


THE BUSINESS YEAR

2007
2008

ENERGIEAG
Oberösterreich

Full of Energy

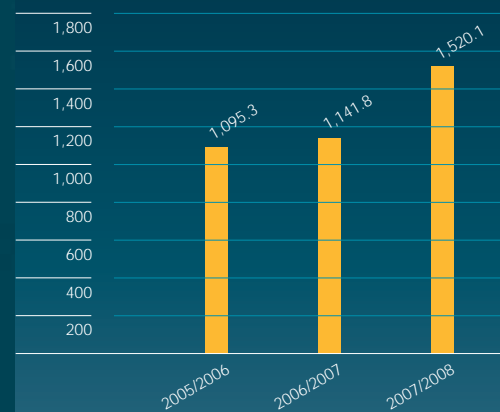


**A Year
full of
Energy**

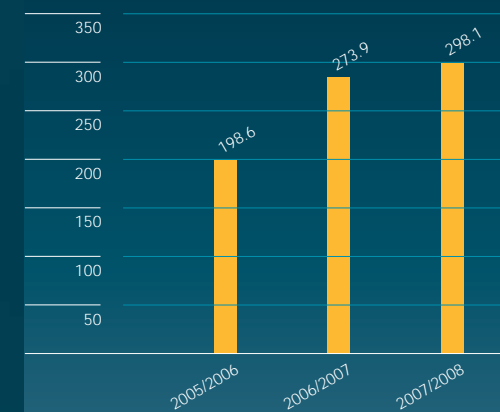
Energie AG at a Glance

	in	2007/2008	Change	2006/2007	2005/2006
Sales					
Energy Segment	EUR mill.	1,116.1	36.2%	819.6	831.0
Waste Management Segment	EUR mill.	323.8	26.9%	255.2	207.1
Water Segment	EUR mill.	80.2	19.7%	67.0	57.2
Group Sales	EUR mill.	1,520.1	33.1%	1,141.8	1,095.3
Result					
EBITDA	EUR mill.	298.1	8.8%	273.9	198.6
EBITDA margin	%	19.6	- 18.2%	24.0	18.1
Result of operations (EBIT)	EUR mill.	163.7	2.1%	160.4	94.1
EBIT margin	%	10.8	- 23.3%	14.0	8.6
Result before taxes	EUR mill.	143.3	- 4.2%	149.6	85.3
Consolidated net profit	EUR mill.	116.4	1.3%	114.9	68.4
Result per share					
Result per share	EUR	1.416	- 1.4%	1.436	0.855
Dividend per share	EUR	0.600	25.8%	0.477	0.214
Balance sheet					
Balance sheet total	EUR mill.	3,693.9	34.4%	2,748.7	2,475.0
Equity	EUR mill.	1,357.9	42.0%	956.1	828.0
Equity ratio	%	36.8	5.7%	34.8	33.5
Net debt	EUR mill.	627.1	34.5%	466.3	605.1
Net gearing	%	46.2	- 5.3%	48.8	73.1
Cash-flow from operating activities					
	EUR mill.	244.4	- 21.5%	311.5	168.1
Rate of return					
ROCE	%	9.22	- 12.2%	10.5	6.9
ROCE adjusted	%	7.75	10.7%	7.0	6.9
Staff (average)					
Energy Segment	FTE	1,933	4.9%	1,842	1,797
Waste Management Segment	FTE	2,695	23.1%	2,190	1,814
Water Segment	FTE	1,125	- 6.0%	1,197	1,179
Group	FTE	5,753	10.0%	5,229	4,790

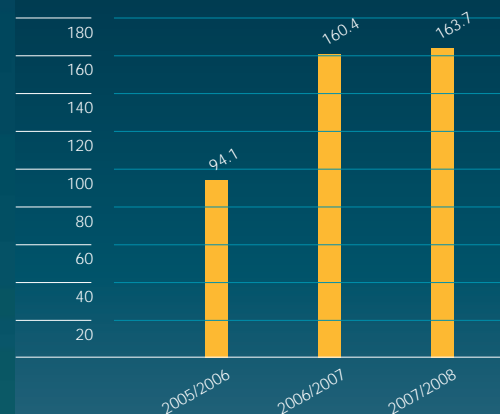
GROUP SALES IN EUR MILL.



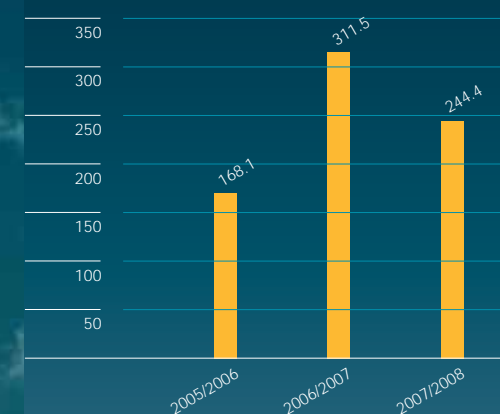
EBITDA IN EUR MILL.



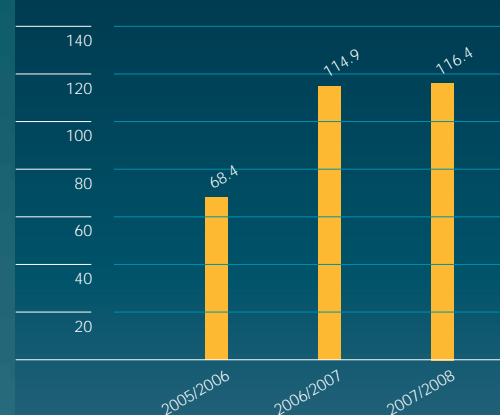
EBIT IN EUR MILL.



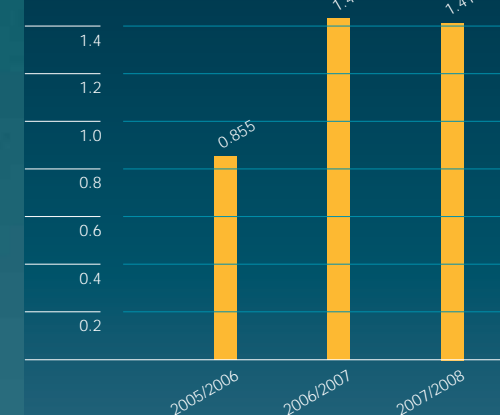
OPERATING CASH-FLOW IN EUR MILL.

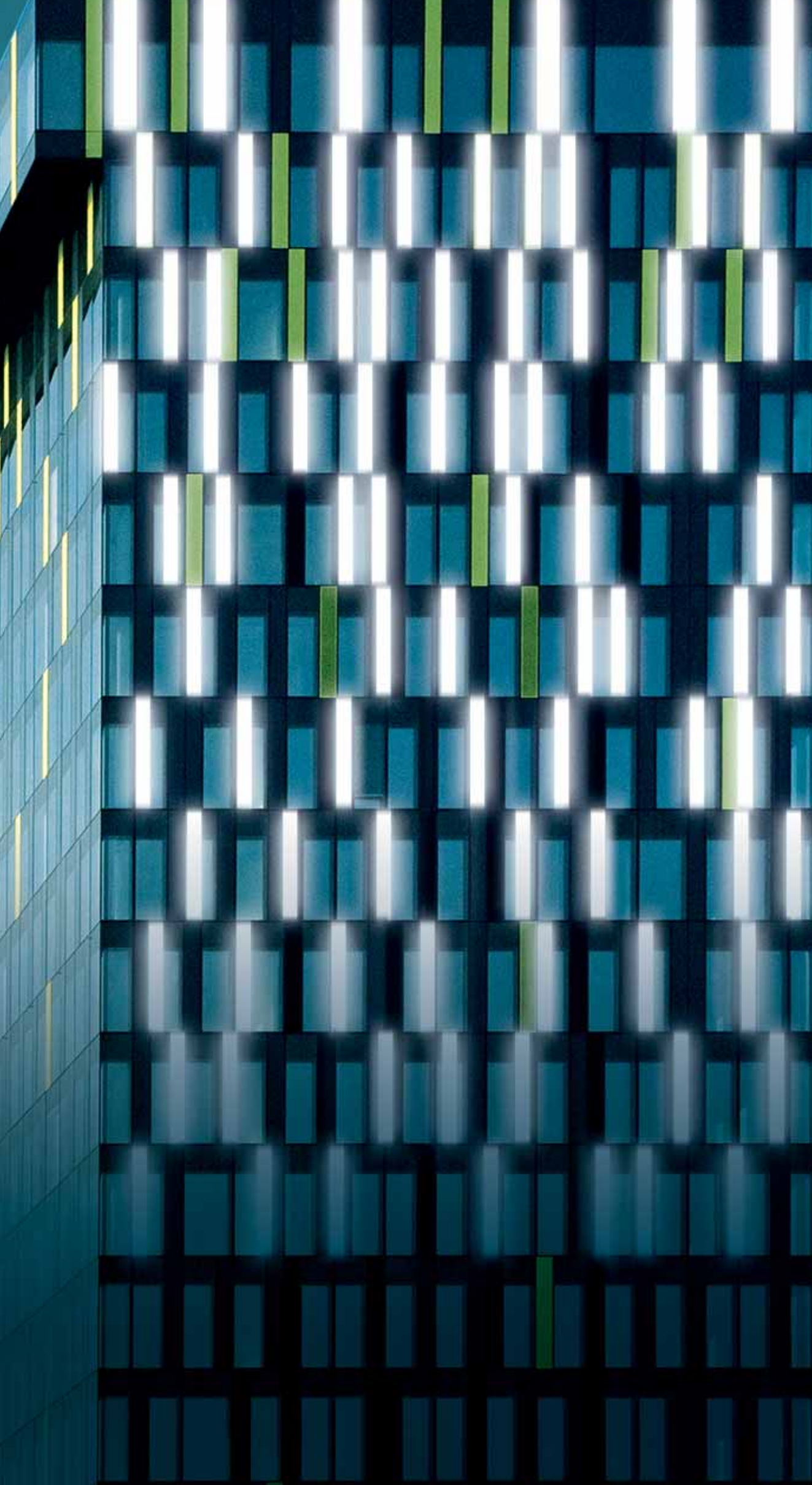


CONSOLIDATED NET PROFIT IN EUR MILL.



RESULT PER SHARE IN EUR





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Positioning

Energie AG is a leading infrastructure group with value-based growth in its core business energy, waste management and water.

Our markets are located in Austria and other countries in Central and Eastern Europe.

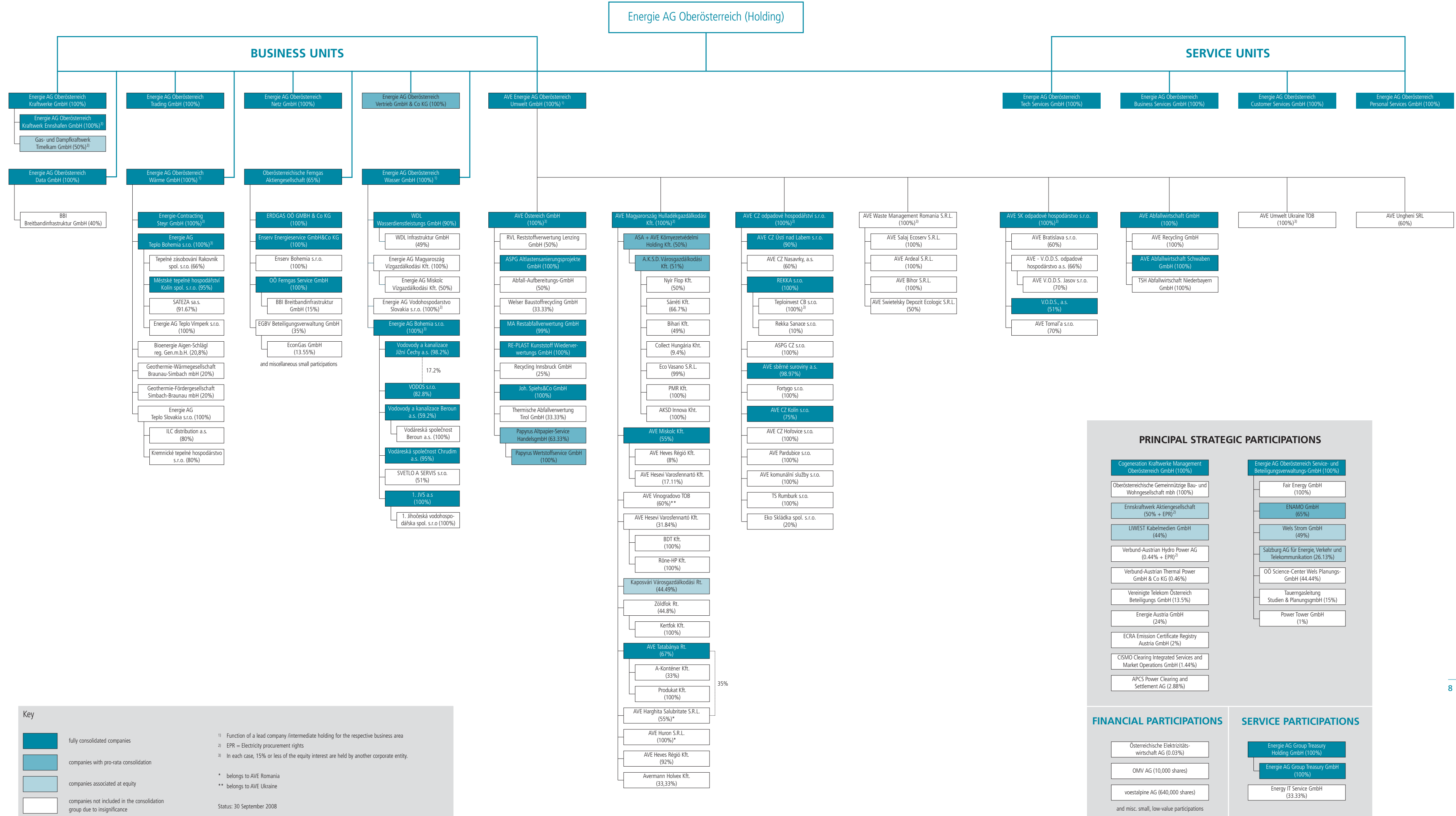
Our goal is to be the market leader or the first challenger. We reach this goal primarily through the high-quality and customer-oriented services which our committed staff members provide.

With innovative, environmentally friendly products and services we enable our customers to have better quality of life, more security and more success.

Our close cooperation within the Group and with our partners is a major potential for our economic success. Value-based management makes us an attractive partner for our shareholders and capital lenders.



Corporate Bodies



BOARD OF MANAGEMENT

Leo Windtner, CEO, Chairman of the Board of Management
Werner Steinecker, Member of the Board of Management
Roland Pumberger, Member of the Board of Management

SUPERVISORY BOARD

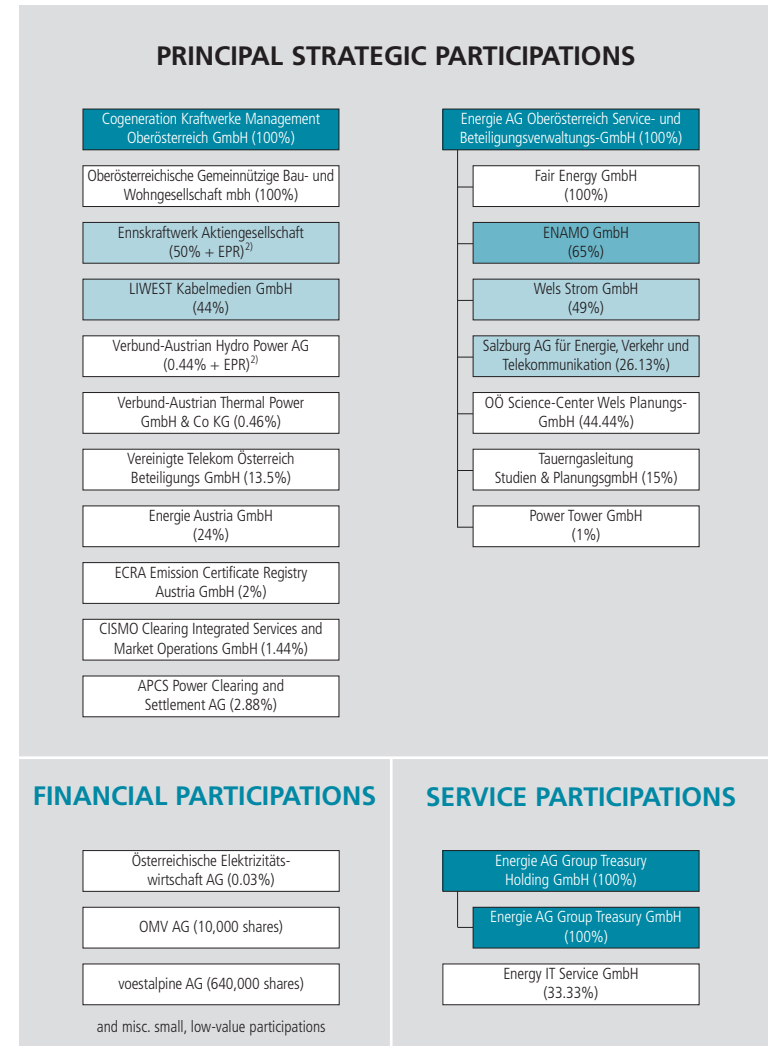
Shareholders Representatives

Gerhard Falch, CEO, Austria Metall Aktiengesellschaft (Chairman)
Erich Haider, Deputy Governor (First Deputy Chairman)
Ludwig Scharinger, CEO, Raiffeisenlandesbank Oberösterreich AG (Second Deputy Chairman)

Alois Froschauer, CEO, Linz AG für Energie, Telekommunikation, Verkehr und Kommunale Dienste
Franz Gasselsberger, CEO, Oberbank AG
Anna Maria Hochhauser, Secretary General, Austrian Federal Economic Chamber
Michaela Kepplinger-Mitterlehner, Member of Managing Board, Raiffeisenlandesbank Oberösterreich AG
Manfred Klicnik, Attorney-at-Law
Ruperta Lichtenecker, Member of the National Council
Manfred Polzer, Deputy Director of the Chamber of Labor of Upper Austria
Viktor Sigl, Senator
Bruno Wallnöfer, Chairman of the Managing Board, TIWAG-Tiroler Wasserkraft AG

Works Council Representatives

Manfred Harringer, Works Council Member
Isidor Hofbauer, Deputy Chairman of Works Council
Gottfried Laherstorfer, Chairman of Works Council
Peter Neißl, Works Council Member
Bernhard Steiner, Works Council Member
Christian Strobl, Works Council Member





The Power Tower

The Power Tower is a unique reference project concerning energy efficiency and sustainable energy utilization. The new corporate head office of Energie AG is the first high-rise office building in the world with passive-house character, based on an innovative energy design. The building combines well-established technologies and innovative applications. With the Power Tower, with its highly efficient climate technology, the Group positions itself as a leader in matters of energy saving.

This year's business report pays full tribute to the Power Tower and its trend-setting global philosophy.

The Strategy of the Energie AG Group

FROM REGIONAL ELECTRICITY COMPANY TO INTERNATIONAL MULTI-UTILITY GROUP

Within a few years, Energie AG has developed from a regional electricity company to an international multi-utility group. In this context, Energie AG is pursuing a consistent, value-based growth strategy which serves the goal of being a leading supplier of infrastructure services in Austria and other countries of Central and Eastern Europe in its core business segments, i.e. energy, waste management and water. Holding or strengthening the market-leader position, or that of a first challenger, in the market areas established by the Group is an essential goal for all business areas.

SUSTAINABLE AND RELIABLE SUPPLIES OF ELECTRICITY

One major strategic thrust in the core business "energy" is to secure a sustainable and reliable supply of electricity in Upper Austria and the adjacent regions of the neighboring provinces of Austria.

INCREASING THE RATE OF OWN ELECTRICITY GENERATION

In the field of electricity procurement, the Group pursues an optimization strategy concerning its procurement portfolio. This comprises the overall volume of electricity procured by the Group, as well as the mix of own generation, procurement rights and third-party sources, which need to be optimized in the long term with regard to their future reliability and profitability.

The projects and measures of the generation business area therefore focus on the strategic direction of increasing our own generation by investments into the power-plant sector. By putting the biggest power plant of Energie AG into operation, which is the 400 MW combined-cycle gas turbine at Timelkam, the Group's level of own coverage was raised to about 70%. Further strategic measures are to optimize the existing thermal power plants and to utilize additional hydro-power potentials, as well as to secure and to further develop options for locations of future power-plant projects.

RELIABLE SUPPLIES AND STABLE PROFITABILITY OF THE DISTRIBUTION BUSINESS

The basic strategy of the distribution business area is to provide an electricity distribution system which ensures a high quality of supplies on a sustainable basis. In particular, the impact of meteorological events on grid operations is to be reduced in the coming years. The underlying condition for this quality-related goal is to reach the maximum value added possible, generating at least the return on investment admitted by E-Control, the regulatory authority. By applying a consistent cost management, the Group is pursuing the long-term goal of obtaining benchmark leadership in the peer group of Austrian distribution operators.

INNOVATIVE DEVELOPMENTS IN METERING AND TELECOMMUNICATION SERVICES

In the field of metering, a fully electronic electricity metering system with remote control and reading features, which can also be extended to measuring other consumption sources, is being implemented in the form of AMIS (automatic metering and information system).

The Group offers cost-optimized telecommunication services both internally and externally, serving as telecom carrier for Internet service providers, telecom enterprises and multi-site customers. Together with partners, an optical fiber network is being expanded to cover all of Upper Austria. This is the most important step in implementing the development strategy in this field.

QUALITY SUPPLY TO OUR ELECTRICITY CUSTOMERS

ENAMO, a joint-venture company of Energie AG and LINZ AG, is basically guided by a quality strategy under the slogan of "First Class Energy". The consistent and customer-oriented implementation of the statutory efficiency targets and the expansion of the additional services are proof of the high level of competency in energy efficiency and innovation.

In addition to strengthening its Number 2 position on the Austrian market, the company is expanding its market to the neighboring countries in order to secure sales volumes.

STEPPING UP THE SHARE OF THE NATURAL-GAS BUSINESS

During the 2007/2008 business year, Energie AG stepped up its involvement in the natural-gas business by taking over the majority of shares in OÖ. Ferngas AG, which made it the Number 1 in natural gas in Upper Austria. By increasing the investment in the natural-gas sector, the Group supports its strategic considerations which aim at a growing use of natural gas, a primary energy source, in the future.

The strategy of OÖ. Ferngas AG focuses on the further expansion of the existing natural-gas network in a separate network company, recognizing the costs of the regulatory model. The supply activities are geared to securing the domestic market in Upper Austria, to expanding the market share in Regulatory Zone East, to entering the German market, and to increasing the number of natural-gas filling stations.

In early 2008, Energie AG acquired a 15% stake in Tauerngasstudien- und Planungsgesellschaft m.b.H. This company is carrying out a feasibility study, with EU sponsorship, concerning a natural-gas pipeline from the border between Germany and Upper Austria through Salzburg and Carinthia to Italy and Slovenia, the neighboring countries to the south. With the construction of the Tauern gas pipeline, the Austrian energy market would achieve a higher level of security for its supplies, as additional transport capacities and/or new gas supply sources would become available.

UTILIZING PROFITABLE GROWTH POTENTIAL IN THE HEATING MARKET

The business area heating pursues the strategy of utilizing any available profitable growth potential in the field of district and process heating, both in Upper Austria and in the neighboring regions of Austria and abroad. The following measures are being pursued: expanding and intensifying the Group's own distri-

bution facilities, implementing new projects and acquisitions, and subsequently optimizing existing district-heating systems. Industrial and commercial customers are being offered cooperation models with regard to heating and electricity products from heat-driven combined-cycle power stations. In order to raise competitiveness, the heating business area works on an ongoing basis to increase profitability by a consistent cost management, by optimizing the organization and by using additional synergies in the Group.

When the stake in OÖ. Ferngas AG was increased, Cogeneration Kraftwerke-Management OÖ. GmbH was taken over completely, where Energie AG had previously held a share of 50%. As a result, the Energie AG Group has become one of the biggest heating suppliers in Austria.

POSITIONED AS A LEADING WASTE- MANAGEMENT COMPANY IN CEE

With AVE as its brand name, the Waste Management Segment, which is a fully integrated company that has its own processing plants, is becoming established in the top league of Europe's waste-management industry. AVE thereby follows the trend towards setting up powerful international waste-management companies in Europe.

The Waste Management Segment is making good use of a unique growth potential resulting from privatization projects, higher environmental standards and other current challenges in the countries of Central and Eastern Europe to implement its communicated expansion strategy. In this context, AVE's strategy is to operate on all waste-management levels where added value is generated, as well as to offer customers a full range of services.

The growth strategy is implemented by way of acquisitions, organic growth and utilizing cost and market synergies. A clear and lean organizational structure supports this course of action, as well as the integration of numerous companies that were acquired in the last few years and will be purchased in the future.

Once again, the market covered was expanded. In addition to Austria, it now also comprises southern

Energy Efficiency

Bavaria, the Czech Republic, Hungary, Slovakia, Romania, the border regions of Ukraine and – since the 2007/2008 business year – a first cooperation with Moldova.

On the basis of a fundamental strategy of consistent value-based growth, specific country strategies are being pursued: strengthening market leadership in Austria and Hungary by further market penetration, as well as improving the competitive situation in the Czech Republic. In neighboring Bavaria, in Slovakia, Romania, western Ukraine and Moldova, activities are being expanded further by acquisitions and organic growth.

GROWTH IN THE WATER MARKET WITH LONG-TERM AND STABLE PROFITABILITY

The Water Segment pursues a value-based growth strategy in order to secure a significant long-term contribution to the result of the Energie AG Group. The development is based on business models that, as a matter of principle, are based on long-term agreements and thus have a low risk exposure. Growth is achieved by expanding activities throughout Austria's national territory, as well as by participating in privatization projects in the Czech Republic, Slovakia and Hungary.

Moreover, further development potential is currently being explored in the countries of Central and Eastern Europe.

After the successful acquisition of an important water-supply company in the Czech Republic, we succeeded in obtaining clear market leadership in southern Bohemia and thus in becoming Number 3 on the global Czech market. In addition to further acquisitions and organic growth, the focus is now on optimizing costs and organizational structures through integration and restructuring, as well as by way of synergies in this business area.

VALUE MANAGEMENT – THE PRINCIPLE FOR ALL ACTIONS

With its clear strategic growth plan, based on a systematic value management, as well as an appropriate corporate culture and corporate identity, the Energie AG Group is excellently equipped for the company's future development. The implementation of the formulated strategy is supported in organizational terms by a clear corporate structure, which is controlled by the holding company, as well as by service units with optimized cost structures, which makes it possible to focus on the core competencies.

Energie AG, which is one of the leading energy-supplying companies when it comes to energy efficiency, promotes a sustainable development by way of numerous climate-protection projects.

2008 was a key year for energy policy, and Austria's energy industry is on the threshold of far-reaching changes and new challenges, triggered by the debate on climate protection, volatile primary-material prices and changes in customer behavior. The result is a new way of addressing the key energy-policy issues, which affects all parties involved – producers, distribution network operators, industry and key accounts, private consumers and politics, both on the national and the EU level.

Energy-efficient action is the key to solving the many different and interlinked problems of energy policies and the energy industry. The goal is to generate growing energy services, while reducing the energy input at the same time. A maximum of energy efficiency can only be achieved by continuous further developments and visionary thinking. What is needed is to take courageous decisions for the years to come.

ANSWERS TO ENERGY POLICY CHALLENGES

The challenges facing a sustainable energy policy are by no means insoluble. The top priority is a coordinated approach by the energy industry and politicians, as well as customers and consumers. The common goal is to start the necessary change by a focused program of measures that target the challenges facing energy policy.

- **Protecting the climate and emissions:**

One of the greatest challenges of the coming decade is to reduce greenhouse gases. This requires a new way of thinking in almost all aspects of life.

- **Energy consumption and economic growth:**

The shift in energy consumption to electricity as an energy source will bring a lasting change to the structure of energy supplies in Austria in the near future. Both in Austria and in the EU, the task of the coming years will be to continue to break the linkage between economic growth and energy consumption.

- **Security of supplies:**

In industrialized countries, the complex interaction of the economy, transport and communications, extending to everyday life in villages and towns is unthinkable without security of energy supplies. In all considerations concerning the future of the energy industry, reliable supplies must be a top priority. This comprises efficient use, just as much as intelligent supplies and far-reaching investments into production and distribution facilities.

- **Volatile raw-material prices:**

As a result of the industrialization of big national economies (China, India), oil prices have been rising for decades. The attractiveness of alternative energy sources is therefore growing, not only with a view to protecting the climate, but also against the background of price stability and cost-effectiveness.

- **Changes in consumer behavior:**

A large part of Austria's population sees the conservative use of energy as a special concern. This is also reflected in their consumer behavior: using public transport, taking account of energy issues when building single-family homes, selecting the right type of heating devices, or using household appliances conscientiously. Nevertheless, the electricity demands of private households continue to rise.

Politicians play a central role in solving the problems at hand. What is needed is a visionary energy policy. The fact that, by international comparisons, the elec-

tricity sector in Austria has a favorable infrastructure – a large share of hydro power, favorable production costs and high-performance distribution networks – is the result of farsighted political and entrepreneurial decisions in the fifties and sixties.

Today, decisions need to be taken for the coming years.

This includes:

Shorter approval procedures for projects to build new power plants and distribution networks;

Building regulations and housing-construction grants that aim at a conservative use of energy and the refurbishing of residential and office buildings according to the state of the art;

A tariff policy that promotes competition, while providing incentives for investments at the same time;

Research priorities to develop further know-how for energy efficiency;

Incentives for consumers to use energy efficiently.

ENERGIE AG ASSUMES A MODEL ROLE

The energy check of Energie AG is one example of a living partnership of solidarity in energy policy. The energy supplier makes its know-how available to consumers so that they can check their specific daily energy consumption and identify potentials for savings. Easy-to-follow instructions help consumers to establish the consumption figures of their appliances. Energy sensors, i.e. small measuring instruments that track down any excessive consumption and its possible causes, facilitate implementation. At the end, consumers get a package of recommendations and simple ad-hoc measures.

16 Furthermore, Energie AG is one of the leading companies in the field of alternative energy sources. Projects such as the solar energy power plant on Loser Mountain at Bad Aussee, research into the application of fuel cells, the heat-pump campaign and, in particular, the Group's competence in hydro power plants have received international recognition. In the last five years, for example, almost a dozen eco-electricity power plants were upgraded in their energy efficiency or newly built. Two further hydro power stations (Stadl-Paura and Bad Goisern) are currently in the planning stage.

INTELLIGENT USE OF ENERGY

Two aspects of energy efficiency are especially highlighted below:

1. **Comprehensive upgrading of all systems** with intelligent electronics to optimize all processes involved in production, transport and consumption. One of the priority tasks in this context is to upgrade the electricity grids, turning them into intelligent networks, which will reduce energy consumption and help consumers to use their electricity efficiently. An important step in this direction is the completed roll-out of interactive AMIS meters.
2. The ever growing **substitution of other energy types** by electricity. For example, using heat pumps offers major efficiency effects in the overall energy balance; yet, they consume more electricity. Switching private transport to hybrid and electric cars also results in more electricity consumption. However, as these driving systems have a high performance rate, savings are achieved in the overall system.

ENERGY COUNSELING – THE OPENING OF A NEW MARKET

At present, consumers receive gratuitous information and advice on the proper use of energy from the counseling services of energy suppliers or from companies that produce heating systems and/or household appliances. The advice is an additional gratuitous benefit for consumers. However, the focus is never on this service, as an independently paid service.

Market-economic incentives should be offered in order to optimally deploy the available expertise on the efficient use of energy. The economic and efficient use of energy must be rewarded even more by offering a range of paid commercial energy counseling services.

Further obstacles to achieving more energy efficiency are the long-term nature of major investments and their long amortization periods. Risks in relation with cost developments must be cushioned, and innovative types of financing must be accessible more easily. Moreover, the causes of an unnecessarily high energy consumption in residential buildings such as non-refurbished office and residential premises, outdated heating and ventilation systems and poor heat insulation and inadequate protection against summer heat

(high energy demand for air-conditioning systems on account of global warming) must be eliminated.

A sustainable climate policy must therefore develop innovative support packages and provide tax incentives to refurbish old houses. The refurbishing processes must be accelerated. The need for investments to enhance energy efficiency must be discussed jointly and, subsequently, innovative support and financing instruments must be developed.

ENERGY EFFICIENCY – CLIMATE PROTECTION WITH FULL ENERGY

With the recently established priorities, Energie AG is moving center stage in Europe and is setting new standards when it comes to energy efficiency and a sustainable development.

We succeeded in implementing the following projects during the year under review:

- **Energie AG Power Tower:** With the completion of the first high-rise office building worldwide that has passive-house character – the Energie AG Power Tower – Energie AG is setting new standards for sustainable and energy-efficient living.
- **Combined-cycle gas turbine power plant at Timelkam:** With the completion of the combined-cycle gas turbine power plant at Timelkam, we built Austria's most modern and most efficient, as well as cleanest combined-cycle gas turbine power plant.

- **Fair Energy GmbH:** By setting up "Fair Energy GmbH" as a subsidiary of the Group, innovative holistic energy programs are being implemented and marketed.

ENERGIE AG POWER TOWER – OUR CORPORATE HEAD OFFICE IS SETTING NEW STANDARDS

As Energie AG has developed from a regional electricity supplier into an infrastructure group with activities throughout Europe, it became necessary to replace the OKA headquarters, which dated back to the 1930's, by new corporate headquarters in the newly developed district around Linz's central railway station. The 19-floor Power Tower was therefore built at this location with its rich tradition. 620 staff members from thirteen subsidiaries of the Group have now been accommodated in a high-quality building with high energy efficiency. We have thus succeeded for the first time in assembling all major corporate entities under one roof.

The 74-meter tall corporate head office marks an important architectural landmark in the vigorously expanding district around Linz's central railway station. The energy design of the Power Tower is a clearly visible milestone demonstrating how the company actively applies energy-efficiency ideas, as well as its sustainability philosophy.

The new corporate head office is not connected to any district-heating system and does not need any



AT THE POWER TOWER, HEAT PUMPS PROVIDE THE ENERGY FOR HEATING AND COOLING FROM THE GROUND. THE CONSISTENT IMPLEMENTATION OF THIS PLAN MARKS A MILESTONE IN THE SUSTAINABILITY PHILOSOPHY OF THE GROUP.

fossil energy source at all. The Power Tower only needs about half the energy of a conventional office building. As a result, the savings amount to some 300 tons of CO₂ emissions per year. Energy is obtained from the ground, the groundwater and the solar power station on the façade of the high-rise office building.

Innovative Building Shell

The multi-functional building façade provides maximum light permeability, while at the same time keeping the thermal input to a minimum. One third of the shell consists of heat-insulating materials, and two thirds are glass. The result is a low thermal demand for heating and a low demand for cooling purposes. By using innovative slatted blinds, the solar input is reduced by 90 per cent. No conventional air-conditioning system is being used. The photo-voltaic system on the south-west façade of the tower provides a significant share of the basic electricity demand. With its surface of 700 m², this solar power station is one of the largest of its kind in Austria. The solar power station produces about 42,000 kWh of electricity per year. This is enough to supply 12 households with electricity for a whole year. This energy is used to operate the in-house heat and well pumps.

Efficient Energy Technology

The technology of the Power Tower is such that it can provide a healthy and pleasant indoor climate. Suspended ceiling panels for cooling with a radiation effect replace heating appliances and an air-conditioning system. The ceiling heating adapts itself to the room temperature in the offices: the ceiling has a cooling or a heating function that is controlled by the intensity of the sunlight outdoors and the persons and appliances indoors. The supply with fresh air is obtained by controlled ventilation of the rooms – the air is changed twice per hour. The system has a low noise level, promotes health and is cost-effective. Two groundwater wells are used to cool the computer center and to operate the fresh-air supply. The entire Power Tower does not need any of the otherwise customary power air-conditioning systems.

Sustainable Energy Generation

The energy for lighting, heating, cooling and ventilation is largely obtained from the sun, the soil and the ground water. 6,900 meters of depth probes and foundation piles bring heating and cooling from a depth of up to 150 m. The heat pumps are also used

as cooling generators. The energy balance thus yields a positive result. 1 kWh of electricity provides about 4 kWh of heating or cooling. During transition periods in spring and fall, no compressors are needed to obtain heating/cooling. During these periods, the energy yield may actually be increased to 1:50.

Energy Meets Art – Energy-Efficient Façade Illumination

The light installation of 700 LED light bands across the façade of the Power Tower has particularly high energy efficiency. This light façade, which is part of the project "Art on Construction Sites", needs 1,400 Watt at full operation, which is not more energy than a household vacuum cleaner needs.

COMBINED-CYCLE GAS TURBINE POWER PLANT AT TIMELKAM – RELIABLE ELECTRICITY SUPPLIES FOR UPPER AUSTRIA

Energie AG has prepared a future-oriented and value-based investment program that primarily builds on strengthening own generation, in order to ensure security of supply for Upper Austria. The new power plant at Timelkam was put into operation during the fourth quarter of 2008.

On account of the biomass power plant, together with a coal-fired power plant, Timelkam is the most important energy location of Energie AG. The 400 MW combined-cycle gas turbine power plant produces its energy from natural gas. With a rate of about 60 per cent, it has the highest efficiency level during standard operation that can currently be realized. The natural gas needed is transported via a pipeline that comes directly from Ferngas OÖ. AG, a subsidiary company. Natural gas is the cleanest material among the fossil energy sources. The most modern flue-gas purification and filter systems ensure the best emission values.

The new combined-cycle gas turbine power plant has an annual production of almost 2,500 GWh, which allows it to meet the electricity demand of 700,000 households. This raises own generation to about 70 per cent. The power plant produces about two thirds less of CO₂ (carbon dioxide) per generated kilowatt hour of electricity, as well as about 85 per cent less NO_x (nitrogen oxide) than a conventional coal-fired power plant. In the medium term, the combined-

cycle gas turbine unit is intended to replace the coal-fired power plant at Timelkam, to be used as a stand-by.

The new power plant is a perfect example of energy efficiency and, at the same time, one of the most important measures to save the climate in Upper Austria, since alternative forms of energy alone do not suffice to meet the growing demand for electricity. Timelkam is thus an important pillar in ensuring reliable electricity supplies in Upper Austria. This is a major step in the direction of gaining independence from electricity imports.

Further goals of the investment program of Energie AG are to expand hydro power, as well as to promote innovative options to generate electricity.

FAIR ENERGY GMBH – KNOW-HOW FOR EUROPE

Energie AG is one of the first energy supply companies in Europe that has bundled its energy-efficiency measures in a 100% subsidiary company, i.e. "Fair Energy GmbH". With this company, Energie AG is strengthening its leading role as a company with energy-efficiency competencies. In the years to come, know-how concerning energy efficiency will be in great demand. This applies especially to the fields of construction and mobility. This is precisely the point where Fair Energy GmbH steps in, using the effect of being the first mover.

The goal is to strengthen final energy efficiency, i.e. to build up a network between customers and skilled craftsmen. Implementation of the energy-efficiency directives is supported by tools and training in building certification, counseling and refurbishing. It is estimated that 150 million buildings in Europe – of which 1.5 million are located in Austria – will have to be upgraded with respect to energy technology in the next years.

An important step was the take-over of 40% in IfEA GmbH in June 2008. Fair Energy is thus in a position to offer building certification as a product throughout Europe, for single-family houses, multi-storey buildings, both for commercial and industrial large-scale projects. Moreover, IfEA offers instruments to optimize energy consumption and to determine energy quality.

Another line of business of the start-up company will be to prepare energy programs for medium-sized industrial and business enterprises. By acquiring companies and participating in projects in the field of innovative energy technologies, Energie AG wants to build up an additional pillar. Current plans are to get access to the upstream generating industry such as the photo-voltaic sector.

With the implementation of numerous projects and ideas, Energie AG is making an essential contribution towards a sustainable development in Austria, and – already today – it is assuming the responsibility for tomorrow's society.



THE COMBINED-CYCLE GAS TURBINE POWER PLANT IS THE BIGGEST ENERGY-EFFICIENCY MEASURE IN THE HISTORY OF UPPER AUSTRIA. CO₂ EMISSIONS PER GENERATED KILOWATT HOUR ARE REDUCED BY 66 PER CENT AND NO_x EMISSIONS BY ALMOST 90 PER CENT.

Statement by the Board of Management



ROLAND PUMBERGER,
MEMBER OF THE BOARD
OF MANAGEMENT

LEO WINDTNER,
CHAIRMAN OF THE BOARD
OF MANAGEMENT

WERNER STEINECKER,
MEMBER OF THE BOARD
OF MANAGEMENT

The 2007/2008 business year has been a year for the Energie AG Group in which decisive and long-lasting events took place. First and foremost, it was possible to bring the ten-year discussion concerning our ownership structure to a successful conclusion for the company and the majority stakeholder, the province of Upper Austria, with a private placement in the summer of 2008. The private placement also provided the company a capital increase which supports important investments into infrastructure projects, as well as the further pursuit of the successful growth and internationalization course.

In addition to this decision concerning ownership structure, which is of major importance for the company, the completion of the Power Tower is certainly the most visible sign of the development of the company

during the year under review. In early September, staff members were able to move into the new corporate head office at the Böhmerwaldstrasse location in Linz, which is steeped in tradition. More than 620 workstations of the various corporate entities can be accommodated under one common roof. The activities of the Group in currently eight European countries are controlled from the Power Tower.

