

Group Management Report First Half-Year 2020/2021 of Energie AG Oberösterreich ¹⁾

I GENERAL CONDITIONS

Economic environment ²⁾

The first half of the 2020/2021 fiscal year (1 October 2020 to 31 March 2021) continued to be dominated nationally and internationally by the COVID-19 pandemic and the associated economic challenges.

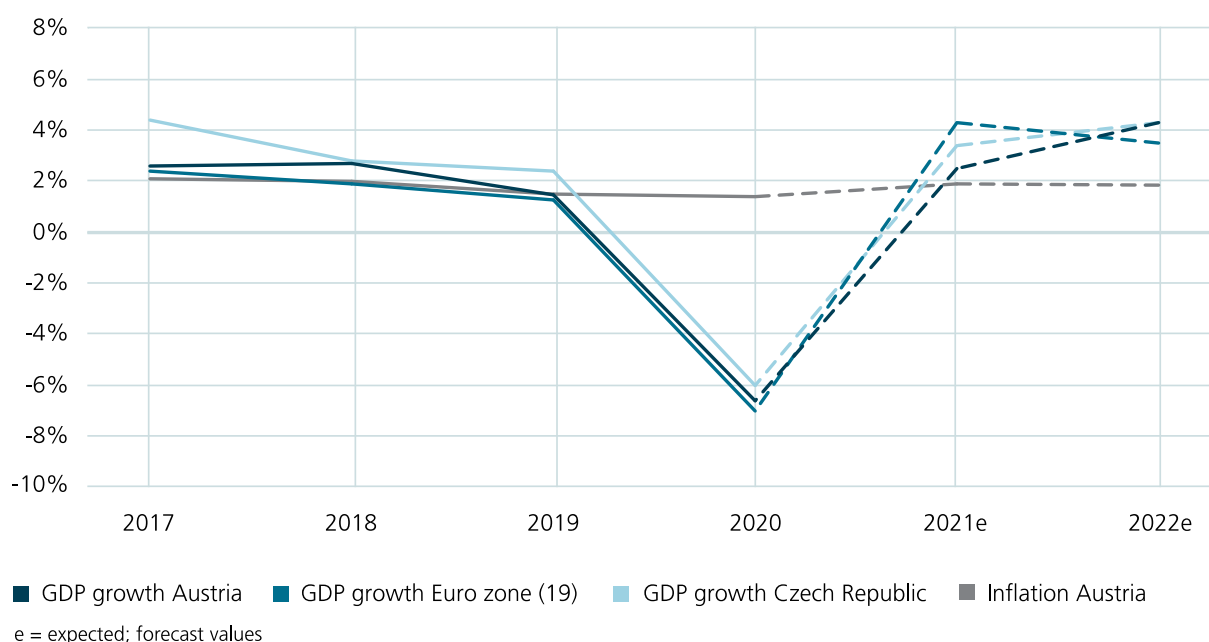
However, despite continued high infection rates and severe constraints in many countries, the **global economy**, on the whole, recovered well during the reporting period, although at very different regional levels, thanks to the extensive economic stimulus.

After the marked economic slump in 2020, the Institute for Advanced Studies (IHS), the Institute of Economic Research (WIFO) and the International Monetary Fund (IMF) forecast a significant recovery in economic growth for the **euro zone** of around +4.3% for 2021 and in the bandwidth of +3.0% and +3.8% for 2022.

Economic growth and inflation

YoY real change (in %)

Sources: IHS, IMF, WIFO



1) The Group Management Report presented here was prepared in accordance with the requirements of § 267 of the Austrian Commercial Code (UGB) and refers to the IFRS consolidated financial statements of Energie AG Oberösterreich in terms of § 245a UGB.

2) Sources: IHS (Institute for Advanced Studies): Forecast of the Austrian Economy, 2021 – 2022, 26 March 2021. IMF (International Monetary Fund): <https://www.imf.org/>, 26 April 2021. WIFO (Austrian Institute of Economic Research): Forecast for 2021 and 2022, 26 March 2021.

After a decline of -6.6% in 2020, Austrian institutes also expect a significant recovery of the **Austrian economy** in the next two years. In various restriction relaxation scenarios, the IHS and WIFO assume GDP growth of between +1.5% and +2.6% for 2021. The IMF is somewhat more optimistic at +3.5%. For 2022, a bandwidth for GDP development between +4.0% and +4.7% is expected as a result of the different scenarios. This recovery is expected to be accompanied by an inflation rate in the range of +1.8% to +2.0%.

For the **Czech Republic** market relevant to Energie AG Oberösterreich (Energie AG), an increase in the gross domestic product of between +3.0% and +4.2% is anticipated for the calendar year 2021. The year 2022 is expected to bring positive economic impetus in the range of +4.0% to +4.5%.

Uncertainty about the future course of the COVID-19 crisis limits the reliability of forecasts by economic research institutes on the future development of the economic situation. Beyond this, other geopolitical uncertainties, such as international trade conflicts or climate change, continue to influence the economic environment.

Energy and climate policy environment

On 11 December 2020, the European Council agreed on the European Commission's proposal to raise the EU's collective greenhouse gas reduction target for 2030 to -55% compared to 1990. The more ambitious climate target for 2030, which is to be understood as an intermediate step on the way to the realisation of the Green Deal by 2050, is to be legally anchored in the **European Climate Law** in the next step; the European Parliament called for the climate target to be raised to -60%. After the end of the reporting period, an agreement was reached on the value -55 %.

In order to implement the EU's new, very ambitious climate target by 2030, the EU Commission will present a series of legislative proposals in 2021 to adapt the existing EU climate and energy legislation. The proposals mainly concern the revision of the EU Emissions Trading Scheme, the Effort Sharing Regulation for sectors not covered by emissions trading, and measures to increase the share of renewable energy and improve energy efficiency. In this context, a significant increase in the respective targets and level of ambition in the various revised guidelines can be expected.

Following the adoption of the **EU Drinking Water Directive** by the European Parliament on 15 December 2020, the next step will be its transposition into national law. The central components of the new directive are securing access to drinking water for EU citizens, adapting quality standards for drinking water and improving information on drinking water for consumers.

The European Commission launched a public consultation on 11 January 2021 to develop legally binding EU targets for biodiversity restoration and species conservation. A proposal for a regulation to implement the **biodiversity targets** is expected to be presented by the European Commission in the last quarter of 2021.

The **Fuel Emissions Trading Act** came into force in **Germany** on 1 January 2021. According to this law, the price for suppliers of diesel, petrol, heating oil or natural gas is EUR 25 per tonne of CO₂ emitted by these energy sources. This price will be gradually increased to EUR 55/t CO₂ in 2025.

The **"Renewable Energy Expansion Act" package**, which has been under discussion in **Austria** for some time, was subjected to a review in September 2020. Due to the large number of comments to be incorporated and because clarifications under state aid law were necessary for some topics, it proved impossible to keep to the original schedule. Due to the

urgent need for action on the topic of **“grid reserve management”**, a separate legislative resolution was initiated. The corresponding regulations, which improve planning security for operators of thermal power plants, were published on 7 January 2021 in Federal Law Gazette (BGBl.) I No. 17/2021.

For the remaining parts of the comprehensive legislative package, a Council of Ministers decision on the government bill was taken on 17 March 2021. Central elements in the Renewable Energy Expansion Act package are the redesign of the subsidy system through a market bonus and the direct marketing of electricity produced from renewable sources. Furthermore, a low-threshold opportunity for founding energy communities is intended to ensure decentralisation of the energy supply and more local acceptance. Grid access for renewable energy generation plants is simplified by flat rates in the Electricity Industry and Organisation Act (ElWOG). Evaluations in this regard by the end of 2025 are intended to ensure fair allocation of the costs among grid users. Permit exemptions from high-voltage wayleave legislation for the replacement of medium-voltage overhead lines with underground cable will lead to lifting of bureaucracy and to simplification in line construction.

