amounts in EUR	31.12.2018			31.12.2017		
	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Not overdue	6.942.341 -	10.062	6.932.279	5.501.437 -	10.062	5.491.375
<b>Overdue</b>						
< 1 year	2.390.750	-	2.390.750	3.356.317	-	3.356.317
> 1 year	865.343 -	200.183	665.160	1.242.820 -	155.071	1.087.749
> 5 year	123.250 -	116.500	6.750	116.500 -	116.500	-
<b>Total trade receivables</b>	<b>10.321.684 -</b>	<b>326.745</b>	<b>9.994.939</b>	<b>10.217.074 -</b>	<b>281.633</b>	<b>9.935.441</b>

#### Allowance for doubtful receivables

	31.12.2018	31.12.2017
As of 1st January	-	281.633 -
Change to basis of consolidation	-	-
Increase	45.112	-
Decrease	-	-
Dissolution	-	2.742
Foreign exchange differences	-	-
<b>As of 31st December</b>	<b>-</b>	<b>326.745 -</b>

The validity of trade receivables is assessed regularly and the credit worthiness of new clients is assessed thoroughly. The credit risk of the Group is limited thanks to the comprehensive and diversified client base.

The division into currencies is as follows:

	31.12.2018	31.12.2017
in EUR	5.233.490	3.464.444
in GBP	689.258	324.984
in MYR	35.859	24.179
in PHP	73.611	81.444
in RUB	189.226	186.173
in SGD	453.015	1.153.672
in JPY	9.905	24.006
in USD	3.306.425	4.676.539
in others	4.150	-
<b>Total</b>	<b>9.994.939</b>	<b>9.935.441</b>

### Other short-term receivables

Amounts in EUR	31.12.2018	31.12.2017
Other financial receivables	294.604	1.608.856
Advances - wage and salary	6.541	11.632
Income tax refunds	311.965	278.287
VAT refunds	870.069	605.856
Refunds from other taxes	91.539	66.265
Credit balances with suppliers	699	95
Securities	6.697	11.830
Miscellaneous receivables	155.279	125.896
<b>Total</b>	<b>1.757.233</b>	<b>2.708.717</b>

### 3 Contract assets and Contract liabilities

Amounts in EUR	31.12.2018	31.12.2017
Contract revenues since start of project	25.152.827	19.602.048
Advance payment received	18.972.998	16.048.540
<b>Work in progress, net</b>	<b>6.179.829</b>	<b>3.553.508</b>
of which contract assets	8.122.718	6.714.329
of which contract liabilities	1.942.889	3.160.821

The increase in (net) assets is due to the trend towards higher pre-financing of project services provided by the Group companies.

### 4 Financial assets

Other financial assets	Duration	Interest rate	Collateral	31.12.2018	31.12.2017
Deposit	-	0,00%	no	1.316.225	781.345
Other financial assets	unlimited	0,00%	no	99.769	25.337
<b>Total</b>				<b>1.415.994</b>	<b>806.682</b>

Participations in EUR	Participation rate	01.01.18	Change	31.12.2018	31.12.2017
Acwa Tech Ltd.	16,5%	77.490	no	77.490	77.490
Sorbwater Technology AS	1,6%	311.340	yes	55.643	311.340
<b>Total</b>		<b>388.830</b>		<b>133.133</b>	<b>388.830</b>
<b>Total financial assets</b>				<b>1.549.127</b>	<b>1.195.512</b>

An impairment of EUR 250.000 was recognized in 2017 for the investment of H+E SRL, Italy in Sorbwater Technology AS. In 2018 a further impairment of EUR 255.697 was recognized.

## 5 Property and equipment

2017	Building	Plant and machinery	Tools and other equipment	Payments on account and assets under construction	Assets of minor value	Total
<b>Purchase values</b>						
Value at beginning of the period	126.370	913.243	1.643.921	40.237	66.762	2.790.533
Additions	2.123	22.407	131.094	3.035	6.758	165.417
Disposals	-	-	-57.428	-	-7.365	-64.793
Reclassification	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Translation differences	-3.852	-15.930	-61.386	-	-135	-81.303
Value at end of period	124.641	919.720	1.656.201	43.272	66.020	2.809.854
<b>Cumulated depreciation</b>						
Value at beginning of the period	-25.018	-436.698	-1.023.660	-	-46.044	-1.531.420
Depreciation	-19.617	-85.364	-239.044	-	-15.395	-359.420
Disposals	-	-	948	-	7.364	8.312
Transfer	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Foreign exchange differences	1.395	8.752	42.974	-	135	53.256
Value at end of period	-43.240	-513.310	-1.218.782	-	-53.940	-1.829.272
31.12.2017						
<b>Net book values</b>						
Value at beginning of the period	101.352	476.545	620.261	40.237	20.718	1.259.113
Value at end of period	81.401	406.410	437.419	43.272	12.080	980.582
2018	Building	Plant and machinery	Tools and other equipment	Payments on account and assets under construction	Assets of minor value	Total
<b>Purchase values</b>						
Value at beginning of the period	124.641	919.720	1.656.201	43.272	66.020	2.809.854
Additions	28.014	104.658	68.191	-	17.511	218.374
Disposals	-	-5.881	-1.923	-	-	-7.804
Reclassification	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Translation differences	1.278	5.642	16.072	-	-353	22.639
Value at end of period	153.933	1.024.139	1.738.541	43.272	83.178	3.043.063
<b>Cumulated depreciation</b>						
Value at beginning of the period	-43.240	-513.310	-1.218.782	-	-53.940	-1.829.272
Depreciation	-20.281	-93.238	-180.347	-	-25.557	-319.423
Disposals	-	10.113	-2.120	-	-	7.993
Transfer	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Foreign exchange differences	-584	-3.542	-14.308	-	353	-18.081
Value at end of period	-64.105	-599.977	-1.415.557	-	-79.144	-2.158.783
31.12.2018						
<b>Net book values</b>						
Value at beginning of the period	81.401	406.410	437.419	43.272	12.080	980.582
Value at end of period	89.828	424.162	322.984	43.272	4.034	884.280

**Leasing Commitments**

Amounts in EUR	31.12.2017	0 - 1 Year	1 - 5 Years	>5 Years
Land and building	2.119.850	930.732	1.188.117	1.001
Other leasing and rentals	805.741	314.822	488.960	1.959
<b>Total</b>	<b>2.925.591</b>	<b>1.245.554</b>	<b>1.677.077</b>	<b>2.960</b>

Amounts in EUR	31.12.2018	0 - 1 Year	1 - 5 Years	>5 Years
Land and building	2.430.269	838.725	1.540.397	51.147
Other leasing and rentals	710.888	288.733	422.155	-
<b>Total</b>	<b>3.141.157</b>	<b>1.127.458</b>	<b>1.962.552</b>	<b>51.147</b>

## 6 Intangible assets

2017	Franchises trademarks and licences	Goodwill from consolidation	Technology, Know How	Customer base	Total
<b>Purchase values</b>					
Value at beginning of the period	249.980	5.169.073	767.369	981.269	7.167.692
Additions	793.209	-	211.524	-	1.004.733
Disposals	-	-	-78.814	-	-78.814
Reclassification	11.000	-	-11.000	-	-
Change in scope of consolidation	-	-	-	-	-
Translation differences	-4.427	-	-	-13.407	-17.834
Value at end of period	1.049.762	5.169.073	889.079	967.862	8.075.777
<b>Cumulated depreciation</b>					
Value at beginning of the period	-215.243	-	-138.966	-463.739	-817.949
Depreciation	-31.583	-1.330.000	-106.542	-208.651	-1.676.776
Disposals	-	-	-	-	-
Transfer	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-
Foreign exchange differences	4.367	-	-1	5.459	9.825
Value at end of period	-242.459	-1.330.000	-245.509	-666.931	-2.484.900
31.12.2017					
Net book values					
Value at beginning of the period	34.737	5.169.073	767.369	517.530	6.488.710
Value at end of period	807.303	3.839.073	643.570	300.931	5.590.877

2018	Franchises, trademarks and licences	Goodwill from consolidation	Technology, Know How	Customer base	Total
<b>Purchase values</b>					
Value at beginning of the period	1.049.762	5.169.073	889.079	967.862	8.075.777
Additions	67.537	-	16.268	-	83.805
Disposals	-	-	-	-	-
Reclassification	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-
Translation differences	-1.561	-	-	-3.017	-4.578
Value at end of period	1.115.738	5.169.073	905.347	964.845	8.155.004
<b>Cumulated depreciation</b>					
Value at beginning of the period	-242.459	-1.330.000	-245.509	-666.931	-2.484.900
Depreciation	-45.351	-	-100.798	-86.129	-232.278
Disposals	-	-	-	-	-
Transfer	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-
Foreign exchange differences	1.411	-	-	2.088	3.499
Value at end of period	-286.399	-1.330.000	-346.307	-750.972	-2.713.679
31.12.2018					
Net book values					
Value at beginning of the period	807.303	3.839.073	643.570	300.931	5.590.877
Value at end of period	829.339	3.839.073	559.040	213.873	5.441.325

During the annual impairment test conducted during the fourth quarter, the carrying amount of the cash generating units (net assets and goodwill) is compared to the value in use of the cash generating units (CGU). An impairment is booked if the carrying amount exceeds the value in use.

The impairment test has been conducted based on the following data:

The value in use of the CGU is calculated by using the Discounted Cash Flow method (DCF method). It is based on the discounted nominal pre-tax CGU net cash flows over the next 3 years. The net cash flows are calculated by using the financial plan as approved by the board of directors. The financial plans are created during the fourth quarter and reflect the current and expected future market developments. It also takes into account the expected individual revenue situation of the cash-generating unit.

The discount rate consists of the interest rates and a premium for any risks associated with the CGU. For the period after year 4, the cash flow of year 3 is capitalised at a conservative constant growth rate of 2%.

The following assumptions enter the use value calculation:

Company	31.12.18			31.12.17		
	WACC pre-tax	WACC post-tax	CAGR	WACC pre-tax	WACC post-tax	CAGR
H+E SRL, Italy	8,00%	5,07%	41,8%	8,61%	5,68%	89,0%
H2Oil&Gas Ltd., UK	8,00%	5,07%	50,5%	8,61%	5,68%	4,8%
Membran-Filtrations-Technik GmbH	8,00%	5,07%	20,3%	8,61%	5,68%	-36,6%

in EUR	31.12.18	31.12.17
H+E SRL, Italy	485.216	485.216
H2Oil&Gas Ltd., UK	52.257	52.257
Membran-Filtrations-Technik GmbH	3.301.600	3.301.600
<b>Total Goodwill</b>	<b>3.839.073</b>	<b>3.839.073</b>

In 2017, the impairment test for the goodwill of the Membran-Filtrations-Technik GmbH resulted in an impairment of EUR 1.330.000.

The impairment test by 31.12.2018 confirmed the value shown in the balance sheet. Otherwise, there were no indications of impairment in the financial years presented.

Sensitivity analysis:

A change of the basic data used for the impairment test could result in a need for additional value reduction. The sensitivity analyses are therefore conducted with regard to possible changes in constant growth rates and the discount rates. A discount rate increase by one per cent would not lead to any required value correction regarding a cash-generating unit of Aquarion. A reduction of the constant growth rate by one per cent would also not trigger a required value reduction.

## 7 Accounts payable

Amounts in EUR	31.12.2018	31.12.2017
Accounts payables	9.915.223	6.018.631
<b>Total</b>	<b>9.915.223</b>	<b>6.018.631</b>

The due dates of liabilities form goods and services are as follows:	31.12.2018	31.12.2017
< 1 year	9.915.223	6.018.631
> 1 year		
> 5 year		
<b>Total</b>	<b>9.915.223</b>	<b>6.018.631</b>

Breakdown by currencies:	31.12.2018	31.12.2017
in CHF	108.785	117.948
in EUR	6.577.395	4.120.276
in GBP	1.395.245	272.874
in MYR	324.559	587.695
in PHP	16.580	19.931
in RUB	8.191	3.158
in SGD	453.364	461.764
in THB	5.305	6.894
in USD	471.412	231.790
in JPY	488.736	142.908
in other currencies	65.651	53.393
<b>Total</b>	<b>9.915.223</b>	<b>6.018.631</b>

The liabilities from goods and services are interest-free. No collaterals have been submitted.

