

USE THIS ANNUAL REPORT ANY WAY YOU WANT.

A. Unreasonable:

Naturally you can use this annual report as fuel. However, with its miserable calorific value, its energy will quickly go up in smoke in the chimney, and you will never find out what it's really about.

B. Reasonable:

You can also relax, sit down, take a little time and read the annual report. You will see that every single page with all its facts and background information is overflowing with energy. The only thing that may get overheated is your brain!

Key figures

	2006/07	2005/06	Change in %	2004/05	2003/04	2002/03
Sales volumes						
Electricity generation _____ GWh	3,451	4,556	-24.3	4,484	4,240	3,439
Electricity sales volumes to end customers _____ GWh	18,043	15,641	15.4	11,342	6,164	6,126
Gas sales volumes to end customers ¹⁾ _____ GWh	5,603	7,580	-26.1	7,035	7,319	10,023
Heating sales volumes to end customers _____ GWh	911	1,067	-14.7	1,033	967	877
Income statement						
Revenue _____ EURm	2,233.1	2,071.6	7.8	1,609.5	1,207.3	1,082.1
EBITDA _____ EURm	350.7	397.4	-11.8	335.2	297.6	227.5
EBITDA margin _____ %	15.7	19.2	-	20.8	24.6	21.0
Results from operating activities (EBIT) _____ EURm	197.3	184.4	7.0	131.0	114.6	102.5
EBIT margin _____ %	8.8	8.9	-	8.1	9.5	9.5
Profit before income tax _____ EURm	287.4	304.9	-5.7	186.2	135.9	145.4
Group net profit _____ EURm	227.0	221.9	2.3	144.4	117.4	102.6
Balance sheet						
Balance sheet _____ EURm	6,261.9	5,845.8	7.1	4,739.6	3,732.0	2,993.8
Equity _____ EURm	3,014.7	2,756.0	9.4	2,285.4	1,555.7	1,160.2
Equity ratio _____ %	48.1	47.1	-	48.2	41.7	38.8
Net Debt _____ EURm	825.3	930.0	-11.3	673.8	429.3	347.0
Gearing _____ %	27.4	33.7	-	29.5	27.6	29.9
Return on equity (ROE) _____ %	9.0	10.6	-	8.2	8.7	9.3
Return on capital employed (ROCE) _____ %	7.1	7.9	-	6.2	6.2	6.2
Cash flow and investments						
Cash flow from operating activities _____ EURm	342.8	399.7	-14.2	267.1	242.6	213.2
Investments ²⁾ _____ EURm	277.7	251.5	10.4	192.6	168.8	228.0
Net debt coverage (FFO) _____ %	50.7	49.1	-	44.5	67.0	69.4
Interest cover (FFO) _____ x	5.5	8.1	-	6.1	6.4	7.8
Employees						
Number of employees _____ Ø	9,535	9,973	-4.4	6,654	2,608	2,317
Thereof Austria _____ Ø	2,365	2,306	2.6	2,362	2,325	2,317
Thereof abroad _____ Ø	7,170	7,667	-6.5	4,292	283	-
Value added						
Net operating profit after tax (NOPAT) _____ EURm	275.2	298.2	-7.7	230.5	171.1	-
Capital employed ³⁾ _____ EURm	3,041.2	2,760.4	10.2	2,461.0	2,135.5	-
Operating ROCE _____ %	9.0	10.8	-	9.4	8.0	-
Weighted average cost of capital (WACC) _____ %	6.5	6.5	-	6.0	5.3	-
Economic Value Added (EVA [®]) ⁴⁾ _____ EURm	77.5	118.8	-34.7	82.9	57.9	-
Share						
Earnings _____ EUR	5.55	5.43	2.3	3.53	3.08	2.73
Dividend _____ EUR	1.50 ⁵⁾	1.40 ⁶⁾	7.1	1.15 ⁷⁾	0.95	0.75
Payout ratio _____ %	27.0	25.8	-	32.6	33.1	27.5
Dividend yield _____ %	1.7	1.7	-	1.5	2.3	2.1
Share performance						
Share price at the end of September _____ EUR	90.50	83.58	8.3	75.00	41.50	36.22
Highest price _____ EUR	95.49	99.00	-3.5	78.50	47.34	44.50
Lowest price _____ EUR	81.51	65.20	25.0	40.90	36.10	35.40
Market capitalisation _____ EURm	3,700	3,417	8.3	3,066	1,697	1,361
Credit Rating						
Moody's _____	A1, stable	A1, stable		Aa3, stable	Aa3, negative	Aa3, negative
Standard & Poor's _____	A, stable	A, stable		A+, stable	A+, stable	AA-, stable

1) From January 1, 2003, excluding gas trading and sales to large customers following transfer to EconGas

2) Investments in intangible assets and property, plant and equipment

3) Average adjusted capital employed

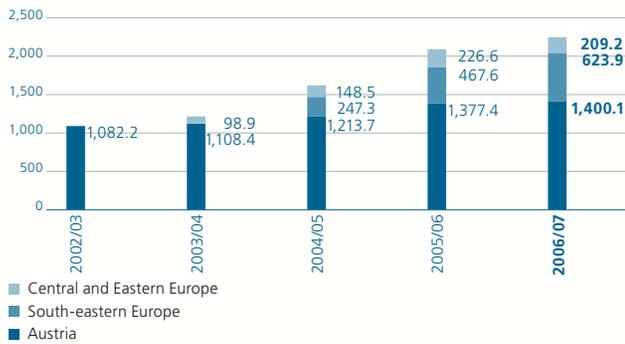
4) As defined by Stern Stewart & Co.

5) Proposal to the Annual General Meeting

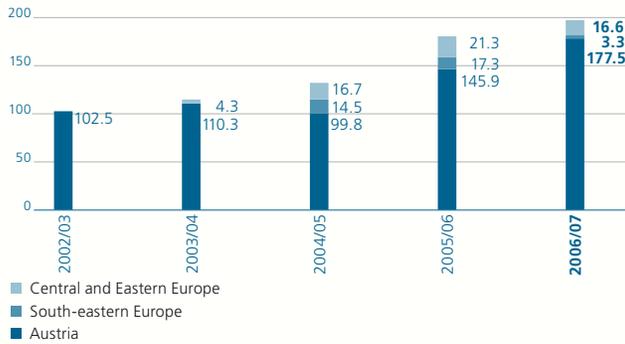
6) EUR 1.20 plus a bonus of EUR 0.20

7) EUR 1.00 plus a bonus of EUR 0.15

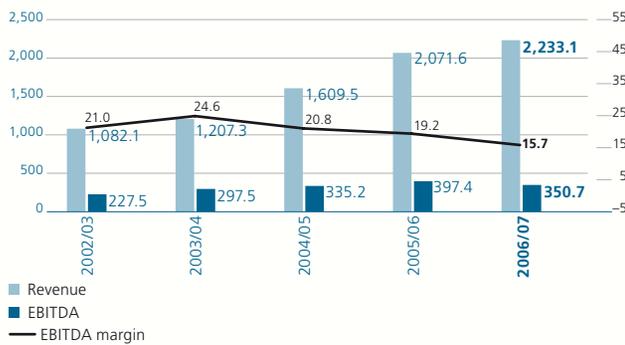
Revenue by region EURm



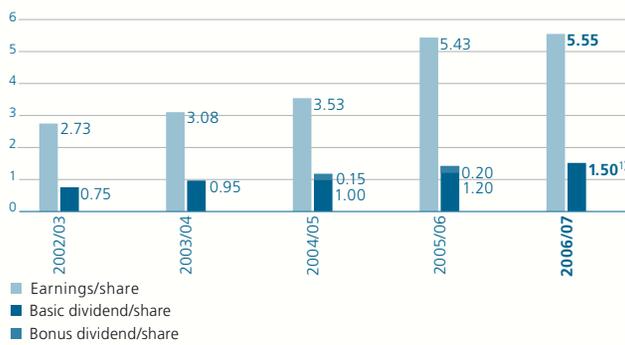
EBIT by region EURm



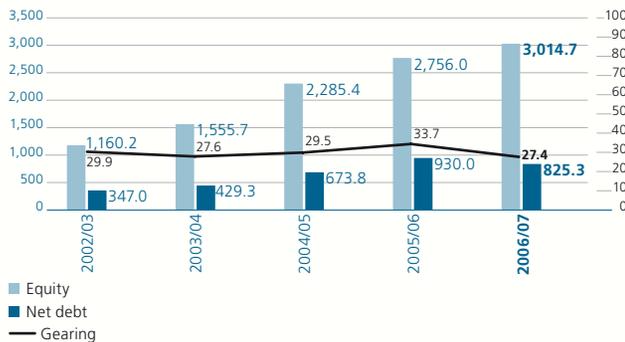
Revenue, EBITDA EURm, EBITDA margin %



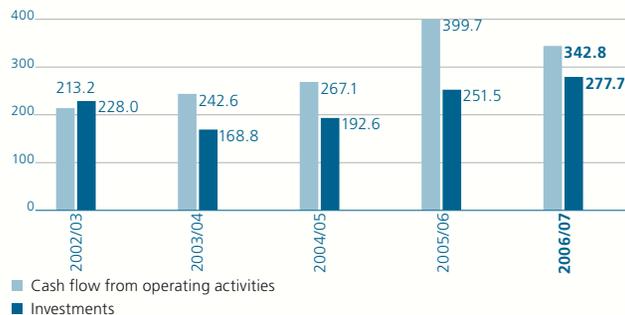
Earnings and dividend per share in EUR



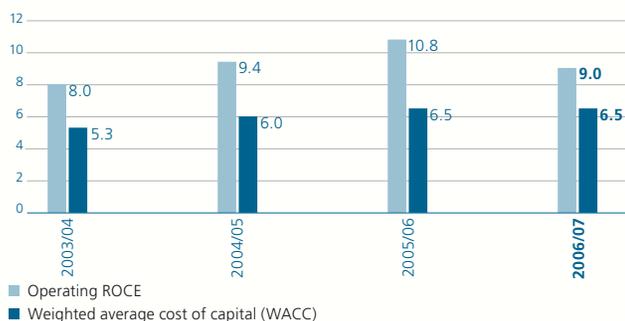
Equity, Net debt²⁾ EURm, Gearing³⁾ %



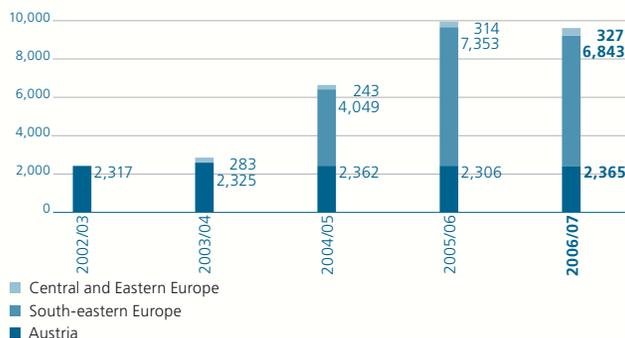
Cash flow and investments EURm



Operating ROCE⁴⁾ and WACC⁵⁾ %



Employees by region



1) Proposal to the Annual General Meeting

2) Balance from interest-bearing asset and liability items (issues and liabilities to credit institutes less loans, securities and liquid funds)

3) Ratio of net debt to equity

4) Return on capital employed (ROCE) – This ratio shows the return on the capital utilised within the company. For the calculation of this parameter net profit for the period and interest expenses less tax effects are compared with average capital employed. In order to consistently show the development of the value contribution, operating ROCE (OpROCE) is adjusted for impairments, one-off effects and the market value of the Verbund shareholding.

5) Weighted average cost of capital (WACC) – This parameter consists of debt and equity capital costs, weighted according to their share in total capital. The actual, average credit interest – adjusted for tax effects – is used as debt capital costs, while the return on a risk-free investment plus a risk markup, which is individually calculated for every company.

**WE BELIEVE EVERYONE
CAN USE HIS TIME
AND ENERGY AS HE
SEES FIT.**

A lot has been and is still being written about energy. The bottom line is that "everything is a matter of energy", as people say. In the spirit of sustainability and our slogan "Use energy responsibly", it was really interesting for us to observe how people actually deal with energy, in their free time and on the job.

There's one thing we can say right off the bat: some surprising "energy services" are awaiting you, some quite reasonable, others less so. In fact, there are people who intensively make use of the time and energy at their disposal. They passionately pursue their hobbies, work on extraordinary inventions and end up with fascinating achievements.

Whether they always use energy in a reasonable manner is another issue altogether. But it would be better to draw your own conclusions.



A) Unreasonable:

Mario Schmidt can be called a fuss-pot, inventor or tinkerer. He invests every second of his free time and all his money in revamping his car. The correct terminology is "tuning". Due to his penchant for detail and his outlandish visual ideas, his "power stations" have succeeded in winning some tuning competitions. He is unlikely to become very famous, but he does usually gain broad-based appeal – especially when it comes to the female tuning fans.



B) Reasonable:

We are constantly fooling around, working, trying to improve things. If you want, you can even say that we are “revamping” the company, and putting a lot of money into new projects. However, our goal is not to reap so much praise, but to pursue clearly-defined, long-term goals. For example, we are investing in a large-scale project in Walsum to increase electricity production capacity. With an output of 790 MW and a net efficiency level of more than 46%, it will be one of the most advanced and, even more important, one of the most efficient coal-fired power plants in Germany.



A) Unreasonable:

People always go in new directions if they want to establish new records. Or else they simply stand still, as Armin Plattner does. Wherever he goes, he is in the midst of a balancing act, practicing the ability to stand on one leg. His goal is to surpass the existing world record, achieved by an Australian, of 76 hours and 40 minutes.



B) Reasonable:

One thing is for certain: we are not trying to break records. We prefer to keep both our feet firmly on the ground – and ensure stability and secure growth in the company through new projects in Austria and abroad. Like the waste incineration facility in Moscow, an example of how we are establishing a second “foothold” in environmental services to complement our energy business.



A) Unreasonable:

There are people who surpass themselves when indulging in their passion. One of them is Bryan Berg, who managed to get into the Guinness Book of Records for building the highest house of cards in the world. In 1999, for example, he built a 7.7 metre high tower in the casino at Potsdamer Square in Berlin. Besides a considerable degree of talent, Bryan primarily relies on one more attribute: a lot of patience. It is not uncommon for houses of cards to collapse shortly before completion due to a slight gust of wind or inadvertent carelessness.



B) Reasonable:

A slight gust of wind does not make us lose our cool quickly. We can also withstand stormy periods on the global energy markets at any time. The reason: we prefer to build on the stability of a solid foundation. That is why our expanding foreign business operations generate an important contribution to revenue and earnings, and thus ensure secure growth. For the purpose of geographical diversification, our domestic market in Lower Austria is being complemented by new core regions in South East Europe as well as Central and Eastern Europe.



A) Unreasonable:

Josef Kupfner has a “load-bearing” role to play in his free time. He likes to run carrying other people on his back. He is not striving to get people from point A to point B, but to break the world record for the fastest piggyback mile, which is currently 15 minutes, 11.87 seconds, posted in New Jersey, USA. We wish Mr. Kupfner “good carry”, or whatever one says in this situation.



B) Reasonable:

EVN can not and does not want to bear any unnecessary burdens, either for itself or the environment. Thus CO₂-reducing facilities such as this biomass-fired power station are fixed components of our value-oriented corporate strategy.



A) Unreasonable:

There are people who do a lot of boasting and bragging, such as Marco Hort. His nickname is the "Rohrminator" (Rohr = tube or pipe), because on September 17, 2006, he managed to put 264 drinking straws in his mouth at once, each 6.4 millimetres in diameter. He is already risking swollen lips, because he will soon make an attempt to set another world record.



B) Reasonable:

We have quite a good appetite, but we do not brag too much. We prefer to promise a continuing attractive dividend policy corresponding to the company's development. This approach does more than just provide the basis for long-term growth perspectives and fulfilling our future investment and financing requirements. It enables us to ensure a reasonable return on investment, so that none of our shareholders has to choke.

ZIEL

GLAMOUR



A) Unreasonable:

If a group of women race on high heels, this is called a "Stiletto Run". The winner of the competition in Berlin needed less than 15 seconds to sprint 100 metres. According to the organisers of the event, the most important thing is that no one was seriously hurt attempting this balancing act.



B) Reasonable:

The financial structure of the EVN Group is as stable as this concrete dam, comprising an optimal mix of equity and outside capital. We can do without any dangerous balancing acts, but not without outstanding ratings from Moody's and Standard & Poor's.



A) Unreasonable:

The top athlete Franz Müllner from Lungau in Austria has the ability to bundle his energies to achieve extraordinary results. He succeeded in establishing a new European record by pulling an Airbus 321 weighing 70 tonnes. He is also the world recorder holder in holding back a car moving forward at full throttle.

B) Reasonable:

If we had to bestow a championship title on ourselves, we could say that we are champions in “creating synergies among the different business areas”. To be more precise, we are not concentrating our energies on individual projects, but on acting with foresight. The sustainable creation of and increase in value is the focal point of all our activities. This is made possible by exploiting synergies between the different business units of the EVN Group in Austria and abroad. Natural resources are used responsibly and economically. In doing so, we increasingly rely on renewable energy sources such as wind power.

Highlights 2006/07

Revenue + 7.8% (EUR 2,233.1m)

EBITDA – 11.8% (EUR 350.7m)

EBIT + 7.0% (EUR 197.3m)

Group net profit + 2.3% (EUR 227.0m)

Earnings per share + 2.3% (EUR 5.55)

Dividend per share + 7.1% (EUR 1.50)¹⁾

- Group net profit slightly **above the record level** achieved last year
- **Higher revenue** in the Energy Segment, stable revenue in Environmental Services
- First-time consolidation of the Macedonian subsidiary **ESM AD** for an entire financial year
- **Contract signing** to acquire Bulgaria's 2nd largest district heating plant, imminent closing of the transaction
- Agreement to increase EVN's indirect shareholding in **Rohöl-Aufsuchungs AG**
- Completion of the waste incineration facility in **Moscow**
- EVN's hydropower projects in **Albania** declared to be in the public interest
- **District heating cooperation** with the Lower Austrian provincial capital of Sankt Pölten
- Significant progress in the construction of the **coal-fired power plant** in Duisburg-Walsum
- Market entry in **Turkey's** environmental services sector

¹⁾ Proposal to the Annual General Meeting

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Statement by the Executive Board

Consolidation effect in electricity, sales decline in gas and heating

Dear Shareholders!

In the 2006/07 financial year, the EVN Group consistently pursued its strategy of positioning itself as a successful energy and environmental services company. The outstanding earnings development during the period under review has demonstrated the value of our multi-service utility approach. Despite a challenging business environment, we managed to outperform the record results posted in the previous year. On balance, total revenue of the EVN Group climbed 7.8%, to EUR 2,233.1m. The first-time consolidation of our Macedonian subsidiary ESM AD for an entire financial year more than compensated for the weather-related decrease in sales volumes. The results from operating activities amounted to EUR 197.3m, or 7.0% above last year's level. In contrast, as expected, the financial results were below the previous year's performance, which was characterised by one-off effects in the form of disproportionately high income from associates. All in all, profit before income tax totalled EUR 287.4m, a decline of 5.7% compared to 2005/06. However, due to a lower income tax expense and minority interest, Group net profit climbed 2.3%, to EUR 227.0m. Accordingly, earnings per share rose to EUR 5.55, up from EUR 5.43 in the previous year. We want to ensure that this gratifying development is reflected in our dividend policy. For this reason, we will propose an increase in the dividend from EUR 1.40 to EUR 1.50 to the Annual General Meeting. This is defined as a basis dividend.

Primary energy and electricity prices considerably below the previous year

In a brief review, let us outline the most important developments of the financial year under review. The Energy segment was characterised by stable international primary energy prices and a demand-related decline in electricity wholesale prices. The decrease in gas procurement costs also reflected the overall trend, with the usual contractually stipulated time lag. As part of EnergieAllianz, we passed on these savings to our end customers, cutting gas sales prices by an average of 8%, effective July 1, 2007.

Expansion in Bulgaria's heat generation sector

We achieved an important milestone in our further operational diversification efforts in South-eastern Europe, concluding an agreement to acquire the Bulgarian district heating company TEZ Plovdiv. After closing this acquisition it will be EVN's first significant own production capability in this region. Bulgaria's second largest district heating plant supplies heat to about 40,000 customers, which doubles the number of EVN's heat customers.

Implementation of the energy concept for Lower Austria

On the domestic market, we concluded a partnership agreement to supply district heat to the Lower Austrian capital of Sankt Pölten. In order to carry out the project, the City of Sankt Pölten will spin off its district heating operations, establishing a new company in which EVN will acquire a 49% shareholding. Starting in the 2009/10 heating season, we will supply two-thirds of the required heat for the inhabitants of Sankt Pölten from our facilities in Dürnrohr. This project is one part of a broad-based energy concept for the Lower Austrian Central Region, involving investments of about EUR 200m in the next few years.

Renewable energy project in Albania

Vital preliminary work has been carried out to prepare for the further internationalisation of the EVN Group. Following the signing of a Memorandum of Understanding with the Albanian government, we submitted an offer for three storage power stations with an annual capacity of more than 1,000 GWh, based on feasibility studies. After a positive evaluation by the responsible governmental commission, the Albanian government approved the projects and declared them to be in the public interest. This preparatory work has given EVN a major competitive advantage in the upcoming tender process for these projects. In November 2007, EVN submitted an offer to achieve a concession for construction of three hydro power plants in Albania.

Expansion in power generation

To further expand our own production capabilities, the ground-breaking ceremony for the construction of a state-of-the-art coal-fired power plant in Duisburg-Walsum, Germany, took place in November of the period under review. The project is being carried out in cooperation with Evonik Steag GmbH, and is expected to be completed by 2010.



**Peter Layr, Burkhard Hofer,
Herbert Pötttschacher**

EVN achieved further progress in its vertical integration, concluding a contractual agreement to acquire E&P Holding GmbH, which, in turn, enabled EVN to increase its indirect stake in Rohöl-Aufsuchungs AG (RAG).

Increase of indirect stake in RAG

Finally, we succeeded in concluding or newly initiating projects in the Environmental Services segment. The large drinking water facility in Moscow was transferred to the municipal authorities in November 2006, and the waste incineration plant for the Russian capital was handed over to the operating company. In Dürnröhr, construction began on a third waste incineration line to boost capacity. In Zagreb, the EVN subsidiary WTE commenced full operations of the central municipal wastewater treatment plant after a construction period of five years. In Moscow, the ground-breaking ceremony for construction of a combined cycle heat and power plant located next to the Kuryanovo wastewater purification plant will take place in the near future. EVN is on the verge of concluding additional contracts for large projects, for example in Cyprus, the Baltic States and to expand capacity of a drinking supply facility in Moscow. During the period under review, EVN Wasser doubled the number of end customer it directly supplies with water to 30,800, due to intensified partnerships with municipalities in Lower Austria.

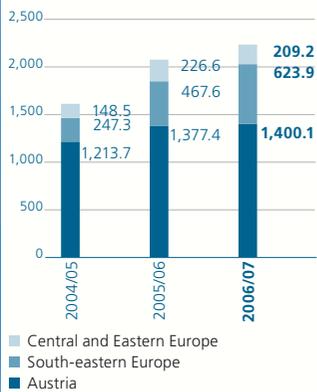
**Projects concluded and new
contracts in the Environmental
Services segment**

We are convinced that all these aforementioned projects and plans will provide a solid basis for the future growth of the EVN Group. We are also aware that this success largely depends on the commitment and dedication of our employees. Therefore, we want to take this opportunity to express our sincere thanks and appreciation to our employees, and to thank all our shareholders for their confidence in us.

