



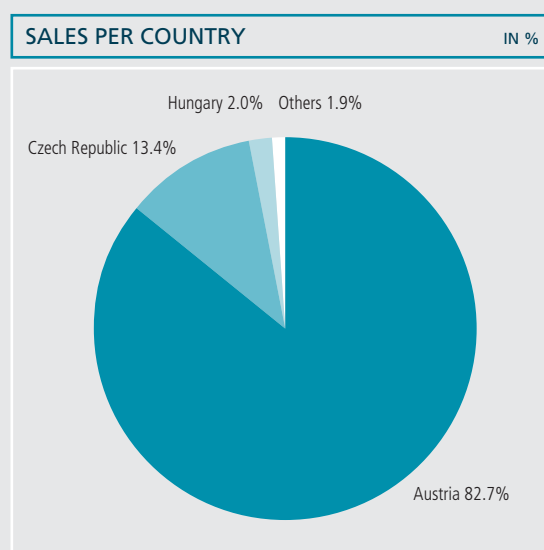
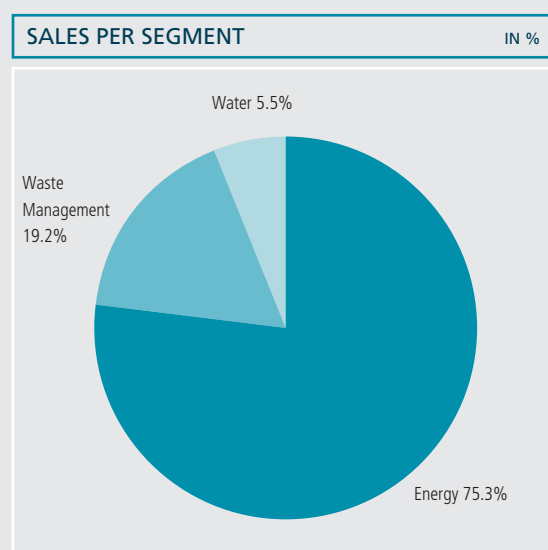
# Sunny Prospects

Semi-Annual Report  
for the Period  
1 October 2010 to 31 March 2011

**ENERGIEAG**  
Oberösterreich

# The Energie AG Group at a Glance

	in	2010/2011 1st half-year	Change	2009/2010 1st half-year	2008/2009 1st half-year
<b>Sales</b>					
Energy segment	EUR mill.	886.2	12.6%	786.9	781.5
Waste management segment	EUR mill.	225.3	30.5%	172.6	158.0
Water segment	EUR mill.	65.1	12.2%	58.0	53.4
Group sales	EUR mill.	1,176.6	15.6%	1,017.5	992.9
<b>Result</b>					
EBITDA	EUR mill.	181.5	23.6%	146.8	134.9
EBITDA margin	%	15.4	6.9%	14.4	13.6
Result of operations (EBIT)	EUR mill.	100.9	39.0%	72.6	62.7
EBIT margin	%	8.6	21.1%	7.1	6.3
Result before taxes	EUR mill.	80.4	42.6%	56.4	59.2
Consolidated net profit	EUR mill.	55.5	52.9%	36.3	39.3
<b>Cash flow from the result</b>	EUR mill.	170.6	32.5%	128.8	78.8
		<b>31/03/11</b>	Change	30/09/10	30/09/09
<b>Balance sheet</b>					
Balance-sheet total	EUR mill.	3,746.2	1.4%	3,695.9	3,658.5
Equity	EUR mill.	1,381.3	2.5%	1,347.9	1,302.2
Equity ratio	%	36.9	1.1%	36.5	35.6
<b>Employees (average)</b>	FTE	7,855	7.7%	7,294	6,881



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# Statement by the Chairman of the Board of Management



Roland Pumberger  
Member of the Board of Management

Leo Windtner  
Chairman of the Board of Management

Werner Steinecker  
Member of the Board of Management

The current fiscal year is marked by a large number of factors, some of which are mutually conflicting. In macro-economic terms, the economy worldwide, and to a certain degree also in Europe, has improved. Austria and the markets relevant to the Energie AG Oberösterreich Group are recording GDP growth rates between 1.1% and 3.5%. The economic recovery following the years of crisis, 2008 and 2009, is starting to be felt.

At the same time, the situation in the energy markets remains tense: High oil prices are leading to high gas prices. Then again, the electricity prices are showing a sideways trend at a low level, which is supported, on the one hand, by the slow return in demand, and, on the other, and most importantly, by the reduced demand in the liberalised electricity market due to the eco-electricity regulations. As a result, the electricity sector is, for the first time, showing

something of a paradox where electricity bills for end-consumers turn out to be comparatively high due to the Green electricity surcharge, whereas the international exchange price remains at relatively low levels. Obviously, although the energy utility companies are required to collect them, the proceeds of the Green electricity surcharge do not go to them. The nuclear power phase-out debates in Europe in the wake of the disaster in Fukushima have so far only had a moderate impact on the electricity price trend in the electricity market.

The economic upswing is also reflected in the Waste Management Segment of Energie AG Oberösterreich, in the AVE Group. Although the rising oil prices are also leading to sharply increased fuel costs, which are a decisive expense factor in waste management logistics, the demand for crude materials, the increase in waste volumes and the resulting rising price trend are bringing about a noticeable increase in earnings.

The Water Segment at Energie AG Oberösterreich continues to be distinguished by its stable structure, and was only very marginally affected by the overall economic conditions. Against this background, the tight financial situation, which many municipalities are currently facing, whether at a national or an international level, may open up some attractive opportunities for the Water Segment.

Despite this environment, which is particularly tough in the core business, the Group performed very well over the first six months. Sales rose from EUR 1,017.5 million to EUR 1,176.6 million (+ 15.6%) while the results of operations went up by around 39% from EUR 72.6 million to EUR 100.9 million. The efficiency measures implemented so far have already taken effect and are being consistently continued. Thanks to rigorous investment management measures, Energie AG Oberösterreich's rating outlook was raised to "A stable".

Only the coming months and years will show what major challenges lie ahead for the industry in the post-Fukushima era. The internationally fuelled debate on climate protection, security of supply and nuclear phase-out covers a wide spectrum of challenges facing the energy industry where not only the respective lawmakers are called upon to find solutions but also the companies themselves. Energie AG Oberösterreich is prepared to take on responsibility and participate in the development of Upper Austria's, Austria's and Europe's energy policy.

The Board of Management would like to express its thanks, particularly to its employees, for the work so far achieved, which is reflected in the pleasing figures of the half-yearly result. It is our aim to jointly continue to work hard over the next six months to be able to report a successful fiscal year for the Group, the owners, the employees as well as our customers at the end of the current fiscal year in September 2011.



Leo Windtner,  
Chairman of the Board of Management

# Semi-Annual Management Report 2010/2011 of Energie AG Oberösterreich

## THE MACRO-ECONOMIC ENVIRONMENT

Over the year 2010, the global economy recovered from the recession at a remarkably strong pace, growing by almost 5% compared to the previous year. The main motors for the economic upswing are, most importantly, the dynamic developments in the emerging markets as well as the noticeable growth spurt in the US economy, which are fuelling global trade.

While the US economy was back to strong growth in the 4th quarter of 2010, reporting an increase of 0.8%, economic growth at 0.3% in the EU was a little more subdued. Particularly striking were the widely differing growth dynamics in Europe: Countries strong in exports such as Germany or Sweden are seeing much faster economic recovery than Southern Europe or the United Kingdom is. Nevertheless, at present, it is already noticeable that the global growth dynamics will slow down over the course of the year. The reason for this is mainly because the commodity and energy prices in the de-

veloped economies are beginning to have an effect on the consumer prices with the result that the real income available to private households will start to decrease.

In 2010, the strong expansion of the global economy led to an economic growth rate of 2% in Austria, on an annual average, mainly driven by the increase in the real exports by 10.8%. The indicators available to the Institute for Higher Studies (IHS) point to just a slight slowdown of growth dynamics this year in Austria. Against this background, the growth forecast for the Austrian economy for 2011 was raised to 2.3%.

Forecasts for the relevant foreign markets of the Energie AG Group anticipate the GDP growth in 2011 to be between 1.1% and 3.5%; for the Ukraine and Moldova, the International Monetary Fund (IMF) even expects growth rates as high as 4.5%.

## THE BUSINESS DEVELOPMENT IN THE GROUP

For the Energie AG Group, the external economic environment during the first six months of the 2010/2011 fiscal year was characterised by the recovering economy in Austria and its bordering markets and by the difficult conditions in the international energy markets. It was nevertheless possible to achieve a clear improvement of the financial key figures compared to the same period of the previous year.

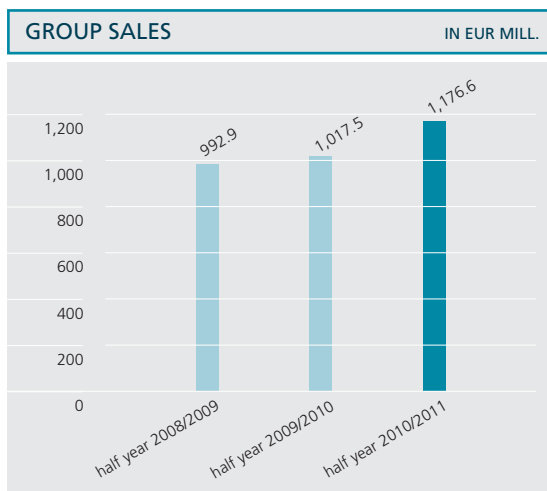
Despite the slightly lower water levels compared to the previous year, the Group's own energy production was able to be increased by approx. 8% compared to the previous year, which is primarily attributable to the increased use of thermal power plants. The higher sales volumes in the Energy Segment (electricity, heat and gas) are mainly the result of the increased demand from industrial customers.

The Waste Management Segment benefited externally from the increase in the prices for recyclable materials and their volumes and internally from the first noticeable effects from the launched cost-efficiency programmes. With regard

to the Water Segment, the development path taken was steadily continued by making use of increased synergetic effects from the pooling of technical services and by making further acquisitions.

