

The logo for Hitachi Zosen INOVA, featuring a vertical yellow bar to the left of the text.

Hitachi Zosen  
INOVA

The title of the report, with '2016 Annual Report' in yellow and 'Integrated Waste Treatment Solutions' in white.

2016 Annual Report  
Integrated Waste Treatment Solutions



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**Waste is our Energy.  
Engineering is our Business.  
Sustainable Solutions are our Mission.**

Hitachi Zosen Inova AG is a global leader in energy from waste, operating as part of the Hitachi Zosen Corporation Group. We act as an engineering, procurement and construction (EPC) contractor delivering complete turnkey plants and system solutions for energy recovery from waste.

## Hitachi Zosen Inova AG

(in CHF thousand)	2015*	2016**
Order intake	609,285	73,920
Order backlog	662,044	189,418
Net revenues	530,797	501,872
EBITDA	28,852	11,815
EBIT	26,343	8,086
Net income	6,706	7,749
Share capital	40,000	40,000
Net assets	38,655	44,133
Total assets	259,149	250,320
Equity ratio	15 %	18 %
Headcount	574	628

\* April 1, 2014 – March 31, 2015

\*\* April 1, 2015 – March 31, 2016

### Ladies and Gentlemen

Hitachi Zosen Inova started the fiscal year, ended March 2016, with a substantial backlog of orders that needed to be delivered to our clients, and our primary focus was therefore on project execution and performance improvement.

Thanks to the contract award from Sycdom for Ivry – the next large EfW plant in Paris – and significant service activities we were able to maintain our leading market position. In July 2015, we handed over Ferrybridge to the client with a net energy efficiency of over 31%, which was an excellent result. We have received engineering contracts for the new UK project Edinburgh and the order booking for Ferrybridge 2 was secured in June 2016.

The integration of the Kompogas® technology and the AD Team is well on track, with a substantial pipeline of prospects in the global market. With the contract for the Kompogas® plant in Bologna, we started the execution of the largest dry AD plant in Europe. Meanwhile, Hitachi Zosen Inova BioMethan GmbH and Hitachi Zosen Inova Kraftwerkstechnik GmbH both had a successful first year as part of our group.

We have further strengthened our capabilities and resources, allowing us to deliver the solutions needed by our globally active partners.

Yours sincerely,



**Minoru Furukawa**  
Chairman  
Hitachi Zosen Corporation



**Franz-Josef Mengede**  
CEO  
Hitachi Zosen Inova AG

# Insight & Outlook

## Review

There was a further decline in the number of projects awarded in Europe last year, continuing the trend from 2014, but HZI was nonetheless able to maintain its leading market position. We have been pre-selected for a number of projects due to be released, opening up the possibility of securing engineering orders going forward.

Having strengthened our Engineering, Civil, Project Management, and Service offerings, we were well-positioned to handle the projects in execution and so bolster confidence among our customers in our ability to deliver.

The positioning of our biogas and biomethane upgrading businesses has been well received in the market, and we see substantial growth opportunities in these areas.

All projects under execution are progressing well, with our increased process and civil engineering capabilities making a positive contribution.

We maintained our keen focus on R&D to further improve the energy efficiency, material recovery, and cost effectiveness of our solutions.

The negative market trend in energy production prices has continued, and this calls for flexible solutions such as CHP as well as affordable efficiency improvements.

## Outlook

Our vast installed capacity provides ample opportunity for modernization, bringing best practice performance from recent developments into play.

Notice to proceed for the significant Ferrybridge Multifuel 2 project in June 2016 has proven our role as a reliable EPC contractor in the UK, which is still one of our most important markets. With a number of promising projects ahead, we are confident of strengthening our position in the UK and successfully obtain further projects in FY 2016/2017.

Some very important research and development activities in the domain of material recovery have been successfully implemented and are now undergoing an intensive test. First results have been satisfying and we look forward to implementing further installations.

The globalization of the EfW and AD market is continuing, and we are addressing this with our multinational engineering and execution teams and globalized sourcing of supplies and services.

With our services delivering first-class resource recovery plants, we are ideally placed to support our partners in their local and global activities.