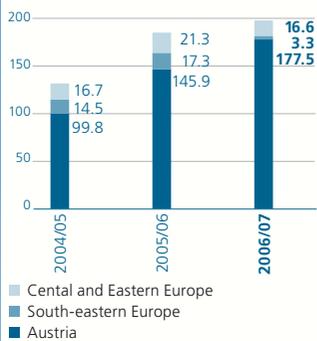
Three handwritten signatures in black ink, arranged horizontally. The first signature is 'Layr', the second is 'Hofer', and the third is 'Pötttschacher'.

Business model

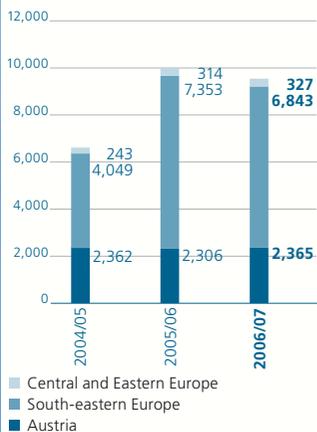
Revenue by region EURm



EBIT by region EURm



Employees by region



Corporate profile

We are an international listed energy and environmental services group, with headquarters in Lower Austria, the country's largest federal province. On the basis of a state-of-the-art infrastructure, we offer our customers electricity, gas, heat, water, waste incineration and related services from a single supplier. With our portfolio of services, we safeguard and improve the quality of life of our more than three million customers in 14 countries.

In addition to Austria, we are also strongly positioned in the energy industry of South-eastern Europe, due to the purchase of majority shareholdings in two regional electricity supply companies in Bulgaria, and the acquisition of the national electricity distribution company in Macedonia. In the environmental services area we successfully operate in the fields of water supply, wastewater treatment and waste incineration through our shareholdings.

On the basis of exploiting synergies among the different business areas of EVN¹⁾ in Austria and abroad, the focus of all business activities is the sustainable creation and increase of value for the benefit of customers, shareholders and employees. The main principles underlying EVN's business operations are ensuring security and reliability of energy supplies, responsibly using natural resources, creating a modern and environmentally compatible infrastructure, and the consistent positioning of EVN as a provider of top quality services.

1) EVN is used to signify the EVN Group.

Operational focus

A new segment reporting structure was considered necessary to reflect the increasing diversification of the business areas of the EVN Group. Starting with the 2005/06 financial year, EVN's business operations were divided into three segments: Energy, Environmental Services and Strategic Investments and Other Business. The related development process can be summarised by considering the following aspects:

- EVN's **internationalisation** in the environmental services and energy segments overcomes the limited growth potential of the domestic market and enables the company to participate in the dynamic economic growth of Eastern and South-eastern Europe.
- The **expansion of the Environmental Services segment** has become an integral component of EVN's growth strategy in technologically related infrastructure areas. This segment strengthens the company's profitability, helps to compensate for seasonal fluctuations in the energy market and cushions EVN against the tendency towards declining margins in the energy sector.
- **Partnerships and joint ventures** such as EnergieAllianz or EconGas strengthen EVN's competitiveness in Austria, and also create internationally competitive business units.
- Selected **strategic investments** such as Verbundgesellschaft and RAG strengthen the vertical integration, contribute to profitability, and compensate for increasing primary energy costs.

EVN at a glance – The segments

Energy

Generation business unit

Electricity production from thermal production capacities, hydroelectric power, wind and biomass

Own power-generating capacity	1,702 MW
Thereof	
thermal ¹⁾	1,382 MW
hydro ²⁾	194 MW
wind	116 MW
biomass	10 MW

Networks business unit

Electricity, gas networks, cable TV and telecommunications

Electricity networks

Power lines	49,390 km
Customers	797,000
Sales volumes	7,247 GWh

Gas networks

Gas pipelines	10,650 km
Customers	283,000
Sales volumes	16,252 GWh

Other

Cable TV customers	72,000
Telecommunication customers	40,000

Energy Procurement and Supply business unit

Electricity³⁾

Sales volumes	6,172 GWh
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Gas³⁾

Sales volumes	6,212 GWh
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Heating

Heating lines	351 km
Customers	37,000
Sales volumes	911 GWh

South East Europe business unit

Electricity networks and supply

Bulgaria

Power lines	54,540
Customers	1,590,700
Sales volumes	7,255 GWh

Macedonia

Power-generating capacity	39.5 MW
Power lines	23,880 km
Customers	720,000
Sales volumes	4,616 GWh

Environmental Services

Water/wastewater

Austria

Customers	480,000
Thereof directly supplied	30,800
Water pipes	1,804 km
Sales volumes	26.0 m ³

International

79 drinking water/wastewater projects in 12 Central and Eastern European countries	
Installed capacity in thousand	9,753 PE ⁴⁾

Waste incineration

Austria

Facility in Zwentendorf/Dürnrohr	
Annual capacity	300,000 tonnes

International

Facility in Moscow	
Annual capacity	360,000 tonnes

Strategic Investments and Other Business

Strategic investments

Verbundgesellschaft – power production, trading and transport
 Burgenland Holding AG (BEWAG/BEGAS) – regional electricity and gas supply
 RAG-Beteiligungs-AG (Rohöl-Aufsuchungs AG) – oil and gas production and gas storage

Other investments

Utilitas Group – technical services

1) Incl. cogeneration and combined cycle heat and power plants
 2) Incl. purchasing rights from hydroelectric plants in Austria
 3) Incl. sales volumes within the framework of EnergieAllianz
 4) Population equivalents

EVN as an energy and environmental services company

Strategic investments cover one-third of Bulgaria's electricity market

Successful market entry in Macedonia

Geographical outreach

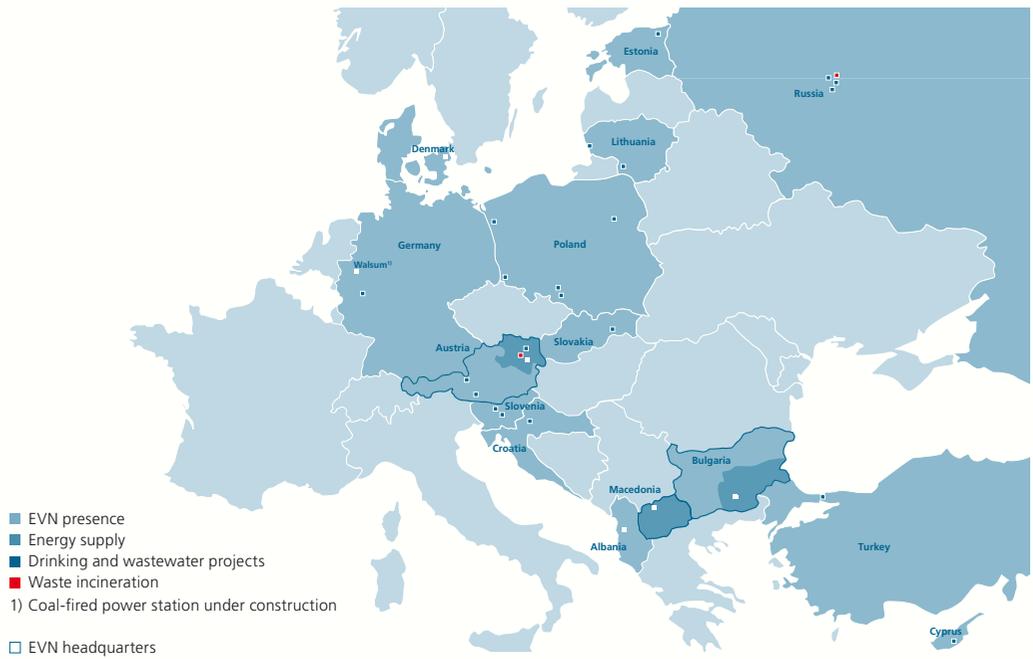
Lower Austria

In recent years, EVN has evolved from a utility company into an energy and environmental services enterprise. In the meantime, the portfolio of services offered by the EVN Group ranges from the supply of electricity, gas and heat to water supply, wastewater treatment and waste incineration. In Lower Austria, EVN serves 797,000 electricity customers, 283,000 gas customers and 37,000 heating customers. 480,000 inhabitants are being supplied with drinking water. Furthermore, EVN operates a waste incineration plant in Dürnrohr, with a capacity of about 300,000 t annually. The service portfolio is complemented by a regional TV and telecommunications infrastructure.

South-eastern Europe

As a result of the acquisition of a 67.0% shareholding in each of the two South-eastern Bulgarian electricity supply companies, EVN has been providing electricity since January 2005 to a supply area measuring about 42,000 km², encompassing close to 1.6 million end customers and approximately one-third of Bulgaria's electricity market. In the 2006/07 financial year, an agreement was concluded to acquire the Bulgarian district heating company TEZ Plovdiv. The closing of the transaction is pending. Following the formal conclusion of the transaction, EVN will begin establishing a horizontal and vertical business model along the lines of its business activities in Lower Austria. This acquisition increases the number of end customers EVN supplies with heat by about 40,000.

EVN successfully penetrated the Macedonian market on the basis of its acquisition of a 90.0% stake in the national electricity distribution company ESM AD in April 2006. ESM AD provides energy to the entire Republic of Macedonia. Two million people live in the area covered by ESM AD, which serves 720,000 customers.



Central and Eastern Europe

Based on its acquisition of the German WTE Group, a leading service company for drinking water and wastewater treatment services, EVN succeeded in significantly expanding upon its market position in Europe. WTE has already constructed more than 70 wastewater treatment plants serving approximately 10 million people, and operates projects in 12 countries. In recent years, a waste incineration facility was also constructed in this region.

Company orientation and success factors

Horizontal and vertical integration

EVN divides its operational activities in an energy and an environmental services segment, focusing its efforts on implementing expansion projects in these core areas. However, both segments are not isolated from each other on an operational level, but enable valuable synergies within the context of a horizontal business model. Moreover, in the Energy segment, EVN covers all important steps in the value added chain in Lower Austria (vertical integration). This model will be successively extended to the newly entered markets in South-eastern Europe.

In the Environmental Services segment, EVN takes advantage of a joint customer base for water, wastewater and waste incineration projects. Extensive synergies have also been realised in energy procurement and sourcing. Moreover, cost savings have been realised by coordinating the timing of pipeline and transmission line construction for electricity, gas, wastewater and drinking water.

Market environment and success factors – Energy segment

Generation business unit

EVN generates energy from thermal sources, hydroelectric power and wind. Through its own power generating facilities and purchasing rights from hydroelectric plants, EVN has a total generating capacity of 1,700 MW. EVN operates three thermal power stations, 67 storage power and small-scale hydroelectric plants and seven wind parks. The company also sources its own electricity from the Danube power stations of Melk, Greifenstein and Freudenau. The development of this operative business unit depends on prices on Europe's electricity market, global primary energy costs, and expenses required for CO₂ emission certificates. A flexible and variable mix of different primary energy sources has a positive effect on margins similar to the positive impact of a sustainable increase in the efficiency of production facilities. Energy demand combined with limited power generating capacity tends to push up prices. The latest forecasts anticipate a 2.0% increase in electricity requirements per annum.

Networks business unit

This business unit encompasses the operation of electricity and gas networks in Lower Austria, as well as networks for EVN's cable TV and telecommunications businesses. EVN possesses a power grid for electricity transmission and distribution with a total length of around 49,390 km of high-voltage, medium- and low-voltage lines. EVN's gas transport and distribution pipeline network in Lower Austria has an overall length exceeding 10,650 km.

The electricity and gas networks are subject to government regulations. At the beginning of 2006, a new multi-year incentive regulatory system was introduced. The core component of this new approach is a

Expansion of presence through WTE Group

Valuable synergies between the two operative segments, energy and environmental services

Total power generating capacity of 1,700 MW based on 70 power plants and seven windparks

Electricity network of 49,390 km, gas network with 10,650 km

Energy sourcing and trading within EnergieAllianz

Biggest producer of biomass-generated heat in Austria

High level of dependence on primary energy prices

55.9% coverage ratio in Austria, 19.1% in the EVN Group

Impact of increasing sales volumes limited by price levels and regulatory measures

Initial steps towards liberalisation in Bulgaria

national benchmarking system for Austria's electricity network operators, of which EVN ranks among the most efficient. Its validity over a period of several years ensures a state of legal stability and continuity, at least until 2009. A similar model applying to gas network tariffs has been developed, and will take effect in 2008. Due to its high share of fixed costs, the performance of the Networks business unit is highly dependent on sales volumes and, particularly in the gas segment, on weather conditions.

Energy Procurement and Supply business unit

The sourcing of electricity and gas, the trading and the sale of electricity and gas takes place within EnergieAllianz, a joint subsidiary of EVN, BEWAG, BEGAS and Wien Energie. All EVN Group gas sourcing and trading is carried out via EconGas, the joint natural gas wholesaling company of the EnergieAllianz partners as well as Linz AG, Oberösterreichische Ferngas AG and OMV. The spinning off of these activities along the value added chain to joint companies in cooperation with other partners created competitive entities which make economies of scale possible.

The heat generated by EVN and distributed to 37,000 private and commercial customers is also encompassed in the Energy Procurement and Supply business unit. The production of this heat is carried out in own district heating, local heating and cogeneration plants, the bleeding of waste heat from EVN Group's thermal power stations, and biomass. EVN is the largest supplier of heat from biomass in Austria, operating 43 biomass facilities.

The profitability of the Energy Procurement and Supply business unit is chiefly related to energy sales volumes and global primary energy prices. In the heating business, sales prices for all products are indexed, with heating prices linked to index values based on publicly collected data.

Electricity and gas sourcing within EnergieAllianz is based on an active hedging strategy. Moreover, in the electricity segment, the natural form of hedging is EVN's own power generating capacity. The coverage ratio, or the ratio of own power generation and sales volumes, declined from 70% to 56% in 2006/07. Due to the integration of the new subsidiaries in Bulgaria and Macedonia, this figure amounts to only 19.1%, due to the fact that EVN does not possess any major power generating capacity in these markets.

South East Europe business unit

This business unit primarily encompasses the Bulgarian electricity network operator EVN EP AD, electricity distributor EVN EC AD and the Macedonian national electricity distribution company ESM AD. Disproportionately high economic growth is expected in South-eastern Europe compared to the rest of the continent, accompanied by a continual increase in energy demand. However, in terms of total revenue and earnings, the impact of climbing sales volumes will be limited by existing price levels as well as the regulatory environment. In both countries, a significant increase in prices is expected on a medium-term basis, due to the growing gap between current production capabilities and electricity demand.

Whereas the Austrian electricity and gas markets were liberalised in the years 2001 – 2002, this step has yet to be taken in Macedonia. Bulgaria is in the midst of the first phase of market liberalisation. EVN successfully carried out the legally prescribed unbundling between network operators and electricity suppliers in Bulgaria at the beginning of 2007. We successfully concluded the legally prescribed unbundling of the electricity networks from supply, and simultaneously merged our two electricity companies into a network operator and supply company.

Market environment and success factors – Environmental Services segment

The Environmental Services segment encompasses the water, wastewater treatment and waste incineration activities of the EVN Group. In addition to the regional supply of drinking water in Lower Austria (EVN Wasser), the WTE Group is responsible for implementing national and international projects in the fields of drinking water and wastewater treatment. The waste incineration business coordinated by AVN concentrates on the waste incineration facility in Dürnrrohr, Lower Austria, and comparable international projects. Both groups were incorporated into EVN's holding company for environmental services in 2004/05. Contract orders are shaped by the continuous rise in demand in Central and Eastern Europe, but are also dependent on the financing by public institutions such as municipalities and local communities. The expansion of EVN's Environmental Services business generally counteracts the seasonal nature of the energy sector. However, the implementation of large-scale projects can lead to fluctuations in earnings, depending on progress in construction work. In the 2006/07 financial year, the Environmental Services segment contributed 12.3% of total EVN Group revenue (previous year: 14.0%), and 19.3% of its EBIT (previous year: 24.9%).

Drinking water supply in Lower Austria

EVN succeeded in expanding its portfolio of public services in 2001 due to the takeover of Lower Austria's regional water supply, and thus strengthening its positioning as a multi-service utility. At the end of the 2006/07 financial year, EVN supplied drinking water to 620 cadastral municipalities with more than 480,000 inhabitants (approximately one-third of Lower Austria's total population). Drinking water is usually supplied indirectly via deliveries to municipalities and local communities. However, EVN is expanding its role as a direct supplier of drinking water to end customers. During the period under review, EVN doubled the number of end customers directly supplied with water to 30,800 inhabitants in 41 cadastral municipalities.

Drinking water and wastewater treatment international

Via the WTE Group, EVN plans, builds, finances and operates municipal and industrial water and wastewater installations in Europe. The scope of services depends on customer requirements, and ranges from WTE serving as a general contractor and BOOT models (Build, Own, Operate, Transfer) to operating facilities on an ongoing basis. Within the context of the BOOT model, EVN is responsible for the planning, construction, financing and operation of the project. Construction usually lasts for a period of two to three years, whereas operational responsibility is for a considerably longer period of time. The particular facility remains in the hands of the project company established to implement the project, and is later handed over to the contracting party. The drinking water facility in Moscow will be operated by EVN's project companies until the year 2016.

Waste incineration

EVN operates a waste incineration installation in Dürnrrohr, Lower Austria, through its subsidiary. As the Dürnrrohr plant is being operated at full capacity throughout the entire year, the decision was made to expand the facility by adding a third waste incineration line. Furthermore, the company is actively involved in international projects, offering the competitive advantage of the BOOT model. In the field of waste incineration, the facility operates in accordance with the "waste to energy" principle. The steam generated by waste incineration process is transported to power plants, and thus integrated into the electricity and heat generating processes.

Continuous growth in demand for water, wastewater and waste incineration services

Supplying drinking water to 480,000 inhabitants

General contractor, ongoing operation of facilities, and BOOT

Environmentally compatible "waste to energy"

12.8% shareholding in Austria's leading producer of electricity

50.05% shareholding in Austria's second largest oil and gas producer

72.3% shareholding in Burgenland Holding

Strategic Investments and Other Business segment

In addition to strategically important investments, this segment encompasses other investments which are not directly allocated to the other two operative segments. EVN's strategic investments include its shareholding in Verbundgesellschaft, BEWAG and BEGAS (held indirectly via the fully consolidated Burgenland Holding AG), as well as EVN's stake in Rohöl-Aufsuchungs AG (held indirectly via the fully consolidated RAG-Beteiligungs-AG).

Verbundgesellschaft

The listed company Verbundgesellschaft is Austria's leading producer of electricity, and operator of the country's supra-regional, high-voltage network. Verbundgesellschaft operates 116 own power plants and purchasing rights to third party power stations, with an average output of 24,704 GWh. In 2006, 85% of the electricity generated by the company was derived from renewable energy sources. EVN has a 12.8% interest in Verbundgesellschaft. This investment is reported as other financial assets in the balance sheet and classified as "available for sale" in accordance with IAS 39. The dividends paid to EVN are reported under financial results, whereas changes in value are reported as equity of the EVN Group without recognition to profit or loss.

Rohöl-Aufsuchungs AG (RAG)

RAG is Austria's second largest oil and gas producer, with a share of about 10% and 30% respectively of Austria's total oil and gas production. 60% of the area in which it carries out exploration work is in Austria, the rest in Bavaria. In addition to gas trading, another important business area for RAG is the storage of natural gas. At present, the existing natural gas storage capacity in Haidach, Upper Austria is being massively expanded in cooperation with the German company WINGAS, a joint venture of the BASF subsidiary Wintershall, and the Russian companies Gazprom and Gazprom Export. Following completion of the second expansion phase in 2011, this storage area will be able to hold up to 2.4bn m³ of natural gas, about one quarter of Austria's total annual requirements, creating the second largest natural gas storage facility in Central Europe. Through its 50.05% stake in RAG-Beteiligungs-AG, EVN has a 75.0% share in RAG. The agreement to increase EVN's interest in RAG was concluded in August 2007. The transaction is currently being evaluated by the responsible anti-trust authorities. At present, 75.0% of the proportional earnings of RAG are reported in the results from operating activities of associates and other investments in the income statement of EVN. 49.95% of the earnings are assigned to minority interest.

BEWAG and BEGAS

At the balance sheet date, EVN had a 72.3% stake in Burgenland Holding AG, listed on the Vienna Stock Exchange, which in turn owns 49.0% each of the shares in Burgenländische Elektrizitätswirtschafts-AG (BEWAG) and Burgenländische Erdgasversorgungs-AG (BEGAS). BEWAG supplies about 145,000 customers in Burgenland with electricity, and has emerged as the largest Austrian producer of wind-generated power, operating 10 wind parks with 138 wind power generating facilities and a total capacity of 242 MW. BEWAG and BEGAS are consolidated at equity in the consolidated financial statements of the EVN Group.

Other Business investments

The consolidation range of companies reported as Other Business investments primarily relates to operations in the fields of internal facility management and consulting & engineering services on behalf of the EVN Group, which are encompassed in the Utilitas Group.

Corporate governance

Corporate bodies

Executive Board



Burkhard Hofer

Spokesman of the Executive Board

Born 1944, Doctor of Law. Joined EVN in 1980. Member and Speaker of the EVN Executive Board since March 2005. Burkhard Hofer has executive responsibility for the Energy Procurement and Supply business unit and the Environmental Services business segment, as well for procurement and purchasing, controlling, customer relations, finance, Group accounting (incl. investor relations), general administration and corporate affairs, information and communications and human resources.



Peter Layr

Member of the Executive Board

Born 1953. Doctor of Technical Sciences. Joined EVN in 1978. Member of the EVN Executive Board since 1999. Peter Layr has executive responsibility for the Networks and South-eastern Europe business units, as well as for data processing, environmental controlling and safety.



Herbert Pötttschacher

Member of the Executive Board

Born 1949. Degree in Surveying, Urban, Regional and Environmental Planning. From 1991 to 1995 member of EVN Supervisory Board. Member of the EVN Executive Board since July 1995. Herbert Pötttschacher has executive responsibility for the Generation business unit, as well as for internal auditing, administration and construction.

