

Semi-Annual Financial Report 2007/2008



Full of Energy

The Energie AG Group at a Glance

		01/10/07 - 31/03/08	01/10/06 - 31/03/07	01/10/05 - 31/03/06
Group sales				
Total	in EUR mill.	720.1	525.9	556.3
Segment Energy	in EUR mill.	540.0	371.6	438.3
Segment Waste Management	in EUR mill.	142.6	121.6	94.6
Segment Water	in EUR mill.	37.5	32.7	23.4
EBITDA	in EUR mill.	160.8	130.4	100.7
Operating result (EBIT)	in EUR mill.	102.5	75.5	50.0
2 Result before taxes	in EUR mill.	93.3	73.6	48.2
Net profit	in EUR mill.	72.7	57.4	39.4
Cash-flow from operating activities	in EUR mill.	63.3	158.2	15.7

Statement by the Board of Management

PROFITABLE GROWTH AT FULL ENERGY

When looking back on the first six months of the 2007/2008 business year, one can say by way of summary that the development has been very positive and sound, in line with the growth and expansion course of Energie AG guided by value-based management principles.

The beginning of the business year was marked by intensive preparations for the initial public offering (IPO), which the parliament of Upper Austria had decided in July 2007. In January 2008, the planned IPO was cancelled; instead, shares in the company will now be sold to financial institutions and enterprises in Upper Austria, as well as to Austrian utilities in the course of a private placement. It has been possible to



smoothly implement the new ownership structure on the basis of the preparatory work for the IPO, which could be used effectively. The new ownership structure offers the opportunity to take first steps in the direction of an energy axis for the western part of Austria. The closing of the transaction is expected for this business year.

GROWTH TARGETS REACHED

We succeeded in generating sales of EUR 720.1 million during the first six months of the business year. This represents a 36.9% increase over the comparable period of the previous business year. On a three-year average, this constitutes a mean growth rate (CAGR) for sales of about 14%. This growth is an important cornerstone of our corporate strategy and confirms the course that we have been pursuing.

VALUE-BASED MANAGEMENT – A PRINCIPLE FOR ACTING

Of course, growth alone is not enough. For Energie AG the concept of value-based management is the decisive guidance in our actions and an important orientation. During the last six months

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we were also able to comply impressively with this strategic cornerstone for the overall development of the Company. An

EBIT of EUR 102.5 million (+35.8%), as well as a profit on ordinary activities of EUR 93.3 million (+26.8%) speak a clear language in this respect. During the past three business years, both the EBIT and the profit on ordinary activities (always comparing the first six months) have grown by an average rate of more than 50%.

INVESTMENTS AND ACQUISITIONS

On account of the result obtained for the first six months, we expect a good business development for the full 2007/2008 business year. In this connection, we will pursue our consistent value-based growth perspective with investments, inter alia in power-station projects in Austria. The best example is the 400 MW CCGT plant at Timelkam, which is a power-station site of Energie AG that is rich in tradition. At the same time, further projects – including renewable energy sources and hydro power – are stepped up. Especially in the Group's waste management segment, growth is pursued vigorously. AVE Energie AG Oberösterreich Umwelt GmbH, the holding company of the waste-management activities, has become a decisive player in Austria and other countries in Central and Eastern Europe, scoring success in the current process of market consolidation. The group is now engaged in business operations in seven European countries.

SECURITY OF SUPPLY AND ENVIRONMENTAL PROTECTION – ENERGIE AG SHOULDERS ITS RESPONSIBILITY

In addition to the profitable growth course, the Company does not lose sight of its important function for society and the economy in this region of Austria. Securing reliable supplies for customers of the Upper-Austrian electricity grid is therefore just as important an issue for the Group's management as is the further development and emphasis on new energy technologies, on energy efficiency programs and an environmentally friendly production of energy. Recently, when storm „Emma“ swept over Upper Austria, our employees and our company gave proof of the strong commitment for the people of Upper Austria. It is

obvious that the success of the Company is mainly due to its committed staff.

THE GROUP'S POWER: ITS EMPLOYEES

The Board of Management would like to thank all staff members for their outstanding performance and their commitment to the further development of the Number One infrastructure group in Upper Austria. At the same time, we wish to ask them to continue to work hard in the weeks and months to come, so that it will again be possible to obtain a good result for our owners, employees and customers at the end of the business year.



Leo Windtner
Chairman of the Board of Management

SEMI-ANNUAL MANAGEMENT REPORT 2007/2008

Overall Economic Conditions

According to the Institute for Higher Studies (IHS), Austria's economy grew by 3.4% in 2007. In the fourth quarter of 2007 – this is the first quarter of the 2007/2008 business year of the Energie AG Group – economic growth lost some of its momentum. The persisting slack in growth in the USA, the strong Euro and the increase in consumer prices has a dampening effect on economic development. For 2008, the IHS expects a further downswing, with a reversal of the trend emerging only during the last quarter. At present, the gross domestic

product is forecast to grow by 2.1% in 2008. The new EU Member States are developing positively; there, the Energie AG Group continues to pursue its growth strategy with consistency. While gross domestic product in the European Union is forecast to grow by 2.0% in the year 2008, the forecast for the Czech Republic is 5.0%, for Slovakia 7.0%, for Hungary 2.75% and for Romania 5.5%. The Vienna Institute for International Economic Comparisons expects the Ukrainian economy to grow by 6.0% in the year 2008.