The Group's sales revenues during the first six months of the 2010/2011 fiscal year (1 October 2010 to 31 March 2011) compared to the same period of the previous year were up by 15.6% to EUR 1,176.6 million, attributable to volume increases and positive price developments across all segments.

The Group's EBIT during the first half-year of the 2010/2011 fiscal year is at EUR 100.9 million which is also clearly above the previous year's level (EUR 72.6 million). This additional growth is primarily down to the fact that provisions had been formed for imminent losses in the Energy and Waste Management Segments in the previous year. At the same time, efficiency-enhancing and cost-cutting programmes introduced during the year are starting to have a favourable effect on the Group result.



Besides focusing on improving its operating performance after the economic crisis, Energie AG concentrated primarily on its investment policy.

The investments into tangible fixed assets in the first half year were at EUR 47.7 million and were thus slightly below the previous year's figure of EUR 49.7 million. The majority of these investments were made in Austria in the Energy Segment.

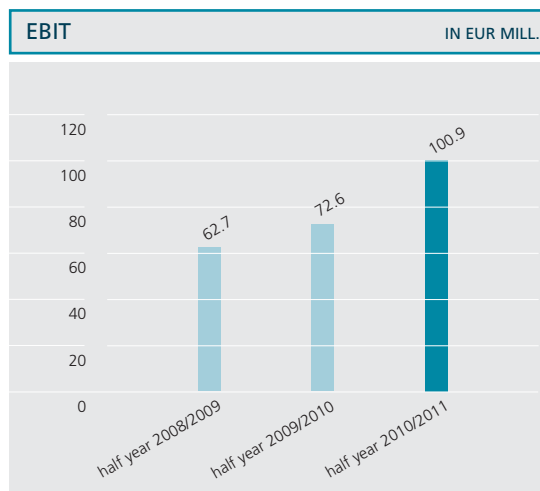
The amount of financial liabilities as of 31 March 2011 was at EUR 996.3 million, which is 1.5% below last year's figure (EUR 1,012.3 million – as of 30 September 2010).

Cash flow from operations amounts to EUR 124.5 million (previous year: EUR 78.6 million). The rise was essentially attributable to the increased result as well as to payments from hedging transactions.

### Rating – Outlook Improved

In January 2011, Standard & Poor's once again confirmed the very good "A" credit rating for the Energie AG Group. In addition, based on the recovery of the Group's business performance, which is distinctly reflected in the previous fiscal year's result, the rating outlook was improved from "Negative" to "Stable".

Being a capital-intensive company, it is of paramount importance for Energie AG to be able to access the international credit and capital markets to benefit from optimal financing conditions, and a high credit rating confirmed by S&P is a key requirement to gain such access. The rating-relevant key figures in corporate, investment and financial planning are therefore crucial to securing a sufficient credit rating.



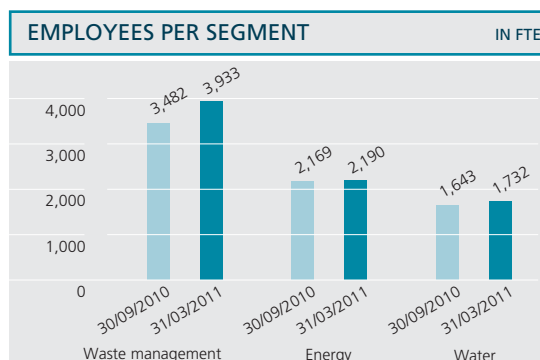
### Continued Stable Cross-Border Leasing Structure

During the first six months of the 2010/2011 fiscal year, the cross-border leasing (CBL) transaction for some of the power plants of Energie AG was continued in accordance with the agreement and has remained at a stable level.

Possible options to further optimise the transaction are continuously being investigated. The contingent liabilities from cross-border leasing were shown to amount to EUR 646 million as of 31 March 2011 (with the closing exchange rate for the US dollar standing at 1.40985 as of 31 March 2011).

### Development of Human Resources

The Group's average consolidated staff level (full-time equivalents) went up from 7,294 as of 30 September 2010 to 7,855 employees as of 31 March 2011. The rise is primarily due to companies with first-time consolidation in the Waste Management Segment in Romania and Italy as well as the integration of other companies in the Czech Republic and Slovakia.



# The Energy Segment

<b>The Energy Segment – Overview</b>	in	<b>2010/2011 1<sup>st</sup> half-year</b>	2009/2010 1 <sup>st</sup> half-year	Change
Total electricity procured	GWh	8,304	7,703	7.8%
Own electricity generation	GWh	2,360	2,186	8.0%
Electricity distribution volumes	GWh	3,451	3,293	4.8%
Electricity supply volumes	GWh	3,414	3,212	6.3%
Natural gas transports <sup>1)</sup>	GWh	14,380	12,692	13.3%
Heat generated	GWh	959	873	9.9%
Total sales	EUR mill.	891.0	791.6	12.6%
EBITDA	EUR mill.	136.5	128.7	6.1%
EBIT	EUR mill.	88.9	82.7	7.5%
Employees (average)	FTE	2,190	2,169 <sup>2)</sup>	1.0%

<sup>1)</sup> Quantities transported in Upper Austria to end users and regional system operators

<sup>2)</sup> Status: 30 September 2010

## The Economic Environment of the Energy Industry

During the first six months of the 2010/2011 fiscal year, the price development in the international energy markets was characterised by extraordinary events.

On 1 October 2010, the German federal government decided to extend the operational lifespans of 17 nuclear power plants by an average of 12 years. Even the anticipation of the resolution had a dampening effect on the prices in Europe's electricity trading markets. Prices quoted on the European Energy Exchange (EEX) for front-year base supplies from July 2010 (EUR 53.2/MWh) to early November (EUR 46.6/MWh), for example, showed a downward tendency.

The "Jasmine Revolution" in Tunisia in mid-December 2010 marked the beginning of the political unrest and uprising in the Arab world, in North Africa and the Middle East. The political turmoil also resulted in price increases in the international energy markets, primarily for crude oil and mineral oil products.

The sanctioning of crude oil exports from Libya – until recently Libya produced around 2% of the world's oil exporting volume – led to a sharp rise in crude oil prices. Brent crude spot prices, for example, exceeded USD 112 per barrel. Compared to the average prices in October (USD 82.5/barrel) this implies a price rise of more than one third. In late March 2011, the prices stood at close to USD 120/barrel. An end of the soaring prices is currently not in sight.

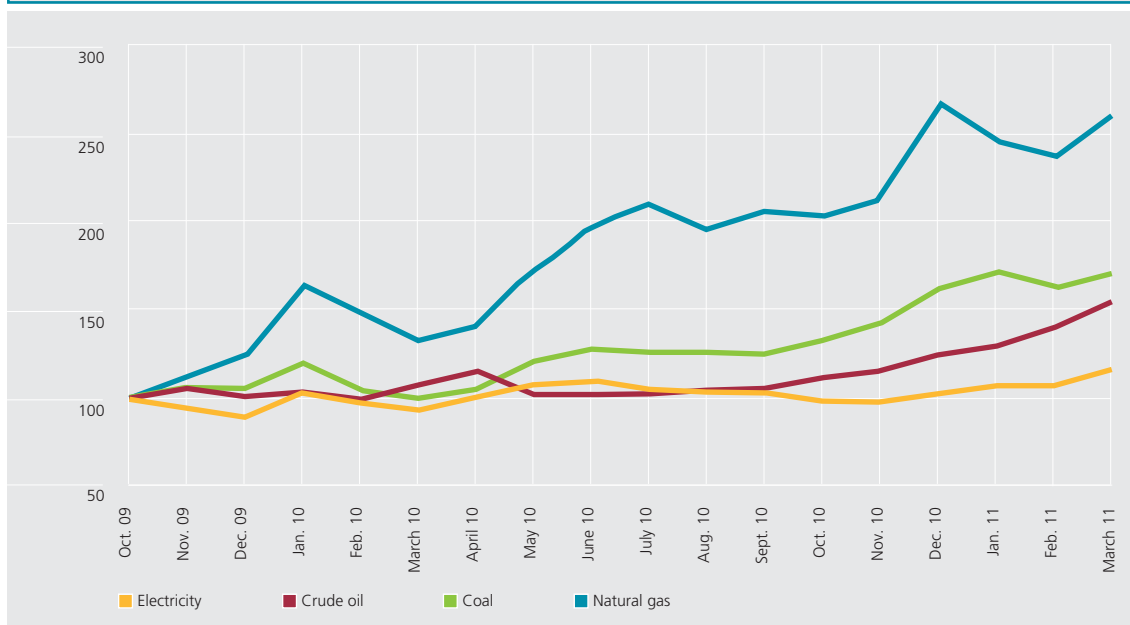
The events in Japan on 11 March 2011 and the days to follow marked another distinct turning point for the energy policies of many countries. The whole world is still reeling from the economic aftermath of the widespread destruction caused by the large number of earthquakes and the tsunami in Japan. The disastrous effects on the reactors at the Fukushima nuclear power plant complex have sparked mounting opposition against nuclear power and a review of energy policy in many countries. On 14 March 2011, the German federal government declared a three-month moratorium on the extension of the German nuclear plant lifespans passed in 2010. This led to a shutdown of seven of the oldest nuclear reactors with an overall capacity of 7,000 MW<sub>el</sub>.

The European electricity trading markets responded by sharp price increases. While the prices quoted on the EEX for front-year base contracts 2012 stood at an average of about EUR 52.5/MWh during the period from 1 February to 10 March 2011, quotations were as high as EUR 58.2/MWh in the second half of March, which is 11% higher than before the disaster in Japan. The price increase is even more evident in the shorter-term futures market. The prices quoted for the EEX futures market product base in the 4th quarter of 2011 averaged EUR 79.1/MWh in the second half of March, which is 16.7% higher than before the earthquake disaster. A similar volatility was shown by the trading prices for CO<sub>2</sub> Emission Certificates – the prices were previously quoted as standing at EUR 15.2/ton CO<sub>2</sub>, and after the disaster at 17.0/ton CO<sub>2</sub> (+ 11.8%).



