

Energie AG Oberösterreich at a Glance

	Unit	2017/2018	Change	2016/2017
Sales revenues				
Energy Segment	EUR mill.	893.2	-9.7%	989.2
Grid Segment	EUR mill.	327.6	5.6%	310.2
Waste Management Segment	EUR mill.	222.6	6.8%	208.4
Water Segment	EUR mill.	137.4	1.4%	135.5
Holding & Services Segment	EUR mill.	45.0	3.7%	43.4
Group	EUR mill.	1,625.8	-3.6%	1,686.7
Result				
Operating result (EBIT)	EUR mill.	171.8	-22.5%	221.8
EBIT margin	%	10.6	-19.1%	13.1
Earnings before taxes	EUR mill.	158.1	-21.9%	202.5
Dividend per share	EUR	0.88	46.7%	0.60
Balance sheet				
Balance sheet total	EUR mill.	3,222.7	4.7%	3,079.2
Equity	EUR mill.	1,381.4	8.0%	1,279.4
Equity ratio	%	42.9	3.1%	41.6
Net debt ¹⁾	EUR mill.	353.7	-4.7%	371.3
Net gearing	%	25.6	-11.7%	29.0
Cash flow from operating activities	EUR mill.	258.0	-7.5%	278.8
Profitability				
ROCE	%	7.4	-21.3%	9.4
Workforce (on average)				
Energy Segment	FTE	431	-0.9%	435
Grid Segment	FTE	539	-0.9%	544
Waste Management Segment	FTE	854	7.7%	793
Water Segment	FTE	1,554	-1.3%	1,575
Holding & Services Segment	FTE	1011	1.8%	993
Group	FTE	4,389	1.1%	4,340

1) Net debt = interest-bearing current and non-current liabilities minus cash and cash equivalents and short-term securities

Group Overview

INTERVIEW WITH THE MANAGEMENT BOARD OF ENERGIE AG OBERÖSTERREICH



Dr. Andreas Kolar
Member of the Management Board

Chief Executive Officer Dr. Werner Steinecker MBA
Chairman of the Management Board

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



The members of the Management Board have also made video statements about the past fiscal year at Energie AG, which are available in our online Annual Report: www.energieag.at/annualreport

The first full fiscal year for the new line-up of the Management Board has come to an end. How satisfied are you with the work of the management team, and the progress made in this fiscal year?

Werner Steinecker: I am very satisfied with the progress and the result of this fiscal year, and with the working relationship between the Members of the Board. The different approaches taken within the Management Board – whether stemming from educational background or situation in life – make for a good working climate and have a positive effect on our stewardship of the company. These are the right conditions for overcoming the challenges that lie ahead in the area of digitalisation as we develop our innovative capacity.

“The first digital Annual Report of Energie AG Oberösterreich is a sign of our flexibility and agility.”

Werner Steinecker

After the outstanding performance of last year, fiscal year 2017/2018 was another very good year. Can things continue in this vein?

Andreas Kolar: Several factors were behind the very good result achieved this fiscal year. Away from the external reality of a very strong economy, we felt the benefit of strategic investments and directions adopted in the past as well as the many internal efficiency projects and the sheer professionalism of our business.

The Group's strategic priorities in fiscal year 2018/2019 will continue to focus on furthering digitalisation, increasing innovative capacity and improving our focus on customers.

In fiscal terms, we will stick with our tried and trusted policy: a conservative approach, active risk management and a prudent investment strategy that takes account of the financial capabilities of the Group. Of course, the financial outlook for the next fiscal year will be influenced by external factors over which we have no direct control. The most important of these influences will be regulatory developments, the slowdown in the economy and key factors in the energy field, which include the electricity price and water levels.

We will push ahead with internal efforts in the cost management area as well as structural optimisation measures. Overall, we expect profits to fall slightly in 2018/2019 compared to the excellent operating result this year.

“Digitalisation is creating advantages that will benefit us as a company, and you as a customer.”

Andreas Kolar

Energie AG Oberösterreich and its subsidiaries have been ever-present in the media this year. In April, we were somewhat surprised to hear about plans to restructure electricity sales as organised through Linz AG within ENAMO. The main issues for the public, though, are continuing broadband expansion and the planned power line projects. What is the current status of these projects, and how will they impact on Energie AG?