Overall Conditions in the Energy Industry

- 6 Since fall 2007, international energy markets have shown extraordinarily high price levels and recorded new peaks. Since the end of February 2008, the price for "Brent" crude oil has been, on average, above USD 100 per barrel, which is more than 50% above the value of the previous year (USD 64

per barrel). The international coal market also recorded a marked rise in prices. Production ceilings, on the one hand, and more demand in the Far East, on the other hand, pushed the price for API2 coal beyond USD 140 per ton, which is twice the amount of the previous year. The rise in the EUR/USD

exchange rate of about 10% only constituted a minor relief for the European economic region. Prices for CO₂ certificates moved in the direction of zero for the first trading period (2005 – 2007); yet those for the second trading period (2008 – 2012) are fluctuating between EUR 19 and 24 per ton. The prices quoted on European electricity trading markets followed the price hikes recorded for primary energy sources. On average, the forward market prices at the European Energy

Exchange (EEX) for year-base deliveries in 2009 stood at EUR 60.7/MWh. This corresponds to an increase of about 13 per cent over the same period of the previous year. The spot market followed these price developments on a slightly lower level. In this connection, the moderate winter temperatures had a price-reducing effect, in spite of the early winter outbreak. Average temperatures were 3.1°C, which is about +1°C above the multi-year mean value.

The Group's Business Development

The financial development of the Energie AG Group mirrors the successful implementation of the value-based growth strategy in the energy, waste management and water segments.

During the first half of the 2007/2008 business year (01 October 2007 to 31 March 2008), the Group generated sales of EUR 720.1 million and an EBIT of EUR 102.5 million.

Compared to the same period of the previous year, sales went up by EUR 194.2 million or 36.9%. The main reason for the bigger sales volume is the expansion of our electricity trading operation, which were set up during the 2006/2007 business year. Further increases in sales were obtained by passing on the higher electricity procurement costs to end customers, as well as from organic and acquisition-driven

growth in the waste-management and water segments.

We succeeded in raising EBIT by EUR 27.0 million or 35.8% to EUR 102.5 million, as compared to the first half of the previous business year. This increase is primarily the result of a positive development in electricity generation. On the one hand, the hydraulic power stations benefited from good river water levels, while, on the other hand, we were able to expand the operating time of the thermal power stations, on account of the high level of market prices.

For the first half of the 2007/2008 business year, the consolidated net profit amounts to EUR 72.2 million. This corresponds to an increase of 26.8% over the same period of the previous year.

As a result of the forecasts available to date, we are also confident about the second half of the business year and expect the operating result to develop positively. We are convinced that the Energie AG Group is well positioned and will thus continue to steer its successful course.

HUMAN RESOURCES

The Group's average consolidated staff level (full-time equivalents) went up from 5,149 during the 2006/2007 business year to 5,544 during the first half of the 2007/2008 business year. This is primarily due to the further expansion of the waste-management segment. By now, the staff level of the waste-management segment has risen to 2,541 (+418), that of the energy sector amounts to 1,881 (+56), and the water segment has 1,122 (-79) employees. Austria continues to have the highest staff level, i.e. 2,816, followed by the Czech Republic with a staff of 2,004, Hungary with 643 employees, and Slovakia with 81 staff members.

IPO CANCELLED – PRIVATE PLACEMENT

8 The partial IPO of the Energie AG Group, which the parliament of Upper Austria had decided in July 2007 and for which the Company consequently made intensive preparations, was cancelled in January 2008. The parliament of Upper Austria has instead decided that about 40% of the shares will be sold in the course of a private placement.

The Federal Province of Upper Austria will continue to be the majority shareholder of the Energie AG Group, which is guaranteed by constitutional law.

Financial investors in Upper Austria will acquire shares in the course of the private placement. At the same time, it will be possible to take first steps in the direction of an energy axis for the western part of Austria, as other utilities will also acquire or top up their shares.

As a result of the intensive activities in preparation of the planned IPO it has been possible to ensure a swift implementation of the private placement on a sound basis. The transaction is expected to be completed in the course of the present business year.

EXCELLENT RATING

In spite of the dynamic growth course, the Energie AG Group succeeded in 2008 to maintain its excellent rating. The credit rating of A+ (outlook negative) was confirmed unchanged by Standard & Poor's, the international rating agency. With this rating, the Energie AG Group continues to rank among Europe's highest rated utilities.

The imminent capital increase in the course of the planned private placement will further secure the excellent standing of Energie AG.

Energy Segment

With total sales of EUR 544.5 million (including internal sales), the energy segment recorded an EBIT of EUR 89.7 million for the first two quarters of 2007/2008.

