# SEMI ANNUAL REPORT

for the period 1 October 2017 to 31 March 2018

ENERGIE AG Oberösterreich

We care about tomorrow

# The Group at a Glance

| | Unit | 1st HY 2017/2018 | Change | 1st HY 2016/2017 |
|---|---|---|---|---|
| **Sales revenues** | | | | |
| Energy Segment | EUR mill. | 537.7 | - 10.8 % | 602.5 |
| Grid Segment | EUR mill. | 176.9 | 4.3 % | 169.6 |
| Waste Management Segment | EUR mill. | 109.5 | 7.9 % | 101.5 |
| Water Segment | EUR mill. | 67.8 | 2.9 % | 65.9 |
| Holding & Services Segment | EUR mill. | 21.3 | 4.4 % | 20.4 |
| **Group** | **EUR mill.** | **913.2** | **- 4.9 %** | **959.9** |
| | | | | |
| **Result** | | | | |
| Operating result (EBIT) | EUR mill. | 127.3 | - 21.7 % | 162.6 |
| EBIT margin | % | 13.9 | - 17.8 % | 16.9 |
| Earnings before taxes | EUR mill. | 122.8 | - 19.8 % | 153.2 |
| **Consolidated net result** | EUR mill. | 93.6 | - 21.2 % | 118.8 |
| | | | | |
| **Balance sheet** | | **31/03/2018** | Change | 30/09/2017 |
| Balance sheet total | EUR mill. | 3,071.0 | - 0.3 % | 3,079.2 |
| Equity | EUR mill. | 1,324.7 | 3.5 % | 1,279.4 |
| Equity ratio | % | 43.1 | 3.9 % | 41.5 |
| | | | | |
| **Cash flow from operations** | EUR mill. | 117.5 | - 34.3 % | 178.8 |
| | | | | |
| | | **1st HY 2017/2018** | Change | 1st HY 2016/2017 |
| **Employees (average)** | FTE | 4,363 | 0.7 % | 4,334 |

# Contents

# Statement
## by the Management Board of Energie AG Oberösterreich

Like the rest of the sector, Energie AG Oberösterreich operates in a demanding environment. While the good economic climate continued to impact positively on the Group's performance in the first six months of the fiscal year, the stable development of indicators must not obscure the extremely dynamic and rapidly changing market conditions.

Digitalisation initiatives encompass more and more areas of the economy. In this context, Energie AG Oberösterreich has assumed the role of a partner to the industry as well as that of a pioneer of in-house implementation: intelligent networks, intelligent tariffs, new data encryption technologies and – last but not least – securing data transport via broadband are focus areas for both the management team and the workforce.

Moreover, the new Federal Government is demonstrating strong political will to uphold the Paris climate accord, as evidenced by the recently published draft of the '#mission 2030' energy and climate strategy paper. While, in the Group's view, the central issue of funding for these political goals remains largely unresolved, the roadmap for expanding renewable energies and reducing carbon emissions is clearly articulated. Following on from the omnipresent theme of e-mobility, the pressure on diesel and combustion engines partly due to the emissions scandal, the resultant ban on certain vehicles in Germany and the phasing out of oil heating, the list of concrete effects of the strategy continues, with a massive expansion of renewable generating facilities of all types (water, PV, wind and biomass) along with an urgent need for storage, regulation and reserve energy systems and a suitably adapted grid infrastructure.

Another challenge will emerge when the electricity pricing zone between Austria and Germany is disbanded and congestion management is introduced at the German-Austrian border in October 2018.

The developments outlined require an ongoing search for innovation as well as strict cost monitoring and detailed analysis of structures and processes.

In consideration of those general conditions, there was the public announcement of the decision to end the collaboration with Linz AG involving the joint electricity sales in the ENAMO Group by next year. The regulatory requirements of the GDPR (General Data Protection Regulation) and the antitrust law do not allow for the kind of sales organisation within the ENAMO Group regarded as necessary in these times by the Management Board of Linz AG and Energie AG. The step towards separation is also seen as a milestone for the future: adopting this course will produce fresh opportunities that must now be grasped, not least because of the dynamic market environment. The Group is moving forward.

Hence we are very pleased to announce that sales revenue of EUR 913.2 million in the first half of 2017/2018 was only just short of the previous year's record value (-4.9%). The phenomenon of the 'dark doldrums', which is less pronounced this year, has led to reduced deployment of the CCGT power plant at Timelkam; electricity trading and gas management also remained slightly below the previous year's levels. Although performance in the fiscal year so far is well down on the previous year with an EBIT of EUR 127.3 million (-21.7%), it is comfortably above the very good result of EUR 103.1 million two years ago. Aside from reduced utilisation of the CCGT power plant at Timelkam for grid reserve and congestion management, reduced levels in transported volumes in the Grid Segment and rate reductions in the gas grid have contributed to this development; offsetting effects include good water levels and the re-commissioning of the biomass power plant in Timelkam.

The renewed confirmation of the A rating (stable outlook) by Standard & Poor's vindicates the

KR Dr. Andreas Kolar
Member of the Management Board

Chief Executive Officer
KR Prof. Ing. DDr. Werner Steinecker MBA
Chairman of the Management Board

Dipl.-Ing. Stefan Stallinger MBA
Member of the Management Board

sound and solid financing strategy pursued by the Group management.

The favourable ratios are providing both momentum and incentive. They show that Energie AG Oberösterreich is ideally placed to handle the major challenges of the near future successfully. In fact, an active approach, creativity and consistent implementation of the targeted projects are necessary requirements for a successful path into the future.

The Management Board would like to thank all employees of Energie AG Oberösterreich for their contribution to the success of the Group. Also, acknowledgements are due to all managers and Supervisory Board members for their commitment. Finally, we appeal to the aforementioned parties to carry on working hard for the future good of the company.

Linz, 29 May 2018

The Management Board of Energie AG Oberösterreich

**Chief Executive Officer**
**KR DDr. Werner Steinecker MBA**
Chairman of the Management Board

**KR Dr. Andreas Kolar**
Member of the Management Board

**Dipl.-Ing. Stefan Stallinger MBA**
Member of the Management Board

# Group Management Report 1st Half-Year 2017/2018[1) ]of Energie AG Oberösterreich

## GENERAL CONDITIONS

### General Economic Conditions [2)]

GDP Growth Rate Forecast for Austria in 2018: 2.9%

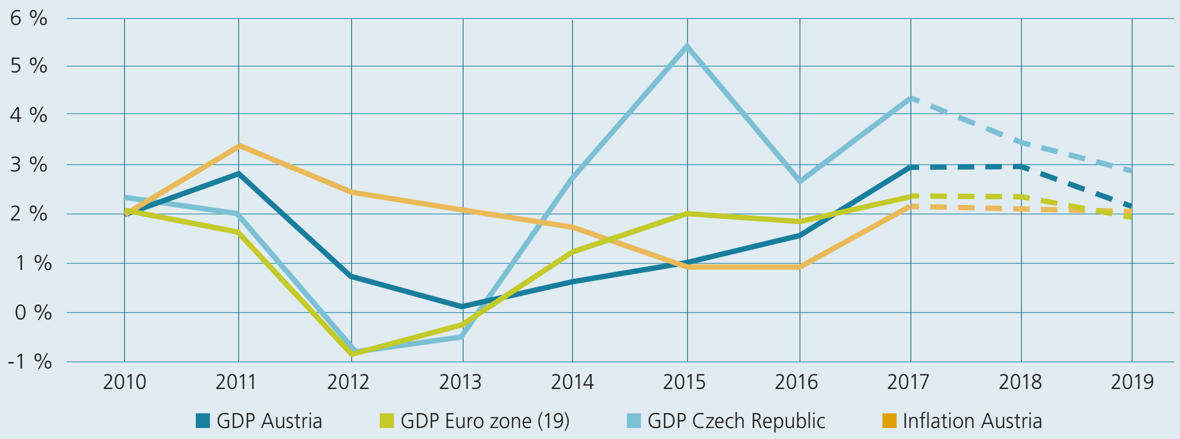
Following the good economic development in the past fiscal year, also the first half of the 2017/2018 fiscal year (01/10/2017 to 31/03/2018) was marked by a consistently positive economic development.

The dynamic international economy is driving the Austrian export industry, as is reflected in a significant improvement in the situation on the Austrian labour market, due to the good utilisation of productive capacities. However, there are initial signs of a slowdown in economic growth in the further course of the year. Against this background, the Austrian economy is expected to grow by an average of 2.9% in the 2018 calendar year, as in the previous year.

For the euro zone, experts expect average economic growth of 2.3% in 2018 (2017: 2.3%), while GDP growth in the Czech Republic is forecast to decline from 4.3% in 2017 to 3.4% in 2018.

GDP Growth and Inflation

Change in %, real, on previous year




1) The Group management report presented here was prepared in accordance with the requirements of Section 245a of the Austrian Commercial Code (UGB) and refers to the IFRS consolidated financial statements of Energie AG Oberösterreich in terms of Section 245a UGB.

2) Sources: IHS (Institute for Higher Studies) Press Release 15 March 2017, WIFO (Austrian Institute for Economic Research) Monthly Report April 2018, WKO (Austrian Chamber of Commerce) Economic Situation and Forecast Release May 2018, WKO Economic Profile Czech Republic February 2018.

## Energy Policy Framework

As part of the European Commission's "Clean Energy for all Europeans" winter package, the final trialogue negotiations on the Energy Efficiency Directive, the Governance Regulation and the Renewables Directive were launched in the first half of 2017/2018. An agreement has already been reached on the Building Efficiency Directive. It can be assumed that the Internal Electricity Market Regulation and Directive will continue to be negotiated under the Austrian EU Presidency in the second half of 2018, and is also expected to come to a conclusion.

The reform of the EU Emissions Trading Scheme (EU ETS), which is intended to make a significant contribution to the efficient achievement of the EU-wide $CO_2$ reduction target of at least 40% by 2030, was finalised in November 2017. The reform will strengthen the EU emissions trading scheme and reduce the surplus of allowances, thereby increasing the price of pollution rights. This is to be achieved in particular by increasing the annual $CO_2$ reduction path from 1.7% to 2.2%, and by significantly reducing the surplus allowances that are transferred to the market stability reserve.

At the end of February 2018, the Federal Administrative Court in Germany declared that diesel driving bans were legally permissible in order to comply with nitrogen oxide limits. It can be assumed that this judgement will additionally promote the topic of e-mobility in Germany as well as in other EU countries. The phase-out of nuclear energy by the end of 2022, confirmed by the grand coalition formed again in Germany in March 2018, is also showing an impact on the development of Europe as a whole. The coalition paper also envisages an ambitious target of 65% renewable energy sources in electricity consumption by 2030, and a halving of energy consumption by 2050. An action programme with a plan to end coal-fired power generation is to be drawn up by the end of 2018.

Integrated Climate and Energy Strategy in Upper Austria

In December 2017, the "Government Programme 2017-2022" was presented by the new Austrian Federal Government. This and a supplementary decision of the Council of Ministers provide for the preparation of an integrated climate and energy strategy by the end of June 2018. On the one hand, the energy-policy guidelines (supply reliability, competitiveness, affordability and sustainability) form the framework for the strategic orientation of the future Austrian energy system, while on the other there are the requirements of EU climate and energy policy up to 2030 as well as the Paris climate goals.

Amendment of the IME Ordinance

In November 2017, the Ministry of Economic Affairs issued an amendment to the Smart Meter Introduction Ordinance (IME Ordinance). The main point of this amendment is a new roll-out schedule, which gives grid operators more flexibility in equipping metering points with smart metering devices. According to the amended IME Ordinance, a degree of roll-out of 80% must be achieved by the end of 2020 and a degree of roll-out of 95% by the end of 2022, which enables a de facto postponement of 3 years. The scope of functions of the meters for opt-out customers has also been clarified.

The European Court of Justice (ECJ) has granted comprehensive party status and judicial review rights for NGOs and neighbours in water law proceedings in the case "Protect Natur-, Arten- und Landschaftsschutz Umweltorganisation" ("Protect Nature, Species and Landscape Protection Environmental Organisation", C-664/15 dated 20/12/2017). This ECJ ruling further extends the rights of environmental organisations and neighbours in proceedings below the EIA threshold. This case law can have far-reaching consequences for project applicants in the conduct of proceedings. It is now up to the legislator to find a balanced and sensible regulation for the future. Until then, all procedures with an EU legal background (water law, nature conservation law, waste law, air pollution control law) are expected to involve environmental organisations and neighbours more closely.

Timely GDPR Implementation

The EU General Data Protection Regulation (GDPR) entered into force on 25 May 2018. In the first half of 2017/2018, eight defined work packages prepared all relevant GDPR requirements for timely implementation in the Energie AG Group.

# BUSINESS DEVELOPMENT IN THE GROUP

## Net Assets, Financial Position and Results of Operations

| Group Overview | Unit | 1st HY 2017/2018 | 1st HY 2016/2017 | Change |
|---|---|---|---|---|
| Sales revenues | EUR mill. | **913.2** | 959.9 | - 4.9 % |
| Operating result (EBIT) | EUR mill. | **127.3** | 162.6 | - 21.7 % |
| EBIT margin | % | **13.9** | 16.9 | - 17.8 % |
| Financial result | EUR mill. | **- 4.5** | - 9.4 | 52.1 % |
| Earnings before taxes | EUR mill. | **122.8** | 153.2 | - 19.8 % |
| Investments in property, plant and equipment and intangible assets | EUR mill. | **64.4** | 53.5 | 20.4 % |
| Cash flow from operating activities | EUR mill. | **117.5** | 178.8 | - 34.3 % |
| Cash flow from investing activities | EUR mill. | **- 92.2** | - 81.8 | - 12.7 % |
| Cash flow from financing activities | EUR mill. | **- 58.1** | - 78.3 | 25.8 % |

**Sales Revenues and Operating Result at a Very Good Level**

Following the exceptionally positive fiscal year 2016/2017, the Group's sales revenues and operating result levelled off again in the first half of 2017/2018 at a slightly lower, but very good level compared with previous years.