The Power Tower is more than just a workplace for the staff members of Energie AG. With its construction, the company has realized today the technologies of tomorrow, while – at the same time – building a striking monument in the urban landscape and to energy technology. It proves that energy efficiency is not merely a vision but a practical, manageable reality.

While in the past, the Energie AG Group consisted of the business areas electricity, heating, waste management and water, another historic milestone was built during the 2007/2008 business year. By taking over the majority share of OÖ. Ferngas AG, Energie AG succeeded in obtaining the lead on the natural-gas market of Upper Austria. It thus succeeded in further strengthening and expanding its position as the leading infrastructure group in Upper Austria.

The stronger commitment in the field of natural gas was assumed against the background of building the new 400 MW combined-cycle gas turbine power plant at Timelkam, which is a production site of Energie AG that is rich in tradition. With this power plant, the electricity generation portfolio of the Group has obtained a new structure, which considerably increases the rate of own electricity generation, as well as the reliability of supplies, while reducing the dependence upon fluctuations on the electricity market. The power plant serves as proof that with this new technology one can generate the electricity – in a manner that protects the climate and is cost-efficient – which is needed in a dynamically growing economic region such as Upper Austria. With an investment sum of about EUR 200 million, the combined-cycle gas turbine power plant at Timelkam is the largest investment into energy efficiency in the history of Upper Austria.

During the 2007/2008 business year, the Group's subsidiary AVE successfully continued its growth strategy in the waste-management segment.

With the acquisition of the waste-paper group of Mayr-Melnhof in the spring of 2008, AVE became the biggest waste-paper management operator in Austria. By processing 430,000 tons of waste paper per year, AVE increased its market share in this business area to 26 per cent.

In September 2008 the pelletizing plant at Wels was taken into operation, which further strengthens the position of AVE as a fully integrated waste-management company. The pellets from high-caloric waste materials are supplied to an industrial partner as substitute fuel.

Towards the end of the expired business year, we were able to acquire 1.JVS a.s., located at České Budějovice in southern Bohemia, for the water segment, which marked one further major growth step. By taking over this company, we were able to increase

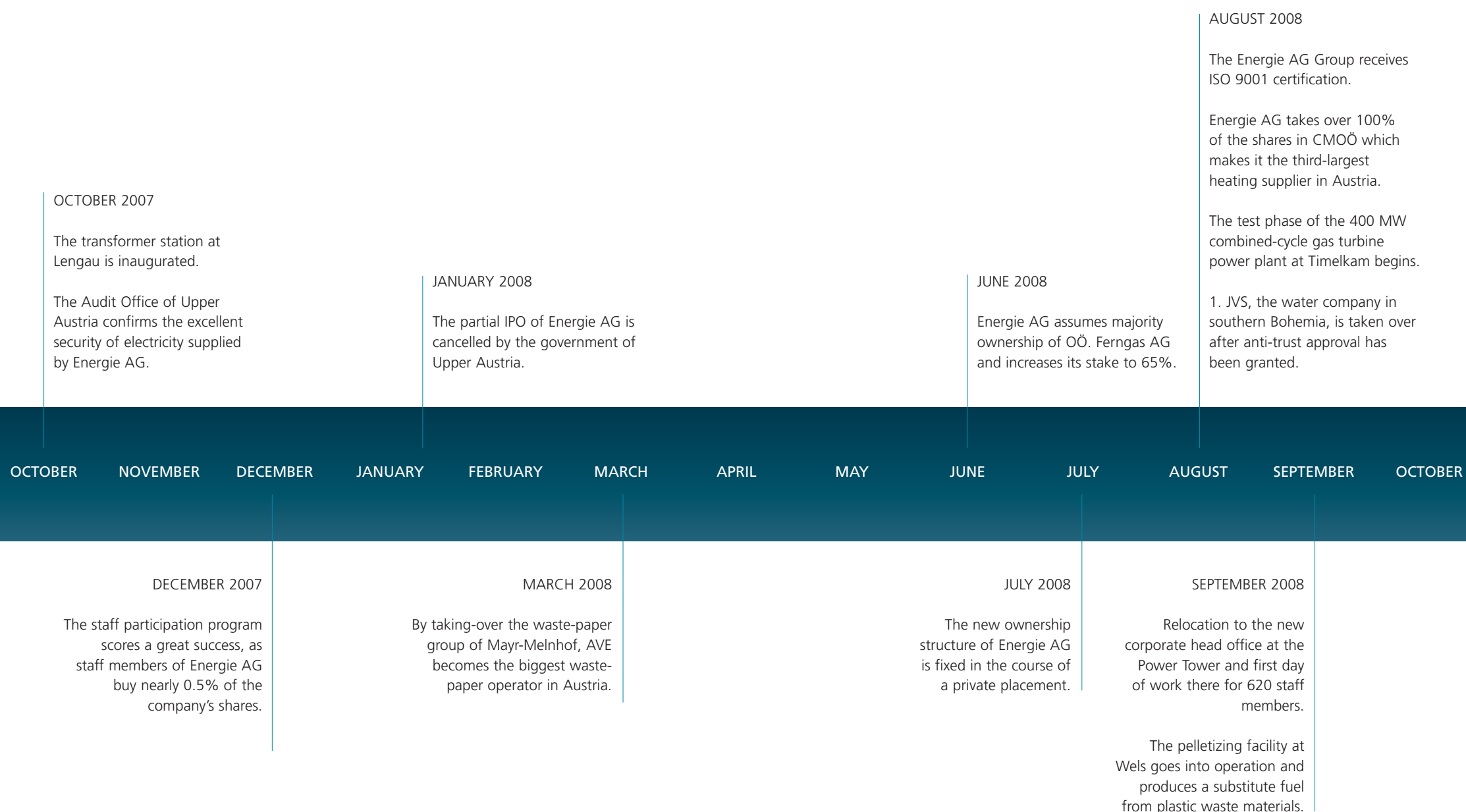
the number of inhabitants supplied with drinking water by more than 30 per cent to the current level of 930,000.

When considering the main events of the expired business year, it is therefore not without pride that we present the financial statements for the 2007/2008 business year. In spite of increasingly tougher overall conditions, both from the perspective of competition and the perspective of legal framework conditions, as well as against the background of the worldwide financial crisis, Energie AG succeeded not only in reaching its objective concerning expansion of sales, but also in presenting figures and results that are in line with our value-based growth strategy. An EBIT of EUR 163.7 million and sales of EUR 1.5 billion speak a clear language.

It is with a look back upon the expired business year, focusing on the special highlights of the year, the completed major projects and the good results, that the Board of Management expresses its thanks to all staff members for their work and commitment which helped achieve this performance. It is with a good conscience that we can say that the business year was an excellent year for the Group. We will continue to work energetically to reach the corporate targets which we have set ourselves for 2008/2009.

Leo Windtner
Chairman of the Board of Management

The Highlights of the 2007/2008 Business Year

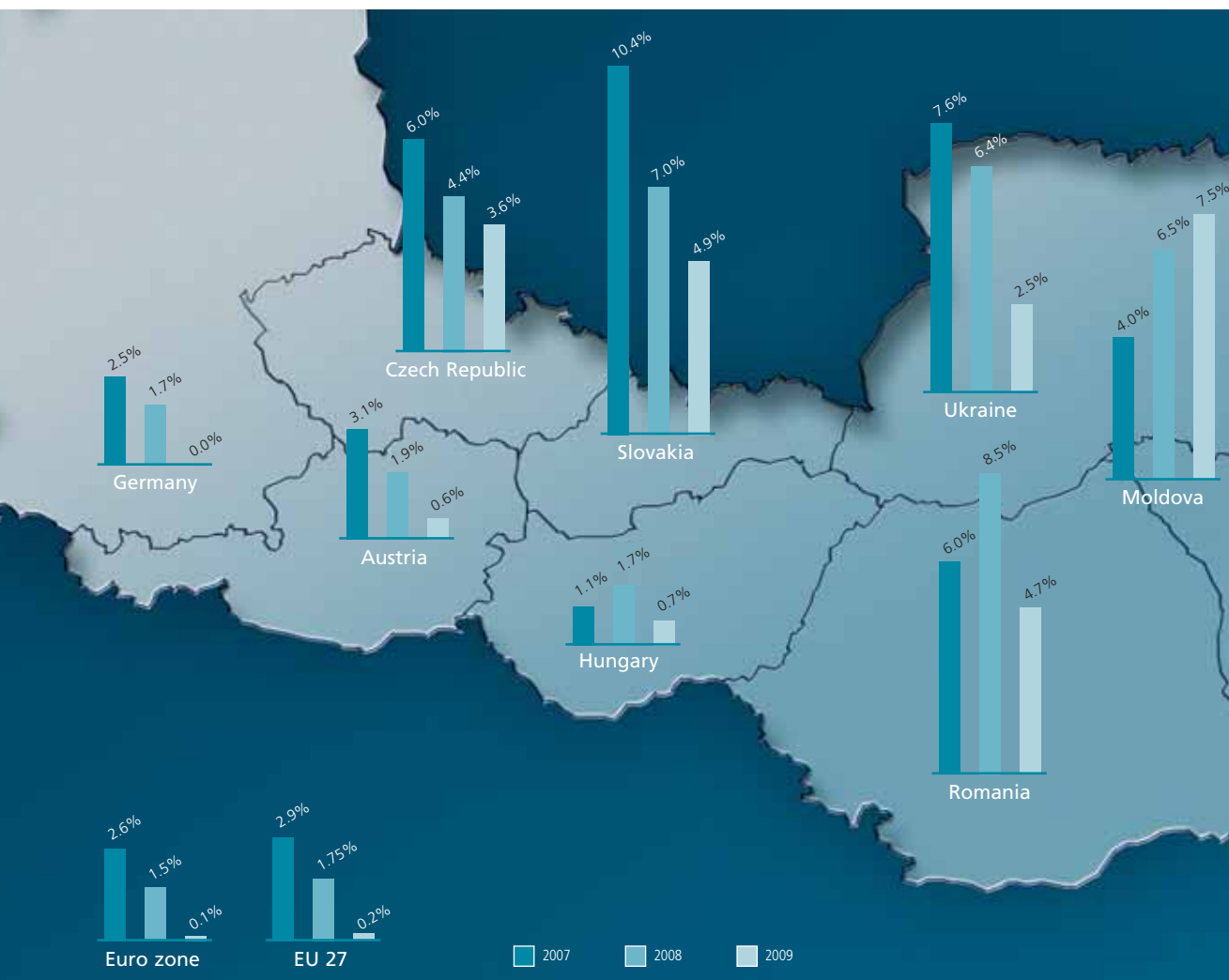




Group
Management
Report

The Power Tower is a world champion when it comes to energy efficiency. A sophisticated energy design, planned by Energie AG engineers, ensures an optimum and lasting energy utilization. The supporting pillars of the design are the innovative building shell, the energy generation and an intelligent facility-management technology.

Group Management Report of Energie AG for 2007/2008



The economic growth of the CEE countries in which Energie AG has operations is clearly above the euro-zone average.

Economic growth (GDP, real) in per cent	2007	2008	2009
Euro zone	2.6	1.5	0.1
EU 27	2.9	1.75	0.2
Austria	3.1	1.9	0.6
Germany	2.5	1.7	0.0
Czech Republic	6.0	4.4	3.6
Hungary	1.1	1.7	0.7
Slovakia	10.4	7.0	4.9
Romania	6.0	8.5	4.7
Ukraine*)	7.6	6.4	2.5
Moldova*)	4.0	6.5	7.5

Source: European Commission, 03/11/2008

*) IMF, Oct./Nov. 2008

Economic Environment

END OF THE BOOM PERIOD 2004 – 2007

In recent months, economic growth in Europe clearly slowed down. Since the summer 2007, the high prices for energy, primary materials and food products have been aggravating factors. The turmoil on financial markets, triggered by the real-estate crisis in the USA, continues to be felt, with the bank crisis actually further expanding in recent months and stock-exchange prices experiencing major volatility.

Economic experts have repeatedly revised economic forecasts for 2008 and the following years in the downward direction. As a result, estimates for economic growth are highly uncertain.

After vigorous economic growth in **Austria** during the last quarter of 2007 and the first quarter of 2008, the European Commission only expects growth of 1.9% for the entire year 2008, on account of the decrease that is now being felt. For 2009, economic growth is forecast to amount to 0.6%.

Upper Austria, which recorded above-average growth rates in recent decades, continues to be a very successful economic region. With a share of about 25% in Austria's total industry, Upper Austria is one of the leading industrial regions that is characterized by particularly strong dynamism and economic stability.

The EU Commission expects that GDP growth in **Germany** in 2008 will amount to 1.7%. Stagnation is forecast for the year 2009. The reasons are weak domestic demand and slack international business activities.

The economic growth of the CEE countries in which Energie AG has its operations is clearly above the euro-zone average.

Although the lower expenditure by private households and the cyclical decrease of gross fixed capital formation have a negative impact on domestic demand in the **Czech Republic**, a relatively minor decline in economic growth is expected there. In 2008, exports continued to be stable; they are neither affected by the down-swing in foreign demand, nor by the strong Czech currency. The EU Commission expects a growth rate of 4.4% for the year 2008. The value assumed for 2009 is 3.6%.

The relatively high inflation during 2008, i.e. 6.6%, is due to the increase in the low value-added tax rate from 5% to 9%, as well as the introduction of environmental taxes. Inflation is expected to drop quickly to 3% by the beginning of the coming year and to remain on that level throughout 2009, so that the inflation target of the Czech National Bank will be reached.

On account of the international financial crisis, the difficult conditions in domestic politics and the down-swing in demand from the principal trading partners, the prospects for economic growth in **Hungary**, as well as the forecasts are very uncertain. The local currency has experienced a loss in value; at the same time, interest rates went up, which will have an impact on loans granted to Hungarian households, as well as on consumer behavior.

For 2008, the EU Commission expects a GDP growth of 1.7%, and it forecasts a rate of 0.7% for 2009.

The high economic growth of **Slovakia**, which is expected to amount to 7.0% in 2008, seems to remain on that level, as a result of strong domestic demand. The EU Commission expects a figure of 4.9% for 2009. As a result of the vigorous construction activities, gross fixed capital growth will be maintained; the public sector is planning new infrastructure projects. Economic experts predict that the worldwide financial crisis and the slow-down in business activities in the euro zone will have less of an impact on Slovakia.

Slovakia will introduce the euro as its currency on 01 January 2009 and thus undertakes to abide by the Maastricht criteria.

Romania's economy is proving to be relatively resistant to the general crisis. This is supported by an increase in private consumption, gross fixed capital formation, high real-term wages, prospects of a good harvest, a boom in domestic loans, and foreign direct investments.

The EU Commission expects a growth rate of 8.5% for 2008; it will probably amount to 4.7% next year.

Real-term economic growth in **Ukraine** in the amount of 6.4% for the year 2008 is due to the worldwide

vigorous demand for steel and the major capital inflow from abroad. However economic experts expect that GDP growth in 2009 will clearly slow down, in line with worldwide trends, and only amount to 2.5%.

The western regions of Ukraine (Transcarpathia Lviv and Ivano-Frankivsk), which adjoin the "Four-Country-Junction" (Poland, Slovakia, Hungary, and Romania), experienced a vigorous expansion of their infrastruc-

ture, on account of their favorable geographic location and developed into an attractive market.

With the EU accession of Romania, **Moldova** became a direct neighbor of the EU. In its foreign policy, the country strives for a speedy integration into the EU. In 2008 foreign direct investments will be 2.4 times higher than in 2007. A real-term growth of 6.5% is expected for the year 2008, and 7.5% are expected for 2009.

Business in the Group

The expired 2007/2008 business year was once again marked by special dynamism in the Energie AG Group. We were able to complete several projects successfully and with sustainability.

First and foremost, the more than ten-year discussion concerning the ownership structure was brought to a positive and future-oriented conclusion, both for the company and the province of Upper Austria, which is the majority owner. In connection with the private placement of Energie AG Oberösterreich shares in the summer of 2008, there was also a capital increase, which supports the successful growth course of the Group.

In the summer of 2008, we succeeded, together with partners, in achieving a fundamental new structure for the natural-gas market in Upper Austria. By taking over the majority stake in Oberösterreichische Ferngas Aktiengesellschaft (OÖ. Ferngas AG), the position of Energie AG as the leading infrastructure group was further strengthened.

In the course of taking over the majority in OÖ. Ferngas AG, we were able to fully take over the previous 50% subsidiary, Cogeneration-Kraftwerke Management Oberösterreich GmbH (CMOÖ).

As the test phase of the 400 MW combined-cycle gas turbine power station at Timelkam began during the 2007/2008 business year, the electricity procure-

ment portfolio of the Group will be given a new structure. With its electricity, produced with efficiency and environmental compatibility, the power plant will significantly increase the Group's own generation and reduce dependence on external electricity markets.

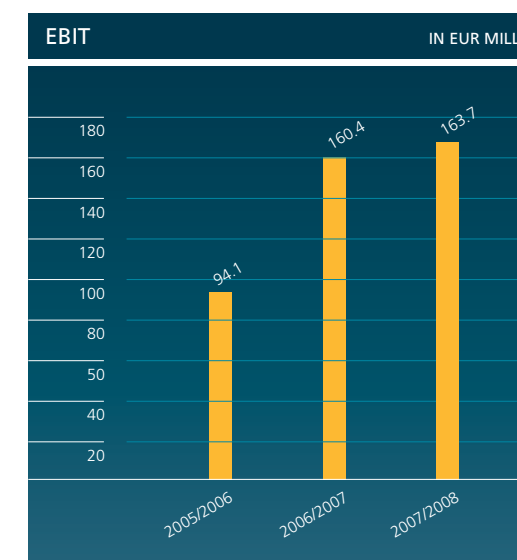
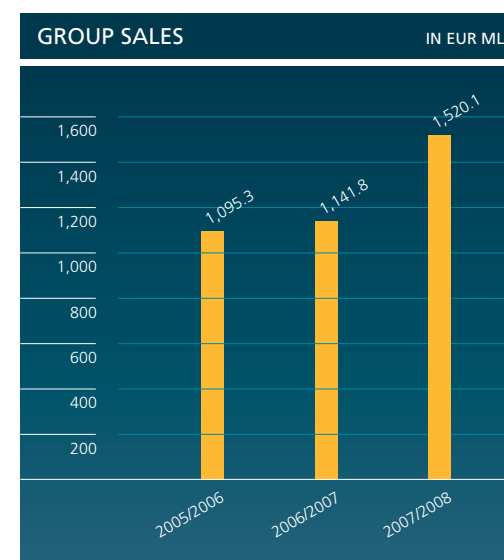
The new corporate head office – the Energie AG Power Tower, into which we moved in September 2008 – is a symbol, visible from afar, of the dynamic development of the Energie AG Group. The building is located in the newly designed district of Linz's central railway station, which is a historic location and – with its innovative technology – the building sets new standards in energy efficiency.

EXCELLENT FINANCIAL RESULT

The financial result of the 2007/2008 business year once again impressively underlines the consistent implementation of the value-based growth strategy.

With sales of EUR 1,520.1 million, an EBIT of EUR 163.7 million was earned during the period under review (01/10/2007 to 30/09/2008).

The increase in sales, compared to the previous year (EUR 1,141.8 million), by EUR 378.3 million or 33.1% is mainly due to the expansion in electricity trading. Another reason for the increase in electricity sales is the result of drastically higher electricity purchase



prices, which we were able to pass on to business and industrial customers in the case of new contracts. Other factors contributing to higher sales came from other business areas and can be explained by the full consolidation of OÖ. Ferngas AG and CMOÖ as of 01 July 2008 and organic growth, as well as acquisitions in the segments waste management and water.

EBIT amounts to 163.7 million, which is EUR 3.3 million or 2.1% more than in the year before (EUR 160.4 million).

The increase over the previous year can be explained mainly by the high level of own electricity generation, which is due essentially to two factors. On the one hand, electricity generation in our hydraulic power stations and electricity from procurement rights benefited from the very good water levels of the rivers; on the other hand, high electricity market prices resulted in an optimum utilization of the thermal power plants. In addition to the very positive course of business, the EBIT of the 2007/2008 business year also contains a one-off effect resulting from the first consolidation of OÖ. Ferngas AG in the amount of EUR 25.2 million. This effect is due to a negative goodwill according to IFRS 3.

When taking account of this one-off effect, the adjusted EBIT amounts to EUR 138.5 million, which is an increase over the previous year (adjusted EBIT: EUR 110.4 million) of EUR 28.1 million or 25.5%.

Investments into intangible assets and tangible fixed assets amounted to EUR 181.5 million for the 2007/2008 business year, which is EUR 84.4 million or 31.7% below the value of the previous year (EUR 265.9 million). The investments of the previous year were influenced mainly by two accounting effects. When adjusting the figures for these effects, one can state that the volume of investments remained the same. On the liabilities side EUR 30.0 million (contributions to construction costs from customers and investment promotion grants) offset these investments.

PRIVATE PLACEMENT RESULTS IN NEW OWNERSHIP STRUCTURE

The partial IPO decided by the Upper Austrian parliament in July 2007 which was subsequently intensively prepared by Energie AG, was cancelled in January 2008. Instead of a partial privatization in the course of an IPO, the Upper Austrian parliament decided to sell about 50% of its shares in the course of a private placement. The thorough preparatory work for the initially planned IPO made it possible to ensure a rapid implementation of the private placement on a sound basis.

By decision of the extraordinary shareholders' meeting on 03 July 2008, this private placement was implemented. The government of Upper Austria, which holds 51%, continues to be the majority owner with constitutional-law guarantees.

The remaining 49% are spread out among Upper Austrian financial investors, strategic partners, and shares held by the Group's staff members (acquired or reserved). As Energie AG has property law linkages with other energy suppliers which acquired and/or increased their shares, it will be possible to take first steps in the direction of a western energy axis.

A capital increase was also implemented in the course of the private placement, as a result of which the company received EUR 216 million of fresh capital. This capital secures the company's independence and supports the implementation of its strategy in the direction of reliable supplies and value-based growth.

EXCELLENT RATING CONFIRMED

For 2008 the Energie AG Group was once again confirmed in its credit rating "A+" (Outlook negative) by Standard & Poor's, the international rating agency. Both in national and international comparisons of energy suppliers a rating of "A+" is a top value, which documents the persistently positive development and stability of the company. Standard & Poor's comments the very good rating by referring to the ongoing robust financial position of Energie AG. The key data used to assess the credit rating, such as interest coverage and debt-service capability were continuously improved. Moreover, the successful private

placement in the summer of 2008 brought in additional equity of EUR 216 million that further enhance the financial flexibility and liquidity of the Group.

Especially against the background of worldwide distortions on capital and credit markets, a strong single-A rating ensures access to funding in order to finance the next growth steps that the Energie AG Group will take.

CROSS-BORDER LEASING

Energie AG entered into two US cross-border leasing transactions (CBL transactions) with US trusts. US trusts are special companies, secured against bankruptcy, which were founded by the respective US investors.

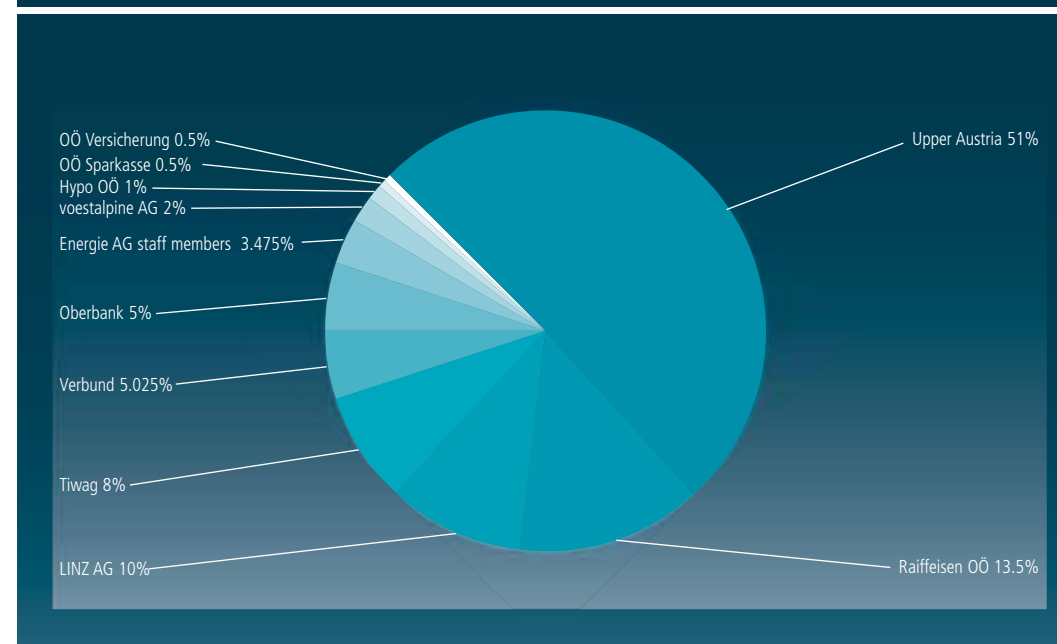
Below are the details of the CBL transactions:

- One CBL transaction for the high, medium, and low-voltage grid ("grid transaction") from the 2000/2001 business year and a term of 99 years in which Energie AG has a unilateral termination right after 25 years.
- A CBL transaction for 14 hydro power plants ("power plant transaction") from the 2001/2002 business year where Energie AG has a unilateral termination right after 31 to 40 years. The different terms are due to the fact that the transaction is divided among several trusts.

The assets concerned continue to be the property of Energie AG and, accordingly, they are included in the balance sheet.

The payment obligations, including the termination price, between Energie AG and the US trusts resulting from granting each other utilization rights were paid in advance when entering the agreement and invested at that time with financial institutions of high rating. These financial partners make sure that the invested money is paid in order to serve the equity share and the ongoing leasing rates as well as the termination price, in conformity with deadlines, currency and amounts. Energie AG received an advantage from the transaction at entering the agreement for granting the utilization rights. This advantage is at

SHAREHOLDER STRUCTURE OF ENERGIE AG



the unrestricted disposal of Energie AG and it is re-transferred in the balance sheet of Energie AG, affecting the result, in keeping with the remaining term of the lease-back.

On 14 December 2007 the letters of credit ("L/Cs"), granted by German regional banks in connection with the power plant transaction, were replaced by financial default insurance from Financial Security Assurance Inc. (FSA). The reason behind optimizing the power plant transaction is that the US investor would have an uncovered default amount (equity strip amount) in case of a premature termination of the agreement. The L/Cs purchased when signing the agreement covered this default amount only by about 50% of the calculated value. The financial default insurance from FSA (rating: AAA/Aaa) offers a product that covers the complete equity strip amount over the full remaining term of the transaction.

Since the signing of the transactions, a US financial institute has taken over the function as the equity payment undertaker, both for the grid transaction and the power plant transaction. On account of the per-

sisting crisis on financial markets the financial institute was downgraded to A-/A2 during the expired business year which is a clear weakening, as a result of which the contractual obligations of Energie AG must be restructured.

For the grid transaction the existing equity payment instrument was replaced by US treasury strips on 07 November 2008. For the power plant transaction the existing equity payment instrument was secured by a market-conform L/C on 14 November 2008.

THE NEW CORPORATE HEAD OFFICE SETS NEW STANDARDS IN ENERGY EFFICIENCY

In September 2008 the new corporate head office, i.e. Energie AG Power Tower, was completed according to schedule at the historic site in the newly designed district of the Linz central railway station. About 620 staff members from all business segments have been accommodated in a modern, energy-efficient building, which marks the position of Ener-

gie AG as a leading energy company in the field of energy efficiency.

The Power Tower combines modern architecture and unique energy technology. It is the first high-rise office building worldwide with passive-house character. The 19-storey building does not need any connection to the district heating system and does not use any fossil energy source. Already before its inauguration, the Power Tower attracted international attention on account of its innovative design.

The energy program of the new corporate head office is based on three pillars: building shell, energy technology, and energy generation. The façade, which was specifically developed for the Power Tower, consists of glass (two thirds) and unites maximum light permeability and simultaneous minimum heat input thanks to special slated sunshades. Instead of a power air condition system, which is what is usually used in office buildings, suspended ceiling panels cool and heat the rooms with their radiation effect.

Controlled ventilation of the rooms ensures the supply of fresh air in the building. Two ground water wells operate the ventilation, as well the cooling of the computer center.

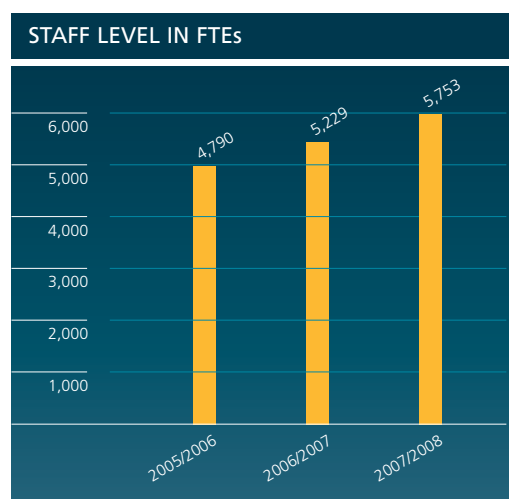
The energy needed for lighting, heating, cooling and ventilation is obtained from the sun, the ground, and ground water. Depth probes and foundation piles provide the energy that can be used by combined heat-pump systems. In addition, a photo-voltaic system on the southwestern façade of the Power Tower delivers the ecological component to meet the basic electricity demand.

The new corporate head office was transferred to a leasing company. A 20-year leasing agreement regulates the use of the building by Energie AG.

HUMAN RESOURCES

The figures concerning the staff refer to full-time equivalents on an annual average.

The average consolidated staff level of the Group went up to 5,753 employees during the 2007/2008 business



year. This corresponds to an increase of 524 staff members or 10.0% over the previous year (5,229). This is mainly due to the expansion of the waste management segment, including the first consolidation of the Slovak subsidiaries and the first consolidation of OÖ. Ferngas AG. At the end of the business year, the largest number of the Group's staff members (2,956) could still be found in Austria (previous year: 2,667). In the meantime the staff level in the Czech Republic amounts to 2,028 (previous year: 1,973), in Hungary to 650 (previous year: 589), and in Slovakia to 119.

The staff of the waste-management segment, accounting for 2,695 persons (previous year: 2,190) continues to be the largest group. The energy segment had an average of 1,933 employees (previous year: 1,842) and the water segment had 1,125 staff members (previous year: 1,197).

At the end of the 2007/2008 business year the Group had a total of 6,412 staff members.

Great Success of the Staff Participation Model

The interest of staff members in obtaining shares in Energie AG clearly exceeded the expectations of the initiators. Already before the end of the subscription period the available share package was over-subscribed.

The province of Upper Austria, which is the majority owner of Energie AG, made available, free of charge,



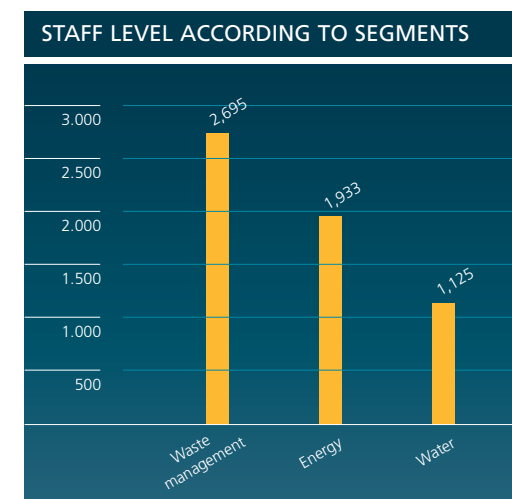
a total of 390,000 non-voting shares. This corresponds to 0.4875% of the shares in the company. The interest of staff members in the shares was so great that share allocations had to be lowered on a pro-rata basis.

The staff participation model of Energie AG is voluntary and applies to a precisely defined group of beneficiaries. Against this background the staff of the Energie AG Group sent a clear message with its readiness to participate in the scheme. In Austria alone 75% of the beneficiaries made use of the offer to buy shares. In the companies of the core business electricity, even more than 90% of the staff members participate as shareholders in the future success of the company. The first dividend was paid out in December 2007.

In the meantime the Energie AG Belegschaft Privatstiftung was founded. This private foundation will manage the shares of staff members as a trustee.

The participation model results in more staff loyalty to the company and a stronger identification with Energie AG. With the possibility of sharing in the success of the company, staff members have the incentive to more commitment and initiative. This also promotes and further strengthens the positive working atmosphere.

In the course of the private placement of shares in Energie AG Oberösterreich it was decided to expand staff participation to almost 3.5%. This can be implemented in the course of the next five years.



Intensive Management Training Measures

During the expired business year the first management program was conducted at the Energie AG Management Academy. The Academy is a means to strengthen the common corporate culture, and it contributes towards ensuring the high quality of the international management team of the Energie AG Group, as well as to support managers in developing their individual qualifications.

The operations of the Energie AG Management Program are implemented by LIMAK Johannes Kepler University Business School. The one-year program focuses on the following subjects: corporate culture, international management, leadership, strategy, financial management, and communication.

By selecting current and interesting subject areas and committed renowned experts, as well as by ensuring an interdisciplinary mix of the participants, a top level program has been established. The presented material is applied to specific situations and to Group conditions under professional guidance.

BRANCH OFFICES

Energie AG Oberösterreich has no branch offices.



Three heat pumps are the core of the energy technology at the Power Tower. In spring and fall, an effective range of 1:50 can be obtained. Every year, we save 450 tons of CO₂ by not using fossil energy sources.

The Energy Segment



Energy Segment – Overview	in	2007/2008	Change	2006/2007	2005/2006
Total electricity procured	GWh	12,364	19.1%	10,382	12,020
Own electricity generation	GWh	4,227	23.2%	3,431	3,784
Electricity distribution volumes	GWh	6,675	2.2%	6,529	6,453
Electricity supply volumes	GWh	6,774	- 0.4%	6,801	7,082
Natural-gas transports ¹⁾	m ³ mill.	2,256	16.2%	1,941	2,231
Heat sold	GWh	998 ²⁾	247.3%	338	443
Total sales	EUR mill.	1,124.4	36.1%	826.1	834.1
EBITDA	EUR mill.	226.5	9.4%	207.1	142.1
EBITDA adjusted	EUR mill.	201.3	28.1%	157.1	142.1
EBIT	EUR mill.	140.6	6.1%	132.5	6.8
EBIT adjusted	EUR mill.	115.4	39.9%	82.5	67.8
Investments into tangible fixed assets and intangible assets	EUR mill.	110.1	- 47.2%	208.7	121.4
Employees – average for the year	FTEs	1,933	4.9%	1,842	1,797

¹⁾ Total quantity for the full year, sold in Upper Austria to end consumers and regional grid operators by OÖ. Ferngas AG (fully consolidated as of 01/07/2008)

²⁾ Including sales for the full year of the heating companies that have been fully consolidated as of 01/07/2008

THE ENERGY MARKET ENVIRONMENT

Primary Energy Markets

During the first three quarters of the 2007/2008 business year, price increases on all international primary energy markets continued at a faster pace. With the liberalization of the energy markets, new actors entered the scene and new market models became possible. The results were further price hikes on all energy trading markets.

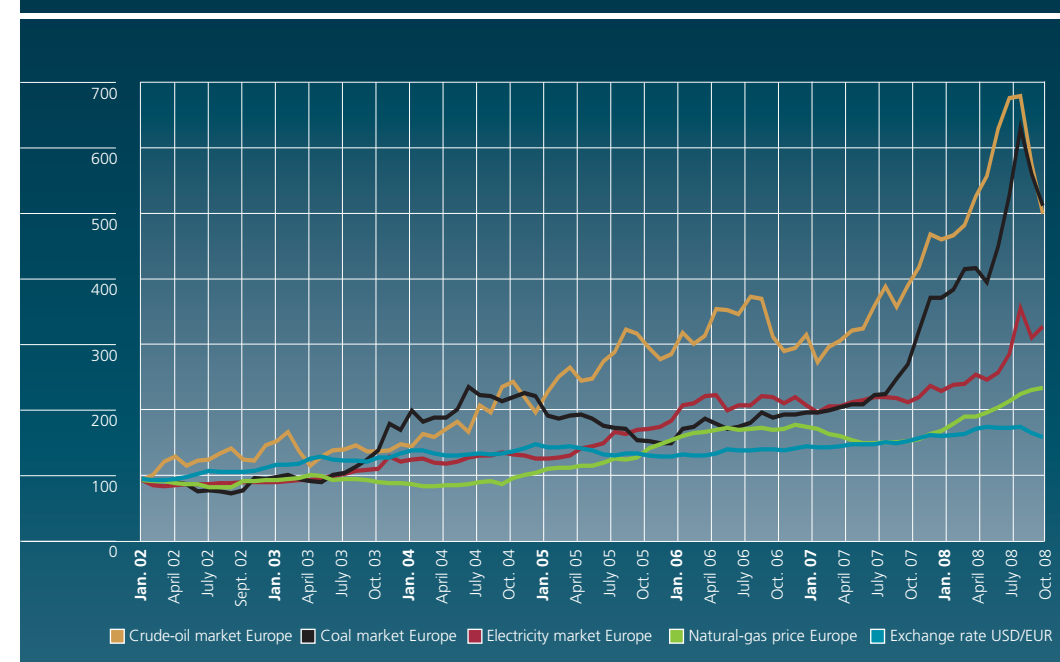
In the summer 2008 prices on primary energy markets reached a first peak. On oil markets top prices of more than USD 140 per barrel were quoted. As of fall 2008 the oil market showed clear signs of relaxing for the first time. As the worldwide financial crisis set in, the downward trend accelerated. In November 2008 oil prices dropped to less than USD 60 per barrel.

Trading prices on markets for natural gas and electricity follow the crude oil development with certain delays and at a slower pace.

Between fall 2007 and summer 2008 hard coal prices were marked by an extraordinary rise. In July 2008 coal prices on European energy trading markets reached peak values of more than USD 220 per ton, which corresponds to a tripling of the price compared to the previous year. Market observers think that the reasons for this development are a new orientation of the coal market to the changed conditions on the energy trading markets, as well as the appearance of new market participants and changes on the CO₂-certificate market. By the end of November 2008 the price level had once again dropped to about USD 80 per ton.

In spite of decreasing prices, international energy markets continue to be characterized by high tension and great volatility. In this context the influence of the dollar/euro exchange-rate parity is of lesser significance than the market trends. It can be assumed that volatility will continue to be high and that the future development will also be influenced by the uncertainties of the financial and the commodities market, as well as the global economic development.

PRICE INDEX DEVELOPMENT FOR INTERNATIONAL ENERGY MARKETS

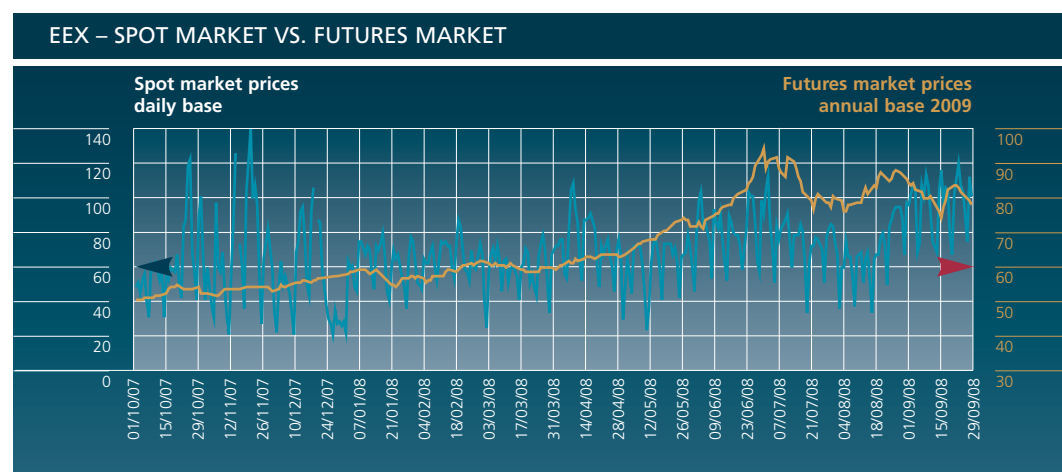


Electricity Trading Market

At the beginning of the 2007/2008 business year futures markets for electricity on average quoted front-year prices of about EUR 55 per MWh. Following the thrust of crude-oil prices, electricity prices for year-based contracts rose to a new all-time high of more than EUR 88 per MWh by the end of June 2008.

When prices on primary energy markets declined, the trend on the electricity trading market also reversed.

At the end of November annual contracts for the front year 2009 were quoted at a level of below EUR 60 per MWh – however, with a very high spread.