The increase in sales over the previous year of EUR 169.5 million or 45.2% is essentially due to the expansion of our electricity trading activities. The higher electricity procurement prices were passed on to end customers, which resulted in further sales increases, as did larger quantities of electricity distribution volumes and bigger amounts of heat sold, after the very mild winter of the previous year.

The reason for the EBIT increase of EUR 25.4 million or 39.4% to EUR 89.7 million is the favorable development of the Group's electricity generation: Good water levels and high market prices had a positive impact on the electricity generated both at hydraulic and thermal power stations. Additional EBIT improvements resulted from larger quantities of electricity distribution volumes and pro-rata net profits from associated companies consolidated at equity.

In spite of the rapid rise in prices for primary energy and electricity, the expenditure for electricity generation of the Energie AG Group remained stable. This can be explained by procurement practices with long-term optimization, but also by

favorable water levels during the first half of the business year.

As compared to last year's electricity generation, the environmentally friendly production of electricity from hydro power went up by 32% and was thus clearly above the multi-year mean value.

In comparison to the year before, the electricity produced by thermal power stations grew by about 16%, on account of longer operating hours, which were the result of the high market prices. Altogether, the electricity generated at the Group's own production capacities grew by nearly one fourth, as compared to the same period of the previous year.

The consolidated electricity generation (including trading activities) amounted to about 6,040 GWh during the first six months of the 2007/2008 business year, which is more than 40% above the value of the previous year (4,290 GWh). The main reason for this increase is the expansion of our electricity trading activities, which have been set up during the previous business year.

On the basis of longer-term procurement and hedging measures, we expect a stable generation situation for the second half of 2007/2008.

PRESENCE ON INTERNATIONAL ENERGY MARKETS

The volatile price development on international energy markets has shown that a proactive management, in line with these developments, is of great importance. The Group's trading company is therefore a member of the principal European electricity market places and thus able to react to price developments at short notice. This includes electricity trading on commodity exchanges, bilateral transactions, as well as broker business, but also trading activities in products associated to the energy sector such as CO₂ certificates and certificates of origin.

Particular importance attaches also to transactions to procure primary energy sources on international markets for coal, natural gas, as well as oil. As these markets have a high liquidity, futures allow long-term price-hedging measures. They are used actively to minimize risks, as well as to secure future results.

MASSIVE EXPANSION OF OUR ELECTRICITY GENERATION CAPACITIES

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When the 400 MW combined cycle gas turbine (CCGT) power plant Timelkam goes into operation, which is planned for 2008, it will constitute a considerable expansion and diversification of the Groups' own electricity generation capacities. The CCGT

plant represents a total investment volume of more than EUR 200 million, which is the biggest single investment in the Group's history.

The main components of the power station have already been assembled. The priorities of the next few weeks are quality control and preparation for the startup phase.

In connection with generating electricity from hydro power, we pursue the expansion of existing and the construction of new power stations.

On 18 December 2007 the small-scale hydro power station at Niederuntersberg in the Federal Province of Salzburg was taken into operation. Until the end of the current business year, the feasibility of a power-station project at Bad Goisern along the Traun River will be examined. The detailed documentation is currently being prepared which is required for taking decisions on the next steps for the power-station project at Stadl Paura. Approval procedures are currently pending for the small-scale hydro power station at Oflek in the Grossarl Valley, which will have an output of 2.2 MW.

INCENTIVE-BASED REGULATION AND COST MANAGEMENT IN THE ELECTRICITY GRID

As part of the currently applicable incentive-based regulation system, E-Control – the regulatory authority – reduced the

tariffs of Energie AG Oberösterreich Netz GmbH by 1.1% (previous year: 2.7%). However, while network tariffs were lowered, procurement costs went up for third-party supplies and performances related to maintenance and investments. This year, too, there were unplanned costs for damage recovery after failures due to adverse weather conditions. The Energie AG Group counters these framework conditions by continuing its consistent cost management.

On 1 March 2008, the electricity grid of Energie AG was affected by the impact of storm "Emma". We succeeded in containing the consequences for the population on a comparatively low level by applying our well-functioning crisis management and deploying our troubleshooting teams in a targeted manner. The damage-recovery costs were considerable, but less than those caused by storm "Kyrill" in January 2007. Already before storm "Emma" hit the region, Energie AG Oberösterreich Netz GmbH had begun to work out a program to reduce the susceptibility to meteorological interferences, based on experience with natural disasters in recent years. We are increasing our efforts to implement the necessary measures. In particularly exposed areas, replacing the medium and low-voltage overhead lines by cables are very effective measures.

Compared to the first half of the previous year, electricity sales to private customers went up by about 7%. With regard to key-account customers, the supplied quantities decreased by about 1% in comparison to the first half of the year before.

Compared to 2006/2007, we expect sales from grid tariffs to be higher in the business year 2007/2008.