# Executive & Supervisory Boards



**Axel Greschitz**  
CFO  
Member of the  
Executive Board

**Katsuhisa Tsuji**  
CTO  
Member of the Executive  
and Supervisory Board

**Franz-Josef Mengede**  
CEO  
Member of the Executive  
and Supervisory Board

**Koichiro Anzai**  
Chairman of the  
Supervisory Board

**Atsuhiko Idogaki**  
Member of the  
Supervisory Board

# Hitachi Zosen Corporation



Head Office, Osaka, Japan

Despite the weak global economic outlook, Hitachi Zosen Corporation (HZC) continued to enjoy steady growth in the fiscal year ended March 31, 2016 with the Environment Systems and Industrial Plant businesses leading the way. The company's overall performance was further bolstered by a sizable order in the Middle East booked by the Desalination plant business.

The Japanese economy showed signs of recovery in the first half of the fiscal year ended March 31, 2016, but subsequently slowed down as it was impacted by rising uncertainty and geopolitical tensions weighing on economies worldwide. In spite of the challenging economic background, Hitachi Zosen Corporation maintained steady growth in the second year of its three-year management business plan "Hitz Vision II". Order intake totaled JPY 435.4 billion (CHF 3,730 million), slightly below

the targeted JPY 450 billion (CHF 3,855 million). However, revenues came in at JPY 387.0 billion (CHF 3,315 million), more than 110% of the Hitz Vision II figure. Operating profit (+17.9% to JPY 15.1 billion/CHF 129 million) and net profit (+14.7% to JPY 5.8 billion/CHF 50 million) both posted double-digit growth year-on-year, but still lagged behind the Hitz Vision II budget.

### Environment Systems and Industrial Plant

Order intake decreased by 9.9% year-on-year to JPY 283.7 billion (CHF 2,430 million) owing to the delay in closing several large EfW projects in Europe. The Desalination plant business picked up sharply as HZC was awarded a second order in Qatar. The new order for a Multi-Stage Flash/Reverse Osmosis (MSF/RO) process desalination plant with a treatment volume of 590,000 tonnes per day is the largest plant of this type for HZC. Meanwhile, with steady progress being made on projects in execution, revenues increased by 6.9% to JPY 241.6 billion (CHF 2,070 million) and operating income was 8.8% higher at JPY 14.8 billion (CHF 127 million).

### Machinery

Although HZC booked JPY 104.5 billion (CHF 895 million) in revenues, on a par with the previous year, operating loss of JPY 864 million (CHF 7 million) was booked due to the impact of an overseas subsidiary's loss-making operations.

### Infrastructure

Thanks to increased revenues of JPY 30.8 billion (CHF 264 million), coupled with the implementation of structural reforms, operating results were up to JPY 432 million (CHF 4 million), this compared with the loss recorded in the previous fiscal year.

### Other Segments

Other segments – namely transportation, warehousing, and port cargo handling – posted revenues of JPY 10.1 billion (CHF 87 million), with operating profit coming in at JPY 752 million (CHF 6 million).

### Financial Situation

Consolidated total assets fell by JPY 7.2 billion (CHF 62 million) to JPY 401.6 billion (CHF 3,440 million) attributable mainly to a decrease in cash and cash equivalents of JPY 10.8 billion (CHF 93 million). Consolidated total liabilities fell by JPY 10.3 billion (CHF 88 million) to JPY 281.0 billion (CHF 2,407 million), reflecting the reduction in interest-bearing debt of JPY 14.2 billion (CHF 122 million). Meanwhile, shareholders' equity increased to JPY 114.2 billion (CHF 978 million), adding to the net profit for the period. The equity ratio thus increased to 28.4% from 26.6% in the previous year.

### Forecast for the Next Fiscal Year

In the next fiscal year, order intake of JPY 450 billion (CHF 3,855 million), revenues of JPY 400 billion (CHF 3,426 million) and a recovery in the Machinery business are expected to push up operating profit, ordinary profit, and net profit to JPY 16 billion (CHF 137 million), JPY 12 billion (CHF 103 million), and JPY 6 billion (CHF 51 million) respectively.

