# SEMI ANNUAL REPORT

for the period 1 October 2016 to 31 March 2017

ENERGIE AG Oberösterreich

We care about tomorrow

# The Group at a Glance

| | Unit | 1st HY 2016/2017 | Change | 1st HY 2015/2016 |
|---|---|---|---|---|
| **Sales revenues** | | | | |
| Energy Segment | EUR mill. | 602.5 | 17.6% | 512.5 |
| Grid Segment | EUR mill. | 169.6 | 10.6% | 153.4 |
| Waste Management Segment | EUR mill. | 101.5 | 5.5% | 96.2 |
| Water Segment | EUR mill. | 65.9 | 3.6% | 63.6 |
| Holding & Services Segment | EUR mill. | 20.4 | 6.3% | 19.2 |
| **Consolidated sales revenues** | **EUR mill.** | **959.9** | **13.6%** | **844.9** |
| | | | | |
| **Result** | | | | |
| Operating result (EBIT) | EUR mill. | 162.6 | 57.7% | 103.1 |
| EBIT margin | % | 16.9 | 38.5% | 12.2 |
| Earnings before taxes | EUR mill. | 153.2 | 72.7% | 88.7 |
| Consolidated net result | EUR mill. | 118.8 | 68.3% | 70.6 |
| | | | | |
| **Cash flow from operating activities** | **EUR mill.** | **178.8** | **117.3%** | **82.3** |

| | Unit | 31/03/2017 | Change | 30/09/2016 |
|---|---|---|---|---|
| **Balance sheet** | | | | |
| Balance sheet total | EUR mill. | 3,013.7 | 0.8% | 2,990.6 |
| Equity | EUR mill. | 1,214.4 | 7.8% | 1,126.7 |
| Equity ratio | % | 40.3 | 6.9% | 37.7 |

| | Unit | 1st HY 2016/2017 | Change | 1st HY 2015/2016 |
|---|---|---|---|---|
| **Employees (average)** | FTE | 4,334 | - 0.4% | 4,350 |

# Contents

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

The first half of the fiscal year was dominated by changes at the top management of the Energie AG Group. After 22 years, Dr. Leo Windtner stepped down as Chairman of the Management Board and DDr. Werner Steinecker took over this position. Dipl.-Ing. Stefan Stallinger was appointed as the new Chief Technical Officer, while Dr. Andreas Kolar remains Chief Financial Officer. We would like to take this opportunity to thank Dr. Windtner for his commitment at the helm of Energie AG Oberösterreich. He has established the strong foundation on which we will be able to base our future activities.

Our sector continues to face a difficult situation, although the economic climate has improved slightly in general terms. Changes to general energy policy will entail challenges for many businesses, including ours. At a European level, for example, there is the ongoing development of the Energy Union with its EU winter package known as 'Clean Energy for all Europeans' and, at a national level, Austria's integrated energy and climate change strategy as well as both minor and major amendments to the Green Electricity Act will pose challenges. A workable compromise has been devised regarding the separation of the common electricity pricing zone between Austria and Germany. All of these undertakings have a direct impact on our business.

In the first half of fiscal year 2016/2017, Group turnover amounted to EUR 959.9 mill.; the 13.6 percent rise as compared to the first half year of 2015/16 was mainly due to management of the 7Fields gas storage facility, the higher volume of gas sold to major customers, more extensive use of the Timelkam combined-cycle gas turbine (CCGT) power plant in the course of congestion management and higher grid revenues. The Group's operating result (EBIT) increased by EUR 59.5 mill. (57.7%) on the comparative period to EUR 162.6 mill. The reasons for this positive development are a write-up of the Timelkam CCGT power plant linked to improved energy policy conditions, higher heating and gas sales owing to the cold weather, increases in volume and regulatory tariff adjustment measures in the Grid Segment as well as higher revenues for recyclable materials and energy in the Waste Management Segment.

The rating upgrade by Standard & Poor's to the excellent rating of A (with stable outlook) underscores the much enhanced operational and financial performance of the Group.

Important steps towards the upcoming digitalisation of the Group were also taken during the first half of the year 2016/2017. At present, we are working with a project partner to devise a Group-wide digitalisation strategy entitled 'e-bit'. Within the Stratos project, strategic options for our electricity sales company ENAMO are evaluated. Another focus is the continuing rollout of smart meter technology. Energie AG Oberösterreich is currently setting the national pace in this area, with a degree of expansion in excess of 50 percent. Expansion of the fibre-optic network, and thus the availability of broadband connections for private customers with bandwidths of more than 100 MBit is being consistently pursued. The issue of digitalisation across all divisions of the Group will also be tackled throughout the rest of the fiscal year 2016/2017.

The acquisition of five hydropower plants on the River Traun from UPM Kymmene Austria GmbH is surely a milestone in the field of generation; the contract was signed at the end of March 2017, with closing scheduled for the summer of 2017.

Finally, we would like to express particular thanks to the members of the Supervisory Board, all senior executives and above all our employees for their outstanding commitment to the company. By working together, we will manage the upcoming challenges and exploit our opportunities, as we did in the past. We are confident about this.

Linz, 23 May 2017

The Management Board of Energie AG Oberösterreich

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

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

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


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

# Group Management Report 1st Half-Year 2016/2017 [1) ] of Energie AG Oberösterreich

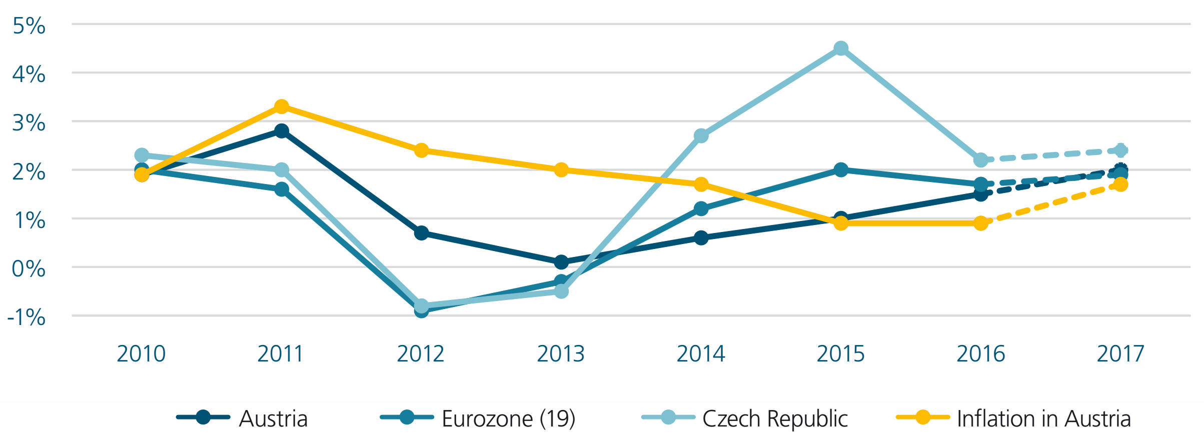
## GENERAL CONDITIONS

### General Economic Conditions [2)]

In the first half of the fiscal year 2016/2017 (1 October 2016 to 31 March 2017), Austria's economy showed itself to be on a robust, and increasingly dynamic course of growth. Austria's gross domestic product (GDP) grew by 0.5% each quarter of the reporting period, and this trend is likely to continue in the second half of the fiscal year 2016/2017. Economists forecast economic growth between 1.7% and 2.0% for the entire calendar year 2017. High levels of domestic demand and the continuing strong consumer demand, prompted by tax reforms, are both providing positive impetus which is likely to continue until mid-year 2017, according to experts.

In the reporting period, also the Eurozone saw a revival of economic growth, compared with the moderate growth course of the previous year (1.7%). The main reason for optimism is increasing exports, although geopolitical un-certainties, the United Kingdom leaving the EU ("Brexit") and unemployment within the EU are major factors of un-certainty in the forecasts. For 2017, experts see an upturn in economic growth of 2.6% in the Czech Republic, which is a key market for Energie AG.

GDP Growth and Inflation
Annual percentage change




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: OECD Interim Economic Outlook (Interim Report) March 2017, IWF (International Monetary Fund) Press Release dated 16 January 2017, WIFO (Austrian Institute for Economic Research) Monthly Report March 2017, WKO (Austrian Chamber of Commerce) Economic Situation and Forecast Release March 2017, WKO Economic Profile Czech Republic February 2017, IHS (Institute for Higher Studies) Press Release dated 23 March 2017

## Energy Policy Framework

In the course of further developing the Energy Union, the EU winter package "Clean Energy for all Europeans", presented in November 2016, launched a comprehensive debate on the future of energy structures in the EU. In addition to energy efficiency as top priority, the major goals include assuming global leadership in the field of renewable energies, and a consumer-centric electricity market redesign. Finalisation of the package is anticipated until 2018.

It was not until after the reporting period that a mutual solution was achieved in the discussion on separating the common electricity trading zone shared between Austria and Germany. In March 2017, E-Control's complaint against the decision to define Capacity Calculation Regions – and thus against a restricted exchange of electricity between Germany and Austria – had been dismissed. In mid-May 2017, Germany's Federal Network Agency and E-Control agreed on a restriction of bilateral electricity trading, as of 1 October 2018, to long-term capacities in the amount of 4,900 MW, which is approximately equivalent to half of Austria's consumption in peak periods. This agreement provides planning reliability for all market stakeholders and means that electricity trading between the two countries can continue with the least possible impact on electricity prices.

As regards Austria's integrated federal energy and climate strategy, after completion of the strategy, input from all stakeholders will be collected in a White Paper, likely to be adopted by the Council of Ministers in the summer of 2017. The energy-policy guidelines (supply reliability, competitiveness, affordability and sustainability) form the framework for the strategic orientation of the future Austrian energy system on the one hand, with the requirements of EU climate and energy policy up to 2030 and the Paris climate goals on the other. The revised Upper Austrian energy strategy was adopted by a majority decision of the provincial government on 27 February 2017. To position Upper Austria as a leading region in the field of energy efficiency, the goal is to achieve technology leadership in this area.

The implementation of the Federal Energy Efficiency Act (EEffG) still means an additional burden on the affected businesses. Energie AG reported energy efficiency actions by 14 February 2017 and clearly met its obligations with respect to section 10 EEffG. Due to on-going revision by the legislator of the general methods for evaluating energy efficiency actions, active participation in this subject continues to be essential in the future.

Extended reporting obligations will become relevant for Energie AG in the future due to the Sustainability and Diversity Improvement Act (NaDiVeG), which came into effect on 6 December 2016, while there will be simplifications due to amendments of the Economic Compatibility Verification Act and of other environmental laws adopted by Austria's Federal Ministry for Agriculture, Forestry, the Environment and Water Management (BMLFUW) on 29 March 2017 in the scope of the Administration Reform Act. In addition to this, numerous changes, for example, to the Green Electricity Act have been submitted to the plenary session of the National Council in the scope of the Energy Amendments Package 2017. An amendment to the Electricity Industry and Organisation Act (ElWOG) will allow the shared use of photovoltaics systems in apartment buildings in the future. Additionally, the Gas Industry Act, the Energy Control Act, and the CHP (Combine Heat and Power) Points Act are being amended and additional funds for expanding district heating are being provided. A draft act for a major amendment to the Green Electricity Act, designed to see the system of subsidies converted to the new state aid legislation now in effect, is planned for December 2017.