CONTINUING OUR QUALITY STRATEGY FOR ELECTRICITY SUPPLY WITH A NEW STRUCTURE

Since ENAMO GmbH, the joint-venture distribution company of Energie AG (65%) and Linz AG (35%), went into operation on 1 July 2007, it has been handling the business of the electricity-marketing subsidiaries of the two groups. In addition, ENAMO also conducts its defined own operations. Since the end of March 2008 it has also supplied customers with an annually delivered quantity in excess of 300 GWh. Internal preparations for entering the German market are about to be finished. As of 1 June 2008, we should begin supplying electricity to the first customers on this market.

Energie AG Oberösterreich Vertrieb GmbH & Co KG (Vertrieb KG) continues to operate successfully on the domestic market. In all customer segments, the switching rates are below the Austrian average. Vertrieb KG continuously faces new challenges from business and industrial customers, such as inquiries about special products. With our positioning as a quality supplier, which is underpinned by the short distances to customers in the region and personal services on site, we are in a position to continue sustainable marketing activities. One priority of our activities is to expand the services offered in the field of energy efficiency. The successful campaign, conducted last year among

our private customers, i.e. to replace old household appliances for energy-efficient models, was launched once again this year. "Energy checks" for private customers, which were successfully performed during the last three years, are currently given a new design. Besides, we currently work on the further development of this tool for small businesses, in order to be able to make specific offerings in this customer segment.

The consolidated electricity quantities sold amounted to 3,482 GWh (previous year: 3,538 GWh) during the first half of the 2007/2008 business year. While the quantities supplied to industrial customers and key accounts decreased by about 2.2%, we succeeded in obtaining higher sales to private, small-trade and business customers.

STABLE GROWTH OF THE HEATING SECTOR

The targets pursued by the heating sector are stable contributions to profit, as well as to achieve value-based growth in Upper Austria and defined CEE countries. After establishing Energie AG Teplo Bohemia in the Czech Republic, we now also founded Energie AG Teplo Slovakia for Slovakia, in order to create the structural basis for a successful appearance on the Czech and Slovak heating markets. These companies serve to coordinate the ongoing business activities and provide the basis for further acquisitions.

Against the background of a massive increase in primary-energy prices, it was possible to get the approval of the price authorities in Upper Austria to increase sales prices by 3.5% to 4% as of 01 February 2008. In spite of this price hike, the Group continues to hold a favorable competitive position, as compared to alternative types of heating.

In comparison to the heating season 2006/2007, which was characterized by extraordinarily mild weather, it was possible to considerably increase the quantities of heat sold during the first half of the current business year. The heating fed into the Austrian supply networks amounted to 240 GWh, which is about 20% above the value of the previous period. An increase of 19% was recorded for the heating-degree days during that period.

Sales in the area supplied by MTH Kolín in the Czech Republic followed a similar development.

As this business sector pursues efforts to grow, it continuously evaluates interesting projects in the Czech Republic and Slovakia.

INTENDED INCREASE OF GAS ACTIVITIES

Energie AG is planning to increase its 50%-share in Oberösterreichische Ferngas AG. Subject to the positive closing of contracts and anti-trust approvals, Energie AG will become the majority leader, managing the regional gas-supply business, in a group of owners from Upper Austria. In the course of this transaction it is also planned to acquire all shares in Cogeneration Kraftwerke Management Oberösterreich GmbH (CMOÖ), in which the Group holds a stake of 50% at present.

At the beginning of the year 2008, the Energie AG Group acquired a 15%-share in Tauerngasstudien- und Planungsgesellschaft m.b.H. This company is currently engaged in conducting a feasibility study concerning a natural-gas pipeline in the southbound direction from Upper Austria through Salzburg and Carinthia. The decision on feasibility will probably be taken before the end of the year 2008. The Tauerngas pipeline would increase reliable supplies for Austria and the other countries in the European natural-gas group by creating additional transport capacities.

In the present half-year accounts for 2007/2008, the shares in OÖ Ferngas AG and CMOÖ have been included at equity. This item also comprises the stakes in Ennskraftwerke AG, Wels Strom GmbH, Salzburg AG für Energie, Verkehr und Telekommunikation (Salzburg AG) and LIWEST Kabelmedien GmbH.

The share in the business result of the companies associated at equity amounted to EUR 15.6 million in the first half of the 2007/2008 business year, which is an increase of EUR 4.8 million (+44%) over the previous year. This is mainly due to higher results in OÖ Ferngas AG and Salzburg AG.

Waste Management Segment

For the first half of the 2007/2008 business year, the waste-management segment generated total sales of EUR 149.0 million (previous year: EUR 126.6 million) and an EBIT of EUR 12.0 million (previous year: 11.3 million).

In spite of a challenging market environment, the AVE group succeeded in continuing its dynamic growth course. The increases over the comparable period of the previous year were mainly the result of price hikes, as well as further organic and acquisition-driven growth.

AUSTRIA

The course of business in Austria during the first half of the 2007/2008 business year was characterized by further growth, as a result of which AVE succeeded in further strengthening its market position as the leading domestic waste-management company.