## PRICE INDEX DEVELOPMENT FOR INTERNATIONAL ENERGY MARKETS

IN %



The uncertainty involved in estimating the years ahead is also reflected in the prices quoted in the long-term futures market. At the end of March, the trading prices for the year 2015 were only approx. 3% above those for the year 2012.

The development of electricity consumption in Austria in 2010 showed a clear upward tendency with an increase of 4.3% which equals 2.8 TWh. With a domestic electricity consumption of 68.5 TWh, the so far highest consumption level of 2008 (68.3 TWh) was even exceeded. In its Monitoring Report Quarterly Vol. IV 2010, Energie Control GmbH (E-Control) pointed out how closely electricity consumption was linked to the economic development. According to the preliminary statistics issued by E-Control, the growth in the demand for electricity in Austria continued through the months of January and February 2011, exhibiting a mean increase of 0.9% compared to the previous year.

### The Business Environment for the Energy Segment

During the first six months of the 2010/2011 fiscal year the Energy Segment generated sales of EUR 891 million and reported an EBIT of EUR 88.9 million.

The sales revenues generated in the Energy Segment are clearly higher than the previous year's figures of EUR 791.6 million (+ 12.6%), which is primarily attributed to volume increases and price adjustments as well as to the expansion

of electricity trading and higher electricity volumes sold to major customers in the area of electricity, gas and heat.

The increase in the EBIT by + 7.5% compared to the same period of the previous year (EUR 82.7 million) is mainly attributable to management effects, lower electricity procurement costs relating to procurement rights and cost shifts in the context of projects.

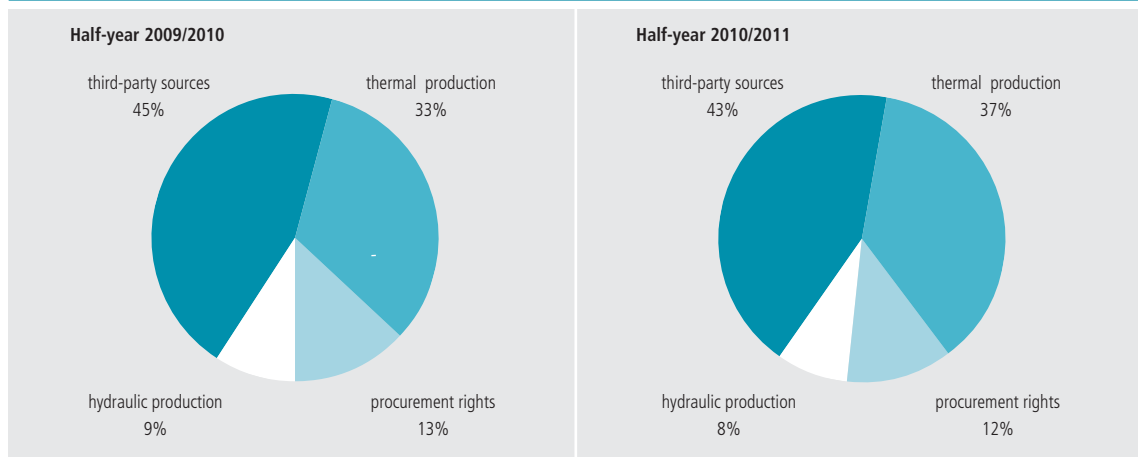
This more than made up for the below-average water levels that were even lower during the first six months of the 2010/2011 fiscal year than during the same period the previous year.

### Increase in Electricity Production Despite Lower Generation from Hydropower

Electricity generated at our own hydropower plants and obtained under procurement rights to hydraulic power plants amounted to 844 GWh in the period under review, which is 1.4% lower than in the same period of the previous year (856 GWh). Electricity generation from hydropower was consequently 11% below the multi-year mean value.

On the other hand, total electricity generated at our own power plants and obtained under procurement rights amounted to approx. 2,360 GWh, which is 8% more than during the same period of the previous year (2,186 GWh). The increased use of thermal power plants (+ 14%), the CCGT power plant at Timelkam in particular, was the decisive factor behind this increase.

## ELECTRICITY PROCUREMENT STRUCTURE WITHOUT ELECTRICITY TRADING



Electricity volumes procured from third parties (5,944 GWh or + 7.7%) rose due to the more intensive electricity trading activities (+7.4%), which is not least due to the optimised use of power plants, and thus due to an increased allocation of Green energy (+13.6%) from the Green electricity promotion agency (Ökostrom AG – OeMAG).

Where electricity generation from renewable energy sources is concerned, the Energie AG Group mainly focuses on the expansion of existing hydropower plants and the construction of new ones.

In the federal province of Salzburg where Energie AG has several attractive hydropower facilities, production capacities were increased by the acquisition of the small-scale Ellmaubach hydropower plant. Furthermore, the Oflek power plant that is currently under construction is to be completed in the course of the fiscal year. In Upper Austria, the Goisern and Grafenberg projects were submitted to the authorities for official approval. All official approvals and agreements under civil law have now been obtained for the Stadl-Paura power plant. In total, these five power plants have a bottleneck capacity of 10 MW and an average output of 51 GWh.

### Storage Capacities – Assets of the Future

The growing volatility in the energy markets, especially where electricity and gas are concerned, is presenting a whole range of new challenges to energy suppliers. The Europe-wide expansion of electricity generation from renewable energy sources, most importantly from wind and solar energy, meanwhile has an enormous impact on the capacity demands on conventional power plants, specifically on modern (natural gas-fuelled) combined-cycle gas

turbine plants (CCGT) as well as pumped storage power plants. The, in part, huge output fluctuations of electricity generation from wind and sun, which are difficult to forecast due to the weather factor, require intensive compensatory measures. They cause considerable price fluctuations in the energy markets for electricity and natural gas (futures and spot market as well as the markets for backup and balancing energy).

With the 10% participation in the pumped storage project Reißeck II (extendible by a capacity of 430 MW) along with the participation in the 7-Fields gas storage tank, Energie AG will in future have two further energy storage systems for the provision of backup and balancing energy. For the Group, this means increased diversification and flexibility in electricity and natural gas supply.

During the period under review, all the essential preparations for the start of operations at the 7-Fields gas storage tank were successfully completed. Storage operation began after the end of the period under review on 1 April 2011 (first expansion stage – operating volume around 58 million m<sup>3</sup>). After overall completion, Energie AG will have a usable gas storage volume of 104 million m<sup>3</sup> at its disposal. The ground-breaking ceremony on 4 December 2010 officially marked the beginning of the main construction work at the Reißeck II project. Completion and commissioning is scheduled for the second half-year of 2014.

### New Energy Savings Campaign for Electricity Customers

The Group's clear commitment towards the promotion of energy efficiency and energy innovation was underlined by its latest energy savings campaign. The product offered by the ENAMO group of companies this spring was a so-

called "Standby Killer" to support customers in their battle against "silent power guzzlers". The Standby Killer is an intermediate socket, inserted between the mains socket and the electrical appliance, which shuts down supply once consumption falls below a certain limit, thereby helping to reduce household electricity consumption. Due to the high interest, the 55,000 devices available were sold in no time.

Since early February, private customers being supplied electricity from Energie AG are offered an online portal for their electricity bills, electricity consumption and customer data. This eService portal was developed in a joint effort between experts and customers. Customers who apply for receiving paperless bills are given a bonus amounting to five full days of free electricity in return. Judging from the tremendous positive feedback, the eService portal of Energie AG has met with considerable acceptance among the customers.

In early March, ENAMO Ökostrom GmbH, a joint venture of Energie AG Vertrieb and Linz Strom Vertrieb, reduced its prices. By offering Green energy at lower prices – along with a number of allowances concerning energy-efficient applications in the area of climate-friendly transportation, climate-friendly heating and climate-friendly production – the company is taking a proactive approach to promoting Green energy from Upper Austria.

In the industrial and key customer segment, the quantities sold to existing customers following the economic crisis has stabilised at the expected level.

The consolidated electricity supply volumes amounted to 3,414 GWh during the first six months of the 2010/2011 fiscal year (previous year: 3,212 GWh). The rise by 6.3% is primarily due to the increased consumption of industrial customers.

## Electricity Grid Gets Fit for the Future

At the end of November 2010, following intensive discussions, the EIWOG 2010 was enacted in Parliament. The adopted laws were toned down a little compared to the exposure draft, but still contain many critical points for companies in the industry. The directly applicable federal regulations went into effect on 3 March 2011. The basic provisions contained in the EIWOG are required to be implemented by the federal provinces by the end of 2011.

As part of the currently applicable incentive-oriented regulatory system, the tariffs of Energie AG Oberösterreich Netz GmbH (Netz GmbH) were lowered by E-Control, the regulatory authority, at the beginning of January 2011.

The 0.85% price cut was clearly below the long-term average. This is primarily attributable to the underlying supply quantities sold in 2009, which went through a slump due to the economic crisis. To counter the cost pressure caused by the regulation, the business processes are undergoing continuous analysis. Efficiency-raising measures are also being implemented.

The winter half-year, during which the electricity distribution systems are exposed to a higher operating risk due to weather conditions, created no major problems for Netz GmbH. As a result, all construction and maintenance projects can be implemented according to schedule.

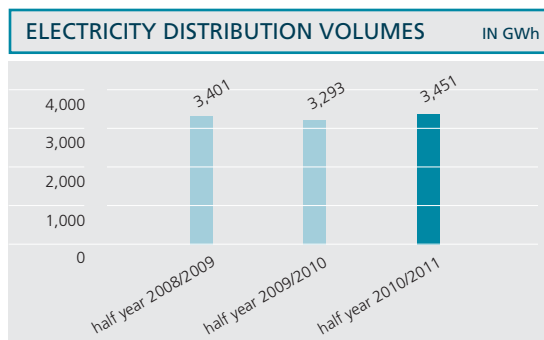
One large-scale project during the current fiscal year involves the construction of a new 110-kV underground cable between the Jochenstein Danube power plant and Ranna. This year, the Ranna substation will be expanded to meet the growing requirements. The large-scale project is expected to be completed in 2013. A safe and powerful 110-kV supply for the Upper Mühlviertel area will secure sustainable power supply. The currently available secondary supply from Germany can subsequently be disconnected.