The political agreement due to the required 2/3 majority in parliament, the notifications under state aid law and the legislative implementation of renewable gas are still outstanding. Formulations relating to quotas, the phase-out of fossil gas or regulations for grid expansion and densification will follow in a separate package.

| BUSINESS DEVELOPMENT IN THE GROUP

Assets, liabilities, financial position and profit or loss ³⁾

Group overview

	Unit	1st HY 2020/2021	1st HY 2019/2020	Change
Sales revenues	EUR mill.	1,209.8	1,107.1	9.3%
Operating result (EBIT)	EUR mill.	118.5	77.1	53.7%
EBIT-margin	%	9.8	7.0	40.0%
Financial result	EUR mill.	-11.1	-13.2	15.9%
Earnings before taxes	EUR mill.	107.5	63.9	68.2%
Investments in property, plant and equipment and intangible assets	EUR mill.	69.9	75.3	-7.2%
Cash flow from operating activities	EUR mill.	164.9	21.9	–
Cash flow from investing activities	EUR mill.	-96.8	-115.8	16.4%
Cash flow from financing activities	EUR mill.	-58.6	83.9	–

In the reporting period, the Energie AG Group generated sales revenues in the amount of EUR 1,209.8 million (previous year: EUR 1,107.1 million). The increase in sales revenues mainly related to the Energy Segment.

The Group's operating result increased by EUR 41.4 million from EUR 77.1 million to EUR 118.5 million. The increase in the operating result is primarily attributable to EBIT improvements in the Energy (EUR +18.7 million), Grid (EUR +8.1 million) and Waste Management (EUR +13.6 million) Segments.

The increase in the operating result in the Energy Segment results from hydraulic and thermal electricity generated, procurement rights in hydropower plants, trading optimisation in the Trading business unit and from the Sales business unit. In the reporting period, a provision for onerous contracts in connection with the 7Fields gas storage facility was recognised in the amount of EUR 6.7 million (previous year: impairments of EUR 7.2 million).

In the Grid Segment, the operating result increased from EUR 27.5 million to EUR 35.6 million. This increase is mainly attributable to higher transported electricity volumes and tariff adjustments.

The Waste Management Segment generated an EBIT of EUR 20.4 million, which is EUR 13.6 million above the previous year (EUR 6.8 million). The increase results from reversals of impairment in the area of thermal plants in the amount of EUR 3.5 million, higher contribution margins from the treatment of hazardous waste, construction waste and waste wood, higher electricity and recyclable material prices, impairments in the previous period in the amount of EUR 2.4 million, and income from the sale of a property.

In the Czech Republic Segment, an operating result in the amount of EUR 6.9 million was generated in the reporting period (previous year: EUR 7.2 million).

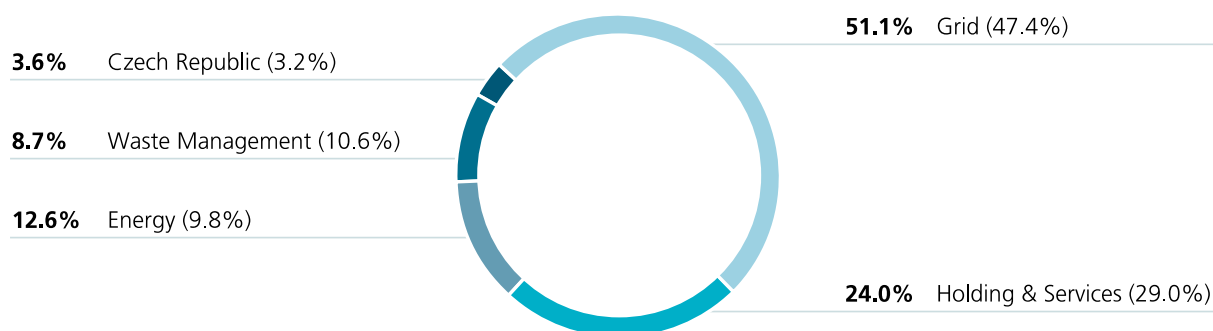
³⁾ With regard to the derivation of the financial performance indicators and the calculation methods, we refer, in addition to the explanations in the Group Management Report, to the corresponding explanations in the [Semi-Annual Consolidated Financial Statements](#) › page 27.

The operating result of the Holding & Services Segment was EUR 5.0 million in the reporting period, an increase of 35.1% on the previous year's value of EUR 3.7 million.

In the reporting period, investments in intangible assets and property, plant and equipment amounted to EUR 69.9 million (previous year: EUR 75.3 million). With a share of 51.1%, the Grid Segment accounted for the largest part. Investments in the Holding & Services Segment include expanding the fibre-optic cable network.

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

1st HY 2020/2021; previous year's figures in brackets



The amount of financial liabilities as of 31 March 2021 was EUR 593.1 million (30 September 2020: EUR 597.6 million).

Cash flow from operating activities in the first half of the 2020/2021 fiscal year was EUR 164.9 million, compared with EUR 21.9 million in the previous year. The increase results from the higher earnings and from payment receipts from hedging transactions (previous year: payments for hedging transactions).

The financial result is EUR -11.1 million (previous year: EUR -13.2 million). Financing expenses are at the level of the previous year, while the other financial result of the previous year was burdened by expenses from the market valuation of securities.

Excellent rating confirms resilience to crises

At the beginning of March 2021, the international rating agency Standard & Poor's again confirmed the creditworthiness of Energie AG with an excellent rating of 'A' with a stable outlook. For more than 20 years, the Group has had a credit rating by an external expert and has held an excellent position both among Austrian energy suppliers and in an international comparison.

This underlines the great performance capability and crisis resilience of the Company and ensures Energie AG a high degree of flexibility in financing matters as well as unhindered and cost-optimised access to the financial and capital markets, against the backdrop of the current difficult economic environment.

Treasury stocks

The treasury shares held by Energie AG as of the reporting date 30 September 2020, which resulted from the repurchase of employee shares made the meantime, were withdrawn by a resolution of the General Meeting on 16 December 2020. The share capital of the Company was reduced accordingly.

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 Semi-Annual Consolidated Financial Statements, Section 9. Related party disclosures](#) › page 48.

Trend in staff levels

In the first half of the 2020/2021 fiscal year, the Group's average consolidated workforce stood at 4,594 full time equivalents (FTE), representing an increase of 0.7% over the average of the first half of the 2019/2020 fiscal year (4,562 FTE).

Staff levels ¹⁾

	Unit	1st HY 2020/2021	1st HY 2019/2020	Change
Energy Segment	FTE	467	471	-0.8%
Grid Segment	FTE	534	534	0.0%
Waste Management Segment	FTE	819	828	-1.1%
Czech Republic Segment	FTE	1,715	1,674	2.4%
Holding & Services Segment	FTE	1,059	1,055	0.4%
Group total	FTE	4,594	4,562	0.7%

1) semi-annual average of the fully consolidated and proportionately consolidated companies

RISKS AND OPPORTUNITIES

The **risks and opportunities** situation of Energie AG is influenced by the economic and energy market environment and by energy policy and regulatory changes. Additionally, the climatic conditions and climate policy have a significant impact on business development.

Energie AG meets these challenges with strategic and operational measures, strict value-based investment management, efficiency improvements as well as new business models and innovations to tap additional earnings potential.

