

Group Management Report 2017/2018 of Energie AG Oberösterreich ^{1), 2)}

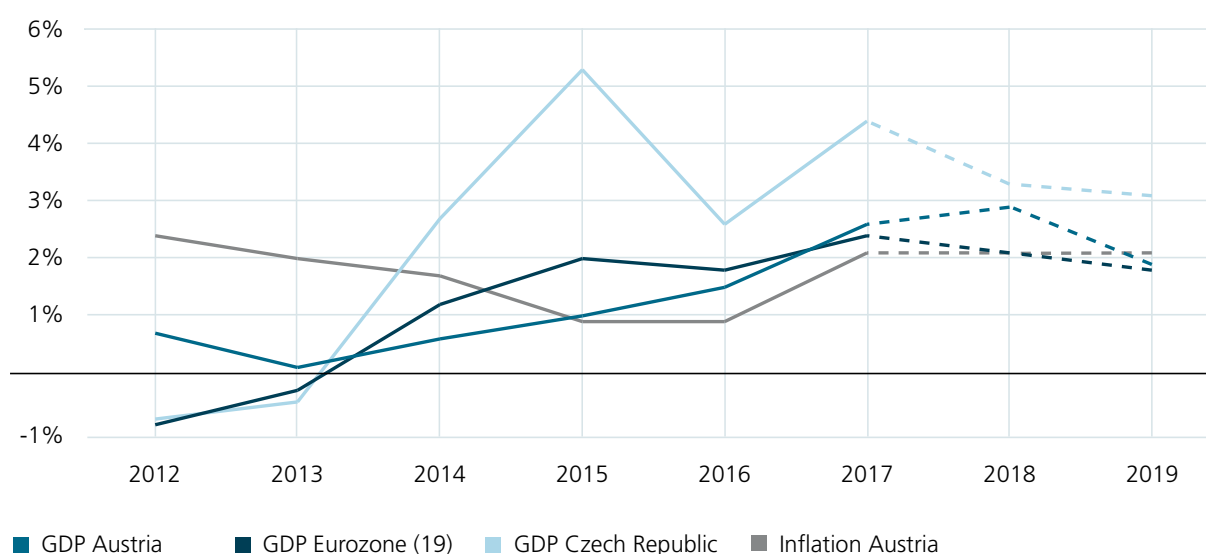
I GENERAL CONDITIONS

General Economic Conditions ³⁾

The positive development of Energie AG's economic environment continued in the 2017/2018 fiscal year (1 October 2017 to 30 September 2018).

GDP Growth and Inflation

YoY real change (in %)



After a strong increase in the **volume of world trade** in the previous year, the global economic dynamic has weakened increasingly in recent months. New tariff restrictions and trade conflicts as well as the uncertainty in the context of Brexit combined with the sharp decline in exchange rates in many emerging markets since the beginning of 2018 have had a negative impact on foreign trade activities. Economic growth in the **Euro zone** is expected to be restrained but nevertheless stable, with forecasts of 2.0% to 2.3% for 2018 and 1.6% to 2.0% for 2019.

Despite a noticeable slowdown in the **Austrian economy's** growth rate in the second half of the reporting period, GDP growth of 2.7% to 3.0% is likely to be achieved for 2018 as a whole, and is thus at least at the level of the previous year. For 2019, economic experts expect a decline to between 1.7% and 2.0%. The downside risks of these forecasts have increased since spring, with the nature of Brexit and the threat of trade conflicts also posing potential risks here.

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 in terms of Section 245a UGB.

2) In conformity with EU Directive 2014/95/EU on the disclosure of non-financial information and diversity information and its implementation in the Austrian Sustainability and Diversity Improvement Act (NaDiVeG 2017), Energie AG prepares the report on non-financial information (Non-Financial Report) 2017/2018 at the same time as the Group Management Report 2017/2018. In accordance with legal requirements, this Group Management Report refers to the information contained in the NFI Report of Energie AG, which is part of the Annual Report 2017/2018 and is published online at www.energieag.at/sustainability.

3) Sources: IHS (Institute for Advanced Studies): Press release 5 October 2018. WIFO (Austrian Economic Chamber): Monthly reports 04/2018 and 09/2018 as well as WIFO economic data, URL: <https://www.wifo.ac.at/daten/wifo-wirtschaftsdaten>, 05 October 2018. WKO (Austrian Federal Economic Chamber): Economic Situation and Forecast Release 10/2018 as well as Foreign Trade Update Czech Republic 10/2018.

The **medium-term forecasts for Austria** up to 2022 assume an average increase in economic growth of 2.1% per year and are thus a quarter of a percent point above the expected development of the Euro zone.

The forecast for the **Czech market**, which is important for Energie AG, is above the EU average in forecasts for calendar year 2018, with an increase in real GDP of 3.3% (2017: 4.4%). This development was mainly driven by private household consumption and corporate investment. For 2019, average growth of 3.1% is forecast for the Czech Republic.

Energy Policy Framework

During the reporting period, the **EU winter package "Clean Energy for All Europeans"** was developed further. A political agreement was reached on the Building Efficiency Directive, which must be adopted into national law by March 2020. Following the political agreement on the Energy Efficiency Directive, the Renewable Energies Directive and the Governance Regulation, further steps were taken towards a decarbonised energy system in July 2018. Under the "Electricity Market Design" banner, discussions are currently underway on a new internal electricity market directive and regulation. The Austrian EU Presidency aims to reach an agreement by the end of 2018.

The ambitious goals of **Germany's** coalition government, such as phasing out nuclear energy by 2022, the plans for phasing out coal, increasing the share of renewable energy sources in electricity consumption to 65% by 2030 and implementing diesel vehicle driving bans, will have a decisive impact on the pan-European development of the energy market and on mobility.

The reform of the **EU Emissions Trading Scheme** (EU ETS), which is intended to make a material contribution to the efficient achievement of the EU-wide CO₂ reduction target of at least 40% by 2030, was finalised in November 2017. The reform is intended to ensure an increase, from 1.7% to 2.2%, in the annual CO₂ reduction path and significantly reduce the surplus allowances that are transferred to the market stability reserve.

In May 2018, the Ordinance on **Effort Sharing** in Non-Emissions Trading (ETS) and the Ordinance on the Incorporation of Emissions and Reduction of Greenhouse Gases from Land Use, Land Use Change and Forestry (LULUCF) were adopted. Both regulations are intended to ensure that the EU achieves its target of reducing CO₂ emissions by at least 40% by 2030. To comply with the new Effort Sharing Ordinance, Austria must reduce its emissions in the non-ETS sector by 36% compared with 2005 until 2030.

The **EU General Data Protection Regulation** (GDPR) entered into force on 25 May 2018. In the first half of the fiscal year, precisely defined work packages prepared all relevant GDPR requirements for timely implementation in the Energie AG Group. The adjustments of the business processes for implementing the statutory requirements were subsequently completed in the reporting period and resulted in considerable additional expenses for all areas of the Group.

On 1 October 2018, the joint **electricity price zone** between Austria and Germany was separated. The reason for this were congested power lines between the generation areas in northern Europe and the southern consumer centres. Due to the restriction of tradable volumes, an increase in wholesale electricity prices in Austria compared with the German market was already expected in advance.

The European Court of Justice (ECJ) has granted comprehensive party status and judicial review rights for NGOs and neighbours in water law proceedings in the case "Protect Natur-, Arten- und Landschaftsschutz Umweltorganisation" ("Protect Nature, Species and Landscape

Protection Environmental Organisation" C-664/15 dated 20 December 2017). The Austrian legislator has taken action in response to the need for action and has submitted proposals in the form of an **Aarhus Participation Act**. A resolution has not yet been passed.

In its ruling C-329/17 of 07 August 2018, the ECJ equated **line route deforestation areas** with genuine deforestation areas and thus significantly extended the scope of application of the Austrian EIA Act 2000. The EIA authorities now have to re-examine whether or not the 110 kV Almtal-Kremstal electricity supply project of the Group's own grid company Netz Oberösterreich GmbH (Netz OÖ) requires an EIA. Netz OÖ has decided to suspend construction work for the time being.

In December 2017, the "Government Programme 2017–2022" was presented by the new Austrian Federal Government. The **Federal Government's Climate and Energy Strategy** was subsequently published at the end of May 2018. Under the "#mission2030" banner, the reduction of greenhouse gas emissions and the expansion of renewable energies in Austria is being promoted through ambitious interim targets and a consistent decarbonisation path up to the year 2050 laid down. Most of the legal implementation will be taking place in 2019.

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

| BUSINESS DEVELOPMENT IN THE GROUP

Net Assets, Financial Position and Results of Operations

Group Overview

	Unit	2017/2018	2016/2017	Change
Sales revenues	EUR mill.	1,625.8	1,686.7	-3.6%
Operating result (EBIT)	EUR mill.	171.8	221.8	-22.5%
EBIT margin	%	10.6	13.1	-19.1%
Financial result	EUR mill.	-13.7	-19.4	29.4%
Earnings before taxes	EUR mill.	158.1	202.5	-21.9%
Balance sheet total	EUR mill.	3,222.7	3,079.2	4.7%
Equity	EUR mill.	1,381.4	1,279.4	8.0%
Equity ratio	%	42.9	41.6	3.1%
Net debt	EUR mill.	353.7	371.3	-4.7%
Net gearing	%	25.6	29.0	-11.7%
Investments in property, plant and equipment and intangible assets	EUR mill.	205.1	189.5	8.2%
Cash flow from operating activities	EUR mill.	258.0	278.8	-7.5%
Cash flow from investing activities	EUR mill.	-185.4	-161.7	-14.7%
Cash flow from financing activities	EUR mill.	-64.3	-120.1	46.5%
ROCE	%	7.4	9.4	-21.3%
WACC	%	4.4	4.9	-10.2%

In the fiscal year 2017/2018, Energie AG generated sales revenues in the amount of EUR 1,625.8 million (previous year: EUR 1,686.7 million). External sales in the Energy Segment fell by EUR 96.0 million from EUR 989.2 million to EUR 893.2 million. The decline was mainly due to lower sales revenues from gas management and electricity trading as well as the reduced use of the Timelkam CCGT (combined cycle gas-turbine) power plant for grid reserve and congestion management compared to the previous year. A sales increase was achieved in all other Segments.

Group EBIT decreased by EUR 50.0 million from EUR 221.8 million in the previous year to EUR 171.8 million.

Earnings in the Energy Segment declined by EUR 28.1 million from EUR 109.8 million to EUR 81.7 million. EBIT for the Segment includes an impairment of EUR 2.5 million on the Timelkam CCGT power plant, which was recognised due to the current market situation for grid reserve and congestion management. An appreciation in the amount of EUR 20.9 million was recorded in the previous year. At 0.95, the hydro coefficient was about 5% below the standard production capacity, but at about the same level as in the previous year. Higher earnings contributions from several thermal generation plants had a positive impact.