## 8 Other short-term liabilities

Amounts in EUR	31.12.2018	31.12.2017
Wages and salaries	68.224	62.550
Value added tax	231.727	351.939
Income tax	25.418	16.913
Other tax	25.307	106.335
Social plans	90.772	54.178
Payroll tax	209.456	232.878
Social security	101.585	120.260
Other liabilities	116.571	668.373
<b>Total</b>	<b>869.060</b>	<b>1.613.426</b>

## 9 Financial liabilities

### Long-term financial liabilities

Amounts in EUR	Duration 2018	Interests	Collateral	31.12.2018	31.12.2017
Bonds	31.01.2019	8,00%	none	-	750.000
Other financial liabilities third parties **)	30.09.2019	8,00%	*)	5.700.000	7.200.000
Other financial liabilities third parties	30.09.2021	8,00%	*)	15.000.000	-
LA-064 **)	30.09.2019	8,00%	none	500.000	499.982
Loan Commerzbank AG	31.03.2022	7,95% plus Euribor	none	3.300.000	-
Other liabilities			none	2.000.000	442.973
<b>Total financial liabilities</b>				<b>26.500.000</b>	<b>8.892.955</b>

\*) We refer to note 23

\*\*) These financial liabilities were subordinated (total amount of subordination 6,2 million EUR).

Interest on subordinated financial liabilities was partly not paid out as agreed.

The loan LA-064 in the amount of EUR 500.000 was extended in 2019 until 30 June 2020. The other loans in the amount of EUR 5.700.000 were extended in 2019 until 30 September 2021.

Non-current financial liabilities include a loan granted by Water Re-Use Ltd. in 2018 amounting to 15,0 million EUR.

The loan of 4,5 million EUR from Commerzbank AG replaced the existing short-term overdraft facilities. Repayments of 1,2 million EUR due in 2019 are reported as short-term financial liabilities.

### Short-term financial liabilities

Amounts in EUR	Duration 2018	Interests	Collateral	31.12.2018	31.12.2017
LA-053	30.09.2019	8,00%	none	200.000	200.000
LA-054	30.09.2019	8,00%	none	100.000	100.000
LA-055	30.09.2019	8,00%	none	100.000	100.000
LA-057	30.09.2019	8,00%	none	100.000	100.000
LA-058	31.03.2019	8,00%	none	150.000	150.000
LA-058	30.06.2019	8,00%	none	150.000	150.000
LA-061	30.09.2019	8,00%	none	75.000	75.000
LA-067	30.09.2019	8,00%	none	100.000	100.000
LA-070	30.09.2019	8,00%	none	500.000	500.000
LA-071	05.02.2018	10,00%	none	-	200.000
LA-072	30.09.2019	8,00%	none	250.000	250.000
LA-073	30.09.2019	8,00%	none	500.000	500.000
LA-074	30.09.2019	8,00%	none	200.000	200.000
LA-079	31.03.2019	13,00%	none	1.000.000	-
Bonds	31.03.2019	8,00%	none	750.000	-
Other Loans	30.09.2019	8,00%	*)	1.500.000	-
Loan Commerzbank AG			Shares MFT GmbH	-	1.425.000
Loan Commerzbank AG	31.12.2019	7,95% plus Euribor	none	1.200.000	-
Other Bank liabilities			none	1.028.213	5.502.070
Advance payments from customers			none	2.908	625.566
Earn-Out Membran-Filtrations-Technik GmbH			none	-	420.000
Other financial liabilities third parties			none	1.618.263	206.910
<b>Total financial liabilities</b>				<b>9.524.384</b>	<b>10.804.546</b>

\*) We refer to note 23

The loan from Commerzbank AG was fully repaid in May 2018 as part of the financial reorganization. It is planned to either extend or refinance the loans, which have a term until 30 September 2019. Other financial liabilities mainly include accrued interest on loans.

The other loans in the amount of EUR 1.500.000 were extended in 2019 until 30 September 2021.

## 10 Provisions

<b>2017</b>	<b>Provisions for pensions</b>	<b>Provisions for warranties</b>	<b>Provisions for legal costs</b>	<b>Provisions for others</b>	<b>Total</b>
Amounts in EUR					
Value at beginning of the period	492.298	1.008.861	333.263	1.583.804	3.418.226
Increase	99.601	416.582	-	3.758.057	4.274.240
Usage	-113.285	-41.280	-231.049	-551.354	-936.968
Reversal	-	-359.311	-	-406.187	-765.498
Reclassification	-	231.009	-	-231.009	-
Change in scope of consolidation	-	-	-	-	-
Foreign exchange differences	-3.207	-6.261	-	-113.952	-123.420
Value at end of period	475.407	1.249.600	102.214	4.039.359	5.866.580
of which long-term accruals	475.407	-	-	71.752	547.159
of which short-term accruals	-	1.249.600	102.214	3.967.607	5.319.421

<b>2018</b>	<b>Provisions for pensions</b>	<b>Provisions for warranties</b>	<b>Provisions for legal costs</b>	<b>Provisions for others</b>	<b>Total</b>
Amounts in EUR					
Value at beginning of the period	475.407	1.249.600	102.214	4.039.359	5.866.580
Increase	45.744	256.477	-	1.887.980	2.190.201
Usage	-	-217.436	-	-2.173.525	-2.390.961
Reversal	-85.199	-431.815	-92.605	-606.390	-1.216.009
Reclassification	-	47.220	-	-47.220	-
Change in scope of consolidation	-	-	-	-	-
Foreign exchange differences	-4	6.366	-	44.375	50.737
Value at end of period	435.948	910.412	9.609	3.144.579	4.500.548
of which long-term accruals	435.948	-	-	50.199	486.147
of which short-term accruals	-	910.412	9.609	3.094.380	4.014.401

Other provisions mainly include project-related provisions for outstanding services.

Project-related provisions for outstanding services are recorded in the balance sheet at the estimated remaining external costs and internal costs determined on the basis of an hourly rate. In average, the project-related provisions are used within 1 to 2 years.

## 11 Deferred Tax Assets and Liabilities

	Intangible assets	Property, plant and equipment	Pension obligations	Other assets, provisions and accruals	Tax loss carryforwards	Total
<b>2017</b>						
Gross deferred tax assets beginning of the period	-	82.046	-	270.185	159.760	511.991
Gross deferred tax liabilities beginning of the period	-268.866	-	-	-44.816	-	-313.682
Net deferred tax balance beginning of the period	-268.866	82.046	-	225.369	159.760	198.309
Credited/(debited) to income	66.122	-44.808	-	-603.008	883.418	301.724
Credited/(debited) to other comprehensive income	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Transfer	-	19.892	-	-79.669	-28.445	-88.222
Translation differences	1.669	-2.052	-	-7.754	-7.850	-15.987
Net deferred tax balance end of period	-201.075	15.697	-	-465.062	1.006.883	356.443
<b>31.12.2017</b>						
Gross deferred tax assets end of the period	-	25.231	-	458.133	1.006.883	1.490.247
Gross deferred tax liabilities end of the period	-201.075	-9.534	-	-923.195	-	-1.133.804
Net deferred tax balance end of period	-201.075	15.697	-	-465.062	1.006.883	356.443
<b>2018</b>						
Gross deferred tax assets beginning of the period	-	25.231	-	458.133	1.006.883	1.490.247
Gross deferred tax liabilities beginning of the period	-201.075	-9.534	-	-923.195	-	-1.133.804
Net deferred tax balance beginning of the period	-201.075	15.697	-	-465.062	1.006.883	356.443
Credited/(debited) to income	34.424	8.409	-	-164.576	43.424	-78.319
Credited/(debited) to other comprehensive income	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Transfer	-	18.055	-	43.424	-43.424	18.055
Translation differences	195	-384	-	1.814	-3.685	-2.060
Net deferred tax balance end of period	-166.456	41.777	-	-584.400	1.003.198	294.119
<b>31.12.2018</b>						
Gross deferred tax assets end of the period	-	41.993	-	358.510	1.003.198	1.403.701
Gross deferred tax liabilities end of the period	-166.456	-216	-	-942.910	-	-1.109.582
Net deferred tax balance end of period	-166.456	41.777	-	-584.400	1.003.198	294.119

If tax loss carryforwards exist, a three-year planning calculation is used to check whether sufficient taxable profits will be available to utilize the tax loss carryforwards. In the previous year, deferred tax assets on tax loss carryforwards were recognized for three companies. An impairment test confirmed the recoverability of these tax assets in the year under review.

## 12 Share capital

In CHF

January to December 2017	Number of share			Capital		
	circulated	own	outstanding	circulated	own	outstanding
At beginning of period	4.043.860	-	4.043.860	4.043.860	-	4.043.860
Capital increase	-	-	-	-	-	-
Purchase of own shares	-	456.854	-456.854	-	456.854	-456.854
Sale of own shares	-	-	-	-	-	-
At end of period	4.043.860	456.854	3.587.006	4.043.860	456.854	3.587.006

January to December 2017	Number of share			Capital		
	circulated	own	outstanding	circulated	own	outstanding
At beginning of period	4.043.860	456.854	3.587.006	4.043.860	456.854	3.587.006
Capital increase	-	-	-	-	-	-
Purchase of own shares	-	372.208	-372.208	-	372.208	-372.208
Sale of own shares	-	-829.062	829.062	-	-829.062	829.062
At end of period	4.043.860	-	4.043.860	4.043.860	-	4.043.860

The share capital is split into 2,021,930 registered shares with restricted transferability and 2,021,930 preference shares with a nominal value of CHF 1.00 per share. The company's share capital can be increased by an amount not exceeding CHF 2.021.930 through the issue of a maximum of 2.021.930 registered shares, to be fully paid in, each with a par value of CHF 1,00 through the voluntary exercise of conversion rights and/or warrants granted in connection with the issuance of EUR 15.000.000 Notes and 1.730.434 Warrants.

The Board of Directors is authorized to increase the share capital by a maximum of CHF 2.021.930 through the issuance of a maximum of 2.021.930 registered shares, to be fully paid up, with a par value of CHF 1,00 each.

The purchase price of the treasury shares in 2018 amounted to EUR 292.085. At the end of 2018, own shares were sold at a price of EUR 1.100.000. The receivable was fully value-adjusted at the end of December 2018.

## 13 Revenue

The revenue reflected in the consolidated income statement are due to sales or the valuation of contract assets and contract liabilities and other services. The respective details are revealed in note 3 "Contract assets and Contract liabilities".

Amounts in EUR	31.12.2018	31.12.2017
Revenues from contracts	35.912.830	38.728.283
Other revenues	14.008.564	13.604.256
<b>Total revenues</b>	<b>49.921.394</b>	<b>52.332.539</b>

Revenue from construction contracts are recognized over time in accordance with the progress of the respective project. Depending on the contract, payments by the customer are made at specified times.

Revenues from other services (service business; spare parts deliveries) are recognized after the customer has obtained power of disposition at point in time. Payments by customers are usually made after the contract has been fulfilled.

## 14 Materials and subcontractors

Amounts in EUR	31.12.2018	31.12.2017
Increase or decrease in inventory	-220.521	147.496
Purchased finished goods	-1.627.532	-1.098.504
Raw material and outside labour	-24.746.611	-24.465.513
Other material	-57	0
Project related costs	-5.082.278	-5.355.730
<b>Total Material and subcontractors</b>	<b>-31.676.999</b>	<b>-30.772.251</b>

## 15 Personnel costs

Amounts in EUR	31.12.2018	31.12.2017
Salaries and wages	-16.370.107	-16.658.541
Personnel benefits	-183.699	-264.082
Social insurance	-2.199.155	-2.288.072
Outside labor	-253.616	-55.181
Other personnel expenses	-405.212	-550.594
<b>Total personnel expenses</b>	<b>-19.411.789</b>	<b>-19.816.470</b>

The social security employee benefits include all standard insurance of employees including reimbursements from these insurance benefits. Other personnel expenses consist primarily of expense allowances of employees.

## Key persons

Members of the Group Executive Board of Aquarion AG. receive compensation comprising a fixed annual salary, variable compensation and reimbursement of expenses. The Group pays social security contributions on these compensations as well as pension fund contributions.

The following table shows the recognised expenses for the compensation to the key management during the period under review since their appointment to the current function.

Amounts in EUR	31.12.2018	31.12.2017
Short-term benefits	-715.806	-647.018
Post-employment benefits	-	-
Share-based payments	-	-
<b>Total</b>	<b>-715.806</b>	<b>-647.018</b>

## Employee benefit obligations

Under Italian law, companies are free to choose a state or private vocational old-age provision or to set up contributions according to the old "Fondo TFR" model. H+E S.R.L. has chosen the "Fondo TFR". Regular contributions (about 7% of the remuneration paid to the staff) are allocated to this fund, which must bear a stipulated rate of interest (composed of a fixed interest rate of the change in the National Consumer Price Index).

Due to the "variable" components of the interest rate and the fact that the contributions are for the account of the employer, this "Fondo TFR" falls under the definition of IAS 19 of defined benefit plans.

It should be noted that in the event of disability of a H+E S.R.L. employee, the pension is covered by the national insurance office INPS, thus eliminating any obligation by the company and any already deferred amounts revert back to the company.