# BUSINESS DEVELOPMENT IN THE GROUP

## Net Assets, Financial Position and Results of Operations

| Group Overview | Unit | 1st HY 2016/2017 | 1st HY 2015/2016 | Change |
|---|---|---|---|---|
| Sales revenues | EUR mill. | 959.9 | 844.9 | 13.6% |
| Operating result (EBIT) | EUR mill. | 162.6 | 103.1 | 57.7% |
| EBIT margin | % | 16.9 | 12.2 | 38.5% |
| Financial result | EUR mill. | -9.4 | -14.4 | 34.7% |
| Earnings before taxes | EUR mill. | 153.2 | 88.7 | 72.7% |
| Investments in property, plant and equipment and intangible assets | EUR mill. | 53.5 | 52.4 | 2.1% |
| Cash flow from operating activities | EUR mill. | 178.8 | 82.3 | 117.3% |
| Cash flow from investing activities | EUR mill. | -81.8 | -55.7 | -46.9% |
| Cash flow from financing activities | EUR mill. | -78.3 | -57.6 | -35.9% |

Sales revenues in the amount of EUR 959.9 million were generated in the first six months of the fiscal year 2016/2017 (previous year: EUR 844.9 million). The increase in sales in the amount of EUR 115.0 million (13.6%) is mainly attributable to volume growth in large client business with natural gas, management of the 7Fields gas storage facility, higher levels of proprietary electricity trading and the increased use of the Timelkam CCGT (combined-cycle gas turbine) power plant.

The Group EBIT rose by EUR 59.5 million, from EUR 103.1 million to EUR 162.6 million.

In the Energy Segment, the more favourable general conditions for the Timelkam CCGT power plant, compared with the previous years, led to a reversal of impairment in the amount of EUR 14.1 million in the course of a follow-up audit. In the previous year, impairments on generating plants had been recognised in the amount of EUR 25.0 million. In addition to this, the increased use of the Timelkam CCGT power plant had a positive effect on the operating result. The Timelkam CCGT plant was mainly used for grid reserve management and congestion management. Higher volumes in heat and gas sales due to the cold weather also contributed towards increasing the EBIT.

In the Waste Management Segment, the EBIT rose from EUR 1.2 million to EUR 6.8 million. This increase is attributable to an impairment on incineration plants made in the previous year, and to higher revenues from recyclable materials and from the energy generated by burning waste as a co-generation product.

While the operating result in the Grid Segment benefited from volume increases and changes to tariffs, the Water Segment achieved a stable EBIT, and the Holding & Services Segment a downturn in EBIT.

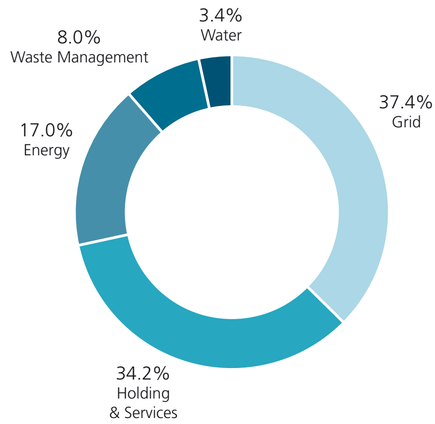
The profit contribution of the at-equity consolidated associated companies and joint ventures fell from EUR 44.9 million in the previous year to EUR 38.7 million in the reporting period. This decrease is mainly attributable to lower margins in energy sales.

In comparison with the previous year, the Group's operating result includes higher expenses for an early retirement model.

The financial result in the reporting period improved by EUR 5.0 million, from EUR -14.4 million to EUR -9.4 million. With the disposal of securities, any value increases previously recognised in equity were transferred to the income statement; in addition to this, a capital gain was made on disposal.

Investments in intangible assets and property, plant and equipment totalled EUR 53.5 million in the first half of 2016/2017 and was therefore EUR 1.1 million (2.1%) higher as compared to the previous year. More than one third of this was attributable to the Grid Segment. Investments in the Holding & Services Segment include expanding the fibre-optic cable network and the smart meter rollout.

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




On 31 March 2017, financial liabilities amounted to EUR 508.7 million. The decrease in financial liability by EUR 23.7 million, compared with the figure as of 30 September 2016 (EUR 532.4 million), is mainly attributable to early repayment of two bank loans.

## Rating Upgrade Confirms Successful Path

Energie AG's creditworthiness was upgraded by Standard & Poor's on 28 February 2017 to the excellent rating of "A (with stable outlook)". This improvement in credit standing is the result of intensive optimisation and rationalisation measures which are now reflected in the substantially improved operating and financial performance of the Group.

With its rating of "A", Energie AG is now in the leading group of Austrian utilities, and also occupies an absolute top position in an 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.

## Related Party Disclosures

For Energie AG's transactions with related parties in the reporting period, please refer to the details provided in the Consolidated Financial Statements, page 31.

## Change in the Management Board of the Company

On 28 February 2017, CEO Dr. Leo Windtner retired after 38 years with the company and 22 years chairing OKA

and Energie AG. In the Supervisory Board meeting on 19 December 2016, the former Chief Technical Officer KR Prof. Ing. DDr. Werner Steinecker, MBA, had been appointed Chairman of the Management Board of Energie AG, with effect as of 1 March 2017.
The Supervisory Board appointed a new Chief Technical Officer on 28 February 2017. Dipl.-Ing. Stefan Stallinger, MBA, formerly the Managing Director of Energie AG Oberösterreich Tech Services GmbH, was appointed as a new member of the Board.

Based on the breadth of industry knowledge of the new Board Members, this new Management line-up guarantees the continuous development of the Group.

## Trend in Staff Levels

In the first six months of 2016/2017, the average consolidated staff level in the Group was 4,334 full-time equivalents (FTE) and down slightly compared to the average of the first half of 2015/2016 (4,350 FTE).

| Yearly Average in FTE[1] | Unit | 1st HY 2016/2017 | 1st HY 2015/2016 | Change |
|---|---|---|---|---|
| **Energie AG Oberösterreich GROUP TOTAL** | FTE | **4,334** | **4,350** | **-0.4%** |
| Energy Segment | FTE | 431 | 484 | -11.0% |
| Grid Segment | FTE | 543 | 553 | -1.8% |
| Waste Management Segment | FTE | 792 | 795 | -0.4% |
| Water Segment | FTE | 1,571 | 1,559 | 0.8% |
| Holding & Services Segment | FTE | 997 | 959 | 4.0% |

[1] All information stated regarding employees relates to full-time equivalents (FTE) as a yearly average of the fully-consolidated and proportionately consolidated companies.

# RISK AND OPPORTUNITY SITUATION

## Opportunities and Risks for the First Half of 2016/2017

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. Energie AG faces these challenges with efficiency-improving measures, a focused investment policy and by leveraging the opportunities the change in the energy industry offers.

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

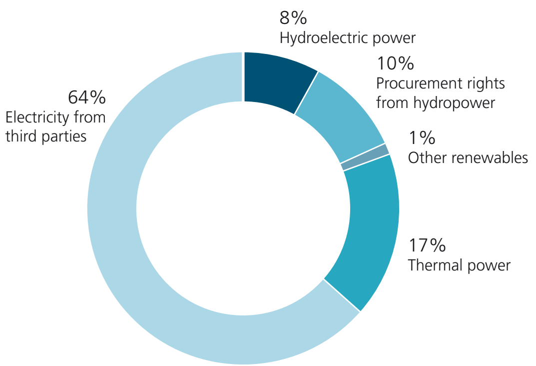
See page 30 of the Consolidated Financial Statements for more details on the risks and opportunities situation.

# KEY PERFORMANCE INDICATORS

| Group Overview | Unit | 1st HY 2016/2017 | 1st HY 2015/2016 | Change |
|---|---|---|---|---|
| Electricity procurement | GWh | 9,275 | 8,696 | 6.7% |
| Electricity procured from third parties | GWh | 7,359 | 6,721 | 9.5% |
| Own electricity procurement | GWh | 1,917 | 1,975 | -2.9% |
| Thermal power stations [1] | GWh | 900 | 1,047 | -14.0% |
| Renewable Energy | GWh | 1,017 | 929 | 9.5% |
| Own hydropower plants | GWh | 422 | 379 | 11.3% |
| Procurement rights from hydroelectric power | GWh | 533 | 487 | 9.4% |
| Other renewable energy [1] (photovoltaics, wind, biomass) | GWh | 62 | 63 | -1.6% |
| Electricity grid distribution volume to end costumers | GWh | 4,344 | 4,079 | 6.5% |
| Electricity sales volume | GWh | 4,082 | 4,107 | -0.6% |
| Natural gas grid distribution volume to end costumers | GWh | 12,300 | 10,661 | 15.4% |
| Natural gas sales volume | GWh | 3,492 | 2,427 | 43.9% |
| Heat procurement | GWh | 1,006 | 891 | 12.9% |
| Heat sales volume | GWh | 946 | 838 | 12.9% |
| Total waste volume handled | 1,000 to | 842 | 826 | 1.9% |
| Thermally processed waste volume | 1,000 to | 310 | 298 | 4.0% |
| Invoiced drinking water volume | $m^3$ mill. | 26.1 | 25.4 | 2.8% |
| Invoiced waste water volume | $m^3$ mill. | 21.8 | 22.0 | -0.9% |
| Length of fibre-optic network | km | 4,950 | 4,800 | 3.1% |

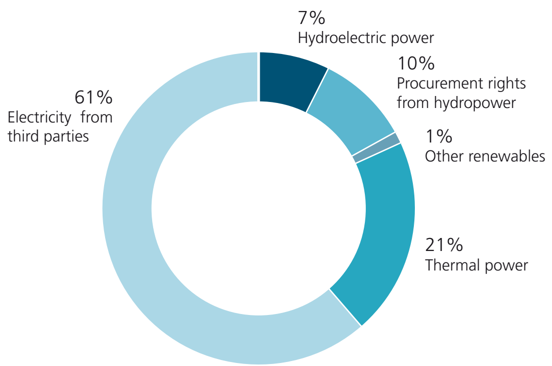
## Electricity Procurement Structure (without Electricity Trading)[1]

1st Half-Year 2016/2017




Rate of own coverage: 36%

1st Half-Year 2015/2016




Rate of own coverage: 39%

# 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, service companies and management functions; associated at-equity companies which cannot be allocated to other Segments |