In the Grid Segment, EBIT fell by EUR 42.1 million from EUR 99.8 million to EUR 57.7 million. The operating result for the previous year included positive earnings contributions of EUR 16.5 million from an appreciation of the electricity grid on the basis of fair value less

costs of disposal. Volume declines and regulatory tariff reductions in the natural gas grid had a negative impact on the operating result. These effects were partially offset by volume and tariff increases in the electricity grid. The high efficiency of the Netz OÖ (100%) compared with other gas grid operators in Austria had a positive effect on the financial situation.

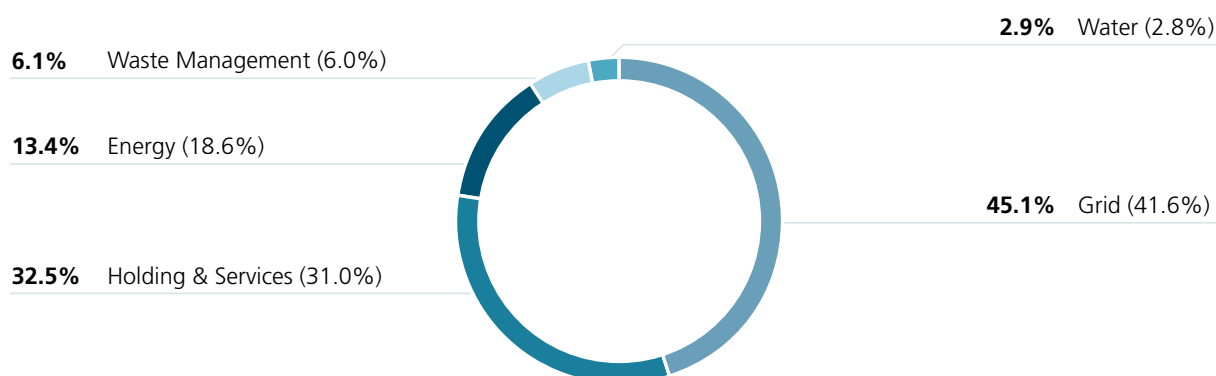
In the Waste Management Segment, EBIT rose by EUR 10.4 million from EUR 7.0 million to EUR 17.4 million. This figure for the first time includes the Group companies WDL GmbH and Komunala ODTOK d.o.o. (formerly VARINGER d.o.o.), which were previously allocated to the Water Segment. In addition to the absence of negative one-time effects from the previous year, earnings were positively influenced by positive price developments on the waste disposal market as well as by an increase in the price of steel scrap and copper. Volume increases were achieved in domestic and bulky waste, and in waste from mechanical-biological plants, while high throughput volumes were achieved at the thermal incineration facilities.

EBIT in the Water Segment in the previous year was characterised by negative one-time effects amounting to EUR 18.2 million. The Austrian and Slovenian markets have been allocated to the Waste Management Segment since 1 October 2017, which led to a decrease in the Segment result in the reporting period. In terms of operations, growth was achieved in the drinking water supply and waste water disposal sectors as well as in the service sector, with the result that EBIT in the Water Segment rose from EUR -8.1 million in the previous year to EUR 9.3 million in the 2017/2018 fiscal year.

EBIT of the Holding & Services Segment amounted to EUR 5.7 million in the reporting period, compared with EUR 13.3 million in the previous year. The decrease is mainly attributable to lower earnings from Group companies consolidated at equity.

Investments in Intangible Assets and Property, Plant and Equipment by Segments

2017/2018; previous year's figures in brackets



In fiscal year 2017/2018, investments in intangible assets and property, plant and equipment amounted to EUR 205.1 million, and were thus EUR 15.6 million or 8.2% above the previous year's level. The Grid Segment accounted with a share of 45.1% for the most part. Investments in the Holding & Services Segment include expanding the fibre-optic cable network and the smart meter rollout.

Net debt (non-current and current financial liabilities minus cash and cash equivalents) decreased by EUR 17.6 million from EUR 371.3 million to EUR 353.7 million compared to the previous year. This drop is due to lower financial liabilities on the one hand and increased liquidity on the other. Moreover, there was no new debt in fiscal year 2017/2018.

At EUR 258.0 million in the fiscal year 2017/2018, cash flow from operating activities was at a high level compared with EUR 278.8 million in the previous year.

The financial result improved from EUR -19.4 million in the previous year to EUR -13.7 million in the 2017/2018 fiscal year. This improvement was due in particular to lower interest expenses.

Financing and Investment Strategy

Although the capital markets have recovered from the 2008 financial crisis, the currently ongoing trade conflicts, the uncertain outcome of Brexit and a rising interest rate environment in the medium term pose new challenges for the international banking and economic system.

In such a volatile environment, adherence to the proven and solid funding and investment policy of Energie AG has increasingly demonstrated its value.

Top Rating Confirmed Once Again

In March 2018, Energie AG's creditworthiness was again confirmed by Standard & Poor's (S&P) with an excellent rating of "A/stable outlook". Following last year's upgrade, Standard & Poor's thus recognised the Group's ongoing efforts to further improve its operating and financial performance. The conservative and sound financial management and strong liquidity, in particular, had a positive impact on the S&P rating.

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

Stable and Future-Proof Finances

Financial liabilities were reduced once again by EUR 9.3 million to EUR 455.1 million in the past fiscal year. The balanced repayment profile of outside financing is dominated by funds with bullet-term maturities. A significantly increased refinancing requirement for Energie AG will only exist from 2025 onwards.

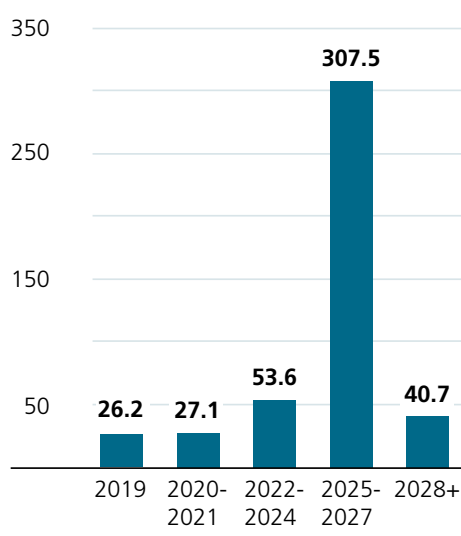
A mix of cash and highly liquid money market instruments is maintained to ensure solvency at all times. As of 30 September 2018, the Energie AG Group had liquidity reserves totalling EUR 282.5 million. Unused and partially committed credit lines of EUR 198.4 million underline Energie AG's high level of financial flexibility.

Central Group Financing

The Group's internal financial management is centrally governed at the holding level and provides both cost-optimised liquidity management and long-term funding tailored to the Group companies' needs, based on arm's length market conditions. At the end of the fiscal year 2017/2018, 26 Group companies were included in Energie AG's cash pooling system.

Maturity Profile of Financial Liabilities

As of 30/09/2018; nominal values in EUR mill.



Value-Based Management and Capital Costs

Value-based corporate management is firmly anchored in all of Energie AG's management processes. The central objective is sustainably ensuring corporate value by increasing potential benefits and generating returns for the owners on a capital market-oriented returns basis.

The weighted average cost of capital (WACC) is of central importance for the assessment of a company's value enhancement. The WACC complies with the minimum yield requirements of Group management and thus serves as a yardstick for the creation of company value. It is calculated on the basis of the weighted average cost of equity and debt. The capital costs of the non-regulated business units are determined using the reporting-date principle and based on market conditions. In a second step, the bottom-up method is used to weight these costs into the Segment and Group capital costs. The parameters specified by the regulatory authority are applied to regulated sectors.

Energie AG's cost of capital accounting is subjected to on-going evaluation, and adapted as needed, taking current publications and expert opinions into consideration. Furthermore, against the background of the volatile financial market environment, the development of the cost of capital is continuously monitored. The Group WACC for the fiscal year 2017/2018 was 4.4% (previous year: 4.9%).

The value-oriented Group targets are broken down to the individual Segments and business units, taking into account the strategy pursued and the business-specific general conditions, continually monitored and reported periodically by the Group's managerial accounting and governed by the management.

The central key indicator for operational Group management during the fiscal year is the Return on Capital Employed (ROCE), which shows how efficiently and profitably the available capital is used. This key figure is calculated as the ratio between Net Operating Profit After Tax (NOPAT) and average Capital Employed. NOPAT corresponds to EBIT less related taxes in the amount of EUR 38.3 million and other items of EUR 12.9 million. For information on Capital Employed, please refer to the [Notes to the Consolidated Financial Statements](#) › page 101.

By comparing ROCE or long-term Internal Rate of Return (IRR) and WACC, business units and projects are evaluated with regard to the generation of value added. Apart from strategic considerations, resources for future investments and acquisitions are allocated by prioritising projects exclusively on the basis of value-oriented criteria and methods (e.g. project-specific risk surcharges).

In the 2017/2018 fiscal year, the ROCE of the Energie AG Group was 7.4%, 2 percent points below the figure for the previous year (9.4%).

Treasury Stocks

By resolution of the Annual General Meeting on 20 December 2017, the share capital of Energie AG was reduced by EUR 308,095.00 from EUR 89,087,750.00 to EUR 88,779,655.00 by means of a simplified capital reduction through the cancellation of 308,095 no-par value registered shares of treasury stock in the form of non-voting preferred shares. As a result, Article 4 of the Company's Articles of Association was amended accordingly.

In certain cases, the Energie AG employee stock option plan provides for the right or the obligation to purchase Energie AG employee shares. In fiscal year 2017/2018, the following changes in treasury stock resulted from this security:

Treasury Stocks

	Treasury stocks in items	Share capital quota in %	Share capital quota in EUR 1,000
Treasury stocks as of 30/09/2017	308,095	0.3	308.1
Disposals 2017/2018	-308,095	-0.3	-308.1
Additions 2017/2018	50,449	0.06	50.4
Treasury stocks as of 30/09/2018	50,449	0.06	50.4

Related Party Disclosures

For Energie AG's transactions with related parties in the reporting period, please refer to the disclosures in the [Notes to the Consolidated Financial Statements](#) › page 154.

Changes under Corporate Law

The participating interests in WDL-WasserdienstleistungsGmbH (WDL GmbH) and VARINGER d.o.o. (now Komunala ODTOK d.o.o.) were spun off from Energie AG Oberösterreich Wasser GmbH to Energie AG Oberösterreich Umwelt Service GmbH (Umwelt Service GmbH) with retroactive effect from 30 September 2017. This will enable regional synergies to be leveraged due to the high degree of overlap in the market area and in the customer portfolio.