(CHF=JPY 116.74 as of March 31, 2016)

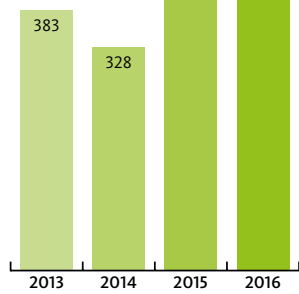
# Financial Highlights

Hitachi Zosen Corporation and Consolidated Subsidiaries  
For the Fiscal Years Ended March 31, 2015 and 2016

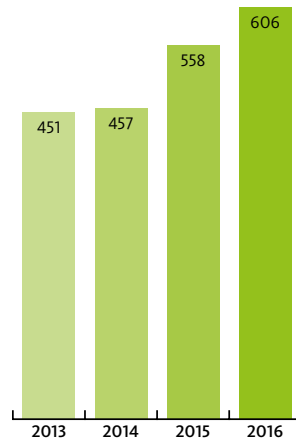
(in JPY million)	2015	2016
<b>Operating results</b>		
Order intake	452,758	435,435
Order backlog	557,786	606,177
Revenues	359,332	387,044
Operating income	12,819	15,113
Net income	5,100	5,849
<b>Cash flows</b>		
Cash flows from operating activities	9,086	8,148
Cash flows from investing activities	(14,680)	(3,666)
Cash flows from financing activities	12,178	(15,948)
Cash and cash equivalents as of fiscal year end	60,770	49,672
<b>Financial position</b>		
Net assets	117,531	120,666
Total assets	408,803	401,649
Investments in property, plant and equipment and intangible assets (account balance)	135,934	127,523
<b>Financial indicators</b>		
Shareholders' equity ratio (%)	26.6	28.4
Debt-equity ratio (times)	1.1	0.9
Workforce as of fiscal year end	9,581	9,825



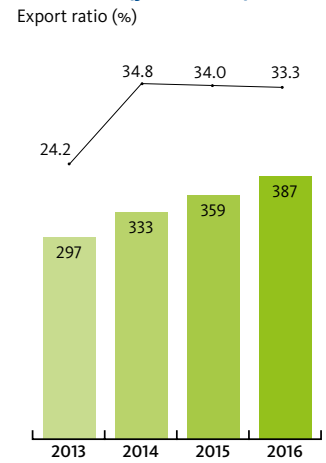
### Order intake (JPY billion)



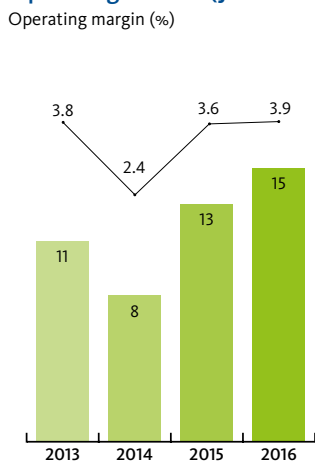
### Order backlog (JPY billion)



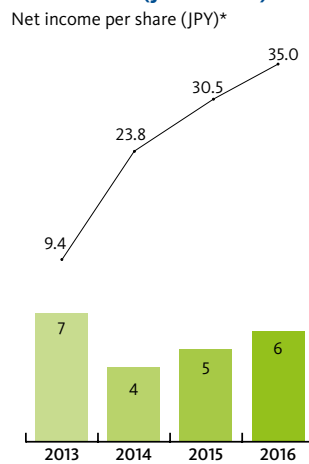
### Revenues (JPY billion)



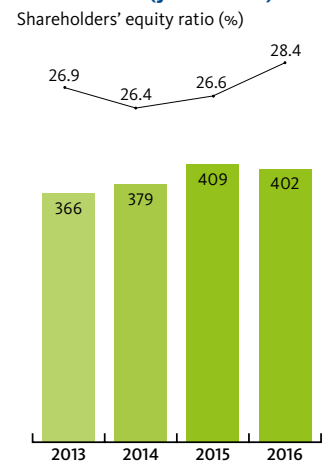
### Operating income (JPY billion)



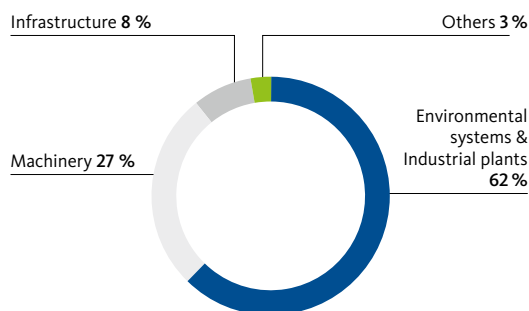
### Net income (JPY billion)