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

# Energy Segment

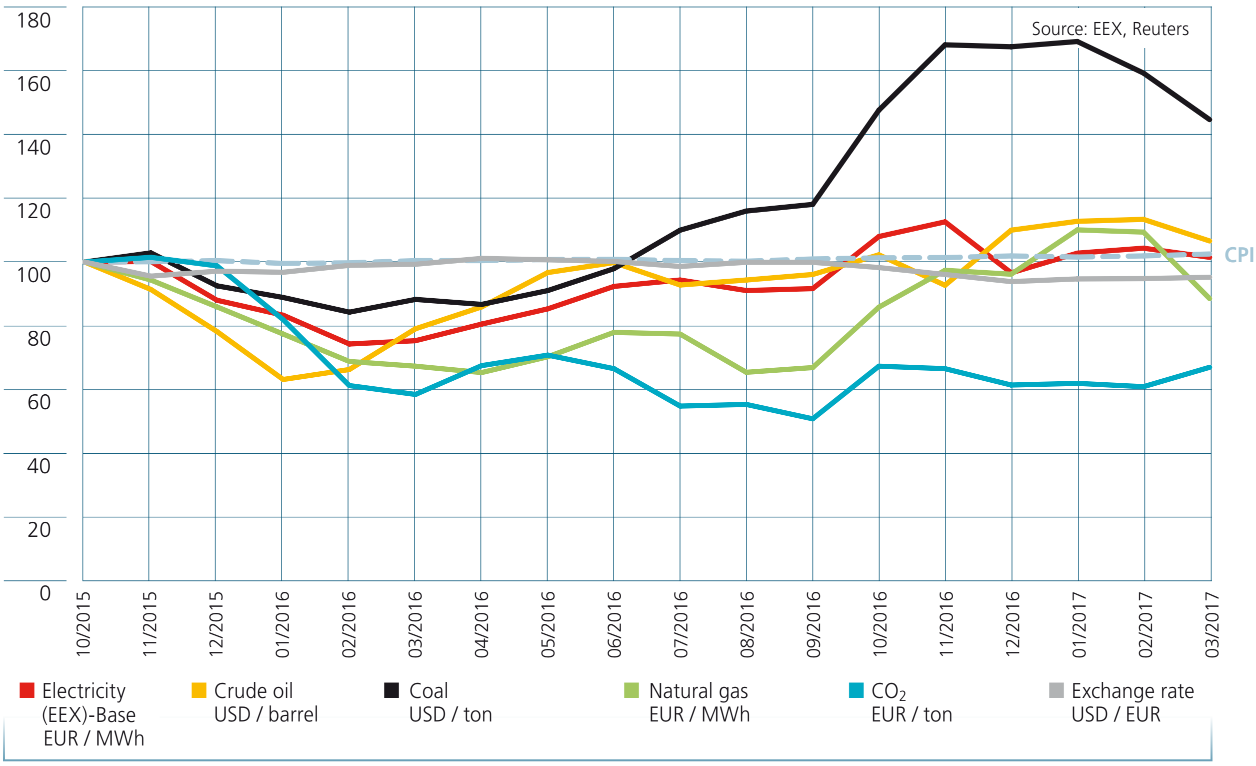
| Energy Segment Overview | Unit | 1st HY 2016/2017 | 1st HY 2015/2016 | Change |
|---|---|---|---|---|
| Total sales | EUR mill. | 603.6 | 513.7 | 17.5% |
| EBIT | EUR mill. | 88.6 | 45.7 | 93.9% |
| Investments in property, plant and equipment and intangible assets | EUR mill. | 9.1 | 9.3 | -2.2% |
| Employees (on average) | FTE | 431 | 484 | -11.0% |
| Electricity procurement | GWh | 9,184 | 8,610 | 6.7% |
| Own electricity procurement | GWh | 1,825 | 1,889 | -3.4% |
| Electricity sales volume | GWh | 4,082 | 4,107 | -0.6% |
| Natural gas sales volume | GWh | 3,492 | 2,427 | 43.9% |
| Heat procurement | GWh | 874 | 754 | 15.9% |
| Heat sales volume | GWh | 815 | 701 | 16.3% |

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 prices in the first six months of the fiscal year 2016/2017. The oil market prices were up by an average of 32.9% on reference values from the previous year at USD 51.5/barrel. The price development on the gas market was more moderate compared with the oil market. During the winter months, the gas prices rose considerably, however, and were 18.7% above the reference period in the previous year. In contrast, prices of $CO_2$ emission certificates, averaging EUR 5.5/t $CO_2$, were considerably lower as compared to the previous year (EUR 7.0/t $CO_2$).

Price Index Development on International Energy Markets




Higher electricity wholesale prices resulted from the recovery in primary energy prices, regional availability restrictions and weather-induced increased consumption figures. On average the Front-Year Base product was quoted on the European Energy Exchange (EEX) at around EUR 30.3/MWh (+19.8% compared to the previous reporting period). The prices for day-ahead spot quotes averaged EUR 39.4/MWh in a bandwidth between EUR -67.1/MWh and EUR 163.5/MWh. The balancing energy prices also stabilised following the introduction of a cross-border bidding procedure.

CCGT (combined-cycle gas turbine) power plants and pumped-storage power plants provided reliable generation capacities in the winter semester 2016/2017. The great importance of conventional power plants as important pillars for securing the supply of energy was again emphasised by the regulatory authority, E-Control, in the context of weather-related, below-average domestic electricity generation in Austria during a two-week period in January 2017.

## Business Development in the Energy Segment

Sales revenues in the Energy Segment totalled EUR 603.6 million in the first six months of 2016/2017. This is equivalent to an increase of 17.5% compared to the previous year's value. Higher revenues from sales of natural gas to key account customers, gas trading and proprietary electricity trading, higher district heating revenues due to the cold weather, and above all the increased use of the Timelkam CCGT power plant were the major drivers of this noticeable increase.

The operating result in the Energy Segment was doubled compared with the previous year's EBIT (EUR 45.7 million), almost reaching EUR 88.6 million. While the previous year's EBIT was impacted by impairments in the amount of EUR 25.0 million for generating plants, an appreciation in value in the amount of EUR 14.1 million was noted for the Timelkam CCGT power plant in the reporting period, due to improved electricity price expectations and an observed trend towards a slight stabilisation of the market. In addition to this, the increased short-term use of the Timelkam CCGT power plant for grid reserve management and congestion management, as well as increased sales figures in heat and gas sales due to the cold weather, were the major drivers of the improvement in the operating result.

## Slight Relaxation in the Electricity Generating Market

Total electricity procurement in the Energy Segment in the first half of 2016/2017 totalled 9,184 GWh and was therefore 6.7% higher than in the previous year (8,610 GWh). This noticeable increase is mainly attributable to electricity trading for procurement optimisation reasons in the context of the increased use of the Timelkam CCGT power plant for congestion management. In contrast to this, own electricity procurement at 1,825 GWh in the reporting period was down by a total of 3.4% on the previous year's reference period (1,889 GWh); this was attributable, above all, to the decrease at the thermal power stations.

Electricity production from thermal capacities was at 840 GWh, dropping by 15.1% compared with the previous year's value of 990 GWh. This development is specifically attributable to terminating coal-fired generation at the Riedersbach facility at the end of March 2016. This decrease was partially compensated for by recommencing electricity generation at the Timelkam biomass power plant as of February 2017, and the increased use of the Timelkam CCGT power plant. The provision of district heating from the Riedersbach and Timelkam power plant stations increased by 13.6% to 192 GWh compared with the reference period in the previous year (169 GWh), due to this year's colder weather. In terms of the further development of the Riedersbach site, a strategy for co-location by datacentre operators has been elaborated. In the reporting period, an agreement with a German group of companies, relating to the establishment of a datacentre with an optimal connection to the Energie AG grid and data network, and including a cooling water option, was signed.

Own electricity procurement at the hydropower plants showed a positive development compared with the first six months of the previous year. A water level up by 8% on the previous year contributed towards this trend. Compared with the long-term average, however, a below-average water level was noted, with the hydro coefficient of the proprietary power plants and procurement rights at 0.98 in the reporting period.

Ennskraftwerke AG, in which Energie AG holds a participation of 50%, also reported a hydro coefficient of 1.06 above the long-term average for the first half of 2016/2017.

The Reißeck II pumped-storage power plant, in which Energie AG holds 10% procurement rights was commissioned in October 2016. Together with the Group's other power plants capable of producing control reserve, this pumped storage power plant group is an important pillar for stable and secure electricity generation. In January 2017, pilot operations started on schedule at the newly built Bad Goisern power plant.

At the end of March 2017, Energie AG signed a contract for the purchase of five hydropower plants on the Traun from STAG Wasserkraft GmbH and UPM-Kymmene Austria GmbH. This transaction is scheduled for closing in the summer of 2017.

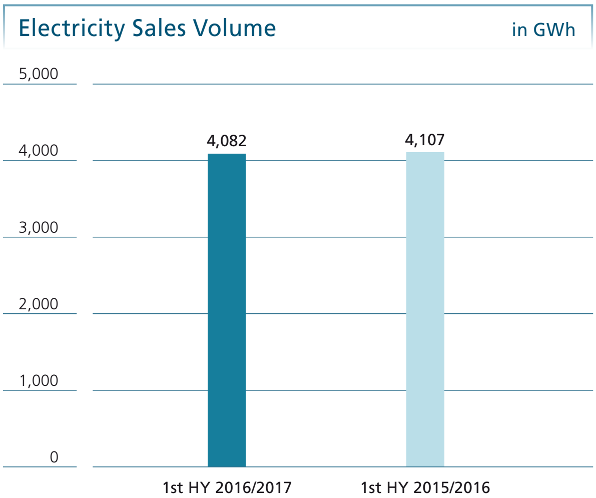
In the area of new renewable energies, contracts for seven new photovoltaic contracting projects with an output of 970 $kW_p$ were concluded with customers, and are scheduled for implementation in the course of the year. Beyond this, contracts for the implementation of two photovoltaics projects as the general contractor were concluded. Energie AG's wind power portfolio in Austria includes investments in three wind parks, with a pro rata basis performance of nearly 13 MW and electricity production of 19 GWh in the first six months.

## Successful Customer Loyalty in Electricity Sales despite Fierce Competition

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 comprises the companies ENAMO GmbH, ENAMO Ökostrom GmbH, Energie AG Oberösterreich Vertrieb GmbH & Co KG and Linz Strom Vertrieb GmbH & Co KG.

In the first half of the fiscal year 2016/2017, the Group's consolidated electricity sales figures totalled 4,082 GWh, and were therefore 25 GWh below the previous year's value of 4,107 GWh. Volumes in the private and business customer segment were above the previous year's values despite an increasing switching rate, due to the very cold winter and the improved economic climate. In the industrial customer segment volumes declined due to the loss of some key customers.