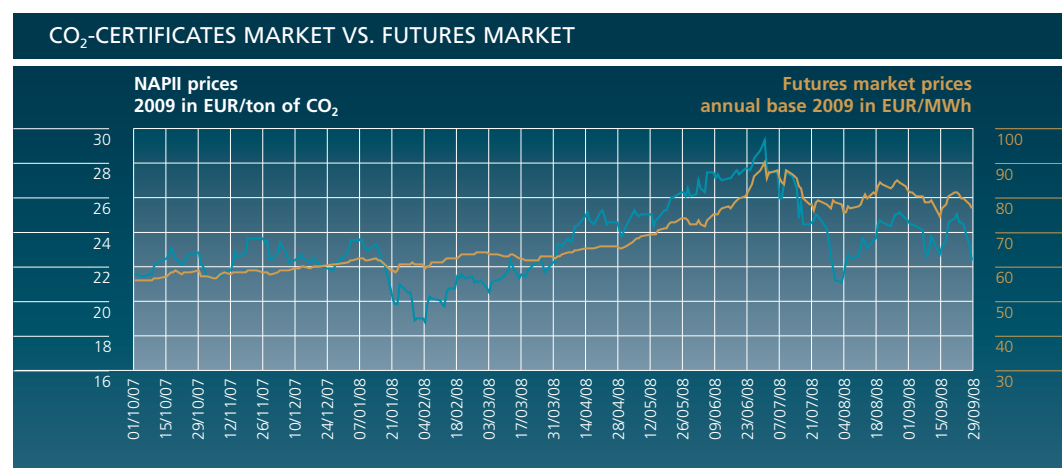


CO₂-Certificates Market

Next to the prices for primary energy (coal, oil, natural gas), CO₂ prices exert another clear influence upon electricity prices. At the end of 2007 prices for CO₂ certificates for the second trading period oscillated around EUR 23 per ton of CO₂. At the beginning of the year 2008 the price temporarily decreased to EUR 19. This was then followed by a clear increase in CO₂

prices. In early July 2008 they reached the highest value to date, i.e. EUR 29 per ton of CO₂.

In the subsequent phase, when prices on the electricity markets eased, the CO₂ trading price dropped faster than the electricity market, and at the end of November 2008 it was less than EUR 16 per ton.



BUSINESS DEVELOPMENT IN THE ENERGY SEGMENT

During the expired 2007/2008 business year two major growth steps were successfully completed in the energy segment. By taking over the majority of shares in OÖ. Ferngas AG, the new business area natural gas was established. With the beginning of the test phase at the 400 MW combined-cycle gas turbine power station at Timelkam the Group's rate of own generation will rise significantly.

During the 2007/2008 business year the energy segment earned sales of EUR 1,124.6 million and an EBIT of EUR 140.6 million.

This massive increase of sales over the value for the previous year (EUR 826.1 million) by EUR 298.5 million or 36.1% can be explained by the further expansion in proprietary trading, high electricity market prices, which were passed on to business and industrial customers in the case of new contracts, and the first consolidation of OÖ. Ferngas AG and CMOÖ as of 01 July 2008.

It was possible to surpass the excellent EBIT of the previous year (EUR 132.5 million) during the 2007/2008 business year where it amounted to EUR 140.6 million, which is an increase of EUR 8.1 million or 6.1%.

Concerning operations, the EBIT resulted primarily from the optimum overall conditions for own electricity generation. While the hydraulic power stations benefited from the good water levels of the rivers, the thermal power stations could be utilized optimally on account of the high electricity market prices.

The EBIT of the 2007/2008 business year also contains a one-off effect, i.e. the first consolidation of OÖ. Ferngas AG, in the amount of EUR 25.2 million. This effect is the result of a negative goodwill according to IFRS 3.

When taking account of this one-off effect, the adjusted EBIT amounts to EUR 115.4 million. It was thus possible to increase it by EUR 32.9 million or 39.9% over the value for the previous year (EUR 82.5 million).

Investments into intangible assets and tangible fixed assets by the energy segment amounted to EUR 110.1 million, which is almost half the amount of the previous year (EUR 208.7 million). Also when con-

sidering two accounting effects, which clearly influenced last year's value, there was an actual reduction of investments. On the liabilities side slightly more than EUR 30.0 million of contributions to construction costs from customers and investment grants offset the investments.

THE GROUP'S OWN ELECTRICITY GENERATION

The volatile price development on international energy markets has shown that a balanced and risk-optimized electricity generation portfolio and internal hedging are among the most important strategic potentials for the success of a vertically integrated electricity group. At Energie AG, the generation portfolio consists of electricity generated at own power stations, electricity from long-term procurement rights, as well as electricity from third-party sources.

We generate our own electricity at 35 hydro power stations and 8 thermal power stations, which principally belong to the energy segment. With its thermal waste incineration plants, the waste management segment also contributes to our own electricity generation. All thermal power stations have been constructed as combined heat and power plants and contribute essentially towards implementing the objectives of an efficient energy utilization and emission reduction by the combined production of electricity and heat.

The own electricity generation of Energie AG is also secured on a long-term basis by way of procurement rights concerning 10 hydro power stations belonging to Ennskraftwerke AG, as well as power stations of VERBUND-Austrian Hydro Power AG (AHP) – four Danube power stations and the storage power station at Malta.

During the year under review we recorded an above-average production of electricity from hydro power – our own power stations and procurement rights. The production volume of 2,561 GWh exceeded the value of the previous year by 19%. Over the seasons, production varied in the months from October 2007 to March 2008 (production coefficient: 1.22), where it was clearly above the long-term mean value. It corresponded largely to the mean value from April to September.

Electricity generation at thermal power stations reached a new top value of 1,665 GWh. The increase over

the previous year amounts to about 400 GWh or 31%. It is mainly due to two reasons, namely the take-over of the CMOÖ power station, as well as the optimized use of thermal power stations, which became possible on account of the high electricity market prices. By fully taking over CMOÖ, which had been a 50% subsidiary, the production portfolio of Energie AG for electricity and heat has been expanded since 01 July 2008. CMOÖ operates a heat-driven combined heat and power unit at the Laakirchen location and supplies industry with electricity and heat. With the end of the test phase of the 400 MW combined-cycle gas turbine power station at Timelkam, additional minor electricity volumes were obtained as of August 2008.

Own electricity generation of Energie AG amounted to a volume of 4,227 GWh during the expired business year, which corresponds to an increase over the previous year of about 800 GWh or 23%.

Further electricity quantities of more than 8,137 GWh were obtained from third parties, mainly from electricity trading markets (OTC, stock exchanges). The 17% increase in external electricity volumes is mainly the result of expanded proprietary trading.

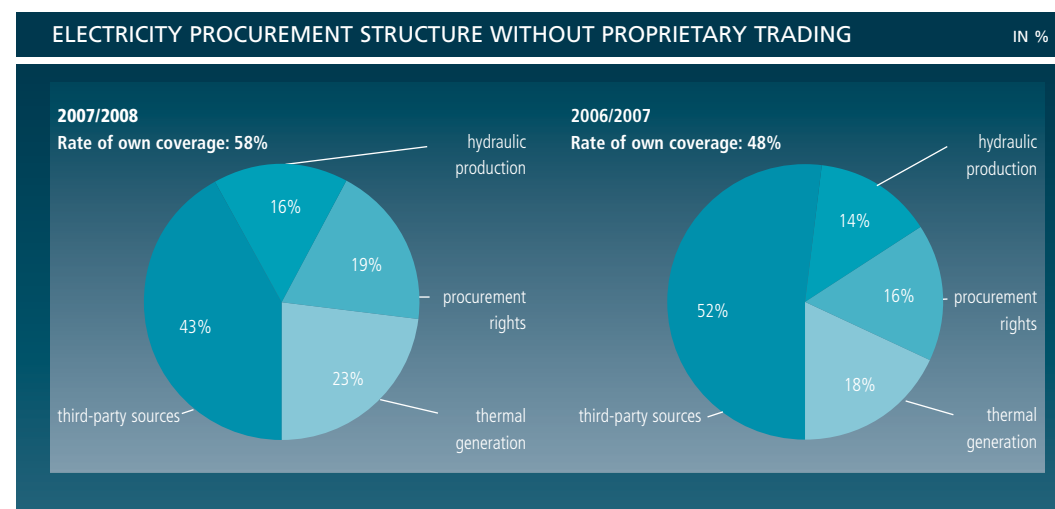
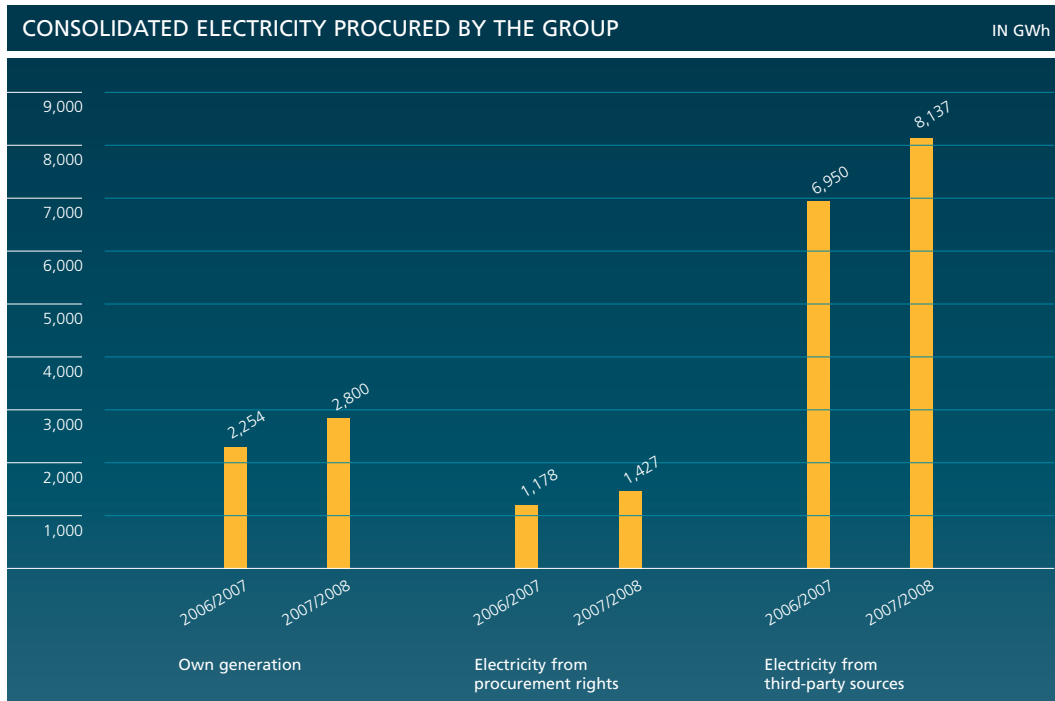
During the 2007/2008 business year the total consolidated electricity generation amounted to 12,364 GWh, which is an increase of 1,982 GWh or 19% over the previous year.

In relation to electricity sold without proprietary trading volumes, 39% of electricity generation came from own generation during the expired business year, 19% from procurement rights, and 42% from third-party sources. The rate of own generation thus went up from 48% to 58%, i.e. by one fifth, since last year.

MASSIVE EXPANSION OF ELECTRICITY PRODUCTION CAPACITIES

Construction work and the beginning of the test phase of the 400 MW combined-cycle gas turbine (CCGT) power station at the thermal production site at Timelkam proceeded according to schedule. The gas turbine was first ignited at the beginning of August 2008, and the first steam production was successfully initiated in September 2008.

In November 2008 the new CCGT power station began its test operation.



On account of the infrastructure available at the location, as well as the fact that the plant is close to the national gas pipeline network (particularly to the natural gas storage tank at Puchkirchen), and the possibility to take off electric energy via the grid of Energie AG, Timelkam is an ideal location for building this power station.

The power station was built by Gas- und Dampfkraftwerk Timelkam GmbH (GuD Timelkam GmbH). This company is a joint venture of Groupe E AG, Fribourg, Switzerland, and Energie AG Oberösterreich Kraftwerke GmbH (Kraftwerke GmbH). The latter is responsible for operating the new CCGT power station.

The new CCGT power station promises an absolute peak value of about 60% in energy efficiency during electricity production, as it uses state-of-the-art technologies, as well as natural gas as a fuel. It is possible to lower the specific CO₂ emissions by 65% and the specific NO_x emissions even by 90%, as compared to the existing plant.

Once the CCGT power station has been taken into full operation, the existing power stations, i.e. the coal-fired block Timelkam II and the gas turbine plant Timelkam III, will be put on stand-by.

With the full operation of the new plant, the own coverage rate of the Energie AG Group will go up to about 70%.

In addition to completing the CCGT power station at Timelkam further locations are being investigated and secured as own electricity production sites. The available infrastructure facilities, as well as the overall conditions offer potential for further highly efficient plants.

Due to the ambitious targets set by the EU concerning the expansion of eco-electricity production, as well as higher market prices, efforts to expand hydro power generation are also being stepped up.

The approval procedure is currently pending for the hydro power station at Oflek along the GroBarler Arche River in the province of Salzburg.

A technical reconnaissance analysis was prepared for the Kleinarl power station, and first coordination talks were positively completed. It is planned to initiate the official procedure in 2009. For the Bad Goisern power station the approval procedure will also be launched in 2009.

The application to initiate the preliminary procedure has been submitted for the expansion of the hydro power station at Stadl-Paura, for which an approval is required under the environmental compatibility legislation.

Energie AG is vigorously pursuing projects to further develop the technology and economics of electricity generation, while taking account of efficiency and

ecological improvements. During the year under review the largest project was the 15 MW biomass power station at Timelkam. In this context, the increased use of biogenic fuels and their impact on emissions and ash quality was studied.

Moreover, a project on the industrial production of algae biomass in artificial biospheres, using CO₂ directly from emissions, as well as oxygen recovered from photosynthesis, is to be started at Timelkam, together with a cooperation partner.

EXPANDING PROPRIETARY TRADING

The volatile price development on international markets has shown that it is of major importance to have a dynamic orientation and direction concerning these developments. Energie AG Oberösterreich Trading GmbH (Trading GmbH), the central trading house of the Energie AG Group, can therefore be found on the most important market places of the European electricity market and is thus able to react quickly to price developments. This includes electricity trading at stock exchanges, in bilateral transactions, as well as via brokers, but also trading in energy-related products, such as CO₂-certificates or certificates of origin. In this context, transactions concerning the procurement of primary energy on international market places for coal, natural gas, and oil are of particular importance. In the case of market liquidity, transactions on futures markets for long-term price hedging are also possible and are utilized in order to control risk, as well as to secure future results.

The central focus of trading activities is to manage the risks and to optimize the costs of the entire intra-

group electricity portfolio. This includes selling and marketing own electricity, generated by our power stations, as well as electricity procurement rights, and raising the electricity volumes needed for electricity distribution. Another major field of activity of Trading GmbH is to hedge the risks in connection with energy transactions and energy production facilities.

In addition to optimizing the internal electricity portfolio, proprietary trading is further expanded as part of a precisely defined and efficient risk management. Transparency, as well as efficiency of the trading sector is secured by strictly separating the optimization of procurement and distribution from actual trading activities. An early warning system that also extends deeply into the various portfolios indicates directly that defined risk limits have been reached. As a result, the trading processes and decisions have a clear structure and can be reviewed at any time on account of a current reporting system.

During the 2007/2008 business year proprietary trading amounted to 4,671 GWh. It was thus possible to increase the volume sold by almost 60% over the previous year, which also decisively marked the growth of sales of the energy segment and the entire Energie AG Group.

INCENTIVE-BASED REGULATION AND COST MANAGEMENT OF THE ELECTRICITY DISTRIBUTION SYSTEM

As part of the currently valid incentive-based regulation system, the tariffs of Energie AG Oberösterreich Netz GmbH (Netz GmbH) were again lowered by E-Control, the regulatory authority, by 1.8% as

of 01 January 2008. For customers, the reduction amounted to only 1.1%, as the upstream transmission costs of VERBUND-Austrian Power Grid (APG) went up at the same time. After the decrease by 2.7%, as of 01 January 2007, during the 2006/2007 business year, this was the lowest reduction in tariffs since incentive-based regulation began.

While tariffs for system use were reduced, the procurement costs for extra-group supplies and services for maintenance and investments went up considerably. Once again non-scheduled costs to repair damage after interruptions due to adverse weather conditions also went up. It is only by consistently continuing the cost reduction course taken, that it will be possible to sustainably ensure stable results for the distribution business area.

On 01 March 2008 the electricity grid of Energie AG was massively affected by the impact of hurricane "Emma". Thanks to the smoothly functioning emergency management and the targeted deployment of assembly and technical teams, it was possible to limit the consequences for the population. Although the damage caused was less than that caused by hurricane "Kyrill" in January 2007, it once again reached above-average dimensions. On account of experience with natural disasters in previous years, Netz GmbH began to prepare a program already prior to hurricane "Emma" that will reduce the exposure of the grid to meteorological interferences. Additional efforts are being made to implement measures in this connection. Putting medium and low-voltage overland lines into the ground is a particularly effective measure in areas of high damage exposure.

While it was possible during the year under review to realize further cost reduction potentials, investments into the security and quality of supplies were once again on a high level.

During the expired business year, 84 km of medium-voltage lines and cables, 315 km of low-voltage lines and cables, and 58 transformer and switching stations were built.

The electricity volume distributed to end customers rose again to 6,675 GWh, as compared to the year before (6,529 GWh) which was marked by a mild winter. Sales to key accounts show a rather constant course. The increase in sales is mainly due to higher sales to private customers. However, these increases did not make it possible to fully compensate the drop

in volumes of the previous year. From a multi-year perspective, the volumes sold to private customers are approximately in the range of the 2004/2005 business year.

As a precaution for an eventual introduction of quality regulation, customer satisfaction was reviewed during the expired business year.

The quality of customer services was measured in eight classical system-operator processes: disconnecting the electricity distribution, new link-up of a household to the system, line insulation, statement by municipalities, thinning-out operations, assembly of building-site electricity meters, new link-up of a business to the system, and clearing of a construction site.

The interviews revealed a gratifying result for Netz GmbH. On a scale ranging from 1 to 100, the satisfaction index is at 95.23. For the individual processes, customer satisfaction amounted to values between 99.15 and 90.4. In spite of the excellent survey result, Netz GmbH will analyze the identified potential for improvements in more detail and take further steps to optimize customer-based services.

In summary form, the survey shows the professional approach of the Netz GmbH staff members and of the intra-group service providers at the customer interfaces.

During the 2007/2008 business year, Netz GmbH drew up its own guidelines, involving as many staff members as possible. In the summer of 2007, a comprehensive survey had already been conducted among staff members. At the beginning of the business year under review, the results of that survey were further discussed at informal "guideline round-tables". In the course of these discussions, three priority subjects emerged for the drafting of the guidelines, in addition to the great commitment and expectations of staff members: the benefit of Netz GmbH for all stakeholders, safety at work, as well as internal and external communication.

In the summer of 2008, the core statements of the new company guidelines were presented to all staff members of Netz GmbH as principles for their actions.

During the summer of 2008, the preparations for the transition to the 2nd regulatory period (2010 – 2013) entered into their intensive phase. VEÖ (Association of Austrian Power Plants) and E-Control exchanged



position papers and tried to find common positions at expert meetings and so-called high-level talks. At present, an outcome is not yet in sight. The industry's principal demands are the full recognition of investments, also during the regulatory period, the adjustment of various parameters in the regulatory formula to current framework conditions, as well as clear commitments for the transition to the 2nd regulatory period and/or the time after 2013. The implementation of these demands is to ensure that the security and quality of supplies can be maintained on today's high level.

In preparation of the transition to the 2nd regulatory period, E-Control announced an intensive audit of the costs during the 2006/2007 business year, reviewing and auditing the costs of the individual enterprises. We expect this review to take place during the 2008/2009 business year.

The EU's third liberalization package has been the subject of heated discussions since September 2007. Following pressure by several Member States, the current proposal now contains three options for unbundling distribution network operators: full legal unbundling of ownership, an independent system operator (ISO) or an independent transmission operator (ITO).

With regard to distribution network operations, the most recent step of the European Commission was to desist from providing a mandatory interpretation of the demands. As it is planned to broaden the competencies of the national regulatory authorities, the trend towards an in-depth implementation of the existing standards will also result in an unbundling of the ownership structures of distribution network operators in legal terms.

On the European level, there is a clear preference for strengthening the national regulatory authorities and for setting up an EU agency to regulate cross-border activities. The European Parliament, in particular, is pushing the further expansion of consumer-protection provisions.

After a first reading in the EU Parliament in June 2008, a common position of the EU Member States will be formulated in the fall of 2008. One can assume that the Parliament and Member States hold diverging positions so that the third liberalization package can most likely be expected only under the Czech Council Presidency during the first semester 2009.

AUTOMATIC METER MANAGEMENT READY FOR ROLL-OUT

All telecommunications services for the Group, as well as the metering service for Netz GmbH have been bundled in Energie AG Oberösterreich Data GmbH (Data GmbH). On the external market, Data GmbH features as a telecommunications carrier under its brand name "PrimeNet". Internet service providers and regional multi-site customers are the company's main customers.

On account of its business areas, the company falls under the competencies of the electricity control authority (ECK), as well as of the telecommunications regulatory authority (RTR), which has a stabilizing effect on its business operations. Moreover, directives of the European Parliament such as Directive 2004/22/EC, for example, are of significance; it requires that electricity meters must have international registration (MID).

In addition to the metering services operation, Data GmbH has also been commissioned to develop and build up an "Automatic Meter Management" (AMM) system. Together with an industrial partner, a global automation system for meters and distribution systems was developed, which has the brand name "AMIS" (Automatic Metering and Information System). Last year, the system was brought to the level of roll-out, and an integration test covering all systems was completed. In a next step, a trial operation with 10,000 meters will be launched. In the coming months, the meters will be assembled for the test operations. In the subsequent field test, all functions will be tested one more time until the end of the next business year. We will begin the full roll-out during the subsequent four years, but only after the trial run has been completed successfully. Both systems, i.e. AMIS and the conventional meter technology, are subject to the strict provisions of the metering and calibration law.

Another business field of Data GmbH are intra-group communications services. This comprises office and workshop telephones, mobile phones, radio transceivers, and data LANs. Using a new development that emerged in connection with building the Power Tower, it is possible to use the data network also as a television network. Individual services such as "Tetra", the radio network for operations, are being offered to Netz GmbH and to Kraftwerke GmbH. In addition, a total of 300 remote action units are being operated.

As a particularly innovative service, Data GmbH provides high-precision measuring signals. A system operator is thus in a position to measure his installations on a GPS basis with a precision of centimeters. This service is also being offered on the market under the name of "NetFocus". At present, there are co-operation projects with Energie Steiermark and with Salzburg AG. In this context, the sub-systems are connected and controlled by a server in Linz. It is planned to connect further energy-supply companies.

For the external telecommunications carrier market, a large-scale project was implemented during the expired business year. A major group of banks in Upper Austria commissioned BBI Breitbandinfrastruktur GmbH (BBI GmbH) to link up 440 bank outlets. Data GmbH (40%) and OÖ. Ferngas Service GmbH (15%) are the Group's companies that hold stakes in BBI GmbH. The order was carried out in the impressively short period of only nine months. All bank outlets have now been linked to a fiber optic network and

can be equipped with an almost unlimited bandwidth. This project is of major importance as a reference for further orders such as, for example, linking up municipal offices or health facilities.

QUALITY STRATEGY IN ELECTRICITY SUPPLIES WITH NEW STRUCTURE

Since appearing on the market on 01 July 2007, ENAMO GmbH, the joint-venture electricity supply company of Energie AG (65%) and LINZ AG (35%) has been in charge of the electricity supply operations of the electricity supply subsidiaries of the two groups. In addition, ENAMO is also engaged in its own, defined business, and it supplied out-of-area customers with an annual sold quantity of more than 370 GWh as of the end of the expired business year.

Under the leadership of ENAMO GmbH, Energie AG Oberösterreich Vertrieb GmbH & CO KG (Vertrieb KG), the 100% subsidiary of the Energie AG Group, continues to operate successfully on the domestic market. It is the stated objective of Vertrieb KG to offer customers prices, products and services in conformity with market conditions. The quality strategy, based on the principle of customer benefits, is highlighted by a clear commitment to promote energy efficiency and innovation.

The joint-venture company ENAMO aims at re-inforcing its Number 2 position on Austria's electricity market and to secure it primarily by operations on the market of Upper Austria.

In connection with commercial and private customers, competition became more intense during the business year under review. With regard to private customers, a partly highly aggressive price policy is being pursued in the fight over market shares. The sales prices to end consumers are partly clearly below the purchase conditions commonly found on the market. It was only with great efforts that we were able to keep prices stable for household customers. Nevertheless, Vertrieb KG succeeded in losing clearly fewer customers than was the case on average in Austria. There is evidence that its position as a quality supply operator that is clearly committed to a regional supply structure contributed essentially to this situation.

On account of the dramatic rise in electricity purchase prices, average price hikes of 20% to 30% had to be passed on to business and industrial customers.



These price adjustments are implemented on an on-going basis in the course of contract renewals.

In addition to the successful contribution of customers from the respective parent companies to ENAMO and to following up intensively on customer relations, there was also active acquisition on the Austrian market. In spite of the difficult environment, it was possible to renew the majority of expiring contracts, on account of innovative products and excellent customer relations.

The regional supply structure, personal advice and additional products are major distinguishing features, irrespective of the electricity supply segment.

During the 2007/2008 business year, a total of 6,774 GWh (previous year: 6,801 GWh) of electricity were supplied to customers of Vertrieb KG. Quantities supplied to industrial customers and key accounts declined slightly; yet, it was possible to obtain an increase of 4.4% among private, SME and business customers.

As in the years before, the expansion of services in the field of energy efficiency was one of the priorities in the activities of Vertrieb KG during the expired business year.

- **Energy Check**

The "Energy Check" that Energie AG has offered its customers free advice on energy since 2005. Since the beginning of the campaign, far more than 12,000 checks were sent in. The potential for energy savings amounts to about 50 GWh and to 11.5 tons of CO₂ reduction if the recommended measures are actually carried out.

During the expired business year, 463 counseling sessions were conducted on the phone, and 514 counseling sessions were held on site with customers. The result of session was made available to customers in the form of a list of measures.

- **Electricity Savings Book**

With the "Electricity Savings Book" campaign, Vertrieb KG supports its customers when exchanging old household appliances against modern, energy-saving units. Customers receive a grant in cash and a delivery voucher when buying the appliance in the respectively highest energy-efficiency class from defined "Fair Energy Partners". This campaign is not limited to a single purchase but can be used for several different appliances.

As the new, energy-efficient household appliances consume considerably less electricity, the purchase price is recovered within a short time. For example, an appliance in efficiency class A++ uses 25 to 35% less electricity than a product in class B and/or two thirds electricity less than a 15-year-old appliance. In the course of the expired business year, 3,000 old refrigerators and deep-freezers, washing machines and dish-washers were exchanged. The campaign continues until March 2009.

- **Joint study with the Chamber of Commerce of Upper Austria to identify potentials**

Together with the Chamber of Commerce of Upper Austria, Vertrieb KG conducted a study for commercial enterprises concerning the development of their energy consumption and costs. The objective of the study is to identify energy savings potentials in different branches, as well as to pinpoint "energy guzzlers". Sector-specific energy saving plans are then drawn up on that basis, as well as sector-specific benchmarks and actual measures to optimize energy consumption. This study was an important pilot phase for the project concerning energy efficiency management in companies.

- **Energy efficiency management for companies**

In many companies, energy is under-estimated as a cost factor. Vertrieb KG offers its customers an energy efficiency management in order to show them possibilities for savings. On that occasion, the energy consumption of all corporate units is analyzed in order to track down efficiency gaps. After jointly drawing up an inventory with the customer, the specific features of the different energy applications are analyzed. Possibilities for optimizing energy consumption can be estimated on that basis, and the potential for savings can be calculated.

- **The Fair Energy Partner Network**

The members of the association "Fair Energy Partner", which Energie AG set up, support the optimum use of energy in households, in agriculture, in commercial and industrial enterprises, as well as in municipal institutions. Energy savings, quality improvements and reducing the impact on the environment are the aspects that are of particular interest. During the year under review, the number of member companies grew to 178. For Energie AG, the Fair Energy Partners are an important network of experts, which can be used for offers to customers and counseling campaigns.

During the coming business year it will also be a priority goal in all customer segments to move ahead with the subject of energy efficiency. In the advice given to business customers and key accounts, this issue will be given more scope. When training staff advisers in matters of energy efficiency and energy innovation, this will therefore be one of the priorities.

STEPPING UP THE NATURAL-GAS COMMITMENT

During the expired business year, the Energie AG Group considerably stepped up its commitment to the natural-gas business and increased its share in Oberösterreichische Ferngas AG (OÖ. Ferngas AG). Energie AG took over the majority shareholding, as well as the industrial leadership in a group of owners that are all from Upper Austria. This new structure became possible because OMV sold its shares in Ferngas AG, and because OÖ. Ferngas AG modified its stake in EconGas GmbH.

In the course of these transactions, Energie AG increased its share in OÖ. Ferngas AG from 50% to 65%. LINZ AG and E-Werk Wels AG, the co-owners, exercised their preemptive rights and increased their shares to 28% and 7%, respectively.

Before, Ferngas AG had held 15.55% in EconGas GmbH. As a result of the new ownership structure, LINZ AG acquired 2%. The remaining 13.55% were contributed to EGBV Beteiligungsverwaltungs GmbH. OMV holds 65% and OÖ. Ferngas AG holds 35% in this company.

The federal anti-trust agency reviewed the new ownership structure and already gave its approval.

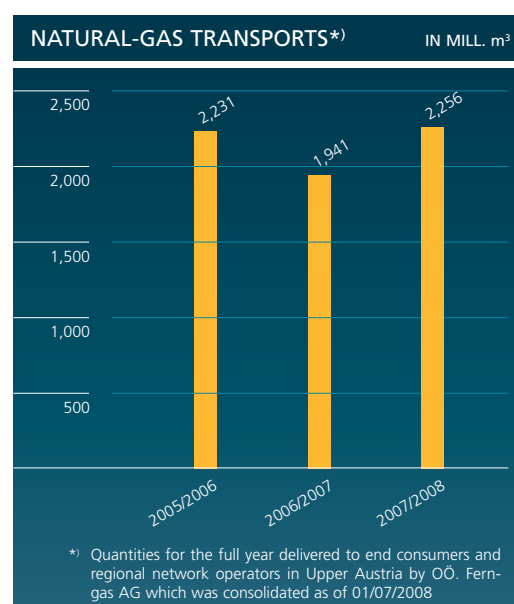
In the present consolidated financial statements for 2007/2008, OÖ. Ferngas AG was consolidated at equity for the first three quarters (01/10/2007 to 30/06/2008). It was fully consolidated for the fourth quarter (01/07/2008 to 30/09/2008).

By taking over OÖ. Ferngas AG, Energie AG has a majority stake in the largest natural-gas supply company in Upper Austria, which transports about one fourth of the annual Austrian natural-gas demand to end consumers and regional network operators in Upper Austria. During the 2007/2008 business year, 2,256 million m³ of natural gas were transported in Upper Austria. This is the biggest annual quantity in the history of OÖ. Ferngas AG. The increase over the previous year by 316 m³ or 16.3% is mainly due to the warm winter of the previous year (2006/2007), but also to the increase in customers resulting from the further expansion of the network.

After building 103 km of natural-gas pipelines during the 2007/2008 business year, OÖ. Ferngas AG now has a pipeline network of more than 5,000 km and more than 57,000 connected customers. Further priorities among investments were the first-time use of Smart Metering natural-gas meters in customer facilities, the construction of CNG filling stations and the continued conversion of the own vehicle fleet to natural gas, the alternative fuel. In addition to cost reductions, major CO₂ reductions, as compared to conventional vehicles, can also be achieved.



IN THE SUMMER OF 2008 ENERGIE AG WAS ABLE TO INCREASE ITS SHARE FROM 50 TO 65 PER CENT AND TO THUS ASSUME THE LEADERSHIP IN THIS GROUP OF COMPANIES.



All gas-technology plants are checked and serviced on an ongoing basis according to the respective standards and regulations, and any necessary additional safety checks are performed in order to ensure the high level of security and quality of supplies.

With the 2008 Ordinance on Tariffs for the Use of Gas Systems, incentive-based regulation was introduced for gas network operators as of 01 February 2008. The regulatory period amounts to two times five years. Negotiations were conducted with the Energy Control Commission about Network Level 1, and the expansion of long-distance pipelines was then decided and authorized in keeping with the proposals in the long-term plan of 2007. With regard to the investment factor for the expansion projects of Network Levels 2 and 3, intensive talks are being held with the regulating authority. With the entry into force of the new tariff ordinance, the remuneration for using the network will be slightly increased for customers in Network Level 2 of the Upper Austrian network section. They will be lowered for Network Level 3.

The Energy Control Commission approved the long-term plan for 2008 with its decree of 02 September 2008. The Regulation Zone leader proposed a number of expansion projects in order to be able to secure the supply of natural gas also for the future. In connection with the proposals for the expansion of the

high-pressure natural-gas pipelines, which were prepared in the course of the feasibility study for 2007, the necessary agreements for the expansion of the pipeline network were signed by the market participants involved.

Erdgas Oberösterreich GmbH & CO KG (erdgas oö.) is a 100% subsidiary of OÖ Ferngas AG. It specializes in offering natural gas to customers among households, commerce, municipalities and public institutions.

At the end of the business year, erdgas oö. supplied natural gas to 62,400 customers. In this context, it was possible to slightly expand the increase over the previous year. The market share among new constructions amounts to about 30%.

The company was able to use the opportunities offered by the liberalization of the natural-gas market. It now also supplies customers outside the original supply area. At the same time, it succeeded in keeping about 99% of its own customers. This underlines how well the offered products and services are accepted. It was possible to achieve a positive balance of transfers of about 1.4 million m³.

During the 2007/2008 business year, the quantities sold amounted to 202 million m³, which corresponds to a standard year, with average winter temperatures. As compared to the year before, the quantities sold went up by 28%, which is due to the mild winter of the year before (2006/2007), but also to an increase in the number of connected customers.

In reaction to the massive rise in procurement prices, higher prices became effective as of 1 November 2008. erdgas oö. has developed a product with a fixed price for natural gas in order to offer customers price security for the imminent heating period.

OÖ. Ferngas AG owns additional companies such as OÖ. Ferngas Service GmbH, the 100% subsidiary, and BBI Breitbandinfrastruktur GmbH (15% share) in the field of telecommunications and telecommunications carrier services on the basis of the fiber optic network.

ENSERV Energieservice & Co KG, which is a 100% subsidiary, offers its customers heating services, planning, and project management services for heat-supply facilities, as well as engineering services for bio-gas facilities.

At the end of 2007, Energie AG acquired a 15% share in Tauerngasstudien- und Planungsgesellschaft m.b.H. This company is conducting a feasibility study with EU support concerning a natural-gas pipeline from the German/Austrian border through Salzburg and Carinthia to the neighboring countries to the south, i.e. Italy and Slovenia. The decision on feasibility will probably be taken in mid-2009. If the Tauern gas pipeline were to be realized, this would entail a higher level of reliable supplies for the Austrian energy market, as additional transport capacities for natural gas would become available and/or it would be possible to access new natural-gas sources.

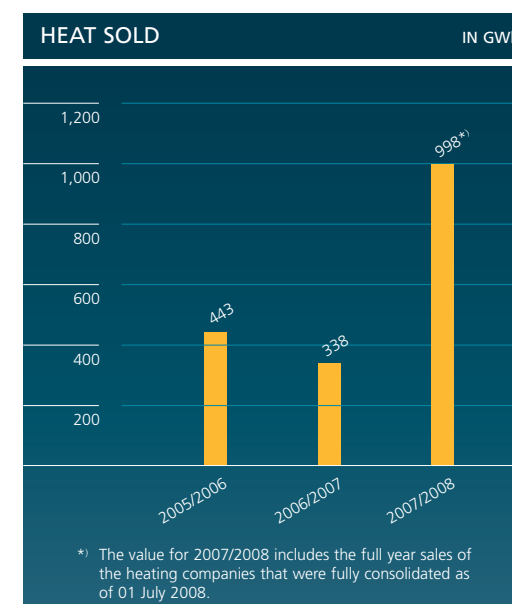
The decisive factor to accept a greater commitment concerning natural gas are strategic considerations in the Energie AG Group, which take account of a greater use of the primary energy source, natural gas, in the future. Similarly, the construction of the 400 MW combined-cycle gas turbine power station at Timelkam has been developed into the location with the power station that has the largest natural-gas consumption in Upper Austria.

Moreover, additional transport capacities will be needed if more natural gas is to be used by the Group and/or efforts will have to be made to diversify the portfolio of natural-gas suppliers.

STABLE GROWTH IN THE HEATING BUSINESS AREA

The goals of the heating business area are to provide stable contributions to the result and value-based growth in Upper Austria and defined CEE countries. In order to create the structural requirements for a successful appearance on the Czech and Slovak heating markets, Energie AG Teplo Slovakia was founded in Slovakia after Energie AG Teplo Bohemia had been set up in the Czech Republic. These companies serve to coordinate the ongoing business and as a basis for further acquisitions.

Compared to the extremely mild heating period 2006/2007, it was possible to considerably increase the heat sold during the period under review. With an increase in heating degree days by an average of 20%, the heat sold in the five Austrian supply networks amounted to 318.7 GWh, which is an increase over the previous year of 60.2 GWh or 23.3%. The



Austrian networks were supplied primarily with sufficiently generated heat from combined heat and power units.

Sales in the supply area of MTH Kolin in the Czech Republic developed similarly. With a 23% increase in heating degree days it was possible to sell 88.3 GWh of heat. This is 8.4 GWh or 10.5% more than in the year before.

Against the background of a massive rise in primary energy prices, it was possible to obtain the approval of the price authority in Upper Austria for an increase in the sales price in the range of 3.5% to 4.0% as of 01 February 2008. In spite of this increase, district heating continues to be in a favorable competitive situation. On 01 November 2008 prices were raised by another 1.4% to 2.9%.

In the Austrian supply networks, a bonus campaign for district heat was conducted during the expired business year. The objective was to make the conversion to district heating even more attractive, given the impact of steep increases in primary energy prices. As the number of customers subsequently went up by 2.5%, the campaign proved to be successful.

In the course of our growth efforts in this business area, we continuously look into interesting projects

in the Czech Republic and in Slovakia. We succeeded in closing several acquisition projects during the period under review.

We acquired a share of 66% in the district heating system of Rakovnik and took over 91.7% in the district heating system of Šumperk. By setting up Energie AG Teplo Vimperk, a 100% subsidiary, and taking over the heat supply for the town of Vimperk, it was also possible to take an important step in southern Bohemia. If one also considers the 95% share in MTH Kolín, the company thus incorporates now four supply networks in the Czech Republic, which have been integrated into Energie AG Teplo Bohemia.

In Slovakia an 80% share in the heat supply system of Kremnica was acquired.

Altogether the amount of heat sold was increased by about 120 GWh on account of the new holdings.

In the course of reorganizing the ownership of OÖ. Ferngas AG, the ownership proportions in **Cogeneration-Kraftwerke Management Oberösterreich GmbH** (CMOÖ) were also newly organized. After OMV Power International GmbH, the previous co-owner, sold its 50% share, Energie AG took over 100% in CMOÖ.

At the site of Laakirchen, CMOÖ operates a combined heat and power unit, which mainly delivers steam (process heat) and electricity to an industrial partner. In addition, several industrial and commercial companies in the vicinity are provided with district heat. With a fuel utilization rate of more than 75%, this company generates more than 500 GWh of heat and over 400 GWh of electricity.

CMOÖ was included at equity in the present consolidated financial statements of Energie AG for 2007/2008 for the first three quarters, and it was fully consolidated for the fourth quarter.

CMOÖ had a truncated business year in the period 01 January 2008 to 30 September 2008 and is changing its reporting date from 31 December to 30 September.

QUALITY AND MARKET ORIENTATION IN THE INTRA-GROUP SERVICE COMPANIES

The four intra-Group service companies provide the operating entities of the Group with services of high quality and at optimized costs. The resources available to these companies are geared to their tasks and to the needs of their intra-Group counterparts. Orders by external customers are accepted for the sake of optimizing capacity.

During the year under review several projects were completed successfully or started in order to further optimize the service companies and orient them to market requirements.

- **Energie AG Oberösterreich Tech Services GmbH** (Tech Services) provides the technical services for facilities in the electricity and data network of Energie AG. Netz GmbH and Data GmbH are the main business partners.

The expired business year was characterized by a very gratifying utilization of the available capacities. Additional orders from Netz GmbH came in the wake of maintenance jobs following hurricane

"Emma". Data GmbH commissioned Tech Services as a subcontractor for a large-scale order to connect 310 bank outlets to the fiber optic network of the Group. The project had to be finished in less than one year. The full utilization of the team was therefore ensured throughout the year, last, but not least, on account of a number of external orders.

- **Energie AG Oberösterreich Customer Services GmbH** (Customer Services) offers billing and customer services, including collection management.

Netz GmbH and Vertrieb KG are the main business partners. Data GmbH, the heating business area, and the water segment are other intra-Group customers. Since the expired business year ENAMO GmbH has also been receiving the full product portfolio of customer services.

For the province of Upper Austria the service provided by this company is a "crisis hotline". During the period under review two operations were completed successfully. In March 2008 a total of almost 9,000 calls were handled in connection with hurricane "Emma" and a large-scale traffic accident on highway A1.

Altogether the staff members of the call center handled more than 570,000 telephone calls during the 2007/2008 business year.

- **Energie AG Oberösterreich Business Services GmbH** (Business Services) has bundled the services for procurement and logistics, facility management, information technology, accounting, and legal advice.

During the year under review the activities of Business Services were mainly characterized by the completion and relocation to the new corporate head office. In the course of one weekend 620 work stations were successfully moved from the temporary quarters to the Power Tower.

A new billing model for intra-Group products and services was developed during the 2007/2008 business year in the course of further customer and market orientation. It has been used by all service companies since 01 October 2008. Moreover, the prices charged within the Group are being examined in the course of a benchmarking project.