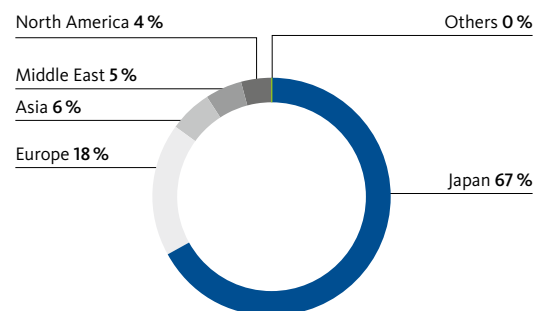
### Total assets (JPY billion)



### Revenues by segment



### Revenues by region



\* HZC consolidated common stocks of the company with a ratio of five shares to one share on October 1, 2013

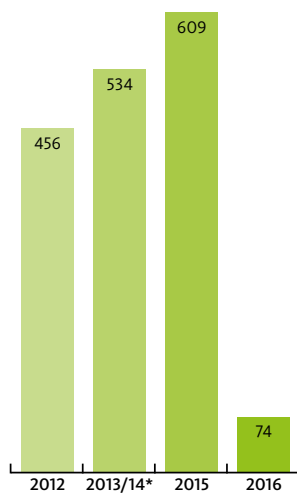
# Financial Highlights

Hitachi Zosen Inova AG

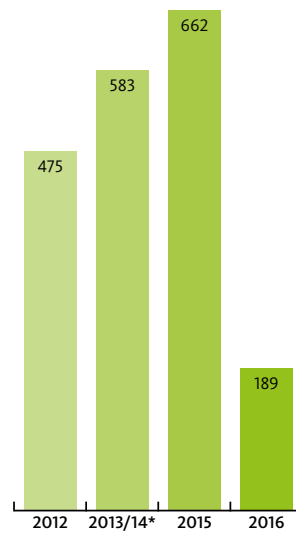
For the Fiscal Years Ended March 31, 2015 and 2016

(in CHF thousand)	2015	2016
<b>Operating results</b>		
Order intake	609,285	73,920
Order backlog	662,044	189,418
Net revenues	530,797	501,872
Operating profit	26,343	8,086
Net income	6,706	7,749
<b>Cash flows</b>		
Cash flows from operating activities	7,944	(24,899)
Cash flows from investing activities	5,439	2,347
Cash flows from financing activities	(502)	(696)
Cash and cash equivalents as of fiscal year end	107,125	86,978
<b>Financial position</b>		
Net assets	38,655	44,133
Total assets	259,149	250,320

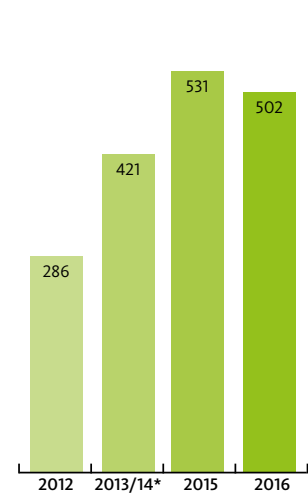
Order intake (CHF million)



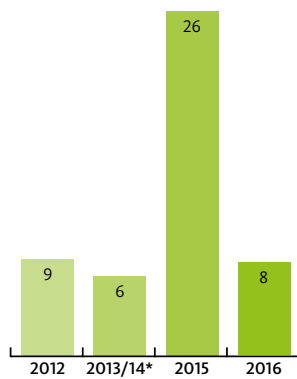
Order backlog (CHF million)



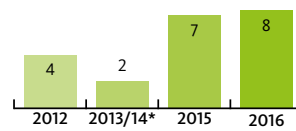
Revenues (CHF million)



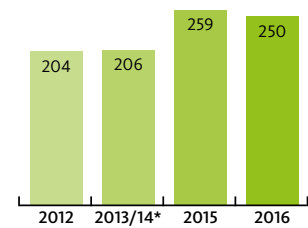
Operating profit (CHF million)



Net income (CHF million)



Total assets (CHF million)