Also, on 12 October 2017, Energie AG Oberösterreich Personal Power GmbH was founded as a 100% subsidiary of Energie AG Oberösterreich Personalmanagement GmbH. The company acts as an intra-Group personnel leasing company.

I INTERNAL CONTROL SYSTEM

The Energie AG Group fully complies with its obligation under stock corporation law to establish and operate valid control and monitoring systems within the framework of corporate governance. The Internal Control System (ICS), which follows the principles of the "Three Lines of Defence Model", forms part of this consistent management concept.

It includes all process-related monitoring measures that ensure the preservation of assets and the reliability of the accounting process. The ICS, which is well anchored in the Group, makes the best possible contribution to preventing risks inherent in processes. One material focus of Energie AG's ICS is to maintain and promote the efficiency of the operating processes required to achieve the company's goals, taking into account the ethical values of the vision and mission statement.

In the 2017/2018 fiscal year, too, continuous monitoring and regular training measures increased risk awareness and employee awareness of the quality assurance associated with it. Controls are individually designed to meet the requirements of the process and encompass both automated and manual control steps. Compliance with the principle of dual control was again taken into account in the reporting period.

The quality of the monitoring measures in the Group is ensured by the ongoing review of day-to-day business practice in the operational units, cyclical auditing by Group Internal Audit and structured and standardised reporting to the Management Board and supervisory bodies.

The legal obligation to equal treatment in accordance with the Electricity Industry and Organisation Act (ElWOG) and the Gas Industry Act (GWG) are subject to appropriate ICS controls and are monitored by the Equal Treatment Officer.

In the 2017/2018 fiscal year, the ICS audits integrated in the annual audit plan of Group Internal Audit showed a high degree of control awareness. In the period under review, special attention was paid to the Group-wide requirement for permanent process optimisation, taking into account the possibilities of digitalisation. The documentation in the respective control manuals was updated promptly.

The ICS thus met the legal requirements in the past fiscal year with the degree of maturity specified throughout the company, and the control measures were implemented at Energie AG with a high level of commitment.

I RISKS AND OPPORTUNITIES

Changes in the energy market environment, growing competitive dynamics and adjustments of the energy policy and general regulatory conditions influence Energie AG's risks and opportunities. Energie AG meets these challenges by tapping additional earnings potential, value-based investment management and extensive efficiency-improving measures.

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

For more details on the risks and opportunities situation, see the [Notes to the Consolidated Financial Statements](#) › page 150.

I RESEARCH, DEVELOPMENT AND INNOVATION

Energie AG has always considered research, development and innovation to be one of its core tasks in all areas of the Group. Driven by social and political processes such as the transformation of energy systems, the energy sector is undergoing a major transformation which Energie AG seeks to shape. It is now no longer sufficient to look at the individual sectors separately; instead cross-sectoral solutions are needed to address the current issues. In addition, digitalisation and automation offer opportunities which Energie AG takes up with targeted innovation and research. Close cooperation with partners from science and industry drives excellent cost efficiency and an intensive exchange featuring valuable, mutual impulses.

In the period under review, research, development and innovation activities focused on adapting the distribution grids to increasingly decentralised generation plants and providing energy from renewable sources, as well as on developing new business models and numerous projects in the Waste Management and Water Segments. A further focus in the 2017/2018 fiscal year was the implementation of projects from the "e-bit" digitalisation offensive. These "e-bit" projects generated internal and external impetus across Group companies and resulted in proposals for further projects.

Key Performance Indicators R&D&I

	Unit	2017/2018	2016/2017	Change
Number of R&D&I projects in the Group	Number	110	98	12.2%
Staff involved in R&D&I projects	Number	334	314	6.4%
R&D&I expenditure in the Group	EUR mill.	3.7	3.2	15.6%

In fiscal year 2017/2018, research, development and innovation were carried out in the following projects (non-exhaustive list):

Photovoltaic (PV) Post-measurement

The photovoltaic plant erected in 1988 on Mount Loser was Energie AG's first major photovoltaic research project, and it is still fully functional today. After 30 years, important insights into the behaviour of PV modules over their service life and beyond have been gained by means of re-measurements and thermographic imaging in the reporting period.

Rassa – Reference Architecture for Safe Smart Grids

The Rassa project, initiated by the Smart Grids Austria technology platform, aims to develop a reference architecture for secure smart grids in Austria in close consultation with all relevant stakeholders. By adopting the principles of the reference architecture when instantiating individual components, secure and interoperable smart grid systems can be implemented in a consistent and efficient manner.

Enerchain

Together with a consortium of European utilities and a development partner, a “proof of concept” trading platform based on blockchain technology was developed in the 2017/2018 fiscal year, which in principle allows bilateral electricity and gas wholesale transactions to be conducted decentrally, anonymously and with a high degree of security. In February 2018, the first blockchain-based electricity wholesale deal was successfully concluded with a market partner. The intent is to make the platform commercially marketable in the future. Numerous technological and legal issues need to be clarified to do so.

Co-incineration of Powdery Waste

Dusty waste is a major problem and potential hazard in the thermal treatment of waste. In this project, therefore, holistic solutions and treatment processes for the problem material dust were developed in the reporting period for the co-incineration of this dusty waste in grate firing plants. The main focus was on hydrophobic dusts such as powder coatings. In addition, a scientific paper presented the basics for characterising dusts, the difficulties in manipulation and treatment, and target scenarios for handling dusty waste.

Hydrant Service Water Map

Municipalities, water utilities, fire services and other service providers rely on fast and reliable information about the water system and hydrant locations. In cooperation with the start-up company wasserkarte.info, the content of the web application developed in the 2015/2016 fiscal year was further developed to market maturity in the reporting period. On-site data acquisition is carried out using tablets or smartphones; potential further developments with regard to additional possible uses (gate valves, etc.) were taken into account in the project.

Digitalisation Projects in the Grid Segment

In the Grid Segment, several innovations in the field of digitalisation were implemented in the 2017/2018 fiscal year. The WTC web trouble ticket system starts a workflow during complaint report entry, in which all relevant information is automatically transmitted. The network technician is navigated to the incident location and uses a mobile application to close the workflow after completion on site. This efficient communication simplifies and accelerates troubleshooting. In the field of planning, the SWebAPP "Measurement Tool", a trench routing module, was used to offer the option of recording data on trench routing online and on site. The data is stored directly in the GIS database for further processing. Furthermore, the first augmented reality-based pilot application was developed for marking of underground lines (flagging) using the iPhone app.

KEY PERFORMANCE INDICATORS

The Group at a Glance

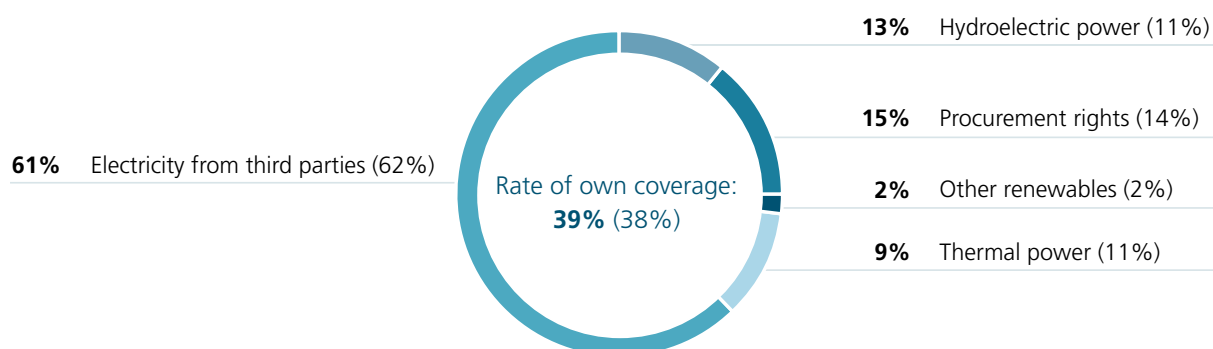
	Unit	2017/2018	2016/2017	Change
Electricity procurement	GWh	15,494	16,900	-8.3%
Electricity procured from third parties	GWh	12,250	13,425	-8.8%
Proprietary electricity procurement ¹⁾	GWh	3,245	3,474	-6.6%
Thermal power stations	GWh	712	981	-27.4%
Renewable energy	GWh	2,533	2,493	1.6%
Group's own hydropower plants	GWh	1,058	1,055	0.3%
Procurement rights from hydroelectric power	GWh	1,287	1,281	0.5%
Other renewable energy (photovoltaics, wind, biomass)	GWh	188	157	19.7%
Electricity grid distribution volume to end customers	GWh	8,297	8,210	1.1%
Electricity sales volume ²⁾	GWh	7,294	7,968	-8.5%
Natural gas grid distribution volume to end customers	GWh	18,397	20,463	-10.1%
Natural gas sales volume	GWh	4,980	5,247	-5.1%
Heat procurement	GWh	1,665	1,507	10.5%
Heat sales volume	GWh	1,524	1,345	13.3%
Total waste volume handled	1,000 to	1,766	1,755	0.6%
Thermally processed waste volume	1,000 to	642	630	1.9%
Invoiced drinking water volume	m ³ mill.	55.5	52.8	5.1%
Invoiced waste water volume	m ³ mill.	43.8	43.5	0.7%
Length of fibre-optic network	km	5,550	5,100	8.8%

1) Of which in the fiscal year 2017/2018 3,243 GWh supplied to the domestic market (previous year: 3,473 GWh)

2) In the fiscal year 2017/2018 5,753 GWh distribution to end customers on the domestic market (previous year: 6,364 GWh)

Electricity Procurement Structure Without Electricity Trading

2017/2018; previous year's figures in brackets



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](#) › page 101.

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

ENERGY SEGMENT

Energy Segment Overview

	Unit	2017/2018	2016/2017	Change
Total sales	EUR mill.	896.0	990.4	-9.5%
EBIT	EUR mill.	81.7	109.8	-25.6%
Investments in property, plant and equipment and intangible assets	EUR mill.	27.5	35.2	-21.9%
Workforce (on average) ¹⁾	FTE	431	435	-0.9%
Electricity procurement ²⁾	GWh	15,289	16,700	-8.4%
Proprietary electricity procurement	GWh	3,039	3,275	-7.2%
Electricity sales volume	GWh	7,294	7,968	-8.5%
Natural gas sales volume	GWh	4,980	5,247	-5.1%
Heat procurement	GWh	1,468	1,315	11.6%
Heat sales volume	GWh	1,327	1,154	15.0%

1) All information stated in this Group Management Report that concerns employees relates to full-time equivalents (FTE) as a yearly average of the fully-consolidated and proportionately consolidated companies.