**Sales Revenues EUR 913.2 Million**

Sales revenues in the amount of EUR 913.2 million were generated in the first six months of the fiscal year 2017/2018 (previous year: EUR 959.9 million). The decline in sales revenues in the amount of EUR 46.7 million (-4.9%) is primarily due to the lower use of the Timelkam CCGT (combined cycle gas-turbine) power plant and lower sales revenues from electricity trading and gas management.

**Operating Result EUR 127.3 Million**

Group EBIT amounted to EUR 127.3 million in the reporting period, compared to EUR 162.6 million in the first half of the previous year.

Operating results in the Energy Segment amounted to EUR 70.0 million in the first half of 2017/2018 compared to EUR 88.6 million in the same period of the previous year. The decline in sales revenues is primarily due to the lower use of the Timelkam CCGT power plant for grid reserve and congestion management. In addition, an appreciation in the amount of EUR 5.0 million was recorded for the CCGT power plant in Timelkam in the reporting period, compared to an appreciation of EUR 14.1 million in the previous year. With a hydro coefficient of 1.24 (previous year: 0.98), the water level had an equally positive effect on earnings as the recommissioning of the biomass power plant in Timelkam.

In the Grid Segment, the operating result decreased from EUR 60.6 million in the previous year by EUR 6.6 million to EUR 54.0 million. The decline is mainly due to lower volumes transported and tariff reductions in the natural gas grid.

In the Waste Management Segment, EBIT rose from EUR 6.8 million to EUR 8.3 million. The increase is partly due to the integration of the Group companies WDL-Wasserdienstleistungs GmbH (WDL GmbH) and VARINGER d.o.o. into the Waste Management Segment and reduced depreciation due to asset disposals in the fiscal year 2016/2017.

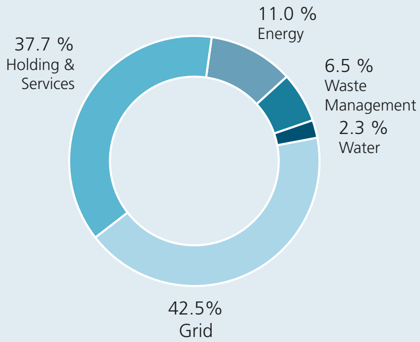
In the Water Segment, sales revenues rose by 2.9% to EUR 68.0 million, accompanied by a rise in earnings by 2.2% to EUR 4.6 million. The missing EBIT contributions of WDL GmbH and VARINGER d.o.o., which are allocated to the Waste Management Segment as of the current fiscal year, were compensated for, above all, by the improved business performance in the Czech Republic and the stronger Czech crown exchange rate.

Despite a 9.6% increase in sales revenues, the Holding & Services Segment recorded a lower operating result in the first half of 2017/2018 compared with the previous year. The decline is mainly attributable to the fact that it was impossible to recognise the share in result of the associated companies consolidated at equity, as this would have caused exceeding the fair value of the investment.

Investments in intangible assets and property, plant and equipment totalled EUR 64.4 million in the first half of 2017/2018 and were therefore EUR 10.9 million, or 20.4%, higher as compared to the previous year.

**Investments in Intangible Assets and Property, Plant and Equipment**

by Segments First Half of 2017/2018




The Grid Segment accounted with a share of 42.5% for the most part. Investments in the Holding & Services Segment include expanding the fibre-optic cable network and the smart meter rollout.

Due to repayments, financial liabilities were reduced by EUR 4.0 million to EUR 460.3 million (as of 31 March 2018) in the first half of the year, as compared to the reporting date of 30 September 2017.

The financial result improved from EUR 9.4 million in the previous year to EUR 4.5 million in the first half of the fiscal year 2017/2018. The positive development is due in part to gains derived from the sale of securities as well as lower interest expenses because of repayments of financial liabilities.

## Top Rating Confirmed Once Again

Energie AG's creditworthiness was again confirmed by Standard & Poor's (S&P) on 8 March 2017 with an excellent rating of "A" (with stable outlook). Following last year's upgrade, S&P recognised the Group's ongoing efforts to further improve its operating and financial performance. The conservative and sound financial management and strong liquidity, among other factors, had a positive impact on the rating.

With its current rating, Energie AG now occupies an absolute top position in the industry in a national and international context. The strong investment-grade rating assures the company excellent flexibility in financing issues in the future, as well as unhindered access to the financial and capital markets at cost-efficient terms.

Current Rating Confirms International Top Position

## Treasury Stocks

The treasury stock held by Energie AG as of 30/09/2017, which resulted from the repurchase of employee shares until that date, was withdrawn by a resolution of the Annual General Meeting on 20/12/2017 and the Group's share capital was reduced accordingly.

## Related Party Disclosures

For Energie AG's transactions with related parties in the reporting period, please refer to the disclosures in the Consolidated Financial Statements, page 36.

## Changes under Company Law

The investments in WDL GmbH and VARINGER d.o.o. were spun off from Energie AG Oberösterreich Wasser GmbH to Energie AG Oberösterreich Umwelt Service GmbH (Umwelt Service GmbH) with retroactive effect from 30/09/2017. The aim is to leverage regional synergies due to the high overlap between the market area and the customer portfolio.

Synergies Leveraged by Group Structure Optimisations

Also, on 12/10/2017, Energie AG Oberösterreich Personal Power GmbH was founded as a 100% subsidiary of Energie AG Oberösterreich Personalmanagement GmbH, which is to serve as an internal leasing company in the future.

## Trend in Staff Levels

In the first six months of 2017/2018, the average consolidated staff level in the Group was 4,363 full-time equivalents (FTE) which is slightly higher than the average of the first half of 2016/2017 (4,334 FTE).

| Staff Level [1] | Unit | 1st HY 2017/2018 | 1st HY 2016/2017 | Change |
|---|---|---|---|---|
| Energy Segment | FTE | 430 | 431 | - 0.2 % |
| Grid Segment | FTE | 541 | 543 | - 0.4 % |
| Waste Management Segment | FTE | 846 | 792 | 6.8 % |
| Water Segment | FTE | 1,539 | 1,571 | - 2.0 % |
| Holding & Services Segment | FTE | 1,007 | 997 | 1.0 % |
| **Group total** | **FTE** | **4,363** | **4,334** | **0.7 %** |

[1] Yearly average of the fully-consolidated and proportionately-consolidated Group companies

## RISKS AND OPPORTUNITIES

Opportunities and Risks in the First Half of 2017/2018

Changes in the energy market environment, growing competitive dynamics and adjustments to the energy policy and general regulatory conditions influence Energie AG's risks and opportunities.

These general conditions give rise to entrepreneurial challenges which Energie AG meets by tapping additional earnings potential, through value-based investment policy and extensive measures to improve efficiency.

Energie AG's business activities are still exposed to risk, however, no risks were identified in the first half of 2017/2018 that, either individually or in the aggregated total, had the potential to threaten the continuation of the company.

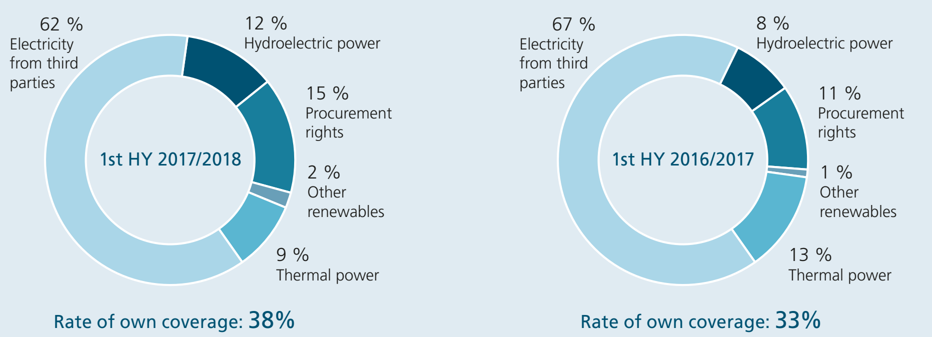
See page 34 of the Consolidated Financial Statements for more details on the risks and opportunities.

## KEY PERFORMANCE INDICATORS

| Group Overview | Unit | 1st HY 2017/2018 | 1st HY 2016/2017 | Change |
|---|---|---|---|---|
| Electricity procurement [1] | GWh | 8,369 | 9,125 | - 8.3 % |
| Electricity procured from third parties | GWh | 6,659 | 7,432 | - 10.4 % |
| Proprietary electricity procurement [1] | GWh | 1,710 | 1,693 | 1.0 % |
| Thermal power stations [1] | GWh | 421 | 677 | - 37.8 % |
| Renewable Energy | GWh | 1,289 | 1,016 | 26.9 % |
| Group's own hydropower plants | GWh | 546 | 421 | 29.7 % |
| Procurement rights from hydropower | GWh | 648 | 533 | 21.6 % |
| Other renewable energy (photovoltaics, wind, biomass) | GWh | 95 | 62 | 53.2 % |
| Electricity grid distribution volume to end customers | GWh | 4,275 | 4,344 | - 1.6 % |
| Electricity sales volume | GWh | 3,675 | 4,082 | - 10.0 % |
| Natural gas grid distribution volume to end customers | GWh | 11,513 | 12,300 | - 6.4 % |
| Natural gas sales volume | GWh | 3,559 | 3,490 | 2.0 % |
| Heat procurement | GWh | 1,108 | 1,033 | 7.3 % |
| Heat sales volume | GWh | 1,015 | 945 | 7.4 % |
| Total waste volume handled | 1,000 to | 856 | 842 | 1.7 % |
| Thermally processed waste volume | 1,000 to | 315 | 310 | 1.6 % |
| Invoiced drinking water volume | mill. $m^3$ | 26.4 | 26.1 | 1.1 % |
| Invoiced waste water volume | $m^3$ mill. | 22.0 | 21.8 | 0.9 % |
| Length of fibre-optic network | km | 5,300 | 4,950 | 7.1 % |

[1] Previous year's figure restated due to change in calculation method

Electricity Procurement Structure [1] (Without Electricity Trading)




[1] Previous year's figure restated due to change in calculation method

## DEFINITION OF SEGMENTS

In accordance with internal reporting and pursuant to IFRS 8 "Operating Segments", the Energy, Grid, Waste Management, Water and Holding & Services Segments will be reported on in the Consolidated Financial Statements.

| Segment Name | Activities Included |
|---|---|
| Energy | Production, trade and sales of electricity, gas and heat |
| Grid | Construction and operation of the electricity and gas grid |
| Waste Management | Acceptance, sorting, incineration and landfilling of waste |
| Water | Supplying drinking water as well as disposal of waste water |
| Holding & Services | Telecommunications and metering services, service companies and management functions; associated at-equity companies which are not allocated to other Segments |

# ENERGY SEGMENT

| Energy Segment Overview | Unit | 1st HY 2017/2018 | 1st HY 2016/2017 | Change |
|---|---|---|---|---|
| Total sales | EUR mill. | 539.0 | 603.6 | - 10.7 % |
| EBIT | EUR mill. | 70.0 | 88.6 | - 21.0 % |
| Investments in property, plant and equipment and intangible assets | EUR mill. | 7.1 | 9.1 | - 22.0 % |
| Employees (on average) | FTE | 430 | 431 | - 0.2 % |
| Electricity procurement [1] | GWh | 8,274 | 9,034 | - 8.4 % |
| Proprietary electricity procurement [1] | GWh | 1,615 | 1,601 | 0.9 % |
| Electricity sales volume | GWh | 3,675 | 4,082 | - 10.0 % |
| Natural gas sales volume | GWh | 3,559 | 3,490 | 2.0 % |
| Heat procurement | GWh | 958 | 902 | 6.2 % |
| Heat sales volume | GWh | 865 | 813 | 6.4 % |

[1] Previous year's figures restated due to change in calculation method

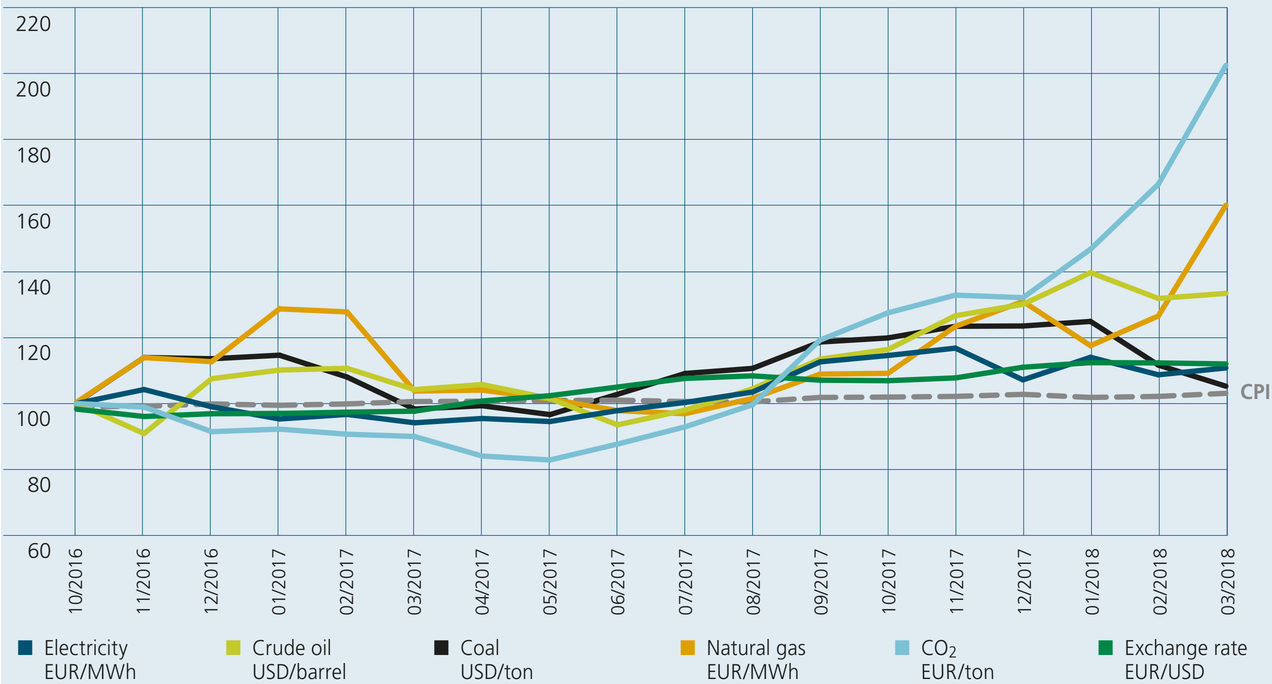
The Energy Segment of Energie AG includes the production, trade and sales of electricity, gas and heat.