The **COVID-19 pandemic** continues to be the focus of Energie AG's risk management. The health of the workforce, customers and business partners takes highest priority. The targeted measures already taken at an early stage are being continuously adapted to the current situation to allow the Group, as a critical infrastructure company, to ensure the reliable supply of energy, natural gas, heat, telecommunications services and water as well as the management of waste and waste water.

In the course of Group-wide analyses of the potential impact of the COVID-19 pandemic on Energie AG, it was possible to assign all identified risks and opportunities to the existing risk categories. From today's perspective, it is not possible to reliably appraise the extent and duration of the mid- to long-term economic ramifications of the crisis.

Energie AG's business activities are still exposed to certain risks, but no risks were identified in the first half of 2020/2021 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 Semi-Annual Consolidated Financial Statements, Section 8. Risk management](#) › page 42.

KEY PERFORMANCE INDICATORS

Group overview

	Unit	1st HY 2020/2021	1st HY 2019/2020	Change
Electricity procurement	GWh	10,306	9,600	7.4%
Electricity procured from third parties	GWh	8,852	7,840	12.9%
Proprietary electricity procurement	GWh	1,454	1,760	-17.4%
Thermal power plants	GWh	361	609	-40.7%
Renewable energy	GWh	1,093	1,151	-5.0%
Group's own hydropower plants	GWh	440	473	-7.0%
Procurement rights from hydroelectric power	GWh	555	574	-3.3%
Other renewable energy (photovoltaics, wind, biomass)	GWh	98	104	-5.8%
Electricity grid distribution volume to end customers	GWh	4,208	4,110	2.4%
Electricity sales volume	GWh	3,650	3,827	-4.6%
Natural gas grid distribution volume to end customers	GWh	11,592	12,176	-4.8%
Natural gas sales volume	GWh	4,047	4,067	-0.5%
Heat procurement	GWh	1,139	1,144	-0.4%
Heat sales volume	GWh	1,062	1,036	2.5%
Total waste volume handled	1,000 t	844	848	-0.5%
Incinerated waste volume	1,000 t	285	311	-8.4%
Invoiced drinking water volume	m ³ mill.	28.3	27.9	1.4%
Invoiced waste water volume	m ³ mill.	22.7	22.4	1.3%
Length of fibre-optic network	km	6,834	6,385	7.0%

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

I 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 [Notes to the Semi-Annual Consolidated Financial Statements, Section 6. Segment reporting › page 36.](#)

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 entities which cannot be allocated to other segments

ENERGY SEGMENT

Energy Segment overview

	Unit	1st HY 2020/2021	1st HY 2019/2020	Change
Total sales	EUR mill.	796.9	707.4	12.7%
EBIT	EUR mill.	50.6	31.9	58.6%
Investments in property, plant and equipment and intangible assets	EUR mill.	8.8	7.4	18.9%
Workforce (on average)	FTE	467	471	-0.8%
Electricity procurement ¹⁾	GWh	10,215	9,503	7.5%
Proprietary electricity procurement	GWh	1,363	1,663	-18.0%
Electricity sales volume	GWh	3,650	3,827	-4.6%
Natural gas sales volume	GWh	4,047	4,067	-0.5%
Heat procurement	GWh	831	860	-3.4%
Heat sales volume	GWh	764	765	-0.1%

1) incl. third-party procurement

| ECONOMIC ENVIRONMENT FOR THE ENERGY SECTOR

The forward market prices for electricity for delivery in 2022 in Austria showed a clear upward trend in the reporting period and rose from around EUR 46.8/MWh to EUR 58.5/MWh as at the reporting date 31 March 2021. At EUR 50.9/MWh, the average price was around 8.5% above the previous year's comparison value. The main influencing factors here were increasing prices for coal, natural gas and above all CO₂ emissions allowances. In the reporting period, these rose from EUR 26.7/t to EUR 42.6/t. Ambitious EU climate protection targets, the economic recovery after the first COVID-19 wave and speculative investors who discovered the CO₂ market for themselves led to this price development.

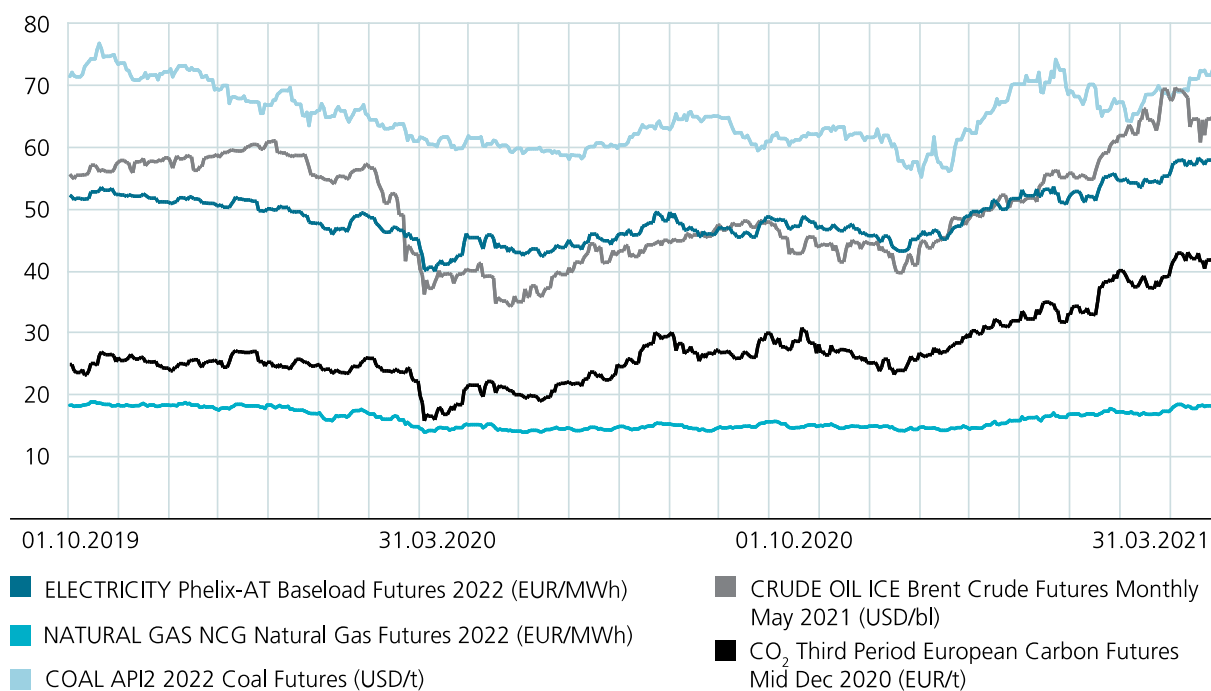
On the spot market, electricity prices also increased by around one third in the first half of the 2020/2021 fiscal year compared with the same period of the previous year. The average European Power Exchange (EPEX) spot price base for delivery in Austria was around EUR 48.1/MWh with a continuing volatile development.

The oil price for delivery in May 2021 moved from USD 43.0/barrel of Brent crude oil at the beginning of the reporting period to USD 63.5/barrel at the end of March 2021. The increase was attributable on the one hand to increased demand in the course of the global economic recovery and on the other to a restrictive production policy of the OPEC+ countries.

The NetConnect Germany (NCG) gas price for the front year 2022 rose in the first half of the 2020/2021 fiscal year from EUR 14.7/MWh at the beginning of October 2020 to EUR 18.3/MWh at the end of March 2021.