2) Incl. external procurement

THE ECONOMIC ENVIRONMENT OF THE ENERGY INDUSTRY

In the first half of the 2017/2018 fiscal year, forward market prices for electricity moved within a comparatively narrow corridor. From mid-March 2018, an upward trend was established, which ensured that the derivatives market reached its highest level since March 2012 towards the end of the fiscal year. This was mainly due to higher prices for coal and CO₂ allowances. The price for the annual base of the front year in the price zone Austria reached its highest value on 11 September 2018 at EUR 59.2/MWh, the lowest value on 2 October 2017 at EUR 33.8/MWh. At EUR 41.9/MWh, the average price was around one-third higher than in the previous year.

Prices also rose on the spot market. During the reporting period, the average European Power Exchange (EPEX) spot price base was EUR 39.5 per MWh, 11.9% higher than in the previous year. Due to the increasing feed-in of electricity from wind and photovoltaics, the market continued to be volatile with hourly prices between EUR -83.1/MWh and EUR +124.6/MWh.

The increase in hard coal prices from March 2018 was mainly triggered by strong demand in the Asia-Pacific region. Starting from USD 79.0/t at the beginning of the 2017/2018 fiscal year, the All Publications Index#2 (API2) with delivery in 2019 to the Amsterdam-Rotterdam-Antwerp Coal Trading Area (loco ARA) rose by almost 25.0% to USD 98.2/t by the end of September.

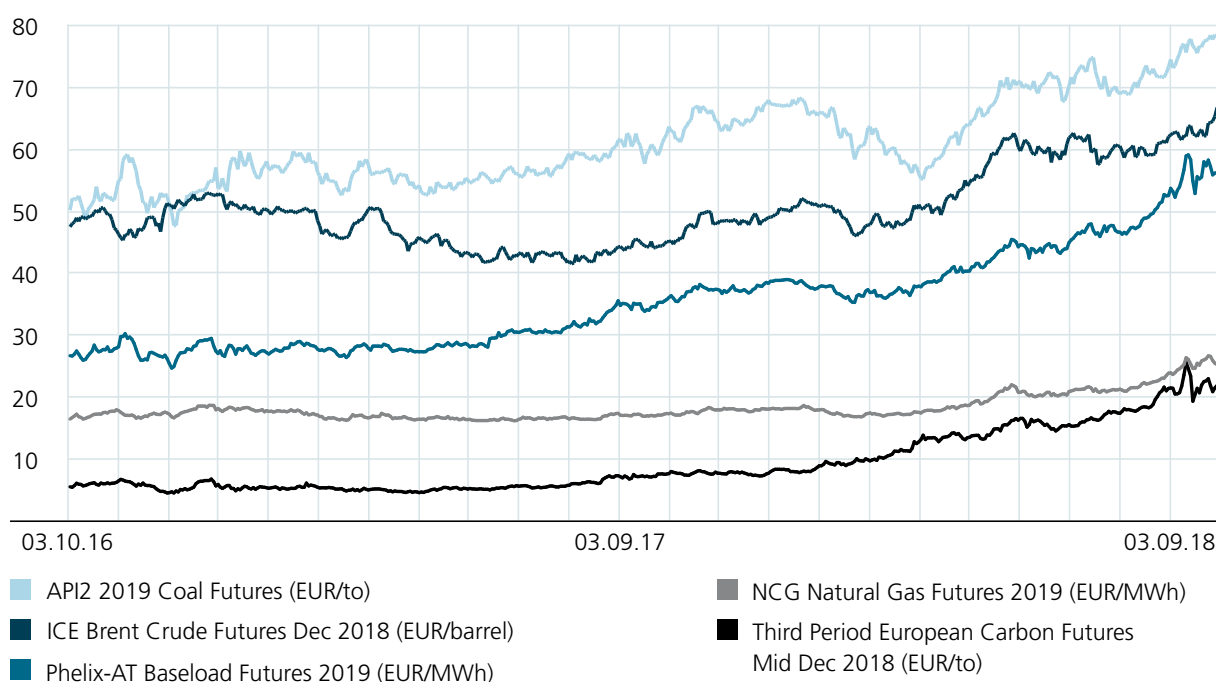
With some intermediate lows, the oil price also rose continuously in the past fiscal year. At USD 67.0 per barrel of Brent crude oil, the average price was around 25.0% higher than the previous year's level, with the peak being reached at the end of the fiscal year.

Influenced by these developments and driven by CO₂ price increases, gas procurement prices rose significantly in the course of the summer, although no demand-side bottlenecks were discernible on the market. The NetConnect Germany (NCG) gas price for the front year, which moved laterally until March 2018, averaged EUR 19.4/MWh in the reporting period, up 14.1% year-on-year. The volatility of gas prices has increased sharply overall.

The most significant increase was recorded in the price of CO₂ allowances. Stagnation in the first few months was followed by a steep rise, with the price tripling to EUR 21.8 per ton by the end of the fiscal year.

Price Development on International Energy Markets

Source: EEX, Reuters



| BUSINESS DEVELOPMENT IN THE ENERGY SEGMENT

Following the fiscal year 2016/2017, which was exceptionally positive from a financial point of view, sales revenues in the Energy Segment amounted to EUR 896.0 million in the reporting period (previous year: EUR 990.4 million). The main reasons for this were lower sales revenues from gas management and electricity trading as well as reduced use of the Timelkam CCGT power plant for grid reserve and congestion management compared to the previous year.

In the Energy Segment, an operating result in the amount of EUR 81.7 million was generated in the reporting period. This corresponds to a decrease of 25.6% compared with the previous year's EBIT in the amount of EUR 109.8 million. In addition to lower earnings contributions from electricity and gas sales, this was also due to lower earnings contributions from gas management, partly due to mild weather conditions. Declines in thermal generation due to a drop in call-offs for grid reserve and congestion management were only partially offset by improved operating results at the Timelkam biomass power plant and Cogeneration-Kraftwerke Management Oberösterreich GmbH (CMOÖ).

While the previous year's EBIT was influenced by an appreciation in the amount of EUR 20.9 million for the Timelkam CCGT power plant, an impairment of EUR 2.5 million was recognised on the CCGT power plant in the reporting period following an impairment test due to the current market situation for grid reserve and congestion management.

Compared with the impairment of the 7Fields gas storage facility in the amount of EUR 6.6 million and other minor impairments in the previous year, the reporting period saw an impairment of the 7Fields gas storage facility of EUR 3.2 million and various minor impairments.

In addition, there was an appreciation in the amount of EUR 1.9 million on CMOÖ in the reporting period.

DECLINE IN THERMAL ELECTRICITY GENERATION, STABLE ELECTRICITY PROCUREMENT FROM HYDROELECTRIC POWER

Due to the reduced use of the Timelkam CCGT power plant for congestion management, proprietary electricity procurement in the Energy Segment in the 2017/2018 fiscal year amounted to 3,039 GWh, 7.2% lower than the previous year's value (3,275 GWh). Total electricity procurement in the Energy Segment, including external procurement, amounted to 15,289 GWh in the reporting period and was thus 8.4% below the figure for the previous year (16,700 GWh). This significant decline is attributable not only to the lower level of proprietary procurement but also to the reduction in external electricity trading. The provision of district heating from the power plant stations in Riedersbach and Timelkam fell by 7.5% compared with the previous year (253 GWh) to 234 GWh.

The water level of the rivers varied greatly in the course of the 2017/2018 fiscal year: while the first half of the reporting period was characterised by significantly above-average values, the second half was characterised by atypically low precipitation. For the fiscal year as a whole, the hydro coefficient of 0.95 was 5% lower than the standard production capacity, but 1 percent point higher than in the previous year. Proprietary electricity procurement from Energie AG's hydraulic power plants therefore remained stable in the 2017/2018 fiscal year.

The largest investment in the hydroelectric power sector in 2017/2018 was the construction of fish ladders at the Marchtrenk and Traun-Pucking power plants. In building these lifts to improve the ecological situation, Energie AG complies with the requirements of the Water Framework Directive and the Austrian Water Act.

The prerequisite for the extension of the water rights at the Partenstein power plant is the adaptation of the plant to the current state of the art. For this reason, a fish ladder was erected at the Langhalsen weir during the reporting period and individual parts of the plant were replaced.

Ennskraftwerke AG, in which Energie AG has a 50% shareholding, also reported electricity production below the long-term average in the 2017/2018 fiscal year, with a hydro coefficient of 0.92. All told, Energie AG holds electricity procurement rights in hydropower plants with a standard production capacity of around 1,390 GWh.

In the wind power sector, participating interests in three wind farms and one approved project continued in the 2017/2018 fiscal year. The pro rata total capacity of the wind parks is 12.7 MW. In the reporting period, electricity generated with wind power totalled 31.3 GWh (previous year: 34 GWh).

CUSTOMER LOYALTY CAMPAIGNS LED TO DECLINING SWITCHING RATES AMONG PRIVATE CUSTOMERS

The electricity sales of Energie AG are bundled in ENAMO GmbH, the joint sales company of Energie AG and LINZ AG. In the 2017/2018 fiscal year, the ENAMO group of companies encompassed ENAMO GmbH, ENAMO Ökostrom GmbH, Energie AG Oberösterreich Vertrieb GmbH & Co KG and LINZ Strom Vertrieb GmbH & Co KG.

The electricity market continued to move during the reporting period, with the result that the switching rate for 2018 across Austria is expected to remain at a similarly high level as in the previous year (E-Control Austria, 2017: 4.3%). In the private customer segment of the ENAMO Group, the number of supplier changes dropped in absolute terms.

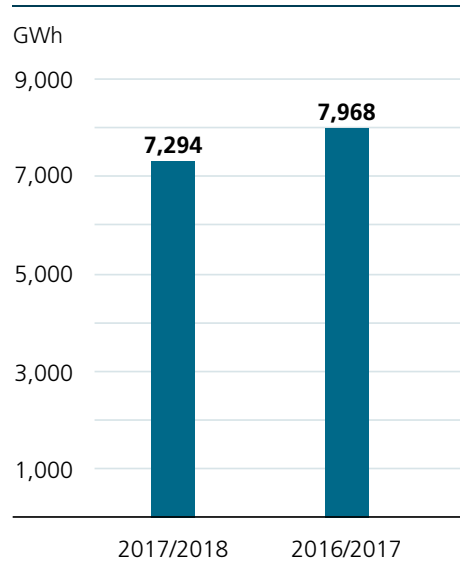
In the 2017/2018 fiscal year, the consolidated electricity sales volume amounted to 7,294 GWh, 8.5% below the previous year's sales volume of 7,968 GWh. More than half of this decline is attributable to the industrial customer segment. Sales volumes in the business customer segment were at the previous year's level. The private customer segment continued to be a strong focus for competitors, but Energie AG Oberösterreich Vertrieb GmbH & Co KG was nevertheless able to record a slight reversal in trend with switching rates falling. The actions implemented in this segment to improve customer loyalty had a positive effect.