- By applying the "one stop" principle, **Energie AG Oberösterreich Personal Services GmbH** (Personal Services) is in a position to offer its customers a single contact point in all staff-related matters. The services comprise staff management, personnel accounting, staff training, and apprentices' training. Customers benefit from the existing know-how, as well as from the established network of contacts within the Group.

A regular exchange of experience with other personnel service providers is maintained for the purpose of a continuous further development. For example, the Apprenticeship Trainers Meeting in May 2008, which Personal Services organized and which experts from all parts of Austria attended, was a great success.

In the future, a pro-active approach to counseling services, as well as strengthening quality awareness will be in the foreground of the performance of Personal Services.

MAJOR STRATEGIC PARTICIPATIONS

The strategic participations of the Energie AG Group comprise companies associated at equity, i.e. Ennskraftwerke AG, Wels Strom GmbH, LIWEST Kabelmedien GmbH (LIWEST), and Salzburg AG für Energie, Verkehr und Telekommunikation (Salzburg AG), as well as other unconsolidated companies.

OÖ. Ferngas AG and CMOÖ, in each of which Energie AG previously held a share of 50%, were accounted at-equity for the first three quarters (01/10/2007 to 30/06/2008) of the present consolidated financial statements. Given that the share in OÖ. Ferngas AG was increased and CMOÖ was taken over, both companies have been fully consolidated since the fourth quarter of the business year (as of 01/07/2008).

The portfolio of the various participations along the value-added chain provide the Energie AG Group with synergy effects, on the one hand, and a reduced business risk in its operations, on the other hand.

The contribution to the result of the companies associated at-equity (including the operating company Kaposvári Városgazdálkodási Rt. in Hungary and GuD Timelkam GmbH) amounted to EUR 15.4 million for the 2007/2008 business year, after EUR 19.2 million the year before.



The change over the previous year results essentially from the fact that OÖ. Ferngas AG and CMOÖ were included during only three quarters, as compared to the year before, and that interest during construction was not entered under assets, which affects the result of GuD Timelkam GmbH during the expired business year.

LIWEST is included in the consolidated financial statements of Energie AG with its disclosed results for the year; undisclosed interim accounts are available for Ennskraftwerke AG, Wels Strom GmbH, and Salzburg AG.

Ennskraftwerke AG has a total output of approximately 430 MW and a standard operating capacity of almost 1,860 GWh, which makes it one of the largest Austrian producers of electric energy from hydro power. The main tasks of the company are to operate and maintain twelve hydro power stations along the rivers Enns and Steyr. Energie AG holds a 50% share in Ennskraftwerke AG. As a result of the low water level, the electricity generated by the entire group of power stations amounted to 1,743 GWh during the last completed business year 2007 (01/01 to 31/12/2007), which is 6.3% below the standard operating capacity. In relation to the 2007/2008 business year of Energie AG, the water level was considerably higher than in a standard year.

The electricity procurement rights of Ennskraftwerke AG constitute an important share of renewable energy, at optimized costs and risks, in the procurement portfolio of Energie AG. Continuous studies with a view

to improving efficiency, as well as optimizing of the existing facilities are intended to increase electricity production in the future.

Wels Strom GmbH, in which Energie AG holds a 49% share, is a regional supplier of electricity to the Upper-Austrian town of Wels and several surrounding municipalities. The objects of the company, which is a fully integrated energy supplier, comprise the generation and procurement, the distribution and supply of electric energy. During the last completed business year 2007 (01/01 to 31/12/2007) Wels Strom GmbH sold 377 GWh of electricity (- 6%). The heat produced by the district heating plant, which amounted to 155 GWh (- 12%) in 2007, is being sold to Elektrizitätswerke Wels AG, the second parent company (51%). The rate of own electricity generation in relation to the quantities sold to own customers was slightly higher than 50% in 2007.

In the telecommunications sector, Energie AG has a stake of 44% in **LIWEST Kabelmedien GmbH**. When considering the actively connected customers, LIWEST is the biggest cable TV network operator in Upper Austria and ranks second in Austria. This position became possible as cable TV customers increased to 126,701 (+ 13.4%), and telephone customers to 22,124 (+ 30.1%). It was possible to obtain this increase in spite of the prevailing competitive pressure caused inter alia by special low-price offers by competitors, as well as the aggressive appearance of new providers on the Upper-Austrian market. It was also possible to gain further customers on the broadband market in spite of increasing competition. The number

of Internet customers could be increased to 46,511 customers (+ 8.6%). On account of the high penetration in the existing network, growth was achieved mainly by the acquisition of small network providers in Upper Austria, which also resulted in an expansion of the area covered.

The Energie AG Group holds 26.13% of **Salzburg AG für Energie, Verkehr und Telekommunikation**, which is a multi-utility supply company in the province of Salzburg. The enterprise operates in the areas of electricity, natural gas, district heating, water, transport, and telecommunications.

For the 2007 business year (01/01 to 31/12/2007) the total amount of electricity sold (including trading) amounted to 10,842 GWh (+19%). Total sales of natural gas (including trading) amounted to 6,253 GWh (+ 27%). In 2007 the company supplied nearly 3,400 GWh (+ 1%) to the about 250,000 electricity customers and over 1,850 GWh (- 22%) to about 31,000 natural gas customers. More than 600 GWh (+ 4%) of district heat were sold. The telecommunications business area was also marked by a major increase in customer numbers.

There are plans to increase the rate of own electricity generation, which is currently slightly below 50%, by building and obtaining shares in power stations, in order to improve the security of supplies, as well as to obtain more independence from fluctuations in market prices.

RENEWABLE ENERGIES AND ENERGY EFFICIENCY – A MARKET OF THE FUTURE

Fair Energy GmbH was founded during the 2006/2007 business year in order to concentrate the Group's potential for renewable energies and energy efficiency, which is a market of the future.

In recent months Fair Energy GmbH succeeded in assuming a position on the growth market energy efficiency and in the field of renewable energies. With stakes in IfEA (Institut für Energieausweis GmbH) and in NEET GmbH, Fair Energy GmbH has become – within a short period – an important partner to contact in matters of energy efficiency. The newly founded subsidiary, Fair Energy Renewable Power GmbH, is used to bundle future projects and participations in the fields of wind and solar energy.

With its 40% stake in IfEA, Fair Energy GmbH was able to secure a well-established platform on the Upper Austrian market. The business model of IfEA comprises the certification of buildings and the provision of services to owners of large buildings. It is the objective of IfEA to offer new services to owners of large building and real-estate companies on the basis of the experience gained in certifying buildings.

The share in NEET GmbH makes it possible to market the Energy Globe Portal, as well as to organize and carry out the Energy Globe Award. By using the Internet platform www.energyglobe.com, private customers are offered online energy checks, refurbishment jobs, and building certificates. The Energy Globe Award is an excellently positioned instrument in the field of environmental protection and innovation. This internationally established prize is awarded for outstanding projects in the field of an economical and environmentally friendly use of resources, as well as in the area of using renewable and/or emission-free types of energy.

In the future, participations and projects in the field of renewable energies will be bundled in Fair Energy Renewable Power GmbH, which was founded recently. Model projects, cooperation projects, as well as acquisitions in Austria, and subsequently also in selected countries in Europe will be undertaken during the current business year in the areas of photovoltaics, solar, thermal and wind energy. As a first step, the existing photovoltaic units of the Group will be integrated into Fair Energy Renewable Power GmbH.





Intelligent facility management supports the efficient use of energy at the Power Tower: Central controls operate all sun protection measures. The Power Tower does not need any air conditioning system. Suspended heating and cooling ceiling panels control the temperature.

The Waste Management Segment



THE BUSINESS ENVIRONMENT IN THE WASTE MANAGEMENT MARKET

In June 2008 the European Parliament agreed, in a second reading, on an amendment of the Framework Directive on Waste Disposal of the European Union. It thus established essential objectives of a sustainable modern waste management policy, which includes significant sections on waste prevention and waste processing, as well as providing the necessary precision of terms in the waste sector.

The market environment of the waste management sector in Europe is characterized by enormously volatile prices for primary raw materials, which led to considerable fluctuations in the field of secondary raw materials, such as paper, recycling plastics, and scrap metal in recent months. A growing number of illegal dumping sites in Germany, as well as legal but also illegal cross-border shipments have led to a continuous rise of competitive pressure and pressure on prices on the market. At the same time, the waste management sector was confronted with a persistent cost pressure as a result of the still high price level for fuels, as well as with higher charges on transport logistics.

In addition to these factors, over-capacities of waste incineration plants are being built up on a medium-term basis, which are additional major challenges in Austria and Germany. The driving forces behind rising quotas in connection with thermal processing and recycling are the permanent quest, especially of the metal, paper, and pulp industry for alternative, more cost-efficient fuels in order to substitute primary energy sources.

As to the structures and ownership relations in the waste management industry, the concentration process continues in Germany and Austria. It involves the take-over of small and medium-sized companies in particular. In the CEE countries the market for waste management services continues to show higher, partly two-digit growth rates, which are also due to the environmental deficits of these countries, which must be compensated in the wake of the EU accession. At present, sometimes instable political conditions in the CEE countries have a postponing effect on decisions to privatize municipal services. The growth of AVE in the East therefore comes mainly from acquiring private companies, building new projects and structures, and expanding existing PPPs.



BUSINESS DEVELOPMENT IN THE WASTE MANAGEMENT SEGMENT

With the brand name AVE the waste management segment is the second largest segment of the Energie AG Group. Activities are bundled under AVE Energie AG Oberösterreich Umwelt GmbH, the lead enterprise. During the expired business year, the AVE group consistently continued its growth course. In the meantime, it operates in eight countries (Austria, southern Germany [Bavaria], Czech Republic, Hungary, Slovakia, Romania, western Ukraine, Moldova), due to its regional diversification.

By taking over the waste paper operations of the Mayr-Melnhof Group in spring 2008, AVE became the largest processing company for waste paper in Austria and raised its market share in this business field to 26%. Its position as a fully integrated waste management company is highlighted by the start up of the pelletizing plant at Wels, where substitute fuels are produced from high-caloric waste materials for an industrial partner.

During the 2007/2008 business year, AVE achieved total sales of EUR 335.6 million and an EBIT of EUR 20.6 million.

The increase in total sales of EUR 70.4 million or 26.5% over the previous year (EUR 265.2 million) is due both to organic growth and numerous acquisitions, as well as the first consolidation of the country organiza-

Waste Management Segment – Overview

	in	2007/2008	Change	2006/2007	2005/2006
Total waste volume handled	1,000 tons	4,610	8.0%	4,270	3,474
Thermally processed waste	1,000 tons	602	0.8%	597	577
Total sales	EUR mill.	335.6	26.3%	265.8	214.5
EBITDA	EUR mill.	63.9	6.1%	60.2	51.5
EBIT	EUR mill.	20.6	- 20.5%	25.9	25.0
Investments into tangible fixed assets and intangible assets	EUR mill.	65.8	41.8%	46.4	97.0
Employees	FTEs	2,695	23.1%	2,190	1,814

tions in Slovakia and Germany. A vigorous increase in diesel prices, unscheduled high maintenance costs for the waste incineration plants – also due to the aftermath of processing delivered unsuited materials during the 2006/2007 business year – the start-up phase of the pelletizing plant at Wels and a downward development in the market prices for industrial waste are reflected in the EBIT of EUR 20.6 million, which amounted to EUR 25.9 million the year before. These factors reduced the results of AVE Austria, whereas AVE Hungary and AVE Czech Republic (its subsidiaries) succeeded once again to record increases in sales and in the result.

The investments of the 2007/2008 business year amounted to EUR 65.8 million, which is EUR 19.4 million or 41.8% more than in the year before (EUR 46.4 million).

Austria

The course of business in Austria also showed a market increase in sales for the 2007/2008 business year, as a result of which AVE further strengthened its position on the market as the strongest domestic waste-management company. The clear growth of sales came from an expansion of business with the municipalities in the fields of biogenic waste and mechanical-biological treatment of waste materials, as well as from higher prices and quantities concerning waste and recycled materials, with a focus on scrap metal, and from intensifying market activities in the field

of hazardous waste materials, linked to the higher throughput of the chemical-physical processing unit at Steyr.

When acquiring the waste paper operations of the Mayr-Melnhof Group, AVE Austria also succeeded in closing the most important and largest acquisition in the company's history. The companies Joh. Spiehs & Co. GmbH and Papyrus Altpapier Service Handels Ges.m.b.H. are included in the consolidated financial statements for 2007/2008 with a nine-month truncated year (01/01/2008 to 30/09/2008).

In the meantime Wolf Ruth GmbH, purchased in 2007, was merged with AVE Österreich GmbH and the logistic site at Vils in Tyrol was integrated into the overall organization.

The consistent strengthening of marketing activities in the southern provinces of Austria was continued by acquiring CWS Carinthian Waste Service, which is located at Mühlendorf. CWS has also been merged with AVE Austria; it is operated at its logistic site and has its own sales office.

Both waste incineration plants at Lenzing (305,000 tons) and Wels (297,000 tons) succeeded in reaching the scheduled throughput quantities during the 2007/2008 business year. In spite of stepping up of controls, larger quantities of foreign-material deliveries were once again recorded at Wels. This had a negative impact on operating hours, which therefore fell

short of last year's value by 150 hours. Unscheduled maintenance jobs at the electricity generation plant affected the sales of energy.

At year-end 2007 the movable plant components of WAV II were sold to an investor in the course of a leasing transaction and leased back for a period of 15 years. The Group has a defined buy-back right at the end of the leasing period.

Highly satisfactory throughput rates were not only achieved by the two incineration plants but especially also by the rendering plant at Regau, the processing plant for scrap refrigerators and the waste-timber processing plant at Timelkam, the physical-chemical processing plant at Steyr, the mechanical sorting plant at Wels and ARGEV-Sortierung at Hörsching. For the logistics, about 313 collecting, transport and special-purpose vehicles were used.

After one further adaptation, the test operations at the pelletizing plant at Wels were begun in July 2008. After a 2-month phase of optimizing the plant functions and continuously adjusting the mixing ratio of the material input, pellets were produced for a first time as of September 2008, with the plant working almost under standard conditions. These pellets were delivered to an industrial partner as a substitute fuel.

In the future, the rendering facility at Regau will focus on activities concerning the collection and processing of waste food and waste cooking oils in the

larger area of Upper Austria, in addition to continuing the classical processing of slaughterhouse wastes and the disposal of dead animals and hazardous materials.

Together with partners, ASPG-Altlastensanierungsprojekte GmbH, which specializes in environmental remediation, managed to bid successfully for several orders, including the demolition of Parkhotel Gmunden and the remediation of the landfill at Freistadt. The latter project has a volume of more than 40,000 tons and will probably continue until the first calendar quarter of the year 2009.

Bavaria

AVE Abfallwirtschaft GmbH, which is domiciled in the Bavarian town of Rotthalmünster, began operations in the 2007/2008 business year when it was awarded a 7-year contract to collect the municipal waste in Passau. The beginning of the first operating year of AVE in Bavaria was characterized by the acquisition of Knödseder GmbH and of ABE Recycling GmbH in the fall of 2007, as well as subsequently by the introduction of paper containers in the area of AWW Isar-Inn. With the take-over of the waste-management activities of the Hofbrückl group in June 2008, AVE Bavaria, which is now managing the waste of more than 600,000 inhabitants, has become the biggest municipal waste-management company in Lower Bavaria. By expanding operations to a total of seven locations, the market covered extends as far



WITH A MODERN WASTE DISPOSAL FLEET, AVE MOVES THE IMPRESSIVE WASTE VOLUME OF 4.6 MILLION TONS.



AVE HEAD OFFICE AT THE LOCATION OF INNERZELL-HILGENREITH IN BAVARIA

as Augsburg. The main focus during the expired business year was on building up the company's structures, its organization and its resources. The take-over of the processing plant for commercial waste at the site of AVE Abfallwirtschaft GmbH at Rothalmünster as of 01 September 2008 is the backbone of the plant strategy of AVE Bavaria and rounds off the development during the first business year.

Czech Republic

The business of the AVE group in the Czech Republic continued to expand significantly. Revenues from winter services, which stagnated at a low level, as in the year before, on account of the mild winter were compensated by average price hikes of 7% throughout the country for the municipal and commercial segments as of 01 January 2008. Revenues from landfill operations once again reached the level of the previous year, but we succeeded in recording 30% of growth with our sorting operations. It was possible to maintain the gratifying result of the previous year, obtained with remediation projects, with slightly lower sales revenues, while the promising area of operations with recycled materials, which we had newly accessed in the previous year with the acquisition of Zapadočeské sběrné suroviny a.s., domiciled at Plzeň and with outlets in western Bohemia, succeeded in recording clear increases.

Another main priority during the expired business year was once again to focus on further acquisitions of companies with the goal of obtaining greater market density, as well as of securing and expanding the present position as the fourth-largest waste-management company in the Czech Republic.

In October 2007 Fortygo s.r.o was taken over, which offers municipal waste-management and selective collection services in the vicinity of Karlovy Vary.

With 01 January 2008 as the effective date, a share of 75% in the technical services of Kolín s.r.o. was acquired. This company mainly operates in the area of municipal waste management, road services and green space services. This step helps to achieve synergies with the existing AVE landfill in Čáslav. Moreover, the municipal services of Hořovice s.r.o. were taken over in February 2008. This is a classical utility company that has its own sorting and composting facilities. It was possible to strengthen the market position in Moravia by acquiring a second location in Olomouc. Further acquisitions followed in April and May: Odpady 98, a private undertaking focusing on special waste with offices in eastern Bohemia, and the Libenice sorting plant, which was handled as an asset deal. Shortly before the end of the business year, the acquisition of the partial operation of Skutečsko was also completed successfully.

In early July 2008 the biggest acquisition in the history of AVE Czech Republic since its entry to the market in 2004, as well as the second-most important acquisition of the entire AVE group during this year was accomplished when the Czech shares of the REMONDIS Int. GmbH, including AVE Rumburk s.r.o., its subsidiary, were taken over. It was possible to take over 13 locations with annual sales of about EUR 10.0 million. This is not only a major challenge for the integration management of the AVE group but a major opportunity to achieve major synergies at the same time.

As of 01 June 2008 the company structure was simplified by merging SOH Benátky nad Jizerou s.r.o. and

AVE Jindřichův Hradec s.r.o. with the country company AVE CZ odpadové hospodářství s.r.o., with retro-active effect as of 01 October 2008.

On account of the dynamic growth, several organizational measures were taken in the country company of AVE Czech Republic in order to be equipped in terms of staff and organization for the future development. A major step in this direction was to relocate to the new office site in the south-eastern part of Prague at the end of March 2008.

Hungary

During the 2007/2008 business year, the AVE group in Hungary succeeded once again in pursuing the positive development recorded in previous years. It thus obtained the best fiscal year in the company's history to date, with all service areas offered contributing to this success. Sales revenues from commercial and industrial customers, as well as in areas of recycled materials and material-flow management recorded a marked increase over the previous year. In the municipal sector, too, it was possible to agree on market-adequate price increases and thus to stabilize the results of this business area. It was possible to maintain the result of the winter service business area on the same level as last year, in spite of the mild temperatures.

AVE Heves Régio Kft. began construction work on the transfer stations at Eger and Hatvan, as well as on the preparatory work for the planned landfill Hejőpapi II. The associated company Zöldfok Zrt. also began with the construction of the three ISPA (ISPA: instrument structurel de pré-adhésion = structural pre-accession instrument) landfills. Their completion and start-up is planned for the summer of 2009.

AVE Hevesi Városfenntartó Kft. (Heves City) was integrated into the existing organizational structure of AVE Hungary after it had been awarded the contract in the preceding tender for the complete waste disposal of the town of Heves (12,000 inhabitants), as well as several other municipalities. By way of further consolidating acquisitions, the company achieved a further expansion of its collection activities in Heves County.

By the end of the business year under review, AVE Tatabánya succeeded in completing the adaptation of its new location at Csömör near Budapest. As a result, the company has gained access to opportunities of further expansion in the greater Budapest area, as well as in the adjoining areas.

As of 01 October 2008 AVE Hungary carried out the simultaneous implementation of SAP ERP and Waste& Recycling, both at the country company and the two operating companies at Miskolc and Tatabánya.

Slovakia

The main activities during the expired business year were to build up the technical and staff resources for further growth in Slovakia. At the beginning of the year, the majority ownership in A. R. W. Recycling Slovakia in the western part of Slovakia was taken over, and the company was re-named AVE Bratislava s.r.o. Once the new location in Bratislava has been completed, efforts will be stepped up in the field of industrial and commercial waste. In eastern Slovakia, the majority of the landfill at Jasov was taken over as a PPP model, together with the municipality of Jasov. It was then upgraded to the latest state of the art and expanded by one additional sector.



COMPREHENSIVE SYNERGIES ARE ACHIEVED AFTER THE REMONDIS TAKE-OVER WITH THE NEW HEAD OFFICE OF AVE CZECH REPUBLIC IN PRAGUE.



FROM BRATISLAVA AVE EMBARKS UPON WASTE MANAGEMENT OPERATIONS IN SLOVAKIA

At V.O.D.S., a.s. the personnel and infrastructure resources were created for pro-active activities handling the municipal, commercial and industrial segments in eastern Slovakia. Thanks to the company's own vehicle fleet and infrastructure, its own locations for processing recycling materials and its own landfill, it has provided waste-management activities for more than 20 municipalities with about 30,000 inhabitants, as well as numerous key accounts in industry and commerce, already in the first months of marketing efforts.

V.O.D.S., a.s. was consolidated into the Group for the first time as of the 2007/2008 business year, together with the country holding company AVE SK. In the area of processing used tires, more than 9,000 tons of rubber granulates were produced in the truncated business year, which is clearly above the value of the previous year.

The exchange rate has already been established for the introduction of the euro, scheduled for 01 January 2009.

Romania

We also succeeded in further developing activities on the Romanian market during the period under review. The three main AVE operating companies in Romania, i.e. AVE Salaj, AVE Harghita and AVE Huron (acquired in April 2008) each have shown a gratifying development. It was possible, both among household and commercial customers, with a focus on building up a collection system for recycling materials, to gain customers, to obtain price hikes and to improve the cost structures.

In addition to continuously modernizing the vehicle fleet, it was possible to successfully complete the most

important investment project in Romania, i.e. the construction of the most modern regional landfill in Romania at Harghita, which conforms to EU standards and will have a capacity of 1.45 million m³ when completed.

With respect to organization, one should mention that two companies were founded – AVE Ardeal and AVE Bihor – which will provide further organic growth in the strong economic districts of Cluj and Bihor.

Ukraine

The AVE group has expanded its activities in Ukraine, beginning with the Transcarpathian region (1.3 million inhabitants) and expanding into the neighboring areas of Lviv (2.6 million inhabitants) and Ivano-Frankivsk (1.4 million inhabitants). After setting up the country company AVE Ukraine with head offices in Lviv in early August 2008 and establishing AVE Kolymyja, as an associated company of AVE Ukraine, in the Ivano-Frankivsk region, the staff level has risen to 46 as of 30 September 2008. During the expired business year, AVE Vinogradovo succeeded in increasing the number of household customer contracts to 11,736 and that of commercial customer contracts to 398, which marks the successful intensification of activities in the town of Vinogradovo and the Transcarpathian region.

Moldova

For the market entry in Moldova, AVE Ungheni SRL was founded as a joint venture in the town of Ungheni (40,000 inhabitants), located near the border. In the meantime it has begun to implement the collection of household waste and, after setting up new containers, it has already signed contracts with 1,200 households.

OUTLOOK

Generally speaking, the waste-management sector in Austria and Germany can expect a challenging situation in the coming years. On the one hand, the classical waste volumes are shrinking, on account of more intensive processing and obtaining recycled materials, as well as due to the increase of approved exports abroad on the basis of notifications. On the other hand, the capacities for the thermal processing of waste from municipal, commercial and industrial sources are growing. Several projects are in the process of construction or approval. This development leads to more competition over the available waste volumes in order to utilize the existing and future incineration plants. This already had an impact on waste-material prices during the last months of the expired business year, and current tenders for municipal waste quantities show that this trend is continuing during the 2008/2009 business year. Although it is currently not possible to assess in figures and quantities the real-term economic consequences of the current instability on financial markets, on production and thus waste volumes of commercial and industrial customers and the specific behavior of private households, they will certainly be noticed.

AVE will continue to keep its organizational structures as lean as possible. For the 2008/2009 business year, we plan further mergers of subsidiary companies, the continuous optimizing of location densities and the corresponding ongoing adjustments of staff in order to use synergy potentials optimally. It is planned to discontinue the activities of one business field on a medium-term basis. This is due to the current market development and the requirements imposed by the authorities, which can only be met under un-economic conditions. Drawing on the experience with installed SAP solutions in Austria, the Czech Republic

and Hungary, AVE will be the first waste-management company to further expand the use of specific SAP software of the waste-management sector, i.e. SAP Waste&Recycling, by gradually rolling out its application to the main subsidiary companies in the countries under review.

The primary goals of an offensive market and growth strategy, which will continue to be accompanied by vigorous growth by way of acquisitions, are to secure and expand the leadership position in Austria and Hungary, as well as to obtain additional shares in the other countries. To cover and master the entire value-added chain and the concentric expansion from existing locations continue to be the key factors for success in the progressive concentration process of the still highly fragmented waste-management market in Central and Eastern Europe.

AVE can point to the following technical projects to be implemented during the 2008/2009 business year: In Austria, the production start-up of the pelletizing plant and the start-up of the heat extraction from WAV (both at Wels); in Bavaria, the optimization of the processing plant for commercial waste materials at Penning; in the Czech Republic, the construction of the two new sorting facilities at Benátky nad Jizerou and at Čáslav, as well as the thermal project at Pardubice; in Hungary, Slovakia, Romania and Moldova, the start-up of further new landfills that conform to EU standards and the continuous optimizing of existing plants, as well as of vehicle fleets.

With these activities, the AVE group will further strengthen and expand its position as a fully integrated waste-management company in Central Europe.



The energy used at the Power Tower comes from the ground, the groundwater and the sun. Heat pumps use more than 6,900 meters of depth probes and foundation piles to extract the required heating and cooling resources from the ground. Ground-water is used to cool the computer center and for the ventilation system. The biggest solar power plant in Austria, which is integrated into the building façade, generates 42,000 kWh of electricity per year. They are used to operate the facility management technology.

The Water Segment



THE BUSINESS ENVIRONMENT OF THE WATER MARKET

Providers of drinking-water supplies and waste-water management in Europe are facing growing demands from customers. The central topics of these demands relate to the security of supplies, water quality, the sustainable utilization of resources and socially acceptable prices. Meeting these demands requires increasing investments – especially in the CEE countries – into the infrastructure of the water industry. In this context, privately owned water-supply companies with efficient operations have assumed an important role.

The privatization processes of public water-supply and waste-water management systems have reached different levels in the various countries in Europe. The so-called operator model is given preference as a standard solution in the majority of cases. In these cases the municipality remains the owner of the water-supply infrastructure, while mostly private companies are in charge of operations, on the basis of operating contracts. As a rule, operator models are based on long-term agreements that have terms of up to 25 years.

The General Agreement of Trade in Services (GATS) has also created public interest in the liberalization processes on international markets and thus also in water supply systems. The European Union is currently looking into possibilities for liberalization, with the goal of creating more competition. Since 2004, all EU Member States have been obliged to carry out an economic analysis of their domestic water industry, with a view to the implementing process of the EU Water Framework Directive (WFD). This directive stipulates, inter alia, that – as of 2010 – all processes in the water industry must be performed on the basis of transparent costs. For the future, these EU requirements offer positive development opportunities for private water-management and waste-water service companies, as public cross-subsidization of water and/or waste-water prices is to be avoided.

In Austria, drinking water continues to be an emotionally charged topic, and one cannot expect major privatization trends in the near future. A growing demand for services is, however, noticeable.

In the Czech Republic, the measures required for reaching the accepted EU environmental standards in water supplies and waste-water management are the most important overall conditions for the future. The new standards require a clear increase in the

level of link-ups to sewage installations and in the purification performance of treatment plants. On account of the modernization and expansion of the water-industry infrastructure, the overwhelmingly public owners must reckon with considerable investment needs for this infrastructure, which can only be met by way of grants. As the final version of the current guidelines for grants is not yet available, the necessary privatization processes have clearly slowed down in the Czech Republic.

With the political changes in the aftermath of the parliamentary elections in 2006 and the specific requirements of the EU guidelines for grants, the privatization process has also slowed down.

In Hungary, too, we are currently seeing a similar picture. At present, there is an intensive discussion on the political level about privatization, especially of public water companies.

In other CEE countries, especially in the new EU members Romania and Bulgaria, one can observe clear privatization trends. During the expired business year, considerations about privatization were in an initial and/or orientation phase that was also influenced by the topic of EU promotion modalities.

In this market environment, the competitive edge of the water segment derives from the available know-how concerning the water industry, clearly defined leadership and control structures, as well as synergy potentials within the segment and with the Group's business areas waste management and heat. These synergies exist, in particular, in the area of market and project development in connection with privatization processes and in the coordinated provision of services for municipal customers.

The Water Segment – Overview

	in	2007/2008	Change	2006/2007	2005/2006
Invoiced drinking water quantities	m ³ mill.	49.1	4.2%	47.1	44.5
Invoiced waste water quantities	m ³ mill.	31.1	12.7%	27.6	27.6
Number of inhabitants supplied with drinking water	in 1,000	716	2.3%	700	652
Number of inhabitants with waste water treatment	in 1,000	412	2.0%	404	376
Total sales	EUR mill.	81.0	19.8%	67.6	57.5
EBITDA	EUR mill.	7.7	16.7%	6.6	5.1
EBIT	EUR mill.	2.5	25.0%	2.0	1.3
Investments into tangible fixed assets and intangible assets	EUR mill.	5.6	- 48.1%	10.8	6.4
Employees (average number)	FTEs	1,125	- 6.0	1,197	1,179

BUSINESS DEVELOPMENT IN THE WATER SEGMENT

The water segment which has been integrated into Energie AG Oberösterreich Wasser GmbH (Wasser GbmH) is one of the growth sectors of the Energie AG Group. At the end of the expired business year, we succeeded in taking one further major growth step by acquiring 1. JVS a.s. (1. JVS), which is domiciled in České Budejovice in southern Bohemia. The company, which was bought from Veolia, generates sales of about EUR 30 million with its more than 300 employees and more than 80 operating contracts. The distribution network has a length of almost 1,400 km, and it supplies about 11 million m³ of drinking water to about 220,000 inhabitants. The waste water is processed in 69 purification plants.

The first consolidation of 1. JVS in the present consolidated financial statements was made on the basis of interim accounts covering nine months and only entered into the balance sheet. As of the 2008/2009 business year, the results will also be incorporated.

With regard to operations, the business year was characterized by good water sales, due to prevailing weather conditions, both in Austria and in the Czech Republic.

With total sales of EUR 81.0 million (previous year: EUR 67.6 million), an EBIT of EUR 2.5 million was earned for the 2007/2008 business year. It was thus possible to increase total sales by EUR 13.4 million or 19.8%. In addition to these higher sales, due to the favorable weather conditions, this development is also linked to organic growth in Austria and the Czech Republic, which was primarily the result of signing new operating contracts and achieving price adjustments.

It was also possible to increase the EBIT. It amounts to EUR 2.5 million for the expired business year, which is EUR 0.5 million or 25.0% above the value for the previous year. Positive influences upon the EBIT were the higher prices and restructuring effects; yet, it continues to be characterized by expenses for further developing the market, in the form of project lead costs, and integration costs for new participations.

Investments into tangible fixed assets and intangible assets decreased to EUR 5.6 million, which is about half the amount of the previous year (EUR 10.8 million).

During the 2007/2008 business year, the five fully consolidated operating companies supplied drinking water to about 716,000 inhabitants (previous year: 700,000) and handled the waste-water management for about 412,000 inhabitants (previous year: 404,000). When including 1. JVS, the number of inhabitants supplied with water will go up to 930,000, and the waste-water management will be handled for 616,000 inhabitants in the future.

In comparison to the year before, this is an increase in the number of inhabitants supplied with drinking water of more than 32.9%, and of 52.5% for the inhabitants linked up to the sewage system.

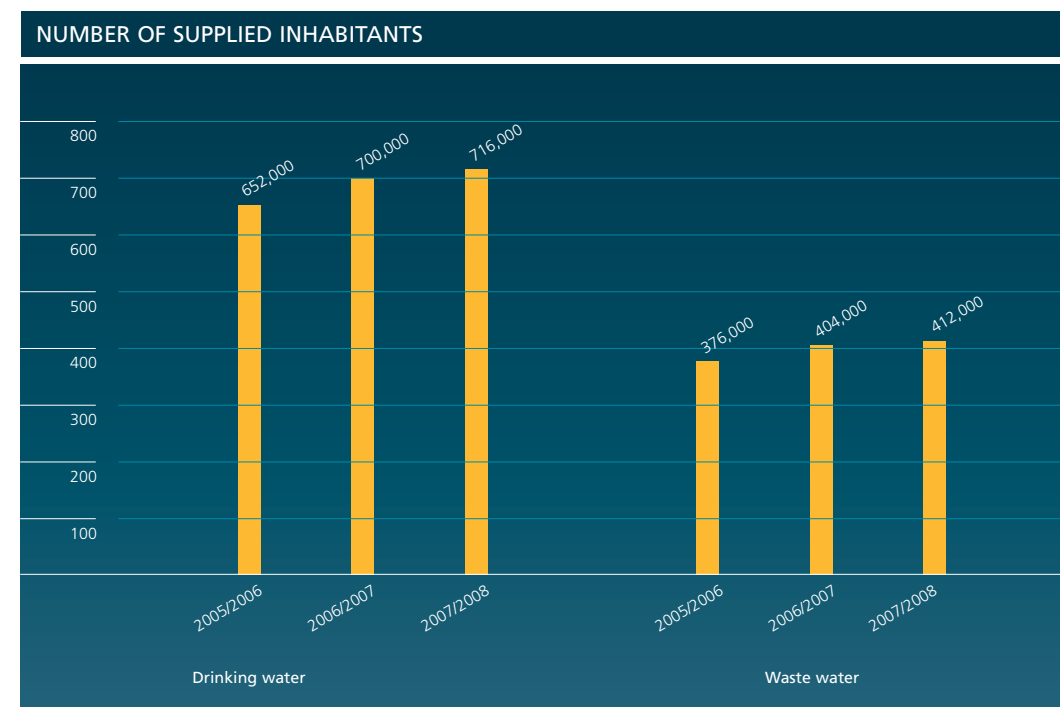
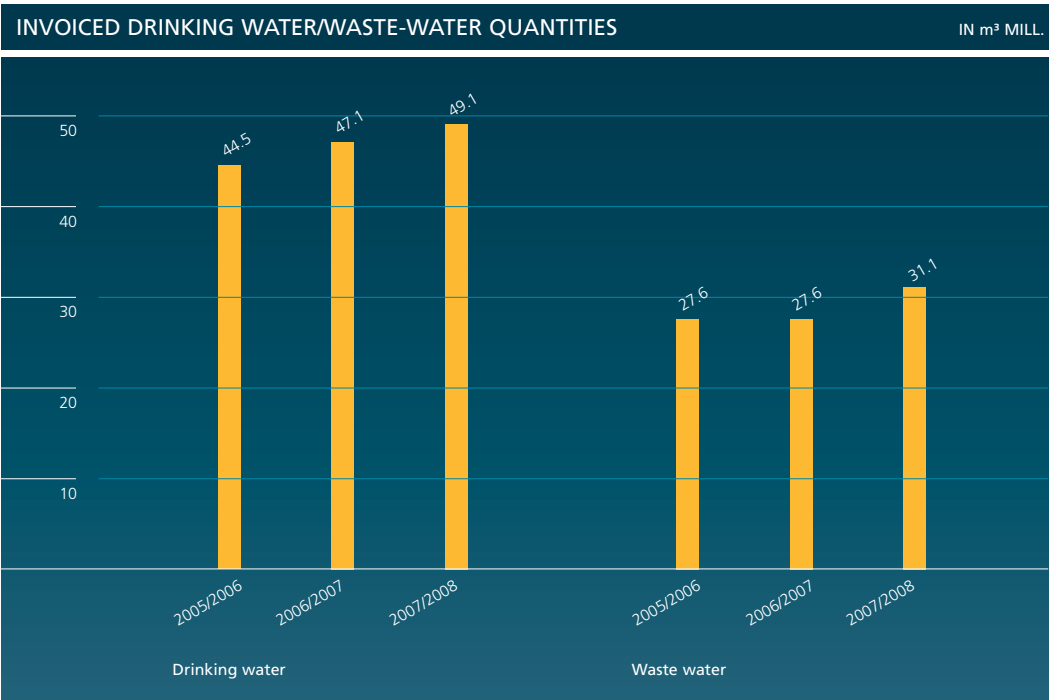
During the business year under review, the water segment invoiced 49.1 million m³ of drinking water (previous year: 47.1 million m³) and 31.1 million m³ of waste water (previous year: 27.6 million m³). As a

result, the associated operating companies also clearly reached the goal of a steady organic growth.

The growing demand for reliable supplies and quality were taken into consideration by obtaining comprehensive ISO certification. Energie AG Oberösterreich Wasser GmbH, WDL-Wasserdienstleistungs GmbH, Energie AG Vodohospodarstvo Slovakia s.r.o. and Energie AG Magyarország Vízgazdálkodási Kft. obtained certification for quality (ISO 9000), environment (ISO 14000) and safety (ISO 18000). The sub-entities of other companies were also certified.

Austria

WDL-Wasserdienstleistungs GmbH (WDL GmbH) is in charge of pursuing the water business in Austria. The range of activities comprises the business areas of water supplies, water services, sewage services and operational management. During the expired business year, WDL GmbH supplied about 7.1 million m³ of water to 31 towns, municipalities and cooperative societies. The current investment projects, i.e. water



supply plants for the Upper-Austrian municipalities of St. Marienkirchen, Suben and Altschwendt, are about to be completed. By developing the sewage services area and starting up the locations Saalfelden and St. Stefan im Rosental, we succeeded in covering the entire Austrian market. WDL GmbH has thus become the leading Austrian company of this sector.

Czech Republic

The activities of the water segment in the Czech Republic have been integrated into Energie AG Bohemia s.r.o. In addition to managing and developing the associated companies, the tasks of Energie AG Bohemia s.r.o. also relate to handling acquisition projects that are currently being undertaken or can be expected for the near future in the course of the planned privatizations.

After the purchase of 1. JVS, 5 companies currently handle operations: Vodovody a kanalizace Jižní Čechy, a.s. (VaK JČ), Vodovody a kanalizace Beroun, a.s. (VaK Beroun), VODOS, s.r.o. (VODOS) in Kolín and Vodárenská společnost Chrudim a.s. (VS Chrudim). For the further development and optimization of these companies, projects are currently being implemented with the goal of exploiting synergies, especially in the field of procurement, technology, insurances, commercial functions and marketing.

The course of business at VaK JČ was characterized by continuously optimizing the company and participating in the tenders for operating contracts on the water market in southern Bohemia. During the 2007/

2008 business year, VaK JČ succeeded in keeping the existing operating contracts and/or in slightly expanding their number. VaK JČ has a total of 287 contracts with public business partners.

VaK Beroun operates the drinking water supply and the waste water management in the area west of Prague which has about 80,000 inhabitants. On account of the company's active market policy, it was possible to increase the number of inhabitants supplied by 3.8%. In the course of an EU-sponsored sewage project in the town of Beroun, the company participated in the co-financing.

VODOS operates the water and waste-water infrastructure in Kolín, an industrial town east of Prague, as well as the surrounding district. VODOS thus operates in a vigorously growing economic area in the Czech Republic which, inter alia, accommodates the automobile industry and the chemical industry.

VS Chrudim operates the water and waste-water infrastructure of the Chrudim district, which is to the south-east of Kolín. The goal of the current restructuring program is to gradually improve the company's result.

Hungary and Slovakia

Wasser GmbH has subsidiaries in Hungary and Slovakia to allow it to participate as a well-known partner in the expected privatization processes. These are Magyarország Vizgazdálkodási Kft. in Budapest and Energie AG Vodohospodárstvo Slovakia s.r.o. in Bratislava.

Together with the town of Miskolc and/or its water company MIVIZ Kft., Energie AG Magyarország Vizgazdálkodási Kft. set up its first operating company in the form of a joint venture, i.e. Energie AG Miskolc Vizgazdálkodási és Környezetvédelmi Korlátolt Felelősségű Társaság Társasági Szerződése (Energie AG Miskolc). It is the task of this company to provide water and waste-water services for the town of Miskolc. In addition, these services are offered throughout the entire region of eastern Hungary. Energie AG Miskolc is also responsible for participating in tenders for operating contracts.

OUTLOOK

The water segment continues to pursue a strategy geared to growth. In the CEE countries this growth is achieved organically, on the one hand, and by the acquisition of further operating companies and/or so-called mixed companies, on the other hand. Mixed companies own the water-industry infrastructure and also ensure their operation. Companies of this kind are primarily obtained by participating in public tenders (e.g. tenders for licenses). As the awarding processes are very complex, one must reckon with long lead times. After successful bidding for a company, it is integrated immediately into the group. These integration processes also include the realization of synergies and an increase in efficiency.

The objectives in Austria – in addition to continuing the ongoing business – are to further develop and expand the areas water and sewage services, to ex-

pand the operating business to additional associations and municipalities and to implement further water-supply projects.