Members of the Supervisory Board

Name (Date of initial appointment)	Other functions	Independence	
		Rule 53 ¹⁾	Rule 54 ²⁾
Shareholder representatives			
Rudolf Gruber Chairman (January 19, 2005)	Member of the Supervisory Board of several non-listed companies	no	yes
Stefan Schenker Vice-Chairman (December 12, 1996)	Forestry engineer	yes	yes
Gerhard Posset Vice-Chairman (December 12, 1995)	Secretary, Lower Austrian Executive Committee of the Austrian Trade Union Federation	yes	yes
Walter Aigner (December 12, 1996)	Chairman of the Works Council, Spar Österreichische Warenhandels-AG, Sankt Pölten	yes	yes
Amir Ghoreishi (January 12, 2006)	Chairman of the Executive Board of EnBW Beteiligungen AG	yes	no
Norbert Griesmayr (January 12, 2001)	Chairman of the Executive Board of VAV Versicherungs-Aktiengesellschaft	yes	yes
Gottfried Holzer (June 22, 1987)	Director of the Lower Austrian Chamber of Agriculture	yes	yes
Dieter Lutz (January 12, 2006)	CEO, BENDA-LUTZ INTERNATIONAL Holding GmbH and BENDA LUTZ-WERKE GmbH	yes	yes
Reinhard Meißl (January 12, 2006)	Head of the finance department, Provincial Government of Lower Austria, CEO NÖ Landes-Beteiligungsholding GmbH	yes	no
Bernhard Müller (January 12, 2006)	Mayor of Wiener Neustadt	yes	yes
Wolfgang Peterl (January 12, 2001)	Mayor of Korneuburg	yes	yes
Martin Schuster (January 12, 2006)	Mayor of Perchtoldsdorf	yes	yes
Michaela Steinacker (January 12, 2001)	CEO, ÖBB-Immobilienmanagement GmbH	yes	yes

Employee representatives

Franz Hemm (May 5, 1994)	Chairman of the EVN Central Works Council, Vice-chairman of the Lower Austrian Chamber of Labour
Rudolf Rauch (April 2, 1993)	Vice-chairman of the EVN Central Works Council
Manfred Weinrichter (January 1, 2001)	Vice-chairman of the EVN Central Works Council
Paul Hofer (April 1, 2007)	Member of the Works Council
Otto Mayer (May 12, 2005)	Member of the Works Council
Helmut Peter (May 12, 2005)	Member of the Works Council
Peter Ruis (August 1, 2000 – April 1, 2007)	Member of the Works Council
Franz Ziegelwagner (March 22, 2004)	Member of the Works Council

No member of the Supervisory Board has a comparable position in any other domestic or foreign listed company.
The terms of office of all Supervisory Board members expire at the end of the Annual General Meeting resolving upon matters pertaining to the 2009/10 financial year.

1) Rule 53/Aust. Corp. Gov. Code: independence from EVN/Executive Board

2) Rule 54/Aust. Corp. Gov. Code: no representatives of shareholder with a shareholding exceeding 10%

A list of the Supervisory Board committees can be found on pages 16 and 17.

Report of the Supervisory Board

Ladies and gentlemen!

In the 2006/07 financial year, the EVN Group continued its past successful business development in all business areas, both domestically and internationally. This applies particularly to the consolidation of EVN's energy operations in Bulgaria and the integration of ESM AD's business in Macedonia. The extension of EVN's activities in the fields of water, wastewater and waste incineration in Central and Eastern Europe also led to profitable growth, laying the groundwork for a positive, future-oriented international development of the EVN Group. The Supervisory Board actively monitored and supported this development as part of its designated duties and responsibilities, convening for five meetings during the period under review. The rate of attendance at these meetings was 83%. No member missed more than 50% of the meetings. The working committee and the accounting committee of the Supervisory Board each convened two times during the period under review. The Executive Board reports provided the Supervisory Board with timely and comprehensive information about all relevant business development issues, the risk situation and main Group companies. Thus the Supervisory Board was able to continually supervise and support the Executive Board's management activities. The Supervisory Board also approved EVN's new mission statement and its Strategy 2010. The key decisions of the past financial year included the approval of the acquisition of shares in Burgenland Holding Aktiengesellschaft and a further stake in Rohöl-Aufsuchungs Aktiengesellschaft, the acquisition of district heating supplier TEC Plovdiv, the expansion of the Dürnrrohr waste incineration facility (third waste incineration line), the acquisition of a stake in Sankt Pölten's district heating company, the construction of a district heating pipeline from Dürnrrohr to Sankt Pölten and EVN's assuming responsibility for operating the municipal water supply networks in Bisamberg and Pressbaum.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, was appointed as EVN's certified public accountants for 2006/07, starting October 1, 2006 and ending September 30, 2007. KPMG examined the annual accounts of EVN AG and the Management report submitted by the Executive Board as at September 30, 2007, prepared in accordance with Austrian accounting regulations. KPMG presented an audit report, and issued an unqualified opinion. Following detailed scrutiny in the accounting committee and the entire body, the Supervisory Board approved the financial statements and the consolidated financial statements as at September 30, 2007, submitted by the Executive Board, the respective Management report and the proposals for the distribution of profits. The financial statements as at September 30, 2007 are thereby approved, pursuant to § 125 (2) of the Austrian Stock Corporation Act. These statements were prepared pursuant to International Financial Reporting Standards (IFRS) and audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, which issued an unqualified opinion. The Supervisory Board approved the consolidated financial statements, the explanatory notes and the Management report.

In closing, the Supervisory Board wishes to express its sincere gratitude to the Executive Board for its work during the 2006/07 financial year. It also extends its thanks and recognition to all employees of the EVN Group for their endeavours and successful cooperation, and even greater commitment in the interests of the company during the period under review, particularly in the light of the integration of the new subsidiaries in Bulgaria and Macedonia.

Maria Enzersdorf, December 12, 2007

On behalf of the Supervisory Board
Rudolf Gruber
Chairman of the Supervisory Board



**Successful financial year
ensures growth and future
development**

**Unqualified opinion and
approval of consolidated
financial statements of EVN AG
and EVN Group**

**Thanks to employees and
management**

Corporate governance report

EVN is an Austrian public limited company listed on the Vienna Stock Exchange. For this reason, in addition to Austrian regulations, in particular stock corporation and capital market laws, legal regulations applying to the right of co-determination on the part of employees, as well as the company by-laws, the Austrian Corporate Governance Code provides the overall framework for the company's corporate governance policies.

Commitment to the Austrian Corporate Governance Code

The Executive Board and the Supervisory Board of EVN are committed to abide by the principles of good corporate governance, thus fulfilling the expectations of domestic and international investors who demand the management and control of EVN to be carried out in a responsible, transparent and sustainable manner. Effective June 1, 2006, EVN decided to fully comply with the Austrian Corporate Governance Code in accordance with the valid and binding version published in January 2006. Beforehand, EVN had already committed itself to explicitly adhere to the goals laid down in the Austrian Corporate Governance Code, and to fulfil most of its guidelines.

The standards specified in the Austrian Corporate Governance Code are divided into three categories. The first category of rules (Legal Requirements) based on binding regulations, is to be observed by all Austrian listed companies, and is also adhered to unconditionally and without qualification by EVN. In regards to the C-rules (Comply or Explain), listed companies are required to publish regular statements disclosing the extent of their compliance. EVN provides a detailed explanation of any deviations from these rules online at www.investor.evn.at/Corporate_Governance. In contrast, R-rules represent recommendations, allowing deviations to occur without having to provide an explanation.

Due to a change in the remuneration system carried out in the 2006/07 financial year, EVN has been able to adhere to C-rule 27 pertaining to a performance-based remuneration of the members of the Executive Board and top management, with which EVN only partially complied during the previous financial year. A variable profit-sharing scheme has also been introduced for top managers, in which approximately 75% of their total remuneration is comprised of an annual fixed salary, and 25% represents performance-based pay. 35% of the profit sharing scheme is based on the development of the results from operating activities (EBIT), 35% on return on capital employed (ROCE), and the remaining 30% on achieving individual targets which have been set.

Deviations from C-rules

Due to the distinctive characteristics of the Austrian energy industry and specific conditions applying to EVN, the company does not adhere to the following C-rules stipulated in the Austrian Corporate Governance Code:

Rules 4 and 5

Publishing all proposals and materials, including the texts of the proposals and counterproposals made by shareholders as well as Supervisory Board candidates on the Website of the company, including the possibility to download the information, seems neither appropriate nor practical, due to the fact that this information is not to be considered as information for the public domain, but is only of relevance to shareholders. In EVN's view, only shareholders should be allowed to have access to the material. Furthermore, shareholders who submit proposals also have the right to confidentiality.

EVN's commitment to corporate governance

Variable profit-sharing scheme for Executive Board and top management

Publishing of proposals

Rule 16

Given the fact that the Executive Board consists of three members, there can be no tied vote in adopting a resolution. For this reason, appointing a Chairman, who would have the right to make the final decision in case of a tie and cast the tie-breaking vote, is not necessary. The spokesman of the Executive Board is responsible for directing meetings and representing the Executive Board to other target groups, and also to the Supervisory Board (Rule 37).

Rules 38 and 41

In terms of the procedure for filling positions on the Executive Board, EVN is required to act in accordance with the legally binding provisions of the Austrian Law Governing the Filling of Positions. In this case, the recommendations contained in the Corporate Governance Code can only be partly carried out. In terms of the recommended age limit, EVN considers the qualifications of the candidates to have a higher priority than an imposed age limit.

Rule 52

EVN currently has 13 elected members on the Supervisory Board due to the company's shareholder structure and in the spirit of ensuring the most diverse representation of interests possible. The composition of the current Supervisory Board was determined before the voluntary commitment on the part of EVN to comply with the Austrian Corporate Governance Code. Following the reduction in size of the Supervisory Board in 2006, from 15 members in the past to 13 members at present, EVN intends to implement a step-by-step downward adjustment to streamline the Supervisory Board to the recommended level of ten members.

Rule 55

The selection of the current Vice-Chairman of the Supervisory Board took place before the voluntary commitment on the part of EVN to comply with the Austrian Corporate Governance Code.

Rule 57

In terms of the recommended age limit for members of the Supervisory Board, EVN considers the qualifications of the particular candidate to have a higher priority than an imposed age limit.

In addition, the Executive Board and the Supervisory Board of EVN formally declare their commitment to fully observe and abide by the L-rules and C-rules of the Austrian Corporate Governance Code. Only a small number of deviations from the R-rules exist.

Clear-cut separation of corporate management and control responsibilities

Austrian stock corporation law prescribes a dual management system, which stipulates a strict separation between management bodies (i.e. Executive Board) and controlling bodies (i.e. Supervisory Board). It is not permitted to be a member of both.

Management of the company by the Executive Board

The Executive Board of EVN consists of three members. In the case of the Supervisory Board not exercising its right to appoint the Chairman or Speaker, the Executive Board itself shall elect a Speaker. The Executive Board has the sole responsibility to manage the company, with the diligence and prudence of a dutiful, conscientious manager, and shall endeavour to promote the well-being of the company by taking into consideration the interests of the shareholders, the employees and the general public. The basis for the work of the Executive Board are the relevant legal regulations as well as the statutes laid down in the company by-laws, and the internal rules of procedure for the Executive Board as stipulated by the Supervisory

Filling positions on the Executive Board

Composition of the Supervisory Board

Clear-cut division of responsibilities

Executive Board's room for manoeuvre

Co-decision making duties of the Supervisory Board

Reporting obligations to committees; quarterly reports; key developments

Composition of the EVN Supervisory Board

Committees, duties and responsibilities of the Supervisory Board

Board. The Austrian Corporate Governance Code contains important rules of conduct. Without attempting to place any constraints on the overall responsibility assumed by the Executive Board, the Supervisory Board shall take account of the particular demands placed on the management to determine the composition of the Executive Board as well as the delegation of responsibilities. Specified areas of the business are reserved for joint discussions and decision-making on the part of the entire Executive Board. Moreover, certain business transactions require the express consent of the Supervisory Board as regulated by law, or a previous resolution passed by the Supervisory Board. The company by-laws contain a detailed list of such cases.

Reporting obligation of the Executive Board

In accordance with organisational-legal regulations, the Executive Board is required to report to the Supervisory Board. Reporting standards also apply to Supervisory Board committees. The Executive Board's reporting obligation also encompasses regular information about business developments at the entire Group, and matters of importance relating to Group subsidiaries.

Supervisory Board

The Supervisory Board of EVN AG consists of 13 shareholder representatives elected by the annual general meeting, as well as seven employee representatives selected by the EVN Central Works Council. The Supervisory Board is led by a chairman and two vice-chairmen, who are chosen by the Supervisory Board itself. In a meeting convened on May 29, 2006, the Supervisory Board approved a resolution stipulating that the proportion of independent members is to be set at 50%. The independent members of the EVN Supervisory Board, as defined by Rules 53 and 54 of the Austrian Corporate Governance Code, are listed in the chart on page 12.

The Supervisory Board exercises its job according to regulations laid down in stock corporation law, as well as in the company's statutes. Additional guidelines regulating the behaviour of the Supervisory Board are stipulated in the internal rules of procedure for the Supervisory Board as well as in the Austrian Corporate Governance Code.

Supervision of the Executive Board by the Supervisory Board

It is the particular responsibility of the Supervisory Board to supervise the work of the Executive Board, from whom they are authorised to demand a report at any time concerning all relevant aspects of business development at the company. The scope of business transactions requiring the formal consent of the Supervisory Board, as stipulated in the Austrian Stock Corporation Act (§ 95 Section 5), can be extended by a resolution of the Supervisory Board itself. The internal rules of procedure for the Executive Board and the Supervisory Board contain a detailed list of such business transactions and measures.

Supervisory Board committees

The Supervisory Board convenes as a plenum, inasmuch as individual matters of importance have not been delegated to committees set up by the Supervisory Board. At present, the following committees have been established, each of which is required to include at least three members of the Supervisory Board:

- The **accounting committee** (audit committee pursuant to the Austrian Stock Corporation Act § 92 Sect. 4 and Sect. 4a) is responsible for evaluating and preparing the Report of the Supervisory Board approving the financial statements and the consolidated financial statements, the proposal of the Executive Board in regards to the distribution of profits, and the Management report pertaining to the company and the Group.
- The **personnel committee** deals with personnel issues pertaining to the Executive Board, including succession planning.

- The **working committee** is responsible for carrying out the specified tasks assigned to it by the entire Supervisory Board. In certain urgent cases, the working committee is authorised to give its consent to specified business transactions on behalf of the Supervisory Board, in accordance with the internal rules of procedure applying to the Supervisory Board.

The Supervisory Board is authorised to set up other committees composed of its members with responsibility for preparing its consultations and resolutions, monitoring compliance with its resolutions, or deciding upon relevant matters pertaining to business developments at the company, as assigned to it by the Supervisory Board.

Working, accounting and personnel committees

Working committee

Rudolf Gruber (Chairman)
Stefan Schenker
Gerhard Posset
Reinhard Meißl
Franz Hemm
Manfred Weinrichter

Accounting committee Audit committee

pursuant to § 92 Sect. 4/4a Austrian Stock Corporation Act

Stefan Schenker (Chairman)
Rudolf Gruber
Gerhard Posset
Reinhard Meißl
Bernhard Müller
Franz Hemm
Rudolf Rauch
Manfred Weinrichter

Personnel committee

Rudolf Gruber (Chairman)
Stefan Schenker
Gerhard Posset

Remuneration report

Success sharing bonus programme for the Executive Board (Rule 30)

Contractually fixed salaries comprise approximately 75% of the annual income paid to the members of the Executive Board, whereas the remaining 25% represents performance-based pay. 35% of the profit sharing scheme, for which a maximum limit has been predetermined, is based on the results from operating activities, 35% on the return on capital employed (ROCE), and 30% on three individual targets which have been set. There are different forms of retirement benefits, ranging from a pre-defined percentage of the remuneration applicable in the final period of the employment contract to a pension fund. Generally speaking, prevailing legal regulations apply in the case of termination of employment.

The total remuneration paid to active members of the Executive Board in the 2006/07 financial year amounted to TEUR 1,186.4 (previous year: TEUR 1,075.0). Moreover, pension commitments for these Executive Board members totalled TEUR 8,167.8 (previous year: TEUR 6,152.0). The increase in the salaries and pension commitments for members of the Executive Board in comparison to the previous financial year resulted from the annual salary adjustments as well as the above-mentioned variable profit-sharing scheme. This remuneration includes any specified payments in kind. One member of the Executive Board assumed a management position in another company during the period of review with the formal permission of the Supervisory Board. Disclosure of individual remuneration is considered to represent a personal decision on the part of the Executive Board members. EVN itself will not disclose details pertaining to the individual remuneration packages. As a result, the company does not comply with the recommendations contained in Rule 31 of the Austrian Corporate Governance Code.

Share options (Rule 29)

No share option programme has been set up for members of the Executive Board or the top management of EVN.

Performance-based
profit-sharing

Higher remuneration due to
annual salary adjustments and
variable profit-sharing

Directors' Dealings (Rule 70)

There were no directors' dealings reported in the EVN Group during the 2006/07 financial year.

Remuneration for the Supervisory Board (Rule 51)

The remuneration paid to members of the Supervisory Board has been set as an annual fixed salary of EUR 180,000. The chairman of the Supervisory Board is granted 12.5% of the above mentioned amount, whereas 8.5% each is to be paid to the two vice-chairmen, and slightly more than 7% to each of the other members. A lump-sum payment totalling EUR 170 is to be paid to each of the members for each of the sessions of the Supervisory Board which is convened and which the particular member attends.

Contracts requiring the approval of the Supervisory Board (Rule 48)

No member of the Supervisory Board has concluded contractual agreements with EVN or one of its subsidiaries, which entitles the Supervisory Board member to more than an insignificant payment. Such contracts would be subject to the obligatory approval of the Supervisory Board.

Auditing fees

The auditing of the consolidated financial statements of EVN for the 2006/07 financial year is being carried out by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. Total auditing and consulting costs amounted to EUR 1.07m (previous year: EUR 0.65m). 58.4% of the fees paid by EVN to KPMG were for auditing services, 4.2% for audit-related services, 32.2% for tax consulting services and 5.2% for other consulting services.

Shareholders and Annual General Meeting

The shareholders of EVN shares make use of their legal rights in the annual general meeting, and exercise their voting rights. Each share of EVN AG is granted one vote. There are no preferential shares of EVN stock, or shares with multiple voting rights. The right to make certain important decisions, primarily in regards to the distribution of profits, the discharging of the members of the Executive Board and the Supervisory Board, the selection of the auditors for the financial and consolidated financial statements, and the election of the members of the Supervisory Board, is reserved to the annual general meeting by Austrian law or by the company's statutes. Moreover, the annual general meeting has the right to make decisions pertaining to changes in the company by-laws, and capital raising measures. The results of the 78th Annual General Meeting of EVN, held on January 18, 2007, are available on the EVN Website in English at www.investor.evn.at/e-investor/Hauptversammlung.asp.

Internal control

At EVN, there exists an internal auditing department which reports directly to the Executive Board, and to the accounting committee of the Supervisory Board. It is responsible for overseeing auditing and controlling throughout the EVN Group. Separate auditing departments were set up at EVN's two subsidiaries in Bulgaria and Macedonia. The internal technical and financial audits did not reveal any major deficiencies.

Risk management

As an internationally operating company, EVN is subject to a wide variety of risks. The risk management system of the company was upgraded in order to effectively manage these risks, which had to be newly defined as a consequence of the company's successful internationalisation, as well as to fulfil legal regulations. The cor-

One share – one vote

No major objections

Comprehensive description
of current risks

nerstone of EVN's risk management is unified, Group-wide guidelines enabling a comprehensive description of the current risk situation. Its overriding goal is the early identification of potential risks, in order to allow the operative business units to promptly initiate suitable countermeasures designed to minimise damage.

Risk management at EVN is carried out in a two-stage system. Risk management committees monitor risks in the operative business units on location, regularly reporting to the central operative and strategic risk control staff responsible for evaluating the information provided with the support of specially designed software. The resulting risk analysis is conveyed to the Executive Board on an ongoing basis. A detailed presentation of risk categories and EVN's risk management system can be found on page 54.

Compliance – preventing the misuse of insider information

In fulfilling the regulations stipulated in the Austrian Stock Corporation Act and the Stock Exchange Act, the Austrian Compliance Code for the issuers of securities and the Directive of the European Parliament on insider dealing and market manipulation, EVN has developed a comprehensive set of rules designed to prevent the misuse of insider information. 16 permanent and four ad-hoc areas of EVN's business have been designated as strictly confidential. The affected employees are continually given extensive training. Compliance and confidentiality are monitored and evaluated by a specially-designated compliance officer, reporting directly to the Executive Board. In the 2006/07 financial year, the ongoing monitoring carried out by the compliance officer did not reveal any deficiencies.

No major deficiencies identified by the compliance manager

Report regarding the evaluation of the declaration of the Executive and Supervisory Boards of EVN AG, Maria Enzersdorf, concerning compliance with the Austrian Corporate Governance Code

We have evaluated the declaration of the Executive and Supervisory Boards of EVN AG, Maria Enzersdorf, concerning compliance with the Austrian Corporate Governance Code in the year 2006/07. Adherence to the individual regulations and public reporting are the responsibility of the company's Executive and Supervisory Boards. Our task is to issue a report concerning adherence to the Austrian Corporate Governance Code.

We conducted our evaluation in line with the regulations of the International Federation of Accountants (IFAC) for commission relating to the completion of agreed audits in the case of financial information (ISRS 4400). These standards require that the evaluation be planned and performed in such a manner that reasonable assurance is achieved as to whether the declaration of the Executive and Supervisory Boards concerning the observance of the Austrian Corporate Governance Code is free of material disstatement. The evaluation mainly consisted of questioning of the persons responsible, random checks on adherence to the Austrian Corporate Governance Code, and an assessment of the declarations provided.

During our evaluation, we did not discover any facts that contradicted the declaration of the Executive and Supervisory Boards concerning compliance with the Austrian Corporate Governance Code by EVN AG.

Vienna, November 19, 2007

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Rainer Hassler m.p.

Austrian Chartered Accountant

Maximilian Schreyvogel m.p.

Austrian Chartered Accountant

Corporate strategy

Key objectives

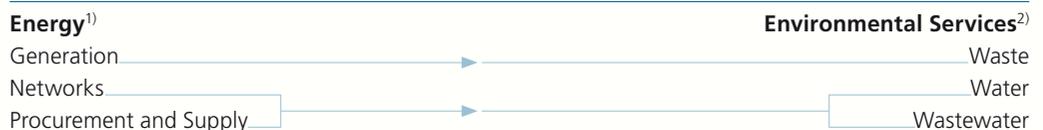
The strategic goal of EVN, in its capacity as an independent, listed energy and environmental services provider coordinating business operations from its headquarters in Lower Austria, is to achieve a strong market position in selected Central and Eastern European markets, and to maintain this leadership on a long-term basis. EVN sees itself as a reliable partner to its customers, providing high quality services at competitive prices. These high standards of quality are made possible by dedicated employees, who are offered career advancement opportunities, fair salary levels and attractive working conditions. On the basis of these goals, EVN is committed to implement a sustainability-oriented corporate management, convinced that the targeted, ongoing enhancement of shareholder value can only be achieved by integrating all relevant stakeholder groups. Supported by active, transparent communications, this sustained increase in value is designed to lead to a corresponding increase in the price of the EVN share, which, combined with an attractive dividend policy, will ensure a suitable return on the capital invested.

During the 2006/07 financial year, the EVN Group defined its strategic priorities and goals up until the year 2010, working in close collaboration with the Supervisory Board. The four cornerstones of this strategy will be presented below. EVN's strategy to counteract and manage the resulting risks is explained on page 54.

1. Two-pillar strategy – Energy and environmental services

At the beginning of the new millennium, the EVN Group initiated an operational diversification drive, successively expanding its historical core business activities in the Energy segment to encompass environmental services such as waste incineration, supplying drinking water and wastewater treatment. Since the 2005/06 financial year, this increasing importance of environmental services has been reflected in the company's financial reporting. In addition to the Energy segment, the environmental services provided by EVN have been merged into a new Environmental Services segment. Whereas the Energy segment focuses on Lower Austria and the South-eastern European markets of Bulgaria and Macedonia, the geographical outreach of EVN's environmental services has expanded to include 12 countries in Central and Eastern Europe.

