

Group Management Report 2018/2019 for Energie AG Oberösterreich ^{1), 2)}

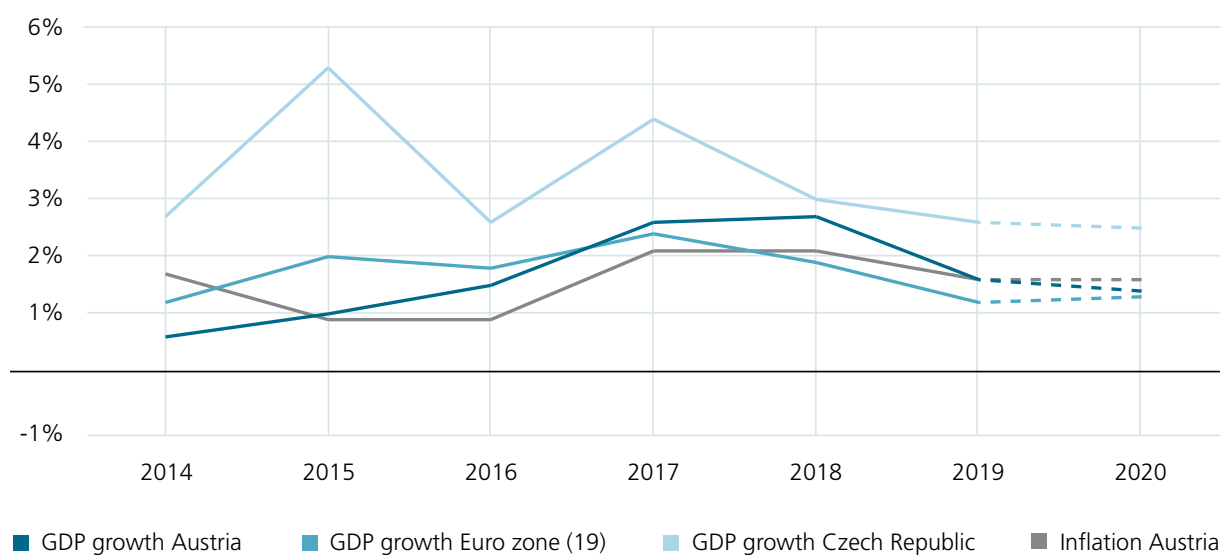
I GENERAL CONDITIONS

General economic environment ³⁾

The 2018/2019 fiscal year (1 October 2018 to 30 September 2019) was characterised both internationally and in Austria by noticeably slower growth than in the previous year. According to International Monetary Fund (IMF) forecasts, global growth in 2019 is likely to be the slowest since the 2008 global financial crisis due to increasing trade conflicts and geopolitical risks as well as climate change.

Economic growth and inflation

YoY real change (in %)



In the reporting period, economic growth in the **Euro zone** slowed, with experts forecasting average growth in the amount of 1.1% to 1.2% for 2019 and 1.2% to 1.5% for 2020 (2018: 1.9%) after a two-year boom. In addition to the economic policy uncertainties mentioned above, the risk of a disorderly Brexit in particular represents a considerable downside risk for both the Euro area and the domestic economy.

Experts have also recently downgraded their forecasts for the **Austrian economy**, even though Austrian growth in 2019 is likely to be well above that of the Euro zone. In concrete terms, economic researchers expect Austria's gross domestic product (GDP) to grow by 1.5%

1) The Group Management Report presented here was prepared in accordance with the requirements of § 245a of the Austrian Commercial Code (UGB) and refers to the IFRS consolidated financial statements of Energie AG in terms of § 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) 2018/2019 at the same time as the Group Management Report 2018/2019. 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 2018/2019 and is also published online at www.energieag.at/sustainability.

3) Sources: IMF (International Monetary Fund): World Economic Outlook, October 2019. IHS (Institute for Advanced Studies): Press Release, 4 October 2019. WIFO (Austrian Institute for Economic Research): Economic Data, URL: www.energieag.at/19-101, 17 October 2019. WKO (Austrian Economic Chamber): Economic Situation and Forecast Release, October 2019, and Economic Profile Czech Republic, October 2019.

to 1.7% in 2019 and by 1.3% to 1.4% in 2020 (2018: 2.7%). Domestic exports in particular recently lost considerable momentum, while private consumption continued to grow at a steady pace. Inflation should level off at an average of 1.6 % in 2019 and 2020.

In the **Czech** market area, GDP growth is forecast to fall slightly in 2019 to an average of 2.6% (previous year: 3.0%).

Energy policy environment

In the reporting period, the EU package **“Clean Energy for all Europeans”** was finalised after more than two years of negotiations. The objective of the “electricity market design” is to define the market stakeholders' roles more precisely with a view to the future development of a liberalised electricity market; the legal basis for the activities of new market players (active customers, energy communities, aggregators, storage facilities) has now been created. Due to the national implementation deadlines of the member states by 30 June 2021 at the latest, intensive talks on the implementation of the new electricity market design, energy efficiency targets and the promotion of renewable energies in Austria can therefore be expected in 2020.

At the end of November 2018, the EU Commission published its long-term decarbonisation strategy **“A Clean Planet for All”** for the reduction of greenhouse gas emissions in the EU by 2050. A number of different scenarios have been used to outline possible paths towards climate neutrality in Europe by 2050.

In order to reduce **CO₂ emissions in the transport sector**, the reporting period saw new stricter CO₂ fleet limits of -37.5% for passenger cars and -31.0% for commercial vehicles, compared to the emission limits already due to take effect as of 2021, adopted for the EU as of the year 2030. It can be projected that alternative, emission-free drive systems will become even more significant as a result.

The implementation of the **“Green Deal”** presented by the new EU Commission President, Ursula von der Leyen, in the summer of 2019 will bring an even more ambitious climate policy into focus with a further tightening of CO₂ reduction targets, the goal of climate neutrality by 2050 and other proposals.

At the end of January 2019, a timetable was adopted in Germany for the gradual **phasing-out of coal-fired power generation** by 2038 at the latest, which will also continue to influence the Austrian electricity market.

During the reporting period, Germany agreed in September 2019 on a comprehensive **Climate Package 2030** to ensure that the CO₂ reduction target of -38% by 2030 compared to 2005 will be achieved. The central element is a gradually rising CO₂ price for CO₂ emissions in the transport and buildings sectors from 2021.

The **amendment to the Austrian Green Electricity Act** adopted in September 2019 is primarily intended to regulate existing problems in the operational implementation of green electricity subsidies and bring about a reduction in the waiting list of applications for wind, photovoltaic and hydropower projects. In addition, due to the lack of approval of the Federal Council for the new regulation of the successor tariffs for biomass promotion, a federal basic law on biomass promotion was passed; enactment in the federal states in the form of implementation legislation is still outstanding.

The **“Renewable Energies Expansion Act”** planned in Austria for 2019, which is intended to replace the existing Green Electricity Act on the one hand, while dealing with “Greening the Gas” and the “Integration of System Responsibility in Market Design” on the other, had

to be postponed due to political developments. The draft legislation is expected to be reviewed in the first half of 2020.

As further central implementation steps of Austria's **"#mission2030"** climate and energy strategy, a heat and hydrogen strategy was worked on in the reporting period. The heat strategy supports the achievement of CO₂ targets in the area outside the emissions trading for Austria with planned savings targets of -36% by 2030. The aim of the hydrogen strategy is to create suitable general conditions for the increased use of CO₂-free hydrogen in the course of sector coupling.

At the end of 2018, the Austrian Federal Government submitted a draft **"Integrated National Energy and Climate Plan 2030"** to the EU Commission in time. The main goals are expanding renewable energies, reducing greenhouse gas emissions from sectors outside emissions trading, increasing energy efficiency, and reducing dependence on imports of fossil fuels. At the same time, the Federal Ministry for Sustainability and Tourism launched a consultation in summer 2019 on the **"Development of a long-term climate strategy for a climate-neutral Austria 2050"**, the results of which, along with the final "Energy and Climate Plan 2030", are due to be presented to the Commission by the end of 2019.

The European Court of Justice (ECJ) has granted comprehensive party status and judicial review rights for non-governmental organisations 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 responded to the need for action and submitted proposals in the form of the **Aarhus** Participation Act. This regulates the participation of NGOs in the areas of water legislation, waste management legislation and the Air Pollution Control Act. In addition, some federal provinces, including Upper Austria, adapted their nature conservation legislation to reflect the case law of the European Court of Justice during the reporting period.

In the 2018/2019 fiscal year, the Austrian legislator also enacted a pertinent statutory environment for project development and implementation of infrastructure companies. The **Site Development Act** is intended to create opportunities for speeding up procedures for site-relevant environmental impact assessment (EIA) projects.

Following a protracted debate, the **Waste Management Act Legal Streamlining Amendment 2019** came into force on 1 August 2019. This is the result of a legal streamlining process to simplify administration which introduces innovations and simplifications in waste management legislation. Among other things, these include simplifications and deregulations in plant and equipment law, such as the elimination of the notification requirement in the case of machine replacement, innovations in licensing law, such as the approval of waste type pools, and procedural innovations in the Waste Management Act determination procedure.

DEVELOPMENT OF THE GROUP'S BUSINESS

Asset, financial and earnings position

Group overview

	Unit	2018/2019	2017/2018	Change
Sales revenues	EUR mill.	1,813.4	1,625.8	11.5%
Operating result (EBIT)	EUR mill.	73.0	171.8	-57.5%
EBIT margin	%	4.0	10.6	-62.3%
Financial result	EUR mill.	-17.3	-13.7	-26.3%
Earnings before taxes	EUR mill.	55.7	158.1	-64.8%
Balance sheet total	EUR mill.	2,975.4	3,222.7	-7.7%
Equity	EUR mill.	1,310.3	1,381.4	-5.1%
Equity ratio	%	44.0	42.9	2.6%
Net debt	EUR mill.	426.0	353.7	20.4%
Net gearing	%	32.5	25.6	27.0%
Investments in property, plant and equipment and intangible assets	EUR mill.	213.1	205.1	3.9%
Cash flow from operating activities	EUR mill.	198.6	258.0	-23.0%
Cash flow from investing activities	EUR mill.	-183.4	-185.4	1.1%
Cash flow from financing activities	EUR mill.	-86.9	-64.3	-35.1%
ROCE	%	2.8	7.4	-62.2%
WACC	%	4.3	4.4	-2.3%

The 2018/2019 fiscal year was dominated by the acquisition of interests in ENAMO GmbH and extensive restructuring measures. The aim of these measures is to leverage positive market effects and to achieve synergies and cost savings.

In the reporting period, the Energie AG Group generated sales revenues in the amount of EUR 1,813.4 million (previous year: EUR 1,625.8 million). The increase in sales revenues in the Energy segment was mainly due to the initial recognition of ENAMO GmbH, ENAMO Ökostrom GmbH and Energie AG Oberösterreich Vertrieb GmbH & Co KG as of 1 April 2019. In addition to this, increasing sales revenues in electricity trading and increased use of the CCGT (combined-cycle gas turbine) power plants in Timelkam and Laakirchen contributed to the increase in sales revenues.