In the Czech Republic we can expect further tenders for operating contracts in southern Bohemia. In this context, the local operators, i.e. VaK JČ and 1. JVS will have to pursue the goal of successfully maintaining their current controlling market position, as well as to expand it, if possible. In southern Bohemia, one of the priorities in the activities during the coming business year will be to obtain synergies between the two neighboring companies.

The other associated operating companies in the Czech Republic also have clear objectives such as to gain additional market shares and to further raise the economic performance.

The further market development on the primary target markets in the Czech Republic, Slovakia and Hungary largely depends on the availability of EU subsidies in the future, as well as on the associated conditions for obtaining them. These, in turn, influence the position of the responsible political decision-makers towards privatization. At present, the entry into new markets is being examined.



Results of Operations and Financial Position

	in	2007/2008	2006/2007	Change
Sales revenues	EUR mill.	1,520.1	1,141.8	33.1%
EBITDA	EUR mill.	298.1	273.9	8.8%
EBITDA margin	%	16.9	24.0	- 18.2%
Result of operations (EBIT)	EUR mill.	163.7	160.4	2.1%
EBIT margin	%	10.8	14.0	- 23.3%
EBIT adjusted	EUR mill.	138.5	110.4	25.5%
Balance-sheet total	EUR mill.	3,693.9	2,748.7	34.4%
Equity	EUR mill.	1,357.9	956.1	42.0%
Equity ratio	%	36.8	34.8	5.7%
Net debt	EUR mill.	627.1	466.3	34.5%
Net gearing	%	46.2	48.8	- 5.3%
Investment into tangible fixed assets and intangible assets	EUR mill.	181.5	265.9	- 31.7%
Cash flow from operations	EUR mill.	244.4	311.3	- 21.5%
ROCE	%	9.22	10.5	- 12.2%
ROCE adjusted	%	7.75	7.0	10.7%
WACC	%	7.0	6.0	

The sales revenues of the Energie AG Group during the 2007/2008 business year amounted to EUR 1,520.1 million and were thus above the value of the previous year (EUR 1,141.8 million) by EUR 378.3 million or 33.1%.

The increase in sales is essentially characterized by the further expansion of proprietary electricity trading, higher electricity market prices, which we were able to pass on to business and industrial customers in the case of new contracts, and by first consolidations. Higher sales of EUR 52.5 million are the result of first consolidating OÖ. Ferngas AG, CMOÖ, V.O.D.S., a.s. in Slovakia, and the acquired waste-paper activities of the Mayr-Melnhof group.

We succeeded in once again exceeding the excellent EBIT of the previous year (EUR 160.4 million) by EUR 3.3 million or 2.1%, as it amounted to EUR 163.7 million for the 2007/2008 business year.

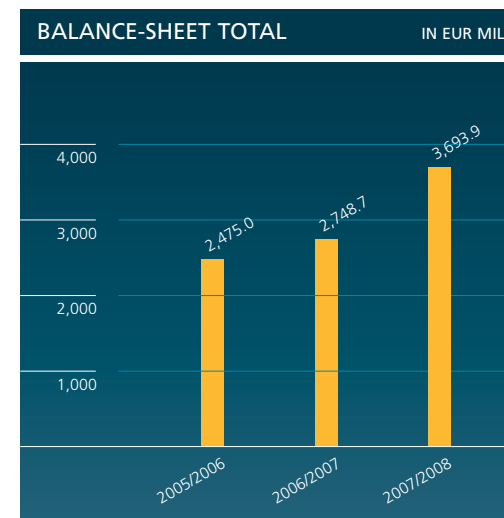
The increase over the previous year is the result of excellent overall conditions for electricity production. Production in hydraulic power plants and generation from procurement rights benefited from the very good water levels of rivers, and the high electricity

market prices resulted in an optimum utilization of the thermal power stations.

In addition to the highly gratifying course of business, the EBIT of the 2007/2008 business year also contains a one-off effect in the amount of EUR 25.2 million that is due to the first consolidation of OÖ. Ferngas AG. This effect is derived from a negative goodwill according to IFRS 3.

When accounting for this one-off effect, the adjusted EBIT amounts to EUR 138.5 million, which corresponds to an increase in the adjusted EBIT of the previous year (EUR 110.4 million) of EUR 28.1 million or 25.5%. The adjustment in the previous year was the result of the participation by a partner in the combined-cycle gas turbine power station at Timelkam, a one-off effect from an electricity forward contract and a sale-and-lease-back transaction in connection with the construction of the Power Tower.

As of 30 September 2008 the balance-sheet total of the Energie AG Group went up by EUR 945.2 million or 34.4% over the value at the last reporting date (EUR 2,748.7 million) and amounted to EUR 3,693.9 million.



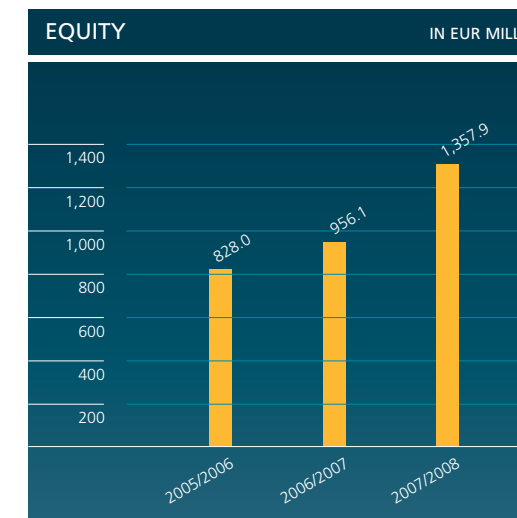
The vigorous increase of the balance-sheet total is mainly characterized by the first consolidation that resulted from taking over the majority stakes in OÖ. Ferngas AG and CMOÖ. In addition, the further implementation of the investment and acquisition strategy of the Group also contributed to the balance-sheet total.

In the course of the private placement of shares in Energie AG Oberösterreich, 9 million bearer shares were issued at an issue price of EUR 216 million. This capital increase, the effects from the change in the consolidated group and the positive result of the 2007/2008 business year led to an increase in equity to EUR 1,357.9 million, when also taking account of the dividend that was distributed as agreed with the owners. This figure corresponds to an increase of EUR 401.8 million or 42.0% over the value for the year before (EUR 956.1 million).

We succeeded in thus raising the equity ratio from 34.8% in the previous year to 36.8% as at 30 September 2008.

The main changes in net debt and net gearing result from the first consolidation of OÖ. Ferngas AG and other participations.

Investments into tangible fixed assets and intangible assets amounted to EUR 181.5 million and are lower by EUR 84.4 million or 31.7% than in the year before (EUR 265.9 million). The figure for the previous year was mainly characterized by two accounting effects concerning the participation of a partner in the combined-cycle gas turbine power station at Timelkam and



the sale-and-lease-back transaction in connection with the construction of the Power Tower. When taking account of these one-off effects, one can say that the investment volume has remained unchanged.

The cash flow from operations amounted to EUR 244.4 million during the 2007/2008 business year and was thus lower by EUR 66.9 million than the figure of the year before (EUR 311.3 million). The decrease can be explained by a one-off effect in the previous year which was due to the sale of receivables from long-term waste acceptance agreements. During the expired business year, the cash flow from operations was positively influenced by the good result of the Group, as well as the development of the working capital, which was due to expanded proprietary electricity trading.

VALUE-BASED MANAGEMENT IN THE ENERGIE AG GROUP

Although Energie AG is not listed on the stock exchange, the management of Energie AG considers the maintaining of a stable corporate value and the securing of capital-market oriented interest rates for the owners to be important major objectives.

Throughout the Group uniform standards have been introduced to measure the operating performance in order to control these objectives. In this context, the Group targets are defined by taking account of the performance of competitors, as well as specific business aspects and broken down for the individual segments and business areas in keeping with a consistent

target system. Value-based management (VBM) is thus incorporated into all leadership systems and management processes of the Energie AG Group.

Return on capital employed (ROCE) is used as a central key indicator for the value-based growth. ROCE is defined as the ratio between net operating profit after tax (NOPAT) and the average amount of capital employed. The value of the company is increased if the ROCE is higher than the weighted average cost of capital (WACC). It is measured by means of the spread, i.e. the difference between ROCE and WACC. During the 2007/2008 business year, ROCE (9.22%)

was considerably higher than WACC (7%). After adjusting for one-off effects and taking account of the adjusted EBIT, the adjusted ROCE is calculated to amount to 7.75%. This result confirms the growth course taken and is mainly driven by the positive development of the Group's result.

During the 2007/2009 business year the project "Financial Leadership" was completed. The most important results were to continue focusing the existing management and control systems on VBM, to deepen VBM awareness throughout the Group and to accelerate benchmark-conforming internal reporting.

Calculation of the relevant value-based key indicators

NOPAT	NOPAT (Net Operating Profit After Tax) is calculated from the EBIT, minus the results of companies associated at equity, plus the pro-rated interest from the social capital, minus taxes on income.	
Capital Employed	On the asset side, capital employed is calculated on the basis of fixed and current assets, minus no-interest bearing liabilities, or on the liability side on the basis of equity, plus interest-bearing borrowed capital, minus liquid funds.	
ROCE	ROCE (Return on Capital Employed) is the return on the employed capital. NOPAT is related to the average capital employed in order to calculate ROCE.	
WACC	WACC (Weighted Average Cost of Capital) describes the minimum interest on the capital employed. It is calculated as the weighted average value from equity and debt cost factors.	
	Market risk premium	4.9%
	Risk-free interest rate	4.5%
	Beta factor	0.84
	Cost of equity	8.6%
	Cost of debt before tax	5.5%
	Tax rate	25.0%
	Cost of debt after tax	4.1%
	Equity/debt ratio	65 / 35
	Rate of weighted cost of capital after tax (WACC)	7.0%

Material Events after the End of the Business Year

No events of particular significance occurred in the Energie AG Group after the balance-sheet date. Please refer to the section "Business Development in the Group" concerning the restructuring of the US cross-border leasing transactions.

Risk Management

The risk management of the Energie AG Group is an integral element of the control instruments used by the corporate management. Its task is to systematically identify, value and check opportunities and risks for the relevance to business results. It thus supports the securing of results in a targeted fashion, as well as the preservation of the value of corporate assets.

The two-pronged risk management process, which is conducted according to uniform standards throughout the Group, increases risk transparency and thus the quality of strategic decisions. Moreover, by dealing with exposure subjects on a systematic and regular basis, greater awareness of these aspects is achieved. Risk identification, valuation, as well as control and monitoring by the responsible risk managers ensure a top level of professionalism in dealing with the various risks and in focusing on opportunities and their targeted implementation. Consolidating functions on the Group level ensures conformity with strategies and takes account of correlations, as well as internal risk hedging.

By further developing the risk management and by consolidating the exposure landscape on an ongoing basis, we provide a guarantee for the necessary adaptations to the continuously rising complexity of the market and external framework conditions.

During the 2007/2008 business year, the risk management was certified according to ISO 9000 as part of the corporate matrix certification. In the course of the audit, process organization, as well as the organizational integration into the overall corporate organization were reviewed and confirmed to be appropriate and target-oriented. The clear direction of the process in line with ISO 49000 was established.

An identification and valuation process that was implemented specifically for IT risks and IT-induced risks was subjected to external validation and confirmed both with regard to its structure and its qualifications.

As the Energie AG Group took over the majority of shares in OÖ. Ferngas AG, it has become necessary to cooperate closely in the field of risk management. The systems implemented in the two companies are based on the same understanding of exposures and opportunities which facilitates their harmonization and integration in the course of the 2008/2009 business year.

The risk managers and the intra-group insurance managers started a joint project during the expired business year, in the course of which a risk-based insurance program is being developed for the entire Energie AG Group. The goal is to achieve an optimization for the whole Group of the relation between assuming own risks and risk transfer, as well as to minimize risk costs while obtaining optimum coverage protection in relation to premium expenses.

MAIN RISKS AND RISK CONTROLLING

● Finances

The Group Treasury manages financial risks on a central basis. Possible hedging transactions are made on a central basis for all Group entities. Financial guidelines for the Group (Treasury Policy) govern the main goals and principles, as well as the division of tasks in the Group and are the basis for managing the financial risks.

The main financial risks are foreign-currency and interest risk, liquidity risk, counterparty risk and market-price risk in connection with the securities portfolio. The exposure under the foreign-currency risk is essentially limited to the risk of translating values for goodwill and assets in the CEE area. The foreign-currency risk of Energie AG can be classified as low. At present, the risk of interest-rate changes is not very high either, on account of the structure of the financial liabilities. The major part of the financing portfolio has fixed interest rates and is therefore not subject to any fluctuations in interest rates. We counter any potential liquidity risk by planning our liquidity with foresight and by maintaining liquidity reserves, as well as by paying attention to the further development of working-capital management.

The Group's Treasury department is mainly responsible for hedging the financial risk on a central basis, also for the purpose of using derivative financial instruments to hedge interest-rate, foreign-currency and market-price risks. At present, the Group Treasury used such instruments during the business year under review in the form of swaps to secure risks concerning changes in interest rates. As a matter of principle, such transactions are only

conducted with counterparties with a very high rating in order to minimize any risks of deterioration in the counterparty rating. The exchange-rate risk in connection with securities and funds in our portfolio is limited by a conservative investment policy and by continuous monitoring. With regard to new acquisitions, we also strive for a conservative direction of the financial risks of these new participations in the course of the post-merger integration process.

For 2008, the rating of Energie AG was confirmed to be "A+" (Outlook negative). Given the current volatile conditions on capital markets, this result is of particular importance in order to secure the standing of the Group on international capital markets.

● **Participations**

Participation risks are the result of fluctuations in the shares held, in the dividends, the pro-rata net income for the year in the case of associated companies with at-equity consolidation, and of liabilities. The risks are optimized by identifying, analyzing, quantifying and monitoring them. Risk control depends on the shares held and the options to exert influence.

● **Acquisitions and investment projects**

Implementation of the Group's value-based growth strategy is based on successful acquisitions and investment projects. The high level of capital employed and the long-term capital tie-up require a particularly careful balancing of the many opportunities and exposures. Acquisition and investment decisions of Energie AG are therefore taken on the basis of risk-adequate capital costs for the specific country and business area, and by taking into account aspects that will enhance the value and that are relevant for the rating.

As the time frame for standard reporting on risk management is two years, an additional scenario method was developed for major acquisitions and investments that is part of every project evaluation.

● **IT**

Information and communication technologies are of special significance when controlling and implementing the business processes of Energie AG.

Both IT risks as such and IT-induced operating risks were identified and valued in a group-wide assessment in the course of the business year under review. A separate and independent IT center, which is continuously updated to the latest state of the art, is operated in Linz, in order to ensure maximum security and safety. Moreover, a back-up computer center at Wegscheid minimizes the default risk.

The Group's IT control department is responsible for defining uniform IT standards and for a comprehensive IT security management. It also monitors implementation.

● **Human Resources and Organization**

Energie AG competes with other companies on an increasingly fiercer level for qualified staff. For the first time a management program was carried out as part of the Energie AG Management Academy which contributed towards maintaining the high quality of our international management teams and towards pro-actively presenting new trends.

Excellent results have been obtained in the field of sustainable health care with the "energy @work" project. It makes sure that the common success and knowledge potential is used for the Group, at a maximum level of satisfaction and good health for all staff members.

● **Counterparties**

In connection with financial and energy trading activities, Energie AG only engages in transactions with counterparties of first-class rating, in order to minimize counterparty risks. The risk is further restricted by a limit system and by monitoring. For the purpose of engaging in hedging transactions and commodity futures transactions with several counterparties, Energie AG has signed a Master Agreement for Financial Derivatives Transactions with a hedging annex shown in the Annexes in order to minimize risks. For the operational implementation of this hedging annex, the discounted contracted values with mark-to-market valuation are coordinated with the counterparties concerned on a weekly basis.

Credit risks in connection with distribution are limited by a regular analysis of the rating of customers in our portfolio.

● **Legal Issues**

There are risks due to legal disputes, as well as the introduction and amendment of laws. These risks are countered by obtaining optimum advice from intra-group lawyers, by consulting with external specialists, as well as by monitoring and lobbying.

A professional asset management and a consistent cost management are the control measures applied to future risks resulting from regulatory interventions in the gas and electricity distribution business areas.

● **Procurement**

Procurement risk is monitored and controlled by means of institutionalized processes.

● **Production, Distribution, Waste-Management and Infrastructure Facilities**

Energie AG counters risks related to facilities and their failures by strict maintenance and quality controls, an optimized maintenance strategy and insurance coverage.

We counter the increase in electricity-grid interruptions due to adverse weather conditions by prioritizing ground cables in forest areas. We embarked on this special project, which has become part of our medium-term planning, at the beginning of the current business year.

● **Water Levels**

One of the greatest individual risks is the volatility of water levels in the rivers used for producing electricity at hydro power stations. The risk is minimized by diversification of our power station portfolio and an optimized generation mix. During the expired business year, water levels were at an above-average height.

● **Competition**

Both on account of electricity price guarantees, as demanded by economic policy, and the steadily increasing competitive pressure on the market, there is the risk of losing customers and margins. The company secures its competitive ability internally by continuously optimizing its in-house processes and by pursuing a consistent cost and investment management. On an external basis, measures are taken on an ongoing basis, such as customer retention activities.

On the waste-management markets of Austria and Germany there is a price risk, which is due to the increase in incineration capacities available on the market and the simultaneous increase of competitive pressure caused by illegal dumping and cross-border shipments. We counter this risk by optimizing measures concerning our organization, as well as by more monitoring of the business environment.

● **Energy Markets**

The risks caused by energy markets are countered by hedging instruments for fuel purchases and electricity sales. Price hedging deals are entered for electricity distribution, and a spark-spread triggered cash-flow hedge, plus simultaneous electricity futures and gas swaps in euros are signed for the CCGT power station, which is currently in a test-operation phase.

The contracts signed to procure hard coal as a primary energy are always signed in the fall for the next supply year. As these purchases always take place almost at the same time at which prices are fixed for the intra-group billing of electricity, the internally invoiced price reflects a correlation between the price of coal and the price of electricity, as it exists on the market. This allows a partial internal hedge against the risk of coal prices.

On account of its electricity generation portfolio, Energie AG is exposed to risks from the EU trading system for CO₂ emissions. These may be the result, in particular, of changes in the allocation rules and the national emission budget for the second trading period (2008 – 2012), as well as of unexpectedly high prices for CO₂ certificates. In a forward-looking approach, CO₂ certificates are obtained and also taken into account when managing the portfolio. Risk limits, which are monitored on a regular basis, apply to trading transactions which do not only serve hedging purposes.

As of 30 September 2008, no risks can be identified for the 2008/2009 business year that might have an effect threatening the existence of Energie AG, either separately or jointly.

Research and Development

Research, development and innovation are integral components of the entrepreneurial activities of the Energie AG Group.

During the expired business year, the expenses for research, development and innovation amounted to about EUR 2.4 million. In the various entities of the Group, about 235 staff members were responsible for performing this work, in addition to their day-to-day duties.

In addition to the activities within the company, the Energie AG Group contributes decisively to research activities by participating actively in the energy research group of the Austrian Association of Electricity Companies and, on top of this, in the research policy bodies of the European Commission, Directorate General Research, that deal with electricity issues. In this context, the company contributes expert knowledge and also assumes project tasks.

In addition to a general technical orientation of research and development activities and of innovation processes, developments focusing on business administration aspects, socio-political topics and new forms of staff development and staff management also assume special priority.

During the year under review, research, development and innovation were promoted, inter alia, in the following projects:

- When constructing the new corporate head office of Energie AG, i.e. the Power Tower, the necessary preparatory work was performed so that verifiable basic data can be compiled, and the relevant research data can be supplied for the innovative energy supply systems.
- In connection with the distribution grid, special software was designed and programmed externally, which considerably improves the transmission by Internet of commercial and technical data by the plant builders and thus reduces transmission times. Completeness of the data is mandatory, which ensures a secure and complete archiving of the data for subsequent processing jobs.
- In cooperation with other electricity distribution system operators and research institutions in Austria, first studies were begun concerning verifiable basic data. The objective is to obtain reliable information on grid stability by way of a higher level of integrating decentralized generation plants, while using the existing grid on an expanded scale. With the growth scenarios for decentralized production facilities in the medium-voltage system, regulating processes were developed as alternatives to stronger lines. These were validated in simulations covering one-year periods. Another test was to establish how a performance balance can be obtained by actively managing decentralized generation facilities and major loads.
- The integration tests for AMIS, the new digital electricity meter generation, begun during the previous business year, were successfully completed during the expired business year. In the course of this test, the system was further developed and is now ready for roll-out. In the next few months, a large-scale trial operation with 10,000 meters will be started.
- An innovative combination of operating radio transmission and transmission technologies with fiber optic lines was applied to study improvements of the range of radio transmissions. The result is to achieve a high transmission quality, both during regular operations and during default incidents.
- New evaluation systems for selected energy efficiency measures in households were developed in cooperation with an external research institute. Saving potentials, costs, requirements for implementation and accountability, as defined by the directive on energy end-use efficiency, were evaluated. By using values based on technical experience, plausible and transparent estimates, as well as data from literature were validated.
- Together with an external institute, the natural gas business area is engaged in a research project to examine to what extent and under what framework conditions the fermentation process in bio-gas plants can be accelerated, thus reducing throughput times considerably.
- Together with an applied-science university, the waste-management business area conducted a co-operation project on the use of residual materials as energy sources for sterilization purposes. In particular, it was analyzed what process controls are necessary so that the phosphor-rich ash, obtained in the process, can be further processed into fertilizer and thus into a raw material.
- The business area water succeeded in a cooperation projection with EU co-financing in ensuring that a so-called water safety plan provides an ongoing quality assurance for drinking water, at the same time identifying and preventing possible risks.
- In the course of further developing the performance-oriented salary system, systems were developed that allow the equal evaluation of similar functions throughout the Group on the basis of abstract model job clusters. This will improve the possibility to plan personnel costs. The specific national framework conditions of industries and organizations were especially taken into account.



Outlook

The Energie AG Group will continue to pursue its value-based growth strategy with consistency in the coming business year. The goal is to be a major supplier of infrastructure services in the core business sectors energy, waste management and water in Austria and additional countries in Central and Eastern Europe.

All business sectors contribute towards increasing the value of the Group, combined with a major expansion of the operating result, which is in line with the objectives of a balanced corporate portfolio:

- Building the 400 MW combined-cycle gas turbine power plant at Timelkam was the answer of the generation business area to the challenge of continuously rising electricity prices and higher electricity demands, with production units in Europe becoming scarcer at the same time.

At the beginning of the 2008/2009 business year, the power station took up its trial operation.

Once the power station has begun its full-scale operation, the Group's coverage rate for own electricity will go up to about 70%. The existing power stations on that site, i.e. a hard coal power-station block, as well as a gas-turbine unit, will become standby facilities after full-scale operation has begun. As compared to these latter plants, emissions can be greatly reduced, and efficiency can be increased significantly.

We continue to look into and secure further locations for thermal power station projects.

With regard to hydro power production, the focus is on enhancing the efficiency of existing plants, as well as on utilizing further hydro power potentials in the defined geographical area.

- The first period of incentive-based regulation for electricity distribution system operators in Austria will end at the end of the 2009 calendar year. The coming business year is therefore under the impact of preparations for a second period which will cover 01/01/2010 to 31/12/2013. By applying a consistent cost management, we continue to strive

for the position of benchmark leader in the peer group of Austrian distribution system operators.

At the same time, a target-oriented investment strategy will contribute towards ensuring that the security and quality of supplies for customers is maintained and improved. In this context, replacing overland lines by ground cables is a priority, in order to reduce the exposure to incidents caused by meteorological influences, which occurred increasingly in recent years.

- We counter the competitive pressure on the electricity distribution market by positioning the Group as a quality supplier and by our high level of competence concerning energy efficiency. Our goal is to keep customer levels stable, with only a few customers changing over to competitors, and by expanding our market area.

The priorities of the coming business year are the further consistent and customer-oriented implementation of the statutory efficiency targets and the expansion of add-on services.

- The many years of experience in building and operating heating-supply plants is used to ensure further stable growth. While the focus in Upper Austria is on expanding and intensifying the existing networks, activities in the Czech Republic and Slovakia concentrate on acquisitions.

The goals for the 2008/2009 business year are to integrate the recently acquired participations, to further optimize the organizational and cost structures and to utilize synergies within the business area and the Group.

- By taking over the majority in OÖ. Ferngas AG, the Energie AG Group established the new business area natural gas. During the coming business year, the task will be to integrate the structures and to achieve synergies among the business areas.

After introducing incentive-based regulation for gas network operators as of 01 February 2008, the necessary provisions concerning the investment fac-

tor for Network Levels 2 and 3 are still open. A new tariff ordinance is expected to enter into force as of 01 January 2009.

With regard to natural-gas supply, more competition is expected from natural-gas substitutes. Our goal is to increase the number of customers when operating in this environment.

- The concentration process that has set in on the waste-management market in Central and Eastern Europe continues. AVE is securing and expanding its leading position in Austria and Hungary by pursuing an offensive market and growth strategy, as well as stepping up efforts to acquire further shares in the other countries. It holds control over the entire value chain in the waste-management industry, on account of a vigorous organic growth and continuing acquisitions.

For the 2008/2009 business year, AVE plans further mergers of subsidiary companies, in order to keep the organizational structure lean and effective, as well as to optimize the density of its locations, and to utilize the resulting potential of synergies.

In the course of the coming business year, AVE will implement numerous projects, as part of its investment activities. They range from starting production at the pelletizing plant at Wels, to building waste-material sorting and processing plants, as well as to beginning landfill operations. Depending on the specific country, the high AVE standards will be implemented.

- In the water segment we will pursue the stated growth strategy with consistency, by way of organic growth and the acquisition of further companies in the CEE countries.

The focus in southern Bohemia in the Czech Republic will be to strengthen or expand the market position by participating in the expected tenders for operating contracts, as well as by obtaining synergies between the two neighboring companies, i.e. VaK JČ and 1. VJS. We also aim at expanding the market shares of the other companies in the Czech Republic, as well as increasing their economic performance.

In Austria, activities will focus on the further development of water and sewage services, on expanding the operating business and on further water-supply projects.

The further market development in the Czech Republic, Slovakia and Hungary will be depend strongly upon possible EU grants and the then resulting readiness of the political decision-makers to continue privatization.

For the 2008/2009 business year, the Energie AG Group is once again geared to enhance the company value on a lasting basis by pursuing a clear growth strategy and systematic value-based management.

Sound financial strength, a strong market position, committed staff and an experienced management team will make sure that this target is reached.

Linz, 28 November 2008

The Board of Management of Energie AG Oberösterreich



Leo Windtner



Werner Steinecker



Roland Pumberger



CONSOLIDATED FINANCIAL STATEMENTS

The innovative façade design helps to save both heating and cooling costs, but also lighting costs. An intelligent sun protection system provides maximum daylight and a minimum input of solar heat. Compared to conventional high-rise office buildings, the Power Tower consumes less than half of the necessary energy.

Consolidated Income Statement 01 October 2007 to 30 September 2008

		01/10/07 to 30/09/08 in EUR 1,000	01/10/06 to 30/09/07 in EUR 1,000
1. Sales	(1)	1,520,063.3	1,141,791.0
2. Change in inventories of finished and unfinished products		1,665.8	- 2,386.1
3. Other capitalized costs of self-constructed items		27,564.8	23,957.7
4. Shares in result of companies associated at equity	(12)	15,394.6	19,226.1
5. Other operating income	(3)	57,196.8	62,177.2
6. Cost of materials and other purchased manufacturing services	(4)	- 876,814.1	- 571,159.3
7. Personnel expenses	(5)	- 256,979.0	- 226,484.4
8. Depreciation	(6)	- 134,383.7	- 113,501.0
9. Other operating expenses	(7)	- 189,968.6	- 173,201.9
10. Result of operations		163,739.9	160,419.3
11. Income from interest	(8)	- 18,242.3	- 24,066.1
12. Other financial results	(9)	- 2,157.4	13,284.4
13. Financial result		- 20,399.7	- 10,781.7
14. Result from ordinary business activities		143,340.2	149,637.6
15. Taxes on income	(10)	- 26,765.0	- 33,108.3
16. Consolidated net result		116,575.2	116,529.3
attributable to minority shareholders		171.3	1,629.4
attributable to shareholders of parent company			
Consolidated net profit		116,403.9	114,899.9
		EUR	EUR
Result per share	(32)	1.416	1.436
Proposed dividend per share	(32)	0.600	0.477

Consolidated Balance Sheet as at 30 September 2008

ASSETS		30/09/2008 in EUR 1,000	30/09/2007 in EUR 1,000
A. Long-term assets			
I. Intangible assets and goodwill	(11)	271,839.8	183,185.6
II. Tangible fixed assets	(11)	1,876,684.1	1,439,301.8
III. Investments (of these companies associated at equity: EUR 238,741.1 thousand [2007: 268,537.4 thousand])	(12)	305,382.7	306,179.7
IV. Financial assets from cross-border leasing	(13)	87,217.8	86,208.4
V. Other financial assets	(14)	370,840.5	269,712.9
		2,911,964.9	2,284,588.4
VI. Other long-term assets from cross-border leasing		16,287.2	8,741.3
VII. Other long-term assets	(15)	85,752.6	22,676.8
VIII. Deferred taxes	(10)	7,715.7	5,401.5
		3,021,720.4	2,321,408.0
B. Short-term assets			
I. Inventories	(16)	82,427.7	55,225.3
II. Accounts receivable and other assets	(17)	365,998.5	221,700.5
III. Cash in hand, checks and bank balances	(18)	223,786.8	150,353.1
		672,213.0	427,278.9
		3,693,933.4	2,748,686.9

LIABILITIES		30/09/2008 in EUR 1,000	30/09/2007 in EUR 1,000
A. Equity			
I. Equity of shareholders of parent company	(19)	1,288,857.1	942,230.3
II. Minority interest in equity	(19)	69,025.2	13,892.3
		1,357,882.3	956,122.6
B. Long-term debt			
I. Financial liabilities	(20)	482,074.2	575,904.6
II. Liabilities from cross-border leasing	(20)	93,237.1	83,991.1
III. Long-term provisions	(22)	201,397.3	189,079.2
IV. Deferred tax liabilities	(10)	117,879.7	84,632.1
V. Contributions to construction costs	(23)	322,518.4	257,446.5
VI. Deferred credit for cross-border leasing		79,519.2	83,336.5
VII. Advances from customers	(24)	89,284.2	103,904.4
VIII. Other long-term debt	(25)	94,921.6	55,580.7
		1,480,831.7	1,433,875.1
C. Short-term debt			
I. Financial liabilities	(20)	368,812.6	40,799.4
II. Short-term provisions	(26)	36,203.3	17,842.1
III. Tax provisions	(27)	13,080.9	15,182.3
IV. Accounts payable	(21)	179,601.2	122,698.9
V. Deferred credit from cross-border leasing		3,817.3	3,817.3
VI. Other short-term debt	(28)	253,704.1	158,349.2
		855,219.4	358,689.2
		3,693,933.4	2,748,686.9

Notes to the Consolidated Financial Statements 2007/2008

General Information

The Energie AG Oberösterreich Group is the leading infrastructure group of Upper Austria. It provides high-quality services in connection with supplying energy, as well as waste management and providing services in its Energy, Waste Management and Water Segments.

The Group headquarters, Energie AG Oberösterreich, are located at Böhmerwaldstrasse 3 in Linz, Austria.

The consolidated financial statements of Energie AG Oberösterreich for the 2007/2008 business year were drawn up in accordance with the International Financial Reporting Standards (IFRS), as they were required to be applied on the balance-sheet date, together with the applicable interpretations, as published by the International Accounting Standards Board (IASB) and adopted by the European Union.

The following standards and interpretations were not applied on an early basis in the consolidated financial statements 2007/2008: IFRS 8 (Operating Segments), IFRS 7 (Financial Instruments), as well as changes in IAS 39 (Financial Instruments). According to current assessments, application of these standards and interpretations will not have any major im-

pact on the assets, financial and earnings position of the Group.

After the EU has taken over IAS 23 (Borrowing Costs), it will be mandatory in the future to carry interest on borrowed capital as assets, as a component of cost of acquisitions and/or production.

The consolidated financial statements comply with the directives of the European Union on corporate reporting.

The present consolidated financial statements according to the IFRS release the company from its obligation under § 245a of the Austrian Commercial Law Code to prepare consolidated annual accounts in keeping with the Austrian Commercial Law Code. Whenever the Austrian Commercial Law Code so requires, additional information is provided in the respective notes.

The consolidated financial statements were prepared in thousand euros (EUR 1,000).

Rounding differences may appear as a result of using automatic calculation tools for summing up rounded amounts and percentages.

Consolidation Principles

CONSOLIDATED GROUP

The principles of IAS 27 (Consolidated Financial Statements and Accounting for Investments in Subsidiaries) were applied in order to determine the consolidated group. As a result, in addition to Energie AG Oberösterreich, the parent company, the consolidated financial statements comprise 49 subsidiary companies (36 in the year before), in which Energie AG Oberösterreich directly or indirectly holds a majority of the voting rights.

The consolidated financial statements comprise six joint ventures (4 in the year before), which are included on a pro-rata basis.

For the business year under review, the accounts of seven associated companies (8 in the year before) were drawn up according to the equity method, pursuant to the principles of IAS 28 (Accounting for Investments in Associates). The historical cost method

is applied to account for shares in subsidiaries, joint ventures or associated companies that are of minor significance from a Group perspective.

The companies that were not included on account of their minor significance remain insignificant even when taken together.

Uniform accounting and valuation principles are applied to the financial statements of the undertakings included in the consolidated financial statements as fully consolidated or pro-rata consolidated undertakings. The individual financial statements of the subsidiary companies have been drawn up for the Group's balance-sheet date. As a result of specific company-law agreements, ENAMO GmbH (Linz), Energie AG Oberösterreich Vertrieb GmbH & Co KG (Linz), "Papyrus" Altpapierservice Handelsgesellschaft mbH (Vienna), as well as Papyrus Wertstoff Service GmbH (Bad Reichenhall, Germany) were included in the consolidated financial statements on a pro-rata basis.

For the 2007/2008 business year, the following undertakings were consolidated for the first time:

	Registered office	Share (in %)	Type of consolidation	Consolidated since
ENERGY				
AUSTRIA				
Oberösterreichische Ferngas AG	Linz	65.00	FC	01/07/2007
Erdgas Oberösterreich GmbH & Co KG	Linz	65.00	FC	01/07/2007
Erdgas Oberösterreich GmbH	Linz	65.00	FC	01/07/2007
ENSERV Energieservice GmbH & Co KG	Linz	65.00	FC	01/07/2007
ENSERV Energieservice GmbH	Linz	65.00	FC	01/07/2007
Oberösterreichische Ferngas Service GmbH	Linz	65.00	FC	01/07/2007
Cogeneration Kraftwerke Management Oberösterreich GmbH	Linz	100.00	FC	01/07/2007
EGBV Beteiligungsverwaltung GmbH	Linz	35.00	EC	01/07/2007
WASTE MANAGEMENT				
AUSTRIA				
Johann Spiehs & Co GmbH	Vienna	100.00	FC	01/01/2008
"Papyrus" Altpapierservice Handelsgesellschaft mbH	Vienna	63.33	QC	01/01/2008
CZECH REPUBLIC				
AVE Kolín s.r.o.	Kolín	75.00	FC	30/09/2008
SLOVAKIA				
AVE SK odpadové hospodárstvo s.r.o.	Bratislava	100.00	FC	01/10/2007
V.O.D.S. a.s.	Košice	51.00	FC	01/10/2007
GERMANY				
AVE Abfallwirtschaft GmbH	Rotthalmünster	100.00	FC	30/09/2009
CH Abfallwirtschaft Schwaben GmbH	Gersthofen	100.00	FC	30/09/2009
Papyrus Werkstoff Service GmbH	Bad Reichenhall	63.33	QC	01/01/2008
WATER				
CZECH REPUBLIC				
1. JVS a.s.	České Budejovice	100.00	FC	30/09/2008

FC = fully consolidated company

QC = company with pro-rata consolidation

EC = company associated at equity

Please refer to Note 30 concerning the effects of the changes in the consolidated group on the consolidated financial statements.