EVN's traditional core business ... expanded to encompass related infrastructure activities



1) Electricity, gas and heating
2) Construction and operations

Although the Energy and Environmental Services segments are hardly comparable in size and are managed as two separate business areas, it is vitally important for EVN to support the strategic interaction of the two segments, in order to exploit potential synergies:

- Setting up of a joint customer base (services under one roof)
- Exploitation of technological know-how in the Energy segment to benefit the Environmental Services segment
- Regional synergies in distribution and sales
- Expanded competencies of central administrative departments
- Optimal use of financial resources

Orientation of business operations to profitability and sustainability

Strategic plans and goals up to 2010

Operational diversification

Synergies in the Energy and Environmental Services segments

2. Organic and external growth with a focus on Central and Eastern Europe

With the exception of an ongoing rise in demand, the growth potential of EVN in the Lower Austrian energy segment is limited. This premise applies chiefly to the electricity business, whereas organic growth can be achieved in the gas and heating segments by expanding network and production capabilities.

EVN has entered a new dimension in its business operations, thanks to its internationalisation drive in previous years, reflected in the expansion to Bulgaria and Macedonia. EVN has successfully laid the groundwork for its future growth, due to the fact that both economies are in the midst of a deep-seated transformation process featuring high growth rates. To ensure a secure energy supply for its approximately 2.3 million customers in Bulgaria and Macedonia, EVN plans to successively build up its own power generating capabilities in these markets. A first step in this direction was taken during the period under review with the acquisition of TEZ Plovdiv, Bulgaria's second largest district heating facility.

EVN presented the Albanian Government with feasibility studies for the construction of three peak load storage power stations, which were recognised as being in the public interest. Subsequently, EVN was already granted 10 out of 100 evaluation points for the upcoming tender process. In addition to these efforts, EVN is closely examining other potential expansion opportunities in South-eastern Europe.

3. Strong financials, transparency and solid dividend policy

EVN has been listed on the Vienna Stock Exchange since 1989. Despite the limited number of shares in free float, EVN has proven its value as an attractive and stable investment. The dialogue with existing and potential shareholders as well as analysts is carried out in a pro-active and transparent manner, in order to convey a realistic impression of the company, and thus enable a fair evaluation on the part of all capital market participants. The key fundamentals required to ensure sound financials are an equity ratio of at least 40%, combined with excellent assessments by external rating agencies, which provide the basis for optimal financing structures and costs. EVN categorically excludes any possibility of implementing capital increases just to finance its existing business activities. Moreover, EVN is pursuing a dividend policy focusing on a sustainable development of the company while continually increasing dividends.

4. Sustainable corporate management

The overriding objective of all EVN activities is to assume long-term responsibility towards future generations. In economic terms, the goal is to operate in the best interests of shareholders and customers, without losing sight of the necessity to fulfil ecological demands such as climate protection and the careful use of natural resources. The third dimension is taking the needs of employees and those of society in general into consideration. The current sustainability report provides detailed information on how much energy EVN is devoting to mastering these challenges.

Foundation for future growth in Bulgaria and Macedonia

Further expansion opportunities in South-eastern Europe under evaluation

Confirmation of stable and sound balance sheet structure by rating agencies

Economic, ecological and social responsibility

Challenges and developments

Energy Segment

In the Energy segment, EVN is primarily confronted with the following challenges and developments:

International competition and consolidation process

Following the liberalisation of Europe's electricity and gas markets, the question of the size of the business (critical mass) has increasingly emerged as a crucial issue.

Growing demand for energy in the face of limited power generating capacity

European energy consumption is rising by about 2% annually. In the initial years after market liberalisation, electricity companies curtailed their investments in power plants, considerably widening the gap between supply and demand. This development also applies to power grids, particularly international high-voltage networks.

Rising primary energy procurement costs

The rise in primary energy prices as well as political uncertainties in important supply regions in recent years has led, in some cases, to a massive increase in the procurement and sourcing costs for oil, gas and somewhat less for coal. Since the beginning of 2005, this trend has been strengthened by the required CO₂ emission certificates.

Implementation of the Kyoto targets and other environmental protection measures

The EU has set a target of achieving a 20% reduction in CO₂ levels by 2020 compared to 1990. The environmental obligations represent an enormous cost burden on utility companies but will stimulate them to boost their investments in renewable energy sources.

In its own sphere of influence, EVN is pursuing the following initiatives:

Integration of electricity, gas and heating

The vertical convergence of electricity, gas and heating, a strategy which EVN has been implementing since the middle of the 1980s, enables the company to realise significant synergies. This approach will be intensified in the future, also in regards to EVN's foreign business activities.

Vertical integration along the value chain

A balance between own power generating capacities and actual distribution volumes comprises the underlying basis for active risk management and a sustainable business model. Hence the medium-term target is to generate at least 40% of electricity sales from own power generating facilities or procurement rights (2006/07 level: 19.1%). The use of primary energy sources should involve a balanced mix of thermal energy, hydroelectric power and renewable energy sources. EVN aims to raise the share of renewable energy sources as a proportion of total electricity generation from the current level of one-quarter to a third by the year 2010. The goal is to achieve a greater degree of autonomy from purchase price fluctuations, which in turn would allow end customers to more reliably calculate their energy costs.

Leading market positions

In order to achieve economies of scale, EVN strives to achieve a leading market position in all the markets in which it operates, either on its own or by concluding strategic partnerships.

Initiatives

Organic growth and acquisitions

The subsidiaries in Bulgaria and Macedonia will be restructured and profitably streamlined in line with EVN's business model in Lower Austria. The restructuring process in Bulgaria has been completed for the most part, whereas it is still under way in Macedonia. Further value enhancing acquisitions are envisioned as a means of overcoming the constraints placed by limited growth opportunities in Lower Austria.

Energy concept for the Lower Austrian Central Region

Over the next few years, EVN will implement a comprehensive energy concept in the Lower Austrian Central Region, which not only more effectively ensures a reliable and secure energy supply, but also succeeds in taking ecological and economic considerations into account. The EVN facility in Dürnröhr serves as the basis for the project. Through construction of a third waste incineration line, total waste incineration capacity will climb from 300,000 t to 500,000 t upon completion in the year 2009. The process steam arising from waste incineration will be utilised by the neighbouring district heating plant to generate electricity and heat. Moreover, the construction of a biomass pilot plant represents a new approach to power generation. Biogas could serve as a substitute fuel in power plants, and thus enable a further diversification of the energy resources in use. By the start of the 2009/10 heating season, a 31 km long district heating pipeline to Sankt Pölten will be built, supplying more than two-thirds of the city's district heating requirements with heat from Dürnröhr (district heating plant, waste incineration and biomass pilot plant). The total investments cost for the above-mentioned projects will amount to over EUR 200m.

Future-oriented expansion of the Dürnröhr facility

Expansion of power generating capacity abroad

In order to expand its power generating capacity in other countries, EVN is currently focusing on the successful completion of a coal-fired power plant in Duisburg-Walsum, Germany, with a total capacity of 790 MW. The project is being carried out in cooperation with Evonik Steag GmbH. The ground-breaking ceremony took place in November 2006. Operations are expected to commence in 2010. In Macedonia, ESM AD has 11 small hydroelectric plants with a capacity of 39.5 MW, which EVN plans to modernise and upgrade in the next few years. Seven plants are currently leased.

Completion of Walsum coal-fired power plant

Environmental Services segment

In recent years, the Environmental Services segment has become an important cornerstone of EVN's business operations, and makes a significant contribution to the company's growth. EVN is pursuing the following goals relating to its environmental services activities:

Comprehensive services

The services provided by EVN range from planning, financing and construction to the management and operation of facilities. This positioning will be strengthened along the entire value added chain, enabling the further development of technologies during ongoing operations as well as incorporating the valuable feedback gained in the field of plant management into future planning processes.

Effective risk management

The project business involves an aggregation of risks, which EVN deals with by means of an effective risk management system. Moreover, the work is handled by project companies, precluding the right of recourse against EVN.

From sub-contractor to supplier

The business model is designed to change EVN's focus away from the project business and increasingly position the company as a long-term operator and service provider. The resulting exploitation of strategic advantages and synergies serves as the basis for expanding partnerships with communities, ensuring base capacity utilisation and the best possible application of existing technological competencies.

Value-oriented corporate management

EVA and ROCE

The management of the EVN Group is oriented to achieving a sustainable increase in shareholder value for the entire EVN Group as well as for the individual business segments. EVN relies on a unified, Group-wide controlling system which ensures an efficient utilisation of the capital employed.

The main indicators used to assess the value development of EVN's business operations are economic value added (EVA®) and the rate of return on capital employed (ROCE). Accordingly, all investment decisions are evaluated in terms of their impact on the sustainable value of the enterprise. Transparency about value creation in the EVN Group is the basis for the strategic allocation of capital to the individual business segments.

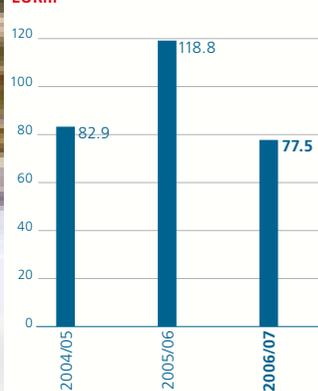
The value contribution reflects the operational performance of the EVN Group. A positive value contribution is achieved when the Group net profit less the cost of capital (NOPAT) is higher than the costs required to finance the capital employed (as measured against the WACC). The definition of the indicators used in this chapter can be found in the glossary.

Developments in 2006/07

The return on capital employed (OpROCE), adjusted for impairments, one-off effects and the market valuation of EVN's shareholding in Verbundgesellschaft, declined from 10.8% to 9.0% during the year under review. The reduction in the OpROCE of the EVN Group can be attributed to the decrease in taxable Group net profit less financing costs (NOPAT) as well as the increase in average capital employed.

The weighted average cost of capital after tax (WACC), adjusted for specific corporate and country risks, was 6.5%, similar to the previous year. On balance, the value contribution of the EVN Group amounted to EUR 77.5m, significantly below the record level achieved in the previous year.

EVA Development¹⁾



1) Excl. financial value development

Calculation of the cost of capital for the EVN Group

Beta factor (β)	1.0
Market risk premium (MRP)	5.0%
Risk-free interest rate	4.1%
Cost of equity	9.3%
Cost of interest-bearing debt ¹⁾	4.5%
Corporate tax rate (25%)	1.1%
Cost of interest-bearing debt after tax	3.4%
Share of equity	50%
Share of interest-bearing debt	50%
Cost of capital after tax	6.5%

1) Average interest rate on long-term government bonds plus risk premium of 0.4% on debt.
 The calculation of the cost of capital has been rounded off to the nearest decimal place.

Development of the value contribution

		2006/07	2005/06	2004/05
NOPAT ¹⁾	EUR m	275.2	298.2	230.5
Average capital employed ¹⁾	EUR m	3,041.2	2,760.4	2,461.0
OpROCE ¹⁾	%	9.0	10.8	9.4
WACC after tax	%	6.5	6.5	6.0

1) Adjusted for impairments and one-off effects. In order to consistently calculate the development of the value contribution, the market value of the Verbund shareholding is not taken into account in capital employed. The value increase in the shareholding is incorporated in the financial value contribution, which includes the share price changes and dividends of the Verbund share.

Energie Vernünftig Nutzen!



“We managed quite well to deal with conditions prevailing on the energy market in 2006/07. On balance, we ended up with quite respectable results.”

“Energie Vernünftig Nutzen” is the German language slogan of the EVN Group, meaning “use energy carefully”. The following is a discussion with the members of the EVN Executive Board, Burkhard Hofer, Peter Layr and Herbert Pötttschacher, about the challenges facing the energy industry, the positioning of EVN, and why it pays to invest in EVN shares.

Following the successful business development of the EVN Group in previous years, the outlook for the 2006/07 financial year was rather guardedly optimistic. How did the company actually perform?

Hofer: First off, we are not generally cautious in our forecasts, but simply realistic. Experience has demonstrated to us that the overall business environment has become increasingly volatile. We are not only dependent on how the weather develops, but our procurement costs are linked to the international energy market. The period under review was characterised by mild temperatures, which had a particularly dampening effect on gas and heating sales volumes. However, we managed quite well to deal with the conditions prevailing on the energy market, and, on balance, we ended up with quite respectable results. Despite the one-off effects last year – after all, we achieved the best results in the company history’s during the 2005/06 financial year – we were able to slightly improve the results from operating activities, which rose 7%, to EUR 197.3m.

Layr: The unfavourable weather conditions were in contrast to price decreases for key primary energy sources. Our business development was sustained by our activities in the Environmental Services segment, which had an increasingly stabilising effect on EVN’s overall performance.

Pötttschacher: Even a small consolidation effect helped us. For the first time, our Macedonian subsidiary ESM AD, which we acquired in April 2006, was included in the consolidated financial statements for the entire financial year.

How is the integration of the subsidiaries in Bulgaria and Macedonia proceeding?

Layr: The integration is proceeding on schedule. Our aim was to integrate the companies during their first three years in the EVN Group, and achieve further improvements. The integration process is taking place on many levels, impacting the employees as well as the standards of materials used and the quality of customer service. On balance, our original expectations concerning the acquisitions have been surpassed by far. We are talking about markets with enormous growth potential. Economic growth exceeds 5%, which naturally has an impact on energy requirements.

And isn’t it a disadvantage that EVN does not have its own power generating capabilities there?

Hofer: We have a clearly defined market model. It first envisions that our expansion drive secures sales opportunities, followed later by investments in energy production. The opposite approach – to first acquire production facilities and then search for customers – would be significantly riskier and also more difficult. We could succeed in taking the first step towards acquiring our own production capacity in these markets by means of our purchase of TEZ Plovdiv, which supplies district heat to about 40,000 customers. The closing of the transaction is still pending.

Pötttschacher: I would like to add that the single buyer model is predominant in Macedonia and Bulgaria. That means that all electricity imports and exports, but also the transmission of electricity across regional power grids, are coordinated by a single national company. The tight grip of this system is being relaxed in Bulgaria, which is opening up new opportunities for us. We will naturally seize upon these chances, but only if they turn out to be profitable.



“The integration of our subsidiaries in Bulgaria and Macedonia is proceeding on schedule. Important employee and procurement issues have been resolved.”





“Naturally we will take advantage of all opportunities to build up our own production capabilities in South-eastern Europe.”

What are the future perspectives regarding EVN’s expansion plans in Albania?

Hofer: By presenting the Albanian Government with feasibility studies for three hydroelectric power plants during the past financial year, we carried out important preliminary work for the upcoming tender process. We remain convinced that we will be able to succeed in realising our plans for hydroelectric power generation in Albania. After all, this approach to generating electricity is at the top of our priority list.

In such projects, how does EVN distinguish itself from its competitors?

Layr: EVN can provide all required services under one roof, from planning and financing to construction and ongoing operation. We are not a construction company which would actually consider this work to be unexplored territory, for the most part. Our core business, in which we boast an outstanding and more than sufficient know-how, encompasses the implementation of the entire project, including operating the particular facility for many years. We have one more competitive advantage: we already have market access in this region when it comes to selling and distributing energy.

Which investments are foreseen in Lower Austria?

Pötschacher: In the preceding year, we already presented a comprehensive energy concept for the Lower Austrian Central Region. Based on our existing facilities in Dürnrohr, we will invest a total of EUR 200m in the upcoming years to increase capacity and improve efficiency. The integrated nature of the project is really impressive and makes sense. By creating a third waste incineration line, capacity will be increased to such an extent that it will be able to supply a large share of the district heating required by the provincial capital of Sankt Pölten, working together with the municipal utility company. A district heating pipeline with a length of about 31 km will be built, which will supply about two-thirds of the city’s 6,000 customers. Process steam will be delivered to Agrana’s bioethanol facility. Moreover, by next year a pilot plant to produce biogas will shed light on how reasonable the industrial production of biomass pyrolysis actually is. The package of measures also includes a logistics solution, which will set new standards. Through the construction of a rubber belt conveying system, we will be able to integrate the Danube waterway in our transport logistics.

Layr: Apart from increasing capacity and efficiency, we will come closer towards achieving our goal of boosting our power generating capacity from renewable energy sources to a level of 33% by the year 2010. Taking account of facilities currently under construction, the share of renewable energy sources is currently 20%.

What are the limits to exploiting renewable energy sources?

Layr: Naturally one has to look at the situation from different angles. Wind is limitless available. In this case, the land use regulations are the limiting factor, because they restrict the number of wind parks. However, in Lower Austria an exemplary legal framework has been created, which is why we still see further possibilities to expand. In the years to come, wind power will assume an important role in Europe’s electricity mix.

Hofer: And even if we reach our limits in Austria, which as a landlocked country, does not offer the same range of possibilities as Germany, for example, with its off-shore facilities, we want to increasingly exploit our know-how in this field in South-eastern Europe, where the prerequisites for expanding our business are quite favourable.

Does wind power actually pay off?

Layr: Next to hydroelectric power, wind power is certainly the best renewable energy alternative which can be generated at marketable prices. This has been made possible by far-reaching technological changes. The first wind turbines had a capacity of 600kW each. In the meantime, capacity has increased four-fold to 2.5 MW. Of course, these developments naturally have a positive impact on profitability.



“By 2010, we want to increase the share of renewable energy to 33%.”

Pötschacher: The problem with biomass is a different one. The resources are limited, and other sectors such as the paper or fuel industries also create demand for it. The limit is the amount of agricultural land under cultivation, in the same way that environmental protection measures place limitations on the use of hydroelectric power.

To what extent does the Austrian regulatory authority interfere in the market?

Hofer: In my judgement, the Austrian regulatory model is exemplary, and is being imitated by other European countries. Based on my daily experiences, I believe that liberalisation in Austria is functioning quite well, contrary to any complaints and reports on the part of the Austrian regulatory body.

Don't partnerships such as EnergieAllianz Austria counteract liberalisation?

Layr: The EU foresees a unified market, even if there are actually many submarkets. In a European context, when it comes to 3 million customers, one can not realistically compare the situation to a monopoly. In other industries, such partnerships are common practice. From my point of view, the level of competition can not be measured by counting the actual number of customers switching energy providers, but determining to what extent the optimal preconditions for a liberalised market have been created. However, in Austria, the relatively low prices will tend to deter other providers from entering the market.

What visions do you have regarding strategic partnerships in Austria?

Hofer: We continue to strive for a cooperation with Verbundgesellschaft, even if we no longer prefer the past approach taken by the "Austrian Electricity Solution". Today, Verbundgesellschaft has emerged as our preferred supplier, also because it primarily generates energy with hydroelectric power, and it does so quasi on location. Moreover, there are opportunities for the two companies to work hand in hand in their foreign business operations.

Do you think utility companies should be publicly owned or not?

Hofer: On days in which there are widespread rumours about potential takeovers by foreign companies, the question is naturally raised about stabilising factors. From my point of view, such factors should be reflected in the shareholder structure, as is the case with EVN, in which Lower Austria owns a 51% shareholding.

Layr: In our investments we have to take a long-term perspective. The expected useful life of our facilities is between 30 and 40 years. The long-term nature of these investments should be reflected in terms of the capital provided. Which particular partner is involved does not matter so much.

How do you convince your shareholders about EVN's potential?

Hofer: EVN is certainly not a temporary high flyer on the stock exchange. We focus our efforts on achieving stable, long-term growth, which of course also encompasses profitable, large-scale expansion projects. Moreover, we are well positioned globally. Whereas other companies are still searching for expansion opportunities in South-eastern Europe, we have effectively positioned the company in the region. We have also succeeded in establishing a second foothold by building up our business operations in the Environmental Services segment, a development which clearly has a stabilising effect. Our strategic investments in RAG and Verbundgesellschaft both have a similar effect, contributing to EVN's successful diversification. Finally, our dividend policy is also a persuasive argument. We offer shareholders a fair and continually increasing return on the capital invested. In the 2006/07 financial year, the total shareholder return amounted to 10% – despite a turbulent year on international stock markets.



"Our experiences day in and day out have demonstrated that market liberalisation in Austria is functioning well."



"The concept for the Lower Austrian Central Region enables us to increase our power generating capabilities and use innovative technologies to achieve a sustainable increase in energy efficiency."

EVN share and investor relations

Development of capital markets

Ongoing economic boom in Europe

The global economy continued its dynamic growth in the year 2007, although the capital market turbulences arising in the interim as a result of the mortgage meltdown and real estate crisis in the USA caused a major stir. Together with the slight slowdown in US economic growth, these two developments led the U.S. Federal Reserve to carry out its first interest rate reduction in the last four years, slashing the prime rate by 50 basis points to 4.75%.

In contrast, the prime rate in the eurozone has been raised four times since October 2006, by a total of 100 basis points, to a level of about 4.0% at the end of September 2007. Interest rate developments did not exert any major influence on the global economy. The Central and Eastern European economies once again demonstrated a particular resilience in the face of crisis.

Strong but volatile stock market performance

The international stock markets performed favourably in line with the strong upward growth in the global economy, but were partly subject to massive downward adjustments in share prices in the spring and early summer of 2007. Nevertheless, numerous indices managed to reach record levels. The German DAX gained 30.9% in value during the period October 2006 – September 2007, whereas the European EuroStoxx 50 share index showed a rise of 12.4%. The U.S. Dow Jones Index registered 19.0% growth in comparison to the previous year, defying the restrictive interest rate policies of the U.S. Federal Reserve and reaching a new all-time high in the meantime. The Japanese Nikkei share index apparently suffered the most from the credit turbulence, only posting a modest gain of 4.1% in the same period.

In 2007, the Austrian economy performed disproportionately well in comparison to the rest of the eurozone. Austria's thriving foreign trade and the strong investment activity on the part of domestic companies continued to be important growth drivers of the country's economy. The ATX benchmark index of the Vienna Stock Exchange posted a rise of 17.0% from October 2006 to September 2007.

The EVN share

Share price and trading volume 2006/07

The EVN share gained 8.3% in value during the period under review, and was traded at a share price of EUR 90.50 at the closing date of trading on September 28, 2007. The Dow Jones Stoxx Utilities sector index, which is relevant to EVN, registered growth of 24.9%. At the end of September 2007, the market capitalisation of the EVN share amounted to EUR 3.7 bn. During the 2006/07 financial year, the daily turnover in EVN shares on the Vienna Stock Exchange declined to an average of close to 19,000 EVN shares (counted once), from an average of 21,900 shares traded daily in the previous financial year. Subsequently, turnover in EVN shares amounted to 0.50% of total Vienna Stock Exchange trading volume during the period under review (previous year: 0.77%). Due to its limited liquidity, the EVN share was removed from the ATX, the index of the most liquid listed shares, effective September 24, 2007. The EVN share continues to be listed on the ATX Prime Index, in which the weighting reached a level of 1.11% at the end of September 2007,

Robust growth of the global economy

Key indices register significant growth

EVN market capitalisation
EURm



compared to 1.36% in the previous financial year. The weighting of the EVN share in the Vienna Stock Exchange Share Index WBI was 2.37% (previous year: 2.73%).