\*January 1, 2013 – March 31, 2014

# Financial Statements 2015 and 2016

## Hitachi Zosen Inova AG

### Consolidated Statement of Financial Position\*

As at March 31 (in CHF thousand)	2015	2016
<b>Assets</b>		
Cash and cash equivalents	107,125	86,978
Other financial assets	4,920	2,031
Trade and other receivables	10,242	13,474
Construction contracts in progress	97,730	107,120
Inventory	4,783	7,313
Prepayments and accruals	1,866	5,347
<b>Current assets</b>	<b>226,666</b>	<b>222,263</b>
Other financial assets	6,908	3,208
Property, plant and equipment	8,658	8,608
Intangible assets	13,117	12,840
Deferred tax assets	3,800	3,401
<b>Non-current assets</b>	<b>32,483</b>	<b>28,057</b>
<b>Total assets</b>	<b>259,149</b>	<b>250,320</b>

\*The consolidated figures stated herein refer to Hitachi Zosen Inova AG according to IFRS standards and were audited as such by KPMG AG.

As at March 31 (in CHF thousand)	2015	2016
<b>Liabilities</b>		
Trade payables	168,186	150,522
Other payables	5,153	4,858
Deferred income/revenues	4,356	5,853
Other financial liabilities	5,422	3,101
Employee benefits	10,804	10,337
Provisions	4,177	6,690
Current income tax payable	650	1,435
<b>Current liabilities</b>	<b>198,748</b>	<b>182,796</b>
Other financial liabilities	4,089	601
Employee benefits	11,590	16,817
Provisions	5,626	5,604
Deferred tax liabilities	441	369
<b>Non-current liabilities</b>	<b>21,746</b>	<b>23,391</b>
<b>Total liabilities</b>	<b>220,494</b>	<b>206,187</b>
<b>Equity</b>		
Share capital	40,000	40,000
Hedging reserves	(1,488)	205
Retained earnings	143	3,928
<b>Total equity attributable to the shareholder of the Company</b>	<b>38,655</b>	<b>44,133</b>
<b>Total liabilities and equity</b>	<b>259,149</b>	<b>250,320</b>

\*The consolidated figures stated herein refer to Hitachi Zosen Inova AG according to IFRS standards and were audited as such by KPMG AG.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

(in CHF thousand)	2015 (12 months)	2016 (12 months)
<b>Net revenues</b>	<b>530,797</b>	<b>501,872</b>
Cost of materials and services purchased	(409,513)	(383,600)
Personnel expenses	(66,488)	(80,134)
Other operating expenses	(28,379)	(33,173)
Other operating income	2,435	6,850
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>28,852</b>	<b>11,815</b>
Depreciation and amortization	(2,509)	(3,729)
<b>Operating profit (EBIT)</b>	<b>26,343</b>	<b>8,086</b>
Finance income	497	4,061
Finance costs	(18,301)	(2,631)
<b>Profit before income tax</b>	<b>8,539</b>	<b>9,516</b>
Income tax	(1,833)	(1,767)
<b>Profit for the period attributable to the shareholder of the Company</b>	<b>6,706</b>	<b>7,749</b>
<b>Other comprehensive income</b>		
Effective portion of changes in fair value of cash flow hedges	(85)	982
Net change in fair value of cash flow hedges reclassified to profit or loss	(1,633)	1,161
Foreign currency translation difference	(51)	(104)
Income tax	361	(450)
<b>Items that are or may be reclassified to profit or loss</b>	<b>(1,408)</b>	<b>1,589</b>
Remeasurements of defined benefit liability (asset)	(14,971)	(4,891)
Income tax	3,131	1,031
<b>Items that will never be reclassified to profit or loss</b>	<b>(11,840)</b>	<b>(3,860)</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>(13,248)</b>	<b>(2,271)</b>
<b>Total comprehensive income for the period attributable to the shareholder of the Company</b>	<b>(6,542)</b>	<b>5,478</b>