The last few months were also characterized by more competitive pressure, especially with regard to trade and industrial waste materials. The cost pressure in the waste-

management industry was further increased by the strong price hikes for fuels.

AVE, which can offer the full range of waste-management services along the value chain, continues to search for further small and medium-sized acquisitions in Austria.

With the take-over of the waste-paper activities of the Mayr Melnhof Group, AVE Austria succeeded in signing the most important and largest acquisition in the company's history. The total sales volume of the group amounted to EUR 39.1 million during the last business year.

In the meantime Wolf Ruth GmbH, acquired in 2007, has been merged with AVE Austria GmbH, and the logistics site at Vils in Tyrol has been integrated into the overall organization.

The consistent efforts to step up marketing activities in the southern regions of Austria were continued by acquiring CWS Carinthian Waste Service which has a location at Mühldorf.

Although short periods of maintenance services were required

at the thermal processing plant at Wels, which were due to the input of foreign materials, it was possible to expand the thermally processed waste-material volumes by 4.4%, as compared to the year before (total volume: 301,388 tons – for Lenzing and Wels).

At year-end 2007, parts of the thermal waste-processing plant WAV II were sold to an investor in the course of a leasing transaction. They were leased back for a period of 15 years, in order to finance the continuing growth course of AVE. At the end of the leasing period, the AVE group has a defined re-purchase right.

GERMANY

During the first quarter of the present business year, we took over the private waste-management companies Knödelseder GmbH and ABE Recycling GmbH, which conduct their business in the city of Passau and the surrounding districts of Bavaria, where waste for a total of 260,000 inhabitants is disposed. As of February 2008, Knödelseder GmbH was merged with AVE Abfallwirtschafts GmbH, and ABE Recycling was re-branded as AVE Recycling GmbH. Activities concentrated on managing the integration of the new companies.

CZECH REPUBLIC

The business of the AVE group in the Czech Republic continued to grow significantly. It was possible to compensate the

winter-service revenues, which – as in the year before – stagnated on a low level on account of the mild winter, by an average 7% price increase for municipalities throughout the country as of 01 January 2008. In addition, we engaged in further acquisition efforts during the first half of the 2007/2008 business year, which serve to consolidate the market.

In October 2007, for example, Fortygo s.r.o. was taken over, which offers services in municipal waste management and selective waste collection in the Karlovy Vary area.

The most important acquisition was the purchase of a 75% stake in a technical services company in Kolín, with 01 January 2008 as the effective date. The company is primarily engaged in municipal waste-management operations and also provides road services. It has thus been possible to achieve synergies with the existing AVE landfill at Caslav. Kolín is the first region where the Energie AG Group markets water, heating as well as waste-management services.

In addition, the municipal services of Hořovice s.r.o. were taken over in February 2008. This is a classical municipal undertaking which has its own sorting and composting plant.

We succeeded in further strengthening our market position in Moravia through the acquisition of an additional location at Olomouc.

Tribute was paid to this growth on the Czech market by moving into a new office location in Prague at the end of March 2008.

HUNGARY

The AVE companies with operations in Hungary were all able to record a positive development during the first half of the business year, which was primarily due to price hikes for municipal services. However, low winter-service revenues, due to the mild winter, had a dampening effect, as in the previous year.

In December 2007, the AVE group was awarded the contract for the long-term residual waste treatment in the district of Heves. In the meantime, AVE Heves Regio Kft. has been set up in order to implement the contract on time by making the necessary investments.

In parallel, AVE Miskolc and AVE Hungary succeeded in winning the tender for the sale of the municipal waste-collection company of the city of Heves. It now operates the municipal waste collection services in the city of Heves under the name of AVE Heves Kft.

SLOVAKIA

The first half of 2007/2008 was marked by the full integration of V.O.D.S., a.s. in Košice, which will be consolidated for the first time as of January 2008. In the region around Košice, in the eastern part of Slovakia, preparations are under way for the collection and processing of municipal and industrial waste materials, as well as for the collection of sorted waste materials. The necessary resources have been obtained; collection operations were launched in 10 communities in the middle of March 2008.

In early November 2007, a majority stake was taken over in the strategically important landfill at Jasov, which was upgraded to AVE standards within a short time. To this end, a PPP company was founded with the local municipality of Jasov. AVE-VODS Jasov sro was founded, of which AVE holds 70% and the municipality of Jasov 30%.

In December 2007, we took over the majority of A.R.W. Recycling Slovakia in Bratislava. The company was re-branded AVE Bratislava s.r.o. The operations of this company were marked by the expansion of the new location in Bratislava, which is expected to be completed by the end of May 2008. It will facilitate offensive marketing operations in the western part of Slovakia.

ROMANIA

The focus of the two AVE companies in Romania, i.e. AVE Harghita and AVE Salaj, was their integration into the AVE group, especially with regard to organizational and commercial aspects. Marketing operations focused on building up the collection and marketing of recycling materials.

