

ANNUAL REPORT 2017

NUMBERS. DATA. FACTS.



INVESTING IN INNOVATIVE SOLUTIONS

Salzburg AG makes life more sustainable, more connected, and more comfortable.

As state energy provider in Austria, Salzburg AG has the goal of making the lives of Salzburg's citizens more sustainable, more connected and more comfortable with their products and services. Energy transition and digitalisation are driving innovation. We are focusing on expanding renewable energy, increasing energy efficiency and improving public transport and e-mobility. After all, the energy transition is also a transition in mobility.

All of our business processes will include digitalisation in the long term. We are thoroughly preparing for this. In the digital age, customers are not just looking for a provider of energy, but a partner who covers everything from generation to increased efficiency to smart applications for saving energy, security or e-mobility.

Our programme of innovation has already started showing success; we use drones to check power lines, for instance. Virtual reality glasses allow for easier power plant maintenance, and a new WhatsApp channel makes it easier and faster to communicate with our customers. Salzburg AG's course of growth continued in 2017 and forms the economic basis for committed investments in innovative solutions.

We meet the challenges of tomorrow with passion for smart solutions in our core areas of energy, mobility and communication. We are working on this with all of our power.

Leonhard Schitter
Executive Spokesman

Horst Ebner
Chairman



KEY FACTS 2017 FISCAL YEAR

Revenue	1,271.8m euros
Gross fixed assets	4,023.1m euros
Ordinary business income	46.1m euros
Equity including untaxed reserves and capital improvement subsidies	841.6m euros
Total assets	1,496.4m euros
Employees as of 31 December 2017	2,022

Energy

Electricity	Total production	1,762.9 GWh
	Total trade	19,401.8 GWh
	Total sales	3,294.8 GWh
Natural gas	Total trade	16,984.6 GWh
	Total sales	1,764.2 GWh

Infrastructure

Salzburg Netz GmbH, 100% subsidiary of Salzburg AG		
Electricity	Total supply	4,247.2 GWh
	Number of customer installations	437,568
Natural gas	Total supply	3,296.7 GWh
	Number of customer installations	36,553

District Heating

Total sales	955.1 GWh
Customer installations	18,326

Water

Total sales	11.8m m ³
Customer installations	20,017

Mobility

Total passengers	52,045,039
Tons of goods transported	2,855,314

Communication

Cable TV	Number of customer installations	130,127
Internet	Number of customer installations	87,231
Telephony	Number of customer installations	24,682
Telecommunication	Number of data lines in service	8,163

ENERGY FROM WATER, THE SUN AND BIOMASS

The state of Salzburg has an ambitious goal: to be carbon-neutral and energy-independent by the year 2050. In concrete terms, this means that all the energy needed throughout the entire state will be generated in the state of Salzburg: hydropower, solar power, wind and biomass should cover the energy needed. For this reason, the state of Salzburg and the energy provider formed an alliance in 2017 towards attaining the Climate and Energy Strategy 2050. Expansion of hydroelectric power and photovoltaics are Salzburg AG's focus here. In 2017 the company spent around 30 million euros on building and modernising hydropower, photovoltaic, biomass

and eco-energy plants. By 2020, the share of the electricity we produce ourselves is set to increase to 60 per cent. Two current projects aimed at achieving this are the Gries hydropower plant, which will generate around 42 million kilowatt hours, and the conversion of the 50-year-old Dießbach power plant into a modern pumped-storage power plant. With around 30 photovoltaic systems in Austria and many projects abroad that amount to approximately 15,000 Wpeak, Salzburg AG is among the largest solar energy producers in the country. This full-service provider offers customers tailor-made complete solutions for private households, businesses and municipalities.

100% Clean Energy

This energy provider supplied only energy from renewable sources to its customers in 2017. The fuel mix disclosure label according to § 78 par. 1 and 2 of the Electricity Industry and Organisation Act (EIWOG) 2010 is listed on every invoice, making the origin of our electricity transparent.

An Important Partner for Small Hydropower Plants

This utility company enables small hydropower plants to place the electricity they generate on the market at attractive prices. Over 100 operators from Austria rely on various market-

ing models from the energy company which contracted more than 500 GWh from this segment in 2017. Salzburg AG has developed the "multi-power model" for operators of small or industrial plants: innovative communication and control technology bundles smaller producers into a virtual power plant, thus integrating them into the rule energy market. This results in attractive additional income for the operators.

WHERE BUSES AND TRAINS ARE IN THE FAST LANE

With around 52 million passengers, Salzburg AG is the largest mobility provider in the state. The Obus trolleybus alone with its 12 lines was used by 43 million passengers in 2017, about three per cent more than in the previous year. The trolleybuses run on 100 per cent renewable energy, thereby making them emission-free; cover a 121-kilometre-long network of routes; and travel around 5.6 million kilometres each year. We continued the modernisation of our trolleybus fleet. This included testing of a modern, 25-metre-long double-articulated trolleybus for three months to increase capacity on high-traffic lines.