EVN share price – relative development



Shareholder structure

The shareholder structure of EVN has changed since the end of the 2005/06 financial year. On the basis of federal and provincial constitutional law requirements, the province of Lower Austria continues to be the major shareholder of EVN AG, with a stake of 51%. Lower Austria's shareholding is formally held via its investment holding, NÖ Landes-Beteiligungsholding GmbH. On October 23, 2006, the German electricity supplier Energie Baden-Württemberg (EnBW) announced that its stake in EVN AG exceeded the threshold of 35%. The remaining shares are in free float.

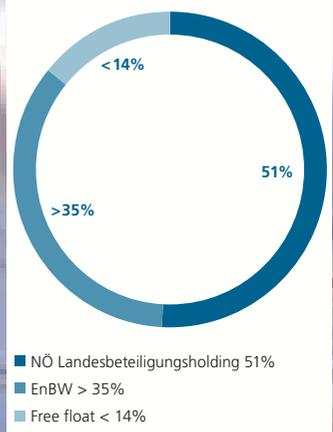
The 78th Annual General Meeting of EVN, held on January 18, 2007, formally passed a resolution authorising the Executive Board to buy back EVN's own shares amounting to 10% of the company's share capital. The authorised period for the buy-back is 18 months. The Executive Board had not used this share buy-back authorisation by the end of September 2007.

Dividend policy

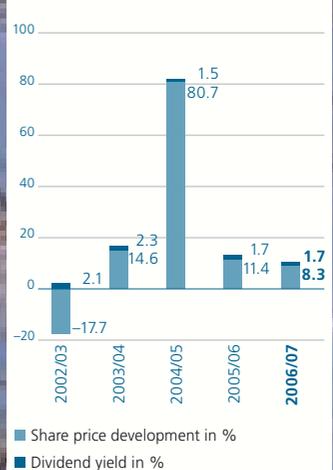
EVN's dividend policy is oriented towards achieving a sustainable development of the company and ensuring an increase in shareholder value. Accordingly, the proposed dividends are designed to provide an appropriate return for company shareholders on their invested capital, and simultaneously ensure long-term growth perspectives and fulfil future investment and financing requirements. EVN seeks to implement a step by step dividend increase, depending on the business development of the company.

The Executive Board will propose to the Annual General Meeting on January 17, 2008 that the dividend for the 2006/07 financial year be further raised by 7.1%, to EUR 1.50. This corresponds to a dividend yield of 1.7%. All in all, the total shareholder return amounts to about 10%. The comparative value has been 12.97% p.a. since the Initial Public Offering in 1989.

Shareholder structure



Total shareholder return



EVN bonds

	Public bonds			Private placements		
	EUR	CHF	DEM	JPY	CHF	
Amount	300m	200m	275m	8bn	200m	
Due date	December 14, 2011	April 8, 2008	August 26, 2008	September 1, 2014	June 10, 2009	
Maturity (yrs.)	10	10	10	20	5	
Coupon (% p.a.)	5.25	3.25	5.00	5.20	2.43	
ISIN	XS0140090514	CH0008577071	DE0002494200	XS0052014114	CH0018703709	

EVN bonds

Within the context of implementing a long-term financing structure, EVN has issued several corporate bonds in different currencies in the past. A detailed list can be found in the notes to the balance sheet under the item "non-current financial liabilities".

Ongoing positive credit ratings

In March 2007, the rating agency Standard & Poor's confirmed EVN's long-term credit rating of A (stable outlook). The underlying reason for this rating is EVN's strong financial position, which remains on a solid basis despite the expanded presence of the company in the comparatively risky region of East and South-eastern Europe. Moody's maintained its rating of A1 (stable outlook). On the basis of these assessments, EVN continues to boast a very good credit rating in comparison to other European utility companies. In the course of the credit crisis, the spread on the bonds issued by EVN on the secondary market increased in the last quarter of the 2006/07 financial year.

Confirmation of ratings

The EVN share

		2006/07	2005/06	2004/05
Share price at the end of September	EUR	90.50	83.58	75.00
Highest price	EUR	95.49	99.00	78.50
Lowest price	EUR	81.51	65.20	40.90
Value of shares traded ¹⁾	EUR m	411	433	271
Average daily turnover ¹⁾	Shares	18,943	21,900	19,301
Share of total turnover ¹⁾	%	0.50	0.77	0.87
Market capitalisation at the end of September	EUR m	3,700	3,417	3,066

1) Vienna Stock Exchange, counted once

Value added

		2006/07	2005/06	2004/05
Earnings/share	EUR	5.55	5.43	3.53
Dividends/share	EUR	1.50 ¹⁾	1.40	1.15
Cash flow/share	EUR	10.08	9.78	6.13
Book value/share	EUR	73.74	67.41	55.9
Price/earnings	X	16.3	15.4	22.2
Price/cash flow	X	9.0	8.5	12.2
Price/book value	X	1.2	1.2	1.3
Dividend yield	%	1.7	1.7	1.5

1) Proposal to the Annual General Meeting

Basic information

Share capital	EUR 99,069,392.62
Denomination	40,881,455 zero par value shares
ISIN security code number	AT0000741053
Tickers	EVNV.VI (Reuters); EVN AV (Bloomberg); AT; EVN (Dow Jones); EVNVY (ADR)
Stock exchange listing	Vienna
ADR programme; depository	Sponsored level one ADR program (5 ADR = 1 share); Bank of New York
Ratings	A1, stable (Moody's); A, stable (Standard & Poor's)

Investor relations

Through its extensive investor relations activities, EVN maintains an active and, above all, a regular dialogue with existing and potential investors as well as analysts. The basic principles underlying EVN's investor relations activities are simultaneous, open and comprehensive communications with all capital market participants, a high degree of transparency and pro-active reporting. Numerous opportunities were exploited in the 2006/07 financial year to provide information about the business development and strategy of EVN, within the context of press conferences, conference calls, roadshows and international conferences focusing on the utility sector. In addition to Austrian banks (CAIB, Erste Bank and Raiffeisen Centrobank), the international brokerages Société Générale and Sal. Oppenheim accompanied EVN to roadshows. In September 2007, EVN once again hosted an event for private investors, in which they were informed about the latest developments at the EVN Group. A visit to the Lower Austrian Provincial Exhibition or a tour of the museum and hydropower plant in Schwellöd was organised, in which 850 private shareholders participated.

www.investor.evn.at

The EVN Website is designed to serve as an interactive communications tool. In addition to annual and quarterly reports, capital market announcements, roadshows and analyst presentations, the EVN Website also offers investors recordings of conference calls, online stock exchange information and numerous services tailored to the needs of investors. The current share price and the latest press releases are also available.

Internationally recognised annual report

In September 2007, for the 20th straight year, the Austrian business magazine "trend" honoured the best annual reports published in Austria. The evaluation was carried out in two categories: business reporting and media quality, both of which were equally incorporated into an overall ranking. In the business reporting category, EVN improved from 8th place to 4th place among all listed companies in Austria. EVN was rated 6th overall. Moreover, the company was awarded the "Corporate Governance" Prize for Excellence bestowed by trend magazine. The selection of EVN was justified on the grounds of its high degree of transparency in business reporting.

Financial calendar 2007/08¹⁾

79th AGM	January 17, 2008	Results H1 2007/08	May 29, 2008
Ex-dividend day	January 22, 2008	Results Q1–3 2007/08	August 28, 2008
Dividend payment	January 28, 2008	Annual results 2007/08	December 11, 2008
Results Q1 2007/08	February 28, 2008		

1) Preliminary

High level of transparency

The following financial institutions carry out regular analyses of the EVN share:

- CAIB, Vienna
- Erste Bank, Vienna
- Raiffeisen Centrobank, Vienna
- Société Générale, Paris

Contact

Information on the Internet:
www.evn.at
www.investor.evn.at
www.responsibility.evn.at

Investor Relations:
Klára Székffy
Phone: +43 2236 200-127 45
Fax: +43 2236 200-827 45
E-Mail: investor.relations@evn.at

Sustainable corporate management

CSR management

EVN is fully aware of its corporate social responsibility, and subsequently strives to safeguard and improve the quality of life enjoyed by its customers through responsible energy and environmental services. The qualifications and commitment of its employees serve as the basis for the company's future success. At the same time, EVN boldly faces urgent sociopolitical issues and is convinced, that only the involvement of all stakeholder groups will enable the company to achieve a sustainable increase in shareholder value.

Active corporate environmental protection has a long tradition at EVN. The first valid environmentally oriented mission statement was already formulated 17 years ago, and is the starting point for all environmental protection activities. At that point in time, the first corporate environmental report was published and later expanded into a social and environmental report in the year 2001. This marked the transition to the first comprehensive EVN Sustainability Report, which has been published annually since 2002. At the beginning of October 2005, EVN first implemented a CSR organisational structure. On the basis of the experience gained, the CSR system at EVN was restructured and improved at the beginning of 2007. The Corporate Social Responsibility Steering Committee is comprised of the entire Executive Board, and the heads of the environmental controlling and corporate communications strategic business units. Under the auspices of a specially designated CSR manager with a technical background, a CSR advisory team operates proactively, encompassing representatives from the following strategic business units: communications, human resources, investor relations, environmentally controlling and legal affairs. This advisory group is responsible for developing CSR principles and measures, as well as for implementation and communications. The entire process is supported by CSR representatives in all strategic business units of the EVN Group, who ensure appropriate internal communications and downstream measures.

In the 2006/07 financial year, the top priorities of EVN's CSR activities were the expansion of EVN's CSR capabilities as described above, increasing the awareness of the necessity for CSR measures among EVN employees, integrating staff in developing a CSR programme and preparation of the current Sustainability Report.

CSR organisation

CSR steering committee (complete Executive Board, head of the Group functions Environment Controlling and Communications)

Approves EVN programmes and confers concerning strategy.

CSR consultative team (CSR officers and members of the Group Communications, Human Resources, Investor Relations, Environmental Controlling and Legal Departments)

Preparation of basic CSR principles and measures, their communication and realisation.

CSR officers (employees from all company areas)

Securing of internal communications and all downstream processes.

Temporary working groups

Support of the CSR consultative team, drawing up of proposals for new activities and monitoring of the realisation of measures already sanctioned.

Comprehensive sustainability report

Reporting in line with Global Reporting Initiative (GRI)

Restructured and improved CSR organisation at EVN

If you do not have access to a copy of the EVN Sustainability Report 2006/07, you can order it at any time on the Internet at www.investor.evn.at or by using the free service hotline number 0 800 800 200. Parallel to this report, EVN also provides comprehensive information online about its initiatives in the interests of a sustainability-oriented corporate management at www.responsibility.evn.at. While the EVN Sustainability Report highlights the specific measures taken during the past financial year, the homepage primarily serves to document general principles and the longer-term development of EVN in the field of CSR.

Membership in sustainability indices

The endeavours of EVN in line with sustainability-oriented corporate management have received recognition several times in the past in the form of the company's acceptance into specialised sustainability indices. These enable sustainability-oriented investors to make targeted investments in companies which fulfil globally recognised standards in regards to environmental and stakeholder responsibility. In 2007, EVN's membership in the FTSE4Good Index was once again confirmed, and the company continues to be represented in the Ethibel Sustainability Index. EVN has also been included and confirmed as a member of VÖNIX, an index incorporating listed Austrian companies operating in accordance with CSR principles.

Overview of goals

From an economic point of view, the primary target was promoting a speedy integration of the subsidiaries in Bulgaria and Macedonia with the underlying goal of achieving a quality and profitability level close to EVN's domestic market of Lower Austria. EVN's subsidiaries in these markets have become increasingly involved in the sustainability process, in order to ensure that a more holistic picture of EVN is presented in the future.

In ecological terms, it is EVN's declared goal to continually expand its contribution to climate protection, and thus exploit all opportunities to achieve this goal. Accordingly, EVN implements a broad spectrum of projects designed to increase efficiency and increase the share of renewable energy resources. The "Theiß district heat storage" project alone will enable EVN to reduce CO₂ emissions by about 4,000 t, and also increase the security of energy supply in the form of district heat for the Krems region. The outstanding significance of this innovation was underlined by the EPCON award granted to EVN for promising, innovative products and concepts developed by a utility company.

For EVN, sustainability also means a fair, responsible and possible manner of interacting with employees. A high level of mutual respect and the general willingness to constructively cooperate is the basis for sustainable human resources management. This approach is reflected in an attractive and socially-oriented working environment, as well as ongoing, top quality professional training and career advancement programmes. In this connection, EVN also offers its employees dedicated and comprehensive health care services, measures to ensure occupational health and safety as well as a company pension plan.

All in all, EVN has frequently and impressively been able to demonstrate that sustainability is not just a temporary fashion, but a holistic approach to corporate management which it practices on a day by day basis. EVN's conviction of the importance of sustainability was also reflected in its joining the UN Global Compact in the year 2005.

EVN's membership in the FTSE4Good Index confirmed

Integration of South-eastern European subsidiaries in the group-wide sustainability process

EVN wins EPCON Award for innovative products and concepts

Responsible and possible manner of interacting with employees

Innovative resource use and contribution to further development of the energy sector

Natural gas and biogas research

Partnerships on a national and European level

EU project examines live steam generation

Research and development

Orientation and objectives

For many years, EVN has been involved in numerous research and development projects, domestically and internationally positioning itself as a qualified partner in all issues relating to the energy industry. In Austria, EVN has assumed a leading role, both economically and technologically, in operating highly efficient and environmentally sound power plants. EVN is also committed to achieving an ecologically innovative and efficient use of natural resources, as well as reducing CO₂ emissions. By developing specific, innovative solutions, EVN proactively contributes to the political decision-making process on issues concerning the sustainable development of the energy sector. During the period under review, EVN invested a total of approximately EUR 0.9m in research and development projects.

Selected R&D projects

Within the context of the strategic flagship initiative "Clean Energy Pathways 2020" coordinated by the Federal Ministry of Transport, Innovation and Technology, a two-year research project is focusing on examining new propulsion technologies designed to use clean energy sources such as natural gas and biogas under real-life conditions. The results of this research project will be presented at a symposium in the autumn of 2008.

EVN is also participating in the Austrian Fenco Initiative (AFI), a national platform which develops, manages and finances a research fund for fossil energy programmes focusing on the environmentally compatible use of fossil fuels. FENCO (Fossil Energy Coalition) was established in 2004 by Germany and Great Britain with the support of EVN, in order to lay the groundwork for a detailed evaluation of national and European research programmes aiming to achieve carbon-free emissions from fossil fuels, and to link up all these initiatives. EVN currently chairs the executive committee of the IEA Clean Coal Center. The company also initiated Austrian membership in the IEA Greenhouse Gas R&D.

CO₂ research initiatives

During the period under review, EVN signed a research cooperation agreement on the topic of "CO₂ separation, capture and conversion" to analyse brown coal and black coal combustion in an oxyfuel test facility. The project is being implemented together with Vattenfall Europe Generation and Cottbus Technical University. The aim of the project is to carry out a comprehensive testing programme to evaluate the plant-specific components as well as the combustion and emissions behaviour of brown and black coal at the oxyfuel testing facility located in the Jänschwalde power plant. In addition to this project, studies are being made to examine and verify the effects of different CO₂ reduction technologies at the Dürnröhr power station (Block 2).

Together with nine other European utility companies, EVN is participating in a pre-engineering study designed to provide a reliable decision making basis, both in technical and economic terms, for power plants operating with a live steam temperature of 700 °C. The project directly ties in with the CO₂ pilot plant, implemented with the financial support of the European Commission. The facility is the first installation to achieve a live steam temperature 700 °C, and has been successfully operated in Scholven/Gelsenkirchen since July 2005.

EVN is also taking part in the CO₂ research initiative of J-Power, Japan, within the context of the periodic Technical Information Exchange.

Employees

In the 2006/07 financial year, the average number of employees in the EVN Group declined by 4.4%, to 9,535, and thus represents a reversal of the trend over the last four years. The average number of employees tripled within a two-year period, due to the integration of the Bulgarian subsidiaries at the beginning of 2005, and the Macedonian electricity distribution company ESM AD in April 2006. The integration and restructuring of the new subsidiaries was initiated immediately after acquisition, and has made good progress. One aspect of the restructuring programme is a socially acceptable reduction in the number of employees. A voluntary social benefits programme was developed in close cooperation with the company union.

Number of employees ¹⁾	2006/07	2005/06	Change		2004/05
			Number	%	
Energy segment	8,478	8,989	-511	-5.7	5,746
Thereof South-eastern Europe	6,843	7,358	-515	-7.0	4,049
Environmental Services segment	462	438	24	5.5	396
Other business areas	595	546	49	9.0	512
EVN Group	9,535	9,973	-438	-4.4	6,654
Thereof trainees	77	78	-1	-1.3	71

1) Annual average, full-time equivalents

During the course of the 2006/07 financial year, personnel expenses climbed by 9.6%, or EUR 25.3m, to EUR 288.9m. The personnel expenses for ESM AD totalling EUR 19.2m include the one-off effects for the implementation of a voluntary social benefits programme linked to a reduction in employee headcount, which resulted in restructuring expenses in Macedonia of EUR 7.6m. In the 2005/06 financial year, expenses relating to a similar social benefits programme in Bulgaria amounted to EUR 7.2m. The remaining increase in personnel expenses is due to contractually stipulated wage increases mandated by collective agreements, and the hiring of new employees in other business areas.

More information about EVN's activities on behalf of its employees can be found in the Sustainability Report 2006/07, which is published together with this annual report. Further details can also be found at www.responsibility.evn.at.

Management report

Legal framework

Regulatory environment in Austria

Full-scale market liberalisation in Austria

The Austrian electricity and gas markets were opened up to competition in the years 2001 and 2002 as a consequence of EU-imposed market liberalisation. In order to fulfil legal unbundling requirements, EVN transferred its entire electricity and gas network business to EVN Netz GmbH, effective October 1, 2005.

Incentive model for the electricity network

With respect to the electricity network, a new incentive regulatory system was introduced for the period 2006 to 2009. The new system generally foresees compensation for inflation, adjusted to deduct a general rise in productivity anticipated for all Austrian network operators, as well as an individual deduction for growth in efficiency. The core component of this approach is a national benchmarking system for Austria's electricity network operators, of which EVN ranks among the most efficient. On the basis of incentive components, the latest tariff assessment process completed in January 2007 resulted, on balance, in EVN's electricity network tariffs remaining stable.

Regulatory authority orders 4% reduction in EVN gas network tariffs

The Austrian regulatory authority required EVN to cut its gas network tariffs by 4.0%, effective January 2007. This tariff adjustment follows an 8.0% reduction in gas network tariffs, which had been prescribed effective November 2005. These price reductions were still based on an individual cost evaluation procedure. Similar to the incentive regulatory system already being applied to electricity networks, a new gas network tariff system for the years 2008 – 2012 was developed within the context of negotiations held between gas network operators and the Austrian regulatory authority. Thanks to the high efficiency of its gas network, EVN has been able to position itself as a benchmark. For this reason, a stable development of the company's gas network tariffs is to be expected.

Amendment to the Austrian Green Electricity Act

The amendment to the Austrian Green Electricity Act, which took effect at the beginning of 2007, foresees an increase in the proportion of electricity generated by renewable energy sources from 8% to 10% by the year 2010. The subsidies granted for newly constructed power generation plants (excl. hydropower plants) were limited to the absolute amount of EUR 17m per year (30% each for biomass, biogas and wind generation, and 10% for photovoltaic facilities) for the period 2007 – 2011.

Within the context of the Austrian National Allocation Plan I (2005 – 2007), the EVN Group was allotted CO₂ certificates for annual emissions amounting to 1.45m t of CO₂. This volume is one-third below the average level of CO₂ emissions for the years 2003 and 2004. Subsequently, EVN was required to purchase additional CO₂ emission certificates, leading to significantly higher costs. However, due to a decline in prices for CO₂ emission certificates starting in April 2006, the costs incurred by EVN during the 2006/07 financial year were below those in the previous financial year (also see page 44).

Massive cut in CO₂ emissions prescribed

In 2007, the European Commission evaluated the National Allocation Plans II, applicable for the period 2008 – 2012, and prescribed an average 6.4% reduction in CO₂ emissions. The Austrian National Allocation Plan II was originally based on a forecast of CO₂ emissions in Austria totalling 38.33m t per year and an annual savings potential of 5.53m t of CO₂ emissions. The total resulting allocation of free certificates for CO₂ emissions amounting to 32.80m t per annum was reduced by the European Commission to 30.33m t. Subsequently, there is more than a 20% gap between the original forecasts of CO₂ emissions and the amount actually allocated by the EU. These guidelines not only pose a major challenge to industrial and utility companies in terms of reducing CO₂ emissions, but impose a considerable financial burden for the

purchase of additional certificates. Austria's energy sector was allotted 7.70m t annually of CO₂ emission certificates at no charge, of which EVN was granted 1.58m t. EVN estimates it will be required to purchase emission certificates for approximately 500,000 – 800,000 t annually.

In September 2007, the EU presented its third liberalisation package of measures designed to strengthen competition and complete the process of establishing a unified internal energy market in the electricity and gas sectors. The legislation consists of five core modules, and has provoked very controversial discussions among EU member states. Final agreement on the legislative proposals is expected in the course of the 2007/08 financial year.

Legal framework in South-eastern Europe

Bulgaria

In Bulgaria, the first step towards liberalising the electricity market was already taken in the year 1999. The latest energy law prescribed the legal unbundling between network operators and electricity suppliers starting at the beginning of 2007. In the second half of 2006, EVN already implemented the unbundling of its network and electricity supply operations, simultaneously merging its two Bulgarian regional electricity supply companies. The subsidiary EVN EP (formerly ERP Plovdiv AD) now serves as the network operator, whereas EVN EC (formerly ERP Stara Zagora AD) is responsible for the sourcing, procurement and distribution of electricity.

As prescribed by the new energy law, the Bulgarian electricity market was fully liberalised starting on July 1, 2007. A total of 32 companies offering to supply customers with electricity at fully negotiable rates were legally registered as at September 30, 2007. Only a small share of the generated power actually reached the free marketplace. In practice, long-term energy supply agreements between producers and the national electricity company NEK stand in the way of actual market liberalisation in the same way as the Bulgarian regulatory authorities have allotted pre-determined electricity distribution volumes to existing supply companies in order to ensure secure energy supplies. During the last three years, electricity prices in Bulgaria have climbed by about 13% – 14% but still amount to only half the level in Western Europe.

Macedonia

The electricity market continues to be largely regulated in Macedonia, based on the single buyer model. In 2005, two electricity supply companies were spun off from the former nationalised electricity distribution company: ELEM, the largest electricity producer, and TEC Negotino, which only operates a thermal power station when there is a shortage of electricity. In accordance with the single buyer model, MEPSO, operator of the state power grid, serves as a national energy pool, 80% of which consists of electricity generated by the state power generating company ELEM and 20% from imported electricity. The EVN subsidiary ESM AD derives 98% of its electricity requirements from this energy pool.

Electricity prices and electricity network tariffs are stipulated by the Macedonian regulatory authority, whose cost evaluation process is based on calculating operating expenses (partly reduced) or procurement costs, including a capital market-based return on equity. On the basis of the expected sales volumes, an average price is calculated ex ante, which is valid during the following year and which is, in turn, converted to a regulated tariff system. Due to regulatory policies, an improvement in earnings can only be achieved by increasing efficiency and further reducing losses from the power grid.

EU Commission adopts third legislative package for energy markets

Successful company unbundling

Legal opening of the electricity market as of July 2007

Completely regulated market based on the single buyer model

First signs of liberalisation

During the period under review, initial discussions focusing on a gradual liberalisation of the Macedonian electricity market for the years 2009 to 2012 took place.