Operating result in the Energy segment increased by EUR 35.6 million from EUR 81.7 million to EUR 117.3 million. The operating result includes the revaluation of the interests previously held in ENAMO GmbH and Energie AG Oberösterreich Vertrieb GmbH & CoKG as a result of the acquisition of all interests as of 1 April 2019 (successive acquisition) in the amount of EUR 48.2 million. In addition, a reversal of impairment of EUR 7.9 million on the CCGT power plant in Timelkam was recorded in the current fiscal year. Due to changes in general contractual conditions, the operating result of the CCGT power plant in Timelkam was lower than in the previous year. EBIT in the Energy segment was also significantly impacted by lower earnings contributions from electricity and gas sales.

In the Grid segment, the operating result decreased from EUR 57.7 million in the previous year to EUR -77.4 million. The decline is mainly attributable to impairments on grid facilities (electricity) in the amount of EUR 109.3 million. The impairment test was based on the value

in use and the results indicated the need for impairments. In addition, the operating result includes the reduced electricity and natural gas grid tariffs applicable as of 1 January 2019.

The Waste Management segment generated an EBIT of EUR 13.4 million, which was down on the previous year (EUR 17.4 million) by EUR 4.0 million. While it proved possible, on the one hand, to further grow total revenues, and classic waste disposal revenues continued the positive development of previous years, the year under review was dominated by lower prices for the recycling materials metal and waste paper/cardboard. In addition, there were special effects affecting expenses, leading to a drop in earnings compared with the previous year.

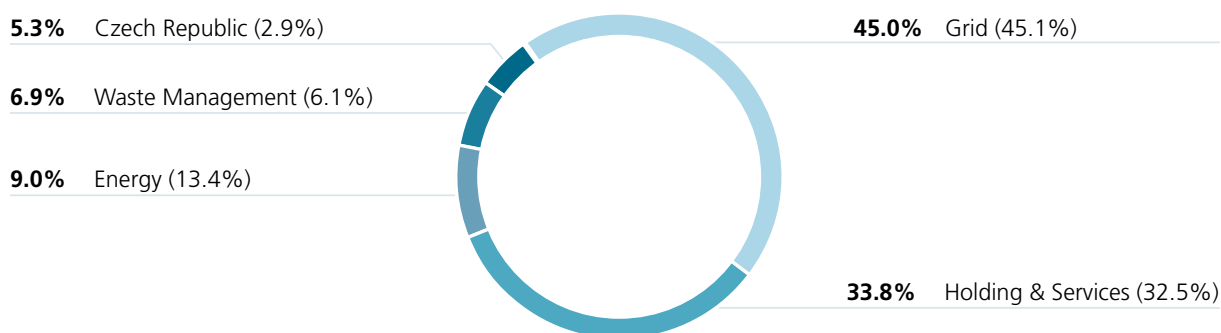
In the Czech Republic segment (formerly: Water segment), an operating result in the amount of EUR 10.9 million was generated in the reporting period (previous year: EUR 9.3 million). The Czech Republic segment now also includes the Group's heat activities in the Czech Republic in addition to its water/waste water activities. The operating result from heat activities amounted to EUR 1.3 million in the 2018/2019 fiscal year.

The operating result of the Holding & Services segment amounted to EUR 8.8 million in the reporting period, an increase of EUR 3.1 million compared to the previous year. Declining profit/loss shares from investments consolidated at equity and higher expenses were more than offset by several property sales and EBIT increases in the service companies.

In the fiscal year 2018/2019, investments in intangible assets and property, plant and equipment amounted to EUR 213.1 million, and were thus EUR 8.0 million or 3.9% above the previous year's level. With a share of 45.0% , the Grid segment accounted for the most part. Capital investments in the Holding & Services segment include expanding the fibre-optic cable network and the smart meter rollout.

Investments in intangible assets and property, plant and equipment by segments

2018/2019; previous year's figures in brackets



Net debt (non-current and current financial liabilities minus cash and cash equivalents) increased by EUR 72.3 million compared to the previous year (EUR 353.7 million) to EUR 426.0 million. This rise is mainly attributable to lower liquidity. Financial liabilities in the reporting period were almost at the previous year's level.

Cash flow from operating activities in the fiscal year 2018/2019 was EUR 198.6 million, compared with EUR 258.0 million in the previous year.

The financial result deteriorated from EUR -13.7 million in the previous year to EUR -17.3 million in fiscal year 2018/2019. The change resulted in particular from previous year's gains on the disposal of securities, which were partially offset by lower interest payments.

Financing and investment strategy

Geopolitical tensions have primarily dominated developments in the financial markets over the past 12 months and dampened economic development after the very good previous years. Due to the declining economic momentum and low inflation expectations, the central banks are once again the focus of attention – corresponding monetary policy easing has already been implemented or is still possible. In view of the uncertain situation in the international capital and interest markets, Energie AG continued its proven strategy of stable and conservative financial management in the year under review.

Top rating underlines successful track record

In February 2019, Standard & Poor's (S&P) confirmed the creditworthiness of Energie AG again with an excellent rating of "A rating with a stable outlook". The rating agency thus recognised the company's continuous efforts to further improve its operating and financial efficiency.

Energie AG can celebrate a successful anniversary with this renewed top rating: For 20 years now, the company has held an investment grade rating and has occupied an undisputed top position among European utilities since then. The stable track record Energie AG has embarked on will continue to be pursued consistently in order to achieve future financing objectives at economically attractive conditions in the Austrian and international money and capital markets.

Ensuring high financial flexibility

Financial liabilities increased only slightly by EUR 0.6 million to EUR 455.7 million in the 2018/2019 fiscal year compared with the previous year. The Group's balanced repayment profile is characterised by bullet maturities with increased refinancing requirements at first to come up in five years' time with the maturity of the "Bond 2005-2025".

As at 30 September 2019, liquidity reserves in the form of cash, cash equivalents and time deposits totalled EUR 139.8 million. In addition, the company had access to committed credit lines in the amount of EUR 70.0 million at the end of the fiscal year. The solid liquidity reserves and the very good credit standing ensure the high financial flexibility of the Energie AG Group in the long term.

Group-wide central financial management

Intercompany funding is managed centrally by Energie AG Group Treasury GmbH (Group Treasury GmbH). In the scope of Group-wide cash pooling operations, short-term liquidity management is effected between the 25 Austrian Group companies. Group Treasury GmbH acts as the lead pool manager within the framework of a cash pooling system which is transacted in cooperation with two Austrian banks. Long-term funds are allocated in the Group in line with requirements and at arm's length market conditions. The central Group-internal financial control system ensures that funds are procured and used at optimum cost.

Value-based corporate management and capital costs

Energie AG's value management strategy is an instrument for measuring the economic success of the Group's business activities. It serves to assess the attractiveness of investing activities and secures the company value while generating a capital market-oriented return for the owners. The weighted average cost of capital (WACC) is of essential importance. The WACC serves as the basis for determining the minimum yield requirements for Group management and is therefore used as a yardstick for value generation in the company.

Energie AG calculates the cost of capital as the weighted average of equity and borrowing costs. The parameters specified by the regulatory authority are largely used for the regulated business units. The capital costs of the business units with activities on non-regulated markets are determined using the reporting-date principle and based on market conditions. In a further step, the bottom-up method is used to weigh these costs up unto the segment and Group capital costs.

This WACC method is subjected to on-going evaluation taking current publications and expert opinions into consideration. Adaptations are made as needed. The costs of capital are also continuously monitored, especially against the background of a volatile financial market environment. The consolidated WACC for the fiscal year 2018/2019 was 4.3% (previous year: 4.4%).

One of the most important key indicators for operational Group management during the fiscal year is the Return on Capital Employed (ROCE), which indicates how efficiently and profitably the available capital is utilized. The ROCE is calculated as the quotient of Net Operating Profit After Tax (NOPAT) and average Capital Employed. The ROCE minus the WACC results in the relative value contribution. The absolute value added is calculated by multiplying it by the capital employed. The higher this value is, the more economically successful the respective activity has been.

The value contribution is influenced by various variables. In addition to the development of operating earnings, the level of ROCE and value added specifically depends on the capital employed. NOPAT corresponds to EBIT less related taxes in the amount of EUR 15.0 million and other items of EUR 10.7 million. For information on Capital Employed, please refer to the [Notes to the Consolidated Financial Statements](#) › page 123.

In the Energie AG Group, in addition to strategic considerations, resources for future capital investments and acquisitions are allocated by prioritising projects exclusively on the basis of the presented value-oriented criteria and methods.

In the 2018/2019 fiscal year, the ROCE of the Energie AG Group was 2.8%, 4.6 percentage points lower than in the previous year (7.4%). The decrease is mainly attributable to various exceptional accounting measures in the 2018/2019 fiscal year.

Treasury stocks

By resolution of the Annual General Meeting on 19 December 2018, the share capital of Energie AG was reduced by EUR 50,449 from EUR 88,779,655 to EUR 88,729,206 by means of a simplified capital reduction by cancellation of 50,449 no-par value registered shares of treasury stock in the form of non-voting preferred shares. As a result, § 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 2018/2019, the following changes in treasury stock resulted from this security:

Treasury stocks

	Treasury stocks Shares	Share in capital stock %	Share in capital stock EUR 1,000
Treasury stocks as of 30.09.2018	50,449	0.06	50.4
Disposals 2018/2019	-50,449	-0.06	-50.4
Additions 2018/2019	73,682	0.08	73.7
Treasury stocks as of 30.09.2019	73,682	0.08	73.7

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 177.

Changes under corporate law

At the beginning of the second half of 2018/2019, sales activities for electricity, natural gas, heating and telecommunications were bundled in the newly founded Energie AG Oberösterreich Vertrieb GmbH (Vertrieb GmbH). This enables Energie AG to focus even more strongly on specific customer needs and makes a positive contribution towards customer acquisition and retention.

In the context of restructuring the ENAMO GmbH joint venture subject to an acquisition and assignment agreement dated 3 December 2018, Energie AG Oberösterreich acquired the 35% interest in ENAMO GmbH held by LINZ STROM GAS WÄRME GmbH für Energiedienstleistungen und Telekommunikation. At the same time, ENAMO GmbH offloaded its general partner's interest in LINZ STROM Vertrieb GmbH & Co KG to Natur-Wärme/Gas Linz GmbH. Both share transfers took effect on 1 April 2019, thus marking the end of the cooperation in electricity sales with LINZ AG für Energie, Telekommunikation, Verkehr und Kommunale Dienste.

The 65% participating interest stake in ENAMO GmbH held by Energie AG Oberösterreich Service- und Beteiligungsverwaltungs-GmbH was transferred to Energie AG Oberösterreich; Energie AG Oberösterreich now fully owns ENAMO GmbH. The general partner's interest in Energie AG Oberösterreich Vertrieb GmbH & Co KG held by ENAMO GmbH was transferred to the newly founded Energie AG Oberösterreich Vertrieb GmbH. The subsequent contribution of Energie AG Oberösterreich's limited partner stake in Energie AG Oberösterreich Vertrieb GmbH & Co KG to Energie AG Oberösterreich Vertrieb GmbH terminated Energie AG Oberösterreich Vertrieb GmbH & Co KG and the company's assets were transferred to Energie AG Oberösterreich Vertrieb GmbH.