Price development on international energy markets

Sources: EEX, Reuters



| BUSINESS DEVELOPMENT IN THE ENERGY SEGMENT

Sales in the Energy Segment amounted to EUR 796.9 million in the first half of 2020/2021. Compared to the same period of the previous year (EUR 707.4 million), this represents an increase of 12.7%, which is mainly attributable to increased sales revenues in the area of electricity and gas management. This was counteracted by declines in sales revenues in the area of generation, among other things due to the reduced use of the Timelkam CCGT (combined-cycle gas turbine) power plant. In contrast, increased CO₂ emissions allowances and district heating earnings had a positive effect on the Energy Segment's sales revenues.

The Energy Segment generated an operating result of EUR 50.6 million in the reporting period (previous year: EUR 31.9 million). The increase of EUR 18.7 million was due to higher earnings in the area of electricity and gas sales as well as higher EBIT contributions from electricity management and trading management in the natural gas sector. In the generation sector, declines due to the lower water level and the reduced use of the Timelkam CCGT power plant were more than compensated for by higher earnings contributions from Cogeneration-Kraftwerke Management Oberösterreich GmbH (CMOÖ GmbH), higher prices on the electricity market and lower maintenance expenses in the hydropower plant sector.

In the reporting period, an impairment in the amount of EUR 1.3 million was recognised for the Timelkam CCGT power plant due to lower expectations of future earnings contributions. Due to lower future revenue estimates, a provision of EUR 6.7 million was made for the 7Fields gas storage facility in the reporting period. The previous year's EBIT included impairments in the amount of EUR 0.7 million for the Timelkam CCGT power plant and in the amount of EUR 7.2 million for the 7Fields gas storage facility.

USE OF THE TIMELKAM CCGT POWER PLANT EXCLUSIVELY IN CONGESTION MANAGEMENT

The Energy Segment recorded **electricity procurement** totalling 10,215 GWh in the first half of 2020/2021, an increase of 7.5% compared to the previous year's figure (9,503 GWh). In contrast, proprietary electricity procurement fell to 1,363 GWh in the reporting period compared with 1,663 GWh in the previous year.

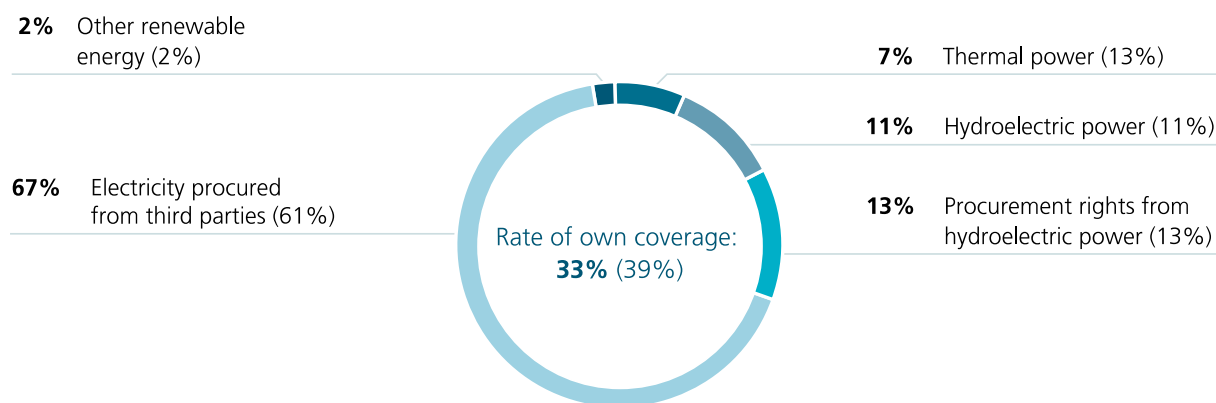
Electricity production from thermal capacities in the Energy Segment was 306 GWh in the first half of 2020/2021, which was 44.3% below the previous year's value of 549 GWh. The main reason for this was the exclusive use of the Timelkam CCGT power plant in congestion management for grid support in the reporting period, whereas in the comparable period of the previous year, the more favourable market situation also made market deployment possible.

Electricity production from hydroelectric power in proprietary power plants and from procurement rights was 5% lower in the reporting period compared to the same period of the previous year. While production at the storage power plants increased, production at the run-of-river power plants was below the standard production capacity due to the lower water levels in the rivers. The hydro coefficient in the first half of 2020/2021 was 0.99 (previous year: 1.08).

The electricity procurement structure in the Energy Segment was as follows in the reporting period:

Electricity procurement structure without electricity trading

1st HY 2020/2021; previous year's figures in brackets



At the end of the reporting period, the Dürnau hydropower plant was in the completion phase. The replacement building is expected to be commissioned in the second half of the 2020/2021 fiscal year.

Ennskraftwerke AG, in which Energie AG holds a participating interest of 50%, reported electricity production on a par with the long-term average in the first half of 2020/2021, with a hydro coefficient of 1.00. Refurbishment of the St. Pantaleon power plant on the Enns river began in the first half of the 2020/2021 fiscal year. Energie AG holds electricity procurement rights to the hydropower plants of Ennskraftwerke AG and Verbund Hydro Power GmbH with a total annual standard production capacity of about 1,406 GWh.

Energie AG's **wind power portfolio** in Austria comprises investments in four wind parks with a pro rata overall performance of nearly 15 MW. Generation from wind power in the reporting period was 19 GWh (previous year: 23 GWh).

Energie AG operates **photovoltaic plants** in Austria and Italy via subsidiaries with a total capacity of 12 MW. The 3 GWh of electricity generated in the first half of 2020/2021 (previous year: 4 GWh) was fed directly into the public grid.

The distribution of **district heating** from the power plant locations in Riedersbach and Timelkam was 188 GWh, a drop of 4.1% compared with the previous year (196 GWh).

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 first half of the 2020/2021 fiscal year was 361 GWh and thus 10.6% lower than the previous year's figure of 404 GWh.

I SOLID FIRST HALF YEAR FOR ENERGIE AG SALES

Despite the tense economic situation due to the COVID-19 pandemic and the challenging general energy policy conditions, the first half of the year can definitely be viewed as successful for the Energie AG Sales unit. The number of heating degree days in Upper Austria in the reporting period increased by 8.1% compared with the previous year, and was 2.3% above the average for the past five years.

In the telecommunications sector, numerous sales campaigns and increased demand drove the continuing successful acquisition of customers forward despite COVID-related restrictions in customer support. In the electricity and natural gas sectors, the COVID-19 pandemic has thus far had only a minor negative impact. However, an increase in bad debts is expected here as of summer 2021, when state subsidies stop.

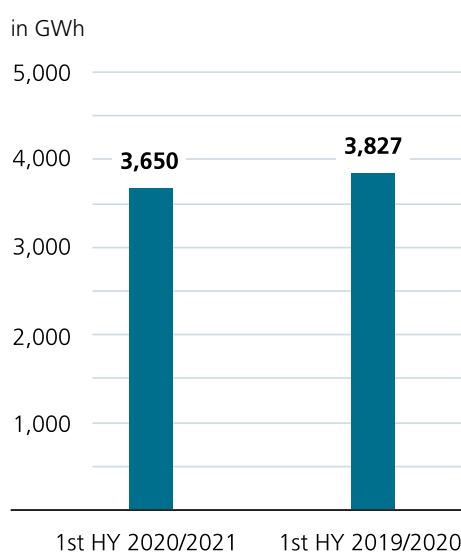
The decline in customer switching behaviour also had a positive effect on the sales result. This trend is reflected throughout Austria in the statistics published by E-Control Austria.