## The Economic Environment of the Energy Industry

Europe's energy markets were characterised by an increase in wholesale energy prices in the first six months of the fiscal year 2017/2018.

Price Index Development on International Energy Markets

Sources: EEX, Reuters, Statistics Austria




### Significant Increase in Wholesale Energy Prices

At USD 64.1 per barrel, oil market prices were 24.5% higher on average than in the first half of 2016/2017 and in balance between OPEC production cuts and possible production expansions by US shale oil producers. At an average of EUR 19.9/MWh, natural gas prices in the winter half-year 2017/2018 were 11.8% higher than in the reference period of the previous year. Especially during the months of February and March 2018, rising demand and declining supply led to strong price increases. Following peaks in demand due to global market conditions in the previous year, the coal market consolidated while demand remained high. Hard coal prices increased on average by 9.3% compared with the previous year. Above-average market movements took place in the market for emission allowances. The prices of $CO_2$ emission allowances rose significantly and, at an average of EUR 8.81/t $CO_2$, were 60.9% higher than in the reference period of the previous year.

In the electricity futures market, the baseload product of the front year was traded on the European Energy Exchange (EEX) at an average price of EUR 35.1/MWh. This corresponds to growth of 13.9% compared to the previous reporting period, and can mainly be attributed to the higher prices for $CO_2$ allowances and higher primary energy prices. The prices for day-ahead spot quotes averaged EUR 33.9/MWh in a bandwidth between EUR 52.11/MWh and EUR 71.5/MWh.

## Business Development in the Energy Segment

Following the fiscal year 2016/2017, which was exceptionally positive from a financial point of view, sales revenues in the Energy Segment amounted to EUR 539.0 million in the first half of 2017/2018 (previous year EUR 603.6 million). The main reasons were the reduced use of the Timelkam CCGT power plant for grid reserve and congestion management, and lower sales revenues from electricity trading and gas management compared with the first half of the previous year.

In the Energy Segment, an operating result in the amount of EUR 70.0 million was generated in the reporting period. This corresponds to a decline of 21.0% compared to the outstanding EBIT of EUR 88.6 million in the same period of the previous year. The reduced call-offs from the Timelkam CCGT power plant for grid reserve and congestion management and lower appreciations in the amount of EUR 5.0 million (previous year: EUR 14.1 million) for the Timelkam CCGT power plant were only partially compensated for by positive factors such as a significantly above-average water supply and an improved operating result of the Timelkam biomass power plant. In addition, there was an appreciation in the amount of EUR 1.9 million on Cogeneration-Kraftwerke Management Oberösterreich GmbH (CMOÖ) in the reporting period.

## Market Environment for Electricity Generation Relaxes Slightly

Total electricity procurement in the Energy Segment totalled 8,274 GWh in the first half of 2017/2018, and was therefore 8.4% down on the previous year's value (9,034 GWh). This major drop is mainly due to the reduction in electricity trading as a result of lower customer sales and the reduced use of the Timelkam CCGT power plant for congestion management, while proprietary electricity procurement of 1,615 GWh in the period under review was at the level of the previous year (1,601 GWh).

Conventional Power Plants to Secure Electricity Supply

CCGT power plants and pumped storage power plants continued to provide reliable generation capacity in the winter half-year 2017/2018, and demonstrated the importance of conventional power plants as important pillars for securing electricity supplies. Electricity production from thermal capacities in the Energy Segment fell by 41.9% to 359 GWh, compared with the previous year's figure of 618 GWh. This development was mainly due to the above-average use of the Timelkam CCGT power plant in the same period of the previous year. The provision of district heating from the power plant stations in Riedersbach and Timelkam fell by 2.1% year-on-year (192 GWh) to 188 GWh.

Water Level Well Above Average; Hydro Coefficient 1.24

Proprietary electricity procurement at the hydraulic power plants in the reporting period showed a positive development compared with the first six months of the previous year. A water level up by 26% on the previous year contributed towards this trend. Also compared to the long-term average, the water level was well above average. In the reporting period, the hydro coefficient of the Group's own power plants and procurement rights was thus 1.24 (previous year: 0.98).

Ennskraftwerke AG, in which Energie AG holds a share of 50%, also reported electricity production in the first half of 2017/2018 with a hydro coefficient of 1.24 (previous year: 1.06), which is above the long-term average.

Energie AG's wind power portfolio in Austria includes investments in three wind parks, with a pro rata basis performance of nearly 13 MW. Generation from wind power in the first half of 2017/2018 was 19 GWh, as in the same period of the previous year.

## Added Value Through Innovative Products

The electricity sales of Energie AG are bundled in ENAMO GmbH, the joint sales company of Energie AG and LINZ AG. The ENAMO group of companies encompasses the companies ENAMO GmbH, ENAMO Ökostrom GmbH, Energie AG Oberösterreich GmbH Vertrieb GmbH & Co KG (Vertrieb GmbH & Co KG) and LINZ Strom Vertrieb GmbH & Co KG.

The market continued to move in the period under review, albeit at a slower pace than recently. One indicator of this is the switching rate published by E-Control, which increased by 0.7 percentage points to 4.3% year-on-year throughout Austria from 2016 to 2017. The year-on-year increase of 1.1 percentage points from 2015 to 2016 was significantly higher.

In the first half of the fiscal year 2017/2018, the consolidated electricity sales volume in the Group amounted to 3,675 GWh, 10.0% below the previous year's sales volume of 4,082 GWh. More than half of this decline is attributable to the industrial customer segment. Sales volumes in the business customer segment were at the previous year's level.

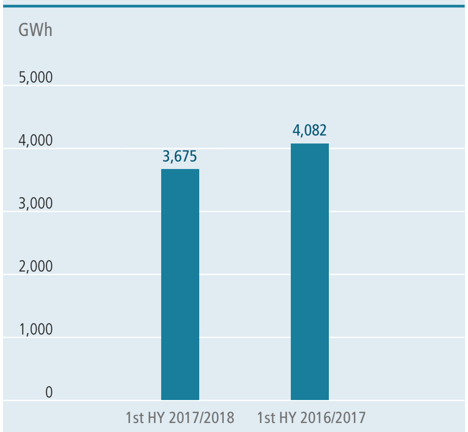
Customer Loyalty Programmes are Effective: Declining Switching Rates in the Private Customer Segment

The private customer segment is strongly in the focus of competition, in which Vertrieb GmbH & Co KG recorded a slight reversal trend in the first half of 2017/2018 and thus declining switching rates. The measures taken in this segment to improve customer loyalty have already had a positive effect.

One key objective of the ENAMO Group is to generate added value for customers through innovative products in order to assert itself in what is still a dynamic market. In addition to service and promotional offers, digitalisation has increasingly moved into the focus of product developments. As part of the innovation and digitalisation efforts, a completely new pricing model for heat pump users was presented in March 2018 with the "Heimvorteil smart flex" (smart flex home advantage) offer.

Further innovative offers, such as an energy efficiency application for Amazon's Alexa, developed by ENAMO as the first Austrian utility, rounded off the customer loyalty measures in the first half of 2017/2018.

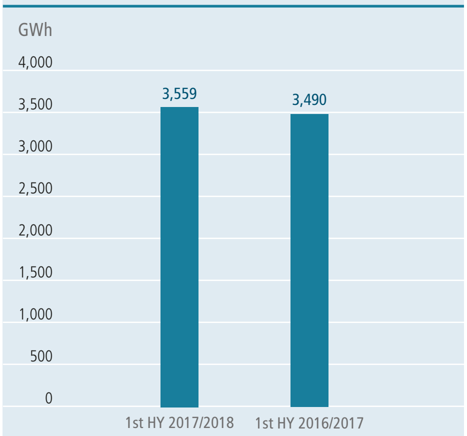
Electricity Sales Volume




## Increased Sales of Natural Gas, Heat, Energy Services

The natural gas sales volume in the Group amounted to 3,559 GWh in the first half year and was thus 2.0% up on the previous year's value of 3,490 GWh.

Natural Gas Sales Volume




The current winter caused a slight decline in space heating-related sales volumes for business and private customers compared with the colder previous year, which was offset by higher sales volumes for key account customers.

The total number of heating degree days in Upper Austria in the first half of the year was only 0.2% below the average for the last 10 years, but 4.2% below the previous year's figure.

A customer loyalty campaign with a price guarantee for existing business and private customers was again successfully completed in the first six months of 2017/2018. On average, in the industry, the switching rates in the business and private customer area in Austria and Upper Austria continued to rise. In the Group, the success of active customer care and customer loyalty programmes is reflected in a switching rate well below the Upper Austrian average. All key account customers of gas stayed loyal with the Group in 2018.

Due to optimal procurement, it was possible to win this year's auction of the Association for Consumer Information (Verein für Konsumenteninformation VKI) with an attractive price in the first quarter of 2018. The customer base of the online brand gasdiskont.at has thus more than doubled.

In the energy services business area, the heat sales volume from contracting plants amounted to 111 GWh in the first half of 2017/2018, slightly above the previous year's figure of 108 GWh. Temperature-related lower sales volumes were compensated for by additional asset growth. The new innovative products "WärmeBox" (heat box) and "Smarte Heizung" (smart heating) were successfully launched.

Cogeneration-Kraftwerke Management Oberösterreich GmbH supplies a key account customer in Laakirchen with electricity and process heat through a CCGT power plant, as well as several adjacent companies with district heating. The volume of process heat and district heating provided to customers in the first six months of 2017/2018 was 331 GWh and thus 21.5% up on the previous years figure of 273 GWh.

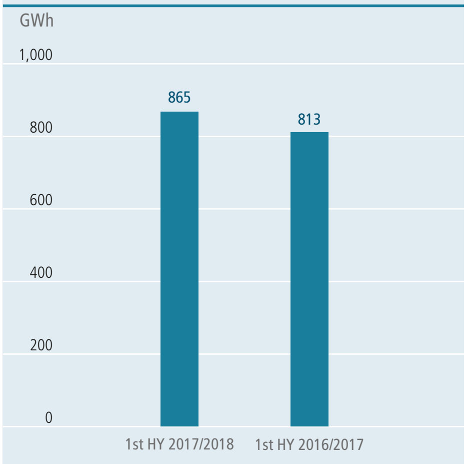
In the photovoltaics area, 12 new photovoltaic (PV) contracting projects with 1.6 $MW_p$ were contractually agreed with business customers in the reporting period. The OeMAG Abwicklungsstelle für Ökostrom AG has already guaranteed the requested subsidies for all plants. The implementation of the projects is planned for the second half of the fiscal year. The current PV portfolio thus comprises 33 plants with 7 GWh generation and an output of 6.8 $MW_p$.

Sustainability and efficiency have always been at the forefront of the heat business unit. The modernisation measures carried out at the locations in recent years have proved their worth and led to a stable earnings situation in the first half of 2017/2018. The highly efficient and modern generation facilities at the sites guaranteed a high degree of supply reliability and quality throughout the entire heating season, especially in the months of February and March 2018, which were marked by low temperatures.

Sustainable District Heating Project in Gmunden

Another forward-looking project was launched in the first half of 2017/2018. The heat business unit is implementing a sustainable district heating project in Gmunden together with an established industrial partner. By using industrial waste heat, the focus is on greening the heat supply while at the same time increasing efficiency. This joint project ensures annual $CO_2$ savings of around 3,800 tonnes and is also a further milestone in strengthening the Gmunden energy showcase region.

Heat Sales Volume




Heat Sales Volume Increased by 6.4%

The heat sales volume in the Energy Segment amounted to 865 GWh in the first six months of 2017/2018. Successful customer acquisitions led to an increase in the heat sales volume of 52 GWh (6.4%) compared with the previous year (813 GWh).

## Extension of Public Charging Stations for E-Mobility

In the field of electromobility, the construction and operation of the public basic charging infrastructure was completed. There are currently 22 Energie AG charging stations with 42 charging points in the charging station network.

# GRID SEGMENT

| Grid Segment Overview | Unit | 1st HY 2017/2018 | 1st HY 2016/2017 | Change |
|---|---|---|---|---|
| Total sales | EUR mill. | 203.8 | 202.1 | 0.8 % |
| EBIT | EUR mill. | 54.0 | 60.6 | - 10.9 % |
| Investments in property, plant and equipment and intangible assets | EUR mill. | 27.4 | 20.0 | 37.0 % |
| Employees (on average) | FTE | 541 | 543 | - 0.4 % |
| Electricity grid distribution volume to end customers | GWh | 4,275 | 4,344 | - 1.6 % |
| Natural gas grid distribution volume to end customers | GWh | 11,513 | 12,300 | - 6.4 % |

The Grid Segment of Energie AG encompasses the construction and operation of the Netz Oberösterreich GmbH electricity and natural gas grid.