The Sales operational unit of Energie AG Oberösterreich Telekom GmbH was spun off to Energie AG Oberösterreich Vertrieb GmbH.

At the same time, Energie AG Oberösterreich Erzeugung GmbH (Erzeugung GmbH) combined its generation activities for electricity, heat, wind power and photovoltaic (PV). The primary aim of this bundling is to achieve more efficient processes and, as a result, optimise cost management in the area of generation.

The participating interests in Energie AG Oberösterreich Renewable Power GmbH, Windpower EP GmbH, ECOFE S.R.L. and Salvatonica Energia S.R.L. held by Energie AG Oberösterreich Power Solutions GmbH were spun off to Energie AG Oberösterreich Kraftwerke GmbH. This was followed by merging Energie AG Oberösterreich Power Solutions

GmbH with Energie AG Oberösterreich Vertrieb GmbH. Energie AG Oberösterreich Kraftwerke GmbH was renamed to Energie AG Oberösterreich Erzeugung GmbH.

Beyond this, the 2018/2019 fiscal year was dominated by the reorganisation and associated merger of the Czech water and heat business. In terms of organisation, this bundling was implemented as of 1 April 2019. Further synergies between the water and heat business have been identified and are being implemented.

The participating interest in Energie AG Teplo Bohemia s.r.o. held by Energie AG Oberösterreich Wärme GmbH was spun off to Energie AG Oberösterreich Wasser GmbH. Energie AG Oberösterreich Wasser GmbH was renamed to Energie AG Oberösterreich Bohemia GmbH. Energie AG Teplo Bohemia s.r.o. was retroactively merged with ENERGIE AG BOHEMIA s.r.o with effect as of 1 October 2018.

The participating interests in Energie-Contracting-Steyr GmbH, Fernwärme Steyr GmbH, Bioenergie Steyr GmbH, Geothermie-Wärmegesellschaft Braunau-Simbach mbH, Geothermie-Fördergesellschaft Simbach-Braunau mbH and Energie Ried Wärme GmbH held by Energie AG Oberösterreich Wärme GmbH were spun off to Energie AG Oberösterreich Erzeugung GmbH. After spinning off the Heat Generation and Heating Grids operational unit for adoption by Energie AG Oberösterreich, it was transferred to Energie AG Oberösterreich Erzeugung GmbH with the non-current assets retained. Energie AG Oberösterreich Wärme GmbH was then merged with Energie AG Oberösterreich Vertrieb GmbH.

Energie AG Oberösterreich Kraftwerk Labenbach GmbH was merged with Energie AG Oberösterreich.

All restructuring steps were carried out retroactively with effect as of 30 September 2018.

Energie AG Oberösterreich acquired the all interest in baulounge GmbH previously held by Energie AG Oberösterreich Umwelt Holding GmbH by way of a purchase and assignment agreement dated 6 August 2019. This company was renamed to Wertstatt 8 GmbH.

Energie AG Oberösterreich Umwelt Service GmbH sold its total investment in Komunala ODTOK d.o.o. by way of a purchase and assignment agreement dated 9 September 2019 as of 30 September 2019, thereby withdrawing from the Slovenian market. Energie AG had been active on the Slovenian water market since 2008.

Trend in staff levels

In the 2018/2019 fiscal year, the Group's average consolidated workforce stood at 4,506 full time equivalents (FTE), representing an increase of 2.7% over the average of the 2017/2018 fiscal year (4,389 FTE).

Staff levels ¹⁾

	Unit	2018/2019	2017/2018	Change
Energy segment	FTE	449	431	4.2%
Grid segment	FTE	537	539	-0.4%
Waste Management segment	FTE	860	854	0.7%
Czech Republic segment	FTE	1,618	1,554	4.1%
Holding & Services segment	FTE	1,042	1,011	3.1%
Group total	FTE	4,506	4,389	2.7%

1) yearly average of the fully-consolidated and proportionately consolidated companies

For further information on the personnel structure, see the [Non-financial Report › page 77](#).

I INTERNAL CONTROL SYSTEM

The Energie AG Group has implemented all necessary governance systems within the scope of its obligation under stock corporation law. An integrated implementation of reporting and documentation of the control systems in line with the “Three-Lines-of-Defence Model” ensures a holistic view. This includes process-specific monitoring within the framework of the Internal Control System (ICS) with a special focus on the preservation of the Group's assets and the validity of the processes relevant to accounting. In addition, maintaining and strengthening risk awareness and awareness of the importance of the ethical values laid down in the vision and mission statement is an essential component of the corporate governance culture. Optimising operational processes – especially against a backdrop of organisational restructuring while leveraging the opportunities arising from digitalisation – with a valid ICS provides added value with a view to achieving corporate objectives.

Special attention is paid to the accounting process. The organisational structure, guidelines and measures to ensure the correctness of the financial reporting and compliance with legal regulations are ensured by clear role separation and by risk assessment. The “Group Treasury”, “Group Accounting” and “Controlling and Risk Management” departments have been established as company holding roles. Accounting has been set up as a service for the entire Group in the Energie AG Oberösterreich Business Services GmbH service company. Accounting's task comprises the classic tasks of orderly accounting; a strongly IT-supported process with automated controls is implemented here to avoid material misrepresentations in the posting of transactions. All controls and the associated risk assessment are posted in a separate IT tool and are periodically reviewed by Group Internal Audit for applicability, efficiency and effectiveness. The basis for valid financial reporting is a high degree of standardisation in data acquisition and processing, starting with commercial services, through the preparation of the companies' separate financial statements, to consolidation in the consolidated financial statements. The Management Board and the supervisory bodies are regularly informed also in a standard process.

In the 2018/2019 fiscal year, the realignment of the Sales and Generation segments and the bundling of water and heat activities in the Czech Republic necessitated a major adjustment of processes and thus an adaptation of controls. Continuous monitoring and consulting and a cyclical audit by Group Internal Audit form the basis of quality validation for these systems. Structured, standardised reporting to the Management Board and supervisory bodies ensures that the legally prescribed monitoring tasks are performed.

Control awareness is well anchored in the operating units and is sustainably implemented in the business processes. The concrete design of the controls is adapted to individual requirements which adequately consider risks and can include both manual and automated components. The dual control principle is strictly applied to approval processes.

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

The ICS satisfied the statutory requirements in the year under review. Control measures were and are being adapted and implemented with a high level of commitment at Energie AG to reflect the change process.

I RISKS AND OPPORTUNITIES

The risk and opportunities position of Energie AG is influenced by changes in the energy market environment, growing competitive dynamics and adjustments to the energy policy and general regulatory conditions. Energie AG meets these challenges by tapping into additional earnings potential, by employing a value-based investment management and by taking extensive efficiency improvement measures.

Energie AG's business activities are still exposed to certain risks, but no risks were identified in the fiscal year 2018/2019 that, either individually or collectively, would have the potential to jeopardize the continued existence of the company.

For more details on the risks and opportunities situation, see the [Notes to the Consolidated Financial Statements](#) › page 173.

I RESEARCH, DEVELOPMENT AND INNOVATION

Energie AG Oberösterreich has always considered research, development and innovation in the entire Group to be the cornerstones of the company's further development.

Social responsibility for future generations and the consequences of climate change pose major challenges for all areas of the Group. Energie AG proactively assumes responsibility and meets these challenges with great commitment. In addition to the issues of sector coupling and sector integration with the aim of bringing more renewable energy sources into the energy system and thus electrifying or decarbonising the various sectors, it is also important to maintain a high level of supply reliability.

In addition, Energie AG focuses on development and innovation in the areas of digitalisation and automation. Numerous projects, cross-company optimisation potentials, new business models and ideas for further projects have already emerged from this digitalisation offensive. Close cooperation with partners from science and industry allow for an intensive exchange with valuable and mutual impetus.

R&D&I key performance indicators

	Unit	2018/2019	2017/2018	Change
Number of R&D&I projects in the Group	Number	104	110	-5.5%
Staff involved in R&D&I projects	Number	364	334	9.0%
R&D&I expenses in the Group	EUR mill.	4.5	3.7	21.6%

In fiscal year 2018/2019, research, development and innovation were pursued in the following projects (non-exhaustive list):

Digitalisation projects: chatbot & robotics

As part of the digitalisation strategy developed in 2017, digitalisation projects in various areas were implemented in the 2018/2019 fiscal year. Among other things, Robotic Process Automation (RPA) was implemented, an innovative technology that automates extensive, recurring manual activities by users, for example for customer support in connection with the use of smart meters and in the course of monitoring photovoltaic systems. The aim is to process tasks faster and at lower cost. The technology is suitable for all high-volume, repetitive, routine activities that follow a certain set of rules.

In addition, a chatbot – an internal, digital assistant (based on cognitive services) – was developed to channel and automatically respond to existing user queries. The first concrete application examples are direct access to backend systems and the use of various knowledge bases. In addition, the intent is to partially automate or completely redesign and largely automate existing processes in a subsequent step. The integration of the chatbot in Robotics will be a specific focus. In a further phase, the intent is to leverage this experience and these techniques to support customer-facing relationships.

Maintenance of run-of-river power plants

Several projects in the power plant sector in the reporting period dealt, among other things, with prolonging the service life, and with new methods for follow-up auditing of existing power plants. For example, technical monitoring of structures and crack documentation was considerably simplified by the use of drone flights. In addition, the use of a new plastic material instead of wood on the cogwheels of a hydroelectric power plant built in 1888-1889 significantly extended the service life without having to replace all of the historical technical equipment.

Transform2LowEx

The Transform2LowEx project, carried out in cooperation with several project partners, is dedicated to systematically researching, implementing and evaluating secondary/customer-side energy efficiency-enhancing measures in existing heating networks with a focus on reducing the supply and return temperatures. These reductions can be achieved by identifying and implementing optimisation measures especially at existing customer plants.

PEAKApp

PEAKApp is a European flagship project launched in 2016 to control energy consumption in households already equipped with smart meters. The app was developed in cooperation with 10 partners, with Energie AG performing the field tests with 1,600 domestic customers. PEAKApp enables households to receive messages when electrical energy is particularly cheap. The precise collection of consumption data and the comparison of one's own electricity consumption with the consumption of other community members (social metering) additionally increase customer benefits. This is supported by a newly developed online game that focuses on conscious use of energy. Results of the field test show that energy customers regularly use energy efficiency tools and achieve energy savings of between 4% and 7%. Furthermore, PEAKApp offers the opportunity to actively communicate with customers and establish close digital ties. The project, which was completed in the reporting period, also took second place in the EU Sustainability Awards.

Monitoring of electric mobility charging stations

The internal and public charging stations operated by Energie AG are subject to monitoring by the charging station management system. This serves to maximise technical availability and provide the best possible service, and reliable functionality, for the charging customer. This system is constantly being further developed in order to research into and answer future questions on e-mobility. This includes, among other things, regularly determining the use levels and capacity utilisation of the charging stations in operation in order to be able to determine a trend in terms of expanding the charging infrastructure – both internally and in the public space in Upper Austria. Energy and power measurements at Energie AG-internal facilities can be used, for example, to determine standby consumption and charging curves of the various charging stations and electric vehicles and to gain insights into practical requirements both for electric vehicle users and for charging station operators (example: capacity requirements).