The existing pension commitments under German law were granted to some employees of the German H+E GmbH in the past. Commitments are in place for retirement, disability and survivors' benefits. These benefit obligations are fully financed by the employer and have to be met directly by H+E GmbH, which is why H+E GmbH has to make pension provisions for these benefit obligations under German law. Special separate cover assets do not exist for these obligations.

The evaluation of the likely liability was assessed using the projected unit credit method, with statistical assumptions regarding the future development of consumer prices and any taxation having been made. In addition, historical data of the company and general demographic data were used to determine a forward-looking projection of entries and exits as well as retirements, deaths, disability cases and the early pay-out of contributions.

The liabilities captured in the balance sheet are determined as follows:

In EUR	31.12.2018	31.12.2017
Present value of benefit obligations	-435.948	-475.407
Fair value of the assets		
<b>Recognised employee benefit obligations</b>	<b>-435.948</b>	<b>-475.407</b>

The amount recognised in the income statement is determined as follows:

In EUR	31.12.2018	31.12.2017
Past service cost	-76.584	-98.031
Change of plans	0	0
<b>Personnel expenses</b>	<b>-76.584</b>	<b>-98.031</b>
Interest expenses	-9.828	-9.599
Expected return on assets		
<b>Financial expenses</b>	<b>-9.828</b>	<b>-9.599</b>

Movement in the present value of the benefit obligations:

In EUR	31.12.2018	31.12.2017
Balance at 01/01	-475.407	-492.298
Income statement charge for pension obligations		
Past service cost	-76.584	-98.031
Interest expenses	-9.828	-9.599
Change of plans		
Services rendered	104.443	84.023
Acquisition	0	0
Profits/Losses from reassessments recognised in other comprehensive income:		
Actuarial profits and losses from changes in demographic assumptions		
Actuarial profits and losses from changes in financial assumptions		
Experience adjustments	21.428	40.498
<b>Balance at 31/12</b>	<b>-435.948</b>	<b>-475.407</b>

The amounts recognized in other comprehensive income are not material and are recognized in other income.

Change in fair value of the assets:

In EUR	31.12.2018	31.12.2017
Balance at 01/01	0	0
Income statement charge for plan assets		
Expected return on assets	0	0
Profits/losses from reassessments recognised in other comprehensive income:		
Returns on plan assets (excluding amounts received as interest expense)	0	0
<b>Employer contributions paid</b>	104.443	84.023
Employee contributions paid		
Services rendered	-104.443	-84.023
<b>Balance at 31/12</b>	<b>0</b>	<b>0</b>

Main actuarial assumptions:

In %

	2018	2017	2016
Discounting	2.00	1.80	2.40
Expected average salary increase	2.20	2.20	2.20
Inflation rate H+E GmbH	2.00	2.00	2.00
Inflation rate H+E S.R.L.	1.70	1.40	1.70
Resignations	n/A	n/A	n/A
Premature withdrawal of capital	n/A	n/A	n/A
Reduction in the probability of death (SIM/SIF 2010)	10.00	10.00	10.00

Sensitivities of the main actuarial assumptions:

The discount rate and the average salary increase rate were identified as main actuarial assumption. A change in the assumption would affect the amount of the benefit obligations as on 31/12/2018 as follows:

In EUR	Discount rate		Expected average salary increase	
	Increase	Reduction	Increase	Reduction
Sensitivity level	0,5%	0,5%	0,5%	0,5%
<b>Total provisions for pension</b>	<b>-420'540</b>	<b>-516'740</b>	<b>-472'116</b>	<b>-458'994</b>

The analysis takes realistic possible changes into account in the main actuarial assumptions. The changes were examined individually. An interaction of the assumptions was not considered.

## 16 Other operating costs

Amounts in EUR	31.12.2018	31.12.2017
Expenses for outside warehousing and transportation	-1.741	-61.491
Energy expenses	-139.056	-196.176
Expenses for rent, leasing and repairs	-1.618.301	-1.581.790
Correction to receivables	-57.300	-48.081
Commissions	-62.418	-194.815
Marketing expenses	-296.080	-76.674
Travel expenses	-1.094.782	-1.136.431
Car expenses	-341.937	-370.390
Expenses for office supplies	-287.361	-294.516
Legal and consulting fees	-1.976.196	-1.734.813
Insurances	-328.255	-331.429
Miscellaneous outside services	-1.292.483	-1.429.325
Taxes other than income	-20.012	-11.931
Other expenses	-171.848	-425.464
Other income	824.459	1.252.284
Foreign currency differences	11.736	46.582
<b>Total</b>	<b>-6.851.575</b>	<b>-6.594.460</b>

## 17 Restructuring

In 2017, a project to restructure the Aquarion Group was started. Expenses for external advisors amounted to EUR 954.129. The project was completed in 2017.

## 18 Financial expenses

Amounts in EUR	31.12.2018	31.12.2017
Interest expenses	-4.108.878	-1.506.846
Expenses from value adjustments on receivables	-1.100.000	0
Other financial expenses	-462.968	-324.331
<b>Total financial expenses</b>	<b>-5.671.846</b>	<b>-1.831.177</b>

The expense from value adjustments on receivables is related to the receivable from the sale of treasury shares in the amount of EUR 1.100.000.

Other financial expenses in the year under review include expenses for the receipt of loans in the amount of EUR 219.853.

## 19 Financial income

Amounts in EUR	31.12.2018	31.12.2017
Interest income	9.095	12.102
Other financial income	147.057	124.367
Financial income from Earn-Out adjustments	-	1.418.738
<b>Total financial income</b>	<b>156.152</b>	<b>1.555.207</b>

## 20 Currency gain / (loss)

Amounts in EUR	31.12.2018	31.12.2017
Currency gains	3.138.144	1.923.239
Currency losses	-2.534.949	-3.538.648
Total	603.195	-1.615.410

## 21 Income tax

Amounts in EUR	31.12.2018	31.12.2017
Current income taxes	9.144	-14.989
Deferred income taxes	-78.319	301.725
<b>Total income taxes</b>	<b>-69.176</b>	<b>286.736</b>

Deferred income taxes in the year under review relate to temporary valuation differences. The tax expenses amount up to -0,55% (prior year: 2,95%) of the earnings before taxes. The tax rate of -0.55% is significantly below the expected tax rate due to the non-capitalization of tax loss carryforwards.

Companies have non-capitalised tax loss carry-forwards with the following due dates:

Amounts in EUR	31.12.2018	0 - 1 Year	1 - 5 Years	> 5 Jahre	unlimited
Aquarion AG (CH)	20.529.338	334.181	7.351.415	12.843.742	-
H+E Holding GmbH (GER)	1.043.908	-	-	-	1.043.908
H2Oil&Gas. Ltd. (UK)	606.260	-	-	-	606.260
H+E SRL. (IT)	452.302	-	-	-	452.302
Aquarion Products GmbH (AUT)	750.003	-	-	-	750.003
H+E TAT LLC. (Russia)	-	-	-	-	-
S-Tec GmbH (GER)	352.687	-	-	-	352.687
H+E GmbH (GER)	91.021	-	-	-	91.021
H+E UK Ltd. (UK)	1.224.084	-	-	-	1.224.084
Hager + Elsaesser Sdn. Bhd. Ltd. (MAL)	1.636.979	-	-	-	1.636.979
Hager + Elsaesser (Thailand) Co Ltd. (THA)	-	-	-	-	-
Hager + Elsaesser (Philippines) Inc. (PHL)	39.997	-	39.997	-	-
Hager + Elsaesser Asia Pte. Ltd. (SGP)	9.228.821	-	-	-	9.228.821
H+E RUS LLC. (RUS)	-	-	-	-	-
Membran-Filtrations-Technik GmbH (GER)	3.377.587	-	-	-	3.377.587
Votec Ltd. (UK)	115.266	-	-	-	115.266

## 22 Future liabilities

There are no material unrecorded future liabilities.

## 23 Past collaterals

Aquarion AG has pledged the shares in H+E GmbH, H+E Holding GmbH and Membran-Filtrationstechnik GmbH to Water Re-Use Limited for a loan granted by Water Re-Use Limited. Furthermore, Aquarion AG has pledged the shares in S-Tec GmbH and H+E Asia Pte. Ltd. for loans granted by Clean Tech GP Limited and Green Shoots Limited. Furthermore Aquarion AG granted Credit Suisse AG a pledge on all current and future assets due to it from the bank on 26 July 2018.

No other past collaterals or pledging obligations exist.

## 24 Transactions with related parties

Related parties include members of the Board of Directors, the Management and other key persons as well as their close relatives, important shareholders and companies they control, associated companies and the Group's benefit plans.

In addition to this data, there are following disclosures on related parties.

### a) Group and associated companies

The transactions between parent and subsidiary companies have been eliminated in the consolidated financial statement

b) Share-ownership ratio pursuant to art. 663c OR

At December 31, 2018, Aquarion AG had issued 4,043,860 shares at a nominal value of CHF 1.00. As member of the management and member of the Board of Directors Karl Michael Millauer is direct shareholder of Aquarion AG. By agreement dated 21 May 2018, Aquarion AG acquired the shares of A.C. Mandressi SRL at a price of EUR 100.000. By agreement dated 15 December 2018 the treasury shares were sold to Mr. Lutz Seebacher, Vienna at a price of EUR 1.100.000. The receivable was fully value-adjusted at the end of December 2018.

Other significant shareholders, as known to the company, with a share ownership of >5% are as follows (as of December 31, 2018):

	31.12.2018		31.12.2017	
	Nominal shares	Participation rate	Nominal shares	Participation rate
Green Gateway Fund L.P.	2.021.930	50,0%	2.021.930	50,0%
Karl Michael Millauer	661.608	16,4%	661.608	16,4%
schütz holding schweiz ag	404.785	10,0%	404.785	10,0%
Lutz Seebacher	829.062	20,5%	0	0,0%
A.C. Mandressi SRL.	0	0,0%	372.208	9,2%
Aquarion AG (Treasury Shares)	0	0,0%	456.854	11,3%

c) Transactions with related persons and entities

Transactions with related persons and entities occurred as follows:

Amounts in EUR	Duration	Interests	Collateral	31.12.2018	31.12.2017
H. Birnbaumer	30.09.2019	8,00%	none	100.000	100.000
H. Birnbaumer	30.09.2019	8,00%	none	100.000	100.000
H. Birnbaumer	30.09.2019	8,00%	none	100.000	100.000
H. Birnbaumer	30.09.2019	8,00%	none	75.000	75.000
KM Millauer	30.09.2019	8,00%	none	500.000	499.982
KM Millauer	30.09.2019	8,00%	none	200.000	0
Green Gateway Fund L.P.	30.09.2019	8,00%	*)	3.200.000	3.200.000

\*) We refer to note 23

Mr. Birnbaumer is qualified as related person because he owns 12,750 common shares of Aquarion AG.  
Mr. Millauer is qualified as related person because he owns directly 661.608 common shares of Aquarion AG.  
Green Gateway Fund L.P. is qualified as affiliated entity because it owns 2.021.930 common shares of Aquarion AG.

The loan of Mr. Millauer in the amount of EUR 500.000 was extended in 2019 until 30 June 2020. The loan of Green Gateway Fund L.P. in the amount of EUR 3.200.000 were extended in 2019 until 30 September 2021.

## 25 Subsequent events

In order to improve the capital structure of Aquarion AG, extensive capital measures were taken in March and April 2019.

As a first step the board of directors decided a conditional capital increase by CHF 2.021.930 to a share capital of CHF 6.065.790 by issuing 2.021.930 registered shares (ordinary shares) with restricted transferability at a par value of CHF 1,00 (the total issue price amounts to EUR 1.781.320,33). The board of directors decided also an authorized capital increase by CHF 2.021.930 to a new share capital of CHF 8.087.720 by issuing 2.021.930 registered shares (preferred shares) at a par value of CHF 1,00 (the total issue price amounts to EUR 1.781.320,33). The new shares were paid in by set-off from a part of loans as well as accrued interests of Water Re-Use Ltd. in the scope of an existing conversion option of the loan.

As a second step an extraordinary shareholders' meeting at the request of the board of directors of Aquarion AG decided a capital reduction of share capital of CHF 8.087.720 to CHF 0,00 on 05. April 2019. The capital reduction was needed to cover negative equity originating from losses. At the same time it decided a capital increase by CHF 8.087.720 by issuing 6.065.790 ordinary shares and 2.021.930 preferred shares at a par value of CHF 1,00. The total issue price amounts to EUR 8.100.000. All other shareholders except Water Re-Use Ltd. waived the preemptive rights. The new shares were paid in by set-off from the loan of Water Re-Use Ltd. After these transactions Water Re-Use Ltd. holds 100% of shares of Aquarion AG.