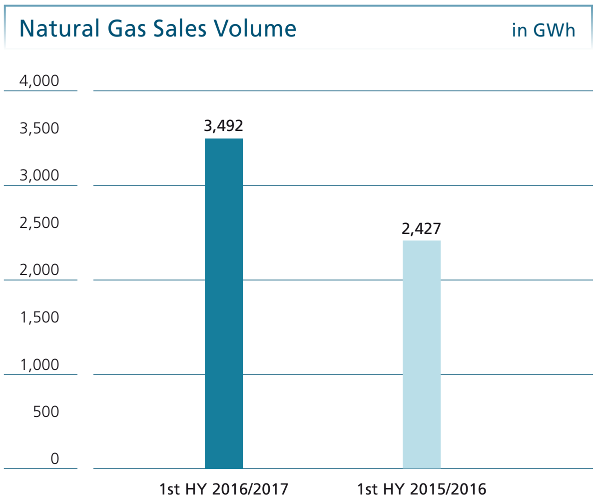



The switching rate in Austria reached 4.0% among customers with a standard load profile in the calendar year 2016; this is the highest value since the start of liberalisation. The development of innovative products and custom tariff worlds is the central field of action for ENAMO in this fiercely competitive environment. Despite the ever more intense competition, the ENAMO group of companies succeeded in binding loyal customers through competent advice and reliability, and in gaining the trust of new customers.

In the business customer segment, the electricity sales team is continuing to rely on personal customer relations. This strategy successfully boosted customer loyalty in the reporting period as well as high levels of customer satisfaction in the regularly performed surveys. The strategic reorientation of the business area in the past months envisages increased digitalisation of all business processes and focused management of the customer segments.

## Customer Loyalty and Cold Winter As Focal Point for Gas and Heat

The natural gas sales volume in the Group amounted to 3,492 GWh in the first half year and was thus 43.9% up on the previous year's value of 2,427 GWh. The significant volume increase was mainly attributable to growth in the key account customer segment due to winning over a large number of new accounts. In addition, the cold winter, compared to the warm winter last year, had a positive influence on the space heating driven sales volumes of the business and private customer segments. As a result, the total heating-degree days in Upper Austria in the first six months were 4.5% above the average for the last 10 years and 13.2% above the previous year.

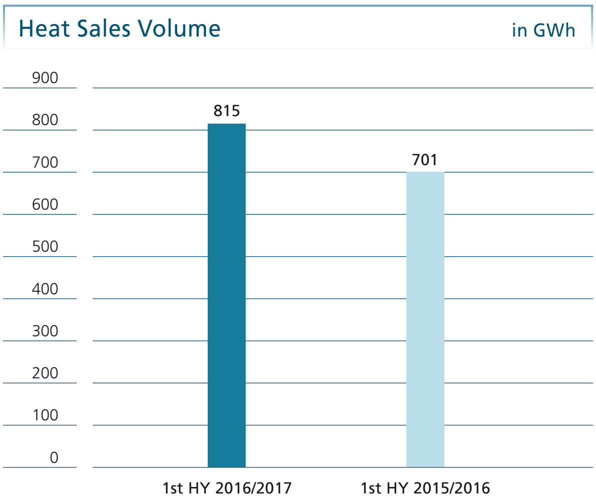



A customer loyalty reward for business and private customers was successfully completed in the first six months of 2016/2017. To manage the effects of increased consumption due to the cold winter in a better way, and individually for the customer, a new action package was created for business and private customers. Customers heavily hit by the winter were proactively addressed.

Offering a modern energy-contracting model, the energy services business unit delivers heat to customers in public institutions, the housing industry, and commercial enterprises. In the first half of 2016/2017, the heat sales volumes from contracting plants amounted to 109 GWh and was thus 9.1% above the previous year's value of 100 GWh. In addition, the low winter temperatures positively influenced the sales volumes.

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 amount of process heat and district heating provided to customers in the first six months of 2016/2017 was 276 GWh (previous year: 217 GWh).

In the scope of the ongoing exploratory projects for the future subsidies program "Energy Showcase Regions" by the Austrian Climate and Energy Fund, Energie AG focused on the development of tangible customer projects in the fields of energy efficiency and the use of industrial waste heat in the first half of 2016/2017. The service portfolio in the field of energy efficiency was also recently extended.




For the district heating business area, too, the colder than average winter in the first six months of 2016/2017 posed a special challenge in terms of supply reliability and quality; this was achieved thanks to highly-efficient, state-of-art generating plants. In particular, the modernisation actions completed in the past few years, for example at the Steyr and Kirchdorf facilities, have proved their value in the past six months, as did the boiler plant additionally established in Braunau to cover peak consumption in the winter months.

All told, the heat sales volume in the Energy Segment was 815 GWh in the first six months of 2016/2017. The below average temperatures at home and abroad, and a successful drive to attract new customers, led to an increase in heat sales by 114 GWh (16.3%) compared to the previous year (701 GWh).

### Development of Public Charging Stations for E-Mobility

To support the use of electromobility in our province, the selective and targeted installation and operation of public charging stations were continued. In collaboration with partner companies from the Federal Association for Electromobility in Austria (BEÖ), Energie AG made a major contribution towards the goal of establishing a nationwide charging infrastructure in Austria: a uniform, customer-friendly charging and billing system was developed in the scope of the "ÖHUB" pilot project. In the scope of this initiative, charging stations of the 11 members were connected in all provinces. Thanks to the digital networking of the 1,300 charging points, it is now possible to charge and pay across Austria with a single charging card (RFID) or an app.

## Grid Segment

| Grid Segment Overview | Unit | 1st HY 2016/2017 | 1st HY 2015/2016 | Change |
|---|---|---|---|---|
| Total sales | EUR mill. | **202.1** | 180.2 | 12.2% |
| EBIT | EUR mill. | **60.6** | 45.3 | 33.8% |
| Investments in property, plant and equipment and intangible assets | EUR mill. | **20.0** | 21.7 | -7.8% |
| Employees (on average) | FTE | **543** | 553 | -1.8% |
| Electricity grid distribution volume to end costumers | GWh | **4,344** | 4,079 | 6.5% |
| Natural gas grid distribution volume to end costumers | GWh | **12,300** | 10,661 | 15.4% |

The Grid Segment of Energie AG comprises the construction and operation of the electricity and gas grid.

### General Legal and Regulatory Conditions

As a consequence of continued investment in Smart Metering for the electricity grid and natural gas high-pressure pipelines, the grid utilisation fees for the Upper Austrian electricity and natural gas grid were again raised by the regulatory authority with effect as of 1 January 2017. Following the substantial rise in fees for the natural gas grid in the previous year, the increase this year was only minor (0.3%) due to volume growth. Due to greater increases in other Austrian grid fee regions, price leadership was thus again strengthened. The grid fees for electricity saw a higher increase of 4.71% on average, but this is still moderate, with lower procurement costs for grid losses exercising a buffering effect.

Since the regulatory periods are still running until 2017 for natural gas and 2018 for electricity, the general regulatory conditions for the current fiscal year can be judged in principle to be stable. Talks between E-Control Austria and industry representatives on the format of regulation in the successor periods as of 2018 and 2019 have already commenced. The aim is to continue to keep the general conditions for grid operators stable.

The amendment of ElWOG already expected in the second half year of 2015/2016 is still not on the horizon. Minor adjustments in the context of an amendment of the Green Electricity Act are on the cards for the next few months.

In February 2016, Energie-Control Austria opened a process of discussions on the "Ongoing development of the grid fee structure in the electricity segment". The intent here is to take into account increasing, decentralised, non-plannable generation and increasing requirements due to private consumption, as well as the potential contribution by customers towards improving power demand flexibility by means of a strong weighting of power charges in the tariff components. The publication of a final document is expected in the first six months of 2017.

## Business Development in the Grid Segment

Compared to the reference period in the previous year, sales revenues in the Grid Segment rose substantially by EUR 21.9 million (12.2%) to EUR 202.1 million. Both the higher distribution volumes from the electricity and natural gas grids as well as the increase in grid fees had a positive effect here.

The EBIT in the Grid Segment was EUR 60.6 million in the reporting period. The increase of EUR 15.3 million (33.8%) compared with the first six months of 2015/2016 is mainly attributable to the volume and price increases described earlier on. The higher cost of the upstream grid and grid losses on the electricity grid had a negative effect, and the lower upstream grid costs in the natural gas grid area proved unable to compensate for this.

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

The electricity grid distribution volume to end-customers grew by 6.5% in the first six months of the current fiscal year with an increase from 4,079 GWh to 4,344 GWh. Based on current forecasts, the distribution volume in the entire year will rise, but starting from a low level following a distribution volume decrease in the previous year.

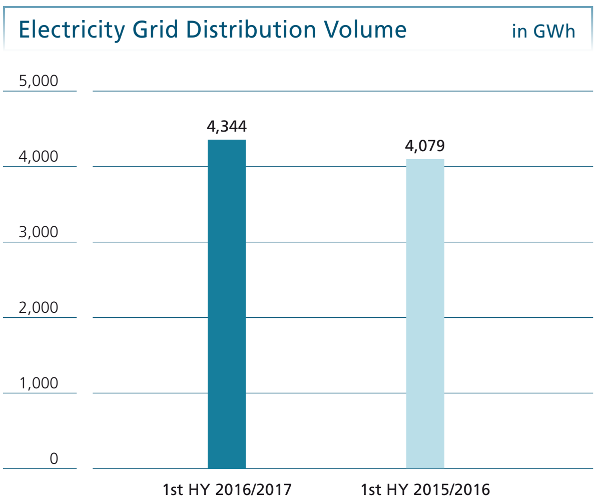
The major reason for the rise is increased demand in the industrial and business customers segment. Only a minor increase is expected from private customers in the fiscal year 2016/2017.

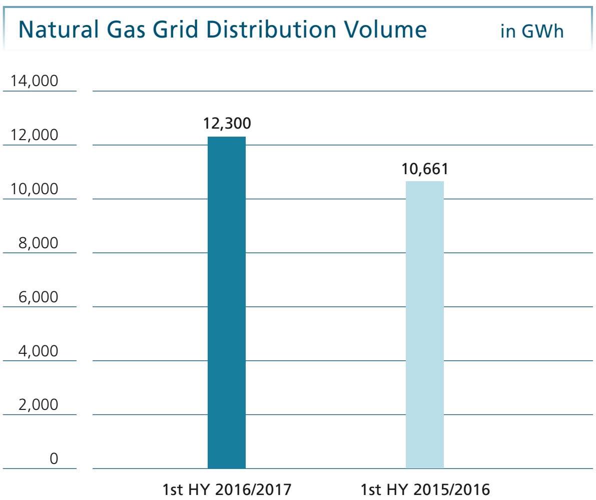
The natural gas grid distribution volume to end-customers increased by 15.4% to 12,300 GWh compared with the previous year (10,661 GWh), with the power demand showing far stronger growth. For example, the grid output from the Energie AG natural gas grid reached an all time high in January 2017, peaking at 780,000 m³/h (around 7,000 MW). Due to the cold weather, especially in January and February, the room heating demand was also far higher than in previous years.

In terms of the electricity grid, the first six months of the current fiscal year proceeded without significant disruptions. All deforestation approvals are now in place for the 110-kV project Almtal-Kremstal. The declaratory motion for an environmental impact assessment has already been rejected by a legally binding ruling so that there is no obligation to conduct an environmental impact assessment in the project under consideration. The required procedures for granting rights of coercion are now being pursued. In the 110-kV project Pramtal Süd, the provincial administrative court confirmed the energy law ruling as the court of second instance.