ON voltage monitoring

This project focuses on recording voltage states on local grids with smart meters with a view to demand-oriented grid expansion. Voltage data is recorded across the area and mapped in the geographic information system (GIS). In future, it will be possible to derive improvement actions such as adapting the transformer stage position, symmetrisation, voltage control or further grid expansion for areas where the voltage quality limits have identifiably been reached.

KEY PERFORMANCE INDICATORS

Group overview

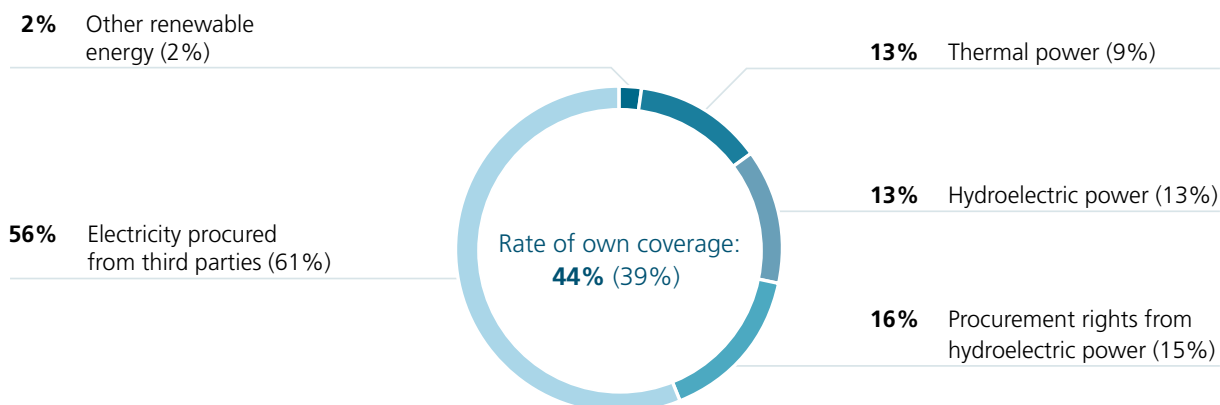
	Unit	2018/2019	2017/2018	Change
Electricity procurement	GWh	16,794	15,494	8.4%
Electricity procured from third parties	GWh	12,978	12,250	5.9%
Proprietary electricity procurement ¹⁾	GWh	3,816	3,245	17.6%
Thermal power stations	GWh	1,115	712	56.6%
Renewable energy	GWh	2,701	2,533	6.6%
Group's own hydropower plants	GWh	1,160	1,058	9.6%
Procurement rights from hydroelectric power	GWh	1,358	1,287	5.5%
Other renewable energy (photovoltaics, wind, biomass)	GWh	183	188	-2.7%
Electricity grid distribution volume to end customers	GWh	8,067	8,297	-2.8%
Electricity sales volume ²⁾	GWh	7,898	7,294	8.3%
Natural gas grid distribution volume to end customers	GWh	20,831	18,397	13.2%
Natural gas sales volume	GWh	6,031	4,980	21.1%
Heat procurement	GWh	1,758	1,665	5.6%
Heat sales volume	GWh	1,625	1,524	6.6%
Total waste volume handled	1,000 t	1,745	1,766	-1.2%
Thermally processed waste volume	1,000 t	614	642	-4.4%
Invoiced drinking water volume	m ³ mill.	56.6	55.5	2.0%
Invoiced waste water volume	m ³ mill.	44.3	43.8	1.1%
Length of fibre-optic network	km	6,100	5,550	9.9%

1) of which in the fiscal year 2018/2019 3,814 GWh on the domestic market (previous year: 3,243 GWh)

2) of which in the fiscal year 2018/2019 5,587 GWh distribution to consumers on the domestic market (previous year: 5,753 GWh)

Electricity procurement structure without electricity trading

2018/2019; previous year's figures in brackets



Unless otherwise stated, the key performance indicators given in the following segment report always refer to the respective segment.

DEFINITION OF SEGMENTS

In accordance with internal reporting and pursuant to IFRS 8 "Operating segments", the Energy, Grid, Waste Management, Czech Republic and Holding & Services segments will be reported on in the [Consolidated Financial Statements](#) › [page 123](#).

Segment name	Activities included
Energy	Production, trade and sales of electricity, natural gas, heat and telecommunications services
Grid	Construction and operation of the electricity and natural gas grid
Waste Management	Acceptance, sorting, incineration and landfilling of waste
Czech Republic	Supplying drinking water, waste water management, and supplying heat in the Czech Republic
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	2018/2019	2017/2018	Change
Total sales	EUR mill.	1,057.5	896.0	18.0%
EBIT	EUR mill.	117.3	81.7	43.6%
Investments in property, plant and equipment and intangible assets	EUR mill.	19.1	27.5	-30.5%
Workforce (on average)	FTE	449	431	4.2%
Electricity procurement ¹⁾	GWh	16,617	15,289	8.7%
Proprietary electricity procurement	GWh	3,639	3,039	19.7%
Electricity sales volume	GWh	7,898	7,294	8.3%
Natural gas sales volume	GWh	6,031	4,980	21.1%
Heat procurement	GWh	1,381	1,468	-5.9%
Heat sales volume	GWh	1,264	1,327	-4.7%

1) incl. third-party procurement

ECONOMIC ENVIRONMENT FOR THE ENERGY SECTOR

In the 2018/2019 fiscal year, forward market prices for electricity for delivery in 2020 in Austria moved within a comparatively wide corridor of EUR 8.7/MWh with a slight downward trend. The main influencing factors here were the prices for coal and CO₂ allowances. The price for the annual base of 2020 in the price zone Austria reached its highest value on 8 October 2018 at EUR 57.3/MWh, and the lowest value on 25 March 2019 at EUR 48.6/MWh. At EUR 52.5/MWh the average price was around one-quarter higher than the previous year's value.

Also on the spot market, prices increased compared with the same period of the previous year. In the 2018/2019 fiscal year, the average European Power Exchange (EPEX) spot price base for delivery in Austria was EUR 45.1/MWh. Due to the increasing feed-in of electricity from wind power and photovoltaic systems, the market continued to be volatile with hourly prices between EUR -59.8/MWh and EUR +141.3/MWh.

In the majority of the reporting period, electricity prices were significantly influenced by the prices of CO₂ emissions allowances and coal. As of September 2019, the major relevance of coal prices was replaced by gas prices. Although oil prices no longer have a direct influence on coal and gas prices and thus also on electricity prices, they are indicators of global price developments on the energy markets.

Hard coal prices have significantly lost value in the past twelve months. Starting at USD 99.6/t at the beginning of the 2018/2019 fiscal year, the All Publications Index#2 (API2) for delivery in 2020 to the Amsterdam-Rotterdam-Antwerp Coal Trading Area (loco ARA) had dropped to only USD 66.2/t by the end of September 2019. The reasons for this were a large global supply and comparatively weak demand.

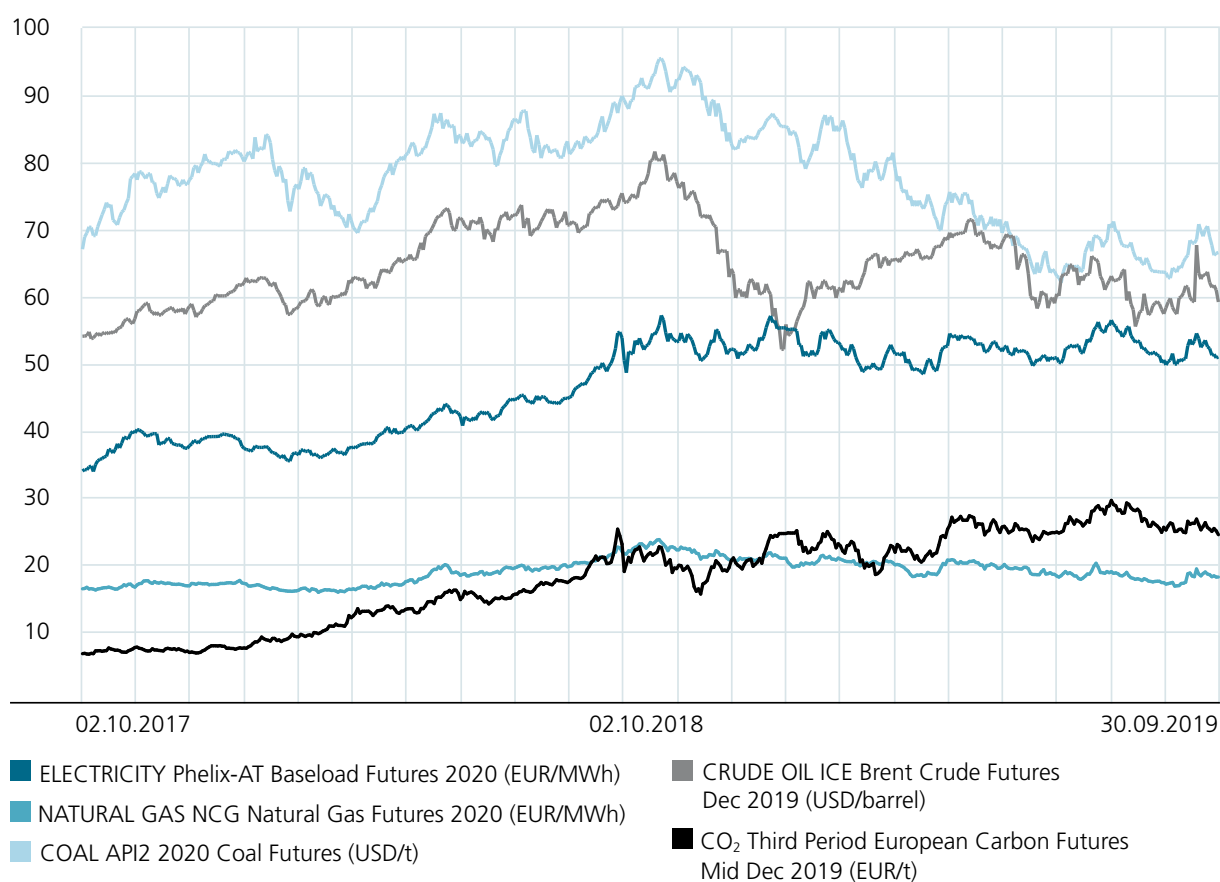
The oil price fell from a high of USD 81.6/barrel of Brent crude oil for delivery in December 2019 to a low of USD 52.2/barrel at the turn of the year 2018/2019. After a few upward and downward swings, the price of Brent was quoted at USD 59.3/barrel at the end of the fiscal year. The average price in the fiscal year 2018/2019 was USD 64.5/barrel.

The NetConnect Germany (NCG) gas price for the year ahead 2020 fell from EUR 23.6/MWh at the beginning of October 2018 to EUR 18.4/MWh at the end of September 2019. The peak value was EUR 24.0/MWh on 5 October 2018, the lowest value EUR 17.1/MWh on 2 September 2019.