Electricity

At 3,650 GWh, Energie AG's consolidated electricity sales volume in the first half year 2020/2021 was 177 GWh below the previous year's figure of 3,827 GWh.

Despite the challenging environment, the business and industrial customer sector recorded only a moderate decline in volumes and only few customer losses. The volumes in the residential, commercial and municipal customer sector were above the previous year's level; this is attributable on the one hand to the colder winter and on the other also to the lower switching rate compared to the previous year.

Electricity sales volume



Natural gas

At 4,047 GWh, the volume of natural gas sold by Energie AG in the first half of 2020/2021 was around 0.5% below the previous year's figure of 4,067 GWh.

In the business and industrial customer sector, there were increases in sales to key account customers, which were, however, offset by isolated customer losses. In the case of residential, commercial and municipal customers, both the lower temperatures and the lower switching figures led to an increase in sales volumes.

Heat

The heat sales volume in Austria amounted to 764 GWh in the first half of 2020/2021 and was therefore on a par with the previous year's level of 765 GWh.

In addition to the district heating sales volume and the heat sales volume supplied to customers by CMOÖ GmbH, the heat sales volume also includes the energy contracting business area.

Telecommunications

The figure of 10,000 subscribers was exceeded for the first time in the past half year 2020/2021. As of 31 March 2021, some 11,000 customers were actively using Energie AG's products. The figure from the comparison period last year was around 7,000 customers.

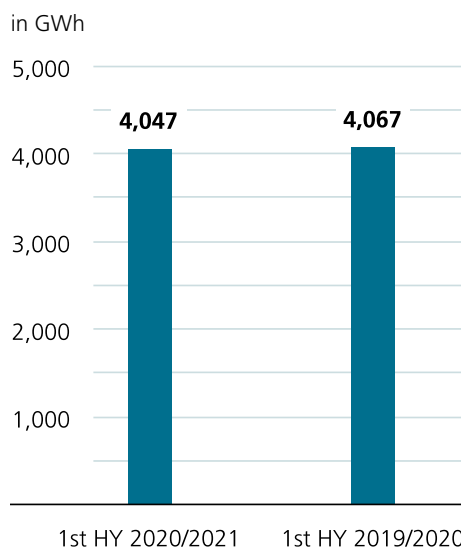
Photovoltaics

In the first half year 2020/2021, contracts for 21 new photovoltaic plants with an output of 4,580 kW_p were concluded on the basis of a contracting service.

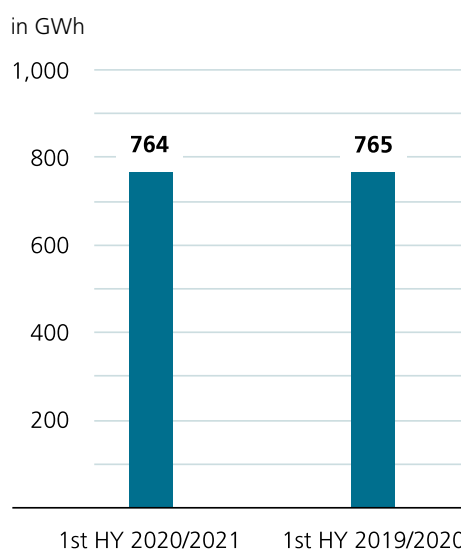
Electromobility

The focus of electromobility activities is currently on charging solutions (business solutions for company locations, residential buildings, public and private charging infrastructure). Parallel to this, the targeted installation of public charging stations including operations management and service packages with local partners was continued. Energie AG currently operates 103 publicly accessible charging stations with various output ranges from 3.7 kW to 50 kW, including a billing system, and manages a total of over 298 charging points.

Natural gas sales volume



Heat sales volume Austria



GRID SEGMENT

Grid Segment overview

	Unit	1st HY 2020/2021	1st HY 2019/2020	Change
Total sales	EUR mill.	208.1	199.6	4.3%
EBIT	EUR mill.	35.6	27.5	29.5%
Investments in property, plant and equipment and intangible assets	EUR mill.	35.7	35.7	0.0%
Workforce (on average)	FTE	534	534	0.0%
Electricity grid distribution volume to end customers	GWh	4,208	4,110	2.4%
Natural gas grid distribution volume to end customers	GWh	11,592	12,176	-4.8%

STATUTORY AND REGULATORY FRAMEWORK IN THE GRID SEGMENT

In the electricity sector, grid usage fees increased by 0.2% to 1.7% at grid level 7 as of 1 January 2021. This was due to an increase in the cost base compared to the previous year, mainly attributable to higher investments and volume development. In addition to this, the regulatory parameters established remained stable in the 4th regulatory period.

At the same time, the grid usage fees in the natural gas sector for consumers at grid level 3 fell by 4.3%. In contrast to this, there was an increase of 2.9% for consumers at grid level 2. The reason for the increase was higher upstream grid costs and volume development.

The general economic conditions for natural gas have been defined for the 3rd regulatory period since 1 January 2018, but the Austrian Federal Economic Chamber and the Federal Chamber of Labour have objected against the stipulations made by the regulatory authority. The proceedings are pending in court or have already been concluded in part. Some of the parameters set for the natural gas grid for the 3rd regulatory period were approximated to the parameters for the electricity grid by these decisions, which means a deterioration in the economic environment for the gas grid.

BUSINESS DEVELOPMENT IN THE GRID SEGMENT

The Grid Segment recorded an increase in sales revenues of EUR 8.5 million (4.3%) to EUR 208.1 million in the first half of 2020/2021. In addition to higher electricity grid revenues due to higher tariffs and sales volumes, this was also due to higher volumes at grid level 3 in the natural gas sector.

The EBIT of the Grid Segment rose by EUR 8.1 million (29.5%) compared to the first half of 2019/2020 and amounted to EUR 35.6 million in the reporting period. The improvement in the operating result mainly reflects the increase in sales revenues.

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

Compared to the same period of the previous year, the **electricity grid distribution volume** in the industrial customer sector, and in the commercial and residential customer sector, rose by a total of 2.4% from 4,110 GWh to 4,208 GWh in the first half of the current fiscal year.

In contrast to the same period of the previous year, weather-related disruptions were at an extremely low level in the reporting period. An increase in planned shutdowns was recorded in the first quarter of the fiscal year. This is due to deferred maintenance activities prompted by the first COVID-19 lockdown in spring 2020. Since the beginning of 2021, the planned shutdowns have returned to the usual level.

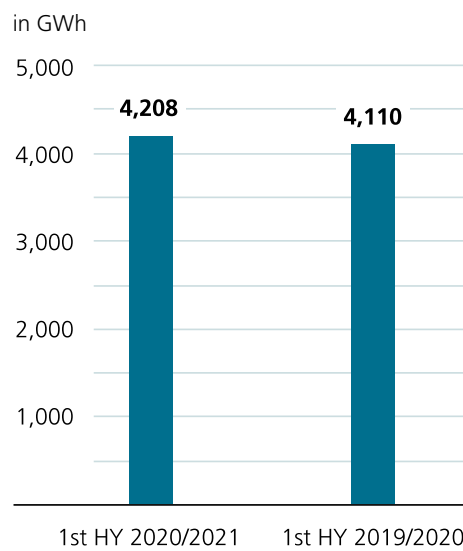
In the grid connection activities in the electricity sector, increases were recorded compared to the comparison period of the previous year despite more difficult conditions due to the COVID-19 pandemic; in the natural gas sector, the number of new house connections declined due to expected changes in the statutory environment and the upcoming ban on natural gas heating systems.