Now into its 9th year, the programme to replace highly disruption-prone, medium-voltage overhead lines with underground cables is proceeding on schedule. Some 30 km of additional overhead lines are due to be replaced by underground cables in the fiscal year 2016/2017.
Customer requests for capacity upgrades on the medium-voltage grid have become far more intense and pronounced most recently. Due to the ongoing integration of decentralised electricity generation systems, the situation on the low-voltage grid remains challenging.

Regarding the natural gas grid, the multiple year, large-scale project of "Pressure increase in the Upper Austrian high-pressure grid", designed to cover additional capacity requirements, is proceeding on schedule. In autumn 2016, a high pressure pipeline in the Pfaffstätt area was purchased from RAG Rohöl-Aufsuchungs Aktiengesellschaft. Technical adaptation for future feeding points has commenced.



# Waste Management Segment

| Waste Management Segment Overview | Unit | 1st HY 2016/2017 | 1st HY 2015/2016 | Change |
|---|---|---|---|---|
| Total sales | EUR mill. | 105.0 | 99.6 | 5.4% |
| EBIT | EUR mill. | 6.8 | 1.2 | 466.7% |
| Investments in property, plant and equipment and intangible assets | EUR mill. | 4.3 | 7.0 | -38.6% |
| Employees (on average) | FTE | 792 | 795 | -0.4% |
| Total waste volume handled | 1,000 to | 842 | 826 | 1.9% |
| Thermally processed waste volume | 1,000 to | 310 | 298 | 4.0% |

The Waste Management Segment of Energie AG encompasses the collection, acceptance, sorting, treatment and incineration of domestic and commercial waste and recyclables, and includes the activities in Austria and South Tyrol, the slag treatment company AMR Austrian Metal Recovery GmbH, and the non-operative Heves Régió Kft. in Hungary.

## General Economic Conditions of the Waste Management Sector

Concerning the general economic conditions on the waste disposal markets, the trend towards easing of the markets, which was already apparent in the previous year, has continued in the first six months of 2016/2017. Resource preservation and secondary substance recovery continue to be priority topics both nationally and internationally. Through new legal requirements and drafts, 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, also stagnating residual waste volumes were observed on the Austrian waste disposal market. On the one hand, this was due to the continued weak economic development, and on the other to an unvarying high level of waste separation in the Austrian core market. However, the overall situation in Europe had a positive effect on the available volumes. The lack of disposal capacities in southern and western Europe led to a shift of volumes to central Europe. Waste imports have made it possible to eliminate the capacity utilisation problems in thermal conversion that have occurred sporadically in the past. The volume situation had an additional positive effect on the disposal prices for the thermal fraction in the reporting period.

At the beginning of the 2016/2017 fiscal year, the recycling material prices, especially for scrap steel, aluminium and copper recovered. However, the increase in raw materials prices also prompted an increase in fuel prices. While the waste paper segment saw a stable price level with volumes dropping at the same time, both the volumes and the prices dropped in the waste wood segment.

## Business Development in the Waste Management Segment

Sales revenues in the Waste Management Segment amounted to EUR 105.0 million in the first six months of 2016/2017, and are thus slightly up on the previous year's figure of EUR 99.6 million. The EBIT improved from EUR 1.2 million in the first half year 2015/2016 to EUR 6.8 million in the reporting period.

While in the first six months of the previous year the EBIT was affected by an impairment in the amount of EUR 4.0 million, primarily cost-effective optimisations had a positive effect on the EBIT of the reporting period. Beyond this, increased disposal prices for the thermal fraction and higher recycling material prices in the reporting period, accompanied by a reduction in provisions for landfills due to an increase in the calculated interest rate, contributed towards a positive development in the Waste Management Segment.

## Effective Utilisation of Incineration Plants in Austria

In the first six months of 2016/2017, the availability of the incineration plants in Wels and Lenzing was further optimised due to technological improvements, which, together with professional materials flow management, ensured full utilisation. Despite the higher heating values and unplanned outages due to impurity input, a throughput of 310,460 metric tons was achieved.

In the reporting period, the waste incineration plant in Wels distributed 132 GWh of heat (previous year: 137 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 92 GWh (previous year: 86 GWh).

The treatment plant for hazardous waste in Steyr currently has a high level of utilisation. The refurbishment of the CPA (chemical-physical treatment plant for non-organic waste) and the rebuilding work that accompanied it, have been completed; the plant was successfully recommissioned at the beginning of the fiscal year 2016/2017.

Compared with the previous year, the total waste volume handled in Austria and South Tyrol increased slightly to 842,146 metric tons (first half of 2015/2016: 826,000 metric tons).

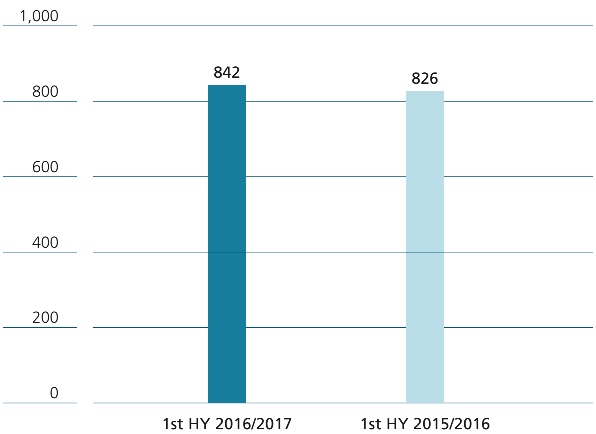
Energie AG Umwelt Service GmbH focused its market activities in particular on concluding long-term indexed delivery agreements with fixed supply volumes and prices. Cooperation with the public sector was also intensified, and it is above all the municipalities which continue to represent a significant target group for the company's range of services. Strategically orientated cost management was consistently pursued, and the optimisation projects launched in the 2015/2016 fiscal year were continued.

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

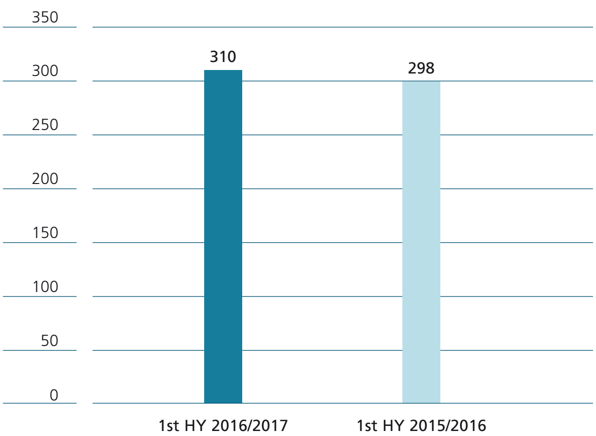
### Structural Optimisation Implemented in South Tyrol

After commissioning the new central facility at Neumarkt in September 2016, it was possible to leverage the synergies anticipated from this move as early as the first six months of 2016/2017 and thus achieve substantial savings. The commercial real estate at the Eppan facility was sold.

**Total Waste Volume Handled** in 1,000 to




**Thermally Processed Waste Volume** in 1,000 to




# Water Segment

| Water Segment Overview | Unit | 1st HY 2016/2017 | 1st HY 2015/2016 | Change |
|---|---|---|---|---|
| Total sales | EUR mill. | 66.1 | 63.8 | 3.6% |
| EBIT | EUR mill. | 4.5 | 4.8 | -6.3% |
| Investments in property, plant and equipment and intangible assets | EUR mill. | 1.8 | 2.2 | -18.2% |
| Employees (on average) | FTE | 1,571 | 1,559 | 0.8% |
| Invoiced drinking water volume | $m^3$ mill. | 26.1 | 25.4 | 2.8% |
| Invoiced waste water volume | $m^3$ mill. | 21.8 | 22.0 | -0.9% |

The Water Segment of Energie AG comprises supplying drinking water as well as collecting and treating waste water. The primary markets are the Czech Republic and Austria.

## General Conditions in the Water Sector

Following favourable macroeconomic data in the Czech economy, the Czech National Bank decided at the beginning of April 2017 to terminate the devaluation of the Czech crown by foreign exchange market interventions which started in November 2013. In the next few months, the Czech crown can be expected to gain in value compared with the Euro, thus potentially leading to positive revenue effects in the Water Segment. In addition, the pricing regulation applicable to operator agreements for drinking water supply and waste water disposal was adjusted. The pricing regulation focuses on operating and infrastructure companies achieving a reasonable profit with a transitional phase up to 1 January 2018.

While the general conditions in Austria have remained stable to a great extent, they still continue to be difficult in Slovenia, where an increase in bidding procedures for wastewater treatment operator licenses can be observed.

## Business Development in the Water Segment

The sales revenues in the Water Segment for the first half of 2016/2017 totalled EUR 66.1 million and were therefore 3.6% higher than the previous year's value (EUR 63.8 million). In addition to operational increases in the drinking water supply and wastewater disposal core business, growth was secured in the service sector thanks to raised construction site services and wholesale revenues in the Czech Republic.

The EBIT in the first half of 2016/2017 totalled EUR 4.5 million and was therefore 6.3% lower than in the previous year (EUR 4.8 million). The decrease in profits was mainly attributable to one-off expenditures in the course of the business year.

In the first six months of 2016/2017, the key performance indicators developed as follows: 26.1 million m³ drinking water and 21.8 million m³ of wastewater were invoiced. The drinking water volumes were up by 2.8% on the previous year's level, which can be attributed to an increase in demand from industrial customers and households. The wastewater volumes remained more or less stable.

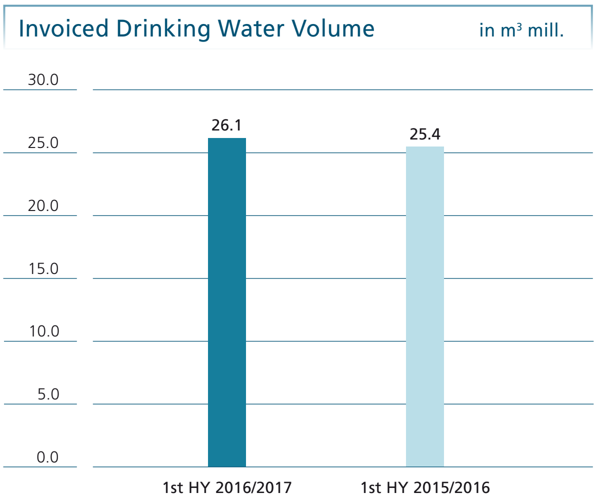
## Stable Development in the Czech Republic and Austria

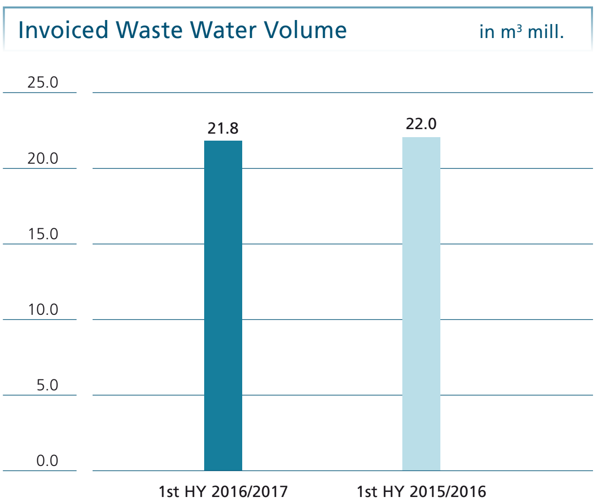
In the Czech Republic, several operator licenses were successfully extended in the drinking and waste water area in the first half of 2016/2017. In South Bohemia, operators were moreover called to qualify for the concession procedure for drinking water supply and wastewater disposal in the town of České Budějovice, where the current operator is ČEVAK a.s.; this is the single largest concession in the Water Segment. In addition to ČEVAK a.s., two further candidates qualified for the bidding procedure. Service sales on the Czech market developed at a relatively stable operational level as compared with the previous year. Growth was achieved in construction assembly services and in wholesale revenues. Business in Austria remained stable in the reporting period.