The most significant fluctuations were recorded in the price of CO₂ emissions allowances. In the 2018/2019 fiscal year, prices fluctuated between EUR 15.9/t and EUR 29.8/t. In particular, the concern about an unregulated Brexit and the associated effects on the European emissions trading system repeatedly provoked rapid price movements.

Price development on international energy markets

Sources: EEX, Reuters



| BUSINESS DEVELOPMENT IN THE ENERGY SEGMENT

In the 2018/2019 fiscal year, the Energy segment achieved a sales increase of 18.0% with total sales of EUR 1,057.5 million. Declining sales revenues from gas management were more than offset by increased sales revenues in electricity trading and the higher use of the CCGT power plants in Timelkam and Laakirchen.

The EBIT of the Energy segment was EUR 117.3 million in the reporting period; this is equivalent to an increase of 43.6%.

The Energie AG Group was the sole limited partner of Energie AG Oberösterreich Vertrieb GmbH & Co KG until 31 March 2019, but did not exercise control over that company due to ENAMO GmbH being its sole general partner (previously consolidated at equity). Acquisition

of the remaining interests in ENAMO GmbH on 1 April 2019 resulted in the Group also gaining control over Energie AG Oberösterreich Vertrieb GmbH & Co KG.

Due to acquiring control over the aforementioned companies, the equity share previously held was revalued to fair value in accordance with IFRS 3. The revaluation amounts to EUR 48.2 million.

Moreover, increased electricity price expectations and the positive effects of the new System Utilisation Tariff Ordinance resulted in reversals of impairment in the amount of EUR 7.9 million for the Timelkam CCGT power plant.

In the previous year, an impairment in the amount of EUR 2.5 million had been recognised for the Timelkam CCGT power plant. In addition to this, the EBIT was adversely affected by impairments in the amount of EUR 3.2 million for the 7Fields natural gas storage facility and further minor impairments. By contrast, a reversal of impairment in the amount of EUR 1.9 million for Cogeneration Kraftwerke Management Oberösterreich GmbH (CMOÖ GmbH) had had a positive effect on EBIT in the previous year.

In addition to the value adjustments mentioned above, EBIT for the reporting period was affected by lower earnings contributions from electricity and natural gas sales due to higher procurement costs as well as lower earnings contributions from the use of the Timelkam CCGT power plant for grid reserve and congestion management. By contrast, the significantly higher water level in the 2018/2019 fiscal year compared with the previous year had a positive effect on the EBIT of the Energy segment.

MORE THERMAL ELECTRICITY GENERATION, ABOVE-AVERAGE ELECTRICITY PROCUREMENT FROM HYDROELECTRIC POWER

Total **electricity procurement in the Energy segment** in the 2018/2019 fiscal year totalled 16,617 GWh and was therefore 8.7% higher than in the previous year (15,289 GWh). This significant increase was mainly due to increased external electricity trading and the increased use of the CCGT power plants Timelkam and CMOÖ GmbH in Laakirchen. As a result, proprietary electricity procurement of 3,639 GWh in the reporting period was 19.7% higher than in the previous year (3,039 GWh).

Electricity production from thermal capacities in the Energy segment increased from 578 GWh to 1,000 GWh (+73.0%). This is attributable on the one hand to the increased utilisation of the CCGT power plant Timelkam, which was used for grid reserve and congestion management throughout the 2018/2019 fiscal year. On the other hand, rising electricity prices coupled with relatively stable gas prices in certain months of the year under review meant that, where contractually possible, use on the electricity market became economically viable again.

CMOÖ GmbH also benefited from the market situation, where marketable use of gas turbines was again possible in the winter months of the 2018/2019 fiscal year, which in turn boosted earnings.

A water supply around 2% above the long-term average and 6.5% above the level of the previous year contributed significantly to the positive development of **proprietary electricity procurement in the hydraulic power plants**, despite a wide range of fluctuations in the course of the reporting period. The hydro coefficient of the Group's own power plants and procurement rights was 1.02.

In fiscal 2018/2019, the decision to build a replacement for the Dürnau hydropower plant was taken. The building work started in September 2019. The fish ladders at the Marchtrenk, Traun-Pucking and Partenstein power plants were put into operation on schedule by the end of 2018. In spring 2019, the work was completed with the recultivation of the site.

In addition, the preliminary projects for building a new hydropower plant in Weissenbach and a construction to replace the Traunfall power plant were started in order to expand electricity generated from renewable energies.

Ennskraftwerke Aktiengesellschaft, in which Energie AG holds a participating interest of 50%, reported electricity production slightly above the long-term average in the 2018/2019 fiscal year, with a hydro coefficient of 1.01.

Energie AG's **wind power portfolio** in Austria comprises investments in three wind parks with a pro rata overall performance of nearly 14.7 MW. Generation from wind power in the reporting period was 35 GWh (previous year: 31 GWh).

In the **photovoltaic (PV)** business area, Erzeugung GmbH is the 100% owner of Energie AG Oberösterreich Renewable Power GmbH and the Italian companies ECO-FE S.R.L. and Salvatonica Energia S.R.L. Together with the other PV and PV contracting systems, the Energie AG Group has a total PV capacity of around 10 MW_p.

The distribution of 237 GWh of district heating from the power plant locations in Riedersbach and Timelkam was approximately at the same level as the previous year (234 GWh).

At the Kirchdorf location, the proportion of heat generated from the highly efficient combined heat and power (CHP) plant increased compared with the previous year. As deliveries from the heat recovery plant of the adjacent cement plant fell slightly, heat generation from the hot water boilers remained almost unchanged.

The Gmunden district heating supply project successfully started trial operations for gas boilers and heat extraction from the cement plant in September 2019. The capital investments in the other district heating supply networks were mainly attributable to grid consolidation measures.

In Laakirchen, CMOÖ GmbH supplies a key account customer 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 generated in the 2018/2019 fiscal year was 802 GWh and thus 15.6% up on the previous year's figure of 694 GWh.

On the price-controlled district heating networks of Vöcklabruck, Kirchdorf and Riedersbach, heat sales prices rose by around 5.1% on 1 October 2018, keeping pace with consumer prices. On index-linked grids, prices were adjusted in line with sliding scale prices.

Total heat procurement in the Energy segment in the 2018/2019 fiscal year was 1,381 GWh (previous year 1,468 GWh). Heat procurement in the Energy segment previously also included heat procurement in the Czech Republic. From the 2018/2019 fiscal year, the Czech heat procurement of currently 191 GWh is allocated to the Czech Republic segment. The heat procurement remaining in the Energy segment increased during the reporting period.

SUCCESSFUL CUSTOMER RETENTION IN SPITE OF CHALLENGING CONDITIONS

In addition to the economic development and the general energy policy conditions, the customers' switching behaviour is of fundamental importance for Vertrieb GmbH. According to E-Control Austria, in the first half of 2019, the number of customers switching their electricity and gas providers reached the highest level in the industry since the electricity and gas markets were liberalised in 2001 and 2002. While the number of customers who switched electricity providers increased compared to the previous year, almost the same number of natural gas customers switched suppliers in the reporting period as in the previous year.

In addition, the temperature trend is also hugely important for Vertrieb GmbH's results. In the year under review, 2018/2019, the temperature level in Upper Austria was 4.2% above the previous year and 6.3% above the average for the past five years.

Electricity

At 7,898 GWh, Energie AG's consolidated electricity sales volume was 8.3% above the previous year's figure of 7,294 GWh.

Electricity sold to private, commercial and municipal customers remained stable compared with the previous year despite milder weather conditions. The industry average switching rates in this customer area were at a similarly high level as in the previous year. Contrary to the industry trend, Energie AG was able to reduce the switching rate for business and private customers in its premium customer segment for the second time in succession.

In the business and industrial customer segment, electricity sales were at a slightly higher level despite the competitive situation, which continues to be intense.

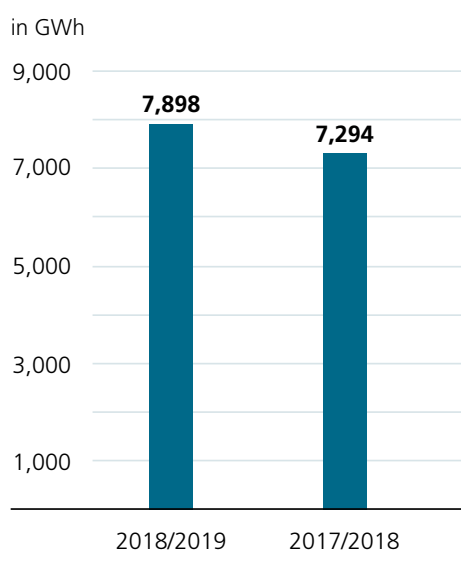
Natural gas

At 6,031 GWh, the volume of natural gas sold by the Energie AG Group in the 2018/2019 fiscal year was 21.1% above the previous year's figure of 4,980 GWh.

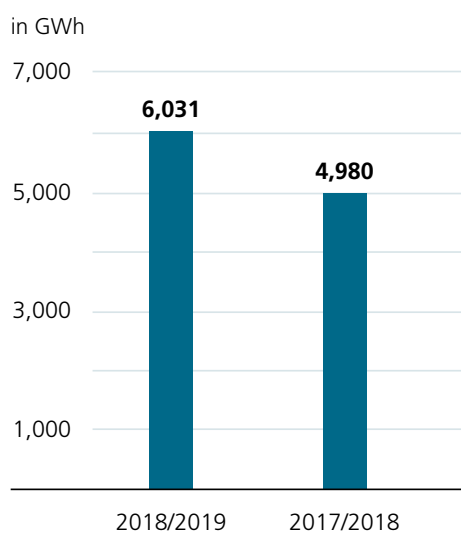
Although the sales volumes to existing space-heat-driven business and private customers fell, this effect was more than offset by the significant increase in volumes resulting from winning the Association for Consumer Information's (VKI) auction in 2018. The main reason for the massive increase in volumes compared with the previous year lay in the key account segment, where a number of new customers was acquired thanks to professional and personal customer service.

Fortunately, the switching figures for natural gas in the private households sector were also significantly lower than in the previous year.

Electricity sales volume



Natural gas sales volume



Heat

The total heat sales volume in the Energy segment was 1,264 GWh in the 2018/2019 fiscal year (previous year 1,327 GWh).

The heat sales volume in the Czech Republic was previously also included in the Energy segment's figures. From the 2018/2019 fiscal year, the Czech heat sales volume of currently 175 GWh is allocated to the Czech Republic segment.

The heat sales volume in Austria that remained in the Energy segment increased despite the mild winter.

Telecommunications

Vertrieb GmbH is active on the Upper Austrian telecommunications market in the business and private customer areas with offers in the fields of internet, telephony and TV. In the scope of the broadband strategy for 2030, the existing infrastructure is increasingly being replaced by high-speed fibre-optic technology. The professional personal customer service and the broad range of services offered enabled a positive business development with numerous new acquisitions in the business customer segment despite a competitive environment which continues to be challenging.

At the end of the 2018/2019 fiscal year, more than 5,500 private customers were already actively using the products from the portfolio. There were just over 3,200 customers at this time in the previous year.