The pro-rata consolidated companies and the associated companies valued at equity are included in the consolidated financial statements with the following amounts:

	Companies with proportional consolidation (pro-rata)		Associated companies (at equity)	
	30/09/2008 in EUR mill,	30/09/2007 in EUR mill,	30/09/2008 in EUR mill,	30/09/2007 in EUR mill,
Long-term assets	26.5	24.7	1,538.5	1,819.7
Short-term assets	70.3	74.0	133.9	205.9
	96.8	98.7	1,672.4	2,025.6
Equity	18.9	26.8	442.5	588.4
Long-term debt	11.0	14.8	792.8	830.1
Short-term debt	66.9	57.1	437.1	607.1
	96.8	98.7	1,672.4	2,025.6
Sales revenues	492.4	416.8	1,489.1	1,195.3
Result after taxes	- 3.5	16.7	47.2	47.5

THE GROUP'S COMPANIES

	Registered office	Share in %	Type of consolidation	Equity	Net income/loss for the year
ENERGY				in EUR 1,000	in EUR 1,000
AUSTRIA				in EUR 1,000	in EUR 1,000
Energie AG Oberösterreich	Linz	Parent company		1,047,665.4	90,604.3
Energie AG Oberösterreich Service- und Beteiligungsverwaltungs-GmbH	Linz	100.00	FC	234,683.0	8,034.9
Energie AG Oberösterreich Business Services GmbH	Linz	100.00	FC	7,834.8	403.5
Energie AG Oberösterreich Customer Services GmbH	Linz	100.00	FC	1,453.6	55.3
Energie AG Oberösterreich Data GmbH	Linz	100.00	FC	4,584.5	656.2
Energie AG Oberösterreich Kraftwerk Ennshafen GmbH	Linz	100.00	FC	7,000.1	- 112.4
Energie AG Oberösterreich Kraftwerke GmbH	Linz	100.00	FC	58,678.0	- 237.9
Energie AG Oberösterreich Personal Services GmbH	Linz	100.00	FC	1,440.8	77.0
Energie AG Oberösterreich Trading GmbH	Linz	100.00	FC	10,802.2	1,034.8
Energie AG Oberösterreich Tech Services GmbH	Linz	100.00	FC	10,122.0	195.5
Energie AG Oberösterreich Netz GmbH	Linz	100.00	FC	33,040.6	93.9
Energie-Contracting Steyr GmbH	Steyr	100.00	FC	2,401.2	- 117.5
Energie AG Oberösterreich Wärme GmbH	Linz	100.00	FC	11,544.4	1,040.3
Energie AG Group Treasury Holding GmbH	Linz	100.00	FC	44.6	3.9
Energie AG Group Treasury GmbH	Linz	100.00	FC	1,438.1	725.4
Cogeneration-Kraftwerke-Management Oberösterreich GmbH	Linz	100.00	FC	28,588.2	158.2
ENSERV Energieservice GmbH & Co KG	Linz	65.00	FC	2,068.7	- 201.6
ENSERV Energieservice GmbH	Linz	65.00	FC	63.3	3.3
Erdgas Oberösterreich GmbH & Co KG	Linz	65.00	FC	9,271.5	931.3
Erdgas Oberösterreich GmbH	Linz	65.00	FC	46.3	1.9
Oberösterreichische Ferngas Service GmbH	Linz	65.00	FC	4,210.5	1,017.9
Oberösterreichische Ferngas Aktiengesellschaft	Linz	65.00	FC	143,522.4	6,683.6
Energie AG Oberösterreich Vertrieb GmbH & Co KG	Linz	100.00	QC	4,953.3	- 5,105.0
ENAMO GmbH	Linz	65.00	QC	8,000.0	- 982.4
Ennkraftwerk Aktiengesellschaft	Steyr	50.00	EC	41,355.9	1,124.4
Gas- und Dampfkraftwerk Timelkam GmbH	Linz	50.00	EC	17,105.8	- 3,992.1
Wels Strom GmbH	Wels	49.00	EC	14,334.9	339.0
LIWEST Kabelmedien GmbH	Linz	44.00	EC	17,526.8	2,426.8
EGBV Beteiligungsverwaltung GmbH	Linz	35.00	EC	34,244.9	6,321.8

	Registered office	Share in %	Type of consolidation	Equity	Net income/loss for the year
Salzburg AG für Energie, Verkehr und Telekommunikation	Salzburg	26.13	EC	358,770.5	30,937.8
Wärme Oberösterreich GmbH	Linz	100.00	OC	35.0	—
Fair Energy GmbH	Linz	100.00	OC	27.7	—
BBI Breitband Infrastruktur GmbH	Linz	55.00	OC	60.1	25.1
NEET GmbH	Linz	51.00	OC		2)
OÖ Science-Center Wels Planungs-GmbH (previously: Energyland Projektierungs GmbH)	Wels	44.44	OC	234.8	0.4
IfEA Institut für Energieausweis GmbH	Linz	40.00	OC	- 87.8	- 113.5
Geothermie-Wärmegeellschaft Braunau-Simbach mbH	Braunau	40.00	OC	- 209.0	2,737.0
Energie Austria GmbH	Vienna	24.00	OC		1)
GERMANY				in EUR 1,000	in EUR 1,000
Geothermie-Fördergesellschaft Simbach-Braunau mbH	Simbach	40.00	OC	1,284.6	401.9
CZECH REPUBLIC				in CZK 1,000	in CZK 1,000
Energie AG Teplo Bohemia s.r.o.	České Budejovice	100.00	FC	40,611.0	70.0
Mestské tepelné hospodárství Kolín spol. s.r.o.	Kolín	95.00	FC	73,511.0	5,766.0
Energie AG Teplo Vimperk s.r.o.	Vimperk	100.00	OC		2)
SATEZA a.s.	Šumperk	91.67	OC	15,171.0	6,889.0
Tepelne zasobovani Rakovník spol. s.r.o.	Rakovník	66.00	OC	78,596.0	1,321.0
Energie AG Teplo Morava a.s.	Kolín	60.00	OC	2,000.0	—
SLOVAKIA				in SKK 1,000	in SKK 1,000
Energie AG Teplo Slovakia s.r.o.	Bratislava	100.00	OC		2)
Kremnické tepelné hospodárstvo s.r.o.	Kremnica	80.00	OC	9,399.0	1,813.0
ILC distribution a.s.	Bratislava	80.00	OC	1,720.0	142.0

WASTE MANAGEMENT

	Registered office	Share in %	Type of consolidation	Equity	Net income/loss for the year
AUSTRIA				in EUR 1,000	in EUR 1,000
AVE Energie AG Oberösterreich Umwelt GmbH	Linz	100.00	FC	120,656.0	201.2
AVE Österreich GmbH (previously: AVE Entsorgung GmbH)	Hörsching	100.00	FC	88,117.4	5,922.3
ASPG Altlastensanierungsprojekte GmbH	Hörsching	100.00	FC	212.9	90.2
RE-PLAST Kunststoff Wiederverwertungs GmbH	Zirl	100.00	FC	59.9	- 80.5
Johann Spiehs & Co GmbH	Vienna	100.00	FC	2,758.9	423.6
MA Restabfallverwertung GmbH	Linz	99.00	FC	40.5	0.6
Papyrus Altpapierservice Handelsgesellschaft m.b.H.	Vienna	63.33	QC	6,148.9	1,128.9
RVL Reststoffverwertung Lenzing GmbH	Lenzing	50.00	OC	94.0	8,923.8
Abfall-Aufbereitungs-GmbH	Linz	50.00	OC	19.4	- 3.6
Welsler Baustoffrecycling GmbH	Wels	33.33	OC	755.8	107.1
Thermische Abfallverwertung Tirol Gesellschaft mbH	Telfs	33.33	OC	36.3	—
Recycling Innsbruck GmbH	Innsbruck	25.00	OC	187.5	774.4
HUNGARY				in HUF 1,000	in HUF 1,000
AVE Magyarország Hulladékgazdálkodási Kft	Budapest	100.00	FC	2,222,590.0	57,102.0
AVE Tatabánya Rt	Tatabánya	67.00	FC	766,647.0	193,100.0
AVE Miskolc Kft	Miskolc	55.00	FC	889,914.0	332,445.0
A.S.A. + AVE Kft	Gyál	50.00	QC	643,500.0	173,833.0
A.K.S.D. Kft.	Debrecen	50.00	QC	1,579,430.0	573,385.0
Kaposvári Városgazdálkodási Rt.	Kaposvár	44.35	EC	334,199.0	62,382.0
Ave Heves Régió Kft.	Heves	92.00	OC		2)
Wolf Környezetvédelmi Szolgáltató Kft	Kál	52.91	OC	32,612.0	5,848.0
Nyír Flop Kft	Nyíregyháza	50.00	OC	317,020.0	33,333.0
Zöldfok Településgazdalkodási És Kommunális Részvénytársaság	Siófok	44.80	OC	1,164,967.0	162,158.0
A-KÖNTENER Környezetvédelmi és Szolgáltató	Kisigmánd	33.30	OC	2,585.0	- 2,158.0
Avermann-Holvex Kft	Orosháza	33.33	OC	210,726.0	7,692.0
AVE Hevesi Városfenntartó Kft	Heves	31.84	OC	53,506.0	16,736.0

	Registered office	Share in %	Type of consolidation	Equity	Net income/loss for the year
CZECH REPUBLIC				in CZK 1,000	in CZK 1,000
AVE CZ odpadové hospodářství s.r.o.	Praha	100.00	FC	1,082,953.0	41,204.0
REKKA s.r.o.	České Budejovice	100.00	FC	70,946.0	13,542.0
AVE sberné suroviny a.s. (previously: Západočeské sběrné suroviny a.s.)	Plzeň	98.97	FC	70,559.0	4,923.0
AVE CZ Ústí nad Labem s.r.o.	Ústí nad Labem	90.00	FC	215,328.0	2,443.0
AVE Kolín s.r.o.	Kolín	75.00	FC	82,585.0	- 21,558.0
AVE komunální služby s.r.o.	Praha	100.00	OC	68,391.0	16,675.0
AVE Rumburk s.r.o.	Rumburk	100.00	OC	471.0	356.0
AVE Pardubice s.r.o.	Pardubice	100.00	OC	2,635.0	- 1,077.0
ASPG CZ s.r.o.	Praha	100.00	OC	26.0	-4.0
Teploinvest CB s.r.o.	České Budejovice	100.00	OC	2,441.0	436.0
AVE CZ Horovice s.r.o.	Hořovice	100.00	OC	13,971.0	2,998.0
Fortygo s.r.o.	Nejdek	100.00	OC	- 178.0	- 408.0
AVE Nasavrky. a.s.	Nasavrky	60.00	OC	34,498.0	2,054.0
EKO SKLÁDKA spol. s.r.o.	Jindřichův Hradec	20.00	OC	10,830.0	- 46.0
ROMANIA				in RON 1,000	in RON 1,000
AVE Ardeal S.R.L.	Campia Turzii	100.00	OC	²⁾	²⁾
AVE Bihor S.R.L.	Oradea	100.00	OC	²⁾	²⁾
AVE Waste Management Romania S.R.L.	Satu-Mare	100.00	OC	1,791.4	- 1,518.2
AVE Swietelsky Depozit Ecologic S.R.L.	Bukarest	100.00	OC	²⁾	²⁾
AVE Salaj ECOSERV S.R.L.	Zalău	100.00	OC	119.2	- 234.2
AVE Huron S.R.L.	Miercurea-Ciuc	100.00	OC	3,553.0	463.0
ECO VASANO S.R.L.	Cluj-Napoca	99.00	OC	- 304.7	- 187.9
AVE Harghita Salubritate S.R.L.	Oderheiu Secuisc	65.00	OC	2,718.8	354.5
SLOVAKIA				in SKK 1,000	in SKK 1,000
AVE SK odpadové hospodářstvo s.r.o.	Bratislava	100.00	FC	370,923.0	- 13,362.0
V.O.D.S., a.s.	Košice	51.00	FC	92,658.0	4,725.0
AVE Senec s.r.o.	Bratislava	100.00	OC	²⁾	²⁾
AVE Tornaľa s.r.o.	Tornaľa	70.00	OC	- 8,544.0	- 7,723.0
AVE V.O.D.S. Jasov s.r.o.	Jasov	70.00	OC	14,880.0	- 120.0
AVE - V.O.D.S. odpadové hospodářstvo a.s.	Košice	66.00	OC	121,295.0	- 8,293.0
AVE Bratislava s.r.o.	Bratislava	60.00	OC	30,126.0	2,008.0
GERMANY				in EUR 1,000	in EUR 1,000
AVE Abfallwirtschaft GmbH	Rotthalmünster	100.00	FC	9,044.6	- 31.0
CH Abfallwirtschaft Schwaben GmbH	Gersthofen	100.00	FC	726.8	- 391.7
Papyrus Wertstoff Service GmbH	Bad Reichenhall	63.33	OC	455.4	91.2
AVE Recycling GmbH	Rotthalmünster	100.00	OC	- 63.2	- 63.8
TSH Abfallwirtschaft Niederbayern GmbH	Offenberg	100.00	OC	- 107.7	- 132.7
UKRAINE				in UAH 1,000	in UAH 1,000
AVE Umwelt Ukraine TOB	Lemberg	100.00	OC	²⁾	²⁾
AVE Vinogradovo TOB	Vinogradovo	60.00	OC	845.9	- 646.2

	Registered office	Share in %	Type of consolidation	Equity	Net income/loss for the year
WATER					
AUSTRIA				in EUR 1,000	in EUR 1,000
Energie AG Oberösterreich Wasser GmbH	Linz	100.00	FC	47,384.9	- 1,269.2
WDL Wasserdienstleistungs GmbH	Linz	90.00	FC	17,386.1	145.8
WDL Infrastruktur GmbH	Linz	49.00	OC	- 590.5	- 168.4
CZECH REPUBLIC				in CZK 1,000	in CZK 1,000
Energie AG Bohemia	České Budejovice	100.00	FC	986,160.0	5,662.0
1. JVS a.s.	České Budejovice	100.00	FC	499,864.0	—
VODOS s.r.o.	Kolín	100.00	FC	94,290.0	11,448.0
Vodovody a kanalizace Jizny Cechy a.s.	České Budejovice	98.24	FC	613,355.0	48,038.0
Vodáreská společnost Chrudim a.s.	Chrudim	95.00	FC	160,409.0	6,964.0
Vodovody a kanalizace Beroun a.s.	Beroun	59.20	FC	487,966.0	11,767.0
Vodáreská společnost Beroun a.s.	Beroun	100.00	OC	320.0	124.0
1, Jihočeská vodohospodářská spol. s.r.o.	České Budejovice	100.00	OC	4,991.0	1,743.0
SVETLO A SERVIS s.r.o.	České Budejovice	51.00	OC	127.0	- 63.0
SLOVAKIA				in SKK 1,000	in SKK 1,000
Energie AG Vodohospodarstvo Slovakia s.r.o.	Bratislava	100.00	OC	2,196.0	- 3,713.0
HUNGARY				in HUF 1,000	in HUF 1,000
Energie AG Magyarország Vízgazdálkodási Kft.	Budapest	100.00	OC	3,000.0	- 15,622.0
Energie AG Miskolc Vízgazdálkodási Kft.	Miskolc	50.00	OC	²⁾	²⁾
OTHERS				in EUR 1,000	in EUR 1,000
Oberösterreichische Gemeinnützige Bau- und Wohngesellschaft mbH	Linz	100.00	OC	4,038.7	1,062.2
Energy IT Service GmbH	Linz	66.67	OC	56.2	2.8

FC = fully consolidated company

QC = company with pro-rata consolidation

EC = company associated at equity

OC = company not included in the consolidation group due to insignificance

¹⁾ = applying the protective clause under § 241 (2) item 2 of the Austrian Commercial Law Code

²⁾ = new company

CONSOLIDATION METHODS

The revaluation method is applied to capital consolidation. The historical cost for acquiring the investment is offset against the share in the revalored equity of the subsidiary at the time of acquisition.

Goodwill resulting from company mergers is entered pursuant to IFRS 3. Every year it is tested for impairment, pursuant to IAS 36. During the 2007/2008 business year, goodwill impairments in the amount of EUR 8,127.5 thousand were entered. Differentials carried as liabilities pursuant to IFRS 3 are entered with immediate effect on the result.

Intra-group receivables and liabilities, expenses and revenues, as well as interim results are eliminated, unless they are of minor significance.

When carrying out the purchase-price calculation for AVE Kolin s.r.o. according to IFRS 3, several preliminary values were used.

Whenever there are put options of minority shareholders, these are shown under borrowed capital, in accordance with IAS 32 (Financial Instruments: Presentation).

Accounting and Valuation Principles

ESTIMATES

The preparation of the consolidated financial statements requires that estimates are made, which affect the assets and liabilities, revenues and expenses that are shown in the consolidated financial statements, as well as information in the Notes. Estimates and assumptions were especially made with regard to staff provisions and long-term provisions for landfills, as well as when performing impairment tests. The estimates made may deviate from actual amounts. Estimates and assumptions relate, in particular, to interest rates, wage and salary trends, fluctuations, future costs of landfills, as well as future surpluses in cash inflows. A major impact of these estimates on the consolidated financial statements is not expected for the near future.

directly attributable to the development process, as well as reasonable portions of the development-related overhead costs. The cost of financing is not capitalized. Research costs in the amount of EUR 2,530.4 thousand (previous year: EUR 2,193.6 thousand) are shown under expenses.

In addition to the direct costs, reasonable portions of the material and manufacturing overhead costs are other components of the manufacturing costs. General administrative expenses and interest on borrowings are not capitalized.

The application of IAS 40 (Investment Property) does not have any effect on the consolidated financial statements, since there are no major real-estate holdings serving as financial investments.

Additions to intangible assets (electricity procurement rights) in the amount of EUR 22,155.0 thousand during the 2006/2007 business year resulted in a decrease of the financial resources during the 2007/2008 business year.

Whenever different useful life spans have to be entered for the main components of assets, these are taken into account in line with the Component Approach.

Scheduled depreciation for major equipment is measured pursuant to the following useful life spans which are applied throughout the Group:

	Useful life in years
Intangible assets	
Electricity procurement rights	15 – 50
Other rights	4 – 50
Dumping rights and landfills	depending on utilization
Building structures	
Buildings	50
Other structures	10 – 50
Water engineering structures	75
Plant and machinery	
Power plants	10 – 25
Electricity grid	15 – 40
Waste disposal systems	6 – 20
Telecommunications facilities	7 – 20
Plant and equipment, furniture and fixtures	3 – 10

Whenever a need for depreciation/amortization is noticed, the corresponding write-downs are made.

IAS 36 (Impairment of Assets) requires that intangible assets and tangible fixed assets are tested for impairment if there is an indication that the value of an item might have decreased. Whenever intangible assets and tangible fixed assets are put together as cash-generating units, for lack of cash flow, their attributable value is established. Whenever a need for depreciation/amortization is noticed, the corresponding write-downs are made. The surplus in revenues, projected on the basis of medium-term planning, is discounted, applying weighted average capital costs, in order to establish the attributable value. Depending on the industry and/or the country, to which the asset belongs, an interest rate between 6.6% and 9.1% is used.

INVESTMENTS

Unless investments are valued pursuant to the equity method, they are entered at purchase costs or market value, if these can be reliably determined. Changes in the value of investments that are classified as "available for sale" are entered without affecting the operating result, unless there is a major or lasting impairment.

The share in companies valued according to the equity method is entered in keeping with the capital share held, which is increased or decreased according to the changes in equity.

OTHER FINANCIAL ASSETS AND OTHER LONG-TERM ASSETS

Loans at market interest rates, as well as long-term receivables are shown at their nominal value. No-interest-bearing or low-interest loans and long-term receivables are valued at their cash value. Value adjustments are made for identifiable exposures. Securities and loan stock rights carried as fixed assets are valued at market prices.

Changes in the value of securities that are classified as "at fair value through profit or loss" are entered with effect on the result. Changes in the value of securities that are classified as "available for sale" are entered without effect on the result, unless there is a major or lasting impairment. Financial assets classified as "held to maturity" are entered at costs, as carried forward. Impairments are entered with effect on the result. Financial receivables are classified as "loans and receivables" and valued at purchase costs, as carried forward.

96 Intangible assets and tangible fixed assets are valued at purchase or production costs, minus scheduled straight-line depreciation, or depreciation due to use.

Development costs that are capitalized pursuant to IAS 38 (Intangible Assets) comprise all costs that are

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INVENTORIES

Inventories are valued at average purchase or manufacturing costs (moving average price method), or at the lower net value at realization. The manufacturing costs comprise the directly attributable costs, as well as the pro-rata overhead costs for materials and production.

No interest is entered for borrowings.

Decreases in value due to reduced realizability are reflected in write-downs.

RECEIVABLES AND OTHER ASSETS

Receivables and other assets are valued at their historical costs. Identifiable exposures are reflected by entering the corresponding adjustments in value. Financial receivables are classified as "loans and receivables" and valued at purchase costs, as carried forward.

FINANCIAL LIABILITIES

Financial liabilities are entered when incurred, in the actually received amount. Any share premium, discount or other issue costs are spread out over the financing term and shown in the financial result. Unless these are liabilities from financing leases, they are classified as "financial liabilities".

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments especially for hedging against risks due to changes in interest rate, as well as coal and gas prices. They are valued at their market value on the balance-sheet date. Changes in the market value of derivative financial instruments are shown as separate items under equity, whenever the need for hedge accounting prevails. Changes in the market value of derivative financial instruments, for which no hedge accounting is made, are shown in the income statement, with effect on the result.

PROVISIONS FOR PENSIONS AND SEVERANCE PAYMENTS

Provisions for pensions, severance payments and anniversary bonuses are calculated according to the projected unit credit method. Expected increases in wages, salaries and pensions are taken into account. Actu-

arial gains and losses exceeding the corridor of 10% of the cash value of the commitments are distributed over the average remaining service period when forming provisions for pensions and severance payments.

OTHER PROVISIONS

Other provisions comprise all commitments identifiable on the balance-sheet date that relate to earlier transactions and are uncertain as to their amount or maturity. The provisions are valued at the amount that is most likely to be incurred.

DEFERRED TAXES

Deferred taxes are entered for temporary deviations between the values shown in the consolidated balance sheet and the values shown in the tax balance sheets of the individual undertakings. Moreover, future tax benefits, resulting from tax losses carried forward, are taken into account. The values are adjusted, whenever netting out cannot be expected with sufficient probability.

CONTRIBUTIONS TO CONSTRUCTION COSTS

This item primarily comprises funding contributions received from electricity, gas and district-heating customers. Contributions to construction costs carried as liabilities are retransferred with effect on the result in keeping with the course of depreciation for the corresponding asset.

ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities are entered at historical costs or their higher amount repayable. Financial debts are classified as "financial liabilities at amortized costs".

CROSS-BORDER LEASING

Energie AG Oberösterreich entered into so-called cross-border leasing transactions for its power transmission and distribution systems in fiscal 2000/20001 and for some of its power plants in fiscal 2001/2002. In the course of the transactions, the electricity transmission system and 14 hydro power plants were leased to US investors by means of trusts, which were leased back for a shorter period at the same time. Accord-

ing to Austrian law, this did not change the civil-law and economic ownership relations. The financial benefit (present-value benefit) for Energie AG Oberösterreich – after deducting the transaction costs – is disclosed in the balance sheet under long-term debt as a differential amount carried as a liability and retransferred with effect on revenues according to the term of the underlying leasing transaction.

In the course of these cross-border leasing transactions, the funds received as advance lease payments from the US trust – except for the present-value benefit – were invested in deposits with financial institutes of first-class credit standing or via payment undertaking agreements and used to cover the future installments under the lease-back arrangement, conforming with time and currency requirements.

In the course of payment undertaking agreements, which are entered into with financial institutes, the financial institutes undertake to make all payments that arise under the lease-back arrangements directly to the US trust. Unlike the classical instrument of investing via deposits, this financing tool does not lead to an increase of the assets shown in the balance sheet. However, Energie AG Oberösterreich is liable to the US trust for compliance with the commitments that the financial institutes have assumed in connection with the payment undertaking agreements (see Note 29 on this point).

Please refer to Note 35 concerning the measures taken after the balance-sheet date.

LIABILITIES TO THIRD PARTIES

This item shows possible or existing liability commitments which are based on earlier transactions. In this connection, an outflow of resources is not likely.

FOREIGN CURRENCY TRANSLATIONS

Foreign-currency translations are made according to the concept of the functional currency. The respective national currency is the functional currency for all consolidated undertakings. As a result, items in the balance sheet are translated at the mean exchange rate on the balance-sheet date, and items in the income statement are translated at the mean exchange rate for the period. Differences in translating the pro-rata equity shares are shown under revenue reserves and do not affect the result. The differences from foreign-currency translations that are due to minority interests are shown as minority shares in equity. On 30 September 2008, the exchange rate used for the

Czech crown was 24.50954 (27.5499 in the year before); for the Hungarian forint the exchange rate used on 30 September 2008 was 241.514 (250.926 in the year before); for the Slovak crown the exchange rate used was 30.38156.

INCOME REALIZATION

As a matter of principle, revenues are recorded at the time of making the delivery or performing the service, if the value of the amount receivable has been established or can be established and the amount is likely to be collected. Amounts receivable for electricity, gas and water supplied on the balance-sheet date, which have not been invoiced, are charged to subsequent accounting years and shown under "trade debtors".

Income from interest is realized pro rata temporis in keeping with the effective interest rate. Dividends are entered at the date at which the title to the payment has been created.

Notes to the Income Statement

1. SALES

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Electricity	1,004,466.6	747,372.1
District heating	34,111.1	18,271.3
Gas	11,251.4	—
Reversal of contributions to construction costs	17,788.8	17,358.9
Waste management	320,978.5	252,675.7
Water/waste water	66,051.7	54,987.1
Other sales	65,415.2	51,125.9
	1,520,063.3	1,141,791.0

2. SEGMENT REPORTING

SEGMENT REPORTING ACCORDING TO BUSINESS SECTORS

The Energie AG Group operates mainly in the segments "energy", "waste management" and "water". In this connection, the "energy" segment comprises primarily the production and distribution of electrical energy, gas and district heating. The "waste management" segment covers accepting, sorting, burning and dumping of household and industrial waste materials. The "water" segment consists primarily of the supply with drinking water, as well as of the removal of waste water. The primary reporting format therefore comprises the segments "energy", "waste management" and "water".

Sales between the segments ("inter-segment sales") are invoiced at market prices. Segment assets only

include assets which are used by one segment for its operating activities and which can be attributed to one segment directly, or on account of a reasonable basis. Debts from the operating activities of the segments are shown as segment debt.

Gains from the reversal of differentials shown as liabilities in the amount of EUR 25,198.5 thousand and non-scheduled amortization of goodwill in the amount of EUR 7,212.3 relate to the energy segment. The 2006/2007 business year contains gains from the disposal of tangible fixed assets, resulting from the sale of the gas and steam power station at Timelkam, in the amount of EUR 33,000.0 thousand, as well as gains from the sale of the real-estate property Böhmerwaldstrasse 3, Linz, in the amount of EUR 3,545.3 thousand, which relate to the energy segment.

The segment reporting according to business segments is as follows:

2007/2008	Energy in EUR mill.	Waste disposal in EUR mill.	Water in EUR mill.	Transitions/ Elimination in EUR mill.	Group in EUR mill.
Sales to third parties	1,116.1	323.8	80.2	—	1,520.1
Inter-segment sales	8.5	11.8	0.8	- 21.1	—
Total sales	1,124.6	335.6	81.0	- 21.1	1,520.1
Depreciations	85.9	43.3	5.2	—	134.4
Income from operations	140.6	20.6	2.5	—	163.7
Income from shares in equity companies	15.3	0.1	—	—	15.4
Carrying value of segment assets	2,515.1	608.1	185.9	384.8	3,693.9
Segment debt	522.1	332.2	90.5	1,391.5	2,336.3
Investments into intangible assets and tangible fixed assets	110.1	65.8	5.6	—	181.5

2006/2007	Energy in EUR mill.	Waste disposal in EUR mill.	Water in EUR mill.	Transitions/ Elimination in EUR mill.	Group in EUR mill.
Sales to third parties	819.6	255.2	67.0	—	1,141.8
Inter-segment sales	6.5	10.6	0.6	- 17.7	—
Total sales	826.1	265.8	67.6	- 17.7	1,141.8
Depreciations	74.5	34.4	4.6	—	113.5
Income from operations	132.5	25.9	2.0	—	160.4
Income from shares in equity companies	19.1	0.1	—	—	19.2
Carrying value of segment assets	1,829.8	476.6	117.7	324.6	2,748.7
Segment debt	401.3	280.8	32.2	1,078.3	1,792.6
Investments into intangible assets and tangible fixed assets	208.7	46.4	10.8	—	265.9

SEGMENT REPORTING ACCORDING TO GEOGRAPHICAL SEGMENTS

The Energie AG Oberösterreich Group operates mainly in the regions of "Austria", "Czech Republic" and "Hungary".

2007/2008	Austria in EUR mill.	Czech Republic in EUR mill.	Hungary in EUR mill.	Other countries in EUR mill.	Transitions/ Elimination in EUR mill.	Group in EUR mill.
Sales to third parties	1,331.0	149.2	36.3	5.2	- 1.6	1,520.1
Carrying value of segment assets	2,971.6	258.4	44.6	40.1	379.2	3,693.9
Investments into intangible assets and tangible fixed assets	154.4	18.8	8.2	0.1	—	181.5

2006/2007	Austria in EUR mill.	Czech Republic in EUR mill.	Hungary in EUR mill.	Other countries in EUR mill.	Transitions/ Elimination in EUR mill.	Group in EUR mill.
Sales to third parties	998.6	114.8	29.4	—	- 1.0	1,141.8
Carrying value of segment assets	2,150.8	155.4	35.7	—	406.8	2,748.7
Investments into intangible assets and tangible fixed assets	236.5	20.9	8.5	—	—	265.9

3. OTHER OPERATING INCOME

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Gains from the disposal of and the write-up to intangible assets and tangible fixed assets	2,607.6	37,525.6
Capitalized production costs	2,123.6	2,278.3
Income from leases and rentals	3,330.8	3,188.1
Income from the reversal of investment grants	2,438.4	1,898.7
Re-transfer of differentials carried as liabilities	25,198.5	323.5
Other income	21,497.9	16,963.0
	57,196.8	62,177.2

4. COST OF MATERIAL AND OTHER PURCHASED MANUFACTURING RIGHTS

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Electricity purchased from third parties	548,911.3	339,901.8
Cost of use of system	40,645.9	36,091.9
Cost of fuels	73,251.7	41,907.4
Cost of other materials	100,592.3	54,564.3
Cost of purchased services	113,412.9	98,693.9
	876,814.1	571,159.3

5. PERSONNEL EXPENSES

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Wages	29,611.5	23,761.1
Salaries	157,839.9	142,291.8
Severance payments	5,804.2	5,285.4
Pension payments	11,701.1	10,029.8
Statutory social-security charges and remuneration-related charges and compulsory contributions	49,019.5	42,856.8
Other social expenses	3,002.8	2,259.5
	256,979.0	226,484.4

Expenses for defined-contribution pension schemes amounted to EUR 4,152.5 thousand in 2007/2008 (EUR 3,438.2 thousand in the year before). Expenses for severance payments in the amount of EUR 27.3 thousand (EUR 23.3 thousand in the year before) and for pension payments in the amount of EUR 262.3 thousand (EUR 218.8 thousand in the year before) relate to members of the Board of Management.

The members of the Board of Management and of the Supervisory Board of Energie AG Oberösterreich received the following remunerations:

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Board of Management	784.1	766.2
Former members of the Board of Management and their dependents	915.5	965.9
Supervisory Board	84.3	100.2
	1,783.9	1,832.3

Average employment figures for the year under review amounted to 5,753 (5,229 in the year before). Part-time staff members are accounted for on a pro-rata basis.

6. DEPRECIATION

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Scheduled depreciation	125,101.9	112,238.6
Non-scheduled depreciation	9,281.8	1,262.4
	134,383.7	113,501.0

Please refer to the table "Development of Fixed Assets" for the depreciation of individual items under fixed assets.

7. OTHER OPERATING EXPENSES

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Taxes	15,672.0	11,684.3
Outside services	49,302.3	64,203.4
Travel expenses	8,891.3	7,845.9
Insurance premiums	9,316.3	8,805.1
Postage, telephone and telex	4,897.2	4,791.3
Rentals and leases	7,205.1	5,279.8
Write-downs of receivables	1,166.3	837.9
Allocated value allowance for receivables	1,534.8	2,130.6
Expenses for vehicles	25,472.0	19,038.3
Losses from the disposal of intangible assets and tangible fixed assets	2,809.7	2,808.0
Repairs	19,776.6	12,290.3
Other expenses	43,925.0	33,487.0
	189,968.6	173,201.9

Taxes comprise mainly land taxes, location-dependent charges, electricity levies, as well as contributions to remedial action on abandoned waste sites.

8. INCOME FROM INTEREST

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Income from financing		
Interest and similar income	10,157.5	5,768.0
Cross-border leasing	8,828.4	10,290.0
Exchange-rate gains from financial liabilities	4,049.1	673.1
	23,035.0	16,731.1
Cost of financing		
Interest and similar expenses	- 37,855.7	- 33,928.4
Cross-border leasing	- 5,279.8	- 6,696.8
Exchange-rate losses from financial liabilities	- 1,585.9	- 172.0
	- 44,721.4	- 40,797.2
Changes in market price		
Interest-swap transactions and bonds	3,444.1	—
	- 18,242.3	- 24,066.1

9. OTHER FINANCIAL RESULTS

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Income from investments		
Non-consolidated affiliated companies	198.2	260.1
Other investments	3,021.6	5,863.2
Income from the disposal of investments	- 60.4	18.9
	3,159.4	6,142.2
Expenses for investments		
Expenses from the disposal of investments	- 332.7	- 545.7
Securities		
Income from securities	1,521.4	7,869.4
Write-downs of securities	- 7,758.9	- 1,768.3
Write-ups of securities	1,257.9	1,588.8
Others	- 4.5	- 2.0
	- 4,984.1	7,687.9
	- 2,157.4	13,284.4

10. TAXES ON INCOME

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Expenses for current taxes on income	19,972.4	27,518.4
Changes in deferred taxes on income	6,792.6	5,589.9
	26,765.0	33,108.3

Expenses for taxes on income are lower by EUR 8,470.0 thousand (EUR 4,017.6 thousand in the year before) than the calculated expenses for taxes on income that result from applying the Austrian, Czech or Hungarian tax rates to the result before taxes on income. The causes for the difference between the calculated and the shown expenses for taxes on income are as follows:

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Profit before taxes on income	143,340.2	149,637.6
Calculated expenses for taxes	35,835.0	37,125.9
Effect on taxes due to		
income from investments	- 5,034.0	- 7,160.4
changes due to value adjustments concerning deferred taxes	337.7	1,602.6
non-recurrent tax expenses	- 20.3	48.4
non-tax-deductible expenses	714.3	1,257.0
amortization of goodwill	2,031.9	131.0
reversal of differentials carried as liabilities	- 6,299.6	- 80.9
tax credits for investments, apprenticeship-related, research and educational measures	- 232.5	- 99.5
other items	- 567.6	284.2
Effective tax expenses	26,765.0	33,108.3
Effective tax rate in %	18.7	22.1

The temporary differences between the amounts stated in the consolidated financial statements and the respective taxable amounts have the following effect on the shown deferred taxes:

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Intangible assets	- 19,979.8	- 9,558.0
Tangible fixed assets	- 78,588.6	- 70,607.1
Financial assets	1,321.8	1,996.6
Financial assets – cross-border leasing	10,420.5	9,900.0
Other long-term assets	- 20,393.6	- 18,421.3
Financial liabilities – cross-border leasing	- 6,234.1	- 7,943.4
Provisions	1,130.7	6,833.6
Contributions to construction costs	19,879.3	19,737.5
Tax losses carried forward	214.4	600.3
Untaxed reserves	- 12,748.7	- 13,167.7
Other items	- 5,185.9	1,398.9
	- 110,164.0	- 79,230.6
of these deferred taxes carried as assets	7,715.7	5,401.5
of these deferred taxes carried as liabilities	- 117,879.7	- 84,632.1

Notes to the Balance Sheet

11. INTANGIBLE ASSETS AND TANGIBLE FIXED ASSETS

Please refer to the table "Development of Fixed Assets" regarding the development of items under intangible assets and tangible fixed assets.

The item "other rights" primarily comprises rights of use regarding different facilities, rental rights, as well as dumping rights, in addition to IT software.

12. INVESTMENTS

The table "Development of Fixed Assets" contains a detailed breakdown of the investments and their development.

Changes in the value of associated companies valued according to the equity method are shown under write-ups and/or disposals of assets.

13. FINANCIAL ASSETS FROM CROSS-BORDER LEASING

The table "Development of Fixed Assets" contains a detailed breakdown of the loans in connection

with the cross-border leasing transactions and their development.

This item comprises deposits from the cross-border leasing transaction entered in fiscal 2000/2001. Due to accumulation effects (after redemption), these rose by EUR 3,348.3 thousand (EUR 3,123.2 thousand in the year before) during fiscal 2007/2008. This item was valued in foreign currency, which resulted in devaluation by an amount of EUR 3,688.0 thousand (EUR 11,034.0 thousand in the year before). The positive market value on the balance-sheet date is shown under assets, on the one hand, and inversely raises the liability resulting from the transaction. A USD interest-rate swap was entered to account for a fixed-interest-bearing investment that is valued at market price.

14. OTHER FINANCIAL ASSETS

The table "Development of Fixed Assets" contains a detailed breakdown of the other financial assets and their development.

Securities comprise essentially shares in investment funds that are used to some extent to cover the taxable provisions for pension payments.

15. OTHER LONG-TERM ASSETS

Other long-term assets comprise, in particular, the positive market price of financial instruments, which satisfy the criteria for hedge accounting pursuant to IAS 39 (Financial Instruments).

16. INVENTORIES

	30/09/2008 in EUR 1,000	30/09/2007 in EUR 1,000
Primary energy	56,344.4	37,194.6
Raw materials and supply	16,271.5	11,437.1
Work in progress	7,971.8	5,989.0
Finished goods and goods for resale	1,840.0	604.6
	82,427.7	55,225.3

17. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	30/09/2008 in EUR 1,000	30/09/2007 in EUR 1,000
Accounts receivable (trade debtors)	205,705.2	150,176.5
Due from non-consolidated affiliated companies	13,032.8	7,959.3
Due from undertakings with which the company is linked by virtue of participating interests	3,657.0	5,299.7
Accruals and deferrals of interest	10,551.5	8,649.0
Market value of derivatives	46,695.0	14,625.8
Others	86,357.0	34,990.2
	365,998.5	221,700.5

Receivables from electricity deliveries, which had not been invoiced as at the reporting date, were deferred on a pro-rata basis and are shown under "accounts receivable (trade debtors)".

18. CASH IN HAND, CHECKS AND BANK BALANCES

	30/09/2008 in EUR 1,000	30/09/2007 in EUR 1,000
Cash in hand	401.6	311.4
Cash in banking accounts	223,385.2	150,041.7
	223,786.8	150,353.1

19. EQUITY

The capital stock of Energie AG Oberösterreich was increased from EUR 80,000,000.00 to EUR 89,000,000.00 by way of an ordinary capital increase by issuing 9,000,000 bearer shares. It is divided into 89,000,000 (80,000,000 in the year before) individual share certificates, of which 88,600,000 (79,600,000 in the year before) are ordinary shares and 400,000 (400,000 in the year before) preferred shares without voting rights. The nominal capital has been fully paid in.

The Board of Management has been authorized for a period of 5 years to increase the nominal capital of the company, with the approval of the Supervisory Board, by a maximum of EUR 2,800,000 (nominal amount) by issuing a maximum of 2,800,000 bearer shares in the form of preferred shares without voting rights, excluding the subscription rights of shareholders.

The capital reserves result from the share premium of the capital increase, minus the directly attributable costs of obtaining equity, as well as from the contribution of own shares during the 2006/2007 business year.

During the year under review, 390,000 preferred shares without voting rights were contributed to Energie AG Oberösterreich. These shares were offered to staff members at favorable conditions. The benefit per staff member amounts to the maximum tax-exempt sum pursuant to § 3 (1) item 15 letter b of the Income Tax Act.

The profit reserves result from the profits that the Group generated but did not distribute.

The IAS 39 provisions comprise changes in market value from investments available for sale and securities, changes in the market value of cash-flow hedges, as well as changes in equity without effect on the business result of associated companies, valued at equity.

As at 30 September 2008, the cash-flow provision amounts to EUR 33,720.8 (EUR 12,481.5 in the previous year). The effective share of the fair-value changes concerning cash-flow hedges are entered in the cash-flow provision, without effect on the result. The non-effective share of the fair-value changes concerning cash-flow hedges in the amount of EUR 0 thousand (EUR 0 thousand in the previous year) were entered in the income statement with effect on the result. During the business year EUR - 3,144.1 thousand (EUR - 2,532.4 thousand) were taken from the cash-flow hedge provision and recorded in the income statement. Of this amount, EUR 0 thousand (EUR

276.7 thousand) were shown in the financial result, and EUR 3,144 thousand (EUR 2,255.7 thousand) were entered in the operating result.

The AFS provision, which is contained in the IAS 39 provisions, comprises changes in the value of participations and securities classified as "available for sale", which do not have an effect on the result. As of 30 September 2008 the AFS provision amounts to EUR 14,652.9 (EUR 29,490.6 thousand). During the business year, changes in market value in the amount of EUR 15,837.7 thousand (EUR 13,669.4 thousand in the year before) were shown under equity, without any effect on the result, and EUR 0 thousand (EUR 0 thousand in the year before) were taken from the AFS provision and entered in the income statement.

As at 30 September 2008, 208 own shares were held.

CAPITAL MANAGEMENT

It is the objective of capital management to preserve a strong capital base so that it is also possible in the future to earn an adequate return for the company, to promote the future development of the company and to also create benefits for other interest groups. The management considers the equity in the books according to IFRS to be the capital. As at the balance-sheet date the equity ratio amounted to 36.8% (34.8% for the year before).

20. FINANCIAL LIABILITIES

This item comprises first and foremost the euro bonds issued in the years 1999 and 2005. Derivative transactions were entered in order to partly hedge the interest-rate exposure. The value of the bonds is shown at the market price of the hedged exposure. It was established from the bond price, on the basis of market information available on the reporting date.

The liabilities from the cross-border leasing transaction of the 2000/2001 business year, which are offset by loans shown under assets, went up by EUR 3,348.3 thousand (EUR 3,123.2 thousand in the year before) on account of accumulation (after redemption). This item was valued in foreign currency, which resulted in devaluation in an amount of EUR 3,688.0 thousand (EUR 11,034.0 thousand in the year before).

Financial liabilities in the amount of EUR 0.0 thousand (EUR 25.9 thousand in the year before) are covered by real security.

21. FINANCIAL INSTRUMENTS

21.1. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

21.1.1. PRINCIPLES

Energie AG holds primary and derivative financial instruments.

On the asset side, primary financial instruments essentially comprise participations, financial assets from cross-border leasing, other financial assets and accounts receivables (trade debtors). Primary financial instruments are shown in the balance sheet, with the book value corresponding to the maximum default risk.

On the liability side, primary financial instruments essentially comprise financial liabilities, as well as accounts receivable.

Derivative financial instruments are used to hedge the risk of changes in interest rates, electricity prices, as well as gas and coal prices. The use of derivative financial instruments is subject to the respective authorization and control procedures within the Group. A linkage to an underlying transaction is mandatory. The Group engages in proprietary trading only within very restricted limits.

Purchases and sales of primary financial instruments are entered on the day of performance. Purchases and sales of derivative financial instruments are entered on the trading date. As a matter of principle, the financial instruments are valued at fair value upon addition. The financial instruments are written off when the rights to payments under the investment have expired or have been transferred, and the Group has transferred principally all exposures and opportunities that accrued as a result of the ownership title.

As a rule, the fair value of financial assets and debts corresponds to market prices on the balance-sheet date. Whenever the prices of active markets are not directly available, they are calculated – whenever they are not of subordinate significance – by applying recognized financial calculation models and current market parameters (especially interest rates, exchange rates and ratings of the counterparties). Moreover, the cash flows of the financial instruments are discounted for the balance-sheet date.

21.2. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Interest swaps are used to partially hedge the exposure to interest-rate changes of the bonds and to secure the fixed-interest expenses from the US cross-border lease liability of the 2000/2001 business year.

Electricity futures, forwards and swaps are entered in order to cover variable prices and/or to reduce the counterparty risk for purchased electricity and sold electricity. Gas and coal swaps are used to secure future gas and coal prices.

Fair-value hedges serve as protection against the risk of change in the attributable current value of balance-sheet assets or balance-sheet liabilities. The derivatives and the corresponding underlying transaction are valued at the attributable current value, with effect on the result, when applying hedge accounting. The Group uses fair-value hedges to partly secure the risk of changes in interest rates in connection with bonds, as well as to secure the risk of fixed-interest expenses under the US cross-border leasing liability of the 2000/2001 business year (interest swaps).

Cash-flow hedges are entered as protection against future payment flows. Whenever the hedging transactions meet the requirements for hedge accounting, the result of the hedging instrument, which is established as effective security, is entered under equity, with no effect on the result. The non-effective part of the result is entered with effect on the result. Electricity futures and forwards, as well as electricity, gas and coal swaps are used to hedge variable prices and/or a reduction in counterparty risk.