## General Legal and Regulatory Conditions

100% Efficient: Leader of Austria's Gas Network Operators

On 01/01/2018, a new five-year regulatory period began for natural gas. In the course of 2017, the general conditions for this regulatory period were defined in advance and an efficiency comparison between natural gas grid operators was carried out; this led to very pleasing results for Netz Oberösterreich GmbH (Netz OÖ): In an Austria-wide comparison of gas network operators, Netz OÖ is the leader with 100% efficiency. This means that under the given general conditions, Netz OÖ performs its supply task at the lowest possible charge.

Regulatory Adjustments in Grid Utilisation Fees

Grid utilisation fees for end consumers of natural gas were significantly reduced, between -5.2% at grid level 3 and -26.5% at grid level 2. Grid fees for electricity, on the other hand, were significantly increased as of 1 January 2018, between +25% at grid level 3 and +7% at grid level 7. The reason for this does not lie with Netz OÖ, but, according to Energie-Control Austria, can be attributed to the massive increase in charges for system-stabilising measures in the supra-regional transport grid, which are required to compensate for the sometimes highly fluctuating generation from wind and solar energy. The development of the cost situation at Netz OÖ was stable compared with the previous year.

The general regulatory conditions for the current fiscal year can be judged in principle to be stable. The current regulatory period for electricity expires at the end of 2018. Although it has been possible to keep the general economic conditions sufficiently stable in the new regulatory system for the time being, the Austrian Federal Economic Chamber and the Federal Chamber of Labour have objected to the stipulations made by the regulatory authority. The decision on the handling of these objections is still pending, but it will affect the discussions with E-Control Austria on the structure of the electricity regulation in the following period from 2019 onwards. The goal remains to keep the general economic conditions for grid operations stable.

In July 2017, the "Small Green Electricity Amendment" created the legal requirements for "joint green electricity generation plants". The adjustment of the grid operator's billing systems required for billing has not yet been completed.

## Business Development in the Grid Segment

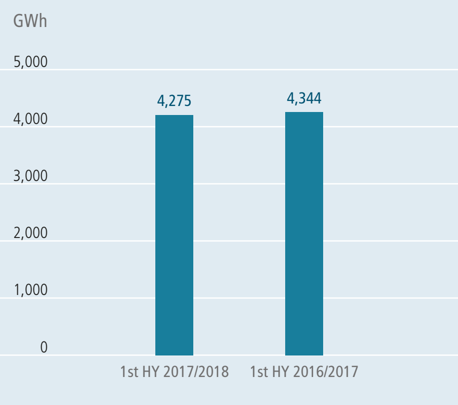
Sales revenues in the Grid Segment, compared to the reference period in the previous year, rose slightly by EUR 1.7 million (0.8%) to EUR 203.8 million. While the regulatory increase in electricity grid utilisation fees had a revenue-generating effect, lower utilisation fees and distribution volumes in the natural gas grid weakened this development somewhat.

The EBIT in the Grid Segment was EUR 54.0 million in the reporting period. The decline of EUR 6.6 million (-10.9%) compared to the first half of 2016/2017 was mainly due to lower distribution volumes and lower grid utilisation fees in the natural gas grid. By contrast, the increase in utilisation fees in the electricity grid had a positive effect on earnings. The deviating development compared to sales revenues results mainly from upstream grid costs affecting net income.

## Ensuring the Supply Quality by Investments in the Electricity and Natural Gas Grid

According to current estimates, the electricity grid distribution volume to end customers for the 2017/2018 financial year as a whole will be slightly below the all-time high level of the previous year. In the first half of the current fiscal year, the electricity grid distribution volume fell by 1.6% from 4,344 GWh to 4,275 GWh.

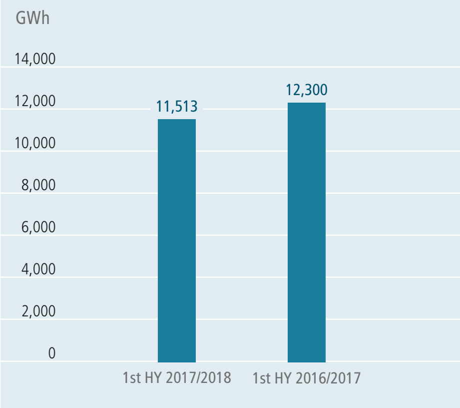
Electricity Grid Distribution Volume to End Customers




While demand in the industrial customer sector declined compared with the same period of the previous year, it rose for commercial and private customers.

Sales to end customers from the natural gas grid also declined compared with the previous year (12,300 GWh), amounting to 11,513 GWh (-6.4%) in the reporting period. The decline was mainly attributable to the distribution volume of conventional electricity generation to power plants and to proprietary power generation industry, which was particularly high in January 2017 due to low renewable generation and high market prices in the previous year. Due to the milder weather in the winter months 2017/2018, compared to the previous year, space heating requirements were also reduced. Demand from commercial customers in the first half of 2017/2018 was also lower than in previous years.

Natural Gas Grid Distribution Volume to End Customers




**First Six Months Without Relevant Disruptions in the Electricity and Gas Grid**

In terms of grid operations, the first six months of the current fiscal year proceeded without relevant disruptions.

The Jochenstein 220/110 kV grid support was completed and commissioned at the end of March 2018. It secures the power supply for the Mühlviertel and the central region of Upper Austria and represents an important infrastructure basis for growth and future security in the region. The Almtal-Kremstal power supply project entered the implementation phase in February 2018, the Ranna-Partenstein general renovation project in March 2018. In the 110-kV Pramtal Süd electricity generation project, the provincial administrative court confirmed the energy law ruling as the court of second instance. All projects are currently on schedule according to the electricity grid master plan for Upper Austria.

The programme to replace medium and low-voltage lines with underground cables is continuing as planned. In the 2017/2018 fiscal year, approx. 25 km of medium-voltage and 70 km of low-voltage overhead lines will be replaced by underground cables. This reduces the negative effects of windstorm events on the power supply and increases the availability of the grid.

**Increase in New Connections and Output Requirements of Commercial Customers**

The multi-year project "Pressure increase in the high-pressure natural gas grid in Upper Austria" to increase transport capacities for the gas storage facilities is expected to be completed in autumn 2018. Due to the economic development, there was a noticeable increase in new connections and an increase in the output requirements of commercial customers in both the natural gas and electricity grids in the reporting period.

# WASTE MANAGEMENT SEGMENT

| Waste Management Segment Overview | Unit | 1st HY 2017/2018 | 1st HY 2016/2017 | Change |
|---|---|---|---|---|
| Total sales | EUR mill. | 113.3 | 105.0 | 7.9 % |
| EBIT | EUR mill. | 8.3 | 6.8 | 22.1 % |
| Investments in property, plant and equipment and intangible assets | EUR mill. | 4.2 | 4.3 | - 2.3 % |
| Employees (on average) | FTE | 846 | 792 | 6.8 % |
| Total waste volume handled | 1,000 to | 856 | 842 | 1.6 % |
| Thermally processed waste volume | 1,000 to | 315 | 310 | 1.5 % |

The Waste Management Segment of Energie AG encompasses the collection, acceptance, sorting, treatment and incineration of domestic and commercial waste, recovering and trading in recyclables, and providing water supply and waste water disposal services. The field of activity comprises Austria, South Tyrol, Slovenia, the slag treatment company AMR Austrian Metal Recovery GmbH, and the non-operative Heves Régió KFt. in Hungary.

Municipal Services Bundled at Umwelt Service GmbH

The integration of the Austrian company WDL GmbH and the Slovenian company VARINGER d.o.o. into the Waste Management Segment took place with retroactive effect as of 30 September 2017, thus bundling municipal services such as waste disposal and waste management as well as drinking water and waste water management under Energie AG Oberösterreich Umwelt Service GmbH as the parent company.

## General Economic Conditions of the Waste Management Sector

High Level of Plant Utilisation and Increased Disposal Prices for the Thermal Fraction

As in the 2016/2017 fiscal year, easing of the economic conditions on the waste disposal markets was observed during the reporting period. Resource preservation and secondary substance recovery continue to be priority topics, both nationally and internationally. Through new legal requirements and general conditions, the European Commission is looking to ensure compliance with waste-relevant regulations throughout Europe and to penalise any violations. This would result in positive impetus and an upgrading of the secondary raw materials market and the entire recycling industry.

In the reporting period, a slight increase in residual waste volumes was observed on the Austrian waste disposal market. This was due, on the one hand, to the positive economic trend, combined with what is still a high level of waste separation in the core market of Austria, and on the other, to the positive impact of the pan-European situation on the available volumes. The lack of waste disposal capacities in southern and western Europe, which were further strengthened by the implementation of the Landfill Ordinance in Great Britain, continued to lead to a shift in volumes to central Europe. Based on this endogenous and exogenously driven increase in waste volumes, a high level of plant utilisation and an increase in the disposal prices for the thermal fractions was achieved.

The price development of the various recyclables fractions was mixed: used plastics lost significantly in value as a result of Chinese import restrictions. After initially solid prices, paper and cardboard have also seen a significant decline in the index since December 2017. In the case of waste wood, there are signs of stabilisation, starting from a weak previous year. Metal prices were at a high level, but correspondingly volatile.

## Business Development in the Waste Management Segment

In the first six months of 2017/2018, sales revenues in the Waste Management Segment amounted to EUR 113.3 million and were thus 7.9% up on the previous year's figure of EUR 105.0 million. The EBIT improved by 22.1% from EUR 6.8 million in the first half of 2016/2017 to EUR 8.3 million in the reporting period. The items sales revenues and EBIT for the reporting period include the integrated Group companies WDL GmbH and VARINGER d.o.o.

The positive development in earnings was due to reduced depreciation due to disposals of assets in the fiscal year 2016/2017, cost optimisation measures and higher disposal prices for the thermal fraction. While the successful extension of the thermal recycling contract with Upper Austrian municipalities led to short-term price reductions, long-term safeguarding of plant capacity utilisation was achieved for the Waste Management Segment in return.

## Optimal Utilisation of Incineration Plants

The two incineration plants at Wels and Lenzing were fully utilised in the first half of 2017/2018 and reached a throughput of 315,094 tons (previous year 310,460 tons). In Wels, the persistently challenging topic of heat value and impurities was successfully counteracted by means of technological optimisations and professional material flow management, and an increase in throughput was achieved. Due to partial damage of the plant at Lenzing, the annual overhaul was brought forward to January 2018 and the thermal recycling volumes are expected to be lower than in the same period of the previous year.

In the reporting period, the waste incineration plant in Wels distributed 150 GWh of heat (previous year: 132 GWh) to the district heating network of the town of Wels and to one other key account customer. Electricity procurement in the Waste Management Segment totalled 95 GWh (previous year: 92 GWh).

The hazardous waste treatment plant in Steyr exhibited a very high level of utilisation in the reporting period.

Compared with the previous year, the total volume handled in Austria and South Tyrol increased slightly to 855,860 tons (first half of 2016/2017: 842,146 metric tons).

Cooperation with the Public Sector Intensified

Cooperation with the public sector was intensified, in particular the municipalities continue to represent a significant target group for Umwelt Service GmbH's range of services. Strategically anchored cost management was consistently pursued, and ongoing optimisation projects will be continued.

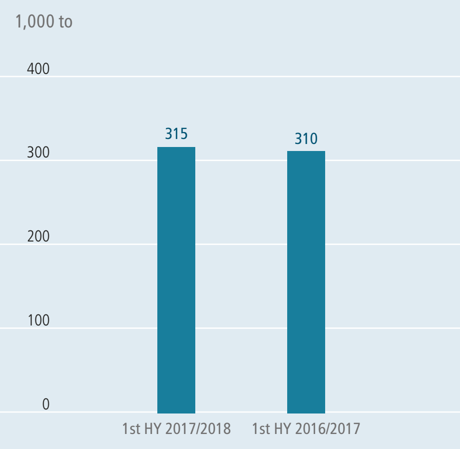
However, the positive price trend on the waste disposal market led to increased competition with operators of pre-treatment plants and industrial co-incinerators, and to stronger re-municipalisation efforts by communal waste management associations that seek to establish an obligation to tender commercial waste to public waste disposal organisations.

## Structural Optimisation in Progress in South Tyrol

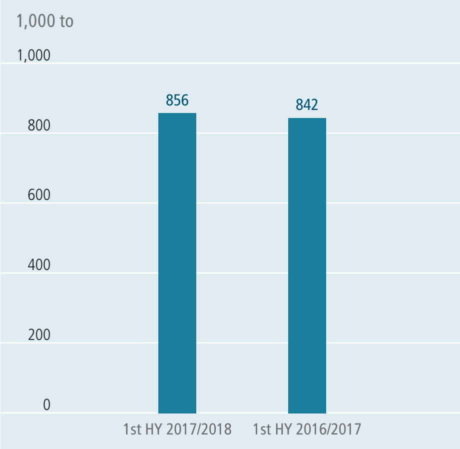
Since the new central facility in Neumarkt was inaugurated in September 2016, significant synergies have already been leveraged. After the finalisation of work in progress planned for the 2017/2018 fiscal year, further efficiency gains shall be achieved.

Increases in Thermally Processed and Total Handled Waste Volumes

Thermally Processed Waste Volume




Total Waste Volume Handled



# WATER SEGMENT

| Water Segment Overview | Unit | 1st HY 2017/2018 | 1st HY 2016/2017 | Change |
|---|---|---|---|---|
| Total sales | EUR mill. | 68.0 | 66.1 | 2.9 % |
| EBIT | EUR mill. | 4.6 | 4.5 | 2.2 % |
| Investments in property, plant and equipment and intangible assets | EUR mill. | 1.5 | 1.8 | - 16.7 % |
| Employees (on average) | FTE | 1,539 | 1,571 | - 2.0 % |
| Invoiced drinking water volume | $m^3$ mill. | 22.2 | 26.1 | - 14.9 % |
| Invoiced waste water volume | $m^3$ mill. | 21.9 | 21.8 | 0.5 % |

The Water Segment of Energie AG Oberösterreich comprises the supply of drinking water and the collection and treatment of waste water in the Czech Republic. Due to restructuring within the Group, the companies of WDL GmbH in Austria and VARINGER d.o.o. in Slovenia have been allocated to the Waste Management Segment since 01/10/2017.