Energy services

In the energy contracting business area, heat is supplied to customers such as public institutions, the housing industry, trade and commerce via modern energy centres. In the 2018/2019 fiscal year, the sales volume was 136 GWh, slightly above the previous year's figure of 135 GWh.

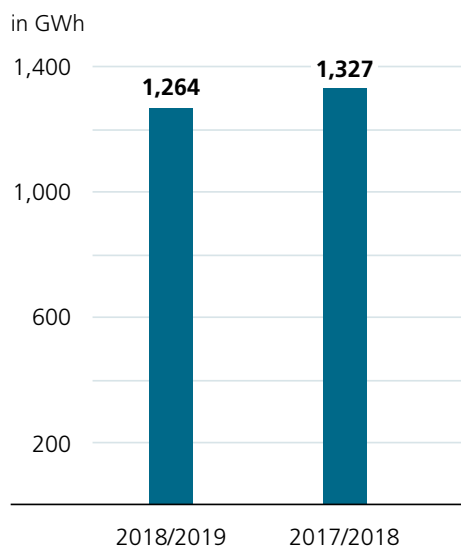
In the course of the 2018/2019 fiscal year, ten new PV contracting systems with an output of 2,200 kW_p were installed on the basis of a contracting service.

Electromobility

The focus of Energie AG's electromobility activities is on charging solutions for the private and business sector. Parallel to this, the targeted installation of public charging stations including operations management and service packages with local partners such as municipalities was continued in the reporting period.

In December 2018, Energie AG launched its own charging card on the market; it can be used throughout Austria to purchase electric vehicle charging services at publicly accessible charging points. A digital charging station management system was installed for data management and customer billing.

Heat sales volume



GRID SEGMENT

Grid segment overview

	Unit	2018/2019	2017/2018	Change
Total sales	EUR mill.	362.6	370.2	-2.1%
EBIT	EUR mill.	-77.4	57.7	–
Investments in property, plant and equipment and intangible assets	EUR mill.	96.0	92.4	3.9%
Workforce (on average)	FTE	537	539	-0.4%
Electricity grid distribution volume to end customers	GWh	8,067	8,297	-2.8%
Natural gas grid distribution volume to end customers	GWh	20,831	18,397	13.2%

STATUTORY AND REGULATORY FRAMEWORK IN THE GRID SEGMENT

The fourth new regulatory period for the electricity sector began on 1 January 2019. In an Austria-wide comparison between electricity grid operators, Netz Oberösterreich GmbH (Netz OÖ) was also able to demonstrate a high level of efficiency in the electricity sector following the excellent result in the natural gas sector. The savings targets from the notice are slightly higher than in the natural gas sector. As a result of these new regulatory parameters, grid utilisation fees for end-consumers in the electricity sector were reduced as of 1 January 2019, from -2.8% at grid level 3 to -6.7% at grid level 7.

The grid fees for the natural gas division in Upper Austria were also significantly reduced. The reduction of between -13.1% at grid level 3 and -17.3% at grid level 2 is founded on the reduction of the very high upstream grid costs in the previous year and on compensation payments in the current tariff base.

For the most part, the fundamental regulatory conditions for the 2018/2019 fiscal year are expected to remain unchanged. The regulatory parameters for the fourth regulatory period, which has now commenced, have been fixed until 2023 for the electricity segment. Austria's Federal Chamber of Commerce and the Federal Chamber of Labour objected against the general economic conditions for natural gas mandated by the regulatory authority as of 1 January 2018. A decision on these objections is still outstanding. The objective continues to be the safeguarding of a stable economic environment for grid operators.

BUSINESS DEVELOPMENT IN THE GRID SEGMENT

The Grid segment generated sales revenues of EUR 362.6 million in the reporting period. This represents a decrease of 2.1% compared with the previous year's sales. In fiscal year 2018/2019, the EBIT of the Grid segment amounted to EUR -77.4 million and was EUR 135.1 million down on the previous year's EBIT of EUR 57.7 million.

In the past, the intrinsic value of the grid equipment (electricity) was verified by applying a market-based approach (multiplier method). The suitability of this method presupposes the existence of transactions involving identical, comparable or similar assets. Due to the lack of recently completed market transactions conducted by sufficiently comparable companies, the previous measurement method can no longer be applied after 30 September 2019. The recoverable amount was therefore determined on the basis of the value in use. This valuation

resulted in an impairment in the amount of EUR 109.3 million, which adversely affected the EBIT in the reporting period.

Operating results were also adversely affected by regulatory tariff reductions in the electricity and natural gas grids in combination with higher upstream grid costs in the Electricity segment. The regulatory reductions in natural gas tariffs were partially offset by volume increases in the natural gas grid. Higher depreciation, higher maintenance expenses and damage repairs due to strong snow pressure in winter 2018/2019 also contributed to the fall in EBIT.

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

In the 2018/2019 fiscal year, 8,067 GWh of electricity was distributed to end customers from the **electricity grid** (previous year: 8,297 GWh). This represents a decrease of 230 GWh (-2.8%) compared with the previous year. The decline in volumes is mainly attributable to a decline in the industrial customer sector resulting from higher in-house procurement. As of 30 September 2019, Netz OÖ supplied approx. 508,000 active customer installations.

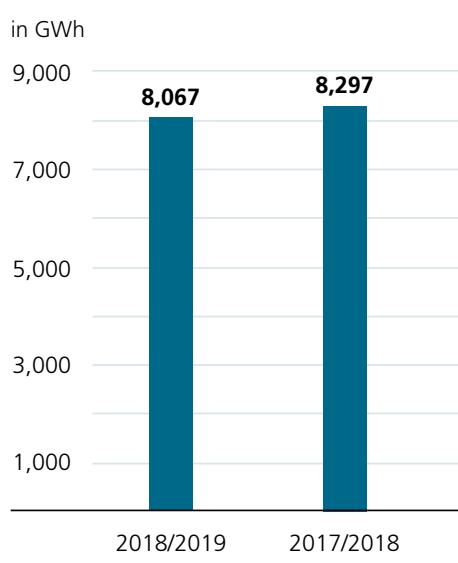
At the beginning of the year, the intensive snowfall that lasted for several days in the Salzkammergut, Pyhrn-Eisenwurzen and Mühlviertel areas was a major challenge to grid operation with a noticeable influence on the availability values of the electricity grid. In this situation, the 110 kV high-voltage grid once again proved to be the strong and reliable backbone of the Upper Austrian electricity supply. For details on the availability of the electricity grid in the reporting period, see the [Non-Financial Report](#) > [page 68](#).

In the 2018/2019 fiscal year, the activities of the Grid segment focused on the consistent implementation of the "Electricity Grid Master Plan Upper Austria 2028 (Stromnetz-Masterplan Oberösterreich 2028)". In addition to regular grid upgrade and expansion campaigns, these included in particular the completion of the "General renovation of Ranna-Partenstein" project in May 2019, and the continuation of construction work on the "Almtal und Kremstal power supply" in August 2019 (after construction work had been interrupted in August 2018) and the start of building work on the Raab voltage transformation station in March 2019. There are ongoing approval procedures for the "Power Supply Pramtal South" high-voltage line project. The route finding procedure for the "Electricity supply Mühlviertel" project was concluded in June 2019 when a preferred corridor was defined. Detailed planning for the 110 kV overhead line in this 200 metre wide corridor has started. Public communication, detailed planning and routing have commenced in the joint project "Power Supply Central Region Upper Austria" with Austrian Power Grid AG and LINZ NETZ GmbH. The submission of the EIA is planned for autumn 2021.

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 eleventh year of this programme, a further 14 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

Electricity grid distribution volume to end customers



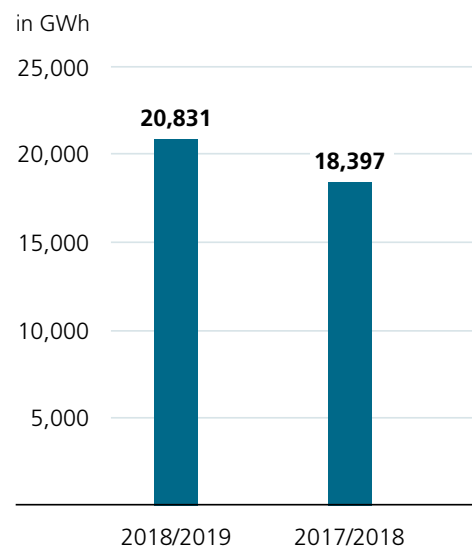
from photovoltaics is already around 243 MW (previous year: 205 MW) with around 20,000 connected systems (previous year: 18,600 systems). Lessons learned from research and development projects are being successfully adopted for efficient grid integration.

The **volume of natural gas** transported for end users in the company's own grid rose by 13.2% to 20,831 GWh year-on-year in the 2018/2019 fiscal year (previous year 18,397 GWh). In the high-pressure area, natural gas volumes increased, primarily due to higher proprietary electricity generation by industrial operations and power plants. Volumes in the household and trade sectors remained at the previous year's level.

In addition to expanding the standard grid, natural gas grid connections for larger business customers in Frankenmarkt, Altheim, Redlham, Ebensee, Kremsmünster, Taufkirchen an der Pram, Ried im Traunkreis, Enns and Micheldorf were constructed or expanded in the year under review. New pressure control systems were installed in Frankenmarkt, Pfaffstätt, Schalchen and Krift. In Ebensee, the existing pressure control system was replaced at a new location.

In addition, six high-pressure natural gas pipelines over a total length of 55.5 km were investigated using intelligent pigging. Various repairs to high-pressure pipelines were carried out, and five pig locks were replaced or retrofitted. Continuation of the cyclic fault location measurements and the expansion of the local corrosion protection facilities proceeded according to plan.

Natural gas grid distribution volume to end customers



WASTE MANAGEMENT SEGMENT

Waste Management segment overview

	Unit	2018/2019	2017/2018	Change
Total sales	EUR mill.	233.5	229.6	1.7%
EBIT	EUR mill.	13.4	17.4	-23.0%
Investments in property, plant and equipment and intangible assets	EUR mill.	14.6	12.6	15.9%
Workforce (on average)	FTE	860	854	0.7%
Total waste volume handled	1,000 t	1,745	1,766	-1.2%
Thermally processed waste volume	1,000 t	614	642	-4.4%

ECONOMIC ENVIRONMENT FOR THE WASTE MANAGEMENT SECTOR

In the 2018/2019 fiscal year, the waste management industry continued to benefit from a favourable economic environment, thus continuing the positive trend of the previous years. The import ban on various recyclable material fractions declared by the Chinese Ministry of the Environment on 1 January 2018 continues to exert a major influence on the entire industry, as a result of which global volume flows have shifted. In the meantime, other Asian countries have adopted an import ban based on the Chinese model. For the European waste disposal management market, this resulted, inter alia, in an increase in the volumes of low-quality non-recyclable plastic waste that require thermal treatment. This ensured a high level of utilisation for all waste incineration plants throughout Europe during the reporting period.