In addition to the ongoing modernization of the vehicle fleet, the construction of a modern landfill in the Harghita region is a central investment project. The construction work is expected to be finished in May 2008.

As of April 2008 the waste-management company SC Huron srl, domiciled in the Romanian town of Miercurea Ciuc, was bought via the national AVE company in Hungary. The undertaking operates as the municipal waste collector in Miercurea Ciuc and a further nine municipalities and has a staff of 91. It will be possible to obtain synergies, as the existing AVE investment at Harghita is located nearby.

UKRAINE

AVE Vinogradovo succeeded in continuing the consolidation of its activities in the field of collecting the household waste in the region as well as in the town of Vinogradovo.

OUTLOOK

As far as Austria is concerned, it is expected that the pelletizing plant at Wels, which will produce high-caloric pellets of synthetic material for use in blast furnaces, will go into operation in early July 2008. In addition, it is planned to complete a project to use the thermal output from WAV for district-heating purposes by the end of the 2008 calendar year. The project represents an investment volume of about EUR 7.6 million.

One of the central projects for AVE Hungary will be to build a new landfill for the Heves district. Given the contractually established timetable, the requisite tender is planned to be published in mid 2008. It is planned to also build up the requisite capacities in the western part of Slovakia, in addition to the existing landfill sites in the eastern and central regions of Slovakia. The design work for the necessary plants in the different regions has been launched.

It is expected that further companies will be acquired during the second half of 2007/2008 in order to continue the growth course with consistency.

Water Segment

The water segment, with Energie AG Oberösterreich Wasser GmbH as the lead company, generated an EBIT of EUR 0.8 million (previous year: EUR +0.1 million) and total sales of EUR 37.9 million (previous year: EUR 32.7 million) during the first half of the 2007/2008 business year.

The main reasons for these increases over the comparable period of the previous year are larger quantities supplied as drinking water and managed as waste water in the Czech Republic.

AUSTRIA

As far as water supplies are concerned, we succeeded in improving the result by charging higher rates, as agreed, as well as by selling slightly more water. The investment project to supply drinking water to the Bavarian town of Burghausen has been successfully completed, and the plant was taken into operation as scheduled. The main growth area is the sewage-service division; here, services are offered throughout Austria, and we have been able to become Number Two on the Austrian market. Further projects concerning the supply of drinking water are currently in the project or implementation phase.

CZECH REPUBLIC

In the Czech Republic we succeeded in raising the number of inhabitants supplied with drinking water to 535,562 (previous year: 505,155). As far as waste water is concerned, the number of inhabitants receiving these services went up to 379,628 (previous year: 367,953).

VaK JČ a.s., in which we hold a stake, participated successfully in the tender for a contract to operate the supra-regional water supply for the southern part of Bohemia. The contract, which is of great significance for the company, was signed on 30 January 2008. Vak Beroun a.s. finished and took into operation an important sewage-system expansion project, in cooperation with the city of Beroun. Vodoss s.r.o. expanded its range of products successfully by offering sewage services as one of its products. The efficiency-enhancing program at VS Chrudim a.s. is proceeding according to plan. The objective to enhance competitiveness is pursued by implementing intra-group synergy projects such as, for example, the purchase of materials or insurances. Positive signs are currently noticeable of a further development in the

privatization processes which ENERGIE AG BOHEMIA s.r.o. is pursuing. These followed at a clearly slower pace during the previous business year, on account of national, regional and local elections.

HUNGARY

ENERGIE AG Magyarország vizgazdálkodási Kft. founded a joint venture with Miskolc Holding Rt. The objective of this joint venture is to provide services in the fields of drinking-water supplies, wastewater management and sewage services in the Miskolc region and in the neighboring areas. ENERGIE AG Magyarország vizgazdálkodási Kft. continues to pursue its main objective, i.e. to participate in the privatization processes of water companies. After the waiting phase of recent years, it is now expected that the newly founded state-run property-management agency, which took up its operations on 01 March 2008, will launch the privatization processes of state-run water companies by the end of the year 2008. Smaller tenders for drinking-water and wastewater licenses are already in the pipeline. The focus on the municipal level is currently on implementing EU-supported projects for the construction of drinking-water and wastewater plants.

SLOVAKIA

On the Slovak water market, five major water works can be identified as remaining targets for a possible privatization.

These water companies supply drinking water to a total of 2 million inhabitants. Energie AG Vodohospodárstvo Slovakia s.r.o. will participate in these privatization projects. In connection with the major water companies, one can currently notice a trend towards splitting up the big utilities into several smaller regional companies. The municipalities currently focus their interests on implementing major EU-supported construction projects for the water industry. In a parallel trend, the municipalities are showing increased interest in finding strategic partners for their water companies.

OUTLOOK

We can expect that the sewage service division will be further expanded in Austria during the second half of the 2007/2008 business year, as well as that the launched water-supply projects will be pursued further. It is expected for the Czech Republic that the business operations of the water companies will continue to proceed according to plan and that the efforts concerning individual acquisition projects will lead to concrete negotiations. With regard to the imminent privatization processes concerning water companies on the Slovak and Hungarian water market, it is expected that progress will become visible by the end of the business year.