The modernisation of the Weitwörth-Nußdorf station was among the most important investments in the Salzburger Lokalbahn local railway. Improvements in the safety of railway crossings and the extension of the train control system were at the forefront for Pinzgauer Lokalbahn. The range of services was also improved for the Berchtesgadener Land Bahn. In total, this mobility service provider invested around 18 million euros in the expansion and modernisation of the transport sector in 2017. Over the past ten years, investments in public transport have totalled 172 million euros.

The Future of Electric Mobility

The shift away from fossil fuels to electric mobility from renewable energy is vital in achieving climate goals. Converting as many people as possible requires a well-developed infrastructure for charging electric vehicles. That's why this utility company is resolute in building this infrastructure. Salzburg AG currently operates 60 public charging stations in the state, plus six quick charging stations, which achieve a charging power of 50 kW in 15 to 30 minutes. In addition to these public charging stations, around 300 private and commercial electric charging stations have

been built in recent years. The company's Basic Box is an ideal product for private households; the Pro-Box is designed for commercial customers; and a special product for hotels and restaurants is also available.

CREATIVE SOLUTIONS FOR THE DIGITAL FUTURE

Salzburg AG thinks ahead to make everyday life easier for customers with innovative energy, mobility and communication projects. With a programme of innovation, the company actively helps design opportunities for digitalisation. The Innovation Challenge connects internal know-how with external expertise. This ideas competition invites national and international start-ups; visionaries from the worlds of business, science and technology; and employees to develop creative solutions and new products for the utility company. The use of drones in the inspection of power lines and the development of modern flywheel generators are among the resulting ideas. This latter innovation can balance consumption peaks and thus relieve the power grid. A software solution should automate and improve operational schedules of storage power stations. Two other projects from the innovation competition revolve around smart home

systems. The WhatsApp channel for communicating with customers, the robot Pepper and mia, the employee information app, are more examples of innovative ideas. In 2017 alone, 5 million euros went into the development of digital solutions for the future.

At the Cutting Edge Thanks to Blockchain Technology

This Salzburg energy supplier is pioneering the use of blockchain technology. Together with Verbund AG, two pilot projects were launched in the autumn of 2017 that exploit the innovative ability to handle transactions safely, transparently and cost-effectively. The basis for this is a chain of encrypted data stored in blocks that are distributed over a vast network of computers. The blockchain can reduce transaction costs in electricity wholesale and provide new, smaller providers with better access to the market. A pilot project is being

conducted in a block of flats in Köstendorf in Salzburg's Flachgau region. A project for better utilisation of self-generated solar power has been started in Pfarwerfen.

Online in No Time

Each year Salzburg AG invests 21 million euros to be able to offer all residents in the state of Salzburg broadband with speeds of up to one Gbit per second by 2030. A high-performance fibre optic network will be available throughout the entire state in the future. CableLink – Internet available over Salzburg AG's cable network – celebrated its 20th anniversary in 2017. With products ranging from Light to Extreme 200, the company guarantees super-fast Internet in all parts of the state.

Committed to our Region

Around 542 million euros value added, a 637 million euros contribution to GDP, and

5,985 jobs throughout Austria: these are just a few key figures from a study that examined the economic effects of the activities of Salzburg's full-service provider. Through its investments, the state energy provider is an important driving force in the local and national economy. With about 2,200 employees, Salzburg AG is one of the largest employers in the state. The company is committed to the balance between work and family life, equal opportunities and generation management. Training and development takes high priority. Ambitious employees enjoy a wide variety of career opportunities in all areas of the company. They are encouraged according to their talents and supported in their professional development.

LONG-TERM INVESTMENT IN NETWORKS



In 2017, around 84 million euros was invested in the upkeep, renovation and expansion of their power and gas lines, thereby also investing in the reliability of the supply throughout the state. The Salzburg Netz GmbH, a 100 per cent subsidiary of Salzburg AG, looks after an approximately 2,000-kilometre-long natural gas network, a more than 16,500-kilometre power grid in the low, medium and high voltage range, nearly 5,000 substations and transformer stations and just under 1,000 gas control stations.

Transitioning from analogue electricity meters to modern smart meters is a central project of Salzburg Netz GmbH. The exchange of meters in around 470,000 households is to start in

2019. In order to take advantage of synergies, the meters and systems are procured in cooperation with operators in Tyrol and Vorarlberg. At the same time, transmission channels and systems must be created to handle the data exchange. To do so, 3,500 transformer stations have been equipped with communications technology. The amount of data that will have to be collected, read and processed is enormous: 16 billion meter readings per year. Salzburg AG is investing 175 million euros in the large-scale Smart Metering Project over several years. Smart metering is not an end in itself. The new meters will facilitate more economical use of energy, thus also contributing to the energy transition.

Salzburg AG für Energie, Verkehr und Telekommunikation
Bayerhamerstraße 16, 5020 Salzburg, Österreich

T +43/662/8884-0, Serviceline 0800/660 660
kundenservice@salzburg-ag.at

 www.salzburg-ag.at
www.facebook.com/salzburg.ag

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