Another large-scale project launched this fiscal year concerns the new replacement construction of the 110-kV overhead line from the Wegscheid substation in the direction of Marchtrenk. Starting at the Wegscheid substation, two 110-kV underground cables will be laid as a replacement measure. The commissioning scheduled for the 2012/2013 fiscal year will further increase the security of supply in the central area of Upper Austria.

The approval procedure was initiated for the project involving the 110 kV overland line between Vorchdorf and Kirchdorf to secure power supply to the Almtal and Kremstal region. After an expert opinion was submitted by the Technical University of Graz confirming the line's necessity and identifying the submitted project as the best solution, the high-voltage power line easement procedures are now well underway. Procedures concerning conservation, water and forestry regulations will follow. The power line, which is vital to the region's security of supply, is expected to go into operation in 2013. The programme that involves placing medium-voltage overhead lines in forested areas into cables is going according to plan. Over the past two years, more than 100 km of overhead power lines were placed in cables; in fiscal 2010/2011 another 75 km will be accomplished. The projects implemented have already led to a noticeable reduction of non-availability times in the distribution system of Energie AG.

During the first six months of the present fiscal year, the electricity distribution volumes went up by about 4.8% to 3,451 GWh (previous year 3,293 GWh). This increase

in electricity consumption is primarily the result of the recovering economy in the industrial and SME customer segment. Electricity distribution to private customers clearly increased during the month of December due to the extreme weather conditions.



### High-Capacity Data Networks and Intelligent Electricity Meters

In the Data Networks business field, the project involving the integration of public institutions (hospitals, banks and municipal authorities) and SMEs into the data network is progressing according to schedule. Great importance is being attached to the customers' need for constantly increasing bandwidths and heightened security and availability standards. Business activities are currently focused on connecting up base transceiver stations to the optical fibre network and developing and providing services such as Internet connectivity, telephony, video/TV, security and cloud computing as well as further developing the backbone network.

After its successful test operation, the roll-out for around 100,000 intelligent electricity meters was started in early April in defined areas of Upper Austria. The innovative smart metering system called AMIS was developed in a cooperation partnership with Siemens. Besides remote reading, the system offers many other features and possibilities for further development and will be replacing the conventional metering systems in the coming years. The decision on the large-scale roll-out will be made once all the statutory and regulatory requirements are known.

### Natural Gas for Upper Austria – OÖ. Ferngas AG

On 3 September 2009, the third energy legislative package for the EU's internal market that also includes amendments to the legislation on the internal gas market and the Regulation on conditions for access to the natural gas transmission networks went into force. The package primarily aims at tightening the unbundling regulations

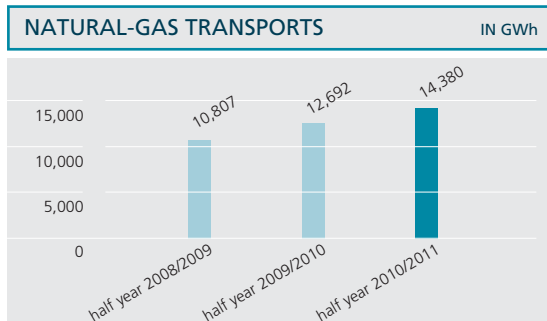
for long-distance transmission system operators. Further priorities include the introduction of an entry/exit system at the level of long-distance transmission lines, consumer protection, energy poverty and the structure of regulatory authorities which have been given further areas of responsibility. The package also includes amendments that concern distribution system operators. At the beginning of March 2011, the Council of Ministers adopted the Gas Act 2011 (GWG) and passed it on to Parliament for further processing.

Based on the incentive regulation, the tariffs for the use of the system were adjusted for the year 2011 as of 1 January 2011. With the entry into force of the new tariff ordinance, the transmission tariffs for customers within the network area Upper Austria were raised, primarily due to increased costs in the upstream Network Levels 2 and 3. The E-Control commission approved the long-term planning 2010 for the Regulatory Zone East for the period 2011 to 2015. Provided that the relevant contracts are undersigned, OÖ. Ferngas Netz GmbH will be affected in view of the storage connections to the Regulatory Zone East distribution system.

During the first six months of the current fiscal year, OÖ. Ferngas Netz GmbH transported around 14,380 GWh of natural gas through its pipeline system. The 13.3% increase compared to the previous year (12,692 GWh) mainly stems from the higher quantities required by power plants and the industry.

OÖ. Gas-Wärme GmbH also recorded an increase in quantities sold, which was 4.4% more than in the same period the previous year. The increase is mainly attributable to the slightly lower temperatures during the period under review compared to the previous year, and to the successful acquisition of new customers. Since the beginning of the fiscal year it has also become evident that the economic upswing has led to an increase in commodity prices including natural gas prices. The crisis in North Africa and the disaster in Japan have strengthened this trend. As a result, it also became necessary to raise the end-consumer prices in mid-April, after the end of the period under review.

Besides the business with new customers, the biogas plant construction business in the Czech Republic performed very well too. The wide range of heating options offered as well as the biogas that has been available ever since the biogas treatment plant in Engerwitzdorf went into operation meet the growing overall trend towards renewable energy sources.



### Stable Positive Performance in the Heating Business

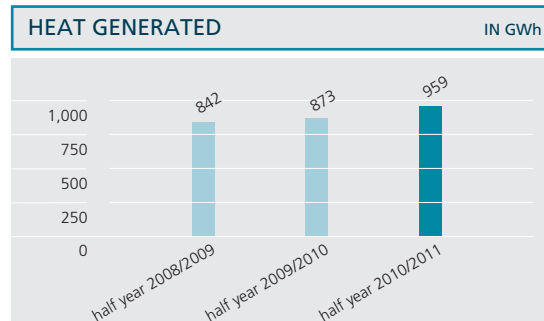
The trend towards increased energy efficiency and the consequently declining consumption levels are still a dominant theme for the Group's heating business which provides environmentally friendly district heating to customers in Upper Austria and the Czech Republic. Nevertheless, the favourable business performance is indicating a long-term positive development.

Due to the sound customer structure that focuses especially on private households, the effects of the economic crisis on the heating business area were minimal. The only subsidiary that supplies its overall energy package mainly to industrial customers is located in Steyr. The noticeable economic recovery is now also having a very favourable impact on the continued development of this company. Additional benefits are expected from the construction of a biomass plant, which will be going into operation in the current fiscal year. The aspect of sustainable energy generation is being very well received by customers.

The first six months of the current fiscal year and, most importantly the second quarter, were characterised by an essential increase in the primary energy prices. Consequently, it was all the more important that an increase in the heating prices by 4%, effective from 1 January, was also approved (and implemented) for the supply networks with official price arrangements.

Similar to the gas business, heating sales showed a very pleasing performance, driven by the prevailing weather conditions and the acquisition of new customers. During the first six months of the 2010/2011 fiscal year, the district heating networks in Austria and the Czech Republic delivered a total of 509 GWh of heat to their customers, which is almost 60 GWh above the previous year's level.

With regard to the stake held in Bioenergie Wiener Neustadt, the network is being expanded according to plan. In Ried im Innkreis, the geothermal project is well underway and the drilling work has already started. The current



state of activities is that the geological particularities have already been overcome and the drilling work is progressing as planned.

Cogeneration-Kraftwerke GmbH (CMOÖ) operates a cogeneration power plant in Laakirchen and delivers process heat to its main customer, and district heat to surrounding SMEs. During the first six months of the 2010/2011 fiscal year, CMOÖ generated 308 GWh of heat, which is a slight increase over the same period of the previous year (301 GWh).

At its waste incineration plant in Wels (WAV), the Group subsidiary AVE Austria produces electricity and also heat, which it supplies to the district heating network of the city of Wels. In the first six months of the 2010/2011 fiscal year, it produced a total of 50 GWh of heat.

With its ENSERV business field, OÖ. Gas Wärme GmbH provides customers in the segments public institutions, residential trade and SMEs with district heating. The heat generated during the first six months of the 2010/2011 fiscal year amounted to 92 GWh which is above last year's level (85 GWh).

### Strategic Participations

Shares in result of companies associated at equity of the first six months of the 2010/2011 fiscal year amount to EUR 5.9 million, which is an increase of approx. 11.3% compared to the previous year (EUR 5.3 million). The companies listed below are a selection and represent the Group's most essential strategic participations.

**Ennskraftwerke AG**, in which Energie AG holds a share of 50%, focuses centrally on the production of electricity from environmentally friendly hydropower. During the last fiscal year (1 January to 31 December 2010), low precipitation and less snowmelt-runoff than usual led to production below average, amounting to 1,668.5 GWh which is 10.2% below the annual standard value and approx. 18.5% below the volume produced in fiscal year 2009. In the context of

the planned flood protection measures for the city of Steyr, a feasibility study, funded by the Climate and Energy Fund, was conducted for the Rederbrücke power plant. In a next step and based on this study, the development of a project to be submitted for the environmental impact assessment was commissioned.

**Wels Strom GmbH**, a 49% shareholding, positions itself as a fully integrated energy supplier of electricity to the city of Wels and several municipalities on its outskirts. Its business activities are focused on production, distribution and supply of electricity and heat. During the fiscal year just ended (1 January to 31 December 2010), the company's own electricity generation dropped by 6.8% to 185.1 GWh compared to 2009. Electricity produced from hydropower decreased by 7.5% to 71.9 GWh due to the lower water levels in the River Traun. Production at the heat-operated district heating plant fell by 6.5% to 113.1 GWh. Wels Strom GmbH delivered 482.3 GWh of electricity (incl. grid loss) by its distribution system, which means an increase of 3.2% compared to the same period the year before. The district heating connection line between Incineration Line I of the AVE WAV (Wels waste incineration plant) to the existing district heating network belonging to Elektrizitätswerk Wels AG was expanded in the first quarter of 2011 by the technical integration of the WAV II incineration line, and successfully taken into operation. This measure will ensure higher availability of heat from the AVE plant.