In Macedonia, electricity prices are less than half the West European level, and even considerably lower than comparable electricity prices in Bulgaria.

Overall business environment

Dynamic global economic growth continues

The global economy continued its dynamic expansion in the years 2006 and 2007. In 2006, real global economic growth amounted to 3.7%. A comparable growth rate is forecast for 2007, despite the U.S. real estate crisis and the turbulences unleashed on international capital markets. GDP growth in the eurozone reached 2.7% in 2006, the highest level in six years. The economic upturn was even more pronounced in the first half of 2007, thanks to strong investment demand. The financial turbulences arising in the middle of the year are not expected to result in any long-lasting economic downswing. The economic basis of the eurozone is considered to be solid enough to absorb the effects of the turbulence. All in all, GDP growth of 2.6% is anticipated for the eurozone in 2007.

Economic downturn in the USA

In the USA, the economy slowed down in the first half of 2007. Following a strong growth rate of 3.4% in 2006, GDP growth is expected to weaken to 1.9% for 2007. The low level of real income growth had a dampening effect on consumer confidence, as did the collapse of the real estate market.

Austrian economy grows stronger than the EU average

The Austrian economy continued to profit from the dynamic global economic upswing, and the economic recovery process of the new EU member states. In 2006, Austrian GDP expanded by an estimated rate of 3.2%. Driven by strong exports and investment activity, a growth rate of 3.5% is predicted for 2007, but the level of economic expansion will have reached its peak. In the two following years, analysts foresee a decline in real economic growth to 2.7% and 2.2% respectively, nevertheless still surpassing the comparable average growth level attained in the EU. The inflation rate will remain at a moderate level of about 1.9% for 2007, and is expected to increase slightly to 2.1% in 2008.

GDP growth in Bulgaria surpasses 6%

Economic growth was robust in Central and South-eastern Europe. With the exception of Hungary, growth rates ranged between 5.0% and 6.5%. Bulgaria demonstrated a constant growth trend. The country's economy expanded by 6.1% in the year 2006, with GDP growth of 6.4% predicted for 2007. This dynamic momentum is expected to continue over the next two years, with the industrial sector forecasted to develop at an above-average rate, expanding by 7% – 8% during this period. Forecasts for the energy sector foresee a growth rate of about 4% annually over the next few years, depending on the overall business development.

Economic recovery in Macedonia

Parliamentary elections were held in Macedonia in 2006. In a development overshadowed by the political confrontations taking place, Macedonia posted GDP growth of 3.1% in 2006, below the level attained in previous years. This was followed by a broad-based economic recovery in the first six months of 2007. Booming exports and brisk investments served as the growth drivers, catapulting economic growth to over 5%. For the year 2007 as a whole, the Macedonian economy is expected to expand by about 4%.

Energy sector environment

	2006/07	2005/06	Change %
Temperature-related energy demand ¹⁾ %	72	101	–
Crude oil price – Brent EUR/bbl	49.24	53.03	–7.1
Gas price – GIMP ²⁾ cent/m ³	21.80	22.94	–5.0
Coal – API#2 ³⁾ EUR/t	55.58	48.69	14.2
CO ₂ certificates (1 st period) ⁴⁾ EUR/t	3.06	20.74	–85.3
Electricity – spot market			
EEX base load electricity EUR/MWh	34.69	54.62	–36.5
EEX peak load electricity EUR/MWh	49.69	79.21	–37.3
Electricity – forward market			
EEX base load electricity EUR/MWh	53.62	44.64	20.1
EEX peak load electricity EUR/MWh	79.88	61.15	30.6

1) Calculated according to the heating degree total in Austria. The basis (100%) corresponds to the long-term average value 1971 – 2000.

2) Gas Import Price – Austrian Statistical Office

3) ARA notation

4) EEX - European Energy Exchange

The business environment in the energy sector has a considerable influence on the business development of the EVN Group. The most important factors, which partly have opposing effects, are described below.

As measured by the heating degree total, temperatures in the region of Austria supplied by EVN were 28% higher in the 2006/07 financial year than the long-term average, whereas the temperatures were 14% higher in Macedonia and 21% above the previous year level in Bulgaria. The weather primarily had an impact on household energy consumption, in particular the demand for gas and heating. In the period under review, EVN only supplied gas and heating to customers in its domestic market of Austria. Gas sales volumes of EVN to end customers declined by 26.1% in the 2006/07 financial year, whereas heating sales volumes fell by 14.7%. In contrast, the 2005/06 financial year was characterised by an extremely cold winter.

Mild temperatures dampen sales volumes

In spite of the weather related decline in demand, the price of North Sea crude oil (Brent), the variety of the highest relevance to Europe, hovered at a level of USD 65.62, comparable to the crude oil price of the previous year. At the same time, the value of the euro climbed significantly against the U.S. dollar. As a result, the euro price of crude oil dropped by 7.1% to EUR 49.24 compared to the preceding year. Gas procurement costs, linked to the price of crude oil, decreased by 5.0% during the period under review. EVN itself profited from the lower primary energy prices, but passed on the price reductions in the form of gas price cuts for its end customers.

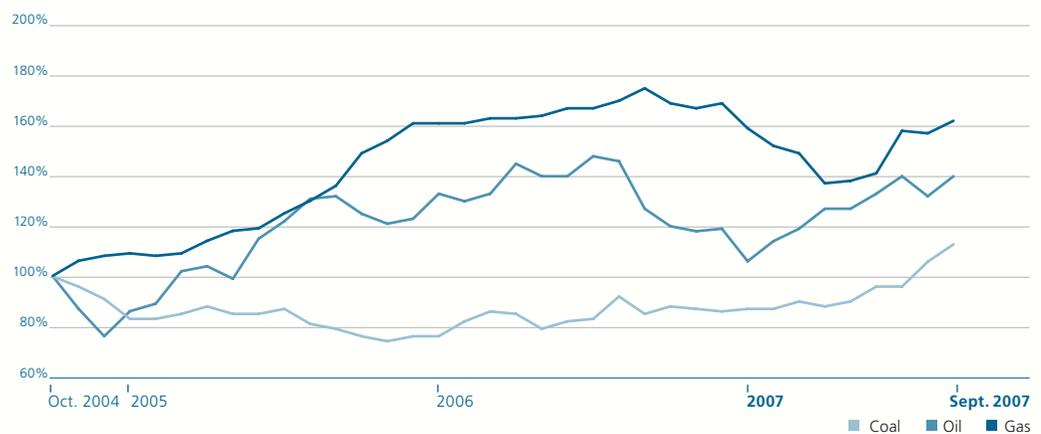
Euro price of crude oil down 7.1%

The prices for CO₂ emission certificates were 85.3% lower than in the preceding financial year. The costs of CO₂ emission certificates began to drift downwards following the publication of statistics reporting actual levels of CO₂ emissions in most EU member states to be far below initial expectations. This trend was further strengthened by the mild winter temperatures, which led to a drop in energy consumption. On average, the prices for CO₂ emission certificates declined to a level of EUR 3.06/t during the 2006/07 financial year, down from EUR 20.74/t in the previous year.

Price decline for CO₂ emission certificates

Wholesale electricity prices in Europe decreased by about one-third during the period under review. This was primarily due to declining primary energy prices and the collapse of prices for CO₂ emission certificates. However, such a reduction in the spot market prices only had a minor impact on actual electricity procurement expenses. This can be attributed to the fact that energy supplies were procured on the forward market in the previous period.

Primary energy price trends (indexed)



CO₂ emission certificates – price development



Negative and positive factors balance each other out

A summary evaluation of the various influencing factors leads to the following conclusion: less expensive CO₂ emission certificates and a decline in primary energy prices for crude oil and gas had a positive impact on the business development of the EVN Group. EVN partly passed on the lower prices to its end customers. However, due to the procurement of energy supplies on the forward market, the electricity procurement price did not decrease to the same degree. The weather-related drop in demand, in particular for heating and gas, had a negative effect on EVN's business development.

Overall business development

Consolidated Financial Statements according to IFRS

These EVN Group financial statements were prepared in accordance with the principles of International Financial Reporting Standards (IFRS, previously International Accounting Standards or IAS).

Compared to the previous financial year, the consolidation range was expanded by three fully consolidated companies. The consolidation range now encompasses a total of 46 fully consolidated companies, including EVN AG as the parent company, as well as four companies which are proportionately consolidated. Moreover, 12 companies are included at equity in the consolidated financial statements of the EVN Group (previous year: 13).

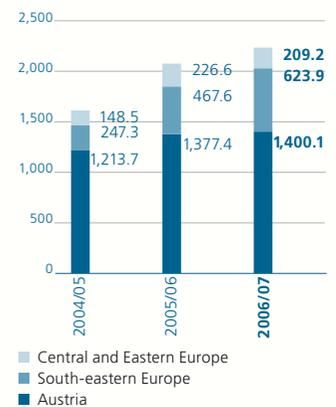
The Macedonian electricity distribution company ESM AD, in which EVN acquired a 90% shareholding, has been fully consolidated in the consolidated financial statements of the EVN Group since April 2006, or the 3rd quarter of the 2005/06 financial year. In the previous year, ESM AD was only included in the income statement for two quarters. For this reason, the initial consolidation of ESM AD for the 2006/07 financial year limits the effectiveness of carrying out a year-on-year comparison.

Increase in revenue

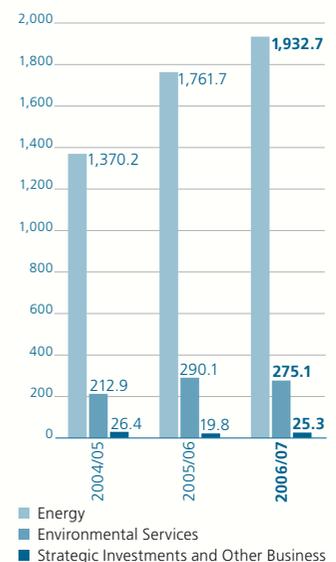
In the 2006/07 financial year, the EVN Group succeeded in raising its total revenue by 7.8%, or EUR 161.6m, to EUR 2,233.1m. Due to the aforementioned consolidation effect, the Energy segment posted a 9.7% rise in revenue, to EUR 1,932.7m, in spite of the mild weather conditions. Revenue of the Environmental Services segment declined by 5.2%, to EUR 275.1m. This can be primarily attributed to the completion of large international projects and the accompanying business fluctuations. The Strategic Investment and Other Business segment achieved a 27.5% increase in revenue, to EUR 25.3m.

The initial consolidation of ESM AD for an entire financial year accounted for close to 90%, or EUR 145.3m, of the total revenue increase of the EVN Group. Accordingly, the Energy Segment's share of total revenue rose to 86.5%, compared to 85.0% in the previous year. In contrast, the contribution of the Environmental Services segment declined from 14.0% to 12.3%, and the Strategic Investments and Other Business segment remained stable at 1.1% (previous year: 1.0%). Revenue generated outside of the Austrian market totalled EUR 833.1m in the 2006/07 financial year, up from EUR 694.2m in the preceding year. Correspondingly, the share of foreign revenue generated by the EVN Group rose from 33.5% to 37.3%.

Revenue by region EURm



Revenue by segment EURm



Condensed consolidated income statement	2006/07 EURm	2005/06 EURm	Change		2004/05 EURm
			EURm	%	
Energy revenue	1,932.7	1,761.7	171.1	9.7	1,370.2
Environmental Services revenue	275.1	290.1	-15.0	-5.2	212.9
Strategic Investments and Other Business revenue	25.3	19.8	5.5	27.5	26.4
Total revenue	2,233.1	2,071.6	161.6	7.8	1,609.5
Change in work in progress and own work capitalised	8.3	13.6	-5.3	-39.2	7.7
Other operating income	45.6	40.7	4.8	11.9	41.5
Electricity purchases and primary energy expenses	-1,176.1	-1,042.1	-134.0	-12.9	-750.3
Other materials and services	-335.2	-316.1	-19.0	-6.0	-261.3
Personnel expenses	-288.9	-263.6	-25.3	-9.6	-232.3
Other operating expenses	-136.1	-106.6	-29.5	-27.7	-79.7
EBITDA	350.7	397.4	-46.8	-11.8	335.2
Depreciation and amortisation	-153.3	-213.0	59.7	28.0	-204.2
Results from operating activities (EBIT)	197.3	184.4	12.9	7.0	131.0
Financial results	90.1	120.5	-30.4	-25.2	55.2
Profit before income tax	287.4	304.9	-17.4	-5.7	186.2
Income tax expense	-28.5	-38.1	9.7	25.3	-29.2
Net profit for the period	259.0	266.8	-7.8	-2.9	157.0
Thereof minority interest	31.9	44.9	-12.9	-28.8	12.7
EVN AG shareholders (Group net profit)	227.0	221.9	5.1	2.3	144.4
Earnings per share	5.55	5.43	0.12	2.3	3.53

Energy prices remained at a high level

Increase of electricity purchases and primary energy expenses by 12.9%

Despite the mild weather, which accounted for the decline in sales volumes of the Energy segment, the full-year consolidation of the Macedonian company ESM AD in the item "Electricity purchases and primary energy expenses" had a positive quantitative effect amounting to EUR 23.0m. At the same time, the increasing prices for primary energy and electricity purchases, impacted by the forward market, had a negative price effect of EUR 157.0m. Accordingly, the item "Electricity purchases and primary energy expenses" climbed by EUR 134.0. Despite the significant decline in the prices of additional CO₂ emission certificates, the required expenditure still totalled EUR 7.2m during the period under review (previous year: EUR 15.6m).

Cost of materials and services virtually constant

The cost of materials and services rose by EUR 19.0m, to EUR 335.2m. A decrease in this item resulting from the completion of the large drinking water project in Moscow was offset by higher expenditure for the operation and maintenance programme to reduce network electricity losses in South-eastern Europe. The increase in the cost of materials and services in other business areas was chiefly related to scheduled maintenance and repair work at the waste incineration facility in Dürnröhr, as well as gas turbine maintenance in Theiß and higher maintenance expenditures in the Lower Austrian power grid.

Fewer employees due to successful restructuring

The average number of employees in the EVN Group totalled 9,535 people in the 2006/07 financial year, a decline of 4.4% compared to the previous year's level of 9,973 employees. This development is chiefly related to the successfully initiated restructuring programmes in Bulgaria and Macedonia, which resulted in a socially acceptable decrease in workforce numbers. Despite the lower employee headcount, personnel expenses rose by 9.6%, or EUR 25.3m, to EUR 288.9m. A large share of the increase in personnel expenses, namely EUR 19.2m, can be attributed to EVN's Macedonian subsidiary ESM AD, which had one-off effects connected to the implementation of a voluntary social benefits programme linked to a reduction in the number of employees, with restructuring expenditures amounting to EUR 7.6m. The remaining increase in personnel expenses is due to contractually stipulated wage increases mandated by collective agreements, and the hiring of new employees in other business areas.

Other operating expenses climbed by EUR 29.5m, to EUR 136.1m. The decisive factor was an increase in rental costs related to provisions made for network access to third party owned facilities in Bulgaria, as well as a change in the reporting of network usage tariffs in Lower Austria arising from a change in network tariff regulations.

Lower depreciation and amortisation

On balance, depreciation and amortisation in the EVN Group declined by 28.0%, or EUR 59.7m, to EUR 153.3m. In spite of higher investment activity, scheduled depreciation fell by EUR 3.2m, to EUR 175.5m. This was due to the lower assessment base resulting from impairment losses recognised in the previous financial year in connection with the gas distribution network.

As a consequence of impairment tests, reversals of impairment losses amounted to EUR 23.1m in the period under review (previous year: EUR 44.6m). These revaluations were primarily related to the thermal power plants, heating facilities and purchasing rights of EVN AG for electricity generated by the hydropower stations along the Danube. These reversals of impairment losses were due to rising prices for primary energy. There was a major turnaround in extraordinary depreciation, which changed from a balance of EUR -34.4m in the previous year to EUR 22.1m during the period under review.

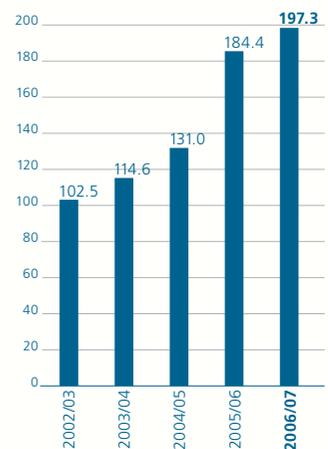
Further improvement in the results from operating activities

As a consequence of the aforementioned influencing factors, the results from operating activities of the EVN Group climbed by 7.0%, or EUR 12.9m, to EUR 197.3m. This growth is similar to the development of EVN Group revenue. For this reason, the EBIT margin of 8.8% was close to the level of 8.9% achieved in the previous year.

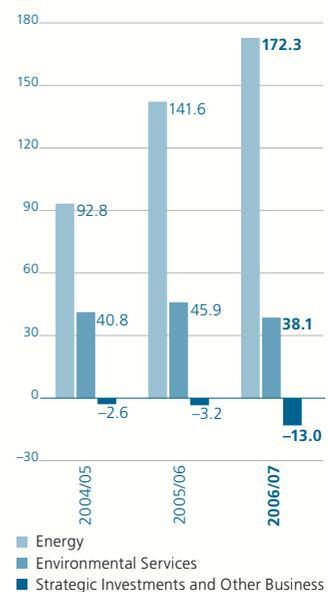
The Energy segment contributed 87.3%, or EUR 172.3m, to the total EBIT of the EVN Group. The Environmental Services segment accounted for 19.3%, or EUR 38.1m, whereas the share of the Strategic Investments and Other Business segment of the total EBIT of the EVN Group was -6.6%, or EUR -13.0m. The 21.7% increase in the EBIT of the Energy segment compared to the preceding year is primarily due to the significantly improved results contribution of the Networks and Energy Procurement and Supply business unit set against the declining contribution of the Generation and South East Europe business units. In the Environmental Services segment, the completion of a large project in Moscow and the scheduled maintenance work on the waste incineration plant in Dürnröhr led to a decline in EBIT of 17.2%. In contrast, the profit before income tax of the Environmental Services Segment rose by 46.6%.

Higher expenses due to one-off effects and collective wage agreements

Results from operating activities EURm

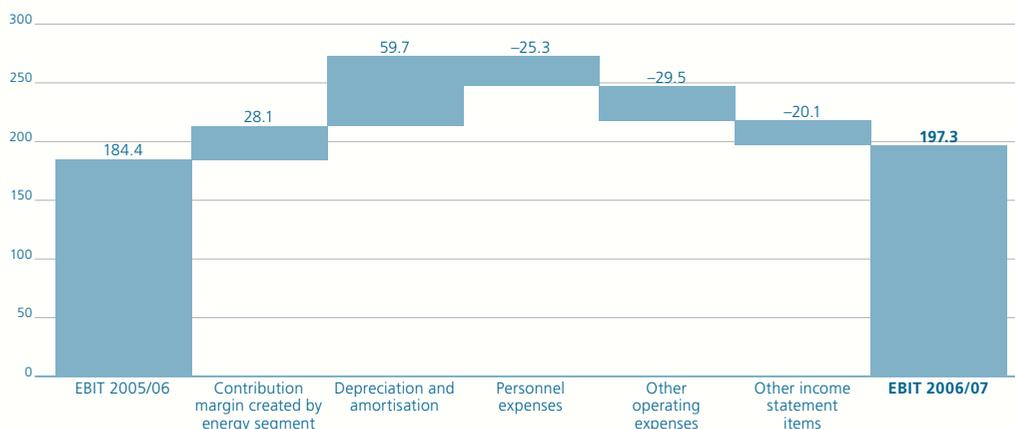


EBIT by segment EURm



Development of EBIT 2006/07

EURm



Weaker financial results due to one-off effects in 2005/06

Decline of 25.2%
to EUR 90.1m

The financial results of the EVN Group reached a volume of EUR 90.1m, a decline of 25.2%, or EUR 30.4m, compared to the previous year's financial results that were shaped by one-off effects. The income from companies included at equity decreased by EUR 25.3m, to EUR 89.8m. However, adjusted for one-off effects of EUR 33.0m arising in the 2005/06 financial year, an increase of EUR 7.7m in the financial results of the EVN Group would be recognised, which underlines the ongoing positive development of the companies included. The income from other investments, which in the previous year was dominated by an income of EUR 11.8m from the selling of EVN's shareholding in Energie AG Oberösterreich, rose by EUR 4.5m to EUR 37.2m primarily attributed to a higher dividend from Verbundgesellschaft. On the one hand, there was a considerable increase in interest income on non-current financial assets, related to the beginning of leasing payments for the large wastewater treatment and waste incineration facilities in Moscow during the 2006/07 financial year. On the other hand, the interest expense for non-current financial liabilities increased. On balance, the item "Interest and other financial results" declined to EUR -36.9m, compared to EUR -27.3m in the preceding year.

Net profit for the period at last year's level

One-off effects based on
tax cuts

Due to the weaker financial results and despite higher operating results, the profit before income tax of the EVN Group declined by EUR 17.4m compared to the preceding year, to EUR 287.4m. The income tax expense fell by EUR 9.7m, to EUR 28.5m, as the result of a reduction in deferred tax liabilities of EUR 12.9m, relating to a decrease in corporate tax rates in Bulgaria, Germany and Macedonia. The effective tax rate for the EVN Group was 9.9% in the 2006/07 financial year (previous year: 12.5%), significantly below the nominal Austrian corporate tax rate of 25.0%. This is primarily related to the one-off effect pertaining to deferred tax liabilities, as well as the high level of tax-free income from investments in other companies, similar to the situation in the preceding year. As a consequence of these developments, the net profit for the period of EUR 259.0m was only EUR 7.8m or 2.9% below last year's record level of EUR 266.8m.

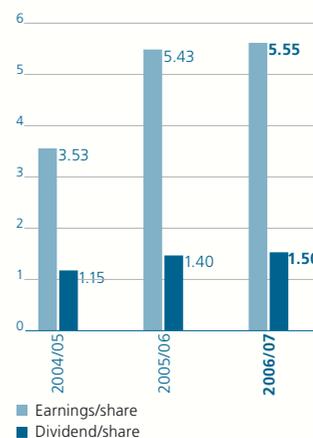
Minority interest basically refers to minority shareholders of fully consolidated companies, and was impacted by the proportionate effect resulting from the market valuation of BEWAG and BEGAS amounting to EUR 9.2m. In the 2006/07 financial year, minority interest fell by EUR 12.9m, to EUR 31.9m. Subsequently, the Group net profit of EUR 227.0m represents a decline of 2.3%, or EUR 5.1m, below the level achieved in the previous year.

The number of outstanding shares has remained unchanged since the previous year. Subsequently, earnings per share have risen from EUR 5.43 to EUR 5.55. The Executive Board of the EVN Group will propose an increase in the dividend to EUR 1.50 per share at the Annual General Meeting. As a result, the dividend payout ratio will climb by 1.2 percentage points, to 27.0%. Based on the share price on September 30, 2007, the dividend yield amounts to 1.7%.