Werner Steinecker: Of course the planned restructuring of the joint electricity sales between Energie AG Oberösterreich and Linz AG within the ENAMO Group was, and remains, a far-reaching outcome for both companies. The decision announced in April was perceived by the workforce and other utilities as a wake-up call in the sense that the decision was driven by changing general conditions and legal developments. It shows that the energy sector is in a volatile environment where you have to respond quickly if you want to stay at the top. This is the challenge we have set ourselves. The planned pooling of our sales units is another factor behind such thinking.

The broadband rollout you mentioned is presenting us with fresh challenges every day – a few years ago, hardly anybody would have imagined we would be entering such a highly competitive market. Today, however, we are one of the big players in Upper Austria in this future-focused field. Even though general conditions are very tough, we are striving to make further inroads through self-funded investment and specific cooperation agreements.

Stefan Stallinger: Alongside changes in the sales area, the signs also point to change in the fields of electricity and heat production. The same goes for the heating networks, which are currently controlled by three different Group companies. A joint new production company will be established to enhance competitiveness, exploit synergy and create interesting jobs. In this way we will guarantee a clean and secure source of heat and electricity generation for customers using hydroelectric power, thermal power stations, wind, photovoltaic and geothermal energy and biomass. Along with grid development, this is a major element that Energie AG is implementing to ensure the energy system of Upper Austria is fit for the challenges of the future.

In the spring, the new federal government presented their vision of energy in the future in the form of the #mission2030 climate and energy framework. What challenges will this spell for Energie AG?

Stefan Stallinger: The #mission2030 framework sets out some ambitious goals. To make these a reality, however, we first need to put the right general conditions in place.

We are committed to the necessary expansion in renewable energy, and we are currently running a whole series of effective projects in this area. The rise in volatile power generation using wind and photovoltaic energy also calls for additional grid expansion as well as greater flexibility to compensate for both short-term and seasonal fluctuations in power generation and load. We believe there are opportunities for the future as regards integrated energy and storage projects.

“The utility sector is facing major challenges. With the energy transition putting the entire system to the test, we need to do our homework in the field of digitalisation.”

Stefan Stallinger

Surely these factors will affect the company as a whole financially as well as practically?

Andreas Kolar: Obviously, we face considerable investment challenges in this environment. As a public joint stock company with different perspectives among our stakeholders, we always have to weigh up very carefully what investments we can and should make, and when to make them. As a capital-intensive group, however, it is crystal clear to us that investment is essential if we are to carry on guaranteeing supply reliability in future, give appropriate consideration to sustainability and generate the returns we want and need.

The renewed award by Standard & Poor's of the excellent rating “A with stable outlook” is external confirmation of the high standard of care we have exhibited and the reasonableness of past and planned decisions.

This year there were also big changes to the Supervisory Board, the Group's control committee. Has this influenced the working relationship with the Management Board?

Werner Steinecker: I would like to express my regret at the departure of our former Supervisory Board chairman DI Gerhard Falch, who stepped down for health reasons. I wish him all the best! Typically for Upper Austria, though, we soon found an equally competent and judicious successor. With long-serving Supervisory Board member Dr. Michael Strugl at the helm, the seamless continuation of a management system that has served the Management Board very well in the past is assured, while the oversight and support of the Supervisory Board is guaranteed. For this, I would like to thank all members of the Supervisory Board on behalf of the company.

Naturally, I would also like to extend particular thanks to the company's workforce and managers, who over the past year have continued to make it, I would almost say, easy for the Management Board to run the company. As well as thanking people inside the company, I have to thank the many loyal and new customers and partners of Energie AG who showed us their trust over this past year. We will be happy to remain a partner to them in the future.