In addition to the tried and tested campaigns such as the replacement of household appliances or the 2018 energy-saving campaign, in which ENAMO provided a total of 380,000 LED luminaires, ENAMO also successfully generated added value for its customers through innovative products, thus maintaining its position in this dynamic market. As part of the innovation and digitalisation efforts, a completely new pricing model for heat pump users was presented in the form of the "Heimvorteil smart flex" (smart flex home advantage) package. The heat pump identifies time zones with cheap or free energy and automatically switches itself on during these periods. The energy costs for the heat pump can thus be reduced without any loss of comfort – and above all completely automatically. This electricity price model is an example of the added value, functionality and use of the new smart meter technology.

ENAMO is part of the European "PEAKApp" research project, in which energy suppliers, research institutes and software companies from seven countries are involved. The aim of the project, which was launched in 2016, is to influence customers' consumption patterns in a targeted manner towards more efficient energy use. Initial evaluations of a field test conducted in the 2017/2018 fiscal year showed promising results, including positive effects on customer switching rates. In addition, the results form the basis for the development of future electricity products and services.

In addition, ENAMO is participating in the "Flex+" research project starting in the fiscal year 2017/2018. In the scope of the project, various strategies will be developed and tested in large-scale real-life operation in order to economically leverage the flexibility of remotely controlled components such as heat pumps, boilers, PV storage systems and e-mobility.

Electricity Sales Volume



I MILD WEATHER AFFECTED GAS, HEAT AND ENERGY SERVICES

At 4,980 GWh, the volume of natural gas sold by the Group in the 2017/2018 fiscal year was 5.1% below the previous year's figure of 5,247 GWh. Compared with the colder previous year, sales volumes to business and private customers using space heating fell, primarily for weather-related reasons. During the year under review, the total number of heating degree days in Upper Austria was 7.4% lower than the average for the past ten years and 11.3% below the previous year's figure. Natural gas sales volumes to large customers remained stable.

A customer loyalty campaign in the Gas Segment with a price guarantee for existing business and private customers was successfully extended in the spring of 2018. Thanks to this and other customer loyalty campaigns, Energie AG Oberösterreich Power Solutions GmbH (Energie AG Power Solutions) once again succeeded in retaining its customer base, achieving a switching rate well below the average. On average, in the natural gas industry, the switching rates in the business and private customer area in Austria and Upper Austria continued to rise.

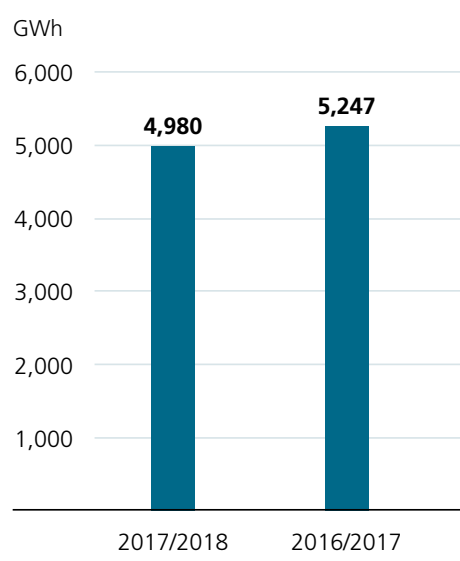
Energie AG Power Solutions with its online brand "gasdiskont.at" emerged as the winner from this year's auction by the Association for Consumer Information ("Verein für Konsumenteninformation", VKI). By supplying to the newly acquired customer base, it has been possible for the first time in several years to achieve customer growth in the natural gas business and residential customer segment.

In the energy services business area, the heat sales volume from contracting plants amounted to 135 GWh in the first half of the reporting period, and thus below the previous year's figure of 141 GWh. Asset growth did not fully compensate for temperature-related shortfalls in volumes.

In the course of the 2017/2018 fiscal year, eleven new PV contracting systems with an output of 1,550 kW_p were installed, increasing the total photovoltaic output of the Group to 8.2 MW_p. As a result, a total of 7.1 GWh of electrical energy was generated in the reporting period. In addition, PV systems with 200 kW_p were implemented for customers as general contractors. The 2017/2018 fiscal year was thus characterised by the Energie AG Group's largest PV extension programme within one year to date.

CMOÖ GmbH supplies a key account customer in Laakirchen with electricity and process heat through a CCGT power plant, as well as several adjacent companies with district heating. The volume of process heat and district heating provided to customers in the 2017/2018 fiscal year was 688 GWh and thus 43.6% up on the previous year's figure of 479 GWh.

Natural Gas Sales Volume



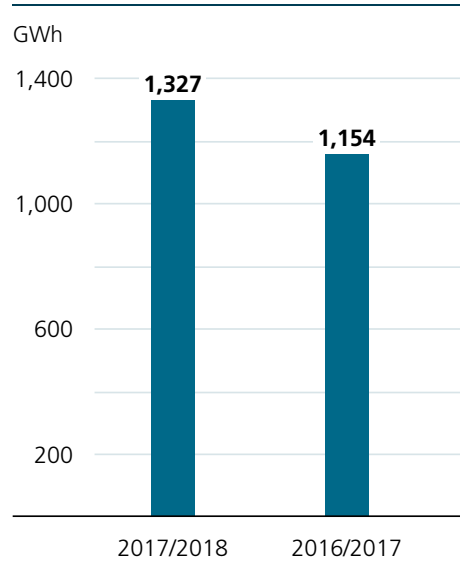
Overall, the heat sales volume in the Energy Segment amounted to 1,327 GWh in the 2017/2018 fiscal year, an increase of 15.0% on the previous year (1,154 GWh). Successful customer acquisitions more than compensated for lower volumes attributable to above-average temperatures in Austria and abroad.

Despite this generally mild weather compared with the previous year, the February and March months saw strong temperature fluctuations with record lows in the supply region of the Heating business unit. These significant fluctuations necessitate flexible operation of the heat generation plants, so that the modernisation and efficiency measures carried out by the Heating business unit in recent years proved their value during the reporting period. In fiscal 2017/2018, efficiency was further increased, particularly at the Kirchdorf location, through the installation of a high-efficiency hot water boiler with a thermal output of some 11 MW in conjunction with an exhaust gas heat exchanger. In this context, work started on overhauling the control technology system at the central heating plant in the context of automating the plants.

Another trend-setting project was launched in Gmunden within the reporting period. The district heating business unit receives the waste heat generated by the processes in an established industrial plant and uses it to serve district heating customers in Gmunden in an environmentally friendly and sustainable manner. The heat output is approx. 8 MW; this corresponds to the annual heat requirement of around 1,000 households. This pioneering joint project with the Gmunden-based cement plant will result in annual CO₂ savings of around 3,800 tonnes following completion in the 2019/2020 fiscal year.

In the Czech supply region, modernisation and optimisation campaigns were implemented on an ongoing basis in the 2017/2018 fiscal year. In addition to consolidation of the existing district heating networks at the individual locations, a major project in Kolín started in the 2016/2017 fiscal year was continued in the reporting period. Parts of the previous supplier's district heating network were taken over by Městské tepelné hospodářství Kolín, spol. s r.o. (MTH Kolín); in the course of this, renewal work was started, resulting in a considerable efficiency boost across the entire value chain at the site.

Heat Sales Volume



| EXTENSION OF PUBLIC CHARGING STATIONS FOR E-MOBILITY

In the field of electromobility, the construction and operation of the public basic charging infrastructure was completed. Currently, Energie AG's customers have access to 22 charging stations (with two different power classes 22 kW/11 kW). In addition, the construction and operation of charging stations for municipalities and companies were taken over. This charging network setup was closely tied to preparations for digital billing of public electric vehicle charging.

GRID SEGMENT

Grid Segment Overview

	Unit	2017/2018	2016/2017	Change
Total sales	EUR mill.	370.2	363.9	1.7%
EBIT	EUR mill.	57.7	99.8	-42.2%
Investments in property, plant and equipment and intangible assets	EUR mill.	92.4	78.9	17.1%
Workforce (on average)	FTE	539	544	-0.9%
Electricity grid distribution volume to end customers	GWh	8,297	8,210	1.1%
Natural gas grid distribution volume to end customers	GWh	18,397	20,463	-10.1%

GENERAL LEGAL AND REGULATORY CONDITIONS IN THE GRID SEGMENT

On 1 January 2018, a new five-year regulatory period began for natural gas. The benchmarking and cost review to determine the basis for the third regulatory period for gas had already taken place in the 2016/2017 fiscal year. With 100% efficiency, Netz OÖ ranks top of the Austrian comparison of gas grid operators. One decisive issue in the past 2017/2018 fiscal year was preparations for the next regulatory period for electricity starting on 1 January 2019 with a detailed costing procedure and electricity distribution grid operator benchmark.

The grid utilisation fees for end customers in the natural gas sector were significantly reduced due to the general regulatory conditions laid down for the third regulatory period, between -5.2% at grid level 3 and -26.5% at grid level 2. In contrast to this, the grid fees in the electricity sector were increased significantly on 1 January 2018, between +25% at grid level 3 and +7% at grid level 7. The reason for this does not lie with Netz OÖ, but, according to E-Control Austria, can be attributed to the massive increase in charges for system-stabilising measures in the supra-regional transport grid, which are required to compensate for what can at times be highly fluctuating generation from wind and solar energy. The cost base of Netz OÖ itself remained stable compared to the previous year.

The general regulatory conditions for the 2018/2019 fiscal year can be judged in principle to be constant. The current regulatory period for electricity expires at the end of 2018. The Austrian Federal Economic Chamber and the Federal Chamber of Labour objected to the general economic conditions stipulated by the regulatory authority as of 1 January 2018. The decision on these objections is still pending, however, the complaints are affecting discussions on the details of electricity regulation in the following period from 2019 onwards. The goal remains to keep the general economic conditions for grid operations stable.

BUSINESS DEVELOPMENT IN THE GRID SEGMENT

The Grid Segment generated sales revenues of EUR 370.2 million in the reporting period. This represents an increase of 1.7% over the previous year's sales of EUR 363.9 million. Lower distribution volumes in the natural gas grid and the regulatory adjustment of grid utilisation fees for natural gas were more than offset by the regulatory increase in grid utilisation fees for electricity and minor volume increases in the electricity grid.

EBIT in the Grid Segment amounted to EUR 57.7 million in the 2017/2018 fiscal year and was thus significantly lower than the unusually high result in the previous year (EUR 99.8 million). In addition to the absence of an appreciation of EUR 16.5 million from the previous year due to impairment testing of the grid facilities, volume declines as well as regulatory tariff reductions in the natural gas grid had a significant impact on the Segment's earnings. The declines were only partially offset by volume and tariff increases in the electricity grid. The deviating development compared to sales revenues results mainly from high upstream grid costs affecting net income.