Development of selected indicators

Key indicators	2006/07	2005/06	2004/05
ROE _____ %	9.0	10.6	8.2
Average equity _____ EURm	2,885.3	2,520.7	1,920.5
ROCE _____ %	7.1	7.9	6.2
Average capital employed _____ EURm	4,624.6	4,068.8	3,270.7
WACC _____ %	6.5	6.5	6.0
OpROCE _____ %	9.0	10.8	9.4
EVA _____ EURm	77.5	118.8	82.9

Earnings and dividend per share in EUR

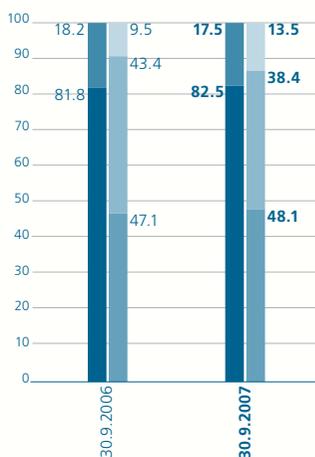


The Group net profit achieved during the 2006/07 financial year corresponds to a return on equity (ROE) of 9.0%, below the level of 10.6% in the previous year. The return on capital employed (ROCE) was 7.1%, also below the comparable figure of 7.9% in the 2005/06 financial year. This decline is primarily due to the increase in equity, based on an upward adjustment in value of the EVN's shareholding in Verbundgesellschaft and the partial retention of earnings. The average capital employed rose by EUR 555.8m, to EUR 4,624.6m. The return on capital employed (OpROCE), adjusted for the one-off effects and impairments as well as the market valuation of EVN's shareholding in Verbundgesellschaft, declined from 10.8% to 9.0%. The weighted average cost of capital after tax (WACC) of EVN, adjusted for specific corporate and country risks, was 6.5% (previous year: 6.5%).

Significant increase in the balance sheet total

The balance sheet total of the EVN Group rose to EUR 6,261.9m during the period under review, an increase of EUR 416.1m compared to the last balance sheet date. Due to the industry in which EVN operates, the balance sheet structure of the EVN Group features a high intensity of property, plant and equipment and non-current financial items. During the period under review, non-current assets increased by EUR 384.1m compared to the previous year, to EUR 5,166.0m. Accordingly, non-current assets now comprise 82.5% of total assets. As a result of ongoing investments, the item "Intangible assets and property, plant and equipment" contributed EUR 117.7m to the increase in non-current assets. The item "Other financial assets" primarily rose due to the higher share price and the accompanying further increase in value of EVN's investment in Verbundgesellschaft by EUR 170.3m. The volume of other non-current assets can be primarily attributed to the increase in non-current leasing receivables of EUR 96.2m, to EUR 615.3m, related to EVN's ongoing project business, above all the construction of a waste incineration facility in Moscow.

Balance sheet structure in %



■ Current assets
 ■ Non-current assets
 ■ Current liabilities
 ■ Non-current liabilities
 ■ Equity

Condensed consolidated balance sheet

	30.9.2007 EURm	30.9.2006 EURm	Change EURm	%	30.9.2005 EURm
Assets					
Non-current assets					
Intangible assets and property, plant and equipment	2,477.0	2,359.3	117.7	5.0	2,060.0
Companies included at equity and other investments	2,073.7	1,903.4	170.3	8.9	1,659.3
Other non-current assets	615.3	519.1	96.2	18.5	352.8
	5,166.0	4,781.9	384.1	8.0	4,072.1
Current assets	1,095.9	1,063.9	32.0	3.0	667.5
Total assets	6,261.9	5,845.8	416.1	7.1	4,739.6
Equity and liabilities					
Equity					
Equity attributable to EVN shareholders	2,788.0	2,523.3	264.7	10.5	2,094.2
Minority interest	226.7	232.7	-6.0	-2.6	191.2
	3,014.7	2,756.0	258.8	9.4	2,285.4
Non-current liabilities					
Non-current loans and borrowings	1,172.6	1,397.2	-224.6	-16.1	1,035.6
Deferred tax liabilities and non-current provisions	856.9	813.9	43.0	5.3	682.7
Deferred income from network subsidiaries and other non-current liabilities	371.0	325.9	45.1	13.8	294.5
	2,400.6	2,537.0	-136.5	-5.4	2,012.7
Current liabilities					
Current loans and borrowings	247.2	15.3	232.0	-	2.3
Other current liabilities	599.4	537.6	61.8	11.5	439.3
	846.6	552.8	293.8	53.1	441.5
Total equity and liabilities	6,261.9	5,845.8	416.1	7.1	4,739.6

The reduction in other receivables, arising primarily from the outstanding payment derived from the sale of Energie AG Oberösterreich, was contrasted by an increase in cash and cash equivalents. On balance, current assets reached a level of EUR 1,095.9m during the period under review, approximately the same level as in the previous year.

The equity of the EVN Group, excluding minority interest, climbed by EUR 264.7m, to EUR 2,788.0m. This development was driven by an improved Group net profit, amounting to EUR 227.0m, as well as the change in the valuation of EVN's investment in Verbundgesellschaft without recognition through profit and loss. This was contrasted by the dividend payment for the 2005/06 financial year of the EVN Group, totalling EUR 57.2m. On balance, despite the significant increase in the balance sheet total, the equity ratio rose from 47.1% to 48.1% as at September 30, 2007.

Net debt	2006/07	2005/06	Change		2004/05
	EURm	EURm	EURm	%	EURm
Non-current loans and borrowings	1,172.6	1,397.2	-224.6	-16.1	1,035.6
Other current liabilities ¹⁾	225.4	0.1	225.3	-	0.7
Cash and cash equivalents	-54.4	-76.8	22.4	29.2	-82.4
Current securities	-395.7	-282.7	-113.0	-40.0	-177.2
Non-current securities	-101.2	-94.2	-7.0	-7.5	-90.3
Loans receivable	-21.4	-13.6	-7.8	-57.0	-12.6
Net debt	825.3	930.0	-104.7	-11.3	673.8
Equity	3,014.7	2,756.0	258.8	9.4	2,285.4
Gearing	27.4	33.7	-	6.4²⁾	29.5

1) Excl. bank overdrafts contained in cash and cash equivalents

2) Percentage points

The decline in net debt attributable to the increase in cash and cash equivalents and the higher equity of the EVN Group led to an improvement of gearing by 6.4 percentage points to 27.4%, which continues to be well under the energy sector average.

The CHF obligation at a nominal interest rate of 3.25% and the DEM bond at a nominal interest rate of 5.00% in total of EUR 225.4m will be redeemed on April 8, 2008 and August 26, 2008 respectively, and are thus recognised at the balance sheet date as current loans and borrowings. Despite these repayments, the liquidity situation of the EVN Group will continue to remain very stable, enabling the company to fulfil the demands arising from its business development in the future. In addition to the cash and cash equivalents at its disposal, EVN can also draw upon a revolving line of credit amounting to EUR 600m, which is valid up until 2013.

Loan repayments of EUR 225.4m in 2008

Development of cash flow

Despite a lower level of depreciation and amortisation in the 2006/07 financial year due to the results of impairment tests, non-cash items were only slightly below the comparable level of the 2005/06 financial year – which was characterised by one-off effects resulting from the valuation at equity of BEWAG and BEGAS, as well as the proceeds from the sale of EVN's shareholding in Energie AG Oberösterreich. The

Gross cash flow: slightly below the last year's level

decrease in the gross cash flow of EUR 22.9m, to EUR 412.1m, can be primarily attributed to the lower profit before income tax of the EVN Group.

Condensed consolidated cash flow statement	2006/07 EURm	2005/06 EURm	Change EURm	%	2004/05 EURm
Profit before income tax	287.4	304.9	-17.4	-5.7	186.2
Non-cash items	124.7	130.1	-5.4	-4.2	121.9
Gross cash flow	412.1	435.0	-22.9	-5.3	308.1
Changes to current and non-current balance sheet items	-51.7	-14.7	-37.0	-	-25.6
Income tax paid	-17.6	-20.6	3.0	14.6	-15.5
Net cash flow from operating activities	342.8	399.7	-56.9	-14.2	267.1
Changes in intangible assets and property, plant and equipment	-206.2	-210.9	4.7	2.2	-114.7
Acquisition of subsidiaries, net of cash acquired	-	-227.9	227.9	-	-284.3
Changes in non-current financial and other assets	18.8	-180.4	199.2	-	-80.2
Changes in current financial assets	-107.7	-100.7	-7.0	-7.0	255.2
Net cash flow from investing activities	-295.2	-719.9	424.7	59.0	-223.9
Net cash flow from financing activities	-70.1	314.6	-384.7	-	-25.5
Net change in cash and cash equivalents	-22.4	-5.6	-16.8	-	17.6
Cash and cash equivalents at the beginning of the period	76.8	82.4	-5.6	-6.8	64.8
Cash and cash equivalents at the end of the period	54.4	76.8	-22.4	-29.2	82.4

Net cash flow from operating activities: EUR 342.8m

After taking account of the changes in working capital, in which the rise of inventories and other receivables was only partially compensated for by an increase in liabilities, the net cash flow from operating activities fell by EUR 56.9m or 14.2% year-on-year, to EUR 342.8m.

As a result of the proceeds from the sale of EVN's shareholding in Energie AG Oberösterreich, which were largely reinvested in current securities, the net cash flow from investing activities amounted to EUR -295.2m. This represents an improvement of EUR 424.7m compared to the preceding financial year, which was impacted by the acquisition of ESM AD.

Despite only a slight increase in financial liabilities, the net cash flow from financing activities totalled EUR -70.1m in the 2006/07 financial year. The main reason for this development was the dividend distributed for the 2005/06 financial year to EVN AG shareholders and minority shareholders of fully consolidated companies.

On balance, the EVN Group posted a net change in cash and cash equivalents of EUR –22.4m. This led to a decrease in cash and cash equivalents, to EUR 54.4m. However, as at the balance sheet date of September 30, 2007, EVN held EUR 395.7m of current securities (previous year: EUR 282.7m), which, in accordance with IFRS, were not allocated to cash and cash equivalents. Therefore, the liquidity situation of the EVN Group continues to remain very stable. The net debt coverage rose from 49.1% to 50.7%, which can be attributed to the considerable reduction of net debt. The interest cover also declined significantly from 8.1 to 5.5 due to a higher interest expense and a decrease in funds from operations.

Improved net debt coverage and interest cover

Investments in intangible assets and property, plant and equipment

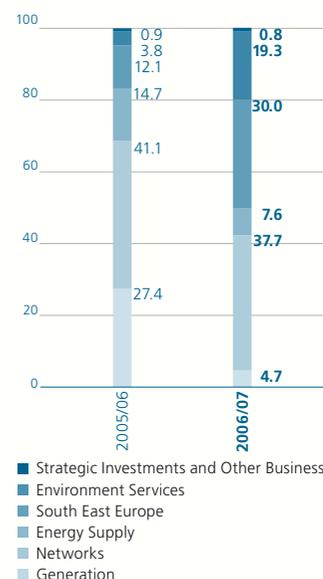
The investments of the EVN Group in intangible assets and property, plant and equipment posted an increase in the 2006/07 financial year, climbing EUR 26.2m above the previous year's level, to EUR 277.7m. Investment activity in generation facilities declined due to the completion of several wind parks in the previous year. In contrast, there was a significant rise in investments in Bulgaria and Macedonia within the context of an investment programme to reduce network losses from the power grid, as well as in the Environmental Services segment.

Increased investments in South-eastern Europe

The following chart provides an overview of the most important investment activities of the EVN Group:

Investment priorities at EVN	EURm	2006/07
Generation		13.1
Thereof thermal power stations		12.0
Networks		104.7
Thereof electricity network		81.8
Thereof gas network		16.3
Energy Procurement and Supply		21.0
Thereof district heating plants		20.9
South East Europe		83.2
Thereof Bulgaria		63.0
Thereof Macedonia		20.2
Environmental Services		53.6
Thereof third waste incineration line in Dürnröhr		20.0
Thereof combined cycle heat and power plant in Moscow		13.1
Thereof supra-regional power lines		9.3
Strategic Investments and Other Business		2.1
Total		277.7

Structure of EVN investments in %



Integration of employees in Bulgaria and Macedonia

Human resources

The average number of employees in the EVN Group has more than tripled during the last three years, due to the expansion of the company in South-eastern Europe. The integration of these employees represented a top priority of EVN's human resources management in the period under review. Setting up educational and training facilities for employees in Bulgaria and Macedonia established the organisational basis for a training and further education drive. In the meantime, the initiative has been expanded to encompass all organisational levels, envisioning not only specialised training and IT courses, but management development programmes as well.

Increase in further training expenditures of 47.6%

In the 2006/07 financial year, expenditure on further training (seminar fees, trainers, e-learning) amounted to about EUR 3.1m, an increase of 47.6% compared to the previous year. The average training costs per employee were EUR 321.7, up from EUR 212.8 in the 2005/06 financial year.

An ongoing increase in corporate productivity is essential as a means of ensuring the long-term success of the EVN Group in South-eastern Europe. EVN is striving to implement the required reduction in employee headcount as socially compatible as possible. Similar to EVN's previous initiative in Bulgaria, a social benefits programme has been developed in Macedonia in close cooperation with the company union, which contains guidelines for the planned downsizing of the work force.

EVN implements a broad range of initiatives in the interest of ensuring employee safety, health and promoting employee motivation, from company health care and safety precautions to flexible working hours, comprehensive internal information, idea management, corporate pension plans and even to subsidised leisure facilities.

Environmental protection and sustainability as permanent fixtures of EVN's corporate strategy

Environment and sustainability

EVN has integrated the responsible use of natural resources as a key aspect of a sustainability-oriented corporate management, and considers this approach as a decisive success factor. By promoting renewable energy sources such as hydroelectric and wind power, biomass and biogas, EVN not only makes a valuable contribution to reducing CO₂ emissions, but also towards reducing the company's dependence on fossil-based primary energy sources. To ensure the highest possible effectiveness of its power generating plants, EVN makes use of state-of-the-art technologies, such as combined cycle heat and power facilities. Almost all of EVN's thermal power stations have been granted an environmental certificate.

On the basis of the existing environmental management system, the environmental protection, occupational health and safety, legal and security demands on the company have been integrated into a unified system. Accordingly, all the required measures to be taken have also been integrated into a unified structure. The next step is to expand this integrated management system to encompass sustainable corporate management.

Outlook for the 2007/08 financial year

As the 2006/07 financial year has repeatedly demonstrated, the business success of the EVN Group, particularly in the Energy segment, depends largely on the development of outdoor temperatures, as well as the project-related nature of EVN's Environmental Services segment. The projected development of revenue and earnings in the 2007/08 financial year is based on the following assumptions:

- EVN expects a slight improvement in revenue and stable earnings in the **Generation business unit**. If average temperatures correspond to the long-term trend, it would at least partially compensate for lost output related to maintenance work and higher planned project start-up costs.
- In the **Networks business unit**, average temperatures should lead to a significant increase in sales volumes, particularly in the gas network. No negative effects on network revenue are expected in connection with tariffs stipulated by the regulatory authority.
- A revenue increase in the **Energy Procurement and Supply business unit** will likely be based on the expected volume and price effects. The optimisation of EVN's energy operations will also have a positive impact. Due to the positive one-off effects from EVN's marketing strategy, it will be difficult to match the results from operating activities achieved in the 2006/07 financial year.
- The integration process in the **South-eastern Europe business unit** will be continued as planned, which, on balance, will lead to a positive business development. Business in Bulgaria will depend on the success in dealing with upcoming market liberalisation. Due to regulatory policies, an improvement in earnings can only be achieved by increasing efficiency and further reducing losses from the power grid.
- The **Environmental Services segment** will expand both in terms of revenue and profitability. Continuous growth is expected in the water and wastewater segments. In the international project business, EVN plans to conclude new large project contracts.
- The **Strategic Investments and Other Business segment** is expected to develop positively in the future.

If the aforementioned assumptions turn out to be accurate, EVN Group anticipates a further increase in revenue in the 2007/08 business year. The results of operating activities will remain stable at the very least. EVN aims to achieve financial results comparable to the 2006/07 financial year, which would lead to a stable Group net profit. EVN also strives to maintain its attractive dividend policy in line with its value-oriented growth strategy.

EVN plans a significant increase in investments in intangible assets and property, plant and equipment during the 2007/08 financial year. The large projects being implemented within the context of the infrastructure expansion programme in the Lower Austrian Central Region. This project focuses on investments at EVN's facilities in Dürnröhr/Zwentendorf, encompassing an expansion of capacity in the waste incineration plant, the expansion of the power station in Dürnröhr to process heat generated by the biomass and waste incineration facilities, and an extension of the district heating pipeline from Dürnröhr to Sankt Pölten. Further investments will also be made in Lower Austria's electricity and gas networks to ensure reliable and secure energy supplies in the face of growing demands. The investment programme to modernise and expand the power grid in South-eastern Europe will continue.

Stable basis for further growth

Perceptible increase in investments planned

Adaptation of the risk management system

Risk management

As an internationally operating company, EVN is subject to a wide variety of risks. The risk management system of the company was upgraded during the period under review, in order to effectively manage these risks and fulfil new legal requirements. The existing, unified Group-wide guidelines for risk management enable a comprehensive description of the current risk situation, taking account of the related opportunities.

The overriding goal of EVN's risk management system is the early identification of potential risks and opportunities, in order to allow the operative business units to promptly initiate suitable countermeasures designed to minimise damage or exploit opportunities.

Definition of risk

The EVN Group defines risk as the danger of failing to achieve business objectives due to negative deviations from planned business targets. When evaluating and controlling risks, chances are also taken into account.

Organisation of risk management

Risk management at EVN is carried out in a two-stage system. Designated risk management officers in the operative business units are responsible for ensuring that information is conveyed to the central risk control staff, which in turn evaluates the data provided with the support of specially designed software. The resulting risk analysis is conveyed to the Executive Board and risk managers within the context of an ongoing reporting system on a regular basis. A risk management committee comprising representatives of all business units meets regularly to discuss the risk situation and coordinate Group-wide countermeasures. The effectiveness of the risk management organisation is regularly monitored by EVN's auditing department as well as the chartered accountants conducting the audit of the financial statements. The goals of EVN's risk management system have been defined as follows:

- Promoting a risk culture
- Identifying and evaluating risks
- Communicating risks to decision-makers
- Managing risks through suitable measures

Operational risks

This risk class relates to the generation and distribution of electricity, the procurement and distribution of gas as well as the generation and distribution of heat. In the Environmental Services segment, operational risks relate to the fields of waste incineration, water supply and wastewater treatment. In order to avoid any kinds of business disruptions or breakdowns, the EVN Group operates the most technologically advanced facilities, in order to guarantee the highest possible level of reliability. Ongoing maintenance and repair measures as well as quality controls are designed to counteract these risks, combined with constant investments in modernising and upgrading the network and plant infrastructure. In this regard, an important role is played by the know-how of the employees, which is continually being updated by ongoing training programmes. Project risks which primarily relate to the Environmental Services segment are counteracted by an integrated project controlling system.

Responsible managers in operative business units report to central risk controlling

Ensuring energy supplies is the top priority

Legal risks

Due to the nature of its business operations and the expanded geographical outreach of the EVN Group, the EVN Group is subject to a highly dynamic legal environment, which is shaped by EU guidelines and legal regulations as well as national laws. In order to optimally deal with these developments, EVN works closely together with interest groups, associations and public authorities, both domestically and internationally.

Financial risks

Financial risks encompass interest rate, price, foreign exchange and credit risks, as well as market price risks relating to the commercial exploitation of electricity, gas, coal, oil and CO₂. The EVN Group has set up a centralised treasury management system to counteract foreign currency, interest, price and liquidity risks. Detailed Group directives and limits enable the employment of derivative financial instruments, which are primarily designed to minimise financial risks. Such transactions are only carried out in cooperation with banks enjoying a top credit rating.

Centralised treasury and ongoing monitoring minimise risks

Credit risk arises from the potential non-payment of the financial obligations of a business partner. To limit credit risk, credit assessments of the contracting parties are carried out. Sufficient collateral is required before a transaction creditworthiness is deemed as inadequate. Price risks arise from fluctuations in procurement and sourcing markets. The development of primary energy prices, electricity procurement and sourcing prices as well as share price risks involving current securities comprise the most important risk factors. Hedging instruments such as forward and future contracts, options and swaps are used as a means of counteracting price risks for electricity, gas, oil and black coal. Financial planning at an early stage and the determination of limits ensure sufficient liquidity to meet all the company's commitments. The ongoing monitoring of capital markets enables the company to quickly react to changes. Recognised risk management tools such as value-at-risk, sensitivity analyses and expert assessments are also used to monitor risks.

Hedging instruments for volatile markets

Event risks

Event risks primarily represent natural risks arising from an act of nature beyond the company's control. The risks are counteracted by concluding suitable insurance policies.

Employees

The commercial success of the EVN Group is highly dependent upon the potential and qualifications of its employees. EVN offers a comprehensive training and professional development programme in order to guarantee the ongoing contribution of employees to the company's success. Numerous initiatives have been launched to ensure the safety, health and motivational level of employees.

General risk profile

EVN's risk situation is continually changing as the result of the increasing geographical and sectoral diversification of the company. At the end of the year under review, EVN did not identify any risks whose impact could potentially endanger the existence of the company.

No existence-threatening risks identified

The most important risks for EVN and relevant countermeasures

Market and competitive risks

Procurement price risk

Increase in procurement prices for gas and coal due to rising demand for primary energy sources → Price forecasts, hedging strategies and diversification of procurement sources.

Electricity price risk

Volatility of electricity prices impacts earnings → Price forecasts and hedging strategies.

CO₂ certificate risk

High and volatile prices for acquiring additional CO₂ emission certificates → Expansion of power generation from renewable energy sources; implementation of energy saving measures at existing plants, and price hedging strategies.

Operational risks

IT risk

Dependence on one system or server through standardised IT environment → Minimise risk by ongoing further technological development of IT systems

Power failure risk

Technical breakdowns or disruptions of service → Strict maintenance and quality controls, regular monitoring and maintenance work

Technological risk

Limited effectiveness and performance of applied technologies → Strict technical guidelines as well as comprehensive training programmes for employees

Operating risk

Limited ability to produce goods and provide services at the expected quality, cost and deadline due to internal factors → Strict maintenance and quality controls as well as trainings for employees

Business environment risks

Political risk

Constitutional changes in a country as well as outbreaks of social conflict → Lobbying

Legal risk

Changes in legal regulations → Cooperation with interest groups, associations and public authorities on a regional, national and international level

Supply risk

Limited availability and quality of plant components → Strict quality controls and long-term cooperation with suppliers

Financial risks

Foreign exchange risk

Financing in foreign currencies and transfer to/from EVN subsidiaries → Monitoring, setting of limits and hedging strategies

Interest rate risk

Changes in interest rates → Ongoing monitoring and instruments such as Value-at-Risk (VaR), limits and hedging strategies

Share price risk

Fluctuations on the capital market → Monitoring, limits and hedging strategies

Credit risk

Non-payment of a business partner → Credit assessments, monitoring, limits and hedging strategies

Other risks

Language/culture

Confrontation of different cultures → Training programmes to increase social competencies of employees

Infrastructure risk

Inefficient feeding of electricity output of a power generation plant → Regular controls and checks of existing infrastructure and future requirements

Project risk

Delayed achievement of project targets → Regular analysis and monitoring through integrated project controlling

Complications at foreign plants

Cross-border influence on network capacity and performance → Technical upgrading at interfaces of different networks, expansion of network capacities

Maria Enzersdorf, November 19, 2007
EVN AG
Executive Board



Burkhard Hofer
Spokesman



Peter Layr



Herbert Pöttschacher

Segment reporting

An overview of business segments and units

Energy	Generation business unit
	Networks business unit
	Energy Procurement and Supply business unit
	South East Europe business unit
Environmental Services	Water, Wastewater and Waste incineration
Strategic Investments and Other Business	Strategic and other investments and Group services

Since October 1, 2005, EVN has used a new segment reporting reflecting the changes in the company's organisational structure. The operational and financial development of the segments is described below. Details pertaining to the strategic orientation and responsibilities of each segment can be found on pages 5ff and 20ff.