Both nationally and internationally, the issue of responsible materials management continues to be at the centre of attention. In order to close the gap between waste management and production, mandatory requirements for reusable or recyclable product designs, including the use of secondary raw materials for which new collection and sorting paths are to be created, are being discussed. Corresponding targets defined at European level in the form of the closed substance cycle package pose major challenges for the actors involved. In Austria and other European countries, this is particularly true for plastics, as higher collection and recycling quotas have been defined for the period as of 2025. In addition, the Disposable Plastics Directive was adopted in December 2018; it introduces a ban on defined disposable plastic products throughout the EU as of 2021.

The Waste Timber Ordinance, which came into force in Austria on 1 January 2019, led, among other things, to price agreements for waste timber being concluded at far shorter intervals than previously and in doing so exposing prices to more extreme short-term fluctuations. The material qualities sorted out in the course of implementing the ordinance can be reused in the chipboard industry, while material that is no longer recyclable will continue to be thermally treated.

In the case of recycling materials, a negative trend – partly due to the import restrictions explained above – was observed for both metal and recovered paper/cardboard in the year under review. The price of steel scrap fell sharply, especially as of January 2019, and dropped considerably below the previous year's level in the course of the fiscal year. The recovered paper index, which had already lost value in the second quarter of the previous year 2017/2018, fell again significantly in the third quarter of the 2018/2019 fiscal year.

BUSINESS DEVELOPMENT IN THE WASTE MANAGEMENT SEGMENT

In the 2018/2019 fiscal year, sales revenues in the Waste Management segment amounted to EUR 233.5 million, which is EUR 3.9 million or 1.7% higher than the previous year's level of EUR 229.6 million. EBIT decreased by EUR 4.0 million to EUR 13.4 million compared with the previous year (EUR 17.4 million).

Turnover development was characterised by various changes: on the one hand, favourable general conditions in the traditional waste management market with the resulting opportunities for good price developments for commercial and industrial waste, hazardous waste and services in the construction sector contributed significantly to the increase in revenue in the Waste Management segment. On the other hand, the development of the recycling materials waste metal and waste paper/cardboard negatively affected total sales. Beyond this, energy revenues resulting from thermal treatment (electricity, heat) were lower than in the previous year due to a scheduled turbine overhaul over a 10-year maintenance interval.

In addition to the reasons already explained, the decline in earnings compared with the previous year was mainly due to one-time effects. In particular, unplanned plant shutdowns at Lenzing and Wels and unscheduled maintenance work at Lenzing adversely affected the operating result of the Waste Management segment. In addition, the base interest rate, which is the basis for evaluating provisions for landfills, changed significantly in the fiscal year 2018/2019.

HIGHER MAINTENANCE COSTS FOR INCINERATION PLANTS IN AUSTRIA

A throughput of about 614,400 t was achieved at the incineration plants in Wels and Lenzing. This corresponds to a decrease of approximately 27,200 t or 4.4%. Among other things, this was due to two unscheduled plant shutdowns. Both plants continued to operate at full capacity. In the course of the annual plant overhaul at Lenzing, an unscheduled maintenance measure on the plant's structure was identified; its repair led to significantly higher maintenance expenses in the fiscal year 2018/2019.

In the reporting period, the waste incineration plant in Wels distributed 186 GWh of heat (previous year: 197 GWh) to the district heating network of the town of Wels and to one other key account customer. Electricity procurement totalled 177 GWh (previous year: 206 GWh). The decline is attributable to the turbine overhaul carried out at 10-year intervals.

With the exception of the CPO plant (chemical-physical treatment plant for organic waste), which is influenced by the irregular accumulation of landfill leachate, the treatment plants for hazardous waste in Steyr were again very well utilised in the year under review. In terms of maintenance, the focus was primarily on the renovation of the ultrafiltration plant.

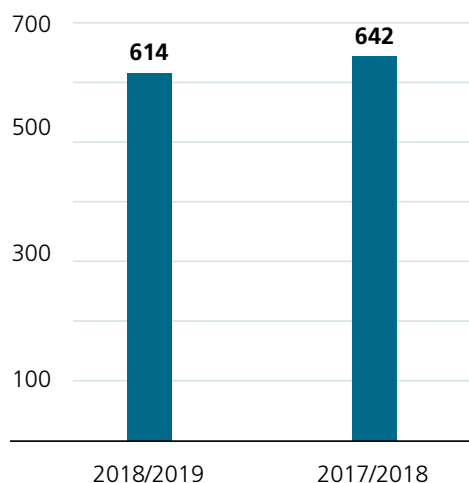
Compared with the previous year, the total volume handled in Austria and South Tyrol fell slightly to 1,745,000 t (fiscal year 2017/2018: 1,766,000 t). It should be mentioned that only Austria was affected by the decline. In South Tyrol, volumes increased by 4.4%.

In the 2018/2019 fiscal year, 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 further intensified, and it is above all the municipalities which continue to represent a material target group for the Waste Management segment. The activities in the reporting period also focused on the further development of the digitalisation projects.

However, the positive price trend for the thermal fraction 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.

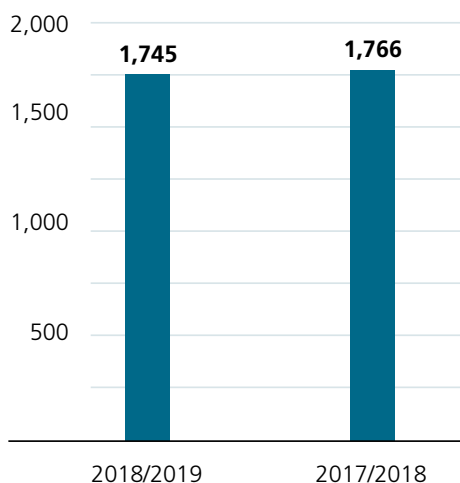
Thermally processed waste volume

in 1,000 t



Total waste volume handled

in 1,000 t



STABLE EARNINGS DEVELOPMENT IN SOUTH TYROL

Following the completion of extensive structural optimisation measures at the Neumarkt location, regular operations commenced in the 2018/2019 fiscal year. One of the location's focuses is collecting and sorting waste paper/cardboard. Despite the more difficult market situation for these fractions, it proved possible to achieve a stable result by increasing the total quantities.

DRINKING WATER AND WASTE WATER: TERMINATION OF ACTIVITIES IN SLOVENIA

The Marburg-based company Komunala ODTOK d.o.o., which had been a fully consolidated company of the Group since fiscal year 2007/2008, and had belonged to the Waste Management segment since fiscal year 2017/2018, was sold as of 30 September 2019. The reason for the sale was the difficult market environment in Slovenia, which had existed for some time. The company with some 19 employees generated sales revenues of around EUR 1.1 million in the 2017/2018 fiscal year; its main business focused on waste water management and services for several municipalities.

At WDL-WasserdienstleistungsGmbH, the focus of investment in the 2018/2019 fiscal year was on securing the supply of drinking water in the Innviertel region to ensure basic drinking water supply reliability, as well as the high daily consumption peaks that occur particularly in the summer months, can continue to be met in the long term. Services continued to develop at a good level, with an increase in the provision of technical services compared with the previous year.

CZECH REPUBLIC SEGMENT

Segment overview Czech Republic

	Unit	2018/2019	2017/2018	Change
Total sales	EUR mill.	160.0	137.8	16.1%
EBIT	EUR mill.	10.9	9.3	17.2%
Investments in property, plant and equipment and intangible assets	EUR mill.	11.3	5.9	91.5%
Workforce (on average)	FTE	1,618	1,554	4.1%
Invoiced drinking water volume	m³ mill.	47.6	46.3	2.8%
Invoiced waste water volume	m³ mill.	44.2	43.8	0.9%

I GENERAL CONDITIONS IN THE CZECH REPUBLIC

In the Water segment, the favourable macroeconomic data and higher water distribution due to heat and dry conditions were reflected in a positive sales development and in increasing services business order volumes. There were no significant changes as part of the annual adjustment of the pricing regime in the Czech Republic, which focuses on the appropriate profit of operating and infrastructure companies. Due to weather conditions, sales in heating were slightly impaired by the mild winter.

However, the generally very positive economic development in the Czech Republic drives competition on the labour market, as is reflected in the unemployment rate in the Czech Republic – the lowest in the European Union. This situation on the labour market is particularly challenging in view of the high average age of the Czech subsidiaries' workforce.

The Czech koruna remained largely stable in the course of the 2018/2019 fiscal year.

I BUSINESS DEVELOPMENT IN THE CZECH REPUBLIC SEGMENT

Sales revenues in the newly created Czech Republic segment totalled to EUR 160.0 million in the water and district heating sectors in the 2018/2019 fiscal year. EBIT amounted to EUR 10.9 million in the reporting period.

The significant increase in sales revenues and EBIT in the Czech Republic segment was primarily attributable to the integration of the heating activities in the Czech Republic and from increases in the core business of drinking water supply and waste water disposal. Service sales revenues were above the previous year's level. Moreover, growth was achieved in construction assembly services and in wholesale revenues.

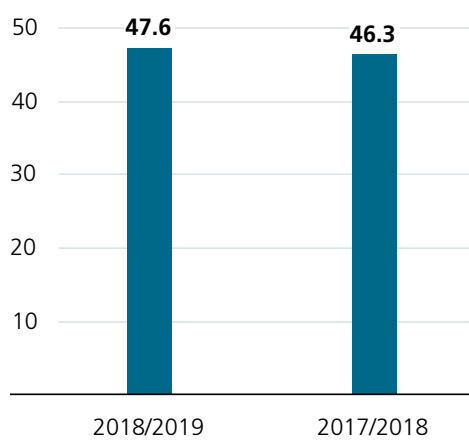
Due to the higher than average temperatures and resulting lower sales volumes in the reporting period, the income generated by the heat-related business in the Czech Republic was slightly lower than in the previous year.

I STABLE DEVELOPMENT IN THE CZECH REPUBLIC

In the Czech Republic segment, a total of 47.6 million m³ of **drinking water** and 44.2 million m³ of **waste water** were invoiced; this is equivalent to a slight increase on the previous year's figures. As at 30 September 2019, around 921,000 inhabitants were supplied with drinking water; waste water disposal was handled for around 714,000 inhabitants.

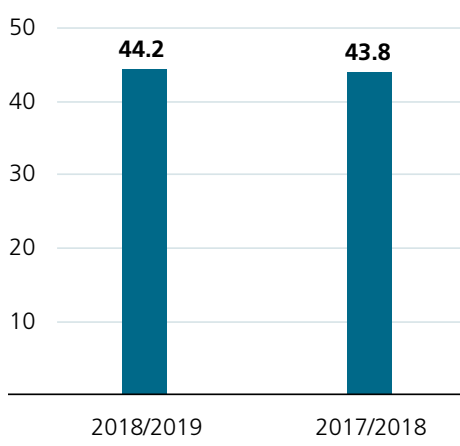
Invoiced drinking water volume

in m³ mill.



Invoiced waste water volume

in m³ mill.



Like every year, fee negotiations with the municipal contracting parties were scheduled for numerous operator contracts in the water business during the reporting period. Smaller bidding procedures took place in a number of supply areas in the course of the fiscal year. The number of operating or concession agreements, and heat supply agreements has remained constant since the beginning of the fiscal year.