Consolidated Income Statement

01 October 2007 to 31 March 2008

	01/10/07 to 31/03/08 in EUR 1,000	01/10/06 to 31/03/07 in EUR 1,000
1. Sales	720,086.4	525,877.6
2. Change in inventories of finished and unfinished products	1,162.2	-359.1
3. Other capitalized costs of self-constructed items	9,078.0	9,817.8
4. Share in result of companies associated at equity	15,638.4	10,887.7
5. Other operating income	12,923.4	9,572.8
6. Cost of materials and other purchased manufacturing services	-397,944.7	- 255,874.1
7. Personnel expenses	- 121,117.0	- 110,093.0
8. Depreciation	-58,318.0	- 54,895.5
9. Other operating expenses	- 78,994.9	- 59,396.7
10. Operating result (EBIT)	102,513.8	75,537.5
11. Income from interest	- 12,098.7	- 11,689.4
12. Other financial results	2,930.8	9,775.0
13. Financial result	- 9,167.9	- 1,914.4
14. Profit before tax	93,345.9	73,623.1
15. Taxes on income	- 19,823.2	- 15,543.9
16. Consolidated net result	73,522.7	58,079.2
attributable to minority interests	783.9	699.5

attributable to shareholders of parent company

Consolidated net profit

72,738.8

57,379.7

Diluted earnings per share =
Non-diluted earnings per share

EUR
0.91

EUR
0.72

Consolidated Balance Sheet as of 31 March 2008

ASSETS	31/03/2008	30/09/2007
	in EUR 1,000	in EUR 1,000
A. Long-term assets		
I. Intangible assets and goodwill	188,440.0	183,185.6
II. Tangible fixed assets	1,453,128.9	1,439,301.8
III. Investments (of these companies associated at-equity: EUR 273,521.4 thousand: EUR 268,537.4)	348,178.0	306,179.7
IV. Financial assets from cross-border leasing	77,937.4	86,208.4
V. Other financial assets	262,795.4	269,712.9
	2,330,479.7	2,284,588.4
VI. Other long-term assets	68,967.3	31,418.1
VII. Deferred taxes	5,382.5	5,401.5
	2,404,829.5	2,321,408.0
B. Short-term assets		
I. Inventories	49,418.4	55,225.3
II. Accounts receivable and other assets	254,009.8	221,700.5
III. Cash and cash equivalents	140,795.9	150,353.1
	444,224.1	427,278.9
	2,849,053.6	2,748,686.9

LIABILITIES	31/03/2008 in EUR 1,000	30/09/2007 in EUR 1,000
A. Equity		
I. Equity of shareholders of parent company	990,958.5	942,230.3
II. Minority interests	16,836.0	13,892.3
	1,007,794.5	956,122.6
B. Long-term debt		
I. Financial liabilities	618,642.6	575,904.6
II. Liabilities from cross-border leasing	84,861.3	83,991.1
III. Long-term provisions	188,674.3	189,079.2
IV. Deferred tax liabilities	85,993.8	84,632.1
V. Contributions to construction costs	258,789.6	257,446.5
VI. Deferred income from cross-border leasing	81,427.8	83,336.5
VII. Advances from customers	89,201.6	103,904.4
VIII. Other long-term debt	67,167.3	55,580.7
	1,474,758.3	1,433,875.1
C. Short-term debt		
I. Financial liabilities	79,757.0	40,799.4
II. Short-term provisions	22,716.6	17,842.1
III. Tax provisions	27,850.7	15,182.3
IV. Accounts payable	102,962.0	122,698.9
V. Deferred income from cross-border leasing	3,817.3	3,817.3
VI. Other short-term debt	129,397.2	158,349.2
	366,500.8	358,689.2
	2,849,053.6	2,748,686.9

Notes

The semi-annual report of Energie AG Oberösterreich as of 31 March 2008 was prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations, published by the International Accounting Standards Board (IASB) and taken over by the European Union, as they were required to be applied on the reporting date, and applying also IAS 34 (Interim financial reporting). The semi-annual report was neither the subject of a complete audit, nor of a review by any chartered accountant.

The reporting and valuation methods, applied in the last financial statements, were taken over without any changes.

During the first half of the 2007/2008 business year the following companies were consolidated for the first time into the consolidated accounts:

WASTE MANAGEMENT	location	share (in per cent)
Austria		
Joh. Spiehs & Co GmbH	Vienna	100.00
Slovakia		
AVE SK odpadové hospodárstvo s.r.o.	Bratislava	100.00
V.O.D.S. a.s.	Košice	51.00

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In the waste-management segment, Wolf Ruth GmbH, Vils, Austria, was merged with AVE Österreich GmbH.