GROUP MANAGEMENT BODIES

I MANAGEMENT BOARD

Chief Executive Officer Professor Kommerzialrat Ing. DDr. Werner Steinecker MBA, Chairman of the Management Board

Kommerzialrat Mag. Dr. Andreas Kolar, Member of the Management Board

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

I SUPERVISORY BOARD

Shareholder Representatives

Dipl.-Ing. Gerhard FALCH, Chairman (until 06/02/2018);

Mag. Dr. Michael STRUGL MBA, Chairman (since 22/03/2018);

Mag. Stefan LANG PLL.M, First Vice Chairman

Dr. Heinrich SCHALLER, Second Vice Chairman

Dipl.-Ing. Wolfgang DOPF MBA

Dr. Miriam EDER MBA

Mag. Dr. Erich ENTSTRASSER

Mag. Dr. Christine FRAUSCHER (since 22/03/2018)

Mag. Florian HAGENAUER MBA

Mag. Anna-Maria HOCHHAUSER

Thomas Peter KARBINER MSc MBA MPA

Mag. Michaela KEPLINGER-MITTERLEHNER

Mag. Kathrin Renate KÜHTREIBER-LEITNER MBA, Mayor

Ing. Herwig MAHR

Josef WALCH

Works Council Representatives

Ing. Mag. Leopold HOFINGER, Chairman of Works Council

Mag. Regina KRENN, Chairwoman of Works Council

Ing. Peter NEISSL MBA MSc

Friedrich SCHEITERBAUER, Chairman of Works Council (until 12/02/2018)

Christine PÖTLER, Chairwoman of Works Council (since 12/02/2018)

Ing. Bernhard STEINER, Chairman of Group Works Council

Gerhard STÖRINGER, Chairman of Central Works Council

Egon THALMAIR, Chairman of Central Works Council (until 13/08/2018)

Mag. Helmut LEHNER, Chairman of Works Council (since 13/08/2018)

SHAREHOLDER STRUCTURE OF ENERGIE AG OBERÖSTERREICH

In the 2017/2018 fiscal year, the shareholder structure is as follows:

OÖ. Landesholding GmbH	52.63%
Raiffeisenlandesbank Oberösterreich Aktiengesellschaft (consortium)	13.96%
Linz AG	10.34%
TIWAG	8.27%
VERBUND AG	5.20%
Oberbank AG (consortium)	5.17%
voestalpine	2.07%
OÖ Landesbank	1.03%
OÖ Sparkasse	0.52%
OÖ Versicherung	0.52%
Energie AG employees	0.19%
State of Upper Austria	0.10%

The remainder are treasury shares. As of **30 September 2018**

THE STRATEGY OF ENERGIE AG OBERÖSTERREICH

I A STRONG REGIONAL PARTNER FOR OUR CUSTOMERS

As Upper Austria's state energy utility in Austria's strongest export state, Energie AG Oberösterreich positions itself as a modern and efficient provider of energy and infrastructure services. We stand for high-quality and reliable products and services in the fields of energy, waste management, telecommunications and water, which we continuously and consistently adapt to the needs of our customers. In this way, we make a material contribution to the sustainable development of the quality of life and the economy in the regions in which we operate. A 100% subsidiary of Energie AG, Netz Oberösterreich GmbH secures the energy supply in Upper Austria with a modern and reliable electricity and natural gas grid as well as natural gas storage facilities and is Austria's pioneer in the roll-out of smart meter technology. Our waste management division guarantees solutions in the areas of waste and recyclable materials to the highest technological and ecological standards and, thanks to the two incineration plants in Wels and Lenzing, makes a significant contribution to waste management and supply reliability in Austria.

Energie AG is at the forefront of the development and introduction of future-oriented technologies. To this end, it is investing in a modern telecommunications infrastructure with the aim of growing in these areas. In the form of a fibre-optic network of more than 5,550 kilometres in length, to which all relevant public buildings and companies are connected, we are creating a material prerequisite for the further digitalisation of Upper Austria as a business location.

In a competitive environment, we stand for sustainable and fair solutions, which we can guarantee on the basis of permanent process optimisation. In contrast to many other electricity suppliers, this enables us to continue to offer our electricity customers stable prices despite rising wholesale prices in 2018 and the separation of electricity price zones between Germany and Austria on 1 October 2018. We also think about future generations and consistently orientate our actions towards ecological, social and societal aspects.

In the important future segment of water, Energie AG has succeeded in establishing itself as a successful supplier of drinking water and disposer of waste water thanks to ongoing adaptations to changed customer requirements. Selective investments in the Group's own infrastructure are intended to deepen the partnerships with the municipalities, while simultaneously leveraging the opportunities arising from the new statutory environment.