In the area of research, development and innovation, the focus was on the technical optimisation of water preparation, water losses and purification plant operation using benchmarking, measures to increase energy efficiency, field tests of the practical use of smart meters, and the development of new online customer services.

## First Licence in Slovenia

The contract award from a licence bidding procedure was won for the first time in Slovenia. In the scope of a bidding procedure, VARINGER d.o.o., headquartered in Marburg, was awarded the contract for operating the sewage treatment plants and the sewers in the Selnica community for a period of 15 years.



# Holding & Services Segment

| Holding & Services Segment Overview | Unit | 1st HY 2016/2017 | 1st HY 2015/2016 | Change |
|---|---|---|---|---|
| Total sales | EUR mill. | 87.4 | 84.2 | 3.8% |
| EBIT | EUR mill. | 2.1 | 6.1 | -65.6% |
| Investments in property, plant and equipment and intangible assets | EUR mill. | 18.3 | 12.2 | 50.0% |
| Employees (on average) | FTE | 997 | 959 | 4.0% |
| Length of fibre-optic network | km | 4,950 | 4,800 | 3.1% |

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, the sales revenues rose slightly by 3.8% to EUR 87.4 million in the reporting period. This development is mainly attributable to higher sales revenues in the telecommunications business area.

In contrast to this, the operating result in this segment declined from EUR 6.1 million in the reference period of the previous year to EUR 2.1 million in the first half of 2016/2017. The reasons for this are far higher expenses for an early retirement model, and the lower share in result from at-equity consolidated investments. These downturns were only partly compensated for by improved results in the telecommunications business area.

## Expansion of Fibre Network Gathers Momentum

One of the Group's crucial business areas, increasingly gaining importance due to the drive for digitalisation, is providing telecommunications services using the Group's own fibre-optic network, which had a total length of approx. 4,950 km at the end of the first half of 2016/2017. In the scope of the Fibre To The Home (FTTH) expansion, housing areas in 75 upper Austrian communities have been connected thus far. This gives private households the ability to choose from Energie AG's "powerSPEEDprivat" product portfolio, i.e. internet at the speed of light with speeds up to 300 Mbps download and an optional premium-quality TV product.

FTTH expansion has become far more dynamic in the reporting period, boosted by substantial funds from the "Broadband Austria 2020" grants programme. In addition to the on-going grants for small to medium-sized businesses, the details for a programme which will subsidise the creation of broadband fibre connections for compulsory school sites were published in the first six months of 2016/2017. The telecommunications business area is supporting communities in applying for grants and implementing connectivity.

A further telecommunications business area revolves around performing metering services for the Group company Netz Oberösterreich GmbH. Due to legal requirements, at least 95% of all meter points must be upgraded to smart meters by the end of 2019. By the end of March 2017, more than 360,000 smart meters were already in use. The high percentage of smart meters gives the Group the ability to offer electricity products and services with appropriate support, and the grid operator the ability to leverage various smart grid features.

# Outlook

In terms of the price development on the European electricity markets, higher prices for the second half of the fiscal year 2016/2017 are expected as compared to the previous year's values. As reserve capacities have again become available in some parts of Europe, and due to the developments on the raw materials market, a drop to the lower price path of the previous year can however not be fully ruled out.

Supplying grid reserves is increasingly gaining in significance for Energie AG's production capacities from thermal power plants. Energie AG's power plants will continue to be deployed to support the transmission grids in the future.

In electricity sales, continuous expansion of the product and tariff portfolio – especially in the light of the increasing implementation of the new smart meters – will enable offerings even more closely tailored to the customer's needs in the future. Accompanying this, the aim is to increase the number of eService Portal users.

In terms of gas wholesale prices for the second half year 2016/2017, a sideways respectively slightly downward trend is anticipated. LNG (liquefied natural gas) landings in the next few weeks and months will have a major influence on the price development. New distribution channels and active customer loyalty management are the focus against a background of tougher competition and increasing fluctuation rates. Further goals include improving process and service quality, and continuing to expand the range of service offerings in order to generate additional customer benefits.

In the district heating business area, the focus in the second half of 2016/2017 will be on acquiring new customers in the existing supply areas. In addition to conventional heat generation, renewable energies such as biomass and geothermal heat, as well as the use of industrial waste heat, will play a particularly important role here.

Business activities in the Grid Segment in the remainder of the year will be characterised by pushing forward with large-scale projects and consis-tently focusing on the priority programs. Beyond this, the intensive phase of preparation for the up-coming regulatory periods has started with the introduction of regulatory cost finding procedures and talks between E-Control and industry representatives. The smart meter rollout is continuing on schedule.

In the business activities of the Waste Management Segment, the input of impurities and 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.

As in every year, negotiations of contract fees with communal partners in the Czech Republic are pending in many water operating agreements. Smaller bidding procedures will be taking place in a number of Czech supply areas. One important decision will be made in South Bohemia in the second half of the year: the winner of the drinking water and waste water licence bidding procedure for the town of České Budějovice will be announced, and ČEVAK a.s. is in the process of intensive preparations for this. A stable business trend is anticipated for Austria and Slovenia.

In the second half of 2016/2017, Energie AG will be taking part in the second bidding process for grants within the "Broadband Austria 2020" subsidies programme and the European Agricultural Fund for the Development of Rural Space (EAFRD), in addition to further expanding the fibre network in Upper Austria.

On the one hand, the newly appointed Energie AG Management Board will be looking to provide a rapid response to market and customer requirements in the second half of 2016/2017, with a focus on digitalisation, while continuing to improve the cost position through targeted process optimisation and boosting efficiency on the other hand. Compared to what was an excellent previous year, growth in the EBIT is expected for the whole fiscal year.

Linz, 23 May 2017

The Management Board of Energie AG Oberösterreich

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

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

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

# Consolidated Income Statement
## 1 October 2016 to 31 March 2017

| | | 01/10/2016-31/03/2017 EUR 1,000 | 01/10/2015-31/03/2016 EUR 1,000 |
|---|---|---|---|
| 1. | Sales revenues | 959,937.1 | 844,878.9 |
| | Procurement costs for electricity and gas trading | - 55,880.9 | - 44,389.4 |
| | Net sales revenues | 904,056.2 | 800,489.5 |
| 2. | Change in inventories of finished goods and work in progress | - 531.8 | - 1,046.5 |
| 3. | Other capitalised company services | 11,675.6 | 12,083.7 |
| 4. | Share in result of companies consolidated at equity | 38,668.4 | 44,871.4 |
| 5. | Other operating revenues | 22,642.2 | 10,748.9 |
| 6. | Expenses for material and other purchased production services | - 544,246.7 | - 458,633.5 |
| 7. | Personnel expense | - 134,886.9 | - 129,947.7 |
| 8. | Depreciation, amortisation, and impairments | - 64,449.7 | - 96,136.4 |
| 9. | Other operating expenses | - 70,328.8 | - 79,341.7 |
| **10.** | **Operating result** | **162,598.5** | **103,087.7** |
| 11. | Financing expenses | - 15,486.8 | -15,557.6 |
| 12. | Other interest income | 549.2 | 1,059.5 |
| 13. | Other financial result | 5,554.3 | 78.5 |
| **14.** | **Financial result** | **- 9,383.3** | **- 14,419.6** |
| **15.** | **Earnings before taxes** | **153,215.2** | **88,668.1** |
| 16. | Income taxes | - 34,381.9 | - 18,048.6 |
| **17.** | **Consolidated net result** | **118,833.3** | **70,619.5** |
| | Thereof attributable to non-controlling interests | 1,012.9 | 760.1 |
| | Thereof attributable to investors in the parent company | | |
| | **Consolidated net profit** | **117,820.4** | **69,859.4** |

# Consolidated Statement of Comprehensive Income
## 1 October 2016 to 31 March 2017

| | | 01/10/2016-31/03/2017 EUR 1,000 | 01/10/2015-31/03/2016 EUR 1,000 |
|---|---|---|---|
| **1.** | **Consolidated net result** | **118,833.3** | **70,619.5** |
| **2.** | **Other comprehensive income** | | |
| | **Items that will not be reclassified subsequently to the income statement:** | | |
| | Revaluation of the defined benefit obligation | 11,932.1 | 626.6 |
| | Changes in value of at-equity companies recognised in equity | 432.1 | - |
| | Deferred taxes | - 2,983.0 | - 156.6 |
| | **Items that may be reclassified subsequently to the income statement:** | | |
| | Changes in value of investments and available-for-sale securities | - 843.4 | - 574.1 |
| | Changes in value of at-equity companies recognised in equity | - 17.7 | - |
| | Hedge accounting | 18,968.2 | - 20,335.1 |
| | Exchange differences | - 126.6 | 593.9 |
| | Deferred taxes | - 4,531.2 | 5,228.1 |
| | **Total expenses and revenues recognised in other comprehensive income** | **22,830.5** | **- 14,617.2** |
| **3.** | **Total comprehensive income after taxes** | **141,663.8** | **56,002.3** |
| 4. | Thereof attributable to non-controlling interests | 1,073.5 | 773.2 |
| **5.** | **Thereof attributable to parent company** | **140,590.3** | **55,229.1** |