The main changes in the group of consolidated companies are shown below:

	2007/2008 in EUR 1,000	2006/2007 in EUR 1,000
Long-term assets	18,758.2	14,680.2
Short-term assets	4,404.1	4,380.5
Long-term reserves and liabilities	- 5,073.3	- 6,461.4
Short-term reserves and liabilities	- 9,149.0	- 5,846.0
Net assets	8,940.0	6,753.3
Goodwill	2,446.7	12,239.7
Liquid funds	- 260.4	- 48.5
Changes in minority interests	-2,237.8	- 292.7
Acquisition of non-consolidated affiliated companies	5,323.8	10,155.0
Purchase price paid in previous periods	- 3,914.2	- 18,040.8
Net outflow of cash holdings	10,298.1	10,766.0

Segment reporting according to business sectors is as follows:

01/10/2007 to 31/03/2008 in EUR mill.	Energy	Waste management	Water - Waste water	Transition/ Elimination	Group
External sales	540.0	142.6	37.5	-	720.1
Internal sales	4.5	6.4	0.4	- 11.3	-
Total sales	544.5	149.0	37.9	- 11.3	720.1
Operating result (EBIT)	89.7	12.0	0.8	-	102.5

01/10/2006 to 31/03/2007 in EUR mill.	Energy	Waste management	Water - Waste water	Transition/ Elimination	Group
External sales	371.6	121.6	32.7	-	525.9
Internal sales	3.5	5.0	-	- 8.5	-
Total sales	375.1	126.6	32.7	- 8.5	525.9
Operating result (EBIT)	64.1	11.3	0.1	-	75.5

Sales in the energy segment were marked mainly by a resumption of the electricity trading activities, as well as by higher energy prices. The production coefficient amounted to 1.22 for the first six months (previous year: 1.03).

In the waste management segment, fixed assets with a book value of about EUR 72.0 million were sold and leased back for a period of 15 years ("sale-and-lease-back"). The assets of this financing and leasing relationship continue to be carried as assets in the balance sheet, while an equal amount was carried under liabilities for the cash value of the minimum leasing payments. The future minimum leasing payments amount to EUR 4.9 million for the following year, EUR 19.5 million for more than one year and up to five years, and EUR 73.4 million for more than five years.

The additions to property, plant and equipment amounted to EUR 48.8 million for the first semester 2007/2008 (previous year: EUR 111.6 million), disposals of carrying values amounted

to EUR 1.9 million (previous year: EUR 4.5 million).

The income statement comprises sales revenues from affiliated companies in the amount of EUR 17.5 million. Performances and services were received at customary market conditions.

During the first half of the 2007/2008 business year, dividends in the amount of EUR 38,145.3 thousand (previous year: EUR 17,106.9 thousand) were paid out to the shareholders of Energie AG Oberösterreich. The existing stock of own shares as at 30 September 2007 was distributed to staff members of the Group.

The main risks have remained unchanged, as compared to 30 September 2007. Risk-management measures are continued with consistency.

Contingent liabilities amount to EUR 1,395.1 million (previous year: EUR 1,462.2 million).

Statement by the Board of Management pursuant to § 87 (1) of the Austrian Stock Exchange Act

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view

of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements and of the principal risks and uncertainties for the remaining six months of the financial year.

Linz, 14 May 2008

The Board of Management of Energie AG Oberösterreich



Leopold Windtner



Werner Steinecker MBA



Roland Pumberger

Cash-Flow Statement

	01/10/2007 – 31/03/2008	01/10/2006 – 31/03/2007
	in EUR 1,000	in EUR 1,000
Profit before tax	93,345.8	73,623.1
Result after taxes on income	86,919.1	51,690.9
CASH FLOW FROM THE RESULT	122,567.1	207,165.2
CASH FLOW FROM OPERATING ACTIVITIES	63,343.4	158,159.9
CASH FLOW FROM INVESTMENTS	- 117,314.5	- 129,726.5
CASH FLOW FROM FINANCING ACTIVITIES	44,413.9	- 19,440.3
TOTAL CASH FLOW	- 9,557.2	- 8,993.1
Funds at the beginning of the period	150,353.1	45,287.3
Funds at the end of the period	140,795.9	54,280.4

Development of Group Equity

	in EUR 1,000
Status as of 30 September 2006	828,049.2
Consolidated net result	116,529.3
Revaluation of companies associated at-equity, not affecting the operating result	306.5
Other revaluations not affecting the operating result	26,150.9
	26,457.4
Total revenues for the period	142,986.7
Dividend payment	- 17,901.5
Currency differences	3,275.5
Change in consolidated group	- 287.3
Status as of 30 September 2007	956,122.6
Consolidated net result ⁰	73,522.7
Revaluation of companies associated at-equity, not affecting the operating result	- 146.6
Other revaluations not affecting the operating result	- 1,217.6
	- 1,364.2
Total revenues for the period	72,158.5
Dividend payment	- 38,930.0
Currency differences	8,443.2
30 Sale of own shares	7,762.4
Change in consolidated group	2,237.8
Status as of 31 March 2008	1,007,794.5



Six months full of energy.

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Linz, May 2008



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