Derivative financial instruments comprise the following items:

	30/09/2008			30/09/2007		
	Nominal value	Positive market values	Negative market values	Nominal value	Positive market values	Negative market values
	in EUR 1,000	in EUR 1,000	in EUR 1,000	in EUR 1,000	in EUR 1,000	in EUR 1,000
Derivatives with fair-value hedge relation						
Interest swaps – bonds	EUR 100 mill.	6,162.9	0.0	EUR 100 mill.	6,323.5	0.0
Interest swaps – cross-border leasing	USD 110 mill.	16,287.2	0.0	USD 107 mill.	8,741.3	0.0
Derivatives without hedge relation						
Structured interest and foreign-currency derivatives	EUR 67 mill.	1,094.0	- 410.1	USD 0 mill.	0.0	0.0

The derivative financial instruments from the energy sector comprise the following items:

	Nominal value		Positive market values	Negative market values
	Purchase	Sale		
	in EUR 1,000		in EUR 1,000	in EUR 1,000
Derivatives with cash-flow hedge relation				
Electricity futures	EUR 78.5 mill.	EUR 104.7 mill.	8,086.0	- 18,656.0
Electricity swaps	EUR 0.0 mill.	EUR 7.1 mill.	0.0	- 2,731.3
Gas swaps	EUR 190.3 mill.	EUR 22.7 mill.	73,327.2	- 3,045.6
Coal swaps	EUR 4.1 mill.	EUR 0.0 mill.	2,872.3	0.0
Derivatives without hedge relation				
Electricity forwards	EUR 213.9 mill.	EUR 215.4 mill.	32,290.8	- 32,496.5
Electricity futures	EUR 14.3 mill.	EUR 1.6 mill.	3,569.7	- 189.1
Gas swaps	EUR 7.9 mill.	EUR 10.0 mill.	7,588.8	- 5,515.2

	Nominal value		Positive market values	Negative market values
	Purchase	Sale		
	in EUR 1,000		in EUR 1,000	in EUR 1,000
Derivatives with cash-flow hedge relation				
Electricity futures	EUR 12.3 mill.	EUR 98.4 mill.	1,482.5	- 1,675.3
Electricity swaps	EUR 0.0 mill.	EUR 7.1 mill.	4.7	- 144.5
Gas swaps	EUR 170.0 mill.	EUR 0.0 mill.	7,857.6	0.0
Coal swaps	EUR 0.0 mill.	EUR 0.0 mill.	0.0	0.0
Derivatives without hedge relation				
Electricity forwards	EUR 53.8 mill.	EUR 53.8 mill.	1,664.0	- 1,526.8
Electricity futures	EUR 8.2 mill.	EUR 4.2 mill.	533.0	- 32.0
Gas swaps	EUR 7.9 mill.	EUR 0.0 mill.	324.0	0.0

Further positive market values are contained in long-term and/or short-term assets, and further negative market values are contained in long-term and/or short-term debts.

The following table shows the contractual maturities of payments (nominal values) in connection with the cash-flow hedges, i.e. when the underlying transaction has an effect on the result.

30/09/2008	Nominal value		Maturity
	Purchase	Sale	
Hedging transaction			
Electricity futures	EUR 78.5 mill.	EUR 104.7 mill.	2008 - 2011
Electricity swaps	EUR 0.0 mill.	EUR 7.1 mill.	2010
Gas swaps	EUR 190.3 mill.	EUR 27.7 mill.	2009 - 2011
Coal swaps	EUR 4.1 mill.	EUR 0.0 mill.	2010 - 2011

30/09/2007	Nominal value		Maturity
	Purchase	Sale	
Hedging transaction			
Electricity futures	EUR 12.3 mill.	EUR 98.4 mill.	2007 - 2010
Electricity swaps	EUR 0.0 mill.	EUR 7.1 mill.	2010
Gas swaps	EUR 170.0 mill.	EUR 0.0 mill.	2009 - 2010

As at 30 September 2008, hedging instruments, as they are shown above, were designated as part of fair-value hedges. For the 2007/2008 business year, the adjustments of the book values for the underlying transactions result in losses, recorded in the financial result, of EUR 7,385.3 thousand (EUR 8,133.7 thousand for the previous year). The changes in attributable current values of hedging transactions resulted in gains of EUR 7,385.3 thousand (EUR 8,133.7 thousand) for the previous year, which are shown under other financial results.

21.3. BOOK VALUES, FAIR VALUES AND ENTERED VALUES ACCORDING TO IAS 39

The book values, fair values and values entered for the financial assets and debts comprise the following classes and/or valuation categories according to IAS 39 and/or IAS 17:

	Category according to IAS 39*)	Book value 30/09/2008 in EUR 1,000	Fair value 30/09/2008 in EUR 1,000	Book value 30/09/2007 in EUR 1,000	Fair value 30/09/2007 in EUR 1,000
Participations		66,641.7	66,641.7	37,642.3	37,642.3
Shares in affiliated companies	AFS (at cost)	45,429.2	45,429.2	21,242.7	21,242.7
Other participations	AFS	4,315.0	4,315.0	4,042.0	4,042.0
Other participations	AFS (at cost)	16,897.5	16,897.5	12,357.6	12,357.6
Financial assets from cross-border leasing	LaR	87,217.8	87,217.8	86,208.4	86,208.4
Other financial assets		370,840.6	369,339.1	269,712.9	268,728.1
Loans to affiliated companies	LaR	2,601.1	2,601.1	1,803.9	1,803.9
Loans to companies with which the company is linked by virtue of participating interests	LaR	3,689.9	3,689.9	0.0	0.0
Other loans	LaR	17,645.9	16,144.3	17,728.5	16,743.7
Securities (available for sale)	AFS	32,082.5	32,082.5	39,251.6	39,251.6
Securities (held to maturity)	HTM	2,963.4	2,963.4	0.0	0.0
Securities (fair value option)	AtFVP&L (FV Option)	311,857.8	311,857.8	210,928.9	210,928.9
Accounts receivable and other assets (long and short-term) according to the balance sheet		468,038.3		253,118.6	
of which non-financial assets		29,431.5		13,927.8	
of which financial assets		438,606.8	438,606.8	239,190.8	239,190.8
Accounts receivable (trade debtors)	LaR	205,932.4	205,932.4	150,426.1	150,426.1
Due from affiliated companies	LaR	14,714.2	14,714.2	8,275.4	8,275.4
Due from undertakings with which the company is linked by virtue of participating interest	LaR	4,730.9	4,730.9	5,299.7	5,299.7
Derivatives with hedge relation (cash-flow hedge)	n/a	76,199.5	76,199.5	25,821.1	25,821.1
Derivatives with hedge relation (fair-value hedge)	n/a	22,875.1	22,875.1	15,064.8	15,064.8
Derivatives without hedge relation	AtFVP&L (Trading)	42,269.7	42,269.7	1,988.0	1,988.0
Other long-term financial assets	LaR	71,885.0	71,885.0	32,315.8	32,315.8
Cash and cash equivalents	LaR	223,786.8	223,786.8	150,353.1	150,353.1
Total		1,187,093.7	1,185,592.2	783,107.5	782,122.7

AFS available for sale
LaR loans and receivables
HTM held to maturity
FLAC financial liability measured at amortized cost
AtFVP&L at fair value through profit or loss

	Category according to IAS 39*)	Book value 30/09/2008 in EUR 1,000	Fair value 30/09/2008 in EUR 1,000	Book value 30/09/2007 in EUR 1,000	Fair value 30/09/2007 in EUR 1,000
Financial liabilities (long and short-term)		850,886.8	810,108.9	616,704.0	584,800.0
Bonds	FLAC	453,079.1	417,600.0	452,673.6	423,300.0
Due to banks	FLAC	305,004.3	299,629.1	149,360.2	146,829.7
Liabilities – financing leasing	IAS 17	75,555.2	75,631.6	2,220.7	2,220.7
Other financial liabilities	FLAC	17,248.2	17,248.2	12,449.6	12,449.6
Liabilities from cross-border leasing	FLAC	93,237.1	93,237.1	83,991.1	83,991.1
Accounts payable (short-term)	FLAC	179,601.2	179,601.2	122,698.9	122,698.9
Other debts (long and short-term) according to balance-sheet		348,625.7		213,929.9	
of these non-financial debts		212,405.4		130,585.5	
of these financial debts		136,220.3	136,220.3	83,344.4	83,344.4
Due to affiliated companies	FLAC	817.8	817.8	123.9	123.9
Due to undertakings with which the company is linked by virtue of participating interests	FLAC	288.1	288.1	26,804.4	26,804.4
Derivatives with hedge relation (cash-flow hedge)	n/a	5,776.9	5,776.9	9,190.3	9,190.3
Derivatives with hedge relation (fair-value hedge)	n/a	0.0	0.0	0.0	0.0
Derivatives without hedge relation	AtFVP&L (Trading)	39,596.9	39,596.9	1,526.8	1,526.8
Other financial liabilities (long and short-term)	FLAC	89,740.6	89,740.6	45,699.1	45,699.1
Total		1,259,945.4	1,219,167.5	906,738.5	874,834.4
Book values in valuation categories according to IAS 39					
Loans and receivables	LaR	632,203.8		452,410.8	
Held-to-maturity investments	HTM	2,963.4		0.0	
Available-for-sale financial assets	AFS	98,724.2		76,893.9	
Financial assets at fair value through profit or loss	AtFVP&L (Trading)	42,269.7		1,988.0	
Financial assets at fair value through profit or loss	AtFVP&L (FV Option)	311,857.8		210,928.9	
Financial liabilities measured at amortized cost	FLAC	1,139,016.4		893,800.7	
Financial liabilities at fair value through profit or loss	AtFVP&L (Trading)	39,596.9		1,526.8	

Accounts receivable (trade debtors), as well as other financial assets mainly have short terms to maturity. As a result, their book values as at the balance-sheet date correspond approximately to the attributable current value. The attributable current values of long-term borrowings, if material, correspond to the cash values of the payments linked to the assets, always taking account of the current market parameters.

The financial assets in valuation class "available for sale" comprise unquoted equity instruments, the fair value of which could not be reliably established and which are shown in the balance sheet at purchase prices. The book values can be gathered from the table above. The losses from the disposal of such

assets amounted to EUR 332.7 thousand during the 2007/2008 business year (EUR 545.7 thousand for the year before).

Accounts payable and other financial debts regularly have short times to maturity. The values in the balance sheet approximately reflect the attributable current values. The current value of financial liabilities, if material, are established as cash values of the payments linked to debts, on the basis of the respectively applicable market parameters.

The net result from valuation of the financial instruments is spread out as follows across the different classes of financial instruments:

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Loans and receivables	12,847.5	11,030.9
Held-to-maturity investments	- 2,527.7	0.0
Available-for-sale financial assets	- 24,961.4	23,624.5
Financial assets at fair value held through profit or loss (FV options)	78.1	7,624.1
Financial assets/liabilities at fair value held through profit or loss (trading)	2,592.5	97.3
Financial liabilities measured at amortized cost	- 35,638.9	- 35,334.0
Net result	- 47,610.0	7,042.9
Total gains from interest	15,109.4	11,913.3
Total expenses for interest	- 35,638.9	- 35,334.0

The net result of the category "loans and receivables" mainly comprises gains from cross-border leasing and gains from invested money, as well as borrowings. It is shown in the financial result. Moreover, the item comprises gains from the re-transfer of value adjustments, as well as gains from receiving written-off amounts due, as well as expenses for value adjustments and write-downs of accounts receivable. They are shown in the result of operations.

The net result of "held to maturity" investments is shown in the financial result and essentially comprises the write-downs made for these instruments, as well as gains from interest earned from securities and security deposits.

The net result of "available for sale" financial assets shows the valuation result of participations, valued with no effect on the result and securities, as well gains from

participations. They are shown under other financial results.

The net result of financial assets at fair value through profit or loss (FV options) essentially comprises the results of valuation, as well as distributions from securities. It is shown under other financial results.

The net result of financial liabilities measured at amortized cost essentially comprises expenses for interest for financial liabilities. It is part of the financial result.

The net result of financial assets and financial liabilities at fair value through profit or loss (held for trading) essentially derives from the derivatives used by Energie AG. The valuation result for the derivatives of the energy sector is comprised in the result of operations, that of interest and foreign-currency derivatives in the financial result.

21.4. MANAGEMENT OF FINANCIAL RISKS

PRINCIPLES OF FINANCIAL-RISK MANAGEMENT

On account of its business activities and its financial transactions, Energie AG is exposed to various financial risks. These risks essentially comprise foreign-currency and interest risk, liquidity risk, default risk, share-price risk of securities, and price risk in the commodity area (price risks of the energy industry).

The central Group Treasury handles the management of financial risks. Any possible hedging is done on a central basis for all corporate entities. A corporate financial guideline (Treasury Policy) is the basis for managing financial risks. It applies to the main objectives, principles and the distribution of tasks within the Group.

The Group Treasury primarily secures financial risks on a central basis, also using derivative financial instruments. As a matter of principle, such transactions are only entered with counterparties of very good rating in order to minimize the default risk.

If a controlling influence – and eventually full consolidation – is obtained when acquiring a company, the acquired company is integrated into the central Group Treasury in the course of a post-acquisition project.

Foreign-Currency Risk

The exposure is essentially limited to the risk of translating values assets in the neighboring countries (especially the Czech Republic, Hungary, Slovakia). The foreign-currency risk of the Energie AG Group can be classified as low, on account of the low level of financial assets exposed to the foreign-currency risk, as well as on account of the financing structure. Moreover, there is also a transaction risk of a subordinated extent, due to payments in foreign currency.

Interest Risk

The Energie AG Group holds financial instruments with sensitive interest rates in order to meet the operational and strategic requirements for controlling liquidity. The risk of changes in interest rates essentially results from financial instruments with variable interest rates (cash-flow risk). On the asset side, interest risks are due mainly to borrowings and credit balances with credit institutions, on the liability side they are mainly due

to financial liabilities with variable interest rates, as well as amounts due to banks. Moreover, interest risk accrues from interest-related derivatives.

The sensitivity of these financial instruments to risks of changes in interest rate is analyzed so that the effects of assumed changes in the level of market interest on the result (after tax) and on equity is shown. The instruments held on the reporting date were used as a basis for the analysis. In this context, it was assumed that the risk prevailing on the balance-sheet date essentially represents the risk during the entire business year. The corporate tax rate of 25% was used as tax rate. Another assumption for the analysis was that all other variables, especially exchange rates, will remain unchanged.

An increase in the level of market interest rates – after the aforementioned assumptions – by 100 basis points as at the balance-sheet date would have resulted in a reduction (increase for the previous year) of the result (after tax) and of equity in the amount of EUR 829 thousand (EUR 798 thousand for the previous year).

A decrease in the level of market interest rates – after the aforementioned assumptions – by 100 basis points as at the balance-sheet date would have resulted in an increase (reduction for the previous year) of the result (after tax) and of equity in the amount of EUR 963 thousand (EUR 798 thousand for the previous year).

Commodity Price Risk

Commodity price risks arise mainly from the procurement and sale of electricity, as well as from the procurement of the fuels coal and gas. Moreover, Energie AG incurs price risks when entering into speculative positions in the course of proprietary trading, which is therefore exercised only within narrow limits. The risk can therefore be classified as immaterial.

Hedging instruments for electrical energy and fuels (futures, forwards and swaps) are entered in order to secure risks of the energy industry.

Sensitivity analyses were made for the commodity price risk, which show the effect of assumed changes in the level of market prices on the result (after tax) and on equity. The respective amounts held on the balance-sheet date were used as a basis. In this context, it was assumed that the risk on the balance-sheet date essentially represents the risk during the business year. The corporate tax rate in the amount of 25% was used as a basis. Moreover, it was assumed for the purpose

of the analysis that all other variables, especially exchange rates, will remain unchanged. The analysis did not include contracts that are used to receive or supply non-financial items in keeping with the expected procurement, sales and utilization requirements of the company (own use) and thus need not be shown in the balance sheet according to IAS 39, with the exception of encumbered contracts.

Sensitivity of the derivative contracts for the electricity price:

An increase (reduction in value) of the market price level – in keeping with the exception mentioned above – by 15% as at the balance-sheet date would have resulted in an increase (reduction in value) of the result (after tax) by EUR 1,683.7 thousand (EUR 503.9 thousand for the previous year) and a decrease (increase) in equity by EUR 3,672.6 (EUR 10,042.5 thousand for the previous year). In this context, the sensitivity of equity – in addition to the sensitivity of the result (after tax) – was influenced by the sensitivity of the provision for cash-flow hedges (in relation to the electricity price) with an amount of EUR 5,311.3 thousand (EUR 10,546.4 thousand for the previous year).

Sensitivity of the derivative contract for the gas price:

An increase (reduction in value) of the market price level – in keeping with the exception mentioned above – by 25% as at the balance-sheet date would have resulted in an increase (reduction in value) of the result (after tax) by EUR 0 thousand (EUR 1,541.7 thousand for the previous year) and of equity by EUR 28,179.5 (EUR 15,866.1 thousand for the previous year). In this context, the sensitivity of equity – in addition to the sensitivity of the result (after tax) – was influenced by the sensitivity of the provision for cash-flow hedges (in relation to the gas price) with an amount of EUR 28,179.5 thousand (EUR 14,324.4 thousand for the previous year).

Sensitivity of the derivative contracts for the coal price:

An increase (reduction in value) of the market price level – in keeping with the exception mentioned above – by 15% as at the balance-sheet date would have resulted in an increase (reduction in value) of the result (after tax) by EUR 779.7 thousand (EUR 0 thousand for the previous year). In this context, the sensitivity of equity was exclusively influenced by the sensitivity of the provision for cash-flow hedges (in relation to the coal price).

Market-Price Risk due to the Fair-Value Valuation of Securities (especially risk of share price, financial participations and funds)

Energie AG holds securities, funds and financial participations which may cause the company an exposure in the case of price changes. The risk of fluctuations concerning the held securities is limited by a conservative investment policy and by continuous monitoring, as well as by an ongoing quantification of the risk potential.

The sensitivity of exchange-rate risk was analyzed so that the effects of assumed changes in the level of market prices on the result (after tax) and on equity is shown. The securities held on the reporting date were used as a basis for the analysis. In this context, it was assumed that the risk prevailing on the balance-sheet date essentially represents the risk during the entire business year. The corporate tax rate of 25% was used as tax rate. Another assumption for the analysis was that all other variables, especially exchange rates, will remain unchanged.

An increase (reduction in value) of the market price level – in keeping with the exception mentioned above – by 15% (15% for the previous year) as at the balance-sheet date would have resulted in an increase (reduction in value) of the result (after tax) by EUR 36,206.0 thousand (EUR 23,729.5 thousand for the previous year) and of equity by EUR 41,981.5 (EUR 28,600.0 thousand for the previous year). In this context, the sensitivity of equity – in addition to the sensitivity of the result (after tax) – was influenced by the sensitivity of the available-for-sale provision (in relation to the exchange rate) with an amount of EUR 5,775.5 thousand (EUR 4,870.5 thousand for the previous year).

Default Risk

Energie AG incurs credit risks whenever counterparties do not comply with their contractual agreements.

The company limits the default exposure by regularly analyzing the ratings in the customer portfolio. In the area of financial and energy trading, transactions are only signed with counterparties of excellent rating. The risk is also restricted by limit systems and monitoring.

The book values of the financial assets were comprised of the following items:

	Book value 30/09/2008 in EUR 1,000	Of these: neither impaired nor overdue at the re- porting date in EUR 1,000	Of these not impaired but overdue during the below periods				Of these: impaired as at the re- porting date in EUR 1,000
			less than 30 days in EUR 1,000	between 30 and 60 days in EUR 1,000	between 60 and 90 days in EUR 1,000	more than 90 days in EUR 1,000	
Other financial assets	2,601.1	1,832.2	0.0	0.0	0.0	768.9	0.0
Loans to affiliated undertakings	2,601.1	1,832.2	0.0	0.0	0.0	768.9	0.0
Receivables and other financial assets (long and short-term)	297,262.5	268,200.5	14,564.5	3,464.9	2,562.1	6,116.6	2,354.0
Accounts receivable (trade debtors)	205,932.4	181,796.6	12,421.7	3,448.3	2,552.8	3,662.8	2,050.2
Due from affiliated companies	14,714.2	10,568.5	1,857.1	0.7	0.0	2,288.0	0.0
Due from undertakings with which the company is linked by virtue of participating interests	4,730.9	4,701.3	2.3	3.8	3.8	19.8	0.0
Other financial assets	71,885.0	71,134.2	283.5	12.1	5.5	145.9	303.8
Total	299,863.6	270,032.7	14,564.5	3,464.9	2,562.1	6,885.4	2,354.0

	Book value 30/09/2007 in EUR 1,000	Of these: neither impaired nor overdue at the re- porting date in EUR 1,000	Of these not impaired but overdue during the below periods				Of these: impaired as at the re- porting date in EUR 1,000
			less than 30 days in EUR 1,000	between 30 and 60 days in EUR 1,000	between 60 and 90 days in EUR 1,000	more than 90 days in EUR 1,000	
Other financial assets	1,803.9	1,803.8	0.0	0.0	0.0	0.0	0.0
Loans to affiliated undertakings	1,803.9	1,803.8	0.0	0.0	0.0	0.0	0.0
Receivables and other financial assets (long and short-term)	196,316.9	104,081.4	83,923.8	2,665.4	913.1	3,605.3	1,128.0
Accounts receivable (trade debtors)	150,426.1	58,586.2	83,609.7	2,660.8	912.3	3,540.0	1,117.1
Due from affiliated companies	8,275.4	8,217.3	52.4	1.0	0.7	4.0	0.0
Due from undertakings with which the company is linked by virtue of participating interests	5,299.7	5,299.7	0.0	0.0	0.0	0.0	0.0
Other financial assets	32,315.8	31,978.2	261.7	3.6	0.0	61.4	10.9
Total	198,120.8	105,885.2	83,923.8	2,665.4	913.1	3,605.3	1,128.0

Impairments of financial assets have developed as follows:

	Status 01/10/2007 in EUR 1,000	Change in consoli- dated group in EUR 1,000	Additions in EUR 1,000	Con- sumption TEUR	Re- transfers in EUR 1,000	Currency translations in EUR 1,000	Status 30/09/2008 in EUR 1,000
Other financial assets	0.0	0.0	5,323.7	0.0	0.0	0.0	5,323.7
Securities (available for sale)	0.0	0.0	2,738.8	0.0	0.0	0.0	2,738.8
Securities (held to maturity)	0.0	0.0	2,585.0	0.0	0.0	0.0	2,585.0
Accounts receivable and other financial assets (long and short-term)	7,065.9	622.9	1,534.8	- 1,349.6	- 191.1	7.8	7,690.6
Accounts receivable (trade debtors)	5,765.9	563.7	1,473.6	- 1,349.6	-28.5	12.3	6,437.3
Other financial assets	1,300.0	59.2	61.1	0.0	- 162.6	- 4.5	1,253.2
Total	7,065.9	622.9	6,858.5	- 1,349.6	- 191.1	7.8	13,014.3

	Status 01/10/2006 in EUR 1,000	Change in consoli- dated group in EUR 1,000	Additions in EUR 1,000	Con- sumption TEUR	Re- transfers in EUR 1,000	Currency translations in EUR 1,000	Status 30/09/2007 in EUR 1,000
Other financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities (available for sale)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities (held to maturity)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable and other financial assets (long and short-term)	5,914.7	55.2	2,130.6	- 2,709.7	- 2,042.3	2.5	3,351.1
Accounts receivable (trade debtors)	5,397.1	55.2	2,088.9	- 2,465.8	- 2,042.3	2.5	3,035.7
Other financial assets	517.6	0.0	41.7	- 243.9	0.0	0.0	315.4
Total	5,914.7	55.2	2,130.6	- 2,709.7	- 2,042.3	2.5	3,351.1

Expenses for the complete retirement of accounts receivable amounted to EUR 1,166.3 thousand (EUR 837.9 thousand for the previous year). Revenues from the receipt of retired accounts receivable amounted to EUR 304.9 thousand (EUR 43.6 thousand for the previous year). During the expired business year, expenses for impairments amounted to EUR 1,343.6 thousand (EUR 88.3 thousand for the previous year) concerning financial assets in the category "loans and receivables" and to EUR 2,585.0 thousand (EUR 0 thousand for the previous year) concerning financial assets in the category "held to maturity".

With regard to the accounts receivable (trade debtors) that are neither impaired nor overdue there are no signs as at the balance-sheet date that the debtors will not meet their payment obligations. With regard to the financial assets not shown in the table above, there were no material arrears and impairments as at the balance-sheet date.

The value of individual financial assets is adjusted whenever the book value of the financial assets was

higher than the future discounted cash flow. The indicators for individual adjustments in value are financial difficulties, insolvency, breach of contract, and considerable arrears in payment on the part of customers. The individual adjustments in value are comprised of numerous individual items, of which any single one need not be considered as material. Moreover, graded impairments are entered according to risk group in order to take account of general credit risks.

Liquidity Risk

A liquidity risk would arise if the liquidity reserves and/or the borrowing ability were insufficient in order to meet financial obligations in time. As Energie AG engages in far-sighted liquidity planning and holds liquidity reserves, it is estimated that the liquidity risk is very low. Moreover, the company can draw on open credit lines with banks, as well as on the capital market in order to obtain financing. In this connection, attention is paid to an adequate capital structure and a conservative financial profile in order to maintain a strong "A" rating.

	Book value 30/09/2008 in EUR 1,000	Cash flows 2008/2009		Cash flows 2009/2010 to 2012/2013		Cash flows as of 2013/2014	
		Interest in EUR 1,000	Redemption in EUR 1,000	Interest in EUR 1,000	Redemption in EUR 1,000	Interest in EUR 1,000	Redemption in EUR 1,000
Financial liabilities (long and short-term)	850,886.8	37,167.0	368,812.6	78,996.6	103,198.5	193,479.0	381,962.3
Bonds	453,079.1	19,500.0	150,002.8	54,000.0	0.0	162,000.0	306,162.9
Amounts due to banks	305,004.3	13,518.1	209,999.9	10,155.5	86,849.9	4,380.8	8,154.5
Liabilities from financing leasing	75,555.2	3,727.4	2,662.3	13,495.6	11,226.8	26,348.3	61,666.1
Other financial liabilities	17,248.2	421.6	6,147.5	1,345.5	5,121.8	749.9	5,978.8
Liabilities from cross-border leasing	93,237.1	8,162.9	0.0	32,050.1	0.0	116,000.2	93,237.1
Accounts payable (short term)	179,601.2	0.0	179,601.2	0.0	0.0	0.0	0.0
Other debts (long and short-term) according to balance sheet	348,625.7						
of these non-financial debts	212,405.4						
of these financial debts	136,220.3	243.3	100,584.2	1,257.3	26,745.8	1,037.9	8,927.7
Due to affiliated companies	817.8	0.0	691.4	0.0	126.4	0.0	0.0
Due to undertakings with which the company is linked by virtue of participating interests	288.1	0.0	288.1	0.0	0.0	0.0	0.0
Derivatives with hedge relation (cash-flow hedge)	5,776.9	0.0	0.0	0.0	5,776.9	0.0	0.0
Derivatives with hedge relation (fair-value hedge)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivatives without hedge relation	39,596.9	243.3	21,164.3	1,257.3	18,022.6	1,037.9	0.0
Other financial liabilities (long and short-term)	89,740.6	0.0	78,440.4	0.0	2,819.9	0.0	8,927.7
Total	1,259,945.4	45,573.2	648,998.0	112,304.1	129,944.3	310,517.0	484,127.2

All financial instruments were included that are held on the balance-sheet date and for which payments had been contractually agreed. Projected figures with regard to future, new financial liabilities are not included. For the ongoing operating loans a mean term to maturity of 12 months is assumed. However, as a rule these loans are prolonged and are available for longer periods in commercial terms. Amounts in foreign currency are always translated at the cash-market price on the balance-sheet date. The payments for variable

interest on financial assets are determined on the basis of the interest rates applicable immediately prior to the balance-sheet date. Financial liabilities that can be repaid at any time are always allocated to the earliest maturity margin.

The cash flow from interest (cross-border leasing) are offset by cross-border leasing borrowings in the same amount, so that the cash flow risk from these interest payments can be regarded as being immaterial.

	Book value 30/09/2007 in EUR 1,000	Cash flows 2007/2008		Cash flows 2008/2009 to 2011/2012		Cash flows as of 2012/2013	
		Interest in EUR 1,000	Redemption in EUR 1,000	Interest in EUR 1,000	Redemption in EUR 1,000	Interest in EUR 1,000	Redemption in EUR 1,000
Financial liabilities (long and short-term)	616,704.0	24,620.3	40,799.5	73,514.2	219,807.2	180,485.0	359,750.1
Bonds	452,673.6	19,500.0	0.0	60,000.0	150,000.0	175,500.0	306,326.3
Amounts due to banks	149,360.2	4,765.0	38,777.7	12,125.9	63,353.2	4,114.2	47,229.3
Liabilities from financing leasing	2,220.7	79.4	537.9	146.7	1,682.8	0.0	0.0
Other financial liabilities	12,449.6	275.8	1,483.8	1,241.6	4,771.2	870.8	6,194.5
Liabilities from cross-border leasing	83,991.1	7,850.9	0.0	32,206.6	0.0	124,484.6	83,991.1
Accounts payable (short term)	122,698.9	0.0	122,698.9	0.0	0.0	0.0	0.0
Other debts (long and short-term) according to balance sheet	213,929.9						
of these non-financial debts	130,585.5						
of these financial debts	83,344.4	0.0	66,762.5	0.0	7,733.4	0.0	8,848.6
Due to affiliated companies	123.9	0.0	123.9	0.0	0.0	0.0	0.0
Due to undertakings with which the company is linked by virtue of participating interests	26,804.4	0.0	26,804.4	0.0	0.0	0.0	0.0
Derivatives with hedge relation (cash-flow hedge)	10,717.1	0.0	5,401.0	0.0	5,316.1	0.0	0.0
Derivatives with hedge relation (fair-value hedge)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivatives without hedge relation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial liabilities (long and short-term)	45,699.1	0.0	34,433.2	0.0	2,417.3	0.0	8,848.6
Total	906,738.5	32,471.1	230,260.9	105,720.8	227,540.6	304,969.6	452,589.8

21.5 CONDITIONS OF THE MAIN FINANCIAL INSTRUMENTS

Energie AG Oberösterreich has issued the following bonds:

4.5% Energie OÖe bonds 2005-202	ISIN: XS0213737702	volume: EUR 300,000,000	coupon 03/03
4.0% euro bonds 1999-2009	private placing	volume: EUR 150,000,000	coupon 26/02

22. LONG-TERM PROVISIONS

	30/09/2008 in EUR 1,000	30/09/2007 in EUR 1,000
Pension provisions	80,861.1	78,978.4
Provisions for pension payments	46,660.3	38,037.8
Provisions for anniversary bonuses	13,505.5	12,229.8
Provisions for early retirement payments	18,857.2	25,837.2
Provisions for landfills and other provisions	41,513.2	33,996.0
	201,397.3	189,079.2

PROVISIONS FOR PENSIONS

On account of company agreements and commitments under individual contracts, pensions must be paid upon retirement to staff members who joined the company before 30 September 1996 and have accepted neither full nor partial compensation of their claims to direct payments. Moreover, there is an obligation to pay pensions to certain staff members who retired before 01 July 1998.

A pension provision has been formed for this group of persons pursuant to IAS 19 (Employee Benefits) according to the actuarial valuation method (projected unit credit method).

The company must pay additional contributions for the defined-benefit pension commitments that were transferred to the company's pension fund.

The calculation was based on the following parameters:

	2008	2007
Assumed interest rate	6.00%	5.25%
Trend regarding salaries	3.50%	2.80%
Trend regarding pensions	2.25%	2.00%
Expected income from pension fund assets	6.00%	5.25%

"AVÖ 1999-P Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler" were used as the biometric basis for the calculations.

The statutory retirement age was taken as a basis.

Fluctuation was not taken into account for the "energy" segment. Depending on the period of employment, a fluctuation rate of 2 to 10% is assumed for the "waste management" segment.

All expenses and revenues connected to the provisions are shown under personnel expenses.

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Present value of pension commitment (DBO)	94,424.2	95,033.4
- fair value of fund assets	- 7,983.1	- 7,092.3
	86,441.1	87,941.1
- non-realized actuarial loss	- 5,580.0	- 8,962.7
Pension provision as at 30/09, shown in the balance sheet	80,861.1	78,978.4
+ current service costs	684.1	744.7
+ interest expense	5,059.2	4,562.5
- expected investment result	- 389.3	- 332.4
Expenses shown in the income statement	5,354.0	4,974.8
Pension provisions as at 01/10, shown in the balance sheet	78,978.4	81,140.9
+ change in consolidated group	3,648.2	—
+/- realized actuarial loss/profit	143.0	- 187.6
+ expenses as above	5,354.0	4,974.8
- allocation to fund assets	- 213.2	191.1
+ actual payments (fund assets)	225.9	188.9
- pension payments	- 7,275.2	- 7,329.7
Pension provisions as at 30/09, shown in the balance sheet	80,861.1	78,978.4

PENSIONS FOR SEVERANCE PAYMENTS

Severance payments are made to staff members at the time of retirement or on dismissal, on the basis of statutory obligations and collective-agreement commitments. The amount of this one-off payment is determined by the most recent remuneration and the number of service years.

A provision is formed on the basis of these stipulations under labor law and collective agreements, which is calculated by applying the projected unit credit method.

By including the corridor arrangements pursuant to IAS 19 (Employee Benefits), the same parameters were taken as a basis as are used for the pension provisions:

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Provisions for severance payments, shown in the balance sheet, as at 01/10	38,037.8	33,923.8
+ change in consolidated group	5,322.4	177.4
+ current service cost	2,270.5	2,217.9
+ interest expense	2,625.7	2,236.6
- severance payments	- 1,877.3	- 963.1
+ realized actuarial losses	281.3	445.2
Severance provision as at 30/09, shown in the balance sheet	46,660.4	38,037.8
+ non-realized actuarial loss	9,594.0	8,133.8
	56,254.4	46,171.6

PROVISIONS FOR ANNIVERSARY BONUSES

For the calculations pursuant to IAS 19 (Employee Benefits) the same parameters were used as a basis as for the severance payments and pension provisions:

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Present value of anniversary bonus commitment (DBO) as at 01/10	12,229.8	12,334.1
+ change of consolidated group	763.8	17.9
+ current service cost	578.8	567.7
+ interest expense	658.6	594.9
- anniversary bonus payments	- 722.4	- 701.9
- realized actuarial loss	- 3.1	- 582.9
Present value of anniversary bonus commitment (DBO) as at 30/09 =		
Anniversary bonus commitment as at 30/09, shown in the balance sheet	13,505.5	12,229.8

PROVISIONS FOR EARLY RETIREMENT

On the basis of a company agreement entered into in 1998, staff members of Energie AG Oberösterreich have the possibility to make use of an early-retirement model under certain conditions for a limited time.

The model offers employees temporary assistance in order to bridge the period between the end of their employment relations and their actual entitlement to a statutory pension payment pursuant to the stipulations of the Austrian General Social Security Act.

In keeping with IAS 19 (Employee Benefits) a provision was formed for the resulting commitment. The parameters of the pension provisions were used as a basis for the calculation.

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Present value of early retirement commitment (DBO) as at 01/10	25,837.2	34,623.9
+ interest expense	1,146.9	1,407.2
- early retirement payments	- 7,536.9	- 9,212.8
- actuarial loss	- 590.0	- 981.1
Present value of early retirement provision (DBO) as at 30/09 =		
Early retirement provision as at 30/09, shown in the balance sheet	18,857.2	25,837.2

PROVISIONS FOR LANDFILLS AND OTHER PROVISIONS

Other long-term provisions result from future expenses in connection with the covering and follow-up monitoring of landfills. The provisions developed as follows:

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Carrying value as at 01/10	33,996.0	29,216.8
Change in consolidated group	4,145.5	105.7
Consumptions	- 1,243.0	- 1,477.5
Reversals	- 980.8	- 154.5
Allocations	4,291.1	5,573.3
Currency differences	1,304.4	732.2
	41,513.2	33,996.0

23. CONTRIBUTIONS TO CONSTRUCTION COSTS

This item consists mainly of financing contributions received from electricity, gas and district-heating customers. They are retransferred in each case, with effect on the result, over the average depreciation period of the equipment concerned (up to 30 years).

24. ADVANCES FROM CUSTOMERS

This item mainly comprises accruals/deferrals from the sale of claims to minimum waste-material quantities. On the basis of a contractual agreement, the Group is obliged to accept specific waste-material quantities. Irrespective of the actually delivered quantities, the Group is entitled to the remuneration fixed for a specific minimum quantity of waste material, which is established in advance. The claims up to 30 September 2021 under these minimum waste-material quantities were sold, and a fixed interest rate of 4.2868% was agreed with the contracting partner for the entire term of the agreement. The amount was entered as an advance and carried as a liability.

25. OTHER LONG-TERM DEBT

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Investment grants	39,604.1	31,397.2
Other liabilities	55,317.5	24,183.5
	94,921.6	55,580.7

26. SHORT-TERM PROVISIONS

Short-term provisions developed as follows during the year under review:

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Carrying value as at 01/10	17,842.1	14,192.7
Change in consolidated group	14,808.1	292.0
Consumption	- 11,341.7	- 11,248.4
Reversals	- 2,418.8	- 344.3
Allocation	17,222.9	14,851.6
Currency differences	90.7	98.5
	36,203.3	17,842.1

Short-term provisions comprise mainly provisions for disposal costs, as well as provisions for imminent losses from pending transactions, as well as provisions for emission certificates.

27. TAX PROVISIONS

	30/09/2008 in EUR 1,000	30/09/2007 in EUR 1,000
Corporate income tax for the business year	13,061.1	15,133.9
Corporate income tax for previous years	19.8	48.4
	13,080.9	15,182.3

28. OTHER SHORT-TERM DEBT

	30/09/2008 in EUR 1,000	30/09/2007 in EUR 1,000
Due to non-consolidated affiliated companies	691.4	123.9
Due to undertakings with which the company is linked by virtue of participating interest	288.1	26,804.4
Tax liabilities	70,115.1	35,017.8
Liabilities under social security	6,178.1	4,976.8
Advances from customers	19,167.0	10,802.0
Market value of derivatives	21,164.3	—
Liabilities vis-à-vis staff members	44,323.7	36,733.1
Other liabilities	91,776.4	43,891.2
	253,704.1	158,349.2

Other liabilities comprise mainly accruals/deferrals of interest.

29. LIABILITIES TO THIRD PARTIES

	30/09/2008 in EUR 1,000	30/09/2007 in EUR 1,000
Cross-border leasing	1,416,362.7	1,395,123.1
Others	126,294.2	67,110.0
	1,542,656.9	1,462,233.1

30. CHANGES IN THE CONSOLIDATED GROUP

The changes in the consolidated group during 2007/2008 were as follows:

	OÖ. Ferngas in EUR 1,000	Others in EUR 1,000	Total in EUR 1,000
Long-term assets	349,917.0	121,234.3	471,151.3
Short-term assets	88,847.7	38,215.2	127,062.9
Long-term provisions and liabilities	- 75,588.0	- 29,866.0	- 105,454.0
Short-term provisions and liabilities	- 194,209.0	- 50,667.7	- 244,876.7
Net assets	168,967.7	78,915.8	247,883.5
Differentials carried as liabilities	- 25,198.5	—	- 25,198.5
New valuation	- 25,549.5	- 11,991.6	- 37,541.1
Goodwill	—	42,602.0	42,602.0
	118,219.7	109,526.2	227,745.9
Purchase price paid in previous periods	- 58,793.6	- 8,283.6	- 67,077.2
Acquisition of unconsolidated, affiliated companies	—	29,114.3	29,114.3
Changes in minority shares	- 53,224.8	- 1,597.6	- 54,822.4
Prolonged purchase price (put option)	- 6,060.4	—	- 6,060.4
Acquired cash and cash equivalents	- 32,266.7	- 185.8	- 32,452.5
	- 32,125.8	128,573.5	96,447.7

In the course of the acquisition process concerning Oberösterreichische Ferngas Aktiengesellschaft, a minority shareholder paid a capital increase in the amount of EUR 26,856 thousand. The goodwill accruing in the course of first consolidation results essentially from the acquisition of 1. JVS a.s., as well as from "Papyrus Altpapier-service Handelsgesellschaft mbH".

31. OTHER COMMITMENTS

In accordance with the energy supply contract between Energie AG Oberösterreich and Verbundgesellschaft, dated 07/08 August 2001, Energie AG Oberösterreich receives from Verbundgesellschaft a certain amount of electricity every year, on the basis of customary market products. The compensation for these electricity supplies is shown under cost of materials.

During the 2006/2007 business year, an operating lease agreement concerning the corporate headquarters in Linz, Böhmerwaldstrasse 3, was entered for a period of 20 years as of the taking into operation of the building. Purchase options at market value were granted for fixed dates.

The use of tangible fixed assets, not shown in the balance sheet, results in a commitment for the following business year in the amount of EUR 5,401.7 thousand (EUR 3,243.1 thousand in the year before), which is due to long-term rent, lease and leasing arrangements. The total amount of these commitments for the next five years amounts to EUR 26,561.8 thousand (EUR 21,835.6 thousand in the year before), and to EUR 40,411.4 for periods longer than five years (EUR 43,090.6 thousand for the year before). The cash value of the minimum lease payments from operating lease agreements amounts to EUR 31,556.5 thousand (EUR 29,779.7 thousand for the year before).

In the waste management segment, assets held as intangible assets with a book value of about EUR 72.0 million were sold and leased back for a period of 15 years ("sale and lease back"). The assets of this financing/leasing relation continue to be carried as assets in the balance sheet, while the cash value of the minimum leasing payments in the same amount were carried as liabilities. The future minimum leasing payments amount to EUR 4,869.4 thousand for the following year, for periods longer than one year and up to five years EUR 24,429.1 thousand and for periods longer than years EUR 41,633.2 thousand.

32. RESULT PER SHARE AND PROPOSAL FOR THE APPROPRIATION OF EARNINGS

The nominal capital of Energie AG Oberösterreich is divided into 89,000,000 (8,000,000 in the year before) shares. The average number of outstanding shares amounted to 82,184,827 during the year under review. The Group result per share therefore amounts to EUR 1,416 (EUR 1,291 in the year before). The

Board of Management of Energie AG Oberösterreich proposes to the General Shareholders' Meeting to distribute a dividend in the amount of EUR 0.6 (EUR 0.477 in the year before) per share, which altogether amounts to EUR 53,999.6 thousand (EUR 38,145.3 thousand in the year before).