ELECTRICITY AND NATURAL GAS GRID AS THE BACKBONE OF THE UPPER AUSTRIAN SUPPLY INFRASTRUCTURE

In the 2017/2018 fiscal year, 8,297 GWh of electricity was distributed to end customers from the electricity grid. This represents an increase of 87 GWh (1.1%) compared with the previous year. The increase in volume is mainly attributable to favourable economic development. As of 30 September 2018, Netz OÖ supplied approx. 502,000 active customer installations.

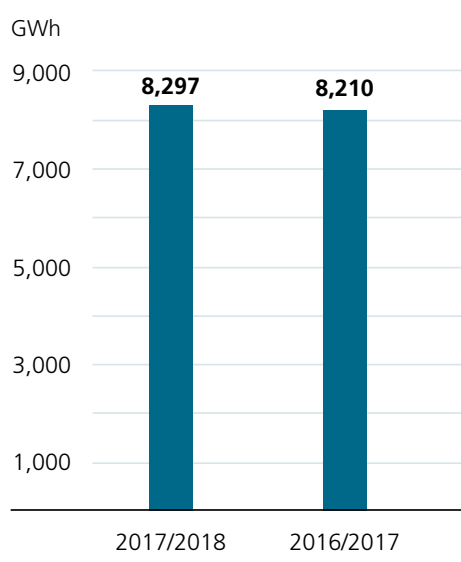
In the year under review, the storms "Herwart" in October 2017 and "Fabienne" in September 2018 posed challenges in grid operation with a noticeable influence on the availability parameters of the electricity grid. For details on the availability of the electricity grid in the reporting period, see the [Non-Financial Report](#) › page 55.

In the 2017/2018 fiscal year, the activities of the Grid Segment focused on the consistent implementation of the "Electricity Grid Master Plan Upper Austria 2026 (Stromnetz-Masterplan Oberösterreich 2026)". In addition to regular grid upgrade and expansion campaigns, these included in particular the completion of the "Jochenstein grid support" and "Feldkirchen transformer station" projects as well as the start of construction on the "Almtal und Kremstal power supply" (construction work has been interrupted since August 2018 as explained in the [Energy Policy Environment](#) › page 11) and "General renovation of Ranna-Partenstein" projects. Approval procedures for the high-voltage line project "Power Supply Pramtal South" are on-going. A route finding procedure is in progress for the "Electricity supply Mühlviertel – sub-area Rohrbach – Bad Leonfelden/Langbruck" project.

In the year under review, the programme to replace overhead medium-voltage lines that are particularly susceptible to disruption with underground cable proceeded according to plan. In the tenth year of this priority programme, a further 20 kilometres of overhead power lines were replaced by underground cables.

Due to the ongoing integration of local electricity generation facilities, ensuring voltage quality for grid customers on the low-voltage grid remains a challenge. The installed capacity from photovoltaics is already around 205 MW (previous year: 161 MW) with around 18,600 connected systems (previous year: 16,600 systems). Lessons learned from research and development projects are being successfully adopted for efficient grid integration.

Electricity Grid Distribution Volume to End Customers

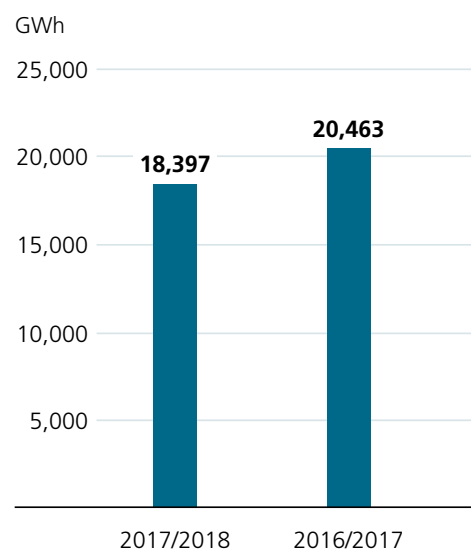


In the 2017/2018 fiscal year, distribution volumes to end customers from the natural gas grid amounted to 18,397 GWh (previous year: 20,463 GWh) and were thus down by 10.1% compared with the previous year's value. In the high-pressure area, natural gas volumes fell year-on-year, primarily due to lower proprietary electricity generation by industrial operations and power plants. The reason for the decline in the household and commercial sectors was the shorter heating period in the reporting period.

In the past fiscal year, natural gas grid customers in Altheim, Redlham, Klaus a.d. Pyhrnbahn, Arbing, Kremsmünster and Nettingsdorf were connected to the natural gas grid or saw their connections extended. Preparatory work for the construction of the new Frankenmarkt local gas supply system was completed.

In the 2017/2018 fiscal year, a further eight gas pressure regulating stations were adapted and their efficiency increased, allowing to boost pressure on the Upper Austrian high-pressure grid to meet additional capacity requirements. The multi-year project was thus brought to a successful conclusion. In addition, sections of two high-pressure natural gas pipelines with a total length of 31 km were examined during the reporting period using intelligent pigging; various repairs were carried out on high-pressure pipelines and two high-pressure pipelines being relocated. Continuation of the cyclic fault location measurements and the expansion of the local anti-corrosion systems proceeded according to plan.

Natural Gas Grid Distribution Volume to End Customers



WASTE MANAGEMENT SEGMENT

Waste Management Segment Overview

	Unit	2017/2018	2016/2017	Change
Total sales	EUR mill.	229.6	215.5	6.5%
EBIT	EUR mill.	17.4	7.0	148.6%
Investments in property, plant and equipment and intangible assets	EUR mill.	12.6	11.3	11.5%
Workforce (on average)	FTE	854	793	7.7%
Total waste volume handled	1,000 to	1,766	1,755	0.6%
Thermally processed waste volume	1,000 to	642	630	1.9%

GENERAL ECONOMIC CONDITIONS OF THE WASTE MANAGEMENT SECTOR

In the 2017/2018 fiscal year, the waste management industry continued to benefit from favourable general economic conditions, thus continuing the positive trend of the previous year. Global waste flows have shifted as a result of the Chinese Ministry of the Environment's import ban on plastic waste declared on 1 January 2018. For the European waste management market, this meant, among other things, an increase in the volumes of low-quality non-recyclable plastic waste, and thermal treatment thus necessary. In turn, this ensured a high utilisation rate for all waste incineration plants throughout Europe, although new challenges for plant operation will arise in the medium term due to recycling of input materials with a higher calorific value and the lower throughput volumes associated with it.

Both nationally and internationally, the issue of responsible recycling materials management continues to be at the centre of attention. In order to close the gap between waste management and production, mandatory requirements in the sense of a reusable or recyclable product design, including the use of secondary raw materials for which new collection and sorting paths are to be created, are being discussed. Corresponding targets formulated at European level in the form of the circular economy package pose major challenges for the actors involved. As resource protection has already played a major role in waste management at the national level in the past, Austria has been given a leading role in achieving the EU objectives.

In the case of recycling materials, the price of steel scrap continued to rise compared with the previous year, while the price of copper remained stable at a high level above that of the previous year in the course of the 2017/2018 fiscal year. Fuel prices rose, in particular in the third and fourth quarters of the reporting period, and were above the previous year's annual average. However, the use of hedging strategies has mitigated the negative developments in this area. The recovered paper index fell below the average value of the previous year from the second quarter of the past fiscal year onwards, but then remained stable at this level until the end of the fiscal year.

BUSINESS DEVELOPMENT IN THE WASTE MANAGEMENT SEGMENT

In the 2017/2018 fiscal year, sales revenues in the Waste Management Segment amounted to EUR 229.6 million, which is EUR 14.1 million or 6.5% higher than the previous year's level of EUR 215.5 million. EBIT increased by EUR 10.4 million to EUR 17.4 million compared with the previous year (EUR 7.0 million). In the period under review, the sales revenue and EBIT items for the first time included the Group companies WDL GmbH and Komunala ODTOK d.o.o. (formerly VARINGER d.o.o.), which were previously allocated to the Water Segment.

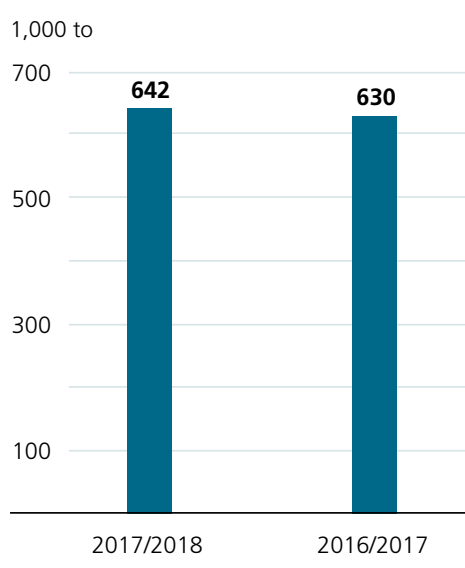
Whereas in the previous year negative one-time effects due to asset disposals in the amount of EUR 4.8 million impacted on EBIT, the positive price developments on the waste management market, both in the waste and service sectors, and higher prices for scrap metal and scrap as well as waste wood, contributed positively to the Segment's earnings in the reporting period. Volume growth was achieved in municipal waste. This mainly related to domestic and bulky waste as well as waste from mechanical-biological plants. Due to the good economic situation, positive developments were also observed in construction waste. On the other hand, prices for recovered paper declined compared with the previous year.

Energy revenues resulting from thermal incineration (electricity, district heating) were at a similarly good level as previous year. Furthermore, higher throughput volumes at the thermal incineration facilities and positive developments in other waste management services had a favourable effect on earnings in the Waste Management Segment.

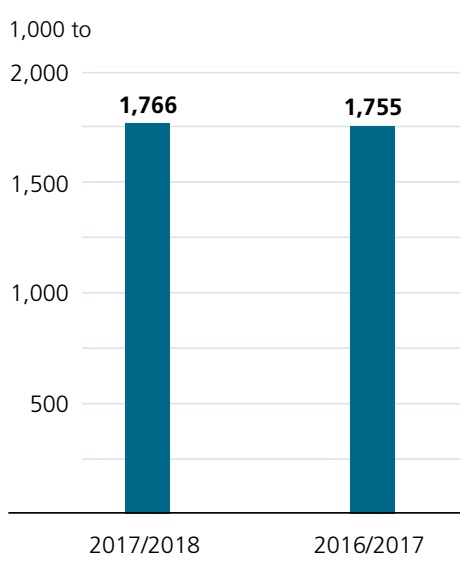
FURTHER GROWTH IN THE UTILISATION OF INCINERATION PLANTS IN AUSTRIA

In fiscal year 2017/2018, the availability of the incineration plants in Wels and Lenzing was further optimised by technological improvements, which, together with professional materials-flow management, ensured full utilisation and further growth compared with the previous year. A throughput of some 641,600 tonnes was achieved.