Furthermore Green Gateway Fund L.P. and Green Shoots Ltd. waived the receivables from loans and accrued interests in total amount of 1.0 million EUR retroactively to 31 December 2018 on 05 April 2019 in order to improve the equity of Aquarion AG. In return, Aquarion AG assumed an obligation to Green Gateway Fund L.P. and Green Shoots Ltd to repay 1,0 million EUR in the event of an exit of SGF (Sustainable Growth Fund SCSp SICAV-SIF; owner of Water Re-Use Limited) on the basis of an enterprise value higher than 58 million EUR over the next 20 years.

In addition, SGF promised to secure the liquidity of Aquarion Group in the next 12 months with up to 3,0 million EUR and issued on 22 May 2019 a letter expressing this intention.

Moreover SGF decided to provide Aquarion AG 1,0 million EUR at short notice in the form of a capital increase. In this context, SGF called on the limited partners of the Fund at the time of reporting to provide the money required for this purpose. This will be available on 07 June 2019. Immediately thereafter, the capital increase will be carried out and the money will be available to Aquarion AG.

The subsidiary H+E GmbH and Austar Bioscience GmbH are about to establish a joint venture for the joint development of the pharmaceutical market. Austar Bioscience GmbH will acquire 51% of the shares of H+E Pharma GmbH founded in 2018 in the course of a capital increase. The newly established joint venture will then acquire intangible assets for 1,0 million EUR from H+E GmbH in accordance with the contract. The transaction is expected to close at the beginning of June.

The present consolidated financial statement has been approved by the Aquarion AG Board of Directors on 04 June 2019.

## REPORT OF THE STATUTORY AUDITOR

To the General Meeting of Aquarion AG, Baar

### Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Aquarion AG, which comprise the consolidated balance sheet as at December 31, 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and notes to the consolidated financial statements for the year then ended.

#### Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2018 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



## Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO)) and that there are no circumstances incompatible with our independence.

In the course of our audit performed in accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we noted that an internal control system for the preparation of consolidated financial statements designed according to the instructions of the Board of Directors has not been documented in all material respects.

In our opinion, the internal control system is not in accordance with Swiss law and accordingly we are unable to confirm the existence of the internal control system for the preparation of the consolidated financial statements.

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, 4 June 2019

BDO Ltd

Christoph Tschumi  
Auditor in Charge  
Licensed Audit Expert

ppa. Matthias Schauwecker  
Licensed Audit Expert

Enclosures  
Consolidated financial statements

**APPENDIX 6**  
**AUDITED FINANCIAL STATEMENTS FOR AQUARION AG UP TO JUNE 2019**

**Report on the preparation  
of the pro-forma-consolidated balance sheet  
and the pro-forma-consolidated income statement**

as of 30 June 2019

of

**Aquarion AG**  
Zugerstrasse 76B

6340 Baar

**Translation for our client's convenience –  
The German text is authoritative**

**Contents**

<b>1. Order acceptance.....</b>	<b>3</b>
1.1 Client and order delimitation .....	3
1.2 Order execution.....	5
<b>2. Principles of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement .....</b>	<b>7</b>
2.1 Type and scope of the creation work .....	7
2.2 Divestment of MFT Membran-Filtrations-Technik GmbH, Cologne.....	8
2.2.1 Background.....	8
2.2.2 Assessment according to IFRS .....	8
2.2.3 Accounting treatment.....	8
2.3 Sale of S-Tec GmbH, Klipphausen .....	10
2.3.1 Background.....	10
2.3.2 Assessment according to IFRS .....	10
2.3.3 Accounting treatment.....	10
2.4 Changing status of H+E Pharma GmbH, Stuttgart .....	11
2.4.1 Background.....	11
2.4.2 Assessment according to IFRS .....	11
2.4.3 Accounting treatment.....	11
2.5 Incorporation of a joint venture and integration of the H+E Asia subgroup .....	13
2.5.1 Background.....	13
2.5.2 Assessment according to IFRS .....	13
2.5.3 Accounting treatment.....	13
<b>3. Repetition of the certificate .....</b>	<b>15</b>

Appendices

## Appendices

Appendix 1 Pro-forma-consolidated balance sheet as of 30 June 2019

Appendix 2 Pro-forma-consolidated income statement for the period 1 January to 30 June 2019

Appendix 3 Supplementing explanatory notes

Appendix 4 Group structure of Aquarion AG as of 24 June 2019

Appendix 5 Auditors certificate of preparation

Appendix 6 General Terms of Engagement for Auditors and Auditing Companies as amended on 1 January 2017

## Report on the preparation of the annual accounts

### 1. Order acceptance

#### 1.1 Client and order delimitation

The executive Board of

**Aquarion AG,  
Baar, Schweiz,**

- hereinafter also referred to in short as "Aquarion" or "Company" -

engaged us to prepare the pro-forma-consolidated balance sheet as of 30 June 2019 and the pro-forma-consolidated income statement for the period from 1 January to 30 June 2019. It is based on the vouchers, accounting and inventory records, which are made available to us and we did not audit, and taking into consideration the information disclosed to us in accordance with legal requirements and the client's instructions within this framework regarding the exercise of existing options.

We performed this engagement to prepare the annual financial statements without assessments in the period from July to August 2019 at our business premises in Wiesbaden. We did not perform any audit procedures with respect to accuracy and validity.

In addition to the preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement, our assignment included the consideration of three corporate transactions according to IFRS that were carried out as part of a pro-forma analysis. Please refer to sections 2.2 to 2.5 for further details.

The content was created exclusively for illustrative purposes. Due to the nature of the pro-forma financial information, it describes only a hypothetical situation and does not reflect the assets, liabilities and profit or loss of the Group.

We have informed our client of such circumstances, which led to voting rights and have obtained from him decision guidelines for the exercise of material and formal design options (rights of approach, valuation and identification) as well as discretionary decisions.

We undertook the preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement in accordance with the IDW Standard issued by the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany - "IDW"). As no specific stipulations regarding the type and scope of our reporting were explicitly made in the engagement agreements: Principles for the Preparation of Financial Statements (IDW S7), adopted by the Main Committee of Experts (HFA) on 27 November 2009.

Aquarion AG, 6340 Baar

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Our terms of engagement stipulate that any reference to the preparation by us may only be made in connection with the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement as well as the supplementing explanatory notes as displayed in the sections 2.2 to 2.5 and that a written liability agreement must be concluded.

When accepting the order, we stipulated from our client that the documents and clarifications required for the execution of the order would be given to us in full.

### **General Terms and Conditions**

For our responsibility and the performance of the engagement the "General Terms and Conditions of Engagement for Auditors and Auditing Companies" agreed upon and appended to this report are authoritative, also in relation to third parties.

## 1.2 Order execution

During the preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement as well as the reporting, we have observed the relevant standards of the German Auditors' regulations (WPO) and our professional duties, including the principles of independence, conscientiousness, non-disclosure, personal responsibility and impartiality (Section 43 (1) WPO).

The preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement does not include the necessary decisions regarding the exercise of material and formal options (recognition, measurement and disclosure rights as well as discretionary decisions). We have exercised existing design possibilities within the framework of the preparation in accordance with the requirements of the legal representatives.

In preparing the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement, we have observed the principles of economy and materiality.

The preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement required us to know and comply with the corresponding legal regulations including the principles of proper accounting, the relevant provisions of the articles of incorporation and the relevant technical announcements.

To execute the order, we had to acquire the necessary knowledge regarding the industry, the legal framework and the business activities of our client's company.

The pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared in accordance with IFRS as adopted by the EU and generally accepted accounting principles and the supplementing explanatory notes as displayed in the sections 2.2 to 2.5. Compliance with other statutory provisions and the detection and clarification of criminal offences and administrative offences committed outside the scope of accounting were not subject to our engagement.

### Letter of representation

The executive Board has provided us in writing with the required professional declaration of completeness regarding the accounting, receipts and inventory records as well as the information provided to us, which we have taken to file.

In addition, the executive Board confirmed to us in writing on 30 August 2019 (16 August 2019), in the standard letter of representation, which is no substitute for preparation procedures and for order-related assessments of the correctness of the underlying documents, that all assets, liabilities, risks and deferred items requiring recognition had been taken into account in the bookkeeping and the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement, that all expenses and income had

Aquarion AG, 6340 Baar

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been included, that all necessary disclosures had been made and that all existing contingent liabilities had been disclosed.

We obtained the letter of representation associated with the preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement by submitting the draft pro-forma-consolidated balance sheet and pro-forma-consolidated income statement as well as a draft of this preparation report to the responsible corporate body as a basis for its declaration.

## **2. Principles of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement**

### **2.1 Type and scope of the creation work**

The nature, scope and results of the individual preparation activities carried out during our performance of the contract have been recorded in our working papers, unless they are documented in this preparation report.

The subject of the preparation without assessments is the development of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement on the basis of the accounting records and the inventory as well as the specifications regarding the accounting and valuation methods to be applied. The accounting and valuation principles were applied consistently over time and are disclosed in appendix 3. Material changes in accounting and valuation methods have been reported in the supplementing explanatory notes as displayed in the sections 2.2 to 2.5.

Our engagement to develop the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement in accordance with the standards based on the documents presented, taking into account the information received and the entries made in the financial statements, did not extend to the assessment of the appropriateness and function of internal controls or the propriety of the accounting records. In particular, the assessment of inventories, accruals, recognition and measurement were not included in the scope of our engagement.

When closing entries were prepared, they referred to the documents and information submitted without their accuracy being assessed.

Even if no evaluations of supporting documents, books and inventory records are made in the course of the preparation without assessments in accordance with the contract, we point out to our client any obvious inaccuracies in the documents submitted which are immediately apparent to us as experts in the execution of the contract, submit proposals for correction and pay attention to the corresponding implementation in the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement.

## **2.2 Divestment of MFT Membran-Filtrations-Technik GmbH, Cologne**

### **2.2.1 Background**

The company MFT Membran-Filtrations-Technik GmbH, Cologne, Germany (hereinafter also referred to as MFT) was sold in a share deal by H+E GmbH, Stuttgart, Germany (hereinafter also referred to as H+E) to the purchaser HongKong H-M Investment Corporation Limited, Hong Kong, China. The sale comprises 100% of the shares. The transaction price comprises several components and includes an initial purchase price of EURk 3,500, less a payment into MFT's capital reserve of EURk 500, less the offsetting and assignment of intercompany receivables and liabilities of EURk 3,415 at H+E level and EURk 1,798 at Aquarion level existing prior to the date of the transfer, including payments from existing trade receivables of EURk 1,271 and potential payments from the Company's initial public offering. The uncertain payments from the possible IPO were recognized with EURk 0. The total transaction price is EURk -942. The associated "Share Purchase and Transfer Agreement" was signed and notarized on 5 June 2019.

### **2.2.2 Assessment according to IFRS**

MFT was fully included in the (subgroup)-consolidated financial statements of H+E, H+E Holding GmbH, Stuttgart (hereinafter also referred to as H+E Holding) and Aquarion as of 31 December 2018.

The loss of control of MFT by the parent company H+E as defined in IFRS 10 occurred on 5 June 2019 with the sale of all shares. At this time the investor lost his voting rights and can no longer exercise control over the company. Consequently, the company must be deconsolidated in accordance with IFRS 10 note 20.

MFT was deconsolidated in accordance with IFRS 10 note 25 and the assets and liabilities were derecognized from the consolidated balance sheet.

The balance of assets and liabilities equals EURk -2,546. In addition to an adjustment of a historical purchase price allocation of EURk 77.6 and the recognized goodwill of EURk 3,302, the total amount of the disposal equals EURk 833. By offsetting the transaction price, see 2.2.1, the disposal gain at the level of H+E equals EURk 23 and at the level of Aquarion EURk -1,775.

### **2.2.3 Accounting treatment**

The pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared exclusively for illustrative purposes. As the group has changed its structure in the financial year, the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared to display the net assets and results of operations of the Group as if the deconsolidation had taken place at the beginning of the year.

For this reason, MFT was deconsolidated, contrary to the regulation described above (IFRS 10 note 20), with economic effect as of 1 January 2019.

Aquarion AG, 6340 Baar

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The deconsolidation result as of 30 June 2019 amounting to EURk 2,468.7 was adjusted for the netted revenues and expenses in the amount of EURk -1,432.3 that arose between 1 January 2019 and 30 June 2019. The pro-forma-consolidated income statement was reduced by MFT's expenses and revenues for the period from 1 January 2019 to 30 June 2019. The adjustment was recognized in the equity of the pro-forma-consolidated balance sheet and reduces the profit in connection with the deconsolidation of MFT.