I SUPPLY RELIABILITY

In addition to investments in the highly available and state-of-the-art cable and power-line grid of Netz Oberösterreich GmbH, it is above all necessary to provide assured, flexible services for supply reliability. The CCGT (combined cycle gas-turbine) power plant in Timelkam plays an important role in congestion management here, and in grid reserve management for transmission system operators. In the future, the development and application of new technologies and intelligent system solutions for decentralised flexibility and balancing energy storage will also be of particular importance.

DECARBONISATION AS A CORNERSTONE OF THE CLIMATE AND ENERGY STRATEGY

The national energy and climate targets for 2030 as well as the decarbonisation path to be pursued up to 2050 are an important step for the future energy supply in Austria. From the perspective of Energie AG, it is relevant to take a holistic, integrated look at the energy system, taking into account the electricity and heat and mobility sectors ("sector coupling"). The goal of covering 100% of total national electricity consumption from renewable energies by 2030 is very ambitious. Appropriate general conditions must be created in good time for implementation in order, on the one hand, to build up the necessary power generation facilities while, on the other, being able to continue to guarantee the excellent supply reliability and quality.

In the area of electricity procurement, Energie AG has for a long time used its own 44 hydropower plants and corresponding rights to procure electricity generated from renewable energy sources. In addition, the further expansion of the existing generation portfolio from renewable sources – especially photovoltaics, wind and biomass – is a strategic development area. Numerous attractive projects are currently being developed to decision-making maturity and will be implemented under appropriate legal and stable general economic conditions.

By using biomass, geothermal energy and industrial waste heat, Energie AG has for many years pursued a decarbonisation strategy in the area of district heating and thus plays a pioneering role as a sustainable utility in its market sectors.

In order to achieve our growth targets and improve our strategic position, we use strategic partnerships, offer comprehensive contracting solutions and enter into cooperation agreements.

DIGITALISATION AS AN OPPORTUNITY

Digitalisation is one of the greatest challenges for Energie AG – both as a risk and, above all, as an opportunity. On the one hand, the competitive environment is changing at an enormous speed; on the other, innovative, powerful digital approaches are now available that Energie AG intends to use.

True to the motto of "digital supply reliability", Energie AG is actively shaping Upper Austria's digital future in collaboration with its customers and partners. In order to achieve these goals, key topics and objectives, and a corresponding roadmap have been developed and consistently implemented. Unconditional orientation on the needs and requirements of our customers is key here. Thanks to digital distribution channels, from platforms and portal solutions to personal online consulting, our customers are assured individual service.

In the form of blockchain, the energy industry is also benefitting a new, highly interesting technology with an enormous potential for innovation and change. Energie AG proactively launched its first applications in the areas of electricity trading, waste disposal and grid on the market at a very early stage. For example, in February 2018, after intensive preparation, the first blockchain-based electricity wholesale deal was successfully concluded with a partner. In-house experts are collaborating with leading international specialists on the implementation of further digital solutions for our customers.

| OUR MOST IMPORTANT RESOURCE: MOTIVATED EMPLOYEES

Without motivated and committed employees, strategic goals would be unachievable. In order to survive in the battle for talent, Energie AG is looking to address a large target group, with female junior staff for technical departments and management positions in particular, and has set new standards in the further development of the employer brand in this area. Thanks to our extremely successful apprentice training, and bucking the trend of a skilled labour shortage throughout Europe, we are able to recruit the necessary specialists for our divisions. With these measures in the area of diversity, Energie AG is also sending an important socio-politically message to current and future generations.

| STABILITY AND FLEXIBILITY

The basis of every future-orientated company is its economic success. Our financial goal is therefore to achieve attractive returns, to sustainably increase the value of the Group and to continue to be a reliable and interesting business partner for owners and investors in the future. Financial stability is supported by the balanced Group portfolio of liberalised and regulated business models. A further basis for our success is our efficient opportunity and risk management. It empowers us to identify challenges for the Group at an early stage and to take effective measures in good time.

We take a proactive approach to dynamic changes in the general conditions, such as legislative adjustments to the Renewable Energies Expansion Act, the Basic Data Protection Regulation or the EU Recycling Package, as well as market-side challenges due to changes in customer needs or competitors from outside the industry.