## General Conditions in the Water Sector

New Opportunities due to Positive Economic Development in the Czech Republic

For the water industry, the favourable macroeconomic data for the Czech Republic, with its high economic growth and increasing investment volume, offer opportunities to generate higher volume orders, primarily in the more elastic services business. On the other hand, competition for new employees is intensifying, which requires timely measures in view of the advanced average age of the workforce in the Water Segment companies.

There were no significant changes as part of the annual adjustment of the price regime in the Czech Republic, which focuses on the appropriate profit of operating and infrastructure companies.

As a result of the termination of the Czech National Bank's foreign exchange intervention policy, the value of the Czech koruna rose against the euro in the first half of 2017/2018, which had a positive effect on earnings.

## Business Development in the Water Segment

Sales Revenues and EBIT Increased Despite Structural Change

The sales revenues in the Water Segment for the first half of 2017/2018 totalled EUR 68.0 million, and were thus 2.9% higher than the previous year's value. Adjusted for the disposals of WDL GmbH and VARINGER d.o.o. from the Water Segment, sales revenues were up by 9.5%. In addition to currency effects, increases were achieved in the core business of drinking water supply and waste water disposal as well as in the services sector, while the new acquisition of VODOSPOL s.r.o. in Klatovy (West Bohemia) at the end of the 2016/2017 fiscal year also contributed to the increase in sales revenues.

In the first half of 2017/2018, the EBIT totalled EUR 4.6 million and was therefore 2.2% up on the previous year (EUR 4.5 million). The better business performance in the Czech Republic and the stronger koruna exchange rate compensated for the missing EBIT contributions of WDL GmbH and VARINGER d.o.o.

In the reporting period, a total of 22.2 million m³ drinking water and 21.9 million m³ of wastewater were invoiced in the Water Segment. The drinking water volumes were down by 14.9% on the previous year's level and can be attributed to the disposal of WDL GmbH. Adjusted for this, the value exceeds the previous year's figure by 1.6%. The waste water volumes were also slightly up on the previous year's figure.

## Stable Development in the Czech Republic

In the Czech Republic, VODOSPOL s.r.o. was integrated into the commercial and operating processes of the Water Segment. In organisational terms, the company is assigned to ČEVAK a.s.

In Kolín, the wholesale entity was spun off the company VODOS s.r.o. Under its name of VODOS Velkoobchod s.r.o., the company has been operating as an independent entity since

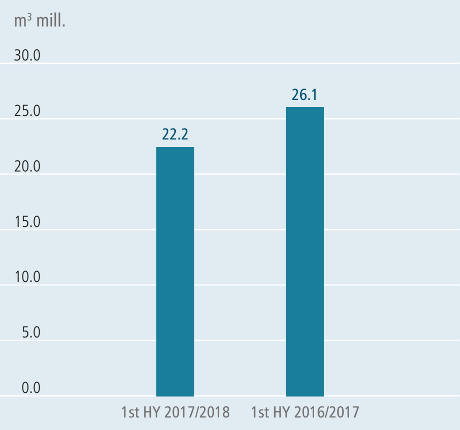
01/10/2017. The object of the company is the wholesale business associated with the drinking water and waste water business, where the intent is, in particular, to achieve a better position on the external market as a result of organisational realignment. In the first half of 2017/2018, the volume of orders was already higher than that of previous years.

In the Czech Republic, several operator licenses were successfully extended in the drinking and waste water area in the period under review, including for the South Bohemian district capital České Budějovice.

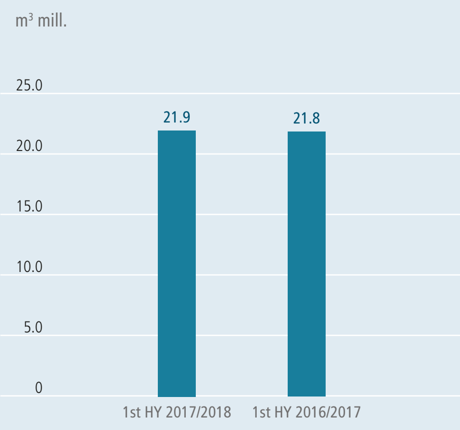
Increases in the Services Sector in the Czech Republic

Service sales revenues on the Czech market developed to above the previous year's level. Again, growth was achieved in construction assembly services and in wholesale revenues.

Invoiced Drinking Water Volume




Invoiced Waste Water Volume




# HOLDING & SERVICES SEGMENT

| Holding & Services Segment Overview | Unit | 1st HY 2017/2018 | 1st HY 2016/2017 | Change |
|---|---|---|---|---|
| Total sales | EUR mill. | 95.8 | 87.4 | 9.6 % |
| EBIT | EUR mill. | - 9.6 | 2.1 | — |
| Investments in property, plant and equipment and intangible assets | EUR mill. | 24.3 | 18.3 | 32.8 % |
| Employees (on average) | FTE | 1,007 | 997 | 1.0 % |
| Length of fibre-optic network | km | 5,300 | 4,950 | 7.1 % |

The Holding & Services Segment of Energie AG comprises the telecommunications and metering service business, the management and control functions of the holding company, commercial and technical services as well as the consolidated at-equity investments, Salzburg AG für Energie, Verkehr und Telekommunikation and Wels Strom GmbH.

## Business Development in the Holding & Services Segment

In the Holding & Services Segment, sales revenues in the amount of EUR 95.8 million were generated in the reporting period. This increase of 9.6%, compared with the reference period in the previous year with sales revenues of EUR 87.4 million, is primarily attributable to higher sales in the plant engineering and construction and telecommunications business area.

In contrast to this, the operating result in this segment showed a negative trend, falling from EUR 2.1 million in the previous year to EUR - 9.6 million in the first half of 2017/2018. The main reason for this is the decline in the share of earnings from at-equity consolidated investments from EUR 10.0 million in the first half of the previous year to EUR 0.8 million in the first half of 2017/2018, while the results of the service companies and the telecommunications business area remained largely stable.

## Fibre-Optic Expansion is Essential for Upper Austria as a Business Location

Significant Increase in the Demand for Light Speed Broadband Internet

The good economic development, combined with the growing digitalisation of Upper Austria as a business location, led to a significant increase in the demand for light speed broadband internet in the first half of 2017/2018. One of the Group's forward-looking business areas is therefore the supply of telecommunications services using the Group's own fibre-optic network, which had a total length of approx. 5,300 km at the end of the first half of 2017/2018.

In the scope of the Fibre To The Home (FTTH) expansion, housing areas in 128 Upper Austrian communities have been connected thus far. This gives private households the ability to choose from Energie AG's "powerSPEEDprivat" product portfolio (internet with speeds up to 500 Mbps download plus a TV product and telephony). FTTH expansion has become far more dynamic in the reporting period. The allocation of considerable funds from the subsidy programmes in the scope of "Breitband Austria 2020" (Broadband Austria 2020, Access 2nd Call and Backhaul 2nd Call) were also particularly gratifying. In addition, growth was driven by additional funding for small and medium-sized enterprises (SMEs) and compulsory schools on the part of the Province of Upper Austria and the Federal Government.

A further telecommunications business area revolves around performing metering services for Netz OÖ. In terms of the redefinition of the roll-out schedule for smart metering devices (IME-VO Amendment 2017), Energie AG achieved an installed basis of approx. 480,000 AMIS meters at the end of March 2018. This is equivalent to nearly 75% of all meters.

# OUTLOOK

In terms of the price development on the European electricity markets, higher prices for the second half of the fiscal year 2017/2018 are expected as compared to the previous year's values. The demand volumes triggered by the robust economic environment suggest that wholesale electricity prices can be expected to stabilise further. The successor regulation to the joint electricity price zone with Germany from October 2018 is already reflected in higher domestic wholesale prices. The downward potential of natural gas prices is estimated to be fairly low for the second half of 2017/2018, due to the cold spells at the end of the winter and the associated low storage levels as well as the good economic situation.

Decarbonisation Targets in the Mobility and Space Heating Sectors

The new Austrian climate and energy strategy sets significant milestones for developments in the individual business units. The draft now presented by the new Federal Government on the integrated climate and energy strategy provides for decarbonisation targets in the mobility and space heating sectors, which offer opportunities for new business models on the one hand and are relevant for securing the core business in the space heating sector through the use of renewable gases on the other.

In the second half of the 2017/2018 fiscal year, the heating business unit will concentrate on implementing the district heating project in Gmunden and acquiring new customers in the existing supply area.

Energie AG's production capacities from Group-owned thermal power plants continue to be highly significant for supplying grid reserves. The CCGT power plants of Energie AG will again be available for grid support for the transmission system operators in the remainder of the 2017/2018 fiscal year.

**Negotiations to Restructure Electricity Sales**

Energie AG Oberösterreich and Linz AG intend to terminate their electricity sales cooperation in the joint subsidiary ENAMO GmbH. This step is necessary because the legal and market conditions have changed considerably and the organisational structure of ENAMO GmbH offers only a limited possibility to meet these challenges. The second half of 2017/2018 will therefore be marked by the corresponding negotiations with the contractual partner.

In the remaining fiscal year, business activities in the Grid Segment will primarily focus on the regulatory cost calculation procedure and preparations for the new electricity regulation period (01/01/2019 probably to 31/12/2023). Electricity grid projects and priority programmes will continue to be consistently pursued, with the implementation of the "Electricity Grid Master Plan Upper Austria 2026" becoming increasingly important. The smart meter roll-out is also being continued according to schedule in order to achieve the targeted full roll-out with a rate of over 99.5% by the end of 2019.

In the second half of 2017/2018, fibre-optic expansion will also be driven forward by growing customer demand in particular. Furthermore, Energie AG will apply for current subsidies within the framework of "Broadband Austria 2020".

In the business activities of the Waste Management Segment, continued high heating values and the occurrence of impurities, such as carbon fibres, pose an ongoing challenge in thermal recycling. Protecting the plants, and searching for new, innovative disposal solutions for these materials are currently the key topics and will continue to be so in the near future. Due to the overall positive volume situation in Europe, Energie AG anticipates full capacity utilisation of the thermal recycling plants for the current fiscal year, accompanied by a stable price development.

In the Water Segment, smaller bidding procedures will be taking place in the second half of 2017/2018 in a number of Czech supply areas. In the area of research, development and innovation, the focus is on the technical optimisation of water preparation, water losses and purification plant operation using benchmarking, measures to increase energy efficiency, field tests of the deployment of smart meters, and the development of new online customer services.

**Focus on Improving Customer Orientation and Implementing Digitalisation Strategy**

In the second half of the 2017/2018 fiscal year, Energie AG will focus on further improving its customer orientation and implementing its digitalisation strategy. Beyond this, the planned exit from ENAMO – subject to antitrust approval – will enable an even better focus on specific customer needs, for example with bundled products. Supported by consistent cost management in all areas of the Group and structural optimisations, the aim is to achieve again a good result above the level of previous years in the 2017/2018 fiscal year, following the extraordinarily positive result of 2016/2017.

Linz, 29 May 2018
The Management Board of Energie AG Oberösterreich

**Chief Executive Officer**
**KR DDr. Werner Steinecker MBA**
Chairman of the Management Board

**KR Dr. Andreas Kolar**
Member of the Management Board

**Dipl. Ing. Stefan Stallinger MBA**
Member of the Management Board

# Consolidated Income Statement
## 01 October 2017 to 31 March 2018

| | | 01/10/2017-31/03/2018<br>EUR 1,000 | 01/10/2016-31/03/2017<br>EUR 1,000 |
|---|---|---|---|
| 1. | Sales revenues | 913,230.3 | 959,937.1 |
| | Procurement costs for electricity and gas trading | - 45,136.8 | - 55,880.9 |
| | Net sales revenues | 868,093.5 | 904,056.2 |
| 2. | Change in inventories of finished goods and work in progress | - 547.8 | - 531.8 |
| 3. | Other capitalised company services | 13,814.9 | 11,675.6 |
| 4. | Share in result of companies consolidated at equity | 28,159.7 | 38,668.4 |
| 5. | Other operating revenues | 16,587.2 | 22,642.2 |
| 6. | Expenses for material and other purchased production services | - 517,785.4 | - 544,246.7 |
| 7. | Personnel expense | - 134,987.9 | - 134,886.9 |
| 8. | Depreciation, amortisation, and impairments | - 68,346.1 | - 64,449.7 |
| 9. | Other operating expenses | - 77,674.8 | - 70,328.8 |
| **10.** | **Operating result** | **127,313.3** | **162,598.5** |
| 11. | Financing expenses | - 11,788.5 | - 15,486.8 |
| 12. | Other interest income | 405.4 | 549.2 |
| 13. | Other financial result | 6,919.0 | 5,554.3 |
| **14.** | **Financial result** | **- 4,464.1** | **- 9,383.3** |
| **15.** | **Earnings before taxes** | **122,849.2** | **153,215.2** |
| 16. | Income taxes | - 29,202.0 | - 34,381.9 |
| **17.** | **Consolidated net result** | **93,647.2** | **118,833.3** |
| | Thereof attributable to non-controlling interests | 988.1 | 1,012.9 |
| | Thereof attributable to investors in the parent company | | |
| | **Consolidated net profit** | **92,659.1** | **117,820.4** |