## **2.3 Sale of S-Tec GmbH, Klipphausen**

### **2.3.1 Background**

The company S-Tec GmbH, Klipphausen, Germany (in the following also referred to as S-Tec) was sold by H+E Holding to H+E Pharma GmbH, Stuttgart, Germany (in the following also referred to as H+E Pharma) as part of a share deal. The sale comprises 100% of the shares. The transaction price amounts to EUR 1. The corresponding "Share Purchase Agreement" was signed on 9 May 2019. The agreement became effective on 3 July 2019 with the notarization of further directly referenced agreements.

### **2.3.2 Assessment according to IFRS**

S-Tec was fully included in the (subgroup)-consolidated financial statements of H+E Holding GmbH, Stuttgart (hereinafter also referred to as H+E Holding) and Aquarion as of 31 December 2018.

The loss of control of S-Tec by the parent company H+E GmbH according to IFRS 10 occurred on 3 July 2019 as a result of the sale of all shares. Thus, the investor lost his voting rights and can no longer exercise control over the company. Consequently, the company must be deconsolidated in accordance with IFRS 10 note 20. S-Tec was deconsolidated in accordance with IFRS 10 note 25 and the assets and liabilities were derecognized from the consolidated balance sheet. A gain was recognized due to the deconsolidation of S-Tec amounting to EURk 290.

As this concerns the sale of a subsidiary to a joint venture (see the following section on H+E Pharma), the deconsolidation gain must be fully eliminated if the subsidiary is a business operation as defined by IFRS 3. The withdrawn amendment of September 2014 to IFRS 10 and IAS 28 was applied (IAS 28 note 31A).

### **2.3.3 Accounting treatment**

The pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared exclusively for illustrative purposes. As the group has changed its structure in the financial year, the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared to display the situation as if the deconsolidation had taken place at the beginning of the year.

Contrary to the description above (IFRS 10 note 20), the company was deconsolidated with economic effect as of 1 January 2019.

Furthermore, the deconsolidation result as of 30 June 2019 in the amount of EURk 290 was used as a basis and adjusted for the netted revenues and expenses in the amount of EURk -38.2 that arose between 1 January 2019 and 30 June 2019. The pro-forma-consolidated income statement was reduced by S-Tec's expenses and revenues for the period from 1 January 2019 to 30 June 2019. The adjustment was recognized in the equity of the pro-forma-consolidated balance sheet and reduces the profit in connection with the deconsolidation of S-Tec.

## **2.4 Changing status of H+E Pharma GmbH, Stuttgart**

### **2.4.1 Background**

Austar Biosciences GmbH, Stuttgart, Germany, has invested a total amount of EURk 1,500 in H+E Pharma GmbH. The amount is split between a capital increase in the subscribed capital of EURk 26 to EURk 51 (corresponds to 51% of the subscribed capital) and a payment of EURk 1,474 into the capital reserve. The associated "Share Pledge Agreement" was signed and notarized on 3 July 2019.

### **2.4.2 Assessment according to IFRS**

H+E Pharma was fully consolidated in the (sub)-consolidated financial statements of H+E, H+E Holding and Aquarion.

The loss of control of H+E Pharma GmbH by the parent company H+E in accordance with IFRS 10 occurred on 3 July 2019 in the course of the capital increase and formed the joint venture with Austar Biosciences GmbH according to IFRS 11. As the investor has 49% of voting rights and does not have sole control over the company anymore, it must be deconsolidated in accordance with IFRS 10 note 20.

H+E Pharma GmbH was deconsolidated in accordance with IFRS 10 note 25 and the assets and liabilities were derecognized from the consolidated balance sheet at their carrying amounts.

As the definition of an associated company according to IAS 28 note 32 is met, the equity method is used as the consolidation respective valuation method in the consolidated financial statements.

The remaining 49% of the shares are recognized at fair value in accordance with IFRS 13. In accordance with IFRS 13 note 9, the fair value is derived from the market price of the previous transaction. This procedure resulted in an increase in the carrying amount of the investment in the associated company to EURk 1,441.

### **2.4.3 Accounting treatment**

The pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared exclusively for illustrative purposes. As the group has changed its structure in the financial year, the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared to display the situation as if the deconsolidation had taken place at the beginning of the year.

Contrary to the description above (IFRS 10 note 20), the company was deconsolidated with economic effect as of 1 January 2019 and treated as a joint venture.

Contrary to the initially described circumstances above regarding the sale of H+E Pharma to Austar Biosciences GmbH with the formation of the joint venture, the hypothetical situation was presented in the context of the preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement in case that the deconsolidation of the two companies had occurred as of 1 January 2019. The presentation is

Aquarion AG, 6340 Baar

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for illustrative purposes only and is intended to present the net assets and results of operations of the Group, including H+E Pharma as a joint venture for the period from 1 January 2019 to 30 June 2019.

## **2.5 Incorporation of a joint venture and integration of the H+E Asia subgroup**

### **2.5.1 Background**

Under the terms of a joint venture agreement, the joint venture H+E Darcarion Pte. Ltd., Singapore, is to be established. H+E will hold a 49% share in the joint venture. The Joint Venture Agreement was signed on 20 June 2019. At the time this report was prepared, no payment into the subscribed capital had yet been made.

The "H+E Asia" subgroup comprises the companies Hager + Elsaesser Asia PTE. LTD, Singapore, (hereinafter also referred to as H+E Singapore) as the parent company with its wholly-owned subsidiaries:

Hager + Elsaesser Sdn. Bhd. Ltd., Malaysia,  
Hager + Elsaesser (Thailand) Co. Ltd.,  
Stulz Hager + Elsaesser (Philippines) Inc. and  
H+E Pty Ltd, Australien.

As of 30 June 2019, H+E Singapore is a wholly-owned subsidiary of H+E.

H+E plans to integrate H+E Singapore into the joint venture H+E Darcarion Pte Ltd, Singapore. The corresponding contract is neither signed nor notarized at the time of the preparation of the report.

### **2.5.2 Assessment according to IFRS**

As the joint venture H+E Darcarion Pte Ltd. was not yet established by payment into the subscribed capital as of 30 June 2019, this fact does not need to be recorded.

As the agreement to transfer H+E Singapore into the joint venture H+E Darcarion Pte. Ltd. was neither signed nor notarized as of 30 June 2019, the loss of ownership within the meaning of IFRS 10 has not yet been occurred. Therefore, this fact should not be covered.

### **2.5.3 Accounting treatment**

The pro-forma-consolidated financial statements, including the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement, were prepared for illustrative purposes only. Since the Company intends to change its structure in the financial year through the contribution of H+E Singapore fundamentally, the pro-forma-consolidated financial statements should present the net assets and results of operations as if these circumstances had already existed at the beginning of the financial year.

The definition of a joint venture in accordance with IAS 28 para. 32 is met by the terms of the joint venture agreement.

The joint venture is valued with his fair value in accordance with IFRS 13. The fair value is measured on basis of the payment into equity (TSGD 4.9, equivalent to EURk 3.1 at the exchange rate of 1 January 2019) plus

Aquarion AG, 6340 Baar

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the fair value of the contribution of the investment in H+E Singapore of EURk 2,515. The fair value of H+E Singapore is equal to the book value of the investment. The recoverability of the investment was verified by means of an impairment test as of 31 December 2018; according to the statement made by H+E management, there were no indications at the time of the preparation of this report that the investment required impairment. In accordance with our engagement we did not perform any audit procedures with respect to accuracy and validity of this statement. The capitalization of incidental acquisition costs (certification, registration and consulting costs) has been refrained from.

Contrary to the initially described circumstances above regarding the contribution of the investment of H+E Singapore into H+E Darcarion Pte. with the formation of the joint venture, the hypothetical situation was presented in the context of the preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement in case that the deconsolidation of the company and the formation of the joint venture had occurred as of 1 January 2019. The presentation is for illustrative purposes only and is intended to present the net assets and results of operations of the Group, including H+E Singapore as a joint venture for the period from 1 January 2019 to 30 June 2019.

The loss of control of H+E Singapore by the parent company H+E in accordance with IFRS 10 presumably occurred on 1 January 2019 by the contribution of the investment of H+E Singapore into H+E Darcarion Pte. and the formation of the joint venture. As the investor indirectly holds 49% of voting rights of H+E Singapore and does not have sole control over the company anymore, it must be deconsolidated in accordance with IFRS 10 note 20. H+E Singapore was deconsolidated in accordance with IFRS 10 note 25 and the assets and liabilities were derecognized from the consolidated balance sheet at their carrying amounts.

The balance of assets and liabilities as of 30 June 2019 amounts to EURk 2,924 in the commercial balance sheet II at H+E level. As consideration for the contribution of H+E Singapore, the joint venture was recognized at EURk 2,518.

Furthermore, the deconsolidation result as of 30 June 2019 was adjusted for the netted revenues and expenses in the amount of EURk -992.2 that arose between 1 January 2019 and 30 June 2019. The pro-forma-consolidated income statement was reduced by H+E Asia's expenses and revenues for the period from 1 January 2019 to 30 June 2019. The adjustment was recognized in the equity of the pro-forma-consolidated balance sheet and reduces the profit in connection with the deconsolidation of H+E Asia.

Due to the contribution of H+E Singapore to the joint venture with another equity investor, intercompany value adjustments on loan receivables amounting to EURk 609 made at the level of the individual financial statements of H+E Singapore were reversed against H+E Singapore as their recoverability is assumed.

Aquarion AG, 6340 Baar

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### **3. Repetition of the certificate**

Based on the results of our preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement of Aquarion AG, Baar, Switzerland as of 30 June 2019, which are attached as Appendices 1 and 2, we have issued the following certificate on 2 September 2019 that is reproduced here:

#### **Auditor's certificate of preparation**

"To the Aquarion AG

We have prepared the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement of Aquarion AG for the period from 1 January 2019 to 30 June 2019 in accordance with our engagement, the supplementing explanatory notes and the IFRSs as adopted by the EU.

The basis for the preparation were the documents, books and inventory records submitted to us, which we did not audit in accordance with our instructions, as well as the information provided to us.

The maintenance of the books and records and the preparation of the inventory and annual financial statements in accordance with the law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management.

We conducted our work in accordance with the IDW Standard: Principles for the Preparation of Financial Statements (IDW S 7). This includes the development of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement on the basis of the accounting records and the inventory as well as the requirements regarding the accounting and valuation methods to be applied.

Frankfurt am Main, 30 August 2019

Warth & Klein Grant Thornton AG

Wirtschaftsprüfungsgesellschaft

Manuel Selchow  
German Public Auditor

Maximilian Meyer zu Schwabedissen  
German Public Auditor

“

# **Appendix 1**

Aquarion AG  
Baar, Schweiz

Pro-forma-consolidated balance sheet as of 30 June 2019

	<b>30.06.2019</b>
	<b>EUR</b>
<b>Non current assets</b>	
Intangible assets	1.555.720
Tangible assets	862.301
Financial assets	3.955.291
Investments accounted for using the equity method	3.571.834
Other financial assets	3.675.169
Deferred tax assets	941.900
<b>Total non current assets</b>	<b>14.562.215</b>
<b>Current assets</b>	
Inventories	1.249.015
Trade receivables	5.573.848
Contract Assets	6.994.616
Other receivables	5.387.573
Cash and cash equivalents	2.578.230
Deferred expenses and current income	215.545
<b>Total current assets</b>	<b>21.998.827</b>
<b>Total assets</b>	<b>36.561.042</b>
<b>Equity and reserves</b>	
Share capital	7.198.690
Reserves	12.773.354
Retained earnings	-24.570.271
Cummulative translation adjustments	-567.602
Non controlling interests	25.444
<b>Total equity</b>	<b>-5.140.385</b>
<b>Non current liabilities</b>	
Provisions	353.944
Financial liabilities	18.366.704
Deferred tax liabilities	1.166.493
<b>Total non current liabilities</b>	<b>19.887.141</b>
<b>Current liabilities</b>	
Provisions	2.612.535
Financial liabilities	5.878.072
Trade liabilities	5.261.733
Contract liabilities	6.293.989
Other liabilities	688.804
Deferred income and accrued expenses	1.079.153
<b>Total current liabilities</b>	<b>21.814.286</b>
<b>Total equity and liabilities</b>	<b>36.561.042</b>

## **Appendix 2**

Aquarion AG  
Baar, Schweiz

Pro-forma-consolidated income statement as of 30 June 2019

	<b>30.06.2019</b>
	<b>EUR</b>
Revenue	17.205.785
Material and subcontractors	-10.492.523
Personnel expenses	-6.695.371
Other operating expenses	-1.186.710
Depreciation	-283.902
Financial expenses	-3.274.532
Financial income	5.643.553
Currency gain / loss	183.520
<b>Consolidated earnings before taxes (EBT)</b>	<b>1.099.820</b>
Taxes on income	-315.219
<b>Net income / loss</b>	<b>784.601</b>
Attributable to non controlling interests	-57.130
<b>Net loss attributable to shareholders of Aquarion AG</b>	<b>727.471</b>

## **Appendix 3**

## CONSOLIDATED NOTES

### Important principles of the consolidated financial statements

Aquarion AG is an incorporated company under Swiss law, located in Baar, Zugerstrasse 76b, Switzerland. According to the Commercial Register extract the company's aim is the acquisition, management and sale of investments to companies, particularly in the field of water treatment systems and processes.