Thermally Processed Waste Volume



Total Waste Volume Handled



In the reporting period, the waste incineration plant in Wels distributed 197 GWh of heat (previous year: 192 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 206 GWh (previous year: 200 GWh).

The CPA plant in Steyr (chemical-physical treatment plant for inorganic waste) was very well utilised in the past fiscal year. Following the restructuring work completed in the 2016/2017 fiscal year, a new record throughput was achieved in the past fiscal year. On the plant side, the waste water biological system was newly constructed.

In comparison with the previous year, the total volume handled in Austria and South Tyrol increased slightly to 1,766,000 metric tonnes (2016/2017 fiscal year: 1,755,000 metric tonnes).

The Waste Management Segment continued to focus its market activities in particular on long-term indexed contracts with defined delivery volumes and prices. Cooperation with the public sector was also intensified, and it is above all the municipalities which continue to represent a material target group for the company's range of services. Strategically anchored cost management was again consistently pursued, and the implementation of ongoing optimisation projects continued. The further development of digitalisation projects was another important focus.

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

INTEGRATION OF DRINKING WATER AND WASTE WATER ACTIVITIES INTO THE WASTE MANAGEMENT SEGMENT

Through the integration of the companies WDL GmbH and Komunala ODTOK d.o.o., the municipal services offered in the Waste Management Segment have now been expanded to include activities in the drinking water and waste water areas. This is intended to further intensify cooperation with local authorities and water authorities. The first steps in this direction were taken in the year under review.

WDL GmbH recorded a significant increase in the volume of drinking water supplied due to the prolonged drought. It was possible to ensure supply reliability despite high daily consumption peaks in summer. Services developed according to plan. Komunala ODTOK d.o.o. continues to be exposed to the difficult market environment in Slovenia.

STRUCTURAL OPTIMIZATION IN SOUTH TYROL LARGELY COMPLETED

The conversion work at the new Neumarkt location was completed in the year under review. Special effects in the form of asset disposals, which were recognised in the course of structural optimisation campaigns, had a negative impact on earnings. Operating business remained largely stable.

WATER SEGMENT

Water Segment Overview

	Unit	2017/2018	2016/2017	Change
Total sales	EUR mill.	137.8	135.9	1.4%
EBIT	EUR mill.	9.3	-8.1	–
Investments in property, plant and equipment and intangible assets	EUR mill.	5.9	5.4	9.3%
Workforce (on average)	FTE	1,554	1,575	-1.3%
Invoiced drinking water volume	m³ mill.	46.3	52.8	-12.3%
Invoiced waste water volume	m³ mill.	43.8	43.5	0.7%

| GENERAL CONDITIONS IN THE WATER SECTOR

The intensified drought of the last two years is increasingly causing problems for communities that are supplied from local resources. In the supply area of Energie AG's Water Segment, only a few municipalities were affected, and these were supported with emergency supplies. With regard to the low rainfall associated with climate change, however, initial studies are being carried out to develop new resources, strengthen supraregional supplies and network supply systems.

There were no material changes in the 2017/2018 fiscal year as part of the annual adjustment of the price regime for calculating water and waste water tariffs in the Czech Republic, which focuses on the appropriate profit of operating and infrastructure companies.

On a political level in the Czech Republic, the re-municipalisation of drinking water supply and sewage disposal was again discussed in the period under review. However, numerous tenders for concessions are still a sign of acceptance of the operator model. The introduction of an independent regulator for the Czech water industry was also discussed in the 2018 election dispute.

According to forecasts, the Czech Republic will see a phase of high economic activity in 2018/2019. However, the shortage of personnel can be seen as a bottleneck in the further development of the economy. The challenges facing the subsidiaries are therefore to fill vacant positions at competitive conditions.

| BUSINESS DEVELOPMENT IN THE WATER SEGMENT

The Water Segment generated sales revenues of EUR 137.8 million in the 2017/2018 fiscal year. Despite the disposal of Group companies WDL GmbH and Komunala ODTOK d.o.o. (formerly VARINGER d.o.o.) which have been attributed to the Waste Management Segment since 1 October 2017, this is equivalent to 1.4% growth compared to the previous year's sales in the amount of EUR 135.9 million.

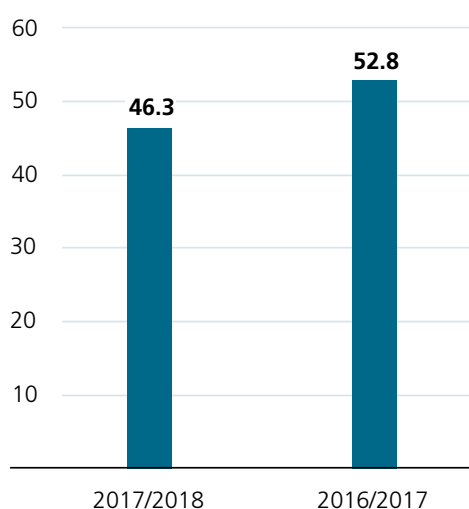
EBIT in the Water Segment grew from EUR -8.1 million in the previous year to EUR 9.3 million. While the disposal of the operating activities of WDL GmbH and Komunala ODTOK d.o.o. reduced earnings compared with the previous year, one-off effects from impairments at WDL GmbH and CEVAK a.s. in the previous year had reduced EBIT. In operational terms, growth in the core business area of drinking water supply and waste water

disposal, as well as in the service sector, was achieved in the reporting period. Further positive effects on EBIT in the Water Segment are attributable to the strengthening of the Czech koruna against the euro. In addition, a new acquisition at the end of the previous year was responsible for EBIT growth.

In fiscal year 2017/2018, a total of 46.3 million m³ drinking water and 43.8 million m³ of wastewater were invoiced in the Water Segment. The drinking water volumes were down by 12.3% on the previous year's level and can be attributed to the disposal of WDL GmbH. Adjusted for the volumes of WDL GmbH, an increase of 5.0% was achieved for drinking water. Waste water volumes were slightly higher than in the previous year, by 0.7% (adjusted: 1.2%).

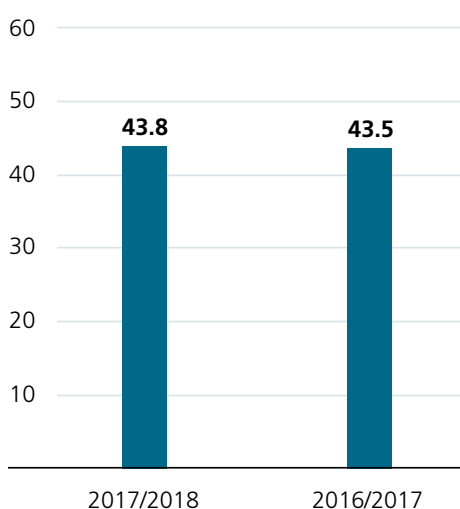
Invoiced Drinking Water Volume

m³ mill.



Invoiced Waste Water Volume

m³ mill.



In the Water Segment, around 915,000 inhabitants were supplied with drinking water as of 30 September 2018. Waste water disposal was carried out for around 708,000 customers.

I STABLE DEVELOPMENT IN THE CZECH REPUBLIC

VODOSPOL s.r.o., which was acquired towards the end of the last fiscal year, was integrated into the commercial and operational processes in the Water Segment and assigned as a subsidiary to the geographically adjacent ČEVAK a.s.

In Kolín, the wholesale department was spun off from VODOS s.r.o. and has operated as an independent entity named VODOS Velkoobchod s.r.o. since 1 October 2017. The object of the company is the wholesale of water materials (e.g. pipes, fittings) associated with the drinking water and waste water business, where the intent is to establish a better position, on the external market in particular, as a result of organisational realignment.

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

HOLDING & SERVICES SEGMENT

Holding & Services Segment Overview

	Unit	2017/2018	2016/2017	Change
Total sales	EUR mill.	242.1	218.2	11.0%
EBIT	EUR mill.	5.7	13.3	-57.1%
Investments in property, plant and equipment and intangible assets	EUR mill.	66.7	58.7	13.6%
Workforce (on average)	FTE	1,011	993	1.8%
Length of fibre-optic network	km	5,550	5,100	8.8%

BUSINESS DEVELOPMENT IN THE HOLDING & SERVICES SEGMENT

In the Holding & Services Segment, sales revenues rose by 11.0% to EUR 242.1 million year-on-year. This development is mainly attributable to higher sales revenues in plant engineering and construction and in the telecommunications business area.

In contrast to this, the operating result in this Segment showed a negative trend, falling by more than half from EUR 13.3 million in the previous year to EUR 5.7 million in the reporting period. The main reason for this is the decline in the share of earnings from at-equity consolidated investments from EUR 20.6 million in the the previous year to EUR 12.9 million in the 2017/2018 fiscal year, while the results of the service companies and the telecommunications business area remained largely stable.

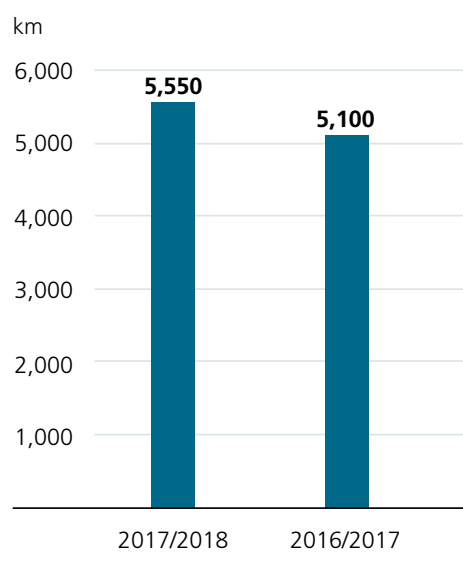
FIBRE-OPTIC EXPANSION IS THE PREREQUISITE FOR UPPER AUSTRIA AS A BUSINESS LOCATION

Promoted by the good economic environment, and the growing digitalisation of Upper Austria as a business location associated with this, demand for speed-of-light broadband internet continued to grow in the 2017/2018 fiscal year.

Following the expansion of the Group's own fibre-optic network, which comprised around 5,550 km at the end of the reporting period, Energie AG is in a position to offer a range of forward-looking services in the telecommunications business area.

In the scope of the Fibre To The Home (FTTH) expansion, housing areas in 147 Upper Austrian communities have been connected thus far. This gives private households the ability to choose from Energie AG's "powerSPEEDprivat" product portfolio (internet with speeds up to 500 Mbps download plus a TV product and telephony). FTTH expansion has become far more dynamic in the reporting period, as was the case in previous years. The allocation of considerable funds from the subsidy programmes in the scope of "Breitband Austria 2020" (Broadband Austria 2020, Access 2nd Call, Backhaul 2nd Call, and 3rd Call) were also particularly gratifying. In addition, growth was driven by follow-up

Length of Fibre-Optic Network



funding from the State of Upper Austria and the federal government for small and medium-sized enterprises (SMEs) and compulsory schools.