# Consolidated Statement of Comprehensive Income
## 01 October 2017 to 31 March 2018

| | | 01/10/2017-31/03/2018<br>EUR 1,000 | 01/10/2016-31/03/2017<br>EUR 1,000 |
|---|---|---|---|
| **1.** | **Consolidated net result** | **93,647.2** | **118,833.3** |
| **2.** | **Other comprehensive income** | | |
| | **Items that will not be reclassified subsequently to the income statement:** | | |
| | Revaluation of the defined benefit obligation | 232.4 | 11,932.1 |
| | Changes in value of at-equity companies recognised in equity | - 0.8 | 432.1 |
| | Deferred taxes | - 58.3 | - 2,983.0 |
| | **Items that may be reclassified subsequently to the income statement:** | | |
| | Changes in value of investments and available-for-sale securities | - 5,825.9 | - 843.4 |
| | Changes in value of at-equity companies recognised in equity | - | - 17.7 |
| | Hedge accounting | 9,414.0 | 18,968.2 |
| | Exchange differences | 2,684.1 | - 126.6 |
| | Deferred taxes | - 897.0 | - 4,531.2 |
| | **Total expenses and revenues recognised in other comprehensive income** | **5,548.5** | **22,830.5** |
| **3.** | **Total comprehensive income after taxes** | **99,195.7** | **141,663.8** |
| 4. | Thereof attributable to non-controlling interests | 1,351.7 | 1,073.5 |
| **5.** | **Thereof attributable to parent company** | **97,844.0** | **140,590.3** |

# Consolidated Balance Sheet
## as of 31 March 2018

| ASSETS | | 31 March 2018 EUR 1,000 | 30 September 2017 EUR 1,000 |
|---|---|---|---|
| **A. Non-current assets** | | | |
| I. | Intangible assets and goodwill | 192,219.9 | 193,312.2 |
| II. | Property, plant and equipment | 1,953,182.3 | 1,948,116.1 |
| III. | Investments (thereof at-equity companies: | | |
| | EUR 284,159.6 thousand [previous year: EUR 296,072.2 thousand]) | 296,262.9 | 309,629.1 |
| IV. | Other financial assets | 75,574.2 | 78,310.8 |
| | | 2,517,239.3 | 2,529,368.2 |
| V. | Other non-current assets | 13,170.5 | 13,218.4 |
| VI. | Deferred tax assets | 8,795.4 | 10,450.9 |
| | | **2,539,205.2** | **2,553,037.5** |
| **B. Current assets** | | | |
| I. | Inventories | 31,226.4 | 48,085.9 |
| II. | Receivables and other assets | 290,014.3 | 235,087.6 |
| III. | Fixed term deposits | 150,102.1 | 150,000.0 |
| IV. | Cash and cash equivalents | 60,439.3 | 93,030.3 |
| | | **531,782.1** | **526,203.8** |
| | | **3,070,987.3** | **3,079,241.3** |

| LIABILITIES | | 31 March 2018 EUR 1,000 | 30 September 2017 EUR 1,000 |
|---|---|---|---|
| **A. Equity** | | | |
| I. | Share capital | 88,779.5 | 89,087.5 |
| II. | Capital reserves | 215,117.5 | 214,809.5 |
| III. | Retained earnings | 1,012,909.6 | 980,105.8 |
| IV. | Other reserves | - 6,539.3 | - 18,269.1 |
| V. | Non-controlling interests | 14,428.1 | 13,691.7 |
| | | **1,324,695.4** | **1,279,425.4** |
| **B. Non-current liabilities** | | | |
| I. | Financial liabilities | 433,666.1 | 454,638.9 |
| II. | Non-current provisions | 273,526.1 | 280,847.2 |
| III. | Deferred tax liabilities | 63,233.0 | 62,307.7 |
| IV. | Construction cost subsidies | 363,330.0 | 362,075.5 |
| V. | Advances received | 27,457.0 | 37,550.5 |
| VI. | Other non-current liabilities | 70,044.9 | 72,263.9 |
| | | **1,231,257.1** | **1,269,683.7** |
| **C. Current liabilities** | | | |
| I. | Financial liabilities | 26,584.2 | 9,737.8 |
| II. | Current provisions | 14,019.2 | 14,975.3 |
| III. | Tax provisions | 967.2 | 142.7 |
| IV. | Trade payables | 170,468.5 | 156,515.4 |
| V. | Other current liabilities | 302,995.7 | 348,761.0 |
| | | **515,034.8** | **530,132.2** |
| | | **3,070,987.3** | **3,079,241.3** |

# Statement of Changes in Equity (condensed)

| | Equity of investors in parent company EUR 1,000 | Non-controlling interests EUR 1,000 | Total EUR 1,000 |
|---|---|---|---|
| **Balance as of 30/09/2016** | **1,112,733.2** | **13,946.0** | **1,126,679.2** |
| | | | |
| Total comprehensive income | 140,590.3 | 1,073.5 | 141,663.8 |
| Dividends | - 53,269.3 | - 574.8 | - 53,844.1 |
| Change in scope of consolidation | - 49.9 | - 20.6 | - 70.5 |
| Purchase of treasury stocks | - 35.0 | - | - 35.0 |
| **Balance as of 31/03/2017** | **1,199,969.3** | **14,424.1** | **1,214,393.4** |
| **Balance as of 30/09/2017** | **1,265,733.7** | **13,691.7** | **1,279,425.4** |
| | | | |
| Total comprehensive income | 97,844.0 | 1,351.7 | 99,195.7 |
| Dividends | - 53,267.8 | - 578.6 | 53,846.4 |
| Change in scope of consolidation | - 42.6 | - 36.7 | - 79.3 |
| Purchase of treasury stocks | - | - | - |
| **Balance as of 31/03/2018** | **1,310,267.3** | **14,428.1** | **1,324,695.4** |

# Cash Flow Statement (condensed)

| | 01/10/2017-31/03/2018 EUR 1,000 | 01/10/2016-31/03/2017 EUR 1,000 |
|---|---|---|
| **Earnings before income taxes** | **122,849.2** | **153,215.2** |
| | | |
| **Earnings after income tax payments** | **115,247.1** | **147,036.8** |
| | | |
| Depreciation/Appreciation of non-current assets | 61,597.8 | 50,392.1 |
| Retained earnings of equity companies | 11,911.7 | 14,031.2 |
| Other items | - 18,636.1 | - 11,822.6 |
| **CASH FLOW FROM THE RESULT** | **170,120.5** | **199,637.5** |
| | | |
| Payments from hedging transactions | 2,890.9 | 8,239.3 |
| Change in inventories and current receivables | - 38,483.6 | - 13,736.3 |
| Other changes in working capital | - 17,063.9 | - 15,306.5 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | **117,463.9** | **178,834.0** |
| | | |
| Outflow for additions to property, plant, equipment and intangible assets | - 96,752.4 | - 96,029.3 |
| Other items | 4,538.7 | 14,225.3 |
| **CASH FLOW FROM INVESTMENTS** | **- 92,213.7** | **- 81,804.0** |
| | | |
| Dividend distribution | - 53,846.4 | -53,844.1 |
| Other items | - 4,267.6 | - 24,494.1 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | **- 58,114.0** | **- 78,338.2** |
| | | |
| **TOTAL CASH FLOW** | **- 32,863.8** | **18,691.8** |
| | | |
| Cash funds at beginning of period | 93,030.3 | 95,605.0 |
| Cash flow | - 32,863.8 | 18,691.8 |
| Exchange rate effects | 272.8 | - 13.9 |
| Cash funds at end of period | 60,439.3 | 114,282.9 |

# Notes to the Semi-Annual Consolidated Financial Statements as of 31 March 2018 (condensed)

## 1. GENERAL INFORMATION

The condensed Semi-Annual Financial Statements of Energie AG Oberösterreich as of 31 March 2018 were drawn up in accordance with the International Financial Reporting Standards (IFRS) for interim financial reporting, 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, applying IAS 34 (Interim Financial Reporting). The interim financial report represents an update of the Consolidated Financial Statements as of 30 September 2017. The Semi-Annual Financial Statements were neither the subject of a full audit, nor of an auditing review by a chartered accountant.

Aside from the indicated changes, the accounting policies of 30 September 2017 were applied without change.

## 2. CHANGE OF ACCOUNTING METHODS

### 2.1. Standards and Interpretations Applied or Amended and Adopted by the EU for the First Time

New applicable amended standards and interpretations adopted by the EU, taking effect on 01/01/2017 or later:

- IAS 12 (Amendments: Recognition of Deferred Tax Assets for Unrealised Losses)
- IAS 7 (Amendments: Disclosure Initiative)
- Annual Improvements to IFRS Standards 2014-2016 Cycle

The initial application does not result in any material changes.

### 2.2. Standards and Interpretations that Have Not Been Applied Early

In the 2017/2018 Semi-Annual Financial Statements, the following amendments adopted by the EU were not applied early:

Entry into force in the EU on 1 January 2018 or later:

- IAS 40 (Amendments: Transfers of Investment Property)
- IFRS 2 (Amendments: Classification and Measurement of Share-based Payments Transactions)
- IFRS 4 (Amendments: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts)
- IFRS 9 (Financial Instruments)
- IFRS 15 (Revenue from Contracts with Customers)
- IFRS 15 (Clarifications: Revenue from Contracts with Customers)
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 (Foreign Currency Transactions and Advance Consideration)

Entry into force in the EU on 01/01/2019:

- IFRS 9 (Amendments: Prepayment Features with Negative Compensations)
- IFRS 16 (Leases)

The following standards and interpretations, amendments and improvements of standards enter into force on 01/01/2017 or later, although they have not yet been adopted by the European Union at this time:

- IAS 19 (Amendments: Plan Amendments Curtailment or Settlement)
- IAS 28 (Amendments: Long-Term Interests in Associates and Joint Ventures)
- IFRS 17 (Insurance Contracts)
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- IFRIC 23 (Uncertainty Currency Transactions and Advance Consideration)
- Amendments References to the Conceptual Framework in IFRS Standards

These standards are expected to be applied on their date of entry into force.

Entry into force on 01/01/2016, adopted by the European Union but postponed for an indefinite time:

- IFRS 10 und IAS 28 (Amendments: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)

**IFRS 9 (Financial Instruments)**

IFRS 9 (Financial Instruments) is to be used for the first time in the 2018/19 fiscal year and replaces the existing guidelines in IAS 39 (Financial Instruments: Recognition and Measurement). The option to provisionally maintain the guidelines of IAS 39 for the accounting of hedging transactions is not exercised. IFRS 9 is applied prospectively, where applicable. The other assumptions, disclosed on 30 September 2017, regarding the impact of the initial application of IFRS 9 remain the same.

**IFRS 15 (Revenue from Contracts with Customers)**

Please refer to the consolidated financial statements as of 30 September 2017 with regard to the analysis of the impact of IFRS 15 on the consolidated financial statements. IFRS 15 does not result in any material changes on the consolidated financial statements. Additional disclosures are made in the Notes thanks to the initial application of IFRS 15. There are no plans for early use in this regard.

**IFRS 16 (Leases)**

IFRS 16, published in January 2016, replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. The new standard provides that in future all leases and the contractual rights and obligations associated with these must be reported on the balance sheet of the lessee. This resolves the current differences in the recognition of operating and finance leases under IAS 17. The lessee will recognise a right-of-use asset representing its right to use an underlying asset and a lease liability in the amount of the lease's present value. The right of use asset must then be amortised and the lease liability carried forward using the effective interest method. There are exemptions possible for short-term leases and leased properties of low value. The most material change concerns the Group's head office in Linz. The use of the Group's head office is currently arranged on the basis of an operating lease. Under the current conditions, it is expected that a right-of-use asset and a lease liability in the amount of EUR 40.2 million will be recognised. In addition, portfolio contracts regarding property were localised in the Waste Management Segment (Austria) resulting, based on the currently available information, in the recognition of a right of use asset and a corresponding liability in the amount of EUR 17.4 million. The remaining localised leases are of subordinate importance, both individually as well as in total.

Current finance leases will be continued; there will only be a reclassification of the asset as a right-of-use asset. This predominantly relates to assets in the Waste Management Segment, which were sold in the 2007/08 fiscal year and leased back for a period of 15 years ("sale and lease back"). The carrying amount of these assets as of 30 September 2017 is EUR 25.7 million.

IFRS 16 is to be used for the first time in the 2019/2020 fiscal year, although there are no plans in place for early use.

## 3. CONSOLIDATION PRINCIPLES

VODOS Velkoobchod s.r.o. (České Budějovice, Czech Republic) and VODOSPOL s.r.o. (Klatovy, Czech Republic) were included in the Water Segment for the first time with effect from 1 October 2017. Sales revenues generated by the Group companies amounted to EUR 2.4 million in the first half-year of 2017/2018, with the operating result totalling EUR 0.1 million and the balance sheet total amounting to EUR 2.7 million.

## 4. ACCOUNTING POLICIES

**Impairment of Property, Plant and Equipment**

During the reporting period, the general conditions for the operation of the CCGT (combined cycle gas-turbine) power plant in Timelkam improved.

Hence, in the Energy Segment, the more favourable outlook of future cash surpluses resulted in an appreciation for the Timelkam CCGT (combined cycle gas-turbine) power plant in the amount of EUR 5.0 million (31 March 2017: appreciation EUR 14.1 million).

The recoverable amount (value in use) is EUR 56.7 million (30 September 2017: EUR 53.6 million). The maximum output of the power plants amounts to 422 MW, maximum district heating supply is 100 MW. Efficiency was estimated at 55.7%. Annual electricity generation was recognised at up to 1,388 GWh per year. The assumptions for the future electricity and gas prices are based, where available, on market data; if no market data were available, estimates were made based on market studies. Expenses for maintenance and repair were recognised according to maintenance plans and contracts. Other material expense items such as personnel costs, insurance and infrastructure costs are annually increased by an estimated increase rate. The discount rate is 5.0% (30 September 2017: 5.0%).