Construction activities for the Almtal and Kremstal Electricity Supply project (Electricity Grid Master Plan Upper Austria, "Stromnetz-Masterplan OÖ.", Project No. 16) proceeded according to schedule in a project environment that remained difficult. Completion is planned for June 2021. Despite uncertainties and additional challenges in the Pramstal South Electricity Supply project (Electricity Grid Master Plan Upper Austria, "Stromnetz-Masterplan OÖ.", Project No. 17), it was possible to complete the planned construction activities. Construction work on the new Kronstorf West substation started in September 2020 and is scheduled for completion in October 2021. Work on the construction of a new substation in Hörsching has been underway since the end of October 2020. In the Mühlviertel Rohrbach – Langbruck Electricity Supply project (Electricity Grid Master Plan Upper Austria, "Stromnetz-Masterplan OÖ.", Project No. 8b), the grid operators' statement was sent to all project communities at the beginning of November 2020. In January 2021, talks with representatives of the region were resumed and an application for preparatory work was submitted.

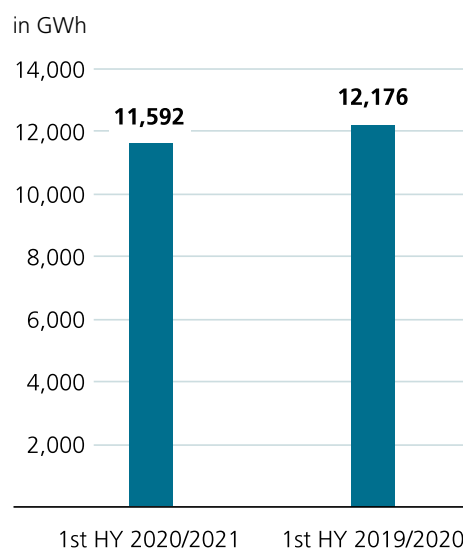
In particular due to lower procurement by industry and power plants, distribution volumes to end users from the **natural gas grid** fell by 4.8% to 11,592 GWh compared to the previous year (12,176 GWh). In contrast, the higher demand for space heating due to the lower average temperatures in the reporting period had the effect of increasing volumes on the natural gas grid.

As for the natural gas grid, the new pressure reducing station RS 233 Zipf was commissioned towards the end of the 2020 calendar year; it supplies the community of Neukirchen an der Vöckla and business customers with natural gas. In October, a complex cathodic corrosion protection system and a new heating system were commissioned in Reitsham. Maintenance measures, such as remediation of shortfalls in coverage and repairs of insulation defects in the high-pressure natural gas pipelines, were implemented as required for operations.

Electricity grid distribution volume to end customers



Natural gas grid distribution volume to end customers



WASTE MANAGEMENT SEGMENT

Waste Management Segment overview

	Unit	1st HY 2020/2021	1st HY 2019/2020	Change
Total sales	EUR mill.	122.8	114.2	7.5%
EBIT	EUR mill.	20.4	6.8	–
Investments in property, plant and equipment and intangible assets	EUR mill.	6.1	8.0	-23.8%
Workforce (on average)	FTE	819	828	-1.1%
Total waste volume handled	1,000 t	844	848	-0.5%
Incinerated waste volume	1,000 t	285	311	-8.4%

ECONOMIC ENVIRONMENT FOR THE WASTE MANAGEMENT SECTOR

It was largely possible to provide traditional waste management services under favourable waste management general conditions in the first half of 2020/2021. Due to what are continuing high volumes of waste requiring thermal processing, waste incineration plants throughout Europe continued to be well utilised.

After the negative development in the previous year, there was a clear trend reversal in recovered paper/cardboard and metal recycling materials. Since the beginning of the fiscal year, the Wiesbaden Recovered Paper Index has continuously increased in value. Metals have shown a similar trend, with price development being significantly more dynamic compared to recovered paper/cardboard.

In autumn 2020 and spring 2021, further COVID-19 lockdown restrictions were imposed. This again resulted in more difficult general conditions under which business operations had to be maintained. Despite this, it was possible to maintain the system-critical supply services to the highest possible degree and conduct operations in a largely undisturbed way while complying with the prescribed safety and hygiene regulations.

BUSINESS DEVELOPMENT IN THE WASTE MANAGEMENT SEGMENT

Sales revenues in the Waste Management Segment amounted to EUR 122.8 million in the first half of 2020/2021 and were therefore 7.5% above the previous year's level of EUR 114.2 million. EBIT tripled from EUR 6.8 million in the first half of 2019/2020 to EUR 20.4 million in the reporting period.

The increase in earnings was due on the one hand to good market conditions, primarily for recovered paper/cardboard and metal recycling materials, and on the other to a positive effect of EUR 1.2 million from the sale of land in Hörsching. In addition, reversals of impairment of EUR 3.5 million were made in the area of thermal plants in the reporting period. In contrast, the previous year's result for 2019/2020 was negatively affected by the partial write-down of the plastic sorting plant in the amount of EUR 2.4 million and by other additional costs as a result of the fire at the Hörsching site.

The first half of 2020/2021 was partly characterised by strongly rising recovered paper, cardboard and metal prices, which led to positive deviations in sales revenues and results compared to the previous year. Driven by price increases introduced in January 2020, the other waste management services also saw development above the previous year's level. Positive developments were observed in construction site waste and hazardous waste, among other sectors, as well as in energy revenues due to electricity drawn from Welser Abfallverwertung (WAV). The negative influences of the COVID-19 pandemic were only minor and primarily affected the two incineration plants.

UTILISATION OF THE INCINERATION PLANTS

The two incineration plants in Wels and Lenzing achieved a **throughput** of 285,442 t in the reporting period (previous year 310,658 t). The decline is due on the one hand to a lower demand for process heat supplies from the waste incineration plant in Lenzing, and on the other to the increased proportion of plastics in waste, which contributed to a higher calorific value and therefore to lower throughputs in the incineration plants. Due to unplanned shutdowns, fewer operating hours were recorded than in the previous year.

In Wels, the annual overhaul of the thermal system of line 2, across fiscal years, was completed. At the Lenzing incineration plant, the annual inspection took place as planned.

In the reporting period, the waste incineration plant in Wels distributed 158 GWh of heat (previous year: 143 GWh) to the district heating network of the town of Wels and to one other key account customer. Electricity procurement totalled 91 GWh (previous year: 97 GWh).

The treatment plant for hazardous waste in Steyr was again very well utilised in the reporting period.

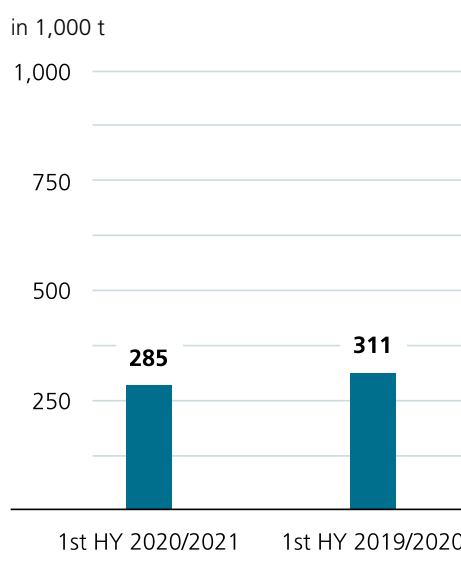
Compared with the previous year, there was a downturn in the **total volume handled** in Austria and South Tyrol to 843,713 t (1st half year 2019/2020: 847,802 t).

Strategically anchored cost management was consistently pursued in the reporting period and the ongoing optimisation projects were further implemented.