33. RISK MANAGEMENT

The corporate risk management for the entire Energie AG Oberösterreich Group is implemented in the holding function Risk Management. The risk management process is based on a risk definition that presents both opportunities and exposures as deviations from the planned corporate result and attributes a probability incidence. After performing risk assessments, the identified opportunities/exposures are recorded on a decentralized basis throughout the Group, using software support. Risk Management then applies stochastic methods to aggregate the risk position of the Group.

The following risk categories constitute the most relevant exposures of the Group:

Finances

We hedge against financial exposures on a central basis for all corporate entities. The respective corporate financial guidelines (Treasury Policy) serve as a basis for managing financial risks. A conservative investment policy, as well as continuous monitoring and quantification of the risk potential limit the risk of fluctuations in the value of securities. The major part of the financial liabilities bears fixed interest. The risk of changes in interest rate can therefore be classified as low. The foreign-currency risk is limited primarily to translation risks in connection with the value of assets abroad and can be classified as low.

Water Inflow

The earnings position of the Group depends, inter alia, from the weather conditions prevailing during a given business year. Minimizing this risk is achieved by diversifying our power plant park and optimizing our electricity generation mix.

Equity Interests

Equity-interest risks are primarily the result of fluctuations in the shares held and the dividends. Risks are optimized by identifying, analyzing, quantifying and monitoring them.

IT

The holding function "Group IT Control" ensures that uniform IT standards are applied and that a comprehensive IT security management is observed.

Legal Issues

Risks from legal disputes, the introduction and amendment of laws, as well as regulatory interventions are offset, in particular, by expert in-house lawyers, by involving external consultants, through monitoring and lobbying.

Counterparty Risk

The counterparty risk is limited by analyzing the rating of customers in our portfolio on a regular basis. In connection with financial and energy trading activities, we only engage in transactions with counterparties of first-class rating. The exposure is further restricted by a system of limits and monitoring. The counterparty risk in connection with the cross-border leasing transactions are actively monitored and controlled with the support of external specialists.

Generation, Grid, Network, Infrastructure and Disposal Facilities

The facilities and default risk is countered by strict maintenance and quality controls, an optimized maintenance strategy and appropriate insurance coverage.

Energy Industry

The risks caused by the energy industry are countered by hedging instruments (forwards, futures and swaps) for electrical energy and fuels.

34. RELATIONS TO SUBORDINATED COMPANIES

Affiliated companies, as defined in IAS 24, are entities which can exert a controlling or decisive influence on the business activities of the company. This includes the corporate bodies of Energie AG Oberösterreich. They are the majority owner, i.e. the province of Upper Austria, as well as those minority companies that delegate members to the Supervisory Board. Moreover, affiliated companies include enterprises and persons, the companies consolidated on a pro-rata basis and their officers.

Minority Shareholders

Electricity is supplied and sold between Energie AG Oberösterreich and the minority shareholders. Moreover, bank transactions at arm's length, in a scope commensurate with the industry, take place.

ENAMO GmbH

ENAMO GmbH was set up as a joint venture of Energie AG and LINZ AG for the distribution of electricity. A business share of 35% is held by LINZ STROM GmbH für Energieerzeugung, -verteilung und Telekommunikation, which is a subsidiary of LINZ AG. The contractual obligation is to accept negative results on a proportional basis.

Electricity Deliveries

There are energy deliveries at customary market conditions between the Energie AG Group and Ennskraftwerke AG, Cogeneration-Kraftwerke-Management Oberösterreich GmbH, LINZ AG, as well as Wels Strom GmbH. Energy supplies are delivered at the customary market conditions. The income statement shows sales revenues from associated companies in the amount of EUR 29,073.8 thousand (EUR 16,549.3 thousand for the year before), as well as expenses in the amount of EUR 27,886.9 thousand (EUR 20,329.1 thousand for the year before).

Guarantees/Bank Guarantees

The liabilities of Geothermie-Wärmegeellschaft Braunau-Simbach mbH, as well as of Geothermie-Fördergesellschaft Simbach-Braunau mbH are secured by guarantees and/or bank guarantees in the amount of EUR 1,720.0 thousand (EUR 1,720.0 thousand in the year before). There are guarantees for Gas- und Dampfkraftwerk Timelkam GmbH in the amount of EUR 116,990.0.

Consortium Agreement

Shareholders agreements were signed between Energie AG Oberösterreich and the minority shareholders, with the exception of staff members, that concern the Energie AG Group especially in connection with the arrangements on dividends, rights to delegate members to the Supervisory Board, as well as specific minority rights.

Cash-Flow Statement

35. MATERIAL EVENTS AFTER THE BALANCE-SHEET DATE

In connection with the cross-border leasing transactions of the 2000/2001 and 2001/2002 business years, payment undertaking agreements were signed. Under these agreements, financial institutes undertake to make all lease-back payments directly to the US trust. The contractual conditions stipulate that in the event of a dramatic deterioration of the deposit ratings and/or the payment undertaking agreements must be exchanged and/or secured. The critical development on capital markets has led to such a situation, as result of which Energie AG Oberösterreich took the corresponding exchange or securing measures in November 2008 within the contractually provided periods. The respective measures have no impact on the consolidated financial statements as at 30 September 2008 and will lead to lower revenues from the re-transfer of the cash benefit during the remaining term of the transactions.

36. INFORMATION ABOUT THE GROUP MANAGEMENT BODIES

The following persons were the appointed members of the Board of Management of Energie AG Oberösterreich during the year under review:

Leopold Windtner (CEO, Chairman of the Board of Management, St. Florian),
Werner Steinecker (Member of the Board of Management, Kirchsschlag),
Roland Pumberger (Member of the Board of Management, Purkersdorf).

During the 2007/2008 business year, the Supervisory Board of Energie AG Oberösterreich consisted of the following members:

Gerhard Falch (Chairman, as of 03 July 2008), Eduard Pesendorfer (Chairman, up to 03 July 2008), Erich Haider (First Deputy Chairman), Michaela Keplinger-Mitterlehner (as of 03 July 2008), Georg Bachmair (up to 03 July 2008), Alois Froschauer, Ruperta Lichtecker, Manfred Klicnik (as of 03 July 2008), Jörg Mayer (up to 03 July 2008), Ludwig Scharinger (as of 03 July 2008), Gerhard Merckens (up to 30 July 2008), Anna-Maria Hochhauser (as of 03 July 2008), Adolf Mittendorfer (up to 03 July 2008), Bruno Wallnöfer (as of 03 July 2008), Kurt Pieslinger (up to 03 July 2008), Manfred Polzer, Viktor Sigl, Franz Gasselsberger (as of 03 July 2008), Rudolf Trauner (up to 03 July 2008), Karl Wiesinger up to 03 July 2008).

The following persons were delegated by the Works Council: Bernhard Hager (up to 03 July 2008), Manfred Harringer, Isidor Hofbauer, Gottfried Laherstorfer, Franz Müller (up to 03 July 2008), Peter Neissl, Bernhard Steiner, Christian Strobl.

Linz, 28 November 2008

The Board of Management of Energie AG Oberösterreich



Leo Windtner



Werner Steinecker



Roland Pumberger

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Result before taxes on income	143,340.2	149,637.6
Tax payments	- 26,823.0	- 29,230.2
Result after taxes on income	116,517.2	120,407.4
Depreciation/Write-ups regarding fixed assets	140,481.2	113,680.4
Reversal of differentials carried as liabilities	- 25,198.5	- 323.5
Change in long-term provisions	- 3,324.2	- 2,434.6
Change in other long-term assets	- 4,067.4	- 5,778.9
Change in other long-term debt	- 3,230.1	106,335.4
Income from the reversal of the present-value benefit of the cross-border leasing transactions	- 3,817.3	- 3,817.3
Retained income from companies associated at equity	15,251.3	12,972.2
Contributions to construction costs received	25,759.2	27,109.2
Income from the reversal of contributions to construction costs	- 17,788.8	- 17,358.9
Losses from the disposal of assets	3,202.8	3,353.7
Gains from the disposal of assets	- 2,312.1	- 37,544.5
Other revenues without effect on payments	- 4,985.8	—
CASH FLOW FROM THE RESULT	236,487.5	316,600.6
Change in inventories and short-term receivables	- 47,756.6	- 24,644.2
Payments from hedging transactions	16,812.5	- 310.5
Change in short-term liabilities	33,811.2	15,737.0
Change in short-term provisions	5,040.1	4,070.3
CASH FLOW FROM OPERATING ACTIVITIES	244,394.7	311,453.2
Inpayments from the disposal of fixed tangible assets and intangible assets	6,430.7	141,578.6
Outflows for additions to fixed tangible assets and intangible assets	- 203,621.4	- 240,598.0
Inpayments from the disposal of financial assets	9,181.5	17,674.7
Acquisition of subsidiary companies minus acquired net cash and cash equivalents (30)	- 96,447.7	- 27,248.6
Outflows for additions to financial assets and other financial investments	- 150,432.5	- 38,544.1
CASH FLOW FROM INVESTMENTS	- 434,889.4	- 147,137.4
Dividend payment (32)	- 38,955.1	- 17,901.5
Capital increase (19)	214,228.1	—
Sale/Buy-back of own shares (19)	5,571.9	—
Raising and redeeming financial debt	83,083.5	- 41,348.5
CASH FLOW FROM FINANCING ACTIVITIES	263,928.4	- 59,250.0
TOTAL CASH FLOW	73,433.7	105,065.8
Funds at the beginning of period (18)	150,353.1	45,287.3
Funds at the end of period (18)	223,786.8	150,353.1
The cash-flow statement includes the following items:		
Interest received	9,530.1	3,811.8
Interest paid	34,255.9	28,177.4

Development of Group Equity

	Group equity in EUR 1,000	Capital reserves in EUR 1,000	Revenue reserves in EUR 1,000	Other reserves						Equity of shareholders of parent company in EUR 1,000	Minority interest in equity in EUR 1,000	TOTAL in EUR 1,000
				Reserves IAS 39 in EUR 1,000		Provision for new valuation in EUR 1,000	Own shares in EUR 1,000	Currency differences in EUR 1,000	Total in EUR 1,000			
Status as at 30/09/2006	60,000.0	—	731,200.3	16,954.6		—	—	6,992.4	23,947.0	815,147.3	12,901.9	828,049.2
Changes in equity interests and available-for-sale securities	—	—	—	18,225.9		—	—	—	18,225.9	18,225.9	—	18,225.9
Changes in value, without effect on the result, at companies associated at equity	—	—	—	306.5		—	—	—	306.5	306.5	—	306.5
Hedge accounting	—	—	—	16,642.0		—	—	—	16,642.0	16,642.0	—	16,642.0
Currency differences	—	—	—	—		—	—	2,832.6	2,832.6	2,832.6	442.9	3,275.5
Deferred taxes	—	—	—	- 8,717.0		—	—	—	- 8,717.0	- 8,717.0	—	- 8,717.0
	—	—	—	26,457.4		—	—	2,832.6	29,290.0	29,290.0	442.9	29,732.9
Group result	—	—	114,899.9	—		—	—	—	—	114,899.9	1,629.4	116,529.3
Total revenues for the period	—	—	114,899.9	26,457.4		—	—	2,832.6	29,290.0	144,189.9	2,072.3	146,262.2
Dividend payment	—	—	- 17,106.9	—		—	—	—	—	- 17,106.9	- 794.6	- 17,901.5
Capital increase from corporate funds	20,000.0	—	- 20,000.0	—		—	—	—	—	—	—	—
Contributions from shareholders	—	7,878.8	—	—		—	- 7,878.8	—	- 7,878.8	—	—	—
Change in consolidated group	—	—	—	—		—	—	—	—	—	- 287.3	- 287.3
Status as at 30/09/2007	80,000.0	7,878.8	808,993.3	43,412.0		—	- 7,878.8	9,825.0	45,358.2	942,230.3	13,892.3	956,122.6
Changes in equity interests and available-for-sale securities	—	—	—	- 25,055.3		—	—	—	- 25,055.3	- 25,055.3	—	- 25,055.3
Changes in value, without effect on the result, at companies associated at equity	—	—	—	230.8		—	—	—	230.8	230.8	—	230.8
Hedge accounting	—	—	—	28,319.1		—	—	—	28,319.1	28,319.1	—	28,319.1
Currency differences	—	—	—	—		—	—	12,381.5	12,381.5	12,381.5	1,279.7	13,661.2
Deferred taxes	—	—	—	- 816.0		—	—	- 5,901.4	- 6,117.4	- 6,117.4	- 342.6	- 6,460.0
Changes in value without effect on the result	—	—	—	2,678.6		—	—	7,080.1	9,758.7	9,758.7	937.1	10,695.8
Group result	—	—	116,403.9	—		—	—	—	—	116,403.9	171.3	116,575.2
Total revenues for the period	—	—	116,403.9	2,678.6		—	—	7,080.1	9,758.7	126,162.6	1,108.4	127,271.0
Dividend payment	—	—	- 38,157.2	—		—	—	—	—	- 38,157.2	- 797.9	- 38,955.1
Changes in consolidated group	—	—	- 3,112.0	2,089.6		37,541.1	—	—	39,630.7	36,518.7	54,822.4	91,341.1
Capital increase	9,000.0	205,228.1	—	—		—	—	—	—	214,228.1	—	214,228.1
Own shares	—	—	—	—		—	7,874.6	—	7,874.6	7,874.6	—	7,874.6
Status as at 30/09/2008	89,000.0	213,106.9	884,128.0	48,180.2		37,541.1	- 4.2	16,905.1	102,622.2	1,288,857.1	69,025.2	1,357,882.3

Auditor's Certificate



Energie AG Oberösterreich, Linz
Bericht über die Prüfung des Konzernabschlusses zum 30. September 2008
28. November 2008

Uneingeschränkter Bestätigungsvermerk

Bericht zum Konzernabschluss

Wir haben den beigefügten **Konzernabschluss** der

**Energie AG Oberösterreich,
Linz,**

für das **Geschäftsjahr vom 1. Oktober 2007 bis zum 30. September 2008** geprüft. Dieser Konzernabschluss umfasst die Konzernbilanz zum 30. September 2008, die Konzern-Gewinn- und Verlustrechnung, die Konzern-Kapitalflussrechnung und die Konzern-Eigenkapitalveränderungsrechnung für das am 30. September 2008 endende Geschäftsjahr sowie eine Zusammenfassung der wesentlichen angewandten Bilanzierungs- und Bewertungsmethoden und sonstige Konzernanhangangaben.

Verantwortung der gesetzlichen Vertreter für den Konzernabschluss

Die gesetzlichen Vertreter der Gesellschaft sind für die Aufstellung eines Konzernabschlusses verantwortlich, der ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage des Konzerns in Übereinstimmung mit den International Financial Reporting Standards (IFRS), wie sie in der EU anzuwenden sind, vermittelt. Diese Verantwortung beinhaltet: Gestaltung, Umsetzung und Aufrechterhaltung eines internen Kontrollsystems, soweit dieses für die Aufstellung eines Konzernabschlusses und die Vermittlung eines möglichst getreuen Bildes der Vermögens-, Finanz- und Ertragslage des Konzerns von Bedeutung ist, damit dieser Konzernabschluss frei von wesentlichen Fehldarstellungen, sei es auf Grund beabsichtigter oder unbeabsichtigter Fehler, ist; die Auswahl und Anwendung geeigneter Bilanzierungs- und Bewertungsmethoden; die Vornahme von Schätzungen, die unter Berücksichtigung der gegebenen Rahmenbedingungen angemessen erscheinen.

Verantwortung des Abschlussprüfers

Unsere Verantwortung besteht in der Abgabe eines Prüfungsurteils zu diesem Konzernabschluss auf der Grundlage unserer Prüfung. Wir haben unsere Prüfung unter Beachtung der in Österreich geltenden gesetzlichen Vorschriften und der vom International Auditing and Assurance Standards Board (IAASB) der International Federation of Accountants (IFAC) herausgegebenen International Standards on Auditing (ISAs) durchgeführt. Diese Grundsätze erfordern, dass wir die Standesregeln einhalten und die Prüfung so planen und durchführen, dass wir uns mit hinreichender Sicherheit ein Urteil darüber bilden können, ob der Konzernabschluss frei von wesentlichen Fehldarstellungen ist.

Auditor's Certificate

Energie AG Oberösterreich, Linz
Report on the Audit of the Financial Statements as at 30 September 2008
28 November 2008

Unqualified Auditor's Certificate

Report on the Consolidated Financial Statements

We have audited the enclosed consolidated financial statements of

**Energie AG Oberösterreich,
Linz,**

for the business year 1 October 2007 to 30 September 2008. The consolidated financial statements comprise the consolidated balance sheet as at 30 September 2008, the consolidated income statement, the consolidated cash-flow statement and the development of Group equity for the business year ended on 30 September 2008, as well as a summary of the essential accounting and valuation methods that were applied and further information in the Notes.

Responsibility of the Legal Representatives for the Consolidated Financial Statements

The legal representatives of the company are responsible for preparing the consolidated financial statements, which present, as fairly as possible, the assets, financial and earnings position of the Group in accordance with the International Financial Reporting Standards (IFRS), as they need to be applied in the EU. This responsibility comprises designing, implementing and maintaining an internal audit system, to the extent that this is of significance when preparing the consolidated financial statements and for conveying, as fairly as possible, the assets, financial and earnings position of the Group, so that the consolidated financial statements are free from major misstatements, either on account of intended or unintended errors, as well as selecting and applying the appropriate accounting and valuation methods, and making estimates that appear to be appropriate when taking account of the existing overall conditions.

Responsibility of the Auditors

It is our responsibility to issue an opinion on our audit of the consolidated financial statements, on the basis of our audit. We have conducted our audit in compliance with the statutory regulations applicable in Austria and the International Standards on Auditing (ISAs), published by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These principles require that we comply with the conduct of professional conduct and plan and perform our audit in such a manner that we are able to express an opinion with sufficient certainty as to whether the consolidated financial statements are free from any material misstatements.

Auditor's Certificate



Energie AG Oberösterreich, Linz
Bericht über die Prüfung des Konzernabschlusses zum 30. September 2008

Fortsetzung des uneingeschränkten Bestätigungsvermerkes

Eine Prüfung beinhaltet die Durchführung von Prüfungshandlungen zur Erlangung von Prüfungsnachweisen hinsichtlich der Beträge und sonstigen Angaben im Konzernabschluss. Die Auswahl der Prüfungshandlungen liegt im pflichtgemäßen Ermessen des Abschlussprüfers, unter Berücksichtigung seiner Einschätzung des Risikos eines Auftretens wesentlicher Fehldarstellungen, sei es auf Grund beabsichtigter oder unbeabsichtigter Fehler. Bei der Vornahme dieser Risikoeinschätzungen berücksichtigt der Abschlussprüfer das interne Kontrollsystem soweit es für die Aufstellung eines Konzernabschlusses und die Vermittlung eines möglichst getreuen Bildes der Vermögens-, Finanz- und Ertragslage des Konzerns von Bedeutung ist, um unter Berücksichtigung der Rahmenbedingungen geeignete Prüfungshandlungen festzulegen, nicht jedoch um ein Prüfungsurteil über die Wirksamkeit des internen Kontrollsystems des Konzerns abzugeben. Die Prüfung umfasst ferner die Beurteilung der Angemessenheit der angewandten Bilanzierungs- und Bewertungsmethoden und der von den gesetzlichen Vertretern vorgenommenen, wesentlichen Schätzungen sowie eine Würdigung der Gesamtaussage des Konzernabschlusses.

Wir sind der Auffassung, dass wir ausreichende und geeignete Prüfungsnachweise erlangt haben, sodass unsere Prüfung eine hinreichend sichere Grundlage für unser Prüfungsurteil darstellt.

Prüfungsurteil

Unsere Prüfung hat zu keinen Einwendungen geführt. Auf Grund der bei der Prüfung gewonnenen Erkenntnisse entspricht der Konzernabschluss nach unserer Beurteilung den gesetzlichen Vorschriften und vermittelt ein möglichst getreues Bild der Vermögens- und Finanzlage des Konzerns zum 30. September 2008 sowie der Ertragslage und der Zahlungsströme des Konzerns für das Geschäftsjahr vom 1. Oktober 2007 bis zum 30. September 2008 in Übereinstimmung mit den International Financial Reporting Standards (IFRS), wie sie in der EU anzuwenden sind.

Bericht zum Konzernlagebericht

Der Konzernlagebericht ist auf Grund der in Österreich geltenden gesetzlichen Vorschriften darauf zu prüfen, ob er mit dem Konzernabschluss in Einklang steht und ob die sonstigen Angaben im Konzernlagebericht nicht eine falsche Vorstellung von der Lage des Konzerns erwecken.

Der Konzernlagebericht steht nach unserer Beurteilung in Einklang mit dem Konzernabschluss.

Linz, am 28. November 2008



KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Gabriele Lehner
Wirtschaftsprüfer

Mag. Peter Humer, CIA
Wirtschaftsprüfer

Die Veröffentlichung oder Weitergabe des Konzernabschlusses mit unserem Bestätigungsvermerk darf nur in der von uns bestätigten Fassung erfolgen. Für abweichende Fassungen (zB Verkürzung oder Übersetzung in eine andere Sprache) sind die Vorschriften des § 281 Abs 2 UGB zu beachten.

Auditor's Certificate

Energie AG Oberösterreich, Linz
Report on the Audit of the Financial Statements as at 30 September 2008

Continuation of the Unqualified Auditor's Certificate

An audit includes that audit activities are performed in order to obtain evidence concerning the amounts and other disclosures contained in the consolidated financial statements. It is the duty and lies in the discretion of the auditor to select specific audit activities, taking account of his/her assessment concerning the risk that material misstatements may appear, either on the basis of intended or unintended errors. When making this risk assessment, the auditor takes account of the internal audit system – to the extent that it is of significance for preparing the consolidated financial statements and for conveying, as fairly as possible the assets, financial and earnings position of the Group – in order to be able to determine the appropriate auditing activities (giving due consideration to the overall conditions), but does not judge the efficiency of the internal audit system of the Group. The audit also comprises an evaluation of the adequacy of the applied accounting and valuation methods and the material estimates made by the legal representatives, as well as an appraisal of the overall conclusions conveyed by the consolidated financial statements.

We are of the opinion that we have obtained sufficient and appropriate evidence in the course of the audit so that our auditing activities are a sufficiently reliable basis for our audit opinion.

Audit Opinion

Our audit did not give rise to any objections. On the basis of the knowledge obtained in the course of the audit, it is our opinion that the consolidated financial statements comply with the statutory requirements and present fairly, in all material respects, the assets, financial and earnings position of the Group as at 30 September 2008, as well as of the earnings position and cash flows of the Group during the business year 1 October 2007 to 30 September 2008 in accordance with the International Financial Reporting Standards (IFRS), as they need to be applied in the EU.

Report on the Group's Management Report

On the basis of the statutory regulations valid in Austria, the Group's management report must be audited with the perspective as to whether it is in conformity with the consolidated financial statements and whether the other information disclosed in the Group's management report does not give rise to any misconceptions concerning the position of the Group.

In our opinion the Group's management report is in conformity with the consolidated financial statements.

Linz, 28 November 2008

KPMG Austria GmbH
Firm of Chartered Accountants and Tax Consultants

Gabriele Lehner
(Chartered Accountant)

Peter Humer
(Chartered Accountant)

The consolidated financial statements with our audit certificate may only be published or disseminated in the format certified by us. Any and all deviating versions (e.g. shortened versions or translations into another language) fall under § 281 (2) of the Commercial Law Code.

Report of the Supervisory Board

During the 2007/2008 business year, the Board of Management informed the Supervisory Board and the Working Committee of the Supervisory Board in writing and orally of the activities of the Group and its subsidiaries on a regular basis, and it discussed all important business events with these bodies. The corporate bodies gave their approval to all business events, which is mandatory in specific cases.

The financial statements of Energie AG Oberösterreich – drawn up according to Austrian accounting regulations – together with the accounts and the management report of the Board of Management were audited by KPMG Austria GmbH, Chartered Accountants and Tax Consultants, Linz. The auditors reported in writing about the outcome of their audit and stated that the accounts and the financial statements comply with the statutory requirements and that the management report is in conformity with the financial statements. The auditing firm therefore issued its unqualified audit certificate.

The Supervisory Board examined the financial statements for 2007/2008, the management report, as well as the proposal for the appropriation of the earnings. The Supervisory Board noted with approval the outcome of the audit conducted by the firm of chartered accountants, and it established that the Supervisory Board, in turn, does not have any objections regarding the statements. The Supervisory Board also examined the proposal of the Board of Management regarding the appropriation of the earnings and supports this proposal. The Supervisory Board states that it is in agreement with the management report, presented in accordance with § 127 of the Austrian Stock Corporations Act, and that it approves the financial statements for 2007/2008, which are thus established according to § 125 (2) of the Austrian Stock Corporations Act.

The consolidated financial statements for the 2007/2008 business year (01 October 2007 to 30 September 2008), drawn up according to the International Financial Reporting Standards (IFRS), were also audited by KPMG Austria GmbH, Chartered Accountants and Tax Consultants, Linz. The auditing firm reported in writing on the outcome and established that the financial statements comply with statutory requirements and that the Group's management report is in conformity with the consolidated financial statements. The auditing firm therefore issued its unqualified audit

certificate. The Supervisory Board examined in detail the consolidated financial statements and the Group's management report. The Supervisory Board noted with approval the outcome of the audit conducted by the firm of chartered accountants, and it established that the Supervisory Board, in turn, does not have any objections regarding this statement.

By drawing up the consolidated financial statements according to the IFRS, the company is released from its obligation to prepare consolidated annual accounts according to Austrian commercial-law provisions.

The Supervisory Board thanks the Board of Management and all staff members of the Group for their successful work during the expired 2007/2008 business year.

Linz, December 2008

On behalf of the Supervisory Board:
The Chairman

Gerhard Falch

Erklärung des Vorstandes gem. § 82 (4) Z3 BörseG

Der Vorstand der Energie AG Oberösterreich bestätigt nach bestem Wissen, dass der im Einklang mit den maßgebenden Rechnungslegungsstandards aufgestellte Konzernabschluss ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage des Konzerns vermittelt und, dass der Konzernlagebericht den Geschäftsverlauf, das Geschäftsergebnis und die Lage des Konzerns so darstellt, dass ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage des Konzerns entsteht, und dass der Konzernlagebericht die wesentlichen Risiken und Ungewissheiten beschreibt, denen der Konzern ausgesetzt ist.

Linz, am 28. November 2008

Der Vorstand der Energie AG Oberösterreich

Dkfm. Dr. Leo Windtner

KR Ing. DDr. Werner Steinecker MBA

DI. Dr. Roland Pumberger

Statement by the Board of Management pursuant to § 84 (4) item 3 of the Stock Exchange Act

The Board of Management of Energie AG Oberösterreich confirms that – according to its best knowledge – the consolidated financial statements, prepared in conformity with the applicable accounting standards, give a fair picture of the results of operations and the financial position of the Group and that the Group's management report describes the course of business, the business results and the status of the Group in such a manner that it gives a fair picture of the results of operations and the financial position of the Group, and that the Group' management report describes the main risks and uncertainties to which the Group is exposed.

Linz, 28 November 2008

The Board of Management of Energie AG Oberösterreich

Leo Windtner

Werner Steinecker

Roland Pumberger

Glossary

- **Automatic Meter Management (AMM)**
AMM is a system for the automatic recording of electricity consumption data in households, with a possible extension of the automated network system, which can also integrate other media such as gas, water and heat. At Energie AG, AMM was built up with the project name of AMIS (Automatic Metering and Information System).
 - **Base load**
Base load refers to a constant performance profile over a defined period in energy trading.
 - **Bio-gas plant**
A bio-gas plant is used to produce bio-gas from biomass (e.g. bio-waste, slurry, sludge, fats, cereals, corn). Biogas, which is used to produce electricity and heat, is derived from these primary materials by means of anaerobic fermentation and decomposition processes.
 - **Biomass power plant**
In a biomass power plant, electric energy and/or heat is produced by burning biomass (e.g. wood chippings, wood pellets, cereals, straw, bio diesel, bio gas).
 - **Capital employed**
On the asset side, capital employed is calculated on the basis of fixed assets and current assets, minus no-interest-bearing liabilities, or – on the liability side – on the basis of equity, plus interest-bearing borrowed capital, minus liquid funds.
 - **Cash flow from operations**
The cash flow from operations is the inflow (outflow) of cash generated by the operating business activities.
 - **CNG (compressed natural gas)**
CNG is compressed natural gas which is also used as a fuel for vehicles, as it is a fossil energy source.
 - **CO₂ certificates market**
Trading in emission rights between countries and companies is one of the main instruments laid down in the Kyoto Protocol. In this context, every year, the state issues a limited number of emission certificates, which is fixed in advance, to all companies participating in emission trading so that the companies are induced to take modernizing measures, i.e. to apply production process with higher energy efficiency, and/or to buy additional emission rights.
 - **Co-generation**
Co-generation is the production of electrical energy and heat in a combined process. Co-generation helps to obtain a higher rate of fuel utilization than when only producing electricity.
 - **Combined-cycle gas turbine (CCGT) power station**
A combined cycle gas turbine power station is a thermal power station where a gas-turbine and a steam-turbine process are connected in series in order to increase the conversion rate. The hot flue gases from the gas turbine are used to produce steam in a steam boiler, from which electricity and heat are generated.
 - **Consolidated group**
The group of consolidated companies comprises all companies that are included in the consolidated financial statements. This requires that the parent company has a controlling influence in these companies.
 - **EBIT (earnings before interest and taxes)**
The EBIT is the result of operations.
 - **EBIT adjusted**
EBIT adjusted is the result of operations adjusted for one-off effects.
 - **EBIT margin**
The EBIT margin is the share of the EBIT (in per cent) in sales.
 - **EBITDA (earnings before interest, taxes, depreciation and amortization)**
The EBITDA is the result of operations before the depreciation and amortization of tangible fixed assets and intangible assets.
 - **EBITDA adjusted**
EBITDA adjusted is the EBITDA adjusted for one-off effects.
 - **EBITDA margin**
The EBITDA margin is the share of the EBITDA (in per cent) in sales.
 - **E-Control GmbH**
The legislator set up E-Control GmbH on the basis of the law on energy liberalization. The company took up its operations on 01 March 2001. E-Control GmbH has the task of monitoring and accompanying the liberalization of the Austrian electricity and gas market, as well as to intervene by regulatory action, if necessary.
 - **Efficiency rate**
The efficiency rate is the ratio between primary energy input and generated useful energy.
 - **Energy efficiency**
Energy efficiency refers to the relation between use and input of energy = the efficiency of the use of energy. The higher the value, the lower are the energy losses, and the more economical is the use of energy.
 - **Equity ratio**
The equity ratio expresses the share of equity in the balance-sheet total.
 - **EU Energy Efficiency Directive**
Directive 2002/92 EC of the European Parliament and Council on the energy performance of buildings of 16 December 2002 introduced the term energy efficiency.
 - **EU Framework Directive on Waste**
EU Directive 75/442/EC on Waste was suspended and replaced by Directive 2006/12/EC of the European Parliament and Council of 05 April 2006. The main aspects of the Framework Directive on Waste are a uniform waste terminology, recording and notification obligations, a hierarchical order for waste prevention, processing and disposal, self-sufficiency of waste disposal in the European Union and the preparation of waste management plans. In the course of amending the Framework Directive on Waste, a major new orientation of the Framework Directive on Waste was adopted on 17 June 2008 striving for a sustainable waste policy.
 - **FTE (full-time equivalent)**
FTE is a value for comparison used in human resources management – full-time worker. FTE expresses the time value of a worker within a time period. Part-time workers are thus considered on a pro-rata basis.
 - **Futures market**
A collective term for an institutionalized wholesale market, on which deals are traded and entered on a longer-term basis and/or over longer periods (e.g. month, quarter, year) on electricity and natural-gas markets. The futures market can be found on stock exchanges and OTC markets.
- GATS (General Agreement on Trade in Services)**
GATS is an international, multilateral agreement of the World Trade Organization which has the objective of regulating cross-border trade in services, as well as its progressive liberalization.
- **GDP (gross national product)**
GDP is a measure for the economic performance of a country during a certain period of time. GDP is considered as the sum total of products and services that were produced by a country's economy within one year and are used by end consumers.
 - **GDP real**
Real GDP is the sum of domestic value added for which all goods and services are valued at the prices of a base year.
 - **Geothermal energy**
Geothermal energy is the heat stored in the accessible part of the earth's crust. On the heating market it is used both for heating and cooling; it also used to produce electricity, or for power and heat co-generation.
 - **Heating degree days**
Heating degree days are based on the assumption that heating is required under a defined outside temperature (e.g. 15° C) in order to obtain an indoor temperature of 20° C. Heating degree days are the sum total of the daily difference between the mean room temperature of 20° C and the mean outside temperature. A heating day is defined as a day on which the mean daily temperature is below a defined temperature (e.g. 15° C).
 - **Hedging**
Hedging is a deal to secure a transaction against risks (e.g. exchange-rate risk fluctuations or changes in primary material prices).
 - **Incentive-based regulation**
Incentive-based regulation is a regulation system of the authorities in order to implement cost reductions concerning the remunerations paid for electricity and gas networks, and to thus increase the assumed efficiency potentials of gas and electricity network operators, as well as to pass them on to market participants in the form of price reductions. To this end, ceiling values for remunerations or revenues are imposed upon network operators.
 - **IPO (initial public offering)**
One speaks of an initial public offering when shares are offered to interested investors for the first time.
 - **ISPA (instrument structurel de pré-adhésion)**
Next to Phare and Sapard, ISPA is a financing instrument for structural policy projects in order to prepare for EU accession.
 - **Kyoto Protocol**
The Kyoto Protocol, which went into force in 2005, is an agreement with binding objectives under international law concerning the emission of greenhouse gases.
 - **Maastricht criteria**
The Treaty on European Union establishes the so-called Maastricht criteria, which EU members must meet if they want to join the European Monetary Union. They include, for example, price-level stability and the financial condition of the public sector.
 - **Net gearing**
Net gearing is the ratio between net indebtedness and equity.

Main Sites

- **Net indebtedness**

Net indebtedness is the balance between interest-bearing financial liabilities, minus cash and cash equivalents.

- **NOPAT (net operating profit after tax)**

NOPAT is the EBIT, minus the result of associated companies that are consolidated at equity, plus the pro-rata interest of the social capital, minus taxes on the result.

- **OTC (over the counter)**

One speaks of over-the-counter trading when trading operations are conducted outside of stock exchanges.

- **Pellets**

Pellets are ball-shaped or cylindrical compacted materials. Pellets are used as energy sources and produced from wood chippings, wood chips, wood shavings, straw, but also plastic materials.

- **Photo-voltaic technology**

Photo-voltaic technology is the direct conversion of radiation energy, especially solar energy, into electrical energy.

- **Portfolio**

On energy markets, portfolio management describes how energy companies or large industrial enterprises meet their demand, which is optimized via several sub-quantities and sources at different conditions, prices and deadlines. In a typical case, it comprises the different products on wholesale markets, deployable production facilities and also price-hedging instruments.

- **PPP (public private partnership)**

PPPs are a specific form of cooperation between the public sector and private companies. The scope of application for this model is to develop, finance and build infrastructure facilities or municipal supply and disposal undertakings, as well as to operate these plants.

- **Private placement**

Private placement is a process in which shares are not offered for public subscription, but only to certain groups such as, for example, big investors.

- **Rating**

The assessment given by a rating agency concerning the ability of a debtor to repay certain liabilities completely and on time. International rating codes are used for this purpose. Internationally known rating agencies are, for example, Standard & Poor's and Moody's.

- **ROCE (return on capital employed)**

ROCE is the ratio of NOPAT to the average capital employed.

- **ROCE adjusted**

ROCE adjusted is the ROCE adjusted for one-off effects.

- **Solar thermal energy**

Solar thermal energy refers to the conversion of solar energy into useful heating energy.

- **Spot market**

A collective term for an institutionalized short-term market, on which deals are traded and entered as hour contracts, for example, on electricity and natural-gas markets. The spot market usually closes 12 hours before contracts are performed.

- **WACC (weighted average cost of capital)**

WACC reflects the average weighted capital costs (equity and borrowed money) of a company for the capital employed. In this context, the costs of borrowed capital are reduced by the tax advantage.

GROUP HOLDING

Energie AG Oberösterreich
4021 Linz, Böhmerwaldstrasse 3
Austria

BUSINESS UNITS

- Energie AG Oberösterreich Kraftwerke GmbH
4021 Linz, Böhmerwaldstrasse 3
Austria

- Energie AG Oberösterreich Trading GmbH
4021 Linz, Böhmerwaldstrasse 3
Austria

- Energie AG Oberösterreich Netz GmbH
4021 Linz, Böhmerwaldstrasse 3
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- Energie AG Oberösterreich Data GmbH
4021 Linz, Böhmerwaldstrasse 3
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- Energie AG Oberösterreich Vertrieb GmbH & CoKG
4021 Linz, Böhmerwaldstrasse 3
Austria

- Oberösterreichische Ferngas AG
4030 Linz, Neubauzeile 99
Austria

- Fair Energy GmbH
4021 Linz, Böhmerwaldstrasse 3
Austria

- Energie AG Oberösterreich Wärme GmbH
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- AVE Umwelt Ukraine TOB
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- Energie AG Oberösterreich Business Services GmbH
4021 Linz, Böhmerwaldstrasse 3
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- Energie AG Oberösterreich Customer Services GmbH
4021 Linz, Böhmerwaldstrasse 3
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- Energie AG Oberösterreich Personal Services GmbH
4021 Linz, Böhmerwaldstrasse 3
Austria

This business report contains statements relating to the future and comprise risks and uncertainty factors that may ultimately lead to considerable deviations in the result. Terms used such as "it is presumed", "it is assumed", "it is estimated", "it is expected", "it is intended", "may", "to plan", "to project", "should" and similar expressions serve to characterize statements relating to the future. We assume no guarantee that the forecasts and figures of our planning will actually materialize, which relate to economic, currency-related, technical, competition-related and several other important factors. The actual results may therefore deviate from those on which the statements relating to the future are based. Energie AG does not intend to update the statements relating to the future and refuses any responsibility for any such updates. We have drawn up the business report with the greatest care and checked all data. The English version of the business report is a translation of the German report. The German version of the report is the only authentic version.

PUBLISHER'S INFORMATION

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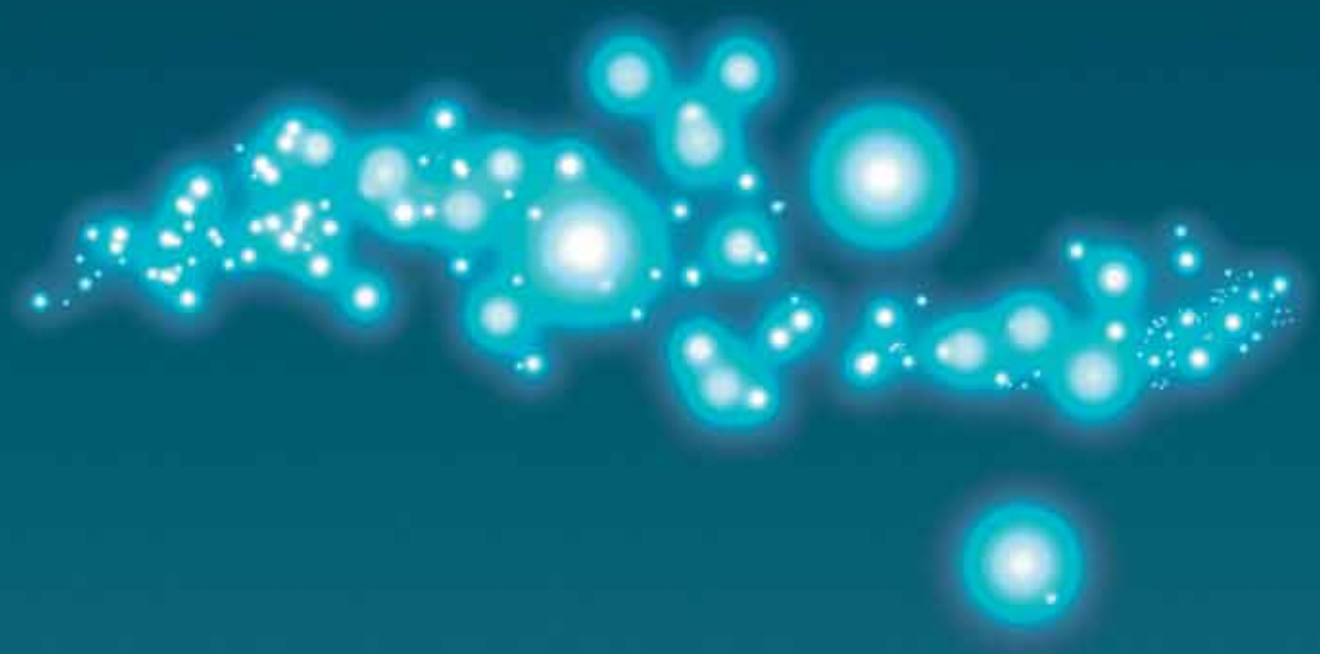
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Linz, December 2008



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The logo for Energie AG Oberösterreich, featuring the company name in a bold, sans-serif font with a red stylized 'E' icon to the left.

Full of Energy