## Consolidated Statement of Changes in Equity

(in CHF thousand)	Share capital	Hedging reserve	Retained earnings	Equity
<b>Balance as at April 1, 2014</b>	40,000	(131)	5,328	45,197
Profit for the year			6,706	6,706
<b>Other comprehensive income</b>				
Effective portion of changes in fair value of cash flow hedges		(85)		(85)
Net change in fair value of cash flow hedges reclassified to profit or loss		(1,633)		(1,633)
Remeasurements of defined benefit liability (asset)			(14,971)	(14,971)
Foreign currency translation difference			(51)	(51)
Income tax on other comprehensive income		361	3,131	3,492
<b>Total other comprehensive income</b>		<b>(1,357)</b>	<b>(11,891)</b>	<b>(13,248)</b>
<b>Total comprehensive income for the year</b>		<b>(1,357)</b>	<b>(5,185)</b>	<b>(6,542)</b>
<b>Balance as at March 31, 2015</b>	<b>40,000</b>	<b>(1,488)</b>	<b>143</b>	<b>38,655</b>
Profit for the year			7,749	7,749
<b>Other comprehensive income</b>				
Effective portion of changes in fair value of cash flow hedges		982		982
Net change in fair value of cash flow hedges reclassified to profit or loss		1,161		1,161
Defined benefit plan actuarial gains (losses)			(4,891)	(4,891)
FX effect			(104)	(104)
Income tax on other comprehensive income		(450)	1,031	581
<b>Total other comprehensive income</b>		<b>1,693</b>	<b>(3,964)</b>	<b>(2,271)</b>
<b>Total comprehensive income for the year</b>		<b>1,693</b>	<b>3,785</b>	<b>5,478</b>
<b>Balance as at March 31, 2016</b>	<b>40,000</b>	<b>205</b>	<b>3,928</b>	<b>44,133</b>

## Consolidated Statement of Cash Flows

(in CHF thousand)	2015 <small>(12 months)</small>	2016 <small>(12 months)</small>
Profit before tax	8,539	9,516
Adjustment for net finance (income) costs	(343)	(92)
Adjustment for depreciation and amortization	2,509	3,729
Adjustment for non-cash items	(1,721)	(1,525)
Adjustment for exchange differences	14,436	(3,352)
Changes in inventories	(165)	(2,450)
Changes in trade/other accounts receivables	(55,542)	(15,505)
Changes in trade/other accounts payables	34,170	(17,426)
Changes in employee benefits	5,354	(265)
Changes in provisions	570	2,491
Interest received	434	238
Interest paid	(63)	(147)
Income taxes paid	(234)	(111)
<b>Cash flows from operating activities</b>	<b>7,944</b>	<b>(24,899)</b>
Acquisition of property, plant and equipment	(903)	(1,011)
Acquisition of intangible assets	(2,582)	(1,327)
Acquisition of businesses, net of cash acquired	(9,227)	367
Acquisition of shares		(1,084)
Repayment of loans		5,449
Payment (repayment) of cash collaterals	12,120	(47)
Repayment (purchase) of term money	6,031	
<b>Cash flows from investing activities</b>	<b>5,439</b>	<b>2,347</b>
Finance lease	(502)	(696)
<b>Cash flows from financing activities</b>	<b>(502)</b>	<b>(696)</b>
<b>Net increase in cash and cash equivalents</b>	<b>12,881</b>	<b>(23,248)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>107,861</b>	<b>107,125</b>
Changes in cash and cash equivalents	12,881	(23,248)
Effects of changes in foreign exchange rates on cash held	(13,617)	3,101
<b>Cash and cash equivalents at the end of the period</b>	<b>107,125</b>	<b>86,978</b>





Waste is our Energy.  
Engineering is our Business.  
Sustainable Solutions are our Mission.

The image shows a large industrial facility, likely a factory or processing plant. The scene is dominated by a complex network of blue-painted metal structures, including beams, ladders, and walkways. Numerous large, horizontal pipes run across the space, some supported by brackets. The lighting is bright and even, highlighting the metallic surfaces and the intricate layout of the machinery. The overall atmosphere is one of a modern, well-maintained industrial environment.

# Hitachi Zosen INOVA

Hitachi Zosen Inova AG | Hardturmstrasse 127 | P.O. Box 680 | 8037 Zurich | Switzerland  
Phone +41 44 277 11 11 | Fax +41 44 277 13 13 | [info@hz-inova.com](mailto:info@hz-inova.com) | [www.hz-inova.com](http://www.hz-inova.com)