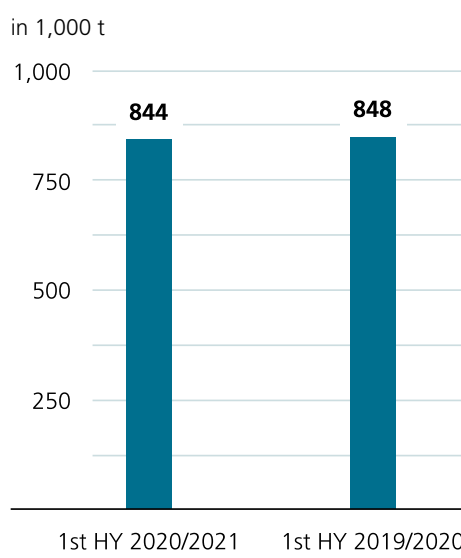
Participation in the process of plastic replacement sorting for Altstoff Recycling Austria AG (ARA), which had been organised via the Hörsching site after the fire incident on 10 October 2019, was terminated at the end of December 2020 for economic reasons. Reconstruction of the plastic sorting plant is currently under consideration.

In connection with the fire at the Hörsching sorting plant, the criminal proceedings against Energie AG Oberösterreich Umweltservice GmbH (Umwelt Service GmbH) under the statute on responsibility of legal entities (Verbandsverantwortlichkeitsgesetz) were discontinued by the Linz public prosecutor's office in April 2021.

Incinerated waste volume



Total waste volume handled



The reconstruction work surrounding the relocation of the company headquarters from Hörsching to the WAV site in Wels continued in the first half of the year. From today's perspective, the relocation of the company headquarters can be expected in autumn 2021.

In addition, preparations started at the Wels site for the planned further expansion of district heating extraction from WAV in the course of reorganising the cooperation between Energie AG and eww ag, in order to be able to supply the city and the neighbouring areas in an even better way looking forward. The tendering process for various sub-projects was the focus of activities.

The Federal Competition Authority (BWB) is conducting investigations throughout Austria into the area of collection and transport in the waste management industry. In the course of these investigations, the premises of Umwelt Service GmbH at the Hörsching site were also searched on 16 March 2021. Umwelt Service GmbH is actively involved in the investigation and has assured the BWB of its full willingness to cooperate.

I STABLE DEVELOPMENT IN SOUTH TYROL

The economic environment to which the Neumarkt location is subject has seen a slight improvement since the beginning of the 2020/2021 fiscal year. However, minor losses in tourism, trade and industry are again expected in the coming months. The economic development of the site, which is strongly focused on recycling materials management, was stable in the past half year.

CZECH REPUBLIC SEGMENT

Czech Republic Segment overview

	Unit	1st HY 2020/2021	1st HY 2019/2020	Change
Total sales	EUR mill.	86.6	83.2	4.1%
EBIT	EUR mill.	6.9	7.2	-4.2%
Investments in property, plant and equipment and intangible assets	EUR mill.	2.5	2.4	4.2%
Workforce (on average)	FTE	1,715	1,674	2.4%
Invoiced drinking water volume	m³ mill.	24.0	23.6	1.7%
Invoiced waste water volume	m³ mill.	22.7	22.4	1.3%

I GENERAL CONDITIONS IN THE CZECH REPUBLIC

In the first half of the 2020/2021 fiscal year, a positive economic development was recorded in the Segment despite the tense COVID-19 situation in the Czech Republic.

Due to the above-average number of COVID-19 cases compared to the European Union, the measures taken by the Czech government led to drastic restrictions in the daily lives of the population and also had a significant impact on companies.

In the course of the COVID-19 pandemic that has prevailed since March 2020, Energie AG Oberösterreich was perceived in the Czech Republic as a stable and increasingly attractive employer. The high level of job security in infrastructure business contributed to a further strengthening of the company's position on the labour market, which had been very tense from an employer's point of view until the COVID-19 pandemic.

After a volatile development during the first half of 2020/2021, the Czech koruna stabilised at the end of the reporting period at around around CZK 26.3.

I BUSINESS DEVELOPMENT IN THE CZECH REPUBLIC SEGMENT

In the first half of the 2020/2021 fiscal year, the Czech Republic Segment generated sales revenues of EUR 86.6 million in its water and heating business. This means a slight increase on the previous year of 4.1%.

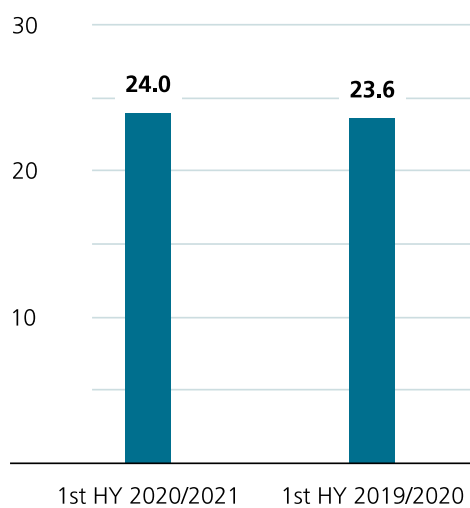
The EBIT in the Czech Republic Segment amounted to EUR 6.9 million in the reporting period. This is equivalent to a slight decrease of 4.2% (previous year: EUR 7.2 million). However, the operative business entities in the water, wastewater, services and heating sectors generated a higher EBIT in the current fiscal year as compared to the previous year. A higher EBIT contribution versus the previous year was achieved in the heating sector in the Czech Republic due to the low outside temperatures which resulted in higher sales volumes in the reporting period.

I STABLE DEVELOPMENT IN THE CZECH REPUBLIC

In the Czech Republic Segment, a total volume of 24.0 million m³ of **drinking water** and 22.7 million m³ of **waste water** were invoiced in the reporting period.

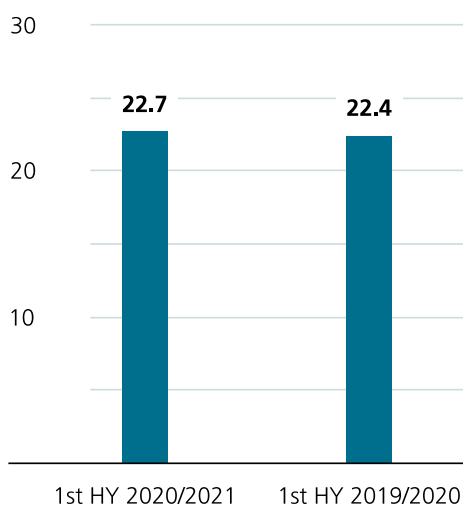
Invoiced drinking water volume

in m³ mill.



Invoiced waste water volume

in m³ mill.



In total, this corresponds to slightly higher volumes in drinking water and waste water business, although developments varied from region to region.

On the market side, tenders were won and contracts extended in the operating areas of Jindřichův Hradec, Tábor and Krumlov. Along with České Budějovice, Tábor and Krumlov are the most important concession contracts of ČEVAK a.s. with the largest share of sales revenues.

The **heat sales volume** in the Czech Republic amounted to 140 GWh in the reporting period, which is 9.4% above the previous year's figure (128 GWh).

In organisational terms, the focus in the Czech Republic Segment during the reporting period was on the further integration of VAK Zapy s.r.o., which was acquired on 6 December 2019.