In the areas of research, development and innovation, the focus in the 2018/2019 fiscal year continued to be on reducing non-revenue water as well as on digitalising operations and customer services. Significant development steps were taken in each of these areas. For the first time in the Czech Republic, area-wide water leak detection was carried out using satellite technology in the Beroun district. In the smart water meter sector, the application "Water under Control", developed by ČEVAK a.s., is a trend-setting solution for water customers and suppliers; it is already developing excellently shortly after the market launch.

The **heat sales volume** in the Czech Republic, which was previously allocated to the Energy segment, amounted to 175 GWh in the reporting period, remaining stable. As at 30 September 2019, some 48,000 inhabitants were supplied with heat.

HOLDING & SERVICES SEGMENT

Holding & Services segment overview

	Unit	2018/2019	2017/2018	Change
Total sales	EUR mill.	249.4	242.1	3.0%
EBIT	EUR mill.	8.8	5.7	54.4%
Investments in property, plant and equipment and intangible assets	EUR mill.	72.1	66.7	8.1%
Workforce (on average)	FTE	1,042	1,011	3.1%
Length of fibre-optic network	km	6,100	5,550	9.9%

BUSINESS DEVELOPMENT IN THE HOLDING & SERVICES SEGMENT

At EUR 249.4 million, sales revenues in the Holding & Services segment in the reporting period were slightly above the previous year's level of EUR 242.1 million.

The operating result of the Holding & Services segment also developed positively, rising by 54.4% from EUR 5.7 million in the previous year to EUR 8.8 million in the reporting period. In addition to several property sales, all service companies made a positive contribution to the development of earnings in this segment with EBIT increases in the 2018/2019 fiscal year. Besides higher expenses for restructuring measures within the Group and for digitalisation projects, lower profit/loss shares from at-equity consolidated investments in the Holding & Services segment amounting to EUR 10.6 million (previous year: EUR 12.9 million) had a negative impact on the operating result of the Holding & Services segment. The EBIT contribution of the telecommunications business area declined slightly due to an impairment on telecommunications equipment. However, the operating result of the telecommunications business area also developed positively in the reporting period.

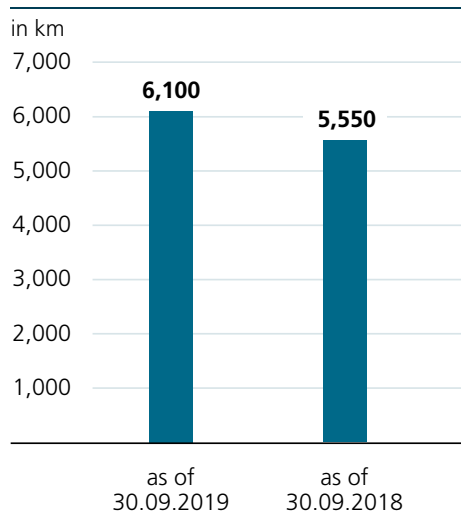
FIBRE-OPTIC EXPANSION IS THE BASIS FOR UPPER AUSTRIA AS A BUSINESS LOCATION

As a result of the advancing digitalisation, the availability of speed-of-light broadband internet throughout the country is a key success factor for the future of Upper Austria as a business location. Energie AG supports this goal by expanding its fibre-optic network, the central component of the Telekom business area. At the end of the reporting period, the Group's own fibre-optic network comprised approx. 6,100 km (previous year: 5,550 km).

In the scope of the Fibre To The Home (FTTH) expansion, housing areas in 180 Upper Austrian communities have been connected so 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 telephone connection). FTTH expansion continued successfully in the reporting period, with more than 25,000 households now connected.

In addition to this, Energie AG Oberösterreich Telekom GmbH (Telekom GmbH) provides electricity metering services for the Upper

Length of fibre-optic network



Austrian grid. Following the redefinition of the roll-out schedule for smart metering devices (IME-VO Amendment 2017), the Netz OÖ electricity grid achieved an installed basis of approx. 633,000 AMIS meters by the end of the fiscal year 2018/2019. This corresponds to a roll-out level of 94%.

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.

In September 2017, construction work on the new Traunleiten hydropower plant started. Originally built in 1901, it 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.

Wels Strom Business GmbH (a 100% subsidiary of Wels Strom GmbH) was founded in February 2019 and has served commercial and industrial customers since then. This means that the differing requirements of households and business customers can be taken into account.

In the last completed fiscal year (1 January 2018 to 31 December 2018), the electricity sales volume to customers was 630 GWh, slightly below the level of the previous year (2017: 675 GWh), 7.5% of which was covered by own production, mainly from hydroelectric power. Some 36% 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 2018 to 31 December 2018), the transition from a utility and infrastructure provider to a digital technology company moved forward with in-house projects and in cooperation with start-ups. The expansion of renewable energies took priority for the company in 2018 with an investment volume of around EUR 20 million in hydropower plants, photovoltaic, biomass and eco-energy plants. The Gries power plant saw Salzburg AG's 30th hydropower plant go on-grid in 2019. Innovative approaches were also taken in product development, for example in the field of photovoltaics for apartment buildings. Salzburg AG is also moving forward with broadband expansion in the province of Salzburg and investing in 5G technology. At the same time, the company is the largest mobility provider in the federal state of Salzburg with some 51 million passengers annually.

In economic terms, business events in the 2018 fiscal year were dominated by increasing prices on the energy markets. At 3,266 GWh, the electricity sales volume to customers was roughly at the previous year's level with around 51% being covered by own production, 85.8% of which from renewable sources. Natural gas sales volumes fell by 5.3% to 1,671 GWh, and district heating volumes by 7.4% to 751 GWh due to the milder winter. As in the previous fiscal years, the customer base was expanded in terms of cable TV, internet and telecommunications offerings.

I 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 combined 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.

Business Services GmbH bundles services for the Energie AG Group in the areas of purchasing and logistics, real estate management, information technology, accounting, and insurance and legal services. In the fiscal year 2018/2019, work focused on implementing projects in the scope of the Group's digitalisation strategy, on the acquisition of an internal real estate portfolio of around 90 properties, and on numerous services relating to restructuring the Sales and Procurement divisions. The project launched in the 2014/2015 fiscal year to adapt the SAP system architecture for billing and customer services was continued. It went live in the Electricity segment in the 2018/2019 fiscal year.

Customer Services GmbH is also strongly involved in the project to adapt the SAP system architecture in the area of billing and customer services. This company bundles the Group's customer services and data protection back office, billing, provider switch management, receivables management and payment processing in customer-facing operations. The 2018/2019 fiscal year was also marked by the implementation of market processes for joint generation plants and the development of the customer-consent management strategy for data transfer to third parties. In the 2018/2019 fiscal year, employees provided services for around 1.55 million customer contracts.

The focus of activities 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 apprenticeship programs. In the fiscal year 2018/2019, the work focus again was on several employer branding activities and the launch of a trainee program focusing on female trainees. In addition, the newly developed management academy "Energie AG Future Lab" was held for the first time during the reporting period and a "Central Arbitration Office" was installed.

For further information on the activities of Personalmanagement GmbH, see the [Non-financial Report › page 77](#).

As the central expertise owner for all technical services at Energie AG, **Tech Services GmbH** is the expert point of contact for planning, implementation and maintenance. These services were primarily provided for affiliated companies in the Group in the 2018/2019 fiscal year. Orders from external customers were also accepted to balance capacity utilisation. The biggest challenge in the reporting period was the increasing order volume, especially for the expansion of the fibre optic network, and the implementation of the "Upper Austria Electricity Network Master Plan".

OUTLOOK

With regard to the energy policy environment and the corresponding opportunities and risks for the individual business models, the composition of the future federal government in Austria and the national implementation of the EU Clean Energy Package will be relevant for the 2019/2020 fiscal year. On the other hand, further energy policy activities in neighbouring Germany will also have a significant impact on the economic environment of Energie AG.

Based on current analyses, weakening of the growth dynamic is anticipated for the economic environment. This will have a corresponding impact on the development of the raw material markets, which represent a fundamental basis for price formation in the electricity and natural gas sectors.

Prices on the power futures market continued to fall after the end of the fiscal year 2018/2019. The year ahead base has slipped to its lowest level since the beginning of June 2019. Lower primary energy prices and the economic outlook are dampening expectations for the power futures market. In the event of an economic downturn, demand for electricity could fall considerably, putting prices under pressure. Traders therefore see further downward potential. In addition to electricity demand and primary energy prices, the uncertain price development of CO₂ emissions certificates, which will be influenced by a number of political decisions, remains a key influencing parameter. For the gas market, the existing oversupply situation is expected to continue. Assuming that other fundamental influencing parameters remain the same, it can be projected that prices will continue to stay at the current low level.

Vertrieb GmbH intends to keep electricity and natural gas retail prices for private and commercial customers constant in the next fiscal year. The decisive factor for Vertrieb GmbH will be the extent to which the general political conditions will enable it to position itself more strongly as an energy service provider.

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 to transmission system operators for national grid support in the 2019/2020 fiscal year.

The coming fiscal year's business activities in the Grid segment will again be characterised by the advancement of major projects, particularly those associated with the "Electricity Grid Master Plan Upper Austria 2028" (Stromnetz-Masterplan Oberösterreich 2028), as well as the consistent continuation of priority programmes in the grids for natural gas and electricity. The general economic conditions for the natural gas grid in the third regulatory period were defined on 1 January 2018. However, the decision on the objections filed by the Austrian Federal Economic Chamber and the Federal Chamber of Labour is still outstanding. The design of the fourth electricity regulatory period was completed without any objections in the current year, so that, viewed holistically, a stable economic environment for the grid sector can continue to be assumed. As intended, the smart meter roll-out will continue according to schedule with the aim of achieving a roll-out quota of over 99.5% by the end of 2019.

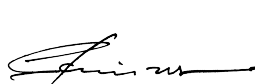
For the coming fiscal year, the Waste Management segment still anticipates good capacity utilisation at its thermal plants. The protection of the plants against contaminant input and the search for new, innovative disposal solutions for these contaminants remain important issues. Price developments on the waste disposal market, such as for commercial waste, continue to be positive for the coming fiscal year, while those for scrap metal and waste paper/cardboard are still viewed as difficult.

Given that in the Czech Republic segment several of the water and heating companies operate in the same or neighbouring regions, a synergy project has been launched. The objectives for the fiscal year 2019/2020 are to further optimise market activities, push forward with organisational development, and intensify cooperation between water and heating companies. No significant changes are expected in the contract portfolio.

The strategic focus for the 2019/2020 fiscal year will be, on the one hand, on further increasing customer orientation in the combined sales division for electricity, natural gas, heating and telecommunications. On the other, the focus will be on further leveraging synergies on the basis of organisational optimisation. The topics of environmental protection and decarbonisation, and in particular the requirements of the EU Winter Package, and the future federal government will continue to play a decisive role in the activities of Energie AG. The ongoing implementation of the digitalisation strategy and consistent cost management in all areas of the Group complement the strategic orientation. Against the backdrop of the challenges posed by the energy policy environment, the competitive market situation and the general regulatory conditions, a positive development in earnings is expected for the 2019/2020 fiscal year.

Linz, 3 December 2019

The Management Board of Energie AG Oberösterreich



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



KommR. Mag. Dr.
Andreas Kolar
Member of the Management Board



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