The business activities of **LIWEST Kabelmedien GmbH**, in which Energie AG has a stake of 44%, include the operation of a cable TV network, the provision of Internet access products and the operation of fixed network voice telephony. Despite the crowding-out competition, fiercely fought with dumping prices, the company managed to increase its number of both telephone and Internet customers during the last fiscal year (1 October 2009 to 30 September 2010) thanks to the successful implementation of restructuring measures introduced the year before and the high quality of its services. With the aim to further expand its network across the territory of Upper Austria and enlarge its existing customer base, LIWEST acquired a regional Upper Austrian cable network operator, with effect from 1 April 2011.

Energie AG has a stake of 26.13% in **Salzburg AG für Energie, Verkehr und Telekommunikation**. After the total amount of electricity procured, including electricity trading, losses and own consumption, increased steadily over the past years, a decline of 6.3% was recorded in the last fiscal year (1 January to 31 December 2010), bringing the volume down to 15,148.9 GWh. This decline is exclusively the result of the decreased electricity trading activities that dropped by 13.2%. Own electricity production in the hydropower plants was down slightly due to

the low water supply, whereas thermal power plant production was 10.4% above last year's levels. In total, own production amounts to 1,704.8 GWh, which is 0.8% below the previous year's figures. The expansion of the gas trading business led to a rise in the total distribution volumes of natural gas including own consumption by 31.6% to 10,951.5 GWh. Electricity distribution volumes in the distribution system area of Salzburg AG rose by 4.0% to 3,594.9 GWh. Gas distribution volumes to end-customers climbed by 7.7% to 3,233 GWh. Total district heating sold amounted to 920.9 GWh which is 8.7% above the previous year's level. Water consumption amounting to 12.4 million m<sup>3</sup> was up slightly over last year's figures. The number of customers in the telecommunications business continued to rise significantly.

Energie AG has a 16% stake in **Tauerngasleitung GmbH**. The company's core business is to review the feasibility of a natural gas pipeline leading from Bavaria through Upper Austria, Salzburg and Carinthia to the south by means of a study funded by the EU. The Tauern gas pipeline would contribute essentially towards providing additional transportation capacities between the north and the south for the growing natural gas requirements, thus raising the security of supply with natural gas in Europe and Austria in the long term and creating high-capacity connections between the Member States to optimise the Internal Market. The feasibility study has already been completed, and currently submission of the environmental impact assessment procedure is being prepared.

### **Fair Energy – the Brand for Energy Efficiency and Renewable Energy Sources**

Energie AG Oberösterreich Fair Energy GmbH is a 100% subsidiary that concentrates on the business fields energy efficiency, the renewable energy sources wind and sun and electric mobility.

In September 2010, Energie AG Oberösterreich Renewable Power GmbH opened Austria's largest photovoltaic research plant in Eberstalzell. Following first evaluations, the expected electricity output has already been exceeded, which confirms the possibility of Green electricity production in Upper Austria.

A further focus is on electric mobility. By collaborating with specific mobility service providers and conducting projects in the area of charging infrastructure, the aim is to offer a state-of-the-art range of products at an early stage of market development.

# The Waste Management Segment

The Waste Management Segment – Overview		in	2010/2011 1st half-year	2009/2010 1st half-year	Change
Total waste volume handled	1,000 tons		2,758	2,484	11.0%
Thermally processed waste	1,000 tons		283	276	2.5%
Total sales	EUR mill.		231.1	180.8	27.8%
EBITDA	EUR mill.		38.3	12.1	216.5%
EBIT	EUR mill.		9.4	- 12.5	—
Employees (average)	FTE		3,933	3,482 <sup>1)</sup>	13.0%

<sup>1)</sup> Status: 30 September 2010

The Waste Management Segment of the Energie AG Group operates in the market under the brand name AVE. The consolidated financial statements for 2010/2011 comprise the markets Austria, Czech Republic, Hungary, Slovakia, South Tyrol and Romania.

## The Business Environment of the Waste Management Sector

After the end of the global economic crisis, the waste management industry in Europe is benefiting from the economic upswing, the currently low interest levels and recovering waste volumes and prices for recyclable materials. On the other hand, the economic upswing is leading to an increased need for raw materials, and to higher fuel expenses, intensified recycling material recovery and waste processing in the market as well as to increased re-municipalisation tendencies.

## The Business Development of the Waste Management Segment

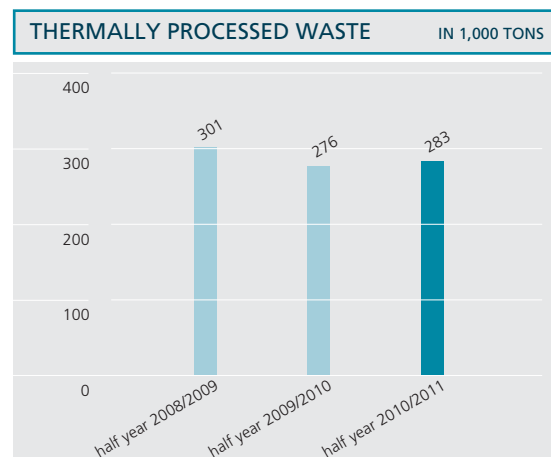
The sales, earnings and volume development of the Waste Management Segment during the first six months of this fiscal year reflected the general upward trend in the waste management market. On the one hand, there was a clear increase in waste volumes and prices for recyclable materials and, on the other, the cost savings and efficiency programmes launched started to take effect at intermediate holding and national level.

Sales in the Waste Management Segment during the first six months of the current 2010/2011 fiscal year totalled EUR 231.1 million which is 27.8% more than in the same period of the previous fiscal year.

An EBIT amounting to EUR 9.4 million is also clearly above the previous year's levels, showing an increase of EUR 21.9 million.

The rise is the result of reduced expenditure due to cost-efficiency programmes as well as increased prices for recyclable materials above the previous year's level and good winter service results in the Czech Republic. In addition, the much improved EBIT was also attributable to the fact that the previous year's result was adversely affected by one-off effects from balance sheet provisions.

The recovery of the waste volumes is also reflected in the amount of waste thermally processed by AVE: Compared to the same period of the previous year, a slight 2.5% rise to 283,000 thermally processed tons of waste was recorded (previous year: 276,000 tons). Even so, the quantities achieved during the first six months of the 2008/2009 fiscal year could not yet be attained.



## AUSTRIA

The first six months of the 2010/2011 fiscal year were characterised by general economic recovery and a clear increase in the prices for recyclable materials, in particular for waste timber, paper, cardboard and waste metal. The competitive pressure on waste disposal prices persisted in the areas of commercial waste and hazardous waste. In response to the fierce competition, AVE in Austria is enhancing its focus on selective market development, broadening its cooperation with the Austrian municipalities and further intensifying cost management. In the first six months of 2010/2011, a number of attractive new industrial and SME customers were acquired. Furthermore, a bidding consortium with Linz Service GmbH (LSG) was successful in a public invitation to tender on the treatment of processed waste from the federal province of Tyrol.

Despite plant standstills ahead of schedule, the constant efforts to optimise the composition of input materials and the correspondingly reduced calorific value at Reststoffverwertung Lenzing (RVL) led to increased waste material throughput at the thermal plants compared to the levels of the previous year.

After the economic and, most importantly, technical problems concerning the pelletizing plant in Wels, which serves to produce substitute fuels for the steel industry, production recommenced in summer 2010 and technical optimisations were implemented on an ongoing basis. During the first six months of the 2010/2011 fiscal year, operation activities remained stable; demand fluctuations on the part of the contractual partner were offset and it was possible to reach a contractual agreement on the future cooperation with the joint owner.

After the strong growth course pursued in recent years and the massive effects of the global economic crisis, the focus of AVE Austria continued to focus on the consolidation of its existing company structure in the first six months of the 2010/2011 fiscal year.

In an effort to secure sustainable profitability for the company, an efficiency enhancement programme was carried out from August 2010 until April 2011 at the level of the operating process, which was successfully completed and is now in the implementation stage. Alongside the efficiency enhancement programme, staff and executive development programmes as well as externally supported accompanying programmes to strengthen corporate culture were initiated.

Through the company's consistent continuation on its course of consolidation combined with an increased focus on human resources development, cost efficiency and value enhancement, AVE Austria is back on track to further strengthen its position as a market and quality leader.

## BAVARIA

Following the shutdown of the industrial waste processing plant Rotthalmünster in the previous year and the creation of a corresponding impairment provision, the increased business activities as a result of the recovering economy, the higher price levels for recyclable materials and the measures initiated in the previous year to raise sales and improve the result had a clearly favourable impact on the first six months of the current fiscal year. This was particularly offset by the higher price for diesel which is a crucial cost factor at AVE Bavaria. The baling press that went into operation in Gersthofen was able to extend the value chain to include direct marketing of recyclable materials, thus providing further value enhancing stimuli to the high-profit region Augsburg and markedly improving the company's earnings position.

## SOUTH TYROL

During the first six months of the 2010/2011 fiscal year, it became possible to further strengthen AVE's business volume in South Tyrol, despite the difficult economic environment for third-party business. Specifically the high prices for recyclable materials had a favourable effect.

The increased consolidation of activities of the two companies Eppan and Neumarkt as well as the acquisition of the remaining shares in AVE Rottamix GmbH that was completed in early April are now enabling the use of added synergy effects, all of which is having a positive effect on the earnings of AVE South Tyrol.

## CZECH REPUBLIC

The business volume of AVE Czech Republic displayed further significant growth in the first six months of the current fiscal year. Based on excellent revenues from winter services, a powerfully developed raw material business and the continued optimisation of the company structure with focus on value enhancement, both sales and EBIT were noticeably increased compared to the same period of the previous year. AVE in the Czech Republic meanwhile



belongs to the most successful companies in the entire Czech market and was ranked number 33 among the top 100 companies according to the latest ranking.

By acquiring AVE Kralupy in the last fiscal year, the value chain in the business field Hazardous Waste Disposal has been extended to include a hazardous waste incineration plant. The approved capacity increase at the landfill in Čáslav to 5 million m<sup>3</sup> is yet another factor which further strengthens the company's position. With Benatky and Čáslav, AVE is now provided with the two landfill sites that have the largest potential volumes for waste in the country. In spring 2011, the acquisition of two other companies involved in the collection and landfilling of municipal and biogenic waste strengthened the company's market presence in the Karlovy Vary region.