In addition to this, Energie AG Oberösterreich Telekom GmbH (Telekom GmbH) provides electricity metering services for the Upper Austrian grid. Following the redefinition of the roll-out schedule for smart metering devices (IME-VO Amendment 2017), Energie AG had achieved an installed basis of approx. 536,000 AMIS meters at the end of the fiscal year 2017/2018. This corresponds to a roll-out level of 82%.

I STRATEGIC INVESTMENTS

The at-equity consolidated companies Wels Strom GmbH and Salzburg AG, as well as further minority holdings complete the business portfolio of Energie AG.

Wels Strom GmbH, in which Energie AG holds a 49% interest, is the integrated power supply company of the city of Wels. Other business areas include heat generation for the municipal district heating network and energy systems for key account customers.

The previous year saw the start of construction work on the new Traunleiten hydropower plant, originally built in 1901, which had already covered up to two thirds of electricity production from hydroelectric power to date. A new plant with an investment volume of EUR 48.0 million will be constructed by the end of 2019. This will double output to 18 MW with annual production of 90 GWh in the future.

In the last completed fiscal year (1 January 2017 to 31 December 2017), the electricity sales volume to customers was 675 GWh, slightly above the level of the previous year (2016: 653 GWh), 13.0% of which was covered by own production, mainly from hydroelectric power. More than 40% of the electricity sales volume was generated outside the grid area of Wels Strom GmbH.

Salzburg AG für Energie, Verkehr und Telekommunikation (Salzburg AG) is a regional infrastructure company with activities in the fields of electricity, natural gas, district heating, water, mobility and telecommunications. Energie AG holds a 26.13% stake in the company.

In the last completed fiscal year (1 January 2017 to 31 December 2017), the fields of digitalisation and innovation were further advanced in cooperation with internal and external experts. The expansion of renewable energies took priority in 2017 with an investment volume of around EUR 29.9 million in hydropower plants, photovoltaic, biomass and eco-energy plants. Salzburg AG is increasingly positioning itself as a full-service provider with its photovoltaic models including electric vehicle charging infrastructure provisioning packages tailored to various customer groups such as municipalities, commercial enterprises or private individuals in apartment buildings. With around 52 million passengers, it is also the largest mobility provider in local public transport services in the federal state of Salzburg.

Business in the 2017 fiscal year was characterised by significant volume growth in energy trading. At 3,295 GWh, the electricity sales volume to customers was roughly at the previous year's level with around 54% being covered by own production, 83.2% of which from renewable sources. Natural gas sales volumes rose by 1.7% to 1,764 GWh and district heating sales volumes by 3.4% to 812 GWh. As in the previous fiscal years, the customer base grew in terms of both telecommunications offerings and mobility.

| SHARED SERVICES

The four Group-wide service companies

- Energie AG Oberösterreich Business Services GmbH (Business Services GmbH),
- Energie AG Oberösterreich Customer Services GmbH (Customer Services GmbH),
- Energie AG Oberösterreich Personalmanagement GmbH (Personalmanagement GmbH) and
- Energie AG Oberösterreich Tech Services GmbH (Tech Services GmbH)

are bundled in the Holding & Services Segment.

These service companies provide commercial and technical services for the entire Group on the common basis of precisely defined quality and safety standards. These services are guided by external market conditions for similar products and services.

Material activities at **Business Services GmbH**, which offers services in the areas of purchasing and logistics, real estate management, information technology, accounting, and insurance and legal services, were the implementation of lighthouse and innovation projects as part of the Group's digitalisation strategy as well as the implementation of the first major cloud projects.

The project launched in the 2014/2015 fiscal year to adapt the SAP system architecture for billing and customer services was continued. The new solution is scheduled to go live in the first customer segments for the 2018/2019 fiscal year.

In the area of real estate management, a strategy for the Timelkam power plant station was initialised in the reporting period, while the development of the Gmunden site continued.

Customer services in the Energie AG Group, as well as billing, provider switch management, receivables management and handling customer payments are all bundled in **Customer Services GmbH**. The 2017/2018 fiscal year was characterised by many projects, such as the implementation of the GDPR by internal customers or the establishment of the model for handling "joint generation plants" in the electricity sector for grid and plant operators. In the 2017/2018 fiscal year, employees provided services for around 1.56 million customer contracts.

The focus of **Personalmanagement GmbH** is both on governing matters related to human relations policy and human relations strategy for the Group, and on all agendas relating to personnel management, personnel accounting, training services and apprentice training.

In the 2017/2018 fiscal year, the work focus was on an employer branding campaign, and a preparation and acquisition phase for a scholarship and trainee programme specifically for women. In addition, the newly revised executive academy "Energie AG Future Lab" was launched and a conflict management system was elaborated.

Tech Services GmbH is the point of contact for all technical services within the Energie AG Group. From planning through implementation to maintenance, Tech Services GmbH offers these services not only to its affiliates but also to external customers. This ensures the marketability of pricing as well as year-round capacity utilisation of the teams necessary for trouble-free troubleshooting and the usual high quality standards. In the 2017/2018 fiscal year, the sharp rise in order volumes, due in part to FTTH expansion, posed a major challenge for Tech Services GmbH in terms of coordination and outsourcing.

OUTLOOK

Due to the separation of what was previously known as the common electricity price zone between Austria and Germany on 1 October 2018, price developments on the Austrian electricity market will be influenced by a further variable in the future. The additional costs on the futures market for the 2019 base year in the Austrian price zone were anticipated by the market in recent months at around EUR 2.50 per MWh. With the first results of the separate spot markets in October 2018 (the average additional costs for delivery in Austria compared to Germany in October 2018 were EUR 8.55/MWh), expectations were revised upwards; the additional costs for the 2019 base year in the Austrian electricity price zone are now around EUR 4.50/MWh. In principle, high price differences are expected with high wind volumes in Germany and low water flows in Austria – typically in the winter half-year. Due to European market coupling, however, there are partly also major influences from other countries, which make forecasts considerably more difficult. Despite the wholesale prices rising in the year under review, Energie AG will keep electricity retail prices for private and commercial customers constant in the 2018/2019 fiscal year. In view of the significant rise in gas prices on the commodities markets during the summer, sustained consolidation – analogous to a number of competitors – may also necessitate price adjustments on the part of Energie AG.

Within the scope of the “#mission2030” programme developed by the government, special emphasis is being placed on the expansion of renewable energies such as wind and photovoltaics. In addition, the topic of mobility is also strongly shifting into the focus. For the 2018/2019 fiscal year, the Energie AG Group is therefore looking to actively address these issues and participate in the E-Control Austria stakeholder process in order to optimise the Austrian gas market model.

Energie AG Oberösterreich and Linz AG intend to terminate their electricity sales cooperation in the joint subsidiary ENAMO GmbH. This step is necessary because the legal and market conditions have changed considerably and the organisational structure of ENAMO GmbH offers only a limited possibility to meet these challenges. In the first half of the 2018/2019 fiscal year, negotiations on the restructuring of the electricity sales business with partner Linz AG are to be finalised. This strategic and organisational realignment is to take effect as from the second half of the 2018/2019 fiscal year, subject to agreement between the partners and approval by the antitrust authorities.

For the 2018/2019 fiscal year, the Energie AG Group plans to merge the generation units and heat networks of Energie AG Oberösterreich Kraftwerke GmbH, Energie AG Oberösterreich Wärme GmbH and Energie AG Oberösterreich Power Solutions GmbH in order to combine operations at the respective locations and be able to exploit the corresponding synergies, among other things. In addition, the heating and water activities of the Energie AG Group in the Czech Republic will be bundled in the 2018/2019 fiscal year. Under the umbrella of Energie AG Bohemia s.r.o., 15 Group companies with regional activities (8 water companies, 7 heating companies) with around 1,600 employees are to be merged, thus further strengthening the market position in the Czech Republic. In the new fiscal year, activities in the district heating sector will also concentrate on the implementation of the district heating project in Gmunden.

Energie AG's electricity production capacities from Group-owned thermal power stations continue to be highly significant for providing grid reserve management. The CCGT power plants of Energie AG will again be available for national grid support for the transmission system operators in the remainder of the 2018/2019 fiscal year.

Business activities in the Grid Segment in the coming fiscal year will again also be characterised by the advancement of major projects, in particular those of the “Electricity Grid Master Plan Upper Austria 2026 (Stromnetz-Masterplan Oberösterreich 2026)”, and the consistent continuation of priority programmes in the natural gas and electricity grid. General Conditions of the IVth Electricity Regulatory Period (from 1 January 2019) have, to the largest extent, been clarified. The targets stipulated in the assessment notice are slightly higher than expected on the basis of the results in the natural gas segment. With the beginning of the new regulation, the regulator also changed the rules pertaining to the cost base. This means that the grid tariffs for electricity will be lower in the next fiscal year. Despite pending appeals against decisions in the field of natural gas, a stable regulatory system in Austria is still expected. The smart meter roll-out will continue according to plan in order to achieve full roll-out as planned with a quota of over 99.5% by the end of 2019.

In response to growing customer demand, broadband expansion will continue to be driven forward in the coming fiscal year. In addition, Energie AG is expected to receive further funding commitments as part of “Broadband Austria 2020”.

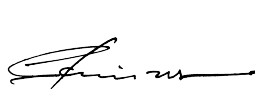
For the coming fiscal year, the Waste Management Segment anticipates good capacity utilisation at its thermal plants due to the high volumes available on the recycling market. The protection of the plants against contaminant input and the search for new, innovative disposal solutions for these contaminants remain central topics. Price developments on the waste disposal market continue to be viewed positively. The new waste wood recycling regulation comes into force on 1 January 2019. In addition to the resulting increase in separation costs, it is difficult at this stage to assess the impact of the new regulation.

In the water segment, the 2018/2019 fiscal year will focus on smaller operator and concession tenders as well as technical optimisation in the areas of water treatment, wastewater treatment and unaccounted for water. Beyond this, the focus will be on digital customer solutions for smart water meters and online services.

In the 2018/2019 fiscal year, Energie AG's strategic focus will be on a further increase in customer orientation and the progressive implementation of the digitalisation strategy. In particular, the planned exit from ENAMO – subject to agreement between the partners and antitrust approval – will provide opportunities for an even better focus on specific customer needs, for example with bundled products. This development is supported by consistent cost management in all areas of the Group and by on-going structural optimisations to leverage synergies. Due to the many challenges, in particular from the energy policy environment, the competitive market situation in the Energy Segment and regulatory conditions, a decline in earnings is expected for the 2018/2019 fiscal year.

Linz, 30 November 2018

The Board of Management of Energie AG Oberösterreich



Chief Executive Officer
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