In addition, reversals of impairment on generation plants in the amount of EUR 1.9 million were recorded in the Energy Segment on account of improved general conditions. The measurement was made based on the value in use, the discount rate is 5% (30 September 2017: 5%). The carrying amount, after considering the reversal of impairment, reached the carrying amount that would have been determined had no impairment loss been recognised in previous years. The carrying amount is EUR 12.7 million.

**Impairment of investments**

The share of profit in "Salzburg AG für Energie, Verkehr und Telekommunikation", consolidated at equity, in the amount of EUR 9.1 million was not recognised as this would have resulted in the value in use in the amount of EUR 153.5 million being exceeded.

## 5. SEGMENT REPORTING

In the Energie AG Group, identification of reportable segments according to IFRS 8 is done according to internal reporting and internal control (Management Approach).

The segment reporting includes the Energy, Grid, Waste Management, and Water and Holding & Services segments. The accounting policies of the reported segments are the same as those used throughout the Group. Sales between the segments ("intersegment sales") are invoiced at market prices or on the basis of costs. The operating result is the net profit or loss for the period that is monitored regularly by the chief operating decision-makers and used as the primary basis for assessing success and for allocating resources.

| 2017/2018 | Energy EUR mill. | Grid EUR mill. | Waste Management EUR mill. | Water EUR mill. | Holding & Services EUR mill. | Reconciliation /elimination EUR mill. | **Group EUR mill.** |
|---|---|---|---|---|---|---|---|
| Sales to third parties | 537.7 | 176.9 | 109.5 | 67.8 | 21.3 | — | 913.2 |
| Intersegment sales | 1.3 | 26.9 | 3.8 | 0.2 | 74.5 | - 106.7 | — |
| **Total sales** | **539.0** | **203.8** | **113.3** | **68.0** | **95.8** | **- 106.7** | **913.2** |
| | | | | | | | |
| Operating result | 70.0 | 54.0 | 8.3 | 4.6 | - 9.6 | — | 127.3 |

| 2016/2017 | Energy EUR mill. | Grid EUR mill. | Waste Management EUR mill. | Water EUR mill. | Holding & Services EUR mill. | Reconciliation /elimination EUR mill. | **Group EUR mill.** |
|---|---|---|---|---|---|---|---|
| Sales to third parties | 602.5 | 169.6 | 101.5 | 65.9 | 20.4 | — | 959.9 |
| Intersegment sales | 1.1 | 32.5 | 3.5 | 0.2 | 67.0 | - 104.3 | — |
| **Total sales** | **603.6** | **202.1** | **105.0** | **66.1** | **87.4** | **- 104.3** | **959.9** |
| | | | | | | | |
| Operating result | 88.6 | 60.6 | 6.8 | 4.5 | 2.1 | — | 162.6 |

The operating result in the totals column corresponds to the one in the Consolidated Income Statement. The offsetting and reconciliation for the earnings before income taxes can be found in the income statement.

The composition of the Waste Management Segment and the Water Segment was changed as of 1 October 2017. WDL-WasserdienstleistungsGmbH and VARINGER d.o.o were transferred from the Water Segment to the Waste Management Segment. The image below shows the segment information for 2017/2018 according to the old segment structure:

| 2017/2018 | Energy EUR mill. | Grid EUR mill. | Waste Management EUR mill. | Water EUR mill. | Holding & Services EUR mill. | Reconciliation /elimination EUR mill. | **Group EUR mill.** |
|---|---|---|---|---|---|---|---|
| Sales to third parties | 537.7 | 176.9 | 104.9 | 72.4 | 21.3 | — | 913.2 |
| Intersegment sales | 1.3 | 26.9 | 3.8 | 0.2 | 74.5 | - 106.7 | — |
| **Total sales** | **539.0** | **203.8** | **108.7** | **72.6** | **95.8** | **- 106.7** | **913.2** |
| | | | | | | | |
| Operating result | 70.0 | 54.0 | 7.5 | 5.4 | - 9.6 | — | 127.3 |

## 6. FINANCIAL INSTRUMENTS

### 6.1. Carrying Amounts According to IAS 39

The carrying amounts of financial assets and liabilities are grouped to classes or measurement categories according to IAS 39 or IAS 17 as follows:

| | Category according to IAS 39 | **Carrying amount 31/03/2018 EUR 1,000** | Carrying amount 30/09/2017 EUR 1,000 |
|---|---|---|---|
| **Investments** | | **12,103.5** | **13,556.9** |
| Shares in affiliated companies | AfS (at cost) | 1,618.0 | 2,992.6 |
| Available for sale investments | AfS | 515.8 | 435.9 |
| Other investments | AfS (at cost) | 9,969.7 | 10,128.4 |
| | | | |
| **Other financial assets** | | **75,574.2** | **78,310.8** |
| Loans to affiliated companies | LaR | 39.5 | 38.5 |
| Loans to companies in which an interest is held | LaR | 12,500.6 | 4,197.7 |
| Other lendings | LaR | 16,455.0 | 15,469.4 |
| Securities (held to maturity) | HtM | 1.0 | 1.0 |
| Securities (available for sale) | AfS | 18,954.2 | 29,405.2 |
| Securities (fair value option) | AtFVP&L (FV Option) | 27,623.9 | 29,199.0 |
| | | | |
| **Receivables and other assets** | | | |
| **(non-current and current) as per balance sheet** | | **303,184.8** | **248,306.0** |
| **Thereof non-financial assets** | | **30,565.2** | **29,964.7** |
| **Thereof financial assets** | | **272,619.6** | **218,341.3** |
| Trade receivables | LaR | 205,562.0 | 160,603.2 |
| Receivables from affiliated companies | LaR | 650.0 | 681.7 |
| Receivables from joint arrangements and associated companies | LaR | 18,253.2 | 26,774.8 |
| Derivatives designated as hedging instruments (cash flow hedges) | n/a | 513.4 | 139.6 |
| Derivatives not designated as hedging instruments | AtFVP&L (Trading) | 10,588.1 | 12,875.1 |
| Other financial assets | LaR | 37,052.9 | 17,266.9 |
| | | | |
| **Fixed term deposits** | LaR | **120,000.0** | **150,000.0** |
| **Fixed term deposits** | AtFVP&L (FV Option) | **30,102.1** | – |
| | | | |
| **Cash and cash equivalents** | LaR | **60,439.3** | **93,030.3** |
| | | | |
| **Total financial assets** | | **570,838.7** | **553,239.3** |

AfS Available for Sale
LaR Loans and Receivables
HtM Held to Maturity
FLAC Financial Liability Measured at Amortised Cost
AtFVP&L At Fair Value through Profit or Loss

| | Category according to IAS 39 *) | **Carrying amount 31/03/2018 EUR 1,000** | Carrying amount 30/09/2017 EUR 1,000 |
|---|---|---|---|
| **Financial liabilities (non-current and current)** | | **460,250.3** | **464,376.7** |
| Bonds | FLAC | 302,349.8 | 302,387.5 |
| Liabilities to banks | FLAC | 32,450.7 | 34,927.1 |
| Liabilities from finance leases | IAS 17 | 50,299.7 | 51,578.2 |
| Other financial liabilities | FLAC | 75,150.1 | 75,483.9 |
| | | | |
| **Trade payables (current)** | FLAC | **170,468.5** | **156,515.4** |
| | | | |
| **Other liabilities (non-current and current) acc. to the balance sheet** | | **373,040.6** | **421,024.9** |
| **Thereof non-financial liabilities** | | **213,144.4** | **225,033.4** |
| **Thereof financial liabilities** | | **159,896.2** | **195,991.5** |
| Liabilities to affiliated companies | FLAC | 41,212.1 | 21,989.6 |
| Liabilities to joint arrangements and associated companies | FLAC | 56,963.5 | 91,666.1 |
| Derivatives designated as hedging instruments (cash flow hedges) | n/a | 14,628.7 | 15,363.9 |
| Derivatives not designated as hedging instruments | AtFVP&L (Trading) | 8,402.5 | 10,240.7 |
| Other financial liabilities (non-current and current) | FLAC | 38,689.4 | 56,731.2 |
| | | | |
| **Total financial liabilities** | | **790,615.0** | **816,883.6** |

| | Category according to IAS 39 | **Carrying amount 31/03/2018 EUR 1,000** | Carrying amount 30/09/2017 EUR 1,000 |
|---|---|---|---|
| **Carrying amounts in measurement categories acc. to IAS 39** | | | |
| Loans and Receivables | LaR | 470,952.5 | 468,062.5 |
| Held to Maturity Investments | HtM | 1.0 | 1.0 |
| Available for Sale Financial Assets | AFS | 31,057.7 | 42,962.1 |
| Financial Assets at Fair Value through Profit or Loss | AtFVP&L (Trading) | 10,588.1 | 12,875.1 |
| Financial Assets at Fair Value through Profit or Loss | (AtFVP&L (FV Option)) | 57,726.0 | 29,199.0 |
| Financial Liabilities Measured at Amortised Cost | (FLAC) | 717,284.1 | 739,700.8 |
| Financial Liabilities at Fair Value through Profit or Loss | AtFVP&L (Trading) | 8,402.5 | 10,240.7 |

Shares in non-consolidated investments and other investments are presented as "Available for Sale at Costs". For these investments, there is no price listed on an active market and the fair value cannot be reliably determined. In the 2017/2018 fiscal year, a disposal of other investments (at cost) was entered in the amount of EUR 101.6 thousand (previous year: EUR 35.0 thousand). The loss from the disposal of these assets was EUR 101.6 thousand (previous year: EUR 2.6 thousand).

## 6.2. Measurement at Fair Value

### 6.2.1. Fair Value of Financial Assets and Liabilities that Are Measured Regularly at Fair Value

Pursuant to IFRS 13, financial instruments that are measured at fair value are classified within a fair value hierarchy. In view of possible uncertainties relating to possible estimates of the fair values, a distinction is made between three levels:

Level 1: Measurement on the basis of a published price quotation for identical assets or liabilities in an active market.

Level 2: Measurement on the basis of inputs that are observable either directly or indirectly in the market and measurements based on prices quoted in inactive markets.

Level 3: Measurement on the basis inputs not observable in the market.

If the inputs used to determine the fair value of an asset or liability are attributable to different levels of the fair value hierarchy, the measurement at fair value is wholly assigned to the the fair value hierarchy level that corresponds to the lowest input which, in the aggregate, is material for the measurement.

The financial instruments measured at fair value are assigned to levels 1 to 2 as follows:

| 31/03/2018 | Carrying amount EUR 1,000 | Measurement at market prices Level 1 EUR 1,000 | Measurement based on inputs observable in the market Level 2 EUR 1,000 | **Total fair value EUR 1,000** |
|---|---|---|---|---|
| **Assets** | | | | |
| Investments (available for sale) | 515.8 | 515.8 | — | 515.8 |
| Securities (available for sale) | 18,954.2 | 16,575.3 | 2,378.9 | 18,954.2 |
| Securities (fair value option) | 27,623.9 | 27,623.9 | — | 27,623.9 |
| Fixed term deposits and current investments | 30,102.1 | 30,102.1 | — | 30,102.1 |
| Derivatives designated as hedging instruments (cash flow hedges) | 513.4 | — | 513.4 | 513.4 |
| Derivatives not designated as hedging instruments | 10,588.1 | — | 10,588.1 | 10,588.1 |
| **Total** | **88,297.5** | **74,817.1** | **13,480.4** | **88,297.5** |
| | | | | |
| **Liabilities** | | | | |
| Derivatives designated as hedging instruments (cash flow hedges | 14,628.7 | — | 14,628.7 | 14,628.7 |
| Derivatives not designated as hedging instruments | 8,402.5 | — | 8,402.5 | 8,402.5 |
| **Total** | **23,031.2** | **—** | **23,031.2** | **23,031.2** |

| 30/09/2017 | Carrying amount EUR 1,000 | Measurement at market prices Level 1 EUR 1,000 | Measurement based on inputs observable in the market Level 2 EUR 1,000 | **Total fair value EUR 1,000** |
|---|---|---|---|---|
| **Assets** | | | | |
| Investments (available for sale) | 435.9 | 435.9 | — | 435.9 |
| Securities (available for sale) | 29,405.2 | 23,526.0 | 5,879.2 | 29,405.2 |
| Securities (fair value option) | 29,199.0 | 29,199.0 | — | 29,199.0 |
| Fixed term deposits and current investments | — | — | — | — |
| Derivatives designated as hedging instruments (cash flow hedges) | 139.6 | — | 139.6 | 139.6 |
| Derivatives not designated as hedging instruments | 12,875.1 | — | 12,875.1 | 12,875.1 |
| **Total** | 72,054.8 | 53,160.9 | 18,893.9 | 72,054.8 |
| | | | | |
| **Liabilities** | | | | |
| Derivatives designated as hedging instruments (cash flow hedges) | 15,363.9 | — | 15,363.9 | 15,363.9 |
| Derivatives not designated as hedging instruments | 10,240.7 | — | 10,240.7 | 10,240.7 |
| **Total** | 25,604.6 | — | 25,604.6 | 25,604.6 |

### 6.2.2. Valuation Techniques and Input Used in Measuring Fair Values

In general, the fair values of the financial assets and liabilities correspond to the market prices as of the balance sheet date. If active market prices are not directly available and if they are not of minor significance, they are calculated using recognised actuarial measurement models and current market parameters (in particular interest rates, exchange rates and the credit rating of contractual partners). The cash flows from the financial instruments are discounted to the balance sheet date for this purpose.