## HUNGARY

Due to the restrictively implemented consolidation course pursued by the Hungarian government, the upswing following the economic crisis is, on the one hand, slower, yet on the other hand, the reorganisation of the national budget is already showing initial signs of success, which are reflected in a strengthening Hungarian forint.

Against this background, AVE Hungary recorded significant sales gains compared to the same period of the previous year due to the recovering SME and industry sector and the rising prices for recyclable materials. However, the previous year's high results were not quite reached due to longer days sales outstanding and write-downs relating to municipal, industrial and private customers, reduced margins for recyclable materials, increased fuel prices and revenues from winter services that were below average resulting from the weather conditions. As for the municipal business, the general conditions were difficult, but price increases in long-term agreements were implemented to compensate for inflation and several tenders concerning publicly financed land restoration projects were won.

At the beginning of the current fiscal year, the national company's headquarters relocated from Budapest to Tatabánya.

## SLOVAKIA

During the first six months of the 2010/2011 fiscal year, a large number of municipal agreements were able to be renewed for 5 to 10-year periods, thanks to some successful tenders, and thus secured in the long term. In

the SME and industrial customer segment, agreements on the processing of recyclable materials and waste disposal were concluded with the largest Slovak company in western and eastern Slovakia. In central Slovakia, the Tornaľa landfill site underwent a further stage in its expansion. The more than 50% increase in sales are attributable to organic growth and the high prices for recyclable materials compared to the first six months of the 2009/2010 fiscal year.

## ROMANIA

It took slightly longer for the impact of the economic crisis to be felt in Romania, but the high share of municipal operations in AVE Romania's customer structure had a stabilising effect. Sales and earnings performance of the Romanian companies are still showing an upward trend, supported by consistent market densification and organic growth. In individual regions, AVE's market share already stands at 70%.

## UKRAINE, MOLDOVA

In western Ukraine, AVE already provides its services to 500,000 private customers as well as more than 4,000 SME and industrial customers. In the defined market areas relevant to AVE, its operations already have a leading position. Due to technological progress, the selective collection of PET and waste paper was introduced in Mukachevo and Vinogradovo. In the target region, long-term contracts were concluded with several cities, and multiple price increases well above the inflation level were implemented in existing contracts.

The PPP model that was launched in 2008 in the town of Ungheni in western Moldova is still very successful. The share of contracts concluded with households in Ungheni has reached 95% and together with the newly won municipal and private customers in the Chisinau region, as many as 40,000 inhabitants and 600 SME and industrial customers are already receiving services.

# The Water Segment

<b>The Water Segment – Overview</b>		in	<b>2010/2011</b>	2009/2010	
			<b>1<sup>st</sup> half-year</b>	1 <sup>st</sup> half-year	Change
Billed drinking water	m <sup>3</sup> mill.		26.2	25.8	1.6%
Billed waste water	m <sup>3</sup> mill.		22.3	21.1	5.7%
Total sales	EUR mill.		65.6	58.4	12.3%
EBITDA	EUR mill.		6.7	6.1	9.8%
EBIT	EUR mill.		2.6	2.4	8.3%
Employees (average)	FTE		1,732	1,644 <sup>1)</sup>	5.4%

<sup>1)</sup> Status: 30 September 2010

## The Business Environment of the Water Segment

The developments in the aftermath of the economic crisis that had a lesser impact on the water sector than they had on other areas can meanwhile be considered as largely positive and stable. The decreases in water consumption quantities per supplied unit (or inhabitant) recorded in the company's main market Czech Republic in the area of drinking water are within the range of long-term trends. Causes for the decline are technically and organisationally based optimisations in production processes at industrial and SME customers as well as water saving efforts in private households.

The financial situation of the serviced municipalities and cities remains tight. This is increasingly also true for the Austrian market. Against a background of growing strain on municipal budgets and efforts to stem the rising indebtedness, there may be further growth prospects in the Czech Republic and new opportunities in Austria.

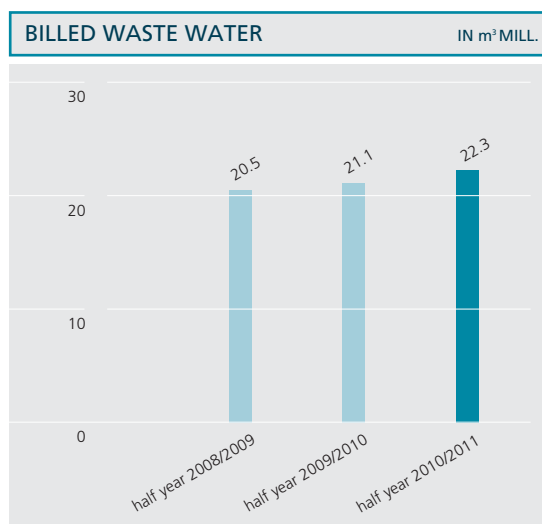
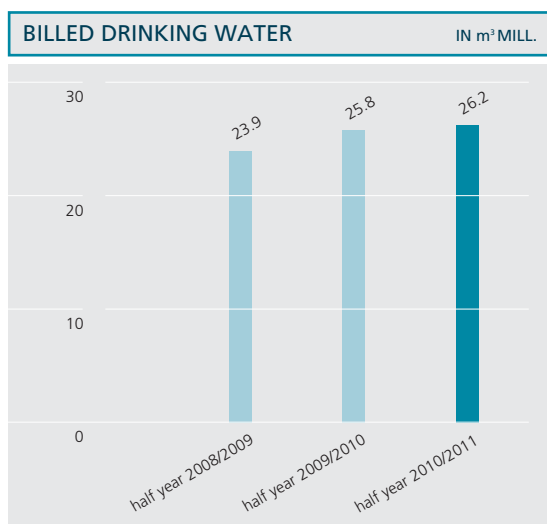
The general conditions relevant for the service business in Slovenia and Austria are characterised by a high degree of competition, but the companies belonging to the Energie AG Group have so far been able to maintain their position well.

## The Business Development of the Water Segment

In the first six months of the 2010/2011 fiscal year, the shareholdings in the Water Segment generated overall sales amounting to EUR 65.6 million, exceeding the sales achieved in the same period of the previous year by EUR 7.2 million (12.3%). The EBIT stands at EUR 2.6 million, which means it is up by 8.3% compared to the first six months of the previous fiscal year.

The increase in sales and earnings are, on the one hand, attributable to the first consolidation of the newly acquired Czech Aqua Servis a.s. as of 1 October 2010. On the other, tariff increases in the drinking water and wastewater contracts as well as the organic growth in the service business have a favourable effect on sales and earnings. In addition, efficiency-enhancement and cost-savings programmes also have a positive impact on the result.

The key performance ratios indicate the following developments in the first six months of the current fiscal year: 26.2 million m<sup>3</sup> of drinking water were billed. This equals an increase of 0.4 million m<sup>3</sup> which is 1.6% more than in the same period the year before. In terms of wastewater, 22.3 million m<sup>3</sup> were billed. The increase amounts to 1.2 million m<sup>3</sup> (+ 5.7%). The mentioned decline in con-



sumption per supply unit was offset by the newly acquired volumes generated by Aqua Service a.s.

The number of drinking-water customers in this segment amounted to around 1,050,000 in the first six months of the 2010/2011 fiscal year, which corresponds to an increase of 5.5% since the beginning of the fiscal year. Wastewater management is meanwhile provided for around 698,000 customers (5.3% above the previous year's figures). Growth is primarily acquisition-driven.

### Continued Bundling of Services in the Czech Republic

With the aim to bundle the provision of technical services to operating water supply companies in the Czech Republic and offer services in the market, AquaServ s.r.o was founded, a company based in Budweis. Due to the geographic proximity to one of the Group's internal operating companies in South Bohemia, the services originally concentrated on this region. In the first six months of the 2010/2011 fiscal year, the requirements

were met to add more of the Group's water supply companies in the Czech Republic to their customer base, and to serve the external market in the Czech Republic. The services provided include laboratory analysis services, project planning, sewage pipe technology, GIS and construction assembly.

### Sound Development in the Water Services Business

Besides AquaServ s.r.o in the Czech Republic, services are also offered by WDL based in Austria, Varinger in Slovenia and Hungary-based joint venture ENERGIE AG Miskolc kft. consolidated at equity.

Despite the increasing competition in the fiercely competitive service business and the rising price pressure, these Group companies succeeded in maintaining their position in the municipal sector thanks to their persistent focus on quality and efficiency, and managed to increase their sales in the service business segment by 3.7% compared to the same period in the previous year.

## Risks and Opportunities

Energie AG's Group-wide risk management system identifies the possible effects of both strategic and operational opportunities and risks on the Group's result from ordinary business activities. Special attention is paid to the resulting controlling measures which are taken to achieve a cost-efficient optimisation of the Group's risk positions. By updating and adjusting the valuations on a quarterly basis it is ensured that monitoring is timely and documentation complete. By closely interlinking reporting activities with the strategic and budget planning process, both in terms of time and content, consistency is guaranteed and it is ensured that the information relevant for controlling is delivered to the Board of Management.

The water level of rivers is one of the key risks that affect the result of the Energie AG Group. During the first six months of the 2010/2011 fiscal year, the electricity generated at our own hydropower plants and obtained from hydraulic procurement rights was about 11% below the multi-year mean value due to weather conditions. It was possible to offset the resulting production deficit by the additional use of thermal plants, in particular of the combined-cycle gas turbine plant in Timelkam.

The economic recovery in the first six months of the 2010/2011 fiscal year brought about an increase in the electricity volumes consumed by the industrial and SME customer segment. The increase in the electricity quantities consumed by private customers was due to the extremely long and cold winter. This effect was also reflected in the sold volumes of gas and heat.

The economic upswing also led to an increase in waste volumes and prices for recyclable materials in the Waste Management Segment. In this area, rising oil prices with high volatility also led to a heightened diesel price risk. Special attention must be paid to the risks resulting from the prices for thermal processing which are still under pressure. The AVE Group initiated a cost-optimisation and efficiency enhancement programme as a risk controlling measure, which is already showing some lasting effects.