HOLDING & SERVICES SEGMENT

Holding & Services Segment overview

	Unit	1st HY 2020/2021	1st HY 2019/2020	Change
Total sales	EUR mill.	114.3	116.0	-1.5%
EBIT	EUR mill.	5.0	3.7	35.1%
Investments in property, plant and equipment and intangible assets	EUR mill.	16.8	21.8	-22.9%
Workforce (on average)	FTE	1,059	1,055	0.4%
Length of fibre-optic network	km	6,834	6,385	7.0%

BUSINESS DEVELOPMENT IN THE HOLDING & SERVICES SEGMENT

Sales revenues in the Holding & Services Segment in the reporting period were EUR 114.3 million. This represents a slight decrease of 1.5% compared with the same period in the previous year.

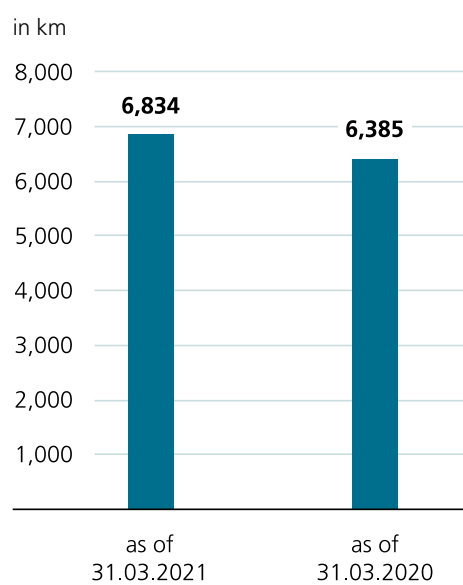
The EBIT of the Holding & Services Segment also saw positive development, increasing from EUR 3.7 million in the previous year to EUR 5.0 million in the reporting period. This was due to slight growth at Energie AG Oberösterreich Telekom GmbH (Telekom GmbH) and service companies.

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

The ongoing COVID-19 pandemic brought about an increase in the load on Upper Austria's data networks in the first half of the 2020/2021 fiscal year. The reasons for this were increased remote working and home schooling as well as increased use of digital entertainment programmes. The need for fast broadband internet for Upper Austria as a business location and residential area was again made evident. These developments once again confirmed Energie AG's strategy, as an infrastructure group, of investing in future-proof fibre-optic technology for the past two decades. By the end of the reporting period, the length of the Group's own fibre optic network had reached approx. 6,834 km (previous year: 6,385 km).

Fibre-To-The-Home (FTTH) expansion progressed successfully in the first half of the 2020/2021 fiscal year, especially within the framework of subsidised projects. By the end of the reporting period, almost 40,000 households in 237 communities had been connected to Energie AG's fibre-optic network. Telekom GmbH's activities also include the wholesale sector for other providers, covering the increased demand for fibre-optic connections for mobile communications facilities.

Length of fibre-optic network



Another of Telekom GmbH's areas of responsibility is providing electricity metering services for Netz Oberösterreich GmbH (Netz OÖ GmbH). The mass roll-out of smart metering devices (IME-VO Amendment 2017) was completed on schedule in the 2019/2020 fiscal year. The remaining analogue meters will be replaced at the latest when their calibration validity expires. As at 31 March 2021, 655,361 AMIS meters (previous year: 646,000) were installed; this corresponds to around 99% of all electricity meters in the Netz OÖ GmbH supply area. The legal requirements were thus fully met.

OUTLOOK

Energie AG's economic environment will continue to be influenced by the COVID-19 pandemic in the second half of the 2020/2021 fiscal year, despite the anticipated easing of the situation. In addition to this, the general energy and climate policy conditions will pose a material challenge. In particular, the detailed elaboration of the Renewable Energy Expansion Act and the Energy Efficiency Act in Austria will have a significant impact on the entire industry and the future positioning of the Group as an energy service provider. Corresponding strategic and operational measures for the rapid implementation of the legal requirements were prepared at an early stage throughout the Group.

With a view to the development on the international energy markets, the current high price level for electricity and gas seems to be consolidated due to the current overall situation, which is characterised by easing of the COVID-19 situation in Europe, new emission reduction targets and a high global LNG (Liquefied Natural Gas) demand with low gas storage levels. Volatility remains high and a further increase cannot be ruled out.

Vertrieb GmbH has extended the price guarantee until 1 January 2022. Both the electricity and natural gas end-customer prices for private and business customers in the premium sector, with the exception of the flexible "Float" electricity price model, and the prices for internet customers will remain unchanged.

The general regulatory conditions for the Grid Segment for the fiscal year can continue to be assessed as stable. The new regulatory periods start in 2023 for natural gas and in 2024 for electricity; detailed cost audits will be carried out by the regulatory authority in the next two fiscal years. The general conditions surrounding COVID-19 continue to make it difficult to implement measures for the construction and maintenance of grid facilities and customer requirements. Despite these circumstances, the expansion and maintenance of the grids will continue as planned in order to be able to continue to offer customers stable and reliable supply grids. The amendments envisaged in the Renewable Energy Expansion Act package will also have a considerable impact on the scope and sequence of processes at Netz OÖ GmbH and present a major challenge. The second half of the 2020/2021 fiscal year will therefore also mainly be characterised in this Segment by preparations for the implementation of the new regulations.

In the area of smart meters, the first phase of the Smart Meter Upgrade project was launched at the beginning of the first half of 2020/2021 and is expected to run until 2027. The aim of the project is to expand the smart meter system to meet future requirements such as supporting citizens' energy communities and renewable energy communities.

In the second half of 2020/2021, the focus in Telekom GmbH's fibre-optic sector will continue to be on the further expansion of the network infrastructure.

In the Czech Republic Segment, it is important to examine EU funding programmes in the area of energy efficiency, and to develop projects, taking into account the upcoming energy transition in the Czech Republic with the phasing out of coal as an energy source and the resulting opportunities for an updated climate policy. In parallel, digitalisation projects planned with communities, for example in the field of digital water meters and smart grid in the water sector, are being implemented in the second half of the 2020/2021 fiscal year. At the end of the reporting period, it is still difficult to assess the impact of the on-going development of the COVID-19 pandemic, especially on the Services unit.

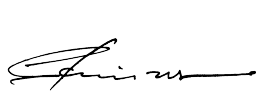
Lower throughputs are expected for the waste management sector thermal plants at the Wels and Lenzing sites also in the second half of the fiscal year due to the increased calorific value of waste. At the Wels site, the plan is to complete the conversion project in the scope of relocating company headquarters and to intensively continue the "District heating extraction from WAV" project. The inspection intervals of incineration lines 1 and 2 will be changed in this context. Pandemic-related declines in business at individual locations are still expected in the second half of the fiscal year, especially where there are stronger ties to tourism operations. In general, however, business is expected to remain strong in the coming months.

Energie AG's focus in the second half of the 2020/2021 fiscal year will again continue to be on reliable performance of system-critical tasks, especially guaranteeing security of supply for customers, while at the same time ensuring the highest possible levels of health protection for the workforce, customers and business partners. Furthermore, for the period following the lifting of statutory COVID-19 restrictions, all precautions will be taken to return to the established processes as quickly and safely as possible. The strategic goals in the areas of customer orientation, environmental protection, decarbonisation, digitalisation and cost management will remain unchanged.

Effects attributable to the COVID-19 pandemic, for example, due to the payment default on the part of business partners, can also be expected in the second half of the 2020/2021 fiscal year. Assuming a rapid economic recovery, earnings for the complete 2020/2021 fiscal year are expected to remain at approximately the previous year's level.

Linz, 28 May 2021

The Management Board of Energie AG Oberösterreich



Chief Executive Officer

DDr. Werner Steinecker MBA

Chairman of the Management Board
CEO



Dr. Andreas Kolar

Member of the Management Board
CFO



Dipl.-Ing. Stefan Stallinger MBA

Member of the Management Board
COO