The following valuation techniques and inputs were used:

| Financial instruments | Level | Valuation techniques | Inputs |
|---|---|---|---|
| Listed securities, mutual funds | 1 | Market value-oriented | Nominal values, stock market price, net asset value |
| Other securities | 2 | Capital value-oriented | Payments connected to financial instruments, interest rate curve, credit risk of the contractual partners (credit default swaps or credit spread curves) |
| Foreign exchange contracts | 2 | Capital value-oriented | Exchange rates, interest rates, credit risk of the contractual partners |
| Listed energy futures | 1 | Market value-oriented | Settlement price determined at stock exchange |
| Non-listed energy forwards | 2 | Capital value-oriented | Forward price curve derived from stock exchange prices, interest rate curve, credit risk of contractual partners on a net basis |
| Interest rate swaps | 2 | Capital value-oriented | Cash flows already fixed or determined using forward rates, interest rate curve, credit risk of contractual partners |
| Gas/aluminium/copper swaps | 2 | Capital value-oriented | Cash flows already fixed or determined using forward rates, interest rate curve, credit risk of contractual partners |

### 6.2.3. Fair Values of Financial Assets and Liabilities that Are Not Measured Regularly at Fair Value, However for which the Fair Value Must Be Disclosed

The items trade receivables, receivables from affiliated companies, receivables from joint arrangements and associated companies, other financial assets, as well as fixed term deposits and current investments are characterised by predominantly short remaining terms. Therefore, their carrying amounts as of the balance sheet date correspond approximately to the fair value. If they are material and do not have a variable interest rate, then the fair value of non-current borrowings corresponds to the present value of the payments associated with the assets, taking into consideration the current market parameters in each case (interest rates, credit spreads).

Trade payables, liabilities to affiliated companies, liabilities to joint arrangements and associated companies and other financial liabilities mainly have short remaining maturities. The values on the balance sheet are approximately the fair values. If they are material and do not have a variable interest rate, then the fair value of financial liabilities is determined using the present value of the payments associated with the liabilities, taking into consideration the applicable market parameters in each case (interest rates, credit spreads).

The following financial assets and liabilities have a fair value different from the carrying amount:

| | Category according to IAS 39 | **Carrying amount 31/03/2018 EUR 1,000** | **Fair value 31/03/2018 EUR 1,000** | Carrying amount 30/09/2017 EUR 1,000 | Fair value 30/09/2017 EUR 1,000 | Level |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Other financial assets** | | **28,955.6** | **31,646.1** | **19,667.1** | **22,379.7** | |
| Loans to companies in which an interest is held | LaR | 12,500.6 | 15,057.3 | 4,197.7 | 4,690.4 | Level 3 |
| Other lendings | LaR | 16,455.0 | 16,588.8 | 15,469.4 | 17,689.3 | Level 3 |
| **Liabilities** | | | | | | |
| **Financial liabilities** | | **409,950.6** | **492,737.0** | **412,798.5** | **498,897.4** | |
| Bonds | FLAC | 302,349.8 | 370,725.0 | 302,387.5 | 377,643.0 | Level 1 |
| Liabilities to banks | FLAC | 32,450.7 | 34,272.7 | 34,927.1 | 36,396.9 | Level 3 |
| Other financial liabilities | FLAC | 75,150.1 | 87,739.3 | 75,483.9 | 84,857.5 | Level 3 |

The fair value of the Level 3 financial liabilities given above were determined in agreement with generally accepted valuation techniques based on discounted cash flow analyses. The material input is the discount rate, which takes into account the default risk of the counterparty.

# 7. RISK MANAGEMENT

## 7.1. Risk Management Process

The risk management system of Energie AG aims to recognise future developments as early as possible and to recognise the arising risks and opportunities and actively manage these. As an established part of the management and control system, risk management is taken into account in strategic management, in investment/project management and in business operations.

Central risk management controls the risk management process based on operational risk management in the decentralised business areas. On a quarterly basis, risks, opportunities and measures are updated and entered in a software tool implemented across the Group. At the Group level, the opportunities and risk thus identified are analysed and incorporated into the Group's overall risk position. Reporting to the Group's management board is done quarterly and ad hoc as needed.

Risk management is also an integral part of reporting to the Supervisory Board, and in accordance with the requirements of the Austrian Company Law Amendment Act (URÄG), is also reported to the audit committee regarding the efficiency and validity of the process.

Proper documentation and verifiability are also guaranteed by historisation of the data as at the measurement dates.

## 7.2. Risk Profile and Development Trends

In addition to the risks typical of the industry, the risks and opportunities situation of Energie AG is mainly characterised by challenges in energy policy and regulatory requirements, and continuing intensification of competition.

## 7.3. Risks from Operating Activities

The efficiency and intrinsic value of the assets, procurement rights and investments of the Energie AG Group are significantly influenced by **market price risks** (prices for electricity, gas, biomass, and allowances). The expertise in the management of commodity price risks bundled in Energie AG Oberösterreich Trading GmbH makes it possible to utilise intra-Group synergies by employing risk strategies geared to the market environment.

In light of increasingly volatile markets, the **stabilisation of the electricity grid** is a challenge for transmission system operators. The use of CCGT (combined cycle gas-turbine) power plants in the area of grid services and grid stabilisation amplifies the Group's earnings volatility.

**Weather conditions** are another important factor for the success of Energie AG. Varying water levels of rivers result in fluctuating electricity generation from hydraulic power plants, while temperatures have a significant effect on the demand for district heating, gas and electricity during the heating season. In the first half of 2017/2018, electricity procurement experienced a positive effect due to water levels well above the long-term average. The total number of heating degree days in winter 2017/18 was 0.2 % below the average for the last 10 years, and 4.2 % below the previous year's figure.

The **competitive situation on the end-customer market** is having an impact on the number of active customers, sales quantities and price levels. The private customer segment is strongly in the focus of competition, in which electricity sales of Energie AG to its customers recorded a slight reversal trend in the first half of 2017/2018 and thus declining switching rates. The measures taken in this segment to improve customer loyalty, service and promotional offers, as well as the focus on digitalisation in product development, are having a positive effect.

Concerning the general economic conditions on the waste management markets, the trend towards easing of the markets is continuing in the **Waste Management Segment**. However, the positive price trend on the waste management market led to increased competition with operators of pre-treatment plants and industrial co-incinerators, and to stronger remunicipalisation efforts by communal waste management associations. These developments are being addressed by targeted market activities and more intensive cooperation with the public sector. Strategically anchored cost management is also being consistently pursued, and the ongoing optimisation projects are being continued

The **Water Segment** reports a steady development in sales revenues and earnings. Ongoing optimisation campaigns in

all business areas as well as participations in (concession) tenders are the most prominent measures for securing and growing the Group's market share.
Due to rapidly advancing digitalisation, the expansion of **Fiber To The Home** (FTTH) and the fitting of **smart meters** is gaining in importance. The dynamic nature of FTTH expansion has been able to be significantly increased thanks to high customer requirements and the allocation of considerable funds from the subsidy programmes in the scope of "Breitband Austria 2020" (Broadband Austria 2020), as well as follow-up support for small and medium-sized enterprises (SMEs) and compulsory schools on the part of the Province of Upper Austria.

The Group's comparably high proportion of smart meters allows the grid operator the use of various smart grid functions. These expansions to the business model also offer new opportunities and threats, particularly in terms of IT protection regulations for end customers.

Systems involving highly complex technologies are used at times within the various business units of Energie AG. These **systems are exposed to risks** from technical failures or other damage events (natural disasters, sabotage, etc.), which may also affect their availability.

These asset risks are handled by Energie AG through maintenance and quality inspections, as well as an optimised maintenance strategy. In the Electricity Grid unit, the programme to replace highly disruption-prone, medium-voltage overhead lines with ground cables is proceeding on schedule in a pro-active manner. Energie AG operates an adequate incident management system to handle any damages incurred despite these measures and insures these risks to the extent commercially viable at economically acceptable insurance excesses.

The business processes of Energie AG are supported by **information and communication systems**, which depend on a secure and reliable information technology. Energie AG addresses the increasing risks associated with information security as well as risks in cyber space by employing a comprehensive information security management system at Group level.

## 7.4. Political, Regulatory and Legal Risks

The Energie AG business model requires a long-term perspective, which renders it highly dependent on the prevailing political, regulatory and legal framework conditions. Efforts are made to counter these risks with intensive and constructive dialogue with government agencies and policymakers.

The **general regulatory conditions** for the current fiscal year can be judged in principle to be stable. The current regulatory period for electricity expires at the end of 2018. Although it has been possible to keep the new regulatory system for natural gas stable, the Austrian Federal Economic Chamber and the Federal Chamber of Labour have objected to the stipulations made by the regulatory authority. The decision on the handling of these objections is still pending. Based on the information currently available, there is not expected to be any material impact on the income situation. The aim remains to keep the general conditions for grid operators stable.

The **EU General Data Protection Regulation (GDPR)** entered into force on 25 May 2018. Eight defined work packages implemented all relevant GDPR requirements in a timely manner in the Energie AG Group.

## 7.5. Investment Project Risks

The execution of investment projects is characterised by high complexity, the interaction of numerous inputs, and a declining planning security. Risk management is integrated in the entire project cycle and evaluates the potential financial risks and measures to counteract them in the course of project development and implementation.

## 7.6. Financial Risks

Financial risks, such as the interest rate risk, currency and liquidity risks as well as the market price risk from financial investments, are managed and monitored centrally by the Group Treasury unit of Energie AG. Risk management of the relevant counterparties of Energie AG is performed in close consultation with Group Treasury.

In March 2018, Energie AG Oberösterreich once again received the very good rating classification of "A/outlook stable". This strong external credit rating classification gives the Group high flexibility in financing issues.

## 8. RELATED PARY DISCLOSURES

Related parties include OÖ Landesholding GmbH as majority shareholder as well as its subsidiaries, the Province of Upper Austria as sole investor of OÖ Landesholding GmbH, the joint ventures, the associated companies as well as members of the Management Board and of the Supervisory Board of Energie AG Oberösterreich and their close relations.

| | | Revenues EUR 1,000 | Expenses EUR 1,000 | Receivables EUR 1,000 | Liabilities EUR 1,000 |
|---|---|---|---|---|---|
| Province of Upper Austria | **2017/2018** | **249.4** | **293.1** | **1.6** | **3.2** |
| | 2016/2017 | 267.5 | 331.1 | 59.2 | 3.8 |
| OÖ Landesholding and subsidiaries | **2017/2018** | **1,592.7** | **122.5** | **188.4** | **41,087.3** |
| | 2016/2017 | 1,691.5 | 61.5 | 253.5 | 36,391.5 |
| Associated companies | **2017/2018** | **7,495.9** | **333.6** | **976.3** | **32.4** |
| | 2016/2017 | 4,453.3 | 298.1 | 208.8 | 0.5 |
| Joint ventures | **2017/2018** | **127,235.8** | **7,714.3** | **14,106.8** | **51,296.2** |
| | 2016/2017 | 144,851.2 | 8,152.9 | 16,437.4 | 51,527.5 |

Services are provided at arm's length principles at cost-based conditions.

## 9. OTHER DISCLOSURES

Particularly with regard to electricity generation, electricity sales and the gas business, weather-related fluctuations are reflected in the sales and results throughout the fiscal year. The Energy Segment therefore has a tendency to generate higher results in the first half-year than it would in the second half-year. Due to limited construction activities during the autumn and winter months, investments into property, plant and equipment assets during the first half-year are generally lower than in the second half-year. During the first six months, the hydro coefficient was 1.24 (previous year: 0.98).

During the first six months of 2017/18, additions to property, plant and equipment amounted to EUR 62.9 million (previous year: EUR 50.2 million). The book-value disposals amounted to EUR 2.3 million (previous year: EUR 2.1 million). Obligations for the acquisition of property, plant and equipment amount to EUR 50.9 million (previous year: EUR 35.9 million).

In the first half of 2017/18, dividends were paid in the amount of EUR 53.3 mill. (previous year EUR 53.3 mill.) to the shareholders of Energie AG Oberösterreich.

Contingent liabilities amounted to EUR 5.3 million (previous year: EUR 5.8 million.).

Linz, 29 May 2018
The Management Board of Energie AG Oberösterreich

**Chief Executive Officer**
**KR DDr. Werner Steinecker MBA**
Chairman of the Management Board

**KR Dr. Andreas Kolar**
Member of the Management Board

**Dipl. Ing. Stefan Stallinger MBA**
Member of the Management Board

# Statement by the Management Board pursuant to § 125 (1) item 3 of the Austrian Stock Exchange Act

We confirm to the best of our knowledge that the Condensed Interim Financial Statements give a true and fair view of the net assets, financial position and results of operation of the Group as required by the International Financial Reporting Standards (IFRS) and that the Semi-Annual Group Management Report gives a true and fair view of important events that have occurred during the first six months of the fiscal year and their impact on the Condensed Interim Financial Statements and of the principal risks and uncertainties for the remaining six months of the fiscal year.

Linz, 29 May 2018

The Management Board of Energie AG Oberösterreich

**Chief Executive Officer**
**KR Prof. Ing. DDr. Werner Steinecker MBA**
Chairman of the Management Board
C.E.O.

**KR Dr. Andreas Kolar**
Member of the Management Board
C.F.O.

**Dipl. Ing. Stefan Stallinger MBA**
Member of the Management Board
C.T.O.

When "Energie AG" is referred to in the financial statement, Energie AG Oberösterreich is meant.

This report contains forward-looking statements subject to risks and uncertainties that could cause actual results to differ substantially from those predicted. Terms used such as "presumed", "assumed", "estimated", "expected", "intended", "may", "planned", "projected", "should" and comparable expressions serve to characterise forward-looking statements. No guarantees can therefore be given that the forecasts and planned values will actually materialise regarding economic, currency-related, technical, competition-related and several other important factors that could cause actual results to differ from those anticipated in the forward-looking statements. Energie AG does not intend to update such forward-looking statements and refuses any responsibility for any such updates. We have exercised utmost diligence in the preparation of this report and checked the data contained therein. The present English version is a translation of the German report. The German version of the report is the only authentic version.

## LEGAL NOTICE

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