# Consolidated Balance Sheet
as of 31 March 2017

| ASSETS | | 31 March 2017 EUR 1,000 | 30 September 2016 EUR 1,000 |
|---|---|---|---|
| **A. Non-current assets** | | | |
| I. | Intangible assets and goodwill | 206,114.4 | 206,164.7 |
| II. | Property, plant and equipment | 1,884,188.0 | 1,883,196.8 |
| III. | Investments (thereof at-equity companies: EUR 263,536.0 thousand [previous year: EUR 277,152.6 thousand]) | 278,444.2 | 292,235.5 |
| IV. | Other financial assets | 75,799.2 | 82,069.5 |
| | | **2,444,545.8** | **2,463,666.5** |
| V. | Other non-current assets | 10,104.5 | 11,831.9 |
| VI. | Deferred tax assets | 12,792.3 | 16,878.1 |
| | | **2,467,442.6** | **2,492,376.5** |
| **B. Current assets** | | | |
| I. | Inventories | 33,666.6 | 44,966.7 |
| II. | Receivables and other assets | 325,727.4 | 238,616.7 |
| III. | Fixed term deposits | 72,600.0 | 119,000.0 |
| IV. | Cash and cash equivalents | 114,282.9 | 95,605.0 |
| | | **546,276.9** | **498,188.4** |
| | | **3,013,719.5** | **2,990,564.9** |

| LIABILITIES | | 31 March 2017 EUR 1,000 | 30 September 2016 EUR 1,000 |
|---|---|---|---|
| **A. Equity** | | | |
| I. | Share capital | 89,087.5 | 89,087.5 |
| II. | Capital reserves | 214,809.5 | 214,809.5 |
| III. | Retained earnings | 940,944.6 | 876,445.1 |
| IV. | Other reserves | - 44,872.3 | - 67,608.9 |
| V. | Non-controlling interests | 14,424.1 | 13,946.0 |
| | | **1,214,393.4** | **1,126,679.2** |
| **B. Non-current liabilities** | | | |
| I. | Financial liabilities | 492,062.4 | 515,693.5 |
| II. | Non-current provisions | 295,198.0 | 311,488.0 |
| III. | Deferred tax liabilities | 50,028.1 | 41,446.7 |
| IV. | Construction cost subsidies | 358,422.4 | 358,392.1 |
| V. | Advances received | 37,550.5 | 47,189.0 |
| VI. | Other non-current liabilities | 70,381.7 | 74,999.6 |
| | | **1,303,643.1** | **1,349,208.9** |
| **C. Current liabilities** | | | |
| I. | Financial liabilities | 16,619.9 | 16,713.7 |
| II. | Current provisions | 12,157.6 | 11,137.2 |
| III. | Tax provisions | 1,063.9 | 519.6 |
| IV. | Trade payables | 153,381.6 | 144,270.9 |
| V. | Other current liabilities | 312,460.0 | 342,035.4 |
| | | **495,683.0** | **514,676.8** |
| | | **3,013,719.5** | **2,990,564.9** |

# 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 30/09/2015** | 1,095,886.9 | 12,090.0 | 1,107,976.9 |
| | | | |
| Total comprehensive income | 55,229.1 | 773.2 | 56,002.3 |
| Dividends | - 53,271.0 | - 581.8 | - 53,852.8 |
| Change in scope of consolidation | 260.5 | 1,128.6 | 1,389.1 |
| Purchase of treasury stocks | - 28.7 | - | - 28.7 |
| | | | |
| **Balance as of 31/03/2016** | 1,098,076.8 | 13,410.0 | 1,111,486.8 |
| | | | |
| **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** |

# Cash Flow Statement
(condensed)

| | **01/10/2016-31/03/2017 EUR 1,000** | 01/10/2015-31/03/2016 EUR 1,000 |
|---|---|---|
| **Earnings before income taxes** | **153,215.2** | **88,668.1** |
| **Earnings after income tax payments** | **147,036.8** | **97,011.0** |
| Depreciation/Reversal of impairment of non-current assets | 50,392.1 | 96,254.4 |
| Retained earnings of equity companies | 14,031.2 | - 42,860.4 |
| Other items | - 11,822.6 | - 3,671.0 |
| **CASH FLOW FROM THE RESULT** | **199,637.5** | **146,734.0** |
| Payments from hedging transactions | 8,239.3 | - 30,816.8 |
| Changes in working capital | - 29,042.8 | - 33,585.3 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | **178,834.0** | **82,331.9** |
| Outflow for additions to property, plant, equipment and intangible assets | - 96,029.3 | - 74,683.8 |
| Other items | 14,225.3 | 18,989.2 |
| **CASH FLOW FROM INVESTMENTS** | **- 81,804.0** | **- 55,694.6** |
| Dividend distribution | - 53,843.9 | - 53,852.8 |
| Other items | - 24,494.3 | - 3,785.1 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | **- 78,338.2** | **- 57,637.9** |
| | | |
| **TOTAL CASH FLOW** | **18,691.8** | **- 31,000.6** |
| | | |
| Cash funds at beginning of period | 95,605.0 | 109,896.1 |
| Cash Flow | 18,691.8 | - 31,000.6 |
| Exchange rate effects | - 13.9 | 71.4 |
| Cash funds at end of period | 114,282.9 | 78,966.9 |

# Notes to the Semi-Annual Consolidated Financial Statements as of 31 March 2017 (condensed)

## 1. GENERAL INFORMATION

The Condensed Semi-Annual Financial Statements of Energie AG Oberösterreich as of 31 March 2017 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 2016. 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 2016 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 1 January 2016 or later:

- IAS 1 (Amendments: Disclosure Initiative)
- Annual Improvements to IFRS Standards 2012-2014 Cycle
- IAS 27 (Amendment: Equity Method in Separate Financial Statements)
- IAS 16 and IAS 41 (Amendments: Bearer Plants)
- IAS 16 und IAS 38 (Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation)
- IFRS 11 (Amendment: Accounting for Acquisition of Interests in Joint Operations)
- IFRS 10, IFRS 12 und IAS 28 (Amendments: Investment Entities: Applying the Consolidation Exception)

The initial application does not result in any material changes.

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

In the 2016/2017 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:

- IFRS 9 (Financial Instruments)
- IFRS 15 (Revenue from Contracts with Customers)

The following standards and interpretations, amendments and improvements of standards enter into force on 1 January 2017 or later, although they have not yet been adopted by the European Union at this time:

- IFRS 16 (Leases)
- IFRIC 22 (Foreign Currency Transactions and Advance Consideration)
- IFRS 15 (Clarifications: Revenue from Contracts with Customers)
- IAS 12 (Amendments: Recognition of Deferred Tax Assets for Unrealised Losses)
- IAS 7 (Amendments: Disclosure Initiative)
- IFRS 2 (Amendments: Classification and Measurement of Share-based Payments Transactions)
- IFRS 4 (Amendments: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts)
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IAS 40 (Amendments: Transfer of Investment Property)

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

Entry into force on 1 January 2016, adopted by the European Union but postponed for an indefinite time:

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

**IFRS 9 (Financial Instruments)**

IFRS 9, issued in July 2014, replaces the existing guidelines in IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 contains guidelines for the classification and measurement of financial instruments, including the new Expected Credit Losses Model to calculate the impairment of financial assets, as well as the new general reporting requirements for hedge accounting. It also incorporates the guidelines for the recognition and derecognition of financial instruments from IAS 39. IFRS 9 is to be used for the first time in the 2018/2019 fiscal year, although early use is permitted. Due to the recognition of impairment based on the Expected Credit Losses Model, increased risk provisions are expected.

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

IFRS 15, issued in May 2014, replaces the existing guidelines in IAS 18 (Revenue). In the future, new qualitative and quantitative information will be required that is designed to make it possible for the target audience of the financial statements to understand the type, amount, time and uncertainty of sales revenues and cash flows from contracts with customers. Using a five-step model, companies must determine at what time (or over what period) and what amount sales revenues are recognised. The model specifies that sales revenues must be reported at the time (or over the period) of the transfer of control over goods or services from the company to the customer with the amount which the company is expected to be entitled to. Depending on the fulfilment of various criteria, sales revenues are recognised as follows:

- Over a period such that the service provision of the company is reflected; or
- At a time at which the control over the good or services is transferred to the customer.

IFRS 15 is to be used for the first time in the 2018/2019 fiscal year, although early use is permitted. From the current perspective, the initial application does not result in any material changes.

**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 in 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.

Current finance leases will be continued; there will only be a reclassification of the asset as a right-of-use asset.

IFRS 16 is to be applied for the first time in the 2019/2020 fiscal year, although early application is permitted, provided that IFRS 15 is applied at the same time.

## 3. ACCOUNTING POLICIES

### Impairment of Property, Plant and Equipment

During the reporting period, the general conditions for the operation of CCGT (combined-cycle gas turbine) power plants improved. The increased use of the power plant, particularly for grid reserve management and congestion management, had a positive impact on the result for the reporting period. In the Energy segment, the more positive assessment of future cash surpluses triggered by this resulted in an addition in value for the CCGT in Timelkam in the amount of EUR 14.1 mill. (31 March 2016: impairment EUR 22.4 mill.).

The recoverable amount (value in use) is EUR 48.5 million (30 September 2016: EUR 35.9 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 1,269 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 rate. The discount rate is 4.8% (30 September 2016: 4.4%).

## 4. 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.

| 2016/2017 | Energy EUR mill. | Grid EUR mill. | Waste Management EUR mill. | Water EUR mill. | Holding & Services EUR mill. | Reconciliation 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 |

| 2015/2016 | Energy EUR mill. | Grid EUR mill. | Waste Management EUR mill. | Water EUR mill. | Holding & Services EUR mill. | Reconciliation EUR mill. | **Group EUR mill.** |
|---|---|---|---|---|---|---|---|
| Sales to third parties | 512.5 | 153.4 | 96.2 | 63.6 | 19.2 | - | 844.9 |
| Intersegment sales | 1.2 | 26.8 | 3.4 | 0.2 | 65.0 | - 96.6 | - |
| **Total sales** | **513.7** | **180.2** | **99.6** | **63.8** | **84.2** | **- 96.6** | **844.9** |
| Operating result | 45.7 | 45.3 | 1.2 | 4.8 | 6.1 | - | 103.1 |

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.