Aquarion Group is a leading provider of advanced water systems and solutions, as well as technologies for the oil & gas industry, the energy industry and other manufacturing industries.

The present consolidated financial statements of Aquarion AG (hereinafter "we", "our", "Aquarion", "the company", "the firm" or "the Group") is prepared in accordance with International Financial Reporting Standards (IFRS).

All amounts in this financial statement are - unless indicated otherwise in a particular case - stated in euros (EUR).

The following exchange rates were used:

	Exchange rates at the end of the year balance sheet		Average exchange rates year profit / loss account	
	2018	2017	2018	2017
CHF	1,13	1,17	1,15	1,11
GBP	0,89	0,89	0,88	0,88
MYR	4,73	4,85	4,76	4,85
PHP	60,11	59,80	62,23	56,94
RUB	79,72	69,39	74,05	65,88
SGD	1,56	1,60	1,59	1,56
THB	37,05	39,12	38,16	38,28
USD	1,15	1,20	1,18	1,13
CLP	794,79	737,08	756,82	746,55
AUD	1,62	-	1,58	-

The consolidated financial statement is generally based on the principle of historical cost (Group acquisition or production costs). For selected activities, the fair value is decisive from the start. The account statements are partly based on estimates. Owing to assumptions about the future development or for other reasons, these amounts are regularly subject to uncertainties. Furthermore, the application of the below accounting standards requires discretionary decisions that can have a significant effect on the amounts reported in the consolidated financial statements. Estimates for which there is a significant risk of a balance correction within twelve months, as well as other far-reaching discretionary decisions will be subsequently discussed.

## Changes in accounting standards

As of January 1, 2018 the company applies following amendments to IFRS:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- Amendment to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendment to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendment to IAS 40: Transfers of Investment Property
- Amendment to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers
- Annual Improvements to IFRS 2014-2016 Cycle: IFRS 1 First –time Adoption of IFRS, IFRS 12 Disclosures of Interests in Other Entities; IAS 28 Investments in Associates and Joint Ventures

IFRS 15 replaces the previous accounting standards IAS 11 and IAS 18 as well as various interpretations of the IFRS Committee. IFRS 9 replaces the previous accounting standard IAS 39. A review showed that the two amendments had no impact on the consolidated financial statements of the Group.

The other amendments also had no impact on the consolidated financial statements of the Group.

Following new standards and amendments have been published as of year-end, but not yet effective. Noted new standards and amendments will be adopted as of stated date. We do not expect the amendments to have a material impact on the consolidated financial statements of the Group.

Effective in 2019:

- IFRS 16 – Leases
- Amendment to IFRS 9: Prepayment Features with Negative Compensation
- Amendment to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendment to IAS 19: Employee Benefits – Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRS (Zyklus 2015-2017): IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- IFRIC 23 Uncertainty over Income Tax Treatments

Effective in 2021:

- IFRS 17 – Insurance Contracts

Impact of noted standards is going to be assessed. Based on assessment the changes may impact the consolidated financial statements.

## Consolidation principles

### Consolidation companies

The consolidated financial statement includes the financial statements of Aquarion AG and foreign and domestic companies (subsidiaries) directly or indirectly controlled by it. The control is done by majority vote. The financial statements of the Group of companies are fully consolidated, i.e. assets, liabilities, income and expenses are fully incorporated. Minority interests in equity and net income of a subsidiary are also recorded separately. Investments in companies in which the Group is able to exert a significant influence on operating and financial policy decisions (associated companies) are treated according to the equity method. The acquisition costs which are attributable to the equity share capital of the Company changes are updated (see consolidated income statement). The significant influence is usually given by a vote share of at least 20%. The consolidated companies include the Aquarion AG and its subsidiaries in accordance with consolidation companies below. The first-time inclusion of a company of the Group takes place from the date of acquisition (change of control) or the establishment during a fiscal year; after a sale, in the majority of cases, a last-time inclusion is done to the date of change of control (in liquidation until the liquidation date).

#### Consolidation procedure

Transactions between Group companies, receivables and liabilities resulting from this, as well as interim successes in the assets of intra-group origin are eliminated.

Acquisitions are treated according to the purchase method: For the first-time consolidation at the acquisition date, the identifiable net assets and contingent liabilities of the company concerned are recognized at their fair values. The positive difference between the percentage share of the Group on revalue equity and the cost of acquisition is recognized as acquired goodwill. This is subjected to an annual impairment test - and more often in case of signs of possible impairment. To this end, at the acquisition date it is assigned to the so-called cash-generating units (smallest identifiable group of assets that are generated independent from other positive liquid means). The impairment test is ascertained by either the fair value less costs to sell or value in use per cash-generating unit is either - depending on which of these two values is higher - the value of the net assets plus goodwill allocated to the same time, according to a consolidated balance sheet. In the Group the values in use were used, since it is not possible to determine reliably the fair values less costs to sell. A possible impairment is recognized in operating income, and shown separately. It will not be reversed in case of elimination of the impairments. If minority interests are acquired or sold in an existing subsidiary, this is deemed as a transaction with non-controlling interests in their capacity as owners. Any difference between the date of acquisition cost or the selling price of these shares and the percentage of net of equity (according to statements of the Company for the purposes of consolidation, i.e. without revaluation) is offset against the capital reserves. Any difference between the date of acquisition cost or the selling price of these shares and the percentage net of equity (according to statements of the Company for the purposes of consolidation, i.e. without revaluation) is offset against the capital reserves. Deferred variable purchase price components are revalued at the balance sheet date. Valuation adjustments are recorded in the income statement under financial result. Interest effects are recorded for all transactions as a financial expense in the income statement.

Under the equity method, the capital offsetting is done in a separate account. A re-evaluation and other consolidation transactions do not take place, because the relevant information is not usually available. As at the balance sheet date signs of possible impairment of the investment are observed, and if necessary this is subject to an impairment test in accordance with the methodology set out above. A possible impairment is recorded in the financial result. The capital account difference (goodwill) is not subject to separate impairment test, as this is included in the equity value. In the case of accounting indebtedness of the associated companies the equity method is suspended because the Group has no obligation to compensate losses (i.e. equity value of zero).

#### Separate Financial Statements

The consolidated financial statements of the consolidated companies are uniformly prepared in accordance with the following general recognition and measurement standards. Balance sheet date is consistently December 31. Presentation currency of the Group is the euro (EUR). Under the equity method the last financial statements must be carried out according to the IFRS.

#### Currency conversion

##### *a) Functional currency and reporting currency*

The items included in the financial statements of each company are measured using the currency which is the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in euro (EUR), which is the reporting currency. In tables, the monetary values, unless indicated otherwise, are shown in EUR.

##### *b) Transactions and balances*

Foreign currency transactions are converted into the functional currency at the exchange rate at the point in time in the month of transaction. Profits and losses resulting from the settlement of such transactions and from the translation at the spot exchange rates of foreign currency assets and liabilities are recorded in the income statement.

##### *c) Consolidated Companies*

The results and financial position of all companies that have a different functional currency from the recording currency are converted as follows in the reporting currency:

- Assets and liabilities are translated for each balance sheet date at the spot rate;
- Income and expenses are converted for each income statement at average annual rates which essentially correspond to the actual rates; and

- All resulting exchange differences are recorded as a separate entry under equity capital.

In the consolidated financial statements, exchange differences arising from translation of net investment in an independent foreign entity or are from financial liabilities and other currency instruments designated as hedges of such investments, are recorded directly under equity capital.

When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the proceeds or loss recognized. Adjustments to the fair values, which arise through the acquisition of a foreign company, are treated as assets and liabilities of the foreign entity and converted at the spot currency exchange rate.

## Recognition and measurement principles

### a) Cash and cash equivalents

Cash and cash equivalents include cash balances, current bank accounts with credit balances and fixed deposits. These are only indicated in the cash and cash equivalents if they can be converted to predetermined payment amounts at any time, are only subject to insignificant value fluctuations and have a maximum maturity period of three months from the date of deposit. This definition is also applied to the cash flow statement or the fund indicated in the cash flow statement.

### b) Financial assets

For the purposes of subsequent evaluation, the financial instruments on the asset side must be divided into the following categories (excl. liquid assets):

In accordance with the new IFRS 9 standard, financial assets are classified as "at fair value recognised entirely in other comprehensive income" or "at fair value recognised entirely in profit".

– Financial assets valued at fair value with an effect in profit: This includes securities held for trade and financial assets designated as "valued at fair value with an effect on income" at the time they were recorded. Derivative financial instruments are equivalent to receivables held for trade by definition (except for derivatives designated as security instruments and are effective as such). Fair value changes in the reporting year are included in the financial result.

– Financial assets held until maturity (debt securities): These are valued at so-called amortised costs in accordance with the effective interest rate method.

– Loans and receivables: These are also valued at so-called amortised costs in accordance with the effective interest rate method.

– Financial assets available for sale: All remaining financial instruments on the asset side fall into this category. Such financial assets are valued at fair value; fair value changes during the reporting year are recorded directly in the other comprehensive income and indicated separately. In case of a withdrawal, this cumulative value adjustment is reposted in the financial result.

– Financial assets designated as hedged items include: In hedging accounting, if the application requirements have been fulfilled, hedged items and hedging instruments are valued so the respective fair value changes are compensated in the earnings statement. The group does not apply this method.

For the items valued at so-called amortised costs, whether there is impairment on the balance sheet date must be determined. If necessary, the adjustment shall be recorded in the financial result at the lower cash value of the expected payments. If the value increases at a later time, the impairment value adjustment will be reversed via the financial result. For financial assets available for sale, whether there is impairment on the balance sheet date in case of a fair value reduction must be determined. If necessary, the difference between the procurement costs and the fair value shall be recorded in the financial result, whereby the cumulative depreciation in the equity capital is reposted there. If the value increases at a later time, the impairment value adjustment will be reversed via the financial result for debt securities and it remains as is for equity capital securities. When they are recorded, financial assets are principally recorded at fair value (if necessary, except for items valued at fair value with an effect on income, plus direct transaction costs). The group currently includes only the following categories:

– Loans and receivables: This category corresponds with the receivables in accordance with the balance sheet (circulation and invested capital). The receivables primarily have short-term maturity periods; the scope of long-term

loans is negligible. The classification as short or long-term depends on whether the remaining term is up to one year or more. The amortised costs correspond with nominal values in the group. These are periodically reviewed to determine if they are sufficiently secure and the value is individually adjusted accordingly in case of materiality. Establishment and dissolution of these value adjustments are recorded in other operating costs or the respective loan under financial expenses. The fair values approximately correspond with the balance sheet values since these, with the exception of the discount effect, are largely equivalent to the estimated received payments and the conditions are standard for the market.

c) Inventories

Raw materials and supplies are generally valued at acquisition cost. Unfinished and finished goods and services are valued at production costs (direct costs, appropriate material and production overheads).

d) Contract assets and contract liabilities

Customer orders on construction sites are accounted for the basis of revenue recognition when the performance obligations are fulfilled over time. The respective state of completion is defined by the order-based progress calculation. In the balance sheet, customer orders are recorded as net position from contract assets and contract liabilities.

If the earnings from a production order cannot be reliably estimated, the revenue will only be recorded in the amount of the incurred order costs which is likely recoverable, while simultaneously recording the incurred order costs as an expense in the respective period. This corresponds with a valuation at manufacturing costs. If it is probable that the total order costs will exceed the total order revenue, the expected losses will be immediately recorded as an expense.

e) Intangible assets

Intangible assets (except for goodwill; see consolidation principles: consolidation procedures) are valued at their procurement costs and amortised in accordance with the straight-line method from the time of operational readiness throughout the usage duration:

- Software: 3-5 years
- Product development: 10 years

f) Property and equipment

Property and equipment is valued at their procurement costs and amortised in accordance with the straight-line method from the time of operational readiness throughout the following estimated, regularly reviewed usage duration:

- Production buildings (warehouses, production halls): 15-25 years
- Administrative buildings: 30-40 years
- Office equipment and furniture: 3-10 years
- Machines and machine components: 3-10 years

This applies, if significant, for subsequent expenses for increasing the value of already existing objects in these categories. Expenses for maintenance and repairs are not capitalised. There are no personal contributions in the group's property and equipment.

g) Financial assets

Financial assets are valued at their procurement costs minus the necessary value adjustments.