The Trading and Treasury units were successful in managing the counterparty risk by consistently selecting partners with top ratings and by entering into hedging agreements.

By engaging in pro-active cooperation activities with its business customers, the Energie AG Group did not have to face any major defaults in payments in this segment. The contingency risk is being permanently countered by intensive monitoring and regular customer contacts.

The Energie AG Group's "A" rating was confirmed in January 2011 and its outlook was raised to "stable". Good access to the capital market has also had a favourable impact on risk assessment relating to the financing of future investment projects. The developments the energy sector faces as a result of the events in Japan require particularly high flexibility in this area. In the previous six months, the Group also kept to its conservative investment strategy and its well-balanced investment portfolio.

The recovery of the real economy is also having a favourable effect on the Energie AG Group's overall risk position. Nevertheless, judging from the current trend in the electricity prices, an increase in volatility is to be expected, and the increased disconnectedness of the oil and gas markets from the electricity market continues to be seen. Permanent evaluation of the Group's hedging strategies is therefore institutionalised. For the Waste Management Segment, the higher prices for recyclable materials are having a stabilising effect on any associated risks. The diesel price risk remains high, and with regard to the volume and price risk for SME and industrial waste, consistent monitoring of the controlling measures will remain necessary.

Due to the expected adjustments in global energy strategies, increased attention must be paid to any ensuing changes and trends.

## Outlook

Due to growing demands for energy, water and waste management services, the global economic upswing also had a positive impact on the financial performance of Energie AG, thus underpinning its stable strategic orientation as an integrated infrastructure group with several core business fields.

Yet the challenge the Group still faces remains the development of the electricity and gas prices. These are essential determining factors for Energie AG and for the investment projects it has planned for the future.

With regard to current hydropower plant projects, work on the new replacement construction of the Stadl-Paura power plant is to commence before the end of the year. In the Ebensee area, exploration drillings for the pumped storage power plant have been completed and the results will be incorporated into a feasibility study by the autumn of the current fiscal year. A potential 400 MW combined-cycle gas turbine plant as a possible replacement for the Riedersbach 1 coal-fired unit is currently undergoing the environmental impact assessment procedure.

With regard to sales, the next six months will be marked by implementations relating to the Austrian Green Electricity Act (Ökostromgesetz) and the Austrian Electricity Industry and Organisation Act (EIWOG). After its successful stabilisation, the ENAMO group of companies is expecting continued profit contributions.

In early 2011, discussions were initiated with the authorities on the subject of a new procedure for setting the system utilisation tariffs after 2013. The aim is to finish negotiating the new regulatory system for the time after 2013 with E-Control by the end of this calendar year. Special attention, in this respect, will be paid to the matter of investment security in the future regulation system and the continued full recognition of investment costs for smart metering systems.

With regard to the gas business area, due to the anticipated higher transport and sales volumes of OÖ. Ferngas Netz GmbH and OÖ. Gas-Wärme GmbH, a solid sales and EBIT development is expected for the remaining fiscal year.

In order to ensure the latest and thus most environmentally friendly heating standards in production plants, the existing facility in Kirchdorf will be replaced by the construction of three high-efficiency combined heating and power plants. In an environment characterised by the sharply rising energy prices of competitors, it is vital to use every available opportunity to strengthen the Group's market position and realise revenue potential.

In the Waste Management Segment in the Czech Republic and Hungary, the awarding of several major municipal contracts is expected over the next months. Besides winning long-term customers in the municipal and private sector, total waste management concepts are being promoted which will serve to expand the SME and industrial sector and selectively extend the value chain.

In Austria, on 26 April 2011, ARA issued an invitation to tender for new contracts concerning the collection, reload-

ing and transport of light and metal packaging. According to planning, the contracts, taking effect on 1 January 2012, are to have a term of three years with a renewal option for another two years. In the Czech Republic, preparations are underway for the merging of AVE Komunální Služby with AVE CZ. Following the already completed integration of residual shares of two associated companies in Slovakia, there will be a change of name.

A solid sales and earnings performance is expected for the Waste Management Segment in the second six months of the 2010/2011 fiscal year. The continued favourable development of the economy and the waste management market, prices for recyclables and fuel stabilised at high levels, the continued implementation of efficiency-enhancing measures, and organic growth supported by selective business acquisitions form the pillars of the AVE Group and are central to the successful continuation of the company's turnaround strategy and to the further strengthening of the Group's position as market and quality leader in Central Europe.

In the Water Segment, the stable development over the first six months is expected to continue over the next half-year, due to the fact that a number of, for the most part, smaller tenders for concessionaires are pending in the Czech market. In line with the annual cycle, a noticeable rise in the service business order volume is expected for the second half of the fiscal year.

During the second six months of the 2010/2011 fiscal year, the Management Board's internal focus will continue to be on the implementation of cost management and efficiency enhancement measures in all areas of the Group to ensure the continuation of the sustainably value-oriented growth course, and to remain on the path of success following the economic crisis.

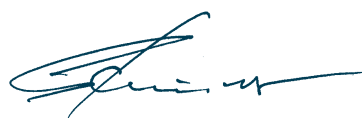
Despite the, to a certain extent, unfavourable general conditions, a continuation of the stable earnings performance compared to the 2009/2010 fiscal year is expected.

Linz, 18 May 2011

The Board of Management of Energie AG Oberösterreich



Leo Windtner  
Chairman of the Board of Management



Werner Steinecker  
Member of the Board of Management



Roland Pumberger  
Member of the Board of Management

# Consolidated Income Statement

## 01 October 2010 to 31 March 2011

	01/10/10 to 31/03/11 in EUR 1,000	01/10/09 to 31/03/10 in EUR 1,000
1. Sales	1,176,600.1	1,017,530.3
2. Change in inventories of finished and unfinished products	- 556.9	209.8
3. Other capitalized costs of self-constructed items	11,226.4	12,016.1
4. Share in result of companies associated at equity	5,924.7	5,326.6
5. Other operating income	16,815.3	16,049.0
6. Cost of materials and other purchased manufacturing services	- 753,429.0	- 629,048.7
7. Personnel expenses	- 171,880.8	- 154,539.7
8. Depreciation	- 80,654.2	- 74,219.2
9. Other operating expenses	- 103,160.7	- 120,691.9
<b>10. Result of operations</b>	<b>100,884.9</b>	<b>72,632.3</b>
11. Financing expenditure	- 22,659.1	- 20,220.3
12. Other interest income	3,539.2	736.1
13. Other financial results	- 1,359.2	3,252.9
<b>14. Financial result</b>	<b>- 20,479.1</b>	<b>- 16,231.3</b>
<b>15. Result from ordinary business activities</b>	<b>80,405.8</b>	<b>56,401.0</b>
16. Taxes on income	- 18,213.7	- 13,690.3
<b>17. Consolidated net result</b>	<b>62,192.1</b>	<b>42,710.7</b>
of which attributable to non-controlling interests	6,649.6	6,430.0
attributable to shareholders		
<b>Consolidated net profit</b>	<b>55,542.5</b>	<b>36,280.7</b>
	EUR	EUR
diluted earnings per share = basic earnings per share	0.62	0.41

# Consolidated Statement of Comprehensive Income

	01/10/10 to 31/03/11 in EUR 1,000	01/10/09 to 31/03/10 in EUR 1,000
<b>1. Group result</b>	<b>62,192.1</b>	<b>42,710.7</b>
<b>2. Expenditure and revenues entered under equity</b>		
Changes in available for sale financial interests	3,992.7	1,044.5
Changes in value, without effect on the result, of companies associated at equity	- 24.7	—
Hedge accounting	32,195.2	23,708.3
Currency differences	2,718.8	-859.6
Deferred taxes	-9,727.0	-5,966.5
<b>Total for expenditure and revenues entered under equity</b>	<b>29,155.0</b>	<b>17,926.7</b>
<b>3. Comprehensive income after taxes</b>	<b>91,347.1</b>	<b>60,637.4</b>
4. attributable to comprehensive income from non-controlling interests	6,816.7	6,364.2
<b>5. attributable to comprehensive income of parent company</b>	<b>84,530.4</b>	<b>54,273.2</b>

# Consolidated Balance Sheet as at 31 March 2011

ASSETS	31/03/2011 in EUR 1,000	30/09/2010 in EUR 1,000
<b>A. Long-term assets</b>		
I. Intangible assets and goodwill	312,950.0	315,516.7
II. Tangible fixed assets	1,938,058.6	1,957,771.8
III. Investments (of these companies associated at equity: EUR 247,608.0 thousand; previous year: EUR 253,617.5 thousand)	290,771.2	296,535.9
IV. Other financial assets	461,547.3	464,249.6
	<b>3,003,327.1</b>	<b>3,034,074.0</b>
V. Other long-term assets	107,870.8	109,767.0
VI. Deferred taxes	12,941.6	14,159.5
	<b>3,124,139.5</b>	<b>3,158,000.5</b>
<b>B. Short-term assets</b>		
I. Inventories	73,824.6	80,492.7
II. Accounts receivable and other assets	459,854.7	374,006.9
III. Cash and cash equivalents	88,369.3	83,383.7
	<b>622,048.6</b>	<b>537,883.3</b>
	<b>3,746,188.1</b>	<b>3,695,883.8</b>
<b>LIABILITIES</b>	<b>31/03/2011 in EUR 1,000</b>	<b>30/09/2010 in EUR 1,000</b>
<b>A. Equity</b>		
I. Share capital	89,000.0	89,000.0
II. Capital reserves	213,106.9	213,106.9
III. Revenue reserves	915,752.6	913,606.4
IV. Other reserves	83,437.1	54,382.0
V. Non-controlling interests	79,993.6	77,842.0
	<b>1,381,290.2</b>	<b>1,347,937.3</b>
<b>B. Long-term debt</b>		
I. Financial liabilities	910,931.3	909,680.4
II. Long-term provisions	215,009.3	202,071.4
III. Deferred tax liabilities	124,560.2	116,626.6
IV. Contributions to construction costs	333,371.0	333,060.1
V. Deferred credit from cross-border leasing	35,319.6	35,946.1
VI. Advances from customers	80,132.4	83,698.8
VII. Other long-term debt	74,392.8	89,852.8
	<b>1,773,716.6</b>	<b>1,770,936.2</b>
<b>C. Short-term debt</b>		
I. Financial liabilities	85,422.0	102,638.7
II. Short-term provisions	50,118.7	44,568.5
III. Tax provisions	1,620.9	1,512.9
IV. Accounts payable	183,843.6	167,178.5
V. Deferred credit from cross-border leasing	1,253.0	1,253.0
VI. Other short-term debt	268,923.1	259,858.7
	<b>591,181.3</b>	<b>577,010.3</b>
	<b>3,746,188.1</b>	<b>3,695,883.8</b>

# Notes to the Consolidated Financial Statements

The condensed interim financial statements of Energie AG Oberösterreich as of 31 March 2011 were drawn up in accordance with the International Financial Reporting Standards (IFRS), as they were required to be applied on the balance sheet date, together with the applicable interpretations, as published by the International Accounting Standards Board (IASB) and adopted by the European Union, applying IAS 34 (Interim Financial Reporting). The interim financial statements were neither the subject of a full audit, nor of an auditing review by a chartered accountant.