# 5. FINANCIAL INSTRUMENTS

## 5.1. 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 31/03/2017 EUR 1,000** | Carrying amount 30/09/2016 EUR 1,000 |
|---|---|---|---|
| **Investments** | | **14,908.2** | **15,082.9** |
| Shares in affiliated companies | AfS (at cost) | 1,287.6 | 1,573.2 |
| Available for sale investments | AfS | 347.8 | 324.5 |
| Other investments | AfS (at cost) | 13,272.8 | 13,185.2 |
| **Other financial assets** | | **75,799.2** | **82,069.5** |
| Borrowings to associated companies | LaR | 4,702.2 | 5,602.2 |
| Other borrowings | LaR | 16,541.4 | 17,729.0 |
| Securities (held to maturity) | HtM | 1.0 | 1.0 |
| Securities (available for sale) | AfS | 54,554.6 | 58,737.3 |
| **Receivables and other assets (non-current and current) according to the balance sheet** | | **335,831.9** | **250,448.6** |
| **Thereof non-financial assets** | | **32,987.8** | **24,408.7** |
| **Thereof financial assets** | | **302,844.1** | **226,039.9** |
| Trade receivables | LaR | 225,044.3 | 164,618.6 |
| Receivables from affiliated companies | LaR | 267.4 | 318.5 |
| Receivables from joint arrangements and associated companies | LaR | 25,196.5 | 31,960.4 |
| Derivatives designated as cash flow hedging instruments | n/a | 285.3 | 193.9 |
| Derivatives not designated as hedging instruments | AtFVP&L (Trading) | 10,715.8 | 10,356.8 |
| Other financial assets | LaR | 41,334.8 | 18,591.7 |
| **Fixed term deposits** | LaR | **72,600.0** | **119,000.0** |
| **Cash and cash equivalents** | LaR | **114,282.9** | **95,605.0** |
| **Total financial assets** | | **580,434.4** | **537,797.3** |
| **Financial liabilities (non-current and current)** | | **508,682.3** | **532,407.2** |
| Bonds | FLAC | 302,603.7 | 302,633.4 |
| Liabilities to banks | FLAC | 35,559.3 | 58,372.8 |
| Liabilities from finance leases | IAS 17 | 52,813.2 | 54,050.2 |
| Other financial liabilities | FLAC | 117,706.1 | 117,350.8 |
| **Trade payables (current)** | FLAC | **153,381.6** | **144,270.9** |
| **Other liabilities (non-current and current) according to the balance sheet** | | **382,841.7** | **417,035.0** |
| **Thereof non-financial liabilities** | | **210,937.9** | **222,344.0** |
| **Thereof financial liabilities** | | **171,903.8** | **194,691.0** |
| Liabilities to affiliated companies | FLAC | 37,311.5 | 14,489.1 |
| Liabilities to joint arrangements and associated companies | FLAC | 66,491.4 | 100,084.0 |
| Derivatives designated as cash flow hedging instruments | n/a | 17,722.3 | 20,857.1 |
| Derivatives not designated as hedging instruments | AtFVP&L (Trading) | 7,807.8 | 6,989.5 |
| Other financial liabilities (non-current and current) | FLAC | 42,570.8 | 52,271.3 |
| **Total financial liabilities** | | **833,967.7** | **871,369.1** |
| **Carrying amounts in measurement categories acc. to IAS 39** | | | |
| Loans and Receivables | LaR | 499,969.5 | 453,425.4 |
| Held to Maturity Investments | HtM | 1.0 | 1.0 |
| Available for Sale Financial Assets | AFS | 69,462.8 | 73,820.2 |
| Financial Assets at Fair Value through Profit or Loss | AtFVP&L (Trading) | 10,715.8 | 10,356.8 |
| Financial Liabilities Measured at Amortised Cost | FLAC | 755,624.4 | 789,472.3 |
| Financial Liabilities at Fair Value through Profit or Loss | AtFVP&L (Trading) | 7,807.8 | 6,989.5 |

| | |
|---|---|
| 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 |

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 2016/2017 fiscal year, a disposal of other investments (at cost) was entered in the amount of EUR 35.0 thousand (previous year: EUR 2.9 thousand). The loss from the disposal of these assets was EUR 2.6 thousand (previous year: EUR 2.9 thousand).

## 5.2. Measurement at Fair Value

### 5.2.1. 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:

| 31/03/2017 | 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) | 347.8 | 347.8 | - | 347.8 |
| Securities (available for sale) | 54,554.6 | 48,700.8 | 5,853.8 | 54,554.6 |
| Derivatives designated as cash flow hedging instruments | 285.3 | - | 285.3 | 285.3 |
| Derivatives not designated as hedging instruments | 10,715.8 | - | 10,715.8 | 10,715.8 |
| **Total** | **65,903.5** | **49,048.6** | **16,854.9** | **65,903.5** |
| **Liabilities** | | | | |
| Derivatives designated as cash flow hedging instruments | 17,722.3 | - | 17,722.3 | 17,722.3 |
| Derivatives not designated as hedging instruments | 7,807.8 | - | 7,807.8 | 7,807.8 |
| **Total** | **25,530.1** | - | **25,530.1** | **25,530.1** |

| 30/09/2016 | 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) | 324.5 | 324.5 | - | 324.5 |
| Securities (available for sale) | 58,737.3 | 52,889.6 | 5,847.7 | 58,737.3 |
| Derivatives designated as cash flow hedging instruments | 193.9 | - | 193.9 | 193.9 |
| Derivatives not designated as hedging instruments | 10,356.8 | - | 10,356.8 | 10,356.8 |
| **Total** | **69,612.5** | **53,214.1** | **16,398.4** | **69,612.5** |
| **Liabilities** | | | | |
| Derivatives designated as cash flow hedging instruments | 20,857.1 | - | 20,857.1 | 20,857.1 |
| Derivatives not designated as hedging instruments | 6,989.5 | - | 6,989.5 | 6,989.5 |
| **Total** | **27,846.6** | - | **27,846.6** | **27,846.6** |

### 5.2.2. Valuation Techniques and Inputs 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 parameters and inputs were used:

| Financial instruments | Level | Valuation techniques | Inputs |
|---|---|---|---|
| Listed securities | 1 | Market value-oriented | Nominal values, stock market price |
| 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 futures | 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 |

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

Trade receivables, receivables from affiliated companies, receivables from joint arrangements and associated companies, and other financial assets, as well as fixed term deposits mainly have short remaining maturities. 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 31/03/2017 EUR 1,000** | **Fair value 31/03/2017 EUR 1,000** | Carrying amount 30/09/2016 EUR 1,000 | Fair value 30/09/2016 EUR 1,000 | Level |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Other financial assets** | | **21,243.6** | **24,157.9** | **23,331.2** | **27,192.7** | |
| Borrowings to associated companies | LaR | 4,702.2 | 5,276.8 | 5,602.2 | 6,473.0 | Level 3 |
| Other borrowings | LaR | 16,541.4 | 18,881.1 | 17,729.0 | 20,719.7 | Level 3 |
| **Liabilities** | | | | | | |
| **Financial liabilities** | | **455,869.1** | **552,723.0** | **478,357.0** | **591,152.8** | |
| Bonds | FLAC | 302,603.7 | 380,709.0 | 302,633.4 | 392,691.0 | Level 1 |
| Liabilities to banks | FLAC | 35,559.3 | 36,962.3 | 58,372.8 | 63,374.8 | Level 3 |
| Other financial liabilities | FLAC | 117,706.1 | 135,051.7 | 117,350.8 | 135,087.0 | 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.

# 6. RISK MANAGEMENT

## 6.1. 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.

## 6.2. 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.

## 6.3. Risks from Operating Activities

The efficiency and intrinsic value of the generation plants and investments of the Group are significantly influenced by **market price risks** (prices for electricity, gas, biomass, and certificates. Energie AG Oberösterreich Trading GmbH plays a central role in managing the market price risks; such as hedging transactions and long-term sale of power plant capacities.

Weather is another important factor for the success of Energie AG. The changing **water level** has a particularly significant effect for hydropower plants in ownership and for procurement rights . In the first half of 2016/2017, electricity procurement experienced a weak negative effect due to water levels slightly below the long-term mean.

**Above-average cold or warm temperatures** in turn have a significant impact on the sales volumes of gas and district heating. In the above-average cold winter 2016/2017, with heating degree days in Upper Austria 4.5% above the average for the last 10 years, the sales volumes have been positively influenced.

In light of increasingly volatile markets, the **stabilisation of the electricity grid** is becoming an ever growing challenge for the electricity industry. These challenges for Energie AG also result in revenue opportunities from additional operating hours of the Timelkam CCGT power plant for grid reserve management and congestion management.

The customer's increasing will to switch providers, new competitors with aggressive pricing and new distribution channels aggravate the **pressure on competition in the consumer market**. The rate of change for electricity consumers with standard usage profiles reached its highest level yet in 2016 since liberalisation. Energie AG is meeting this challenge with, on the one hand, targeted customer loyalty measures, and on the other with the development of innovative products tailor-made to the needs of the customers.

In the **Waste Management Segment** the trend, which started in the previous year, is continuing towards a relaxation in the general economic conditions - with rising disposal prices for the thermal fraction and rising commodity prices. The positive price development results, however, in increased competition, which will be countered by focussed market activities and increased cooperation with the public sector. Cost management and optimisation projects are continuing to be implemented.

In the **Water Segment** the positive effects of the end of the currency market interventions by the Czech National Bank, which were started in November 2013, are starting to arrive.

In an age of rapidly advancing digitalisation, the expansion of **Fiber To The Home** (FTTH) and the fitting of **smart meters** is gaining in importance. The high proportion of smart meters in the Group allows corresponding supporting electricity products and services to be offered, as well as offering grid operators 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.

## 6.4. Asset Risks

Possible asset risks are reduced by regular maintenance and monitoring measures. Additional insurance policies limit the financial effects of possible damages.

In the Grid Segment, the programme to replace highly disruption-prone, medium-voltage overhead lines with underground cables is proceeding on schedule.

### 6.5. Political, Regulatory and Legal Risks

Changing political, regulatory and legal conditions represent a major challenge. Efforts are made to counter these risks with intensive and constructive dialogue with government agencies and policymakers.

Since the regulatory periods are still running until 2017 for natural gas and 2018 for electricity, the general regulatory conditions for the electricity and gas grid can be judged in principle to be stable.
Talks between E-Control Austria and industry representatives on the format of regulation in the successor periods as of 2018 or 2019 have already commenced. The aim is to continue to keep the general conditions for grid operators stable.

### 6.6. 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.

### 6.7. Financial Risks

Financial risks are managed centrally by the Group Treasury holding entity. Control and monitoring of financial risks focuses on liquidity, interest rate and currency fluctuation risks, as well as the fair value risk of financial investments.

**Foreign currency risks** in the Group are constantly monitored. There is an exposure due to the partial financing in Swiss francs of a joint venture with a Swiss utilitiy company. Corresponding hedging measures can be undertaken as needed to minimise risks.
In February 2017, the Energie AG Group received the excellent rating of "A (with a stable outlook)" from Standard & Poor's. This **top rating** assures the company continued unimpeded access to the financial and capital markets at optimal cost.

## 7. RELATED PARTY 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 Board of Directors 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 | **2016/2017** | **267.5** | **331.1** | **59.2** | **3.8** |
| | 2015/2016 | 309.7 | 1,581.1 | 53.1 | 52,195.0 |
| OÖ Landesholding and subsidiaries | **2016/2017** | **1,691.5** | **61.5** | **253.5** | **36,931.5** |
| | 2015/2016 | 1,671.7 | 57.9 | 496.6 | 33,783.9 |
| Associated companies | **2016/2017** | **4,453.3** | **298.1** | **208.8** | **0.5** |
| | 2015/2016 | 2,981.0 | 1,978.7 | 242.4 | 1.2 |
| Joint ventures | **2016/2017** | **144,851.2** | **8,152.9** | **16,437.4** | **51,527.5** |
| | 2015/2016 | 164,578.7 | 9,383.9 | 17,374.7 | 45,314.6 |

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

## 8. 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 0.98 (previous year: 0.9).

During the first six months of 2016/2017, additions to property, plant and equipment amounted to EUR 50.2 million (previous year: EUR 50.1 million). The book-value disposals amounted to EUR 2.1 million (previous year: EUR 3.3 million). Obligations for the acquisition of property, plant and equipment amount to EUR 35.9 million (previous year: EUR 32.5 million).

In the first half of 2016/2017, 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 amount to EUR 5.8 million (previous year: EUR 5.1 million).

Linz, 23 May 2017

The Management Board of Energie AG Oberösterreich

**KR Prof. Ing. DDr. Werner Steinecker MBA**
Chairman of the Management Board

**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 § 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 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, 23 May 2017

The Management Board of Energie AG Oberösterreich

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

**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 report, 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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Linz, May 2017

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We care about tomorrow