When acquiring shares in affiliated companies, goodwill can be generated. This corresponds to the excess acquisition costs of the shares above the proportional fair market value of the identified net assets. The goodwill is included in the shares of the affiliated companies. Affiliated companies are valued in accordance with the equity method. The earnings from affiliated companies are indicated as a part of the financial result.

h) Leasing

For contracts economically equivalent to a third-party financed purchase of the object provided for use (financial leases), the cash value of the minimal leasing rates or rents are capitalised as property and equipment and accordingly amortised. The liability in the same amount is recognised and periodically reduced by the repayment component of the leasing rate or rent and indicated in the short and long-term financial liabilities depending on when they mature. The interest component is recorded respectively as a financial expense. For all other leasing and rental agreements (operating leases), only the leasing rate or rent is debited as an operating expense in the profit and loss statement.

i) Impairment

On the balance sheet date, attention is paid to indications of a potential impairment of intangible assets with a set duration of use or tangible assets. If necessary, the balance sheet value of such an asset will be compared to its fair value minus the cost of sale or recoverable amount (value in use) (depending on which of these values is higher). Potential value impairments are recorded in the operating income and indicated separately. If there is a verifiable increase in value at a later time, the impairment value impairment will be reversed via the operating income. This does not apply to goodwill. For indefinitely usable intangible assets and goodwill, the impairment test is performed annually.

j) Financial liabilities

For the purposes of subsequent evaluation, the financial instruments on the liabilities side must be divided into the following categories:

– Other financial liabilities: In accordance with IFRS 9, these can be measured at amortised cost or at fair value. When measured at fair value, expenses or income can be recognised either in full in the result for the period or directly in other comprehensive income.

When they are recorded, financial liabilities are principally recorded at fair value (if necessary, except for items valued at fair value with an effect on income, plus direct transaction costs). The group currently includes only the following categories:

– Other financial liabilities: These correspond with the financial liabilities and the other liabilities in accordance with the balance sheet (Short-term and long-term third-party capital): The majority of the accounts payable and other liabilities have short-term maturities. The classification as short or long-term depends on whether the remaining term is up to one year or more. The amortised costs correspond with nominal values in the group. This also applies for liabilities to banks with a fixed interest rate (market interest rate) and for which the pay-out and repayment amount are identical. The fair values approximately correspond with the balance sheet values since these, with the exception of the discount effect, are largely equivalent to the estimated payments made, the conditions are standard for the market and the group is capable of making the interest and capital payments in accordance with the agreement.

k) Pension liabilities

The company has a low number of employees in the Swiss company. The Swiss pension plan are so called defined benefits plans. Due to the materiality considerations, however, such a calculation was omitted.

In accordance with Italian law, the companies have the choice between a public or private occupational pension or to invest the contributions based on the old method "Fondo TFR". H+E S.R.L., Italy chose the "Fondo TFR". Contributions are regularly allocated to these funds which must be charged interest at a legally stipulated interest rate.

The existing pension commitments under German law were granted to some employees of the German H+E GmbH in the past. Commitments are in place for retirement, disability and survivors' benefits. These benefit obligations are fully financed by the employer and have to be met directly by H+E GmbH, which is why H+E GmbH has to make pension provisions for these benefit obligations under German law. Special separate cover assets do not exist for these obligations.

l) Provisions

Provisions are recorded for uncertain liabilities, provided the future outflow of resources is probable and the amount can be reliably estimated. If there is a significant effect, long-term provisions are assumed based on the cash value.

m) Income taxes

Owed or deferred taxes on group company profit (or profit shares) are indicated as current tax liabilities. The corresponding expense is indicated separately. Deferred profit taxes are recorded on temporal differences between the values in the consolidated balance sheet and those in the tax balance sheet, namely, based on the effective tax rates. For deferred tax assets (those on tax-deductible, temporal differences) this only applies if it is likely that sufficiently high taxable profits will be accrued to effectively deduct these differences. In addition, deferred tax assets are recorded on tax losses insofar as in the future, it is probable that sufficiently high taxable profits will be accrued to effectively offset these tax losses ("more likely than not"). Taxes that might be incurred on retained profits from subsidiary and affiliated companies are not recorded since these profits will not be distributed or the group cannot define the distribution date. Deferred tax assets and liabilities are balanced per group company in the consolidated balance sheet insofar as current liabilities can be offset against potential recoverable profit taxes.

n) Equity

Expenses directly connected to an equity transaction (see changes in the consolidated equity capital) are directly deducted from the capital reserves. Own shares are deducted from equity at their procurement costs. In case of resale, the profit or loss is directly offset against the capital reserves. Claims waivers from shareholders are recognized directly in equity.

o) Revenue

The revenues shown in the income statement are based on sales or the valuation of work in progress over time after the revenue has been recognized when the performance obligations have been fulfilled. Revenues are allocated into the following main segments:

- Service business
- Spare parts
- Project business

Revenue from services and spare part deliveries is recognized as soon as the power of disposition is exercised at a contractually agreed time. Revenue from project business is recognized over time when the contractual performance obligations are fulfilled. The progress of the project is determined on the basis of the internal and external costs incurred to date in relation to the planned costs. The planned costs are continuously reviewed on the basis of periodic interim calculations. The transaction price is determined on the basis of the contract amount agreed with the customer.

p) Materials and subcontractors

The materials and subcontractors expense are recorded based on an allocation appropriate for the period if the materials or services were procured.

q) Personnel costs

The personnel costs include all costs connected to employee remuneration and social insurances.

r) Other operating expenses

Includes the expenses for rents and maintaining office spaces and general expenses that cannot be allocated to the other expense items.

s) Depreciations and amortizations

The periodical value adjustments to the capital assets, tangible assets and intangible assets are taken into account with the depreciations and amortisations.

t) Recognition of interest and dividend earnings

Interest earnings are recorded pro rata in accordance with the effective interest rate method. Dividend earnings are recorded at the time at which the right to receive payment is established.

u) Currency conversion

Transactions in other currencies than the functional currency are recorded at the exchange rate at the time of the transaction. Exchange gains and losses realised on the transactions and unrealised exchange gains and losses from the translation of monetary receivables and liabilities in the functional currency at the year-end rate are recognised in the financial result.

v) Earnings per share

Since the company is not publicly listed, the earnings per share have been omitted.

### **Estimations and other discretionary decisions**

Extensive uncertainties in estimates

A quantification of the effects of uncertainties (sensitivities) is hardly practical for the estimates below. However, adjustments to the actual conditions having a significant, short-term effect on the relevant balance sheet item cannot be excluded.

Contract assets and Contract liabilities

The valuation of Contract assets and Contract liabilities is connected to a discretionary decision. These can deviate from the effective assessments. If these assessments deviate, the intrinsic value of the work in progress might be impaired.

Financial assets

The company has recognised financial loans. At the current time, there are no indications that might impair the intrinsic value of the loan. If the intrinsic value were to be impaired, the balance sheet would have to be adjusted accordingly.

Intangible assets

The assessment of the intangible assets is primarily based on intrinsic value tests. In this assessment, there are discretionary decisions that are based on the current conditions. If these conditions were to change, there may be impairment in this area and appropriate value adjustments would have to be made.

Continuation of the company

The annual financial statement was drafted based on the continuation of the company. If the continuation of the company is no longer ensured, an annual financial statement would have to be drafted based on the recoverable values. The continuation of the company depends on the financing of the company and the future earnings of the subsidiaries.

Miscellaneous

The accounting contains several estimates (e.g. assurance of recovery of receivables from services, duration of use from tangible assets, high provisions or potential liabilities, revenue allocated to the subsequent year from services over multiple years).

Other extensive discretionary decisions when applying accounting principles

#### Leasing

A leasing agreement qualifies as an operating lease because the position of the group does not correspond to that of an owner, even when considered economically and the standard criteria for a qualification as a financial lease have not been fulfilled.

#### Miscellaneous

Other discretionary decisions must also be made in the framework of the accounting principles. However, these are not significant for the consolidated annual financial statement.

### Type, scope and management of financial risks

Due to its operative business, the group is primarily subject to a credit risk. The group's risk management is aimed at reducing the potentially negative effects on the financial result to a minimum. Derivative financial instruments can be considered for securing financial risks, but have not been utilized to date.

The company has performed a documented risk assessment.

#### Credit risk

The credit risk is that business partners will not fulfil their obligations. All receivables are periodically reviewed to determine the degree of certainty of payment. The customers' financial situation, the experience to date and/or other factors are taken into account. In general, there are no securities. The value of not fully recoverable receivables is adjusted, whereby these value adjustments have been insignificant to date. The maximum default risk corresponds with the balance sheet value. On December 31, 2018, the group holds approximately 100% of its liquid assets at first-class banks.

#### Currency risk

The group executes the majority of its transactions in EUR, USD and GBP. Thus the group is subject to certain currency fluctuations. The following table summarises the foreign exchange risk exposure:

Amounts in EUR	EUR	GBP	CHF	USD	MYR	PHP
CHF	0	86	0	0	0	0
EUR	0	0	0	0	0	0
GBP	-5.767	0	-24.861	0	0	0
JPY	0	395.896	0	0	0	0
MYR	0	0	0	-42.813	0	0
PHP	0	0	0	-1.628	0	0
RUB	0	0	0	0	0	0
SEK	0	27	0	0	0	0
SGD	0	0	-52.831	186.258	-623	0
THB	0	0	0	0	-5.305	0
USD	2.552.811	118.914	207.519	0	8.006	2.927
Other	-1.580	3	-6.158	-49.575	0	-3.554
<b>Total</b>	<b>2.545.464</b>	<b>514.926</b>	<b>123.669</b>	<b>92.242</b>	<b>2.078</b>	<b>-627</b>
<b>Net exposure</b>						

As of 31 December 2018, the Company is exposed to the JPY currency from an amount of EUR 395.896. A weakening of 20% of the YPN against the GBP reduces the net profit by EUR 79.179 (and a strengthening of 20% increases the net profit by EUR 79.179).

## Supplementing explanatory notes

### Accounting treatment of the four corporate transactions

#### 1) Divestment of MFT Membran-Filtrations-Technik GmbH, Cologne

The company MFT Membran-Filtrations-Technik GmbH, Cologne, Germany (hereinafter also referred to as MFT) was sold in a share deal by H+E GmbH, Stuttgart, Germany (hereinafter also referred to as H+E) to the purchaser HongKong H-M Investment Corporation Limited, Hong Kong, China. The sale comprises 100% of the shares. The transaction price comprises several components and includes an initial purchase price of EURk 3,500, less a payment into MFT's capital reserve of EURk 500, less the offsetting and assignment of intercompany receivables and liabilities of EURk 3,415 at H+E level and EURk 1,798 at Aquarion level existing prior to the date of the transfer, including payments from existing trade receivables of EURk 1,271 and potential payments from the Company's initial public offering. The uncertain payments from the possible IPO were recognized with EURk 0. The total transaction price is EURk -942. The associated "Share Purchase and Transfer Agreement" was signed and notarized on June 5, 2019.

MFT was fully included in the (subgroup)-consolidated financial statements of H+E, H+E Holding GmbH, Stuttgart (hereinafter also referred to as H+E Holding) and Aquarion as of 31 December 2018.

The balance of assets and liabilities equals EURk -2,546. In addition to an adjustment of a historical purchase price allocation of TEUR 77.6 and the recognised goodwill of EURk 3,302, the total amount of the disposal equals EURk 833. By offsetting the transaction price, the disposal gain at the level of H+E equals EURk 23 and at the level of Aquarion EURk -1,775.

The pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared exclusively for illustrative purposes. As the group has changed its structure in the financial year, the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared to display the net assets and results of operations of the Group as if the deconsolidation had taken place at the beginning of the year.

For this reason, MFT was deconsolidated, contrary to the regulation described above (IFRS 10 note 20), with economic effect as of 1 January 2019.

The deconsolidation result as of 30 June 2019 amounting to EURk 2,468.7 was adjusted for the netted revenues and expenses in the amount of EURk -1,432.3 that arose between 1 January 2019 and 30 June 2019. The pro-forma-consolidated income statement was reduced by MFT's expenses and revenues for the period from 1 January 2019 to 30 June 2019. The adjustment was recognized in the equity of the pro-forma-consolidated balance sheet and reduces the profit in connection with the deconsolidation of MFT.

## Supplementing explanatory notes

### 2) Sale of S-Tec GmbH, Klipphausen

The company S-Tec GmbH, Klipphausen, Germany (in the following also referred to as S-Tec) was sold by H+E Holding to H+E Pharma GmbH, Stuttgart, Germany (in the following also referred to as H+E Pharma) as part of a share deal. The sale comprises 100% of the shares. The transaction price amounts to EUR 1. The corresponding share purchase agreement was signed on 9 May 2019. The agreement became effective on 3 July 2019 with the notarization of further directly referenced agreements.