The balancing and accounting methods used in the previous financial statements have been maintained unchanged. The following amendments to the IFRS concerning IFRS 1 (First time adoption of International Financial Reporting Standards), IFRS 7 (Financial Instruments: Disclosures), IAS 1 (Presentation of financial statements), IAS 34 (Interim Financial Reporting) and IFRIC 13 (Customer Loyalty Programmes) adopted by the EU were not applied ahead of time. These amendments are to be applied for the first time in the first reporting period of a fiscal year starting on or after 1 January 2011.

The following companies were fully consolidated for the first time in the first six months of the 2010/2011 fiscal year and integrated into the consolidated financial statements:

	location	share (in %)
<b>ENERGY</b>		
Energie AG Teplo Rokycany s.r.o.	Rokycany (Czech Republic)	100.00 %
Energie AG Teplo Vimperk s.r.o.	České Budějovice (Czech Republic)	100.00 %

The investment share in Tepelne zasobovani Rakovnik spol. s.r.o. increased by the additional acquisition of 66% to 100%.

The main changes in the group of consolidated companies are shown below:

	2010/2011 EUR 1.000	2009/2010 EUR 1.000
Long-term assets	3,369.4	14,626.5
Short-term assets	1,127.0	4,100.8
Long-term provisions and liabilities	- 2,758.6	- 6,045.2
Short-term provisions and liabilities	- 654.6	- 3,110.7
<b>Net assets</b>	<b>1,083.2</b>	<b>9,571.4</b>
Goodwill	169.7	875.2
Setting off not affecting current-period result	- 118.3	—
Setting off affecting current-period result	—	- 1,193.5
Liquid funds	- 490.2	- 1,353.6
Change in non-controlling interests	1,135.0	- 2,267.1
Acquisition of unconsolidated associated companies	1,620.9	7,772.3
Purchase price paid in previous periods	- 1,374.9	- 4,708.6
<b>Net outflow of cash</b>	<b>2,025.4</b>	<b>8,696.1</b>



The segments of the Energie AG Group are formed in accordance with IFRS 8, applying internal reporting and internal control (management approach).

In this context, the Energy Segment specifically comprises the production and distribution of electrical energy, gas and district heating. The Waste Management Segment essentially covers the acceptance, sorting, thermal processing and dumping of household and industrial waste materials. The Water Segment consists primarily of the supply with drinking water, as well as of the disposal of wastewater.

The accounting and valuation methods applied to the reported segments are the same as those used throughout the Group. Sales between the segments ("inter-segment sales") are invoiced at standard market prices.

The operating result of the individual segments is the result for the period which, being regularly monitored by the key decision-makers, is primarily used as a basis to assess the level of success and the allocation of resources.

The segment reporting according to business segments is as follows:

<b>01/10/2010 to 31/03/2011</b>	Energy in EUR mill.	Waste Management in EUR mill.	Water in EUR mill.	transition/ elimination in EUR mill.	<b>Group in EUR mill.</b>
External sales	886.2	225.3	65.1	—	1,176.6
Inter-segment sales	4.8	5.8	0.5	- 11.1	—
Total sales	891.0	231.1	65.6	- 11.1	1,176.6
Result of operations	88.9	9.4	2.6	—	100.9

<b>01/10/2009 to 31/03/2010</b>	Energy in EUR mill.	Waste Management in EUR mill.	Water in EUR mill.	transition/ elimination in EUR mill.	<b>Group in EUR mill.</b>
External sales	786.9	172.6	58.0	—	1,017.5
Inter-segment sales	4.7	8.2	0.4	- 13.3	—
Total sales	791.6	180.8	58.4	- 13.3	1,017.5
Result of operations	82.7	- 12.5	2.4	—	72.6

During the first six months, the production coefficient was 0.89 (previous year: 0.90). The improved result in the Waste Management Segment was attributable to the implementation of efficiency enhancement programmes, increased prices for recyclable materials and the provisions for imminent losses created in the balance sheet the previous year.

During the first six months of the 2010/2011 fiscal year, additions to tangible fixed assets amounted to EUR 47.7 million (previous year: EUR 49.7 million), and book-value disposals amounted to EUR 2.3 million (previous year: EUR 5.9 million).

The income statement comprises the revenues of affiliated companies in the amount of EUR 99.3 million (previous year: EUR 60.6 million), as well as the expenditures in the amount of EUR 74.2 million (previous year 49.6 million). Services were provided at standard market conditions.

Dividends in the amount of EUR 53,396.3 thousand (previous year: EUR 53,398.5 thousand) were paid to the shareholders of Energie AG Oberösterreich in the first six months of the 2010/2011 fiscal year.

The recovery of the real economy also has a positive effect on the Energie AG Group's risk position. During the first six months of the 2010/2011 fiscal year, the water levels of rivers and thus electricity generation at our own hydro-

power plants and obtained from hydraulic procurement rights was about 11% below the multi-year mean value, due to weather conditions. This was offset by thermal production.

Given the trend in the electricity prices, an increase in volatility is currently to be expected, and the increased disconnectedness of the oil and gas markets from the electricity market continues to be seen. The hedging strategies undergo continuous optimisation. For the Waste Management Segment, the higher prices for recyclable materials have a stabilising effect on any associated risks. The diesel price risk remains high, and with regard to the volume and price risk for waste from customers in the SME segment, consistent monitoring and control measures are being taken.

With the confirmation of the "A" rating and the improved "stable" outlook along with an investment portfolio that continues to be managed conservatively, and by controlling the counterparty risk through hedging agreements, the financial risk is being optimally managed.

By monitoring the evolving trends in the global energy strategies on an ongoing basis, any ensuing changes to the opportunities and risks will be taken into account.

Contingent liabilities amount to EUR 723.8 million (previous year: EUR 759.1 million).

Linz, 18 May 2011

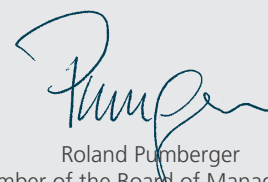
The Board of Management of Energie AG Oberösterreich



Leo Windtner  
Chairman of the Board of Management



Werner Steinecker  
Member of the Board of Management



Roland Pumberger  
Member of the Board of Management

## Consolidated Cash-Flow Statement

	01/10/10 to 31/03/11 in EUR 1,000	01/10/09 to 31/03/10 in EUR 1,000
Earnings before taxes on income	80,405.8	56,401.0
Result after taxes on income	77,425.5	40,978.8
Cash flow from the result	170,640.2	128,782.3
Cash flow from operating activities	124,470.3	78,605.0
Cash flow from investing activities	- 43,873.4	- 75,741.6
Cash flow from financing activities	- 75,611.3	- 43,277.4
<b>TOTAL CASH FLOW</b>	<b>4,985.6</b>	<b>- 40,414.0</b>
Cash and Cash equivalents at the beginning of the period	83,383.7	108,996.0
Cash and Cash equivalents at the end of the period	88,369.3	68,582.0

## Statement of Changes in Equity

	01/10/10 to 31/03/11 in EUR 1,000	01/10/09 to 31/03/10 in EUR 1,000
<b>Status at beginning of period</b>	<b>1,347,937.3</b>	<b>1,302,155.2</b>
Comprehensive income for the period	91,347.1	60,637.4
Dividend payment	- 56,926.4	- 55,430.8
Change in consolidated group	- 1,016.7	2,267.1
Own shares	- 51.1	- 36.4
<b>Status at end of period</b>	<b>1,381,290.2</b>	<b>1,309,592.5</b>



# Statement of all Members of the Board of Management pursuant to § 87 (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 assets, liabilities, financial position and profit or loss of the group as required by the International Financial Reporting Standards (IFRS) and that the group

management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements and of the principal risks and uncertainties for the remaining six months of the financial year.

Linz, 18 May 2011

The Board of Management of Energie AG Oberösterreich



Leo Windtner  
Chairman of the Board of Management,  
C.E.O.



Werner Steinecker  
Member of the Board of Management,  
C.O.O.



Roland Pumberger  
Member of the Board of Management,  
C.F.O.



This report contains statements relating to the future and comprise risks and uncertainty factors that may ultimately lead to considerable deviations in the result. Terms used such as "it is presumed", "it is assumed", "it is estimated", "it is expected", "it is intended", "may", "to plan", "to project", "should" and similar expressions serve to characterize statements relating to the future. We assume no guarantee that the forecasts and figures of our planning will actually materialize, which relate to economic, currency-related, technical, competition-related and several other important factors. The actual results may therefore deviate from those on which the statements relating to the future are based. Energie AG does not intend to update the statements relating to the future and refuses any responsibility for any such updates. We have drawn up the report with the greatest care and checked all data. The English version of the report is a translation of the German report. The German version of the report is the only authentic version.

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Linz, May 2011

**Energie AG Oberösterreich**  
Böhmerwaldstrasse 3  
A-4020 Linz, Austria  
[www.energieag.at](http://www.energieag.at)

**ENERGIEAG**  
Oberösterreich