S-Tec was fully included in the (subgroup)-consolidated financial statements of H+E Holding GmbH, Stuttgart (hereinafter also referred to as H+E Holding) and Aquarion as of 31 December 2018.

The loss of control of S-Tec by the parent company H+E GmbH according to IFRS 10 occurred on 3 July 2019 as a result of the sale of all shares. Thus, the investor lost his voting rights and can no longer exercise control over the company. Consequently, the company must be deconsolidated in accordance with IFRS 10 note 20.

As no material transactions occurred in the interim time period, S-Tec will be deconsolidated as of 30 June 2019.

S-Tec was deconsolidated in accordance with IFRS 10 note 25. The assets and liabilities were derecognized from the consolidated balance sheet. A gain was recognized due to the deconsolidation of S-Tec amounting to EURk 290.

The pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared exclusively for illustrative purposes. As the group has changed its structure in the financial year, the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared to display the situation as if the deconsolidation had taken place at the beginning of the year. Contrary to the description above (IFRS 10 note 20), the company was deconsolidated with economic effect as of 1 January 2019.

Furthermore, the deconsolidation result as of 30 June 2019 in the amount of EURk 290 was used as a basis and adjusted for the netted revenues and expenses in the amount of EURk -38.2 that arose between 1 January 2019 and 30 June 2019. The pro-forma-consolidated income statement was reduced by S-Tec's expenses and revenues for the period from 1 January 2019 to 30 June 2019. The adjustment was recognized in the equity of the pro-forma-consolidated balance sheet and reduces the profit in connection with the deconsolidation of S-Tec.

## Supplementing explanatory notes

### 3) Changing status of H+E Pharma GmbH, Stuttgart

Austar Biosciences GmbH, Stuttgart, Germany, has invested a total amount of EURk 1,500 in H+E Pharma GmbH. The amount is split between a capital increase in the subscribed capital of EURk 26 to EURk 51 (corresponds to 51% of the subscribed capital) and a payment of EURk 1,474 into the capital reserve. The associated "Share Pledge Agreement" was signed and notarized on 3 July 2019.

H+E Pharma was fully consolidated in the (sub)-consolidated financial statements of H+E, H+E Holding and Aquarion.

The pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared exclusively for illustrative purposes. As the group has changed its structure in the financial year, the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement were prepared to display the situation as if the deconsolidation had taken place at the beginning of the year. Contrary to the description above (IFRS 10 note 20), the company was deconsolidated with economic effect as of 1 January 2019 and treated as a joint venture.

Contrary to the initially described circumstances above regarding the sale of H+E Pharma to Austar Biosciences GmbH with the formation of the joint venture, the hypothetical situation was presented in the context of the preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement in case that the deconsolidation of the two companies had occurred as of 1 January 2019. The presentation is for illustrative purposes only and is intended to present the net assets and results of operations of the Group, including H+E Pharma as a joint venture for the period from 1 January 2019 to 30 June 2019.

## Supplementing explanatory notes

### 4) Incorporation of a joint venture and integration of the H+E Asia subgroup

Under the terms of a joint venture agreement, the joint venture H+E Darcarion Pte. Ltd., Singapore, is to be established. H+E will hold a 49% share in the joint venture. The Joint Venture Agreement was signed on 20 June 2019. At the time this report was prepared, no payment into the subscribed capital had yet been made.

The "H+E Asia" subgroup comprises the companies Hager + Elsaesser Asia PTE. LTD, Singapore, (hereinafter also referred to as H+E Singapore) as the parent company with its wholly-owned subsidiaries:

Hager + Elsaesser Sdn. Bhd. Ltd., Malaysia,  
Hager + Elsaesser (Thailand) Co. Ltd.,  
Stulz Hager + Elsaesser (Philippines) Inc. and  
H+E Pty Ltd, Australien.

As of 30 June 2019, H+E Singapore is a wholly-owned subsidiary of H+E.

H+E plans to integrate H+E Singapore into the joint venture H+E Darcarion Pte Ltd, Singapore. The corresponding contract is neither signed nor notarized at the time of the preparation of the report.

The pro-forma-consolidated financial statements, including the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement, were prepared for illustrative purposes only. Since the Company intends to change its structure in the financial year through the contribution of H+E Singapore fundamentally, the pro-forma-consolidated financial statements should present the net assets and results of operations as if these circumstances had already existed at the beginning of the financial year.

The definition of a joint venture in accordance with IAS 28 para. 32 is met by the terms of the joint venture agreement.

The joint venture is valued with his fair value in accordance with IFRS 13. The fair value is measured on basis of the payment into equity (TSGD 4.9, equivalent to EURk 3.1 at the exchange rate of 1 January 2019) plus the fair value of the contribution of the investment in H+E Singapore of EURk 2,515. The fair value of H+E Singapore is equal to the book value of the investment. The recoverability of the investment was verified by means of an impairment test as of 31 December 2018; according to the statement made by H+E management, there were no indications at the time of the preparation of this report that the investment required impairment. In accordance with our engagement we did not perform any audit procedures with respect to accuracy and validity of this statement. The capitalization of incidental acquisition costs (certification, registration and consulting costs) has been refrained from.

Contrary to the initially described circumstances above regarding the contribution of the investment of H+E Singapore into H+E Darcarion Pte. with the formation of the joint venture, the hypothetical situation was presented in the context of the preparation of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement in case that the deconsolidation of the company and the formation of the joint venture had occurred as of 1 January 2019. The presentation is for illustrative

## Supplementing explanatory notes

purposes only and is intended to present the net assets and results of operations of the Group, including H+E Singapore as a joint venture for the period from 1 January 2019 to 30 June 2019.

The loss of control of H+E Singapore by the parent company H+E in accordance with IFRS 10 presumably occurred on 1 January 2019 by the contribution of the investment of H+E Singapore into H+E Darcarion Pte. and the formation of the joint venture. As the investor indirectly holds 49% of voting rights of H+E Singapore and does not have sole control over the company anymore, it must be deconsolidated in accordance with IFRS 10 note 20. H+E Singapore was deconsolidated in accordance with IFRS 10 note 25 and the assets and liabilities were derecognized from the consolidated balance sheet at their carrying amounts.

The balance of assets and liabilities as of 30 June 2019 amounts to EURk 2,924 in the commercial balance sheet II at H+E level. As consideration for the contribution of H+E Singapore, the joint venture was recognized at EURk 2,518.

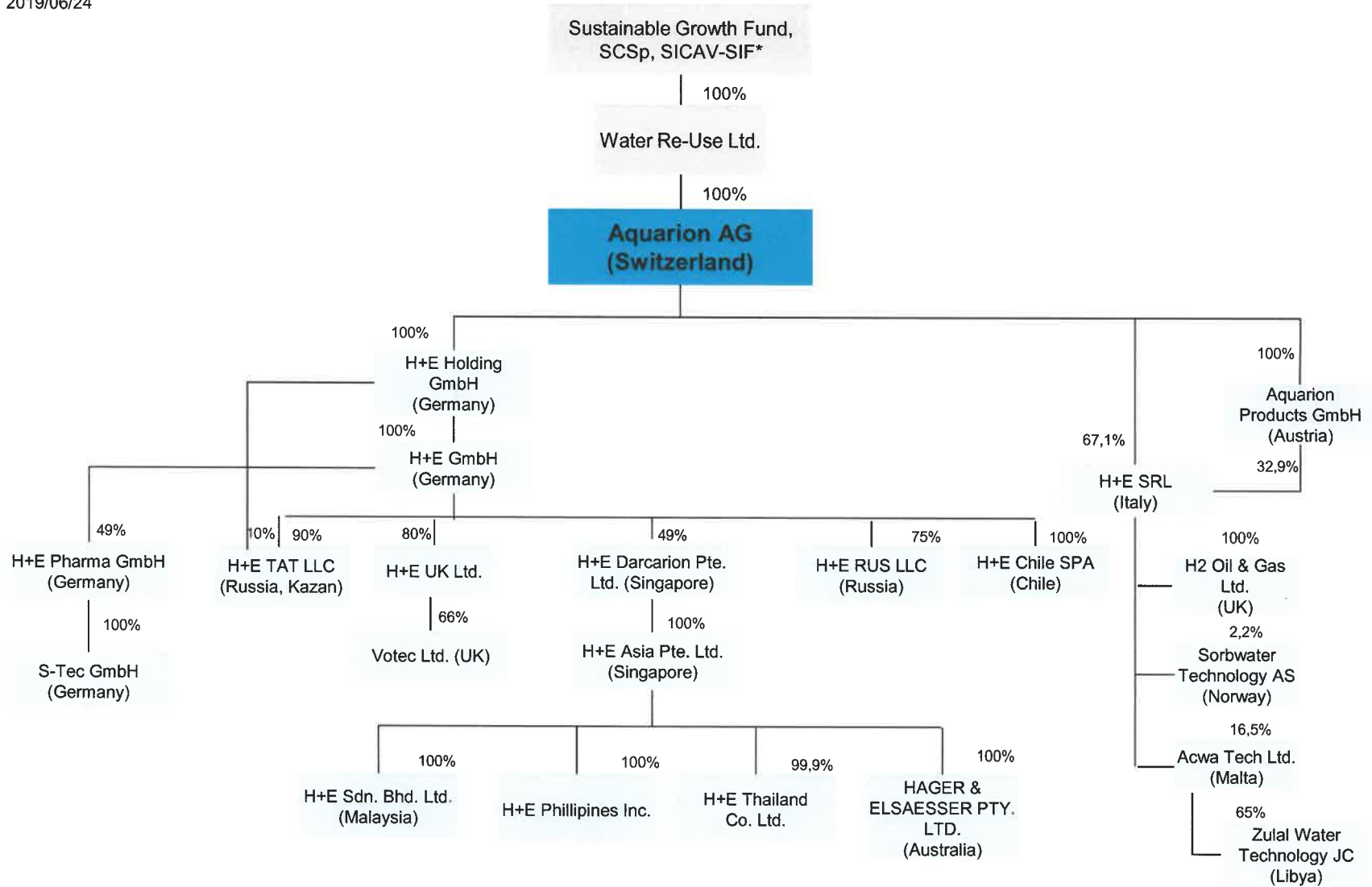
Furthermore, the deconsolidation result as of 30 June 2019 was adjusted for the netted revenues and expenses in the amount of EURk -992.2 that arose between 1 January 2019 and 30 June 2019. The pro-forma-consolidated income statement was reduced by H+E Asia's expenses and revenues for the period from 1 January 2019 to 30 June 2019. The adjustment was recognized in the equity of the pro-forma-consolidated balance sheet and reduces the profit in connection with the deconsolidation of H+E Asia.

Due to the contribution of H+E Singapore to the joint venture with another equity investor, intercompany value adjustments on loan receivables amounting to EURk 609 made at the level of the individual financial statements of H+E Singapore were reversed against H+E Singapore as their recoverability is assumed.

## **Appendix 4**

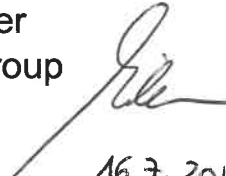
# Group Structure

2019/06/24



\* No Limited Partner owns more than 25% shares.

Karl Michael Millauer  
 CEO – Aquarion Group  
 MD – H+E GmbH



16.7.2018

# **Appendix 5**

## **Auditor's certificate of preparation**

To the Aquarion AG

We have prepared the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement of Aquarion AG for the period from 1 January 2019 to 30 June 2019 in accordance with our engagement, the supplementing explanatory notes and the IFRSs as adopted by the EU.

The basis for the preparation were the documents, books and inventory records submitted to us, which we did not audit in accordance with our instructions, as well as the information provided to us.

The maintenance of the books and records and the preparation of the inventory and annual financial statements in accordance with the law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management.

We conducted our work in accordance with the IDW Standard: Principles for the Preparation of Financial Statements (IDW S 7). This includes the development of the pro-forma-consolidated balance sheet and the pro-forma-consolidated income statement on the basis of the accounting records and the inventory as well as the requirements regarding the accounting and valuation methods to be applied.

Frankfurt am Main, 30 August 2019

Warth & Klein Grant Thornton AG

Wirtschaftsprüfungsgesellschaft

Manuel Selchow  
German Public Auditor

Maximilian Meyer zu Schwabedissen  
German Public Auditor

# **Appendix 6**

# General Engagement Terms

for

## Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]  
as of January 1, 2017

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### 1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

### 2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

### 3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

### 4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

### 5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

### 6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

### 7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translator's Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

### 8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of *Wirtschaftsprüfer: Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

### 9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

## 10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

## 11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

## 12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

## 13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

## 14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbelegungsgesetz*).

## 15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.