New segment reporting since October 1, 2005

Energy segment

The Energy segment consists of the following business units: Generation, Networks, Energy Procurement and Supply, as well as South East Europe.

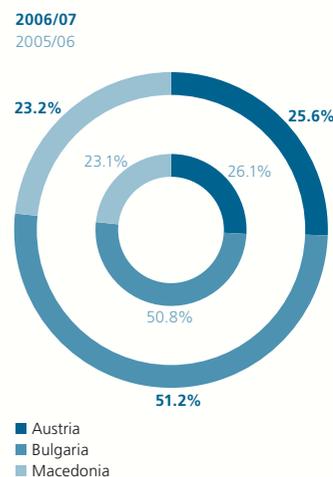
Key energy business indicators	GWh	2006/07	2005/06	Change		2004/05
				Nominal	%	
Electricity generation		3,451	4,556	-1,105	-24.3	4,484
Thereof thermal power		2,353	3,517	-1,165	-33.1	3,498
Thereof renewable energy		1,099	1,039	60	5.8	986
Distribution volumes						
Electricity		19,119	16,495	2,624	15.9	12,076
Thereof Austria		7,247	7,279	-32	-0.4	6,932
Thereof Bulgaria		7,256	7,229	27	0.4	5,145
Thereof Macedonia		4,616	1,987	2,629	-	-
Gas ¹⁾		16,252	20,824	-4,572	-22.0	20,126
Supply volumes to end customers						
Electricity ²⁾		18,043	15,641	2,402	15.4	11,342
Gas ³⁾		6,212	8,313	-2,101	-25.3	7,821
Heating		911	1,067	-157	-14.7	1,033

1) Incl. network sales to EVN power stations

2) In Bulgaria and Macedonia, energy sales to end customers correspond at present to distribution volumes.

3) Incl. gas wholesales amounting to 609 GWh (previous year: 733 GWh)

Electricity network customers



Decline in electricity generation by 24.3%

Operational development

During the period under review, EVN expanded its generation of electricity from renewable energy sources by 5.8%, to 1,099 GWh, thanks to the commencement of operations of two combined heat and cycle plants in Baden and Mödling and new wind power generating facilities. Total power generation from EVN's own thermal power stations decreased by 33.1% compared to the record high level achieved in the previous year, to 2,353 GWh, due to declining demand. On balance, total EVN electricity generation fell by 24.3%, from 4,556 GWh to 3,451 GWh.

Consolidation-related increase in distribution volumes of 15.9%

Electricity distribution volumes climbed by 15.9%, to 19,119 GWh. This increase is chiefly related to the first-time consolidation of the Macedonian subsidiary ESM AD for an entire financial year. Electricity distribution volumes in EVN's networks in Austria declined slightly by 0.4%, to 7,247 GWh, whereas electricity distribution volumes in Bulgaria rose by 0.4% to 7,255 GWh. As a consequence of significantly milder winter temperatures, gas distribution volumes fell by 22.0%, to 16,252 GWh.

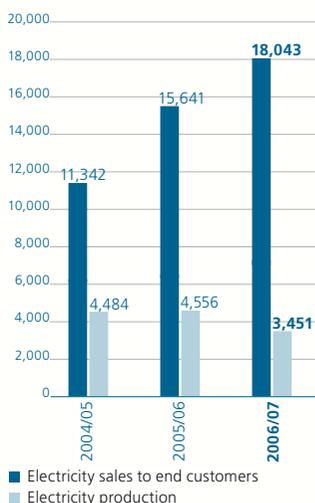
Electricity sales volumes: +15.4%

The consolidation effect of ESM AD was also reflected in the rise in electricity sales volumes to end customers, which climbed 15.4%, from 15,641 GWh in the previous year to 18,043 GWh during the period under review. Electricity sales volumes to end customers in Austria fell by 4.0%, whereas electricity sales volumes in Bulgaria rose slightly, by 0.4%.

Coverage ratio from own electricity production down 10 percentage points

In the 2006/07 financial year, 19.1% of the total volume of electricity provided to end customers was generated in EVN's own power plants. Not taking into account EVN's subsidiaries in South-eastern Europe, which do not possess any major power generating capacity, the coverage ratio is 55.9%.

Electricity production and sales development GWh



Gas sales volumes are much more dependent on prevailing temperatures than electricity consumption. The gas volume sold by EVN amounted to 6,212 GWh in the 2006/07 financial year, or 25.3% below the previous year's level. EVN's heating sales volumes reflected a similar development. Despite new facilities in operation, total heating sales volumes fell 14.7%, from 1,067 GWh to 911 GWh.

Revenue and earnings development

	2006/07 EURm	2005/06 EURm	Change EURm	%	2004/05 EURm
Energy segment					
External revenue	1,932.7	1,761.7	171.1	9.7	1,370.2
Intra-Group revenue	10.7	11.3	-0.6	-5.4	3.5
Operating expenses	-1,634.5	-1,439.8	-194.7	-13.5	-1,098.0
EBITDA	309.0	333.2	-24.2	-7.3	275.8
Depreciation and amortisation	-136.7	-191.5	54.9	28.6	-183.0
Results from operating activities (EBIT)	172.3	141.6	30.7	21.6	92.8
EBIT margin (%)	8.9	8.0	0.9	-	6.8
Financial results	-24.2	-12.0	-12.2	-	-1.5
Profit before income tax	148.1	129.7	18.4	14.2	91.2
Total assets	3,006.0	2,847.9	158.1	5.6	2,305.8
Total liabilities	1,929.8	1,949.4	-19.6	-1.0	1,448.7
Investments	222.0	239.7	-17.7	-7.4	184.5

The external revenue of the Energy segment rose to EUR 1,932.7m, an increase of 9.7% or EUR 171.1m above the previous year's level. This can be primarily attributed to the initial consolidation of ESM AD for an entire financial year, which more than compensated for the revenue decline in the Generation, Networks and Energy Procurement and Supply business units.

**Revenue increase of 9.7%,
to EUR 1,932.7m**

EBITDA in the Energy segment fell by 7.3%, or EUR 24.2m, to EUR 309.0m. This development is chiefly related to the weather-related decrease in energy sales volumes. Accordingly, the lower energy distribution volumes transported by EVN's networks had a direct negative impact on EBITDA. However, this negative effect could be partially offset by the flexible marketing strategy and optimisation in relation to the electricity generated by EVN.

EBITDA: -7.3%

Impairment tests carried out during the 2006/07 financial year led to impairment losses amounting to EUR 0.6m (previous year: EUR 78.6m) and a reversal of impairment losses totalling EUR 23.1m (previous year: EUR 44.6m). All in all, this resulted in an exceptional positive value adjustment amounting to EUR 22.5m, compared to EUR -34.0m in the previous year.

**Effects of impairment tests:
+ EUR 22.5m**

EBIT in the Energy segment improved by 21.6%, or EUR 30.7m, to EUR 172.3m. This development was driven by the Networks and Energy Procurement and Supply business units, whereas the Generation and South East Europe business units posted decreases.

**EBIT increase of 21.6%, to
EUR 172.3m**

Generation business unit

The Generation business unit encompasses the electricity production of the EVN Group derived from thermal production capacities, hydroelectric power, wind and biomass. Since October 1, 2006, the revenue of this business unit only comprises the option value of the power plants, thus mainly representing the difference between the revenue for electricity and the accruing primary energy costs. The marketing of the electricity generated as well as primary energy sourcing is encompassed in the Energy Procurement and Supply business unit.

Generation business unit	2006/07 EURm	2005/06 EURm	Change EURm	%	2004/05 EURm
Revenue	116.7	260.9	-144.2	-55.3	194.3
Results from operating activities (EBIT)	67.6	85.6	-18.1	-21.1	-37.2
Profit before income tax	61.9	79.6	-17.7	-22.2	-38.2
Investments	13.1	68.9	-55.8	-81.0	24.8

The 2006/07 financial year was characterised by a sharp decline in spot market prices. In contrast, primary energy costs remained at a comparable level of the previous year. By means of flexibly operated thermal power plants, EVN adjusted its electricity generation to the changed market situation by reducing electricity production. EVN's electricity generation amounted to 2,353 GWh, declining by 33.1% compared to the record level of the previous year.

**Adjustment of electricity
production to spot market
prices**

EBIT decline of 21.1%

Due to the aforementioned changes in segment reporting, the Generation business unit posed a decline in revenue of 55.3%, or EUR 144.2m, to EUR 116.7m. The development of earnings was impacted by the impairment tests, which on balance led to a reversal of impairment losses totalling EUR 20.6m (previous year: EUR 40.2m). Accordingly, the results from operating activities (EBIT) declined by 21.1%, to EUR 67.6m.

Outlook

Slight rise in revenue, stable EBIT

EVN anticipates a slight rise in revenue and stable results from operating activities for the upcoming 2007/08 financial year. If the development of temperatures corresponds to the long-term trend, it would partially compensate for lower planned power generating volumes caused by maintenance and repair work, as well as a planned increase in preliminary project costs. EVN also expects significant progress to be made in the construction of the coal-fired power plant in Duisburg-Walsum, implemented in cooperation with Evonik Steag GmbH. EVN has a 49.0% stake in the project, which is included in the consolidated financial statements of the EVN Group at equity. On balance, the Generation business unit plans to double its investments, primarily focusing on the construction of a biomass facility in Dürnröhr.

Networks business unit

The Networks business unit primarily encompasses the operation of electricity and gas distribution networks in Austria, as well as EVN's cable TV and telecommunications businesses. Thus, the Networks business unit mainly consists of the companies EVN Netz GmbH and Kabelsignal AG.

Stable electricity network tariffs, decline in gas network tariffs by 4.0%

Effective January 1, 2006, the Austrian regulatory authority had lowered electricity network tariffs for EVN by an average of 2.5%. Due to the newly-launched incentive regulatory system, EVN electricity network tariffs remained steady in the latest tariff rate appraisal carried out in January 2007, as was to be expected. In contrast, the regulator once again imposed a mandatory reduction in gas network tariffs as of January 1, 2007, by an average of 4.0%.

Networks business unit	2006/07 EURm	2005/06 EURm	EURm	Change %	2004/05 EURm
Revenue	448.0	467.1	-19.2	-4.1	425.5
Results from operating activities (EBIT)	37.9	12.5	25.4	-	78.1
Profit before income tax	29.6	4.9	24.6	-	79.8
Investments	104.7	103.4	1.3	1.3	113.1

Revenue decrease of 4.1%, significant EBIT increase

Due to the decline in electricity distribution volumes by 0.4% and in gas distribution volumes of 22.0%, as well as the above-mentioned network tariff reductions, EVN's network revenues declined by 9.7%, to EUR 338.9m. Higher revenue from EVN Group's cable TV and telecommunications services as well as from intra-Group services could not fully compensate for this negative effect, leading to a decrease in revenue of the Networks business unit as a whole by 4.1%, to EUR 448.0m. In contrast, the results from operating activities (EBIT) improved from EUR 25.4m, to EUR 37.9m during the period under review. The main reason for this development was the impairment tests of the gas network in the previous year, totalling EUR 75.9m.

Outlook

If average temperatures prevail, a significant improvement in sales volumes and revenue as well as improved operating results can be expected for the 2007/08 financial year, particularly in the gas network. In the year 2008; a new five-year incentive regulatory system has been introduced for gas network tariffs, similar to the electricity tariff model, which will ensure a higher level of legal stability and planning reliability. The benchmarking process for Austrian gas network operators rated EVN's gas network as being highly efficient. Accordingly, from a tariff point of view, EVN does not anticipate any negative effects on gas network revenue. Further acquisitions in the network should allow for a slight increase in cable TV and telecommunications revenue. In the 2007/08 financial year, EVN's networks, in particular the electricity network, will be further modernised and expanded as a consequence of new customer installations. On balance, investment volume will likely match the previous year's level.

Expected improvement in revenue and results depend on weather conditions

Energy Procurement and Supply business unit

The Energy Procurement and Supply business unit encompasses the sourcing, trading and sale of electricity and gas within EnergieAllianz as well as sale of heat by EVN AG itself.

In order to achieve an overall optimisation of EVN Group's activities in the energy business, the marketing of the electricity generated, the sourcing of the primary energy required as well as the payment for the option value of the power plants have also been encompassed within the Energy Procurement and Supply business units, effective October 1, 2006.

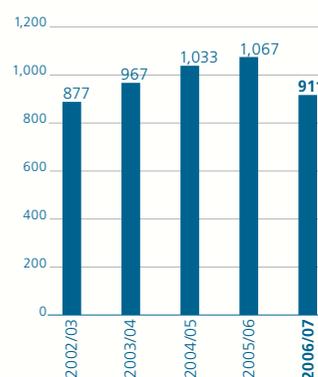
Energy Procurement and Supply business unit

	2006/07 EURm	2005/06 EURm	Change EURm	%	2004/05 EURm
Revenue	925.1	628.5	296.6	47.2	583.1
Results before operating activities (EBIT)	63.6	26.3	37.3	–	37.4
Profit before income tax	69.6	35.7	33.9	94.7	45.0
Investments	21.0	37.0	–16.0	–43.2	30.2

The change in the presentation of EVN Group's marketing activities for the electricity generated led to an increase in revenue of this business unit amounting to approximately EUR 221.0m. The upward price adjustments for electricity and gas also boosted revenue, despite the decrease in sales volumes. All in all, total revenue in the Energy Procurement and Supply business unit climbed by 47.2%, or EUR 296.6m, to EUR 925.1m. The results from operating activities (EBIT) of the business unit also increased by EUR 37.3m, to EUR 63.6m, primarily as the result of the marketing successes of the electricity generated by EVN itself on wholesale markets.

In the heating business, new district heating facilities put into operation by EVN have not compensated for the significant decline in weather-related sales volumes related to average temperatures. The improvement in earnings was accompanied by price adjustments, which were carried out as a result of the increase in the wood fuel index.

Heating sales development GWh



Outlook

The expected increase in electricity and gas sales volumes is expected to lead to a significant increase in revenue of the Energy Procurement and Supply business unit. However, it will be difficult to match the results from operating activities, which were achieved during the 2006/07 financial year as a result of positive effects relating to the optimisation of energy production and trading activities on wholesale markets. In the heating business, EVN anticipates a considerable rise in sales volumes and revenue. Investments in EVN's heating business will remain at a high level, which can be primarily attributed to the implementation of the district heating pipeline project from Dürnrrohr to Sankt Pölten.

South East Europe business unit

Effective as from the beginning of April 2006, the South East Europe business unit encompasses the activities of EVN Group's new Macedonian subsidiary ESM AD, in addition to the two Bulgarian regional energy suppliers. The effectiveness of the comparison to the previous year is limited, due to the fact that ESM AD was first consolidated for an entire financial year in 2006/07.

South East Europe business unit	2006/07 EURm	2005/06 EURm	EURm	Change %	2004/05 EURm
Revenue	623.9	467.6	156.2	33.4	247.3
Results from operating activities (EBIT)	3.3	17.3	-14.0	-81.1	14.5
Profit before income tax	-13.0	9.3	-22.4	-	4.6
Investments	83.2	30.5	52.7	-	16.4

Revenue: +33.4%
EBIT: EUR -14.0m

Revenue of the South East Europe business unit increased during the period under review by 33.4%, or EUR 156.2m, to EUR 623.9m. In Bulgaria, electricity sales volume only increased by 0.4%, or 27 GWh, to 7,255 GWh, due to the mild weather. Accordingly, the overall rise in revenue is due to the initial full-year consolidation of ESM AD.

Regulations prevent revenue increase in Bulgaria

Despite the negative one-off effect in last year's operating results of the restructuring measures implemented in Bulgaria, no improvement could be achieved in the period under review. This development can be primarily attributed to the tariff rate decisions made by the Bulgarian regulatory authority, which prevent increases in energy procurement prices from being passed on to end customers. Subsequently, operating results declined in spite of a slight increase in electricity sales volumes. Moreover, increased investments for the maintenance and upgrading programme designed to cut network losses as well as provisions made for rental costs in connection with network access to third-party power generation facilities had an adverse impact on results.

High network losses and impairment of receivables in Macedonia

The relatively high power grid losses in the network of the Macedonian subsidiary ESM AD compared to Western European standards, as well as the necessary impairment of receivables and expenses related to the restructuring programme, had an unfavourable effect on results. However, during the period under review, the company achieved initial successes in negotiations carried out with large customers pertaining to payment schedules, as well as the positive settlement of important legal disputes.

On balance, the South East Europe business unit posted results from operating activities for the 2006/07 financial year amounting to EUR 3.3m.

Outlook

The integration of the subsidiaries in South East Europe is proceeding quickly and on schedule. Demand for energy is based on economic growth which is significantly higher than the European average. However, the restructuring programme in Bulgaria and Macedonia will require an estimated five to seven years.

The Bulgarian economy is expanding at a robust rate, continually posting growth rates above 6%, and is considered as an important driver of energy demand. The full-scale market liberalisation during the 2007/08 financial year poses new challenges to all electricity market participants. EVN is preparing for this development by establishing trading companies, in order to be well-equipped to effectively deal with increased competition and expand its customer base. Increasing demand combined with market liberalisation and required new investments in power plants will gradually push up electricity prices closer to the West European average.

The reorganisation of the central departments of the Macedonian subsidiary ESM AD, acquired in April 2006, has been completed for the most part. In the first months of the 2007/08 financial year, the branch offices will be restructured and changes made in the division of responsibilities. A Customer Relations Centre will be established to improve customer relations. An increase in electricity demand is expected in line with the anticipated economic recovery and an economic growth rate of 4.5%. However, the Macedonian electricity market has not shown any indications of being liberalised. For this reason, any improvement in operating results can primarily be achieved by reducing network losses in the power grid and boosting efficiency. In addition to these efforts, the framework for a second voluntary personnel reduction programme is being worked out in cooperation with employee representatives. The investment volume for the maintenance and improvement of the network infrastructure in Macedonia will continue to remain at a high level in the 2007/08 financial year.

Integration on schedule

Electricity market liberalisation in Bulgaria

Few indications of market liberalisation in Macedonia

Water, wastewater and waste incineration

Environmental Services segment

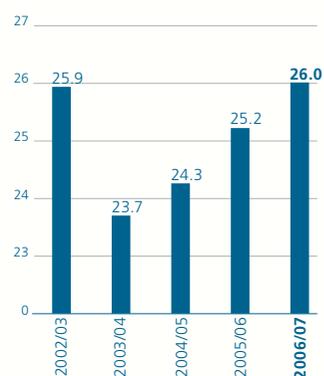
The Environmental Services segment encompasses the water, wastewater treatment and waste incineration activities of the EVN Group in Lower Austria and in Central and Eastern Europe.

Environmental Services segment	2006/07 EURm	2005/06 EURm	Change		2004/05 EURm
			EURm	%	
External revenue	275.1	290.1	-15.0	-5.2	212.9
Intra-Group revenue	9.4	9.6	-0.3	-2.9	7.3
Operating expenses	-230.6	-233.7	3.1	1.3	-160.1
EBITDA	53.8	66.0	-12.2	-18.4	60.1
Depreciation and amortisation	-15.8	-20.1	4.3	21.3	-19.2
Results from operating activities (EBIT)	38.1	45.9	-7.9	-17.2	40.8
EBIT margin (%)	13.4	15.3	-1.9	-	18.5
Financial results	13.1	-11.1	24.1	-	-5.9
Profit before income tax	51.1	34.9	16.3	46.6	34.9
Total assets	1,049.5	929.9	119.6	12.9	731.2
Total liabilities	806.9	761.5	45.4	6.0	586.9
Investments	53.6	9.6	44.0	-	6.2

Project-related decline in revenue of EUR 15.0m

Total revenue in the Environmental Services segment declined by EUR 15.0m during the period under review, to EUR 275.1m. The completion of the large drinking water project in Moscow was only partially offset by various smaller projects in Estonia, Lithuania, Poland, Cyprus and Austria. Due to this effect and the scheduled revision of the waste incineration plant in Dürnrrohr, the results from operating activities fell by 17.2%, or EUR 7.9m, to EUR 38.1m.

Water sales development m³



In contrast, the profit before income tax of the Environmental Services segment rose by EUR 16.3m, to EUR 51.1m. This development is chiefly related to the higher profit contributions of the project and operating companies for the central wastewater treatment plant in Zagreb, as well as interest income derived from leasing payments for the completed drinking water facility in Moscow, and the first instalment paid for the completed waste incineration plant in the Russian capital.

Thanks to the ongoing increase in the number of customers EVN now supplies with drinking water during the 2006/07 financial year, the sales volume rose by 3.3%, to 26.0m m³ of drinking water. On balance, EVN invested EUR 19.1m to secure water supplies or improve water quality, as well as in the acquisition of municipal water supply networks.

In the international wastewater business, EVN's subsidiary WTE completed two large projects during the period under review. At the beginning of November 2006, a drinking water facility in Moscow commenced regular operations. EVN will continue operating the plant until 2016 via a project company, within the context of a BOOT model. At the end of September 2007, the central wastewater treatment plant of the City of Zagreb officially commenced operations after almost a five-year construction period, including the accompanying infrastructure – a bridge close to 1km in length, as well as a sewage system leading from the centre of the city to the installation. EVN will operate the central wastewater treatment plant for 28 years.

Wastewater: completion of large projects in Zagreb and Moscow

In the waste incineration business area, construction began on the third waste incineration line at the waste incineration facility in Dürnröhr in June 2007, which will increase capacity from the current level of 300,000 t annually to 500,000 t. The start-up of the new waste incineration line is expected in the year 2010. In September 2007, EVN completed the construction of a waste incineration installation for Moscow, with an annual capacity of 360,000 t. EVN will operate the plant until 2019, after which it will be handed over to the City of Moscow.

Waste incineration: large Moscow project completed, capacity expansion initiated in Lower Austria

Outlook

EVN Wasser anticipates an ongoing positive development of its business operations, based on the acquisition of additional municipal water supply networks in Lower Austria.

WTE won an international tender to construct a large wastewater treatment installation in Istanbul. WTE is on the verge of concluding contracts for large projects in Warsaw, Cyprus, the Baltic States and Moscow. However, construction progress on ongoing projects will not be able to compensate for the decline in earnings resulting from the completion of large international projects. A stable development in earnings is expected for the waste incineration business area in the 2007/08 financial year. In this regard, the conclusion of contracts for additional large international projects is expected.

Expansion focuses on new EU member states

Strategic Investments and Other Business segment

Strategic investments

The Strategic Investments and Other Business segment encompasses the strategic investments of EVN in Verbundgesellschaft, Burgenland Holding AG and RAG-Beteiligungs-AG, as well as other investments which are not considered the core business of the EVN Group, and which are thus not directly allocated to one of the strategic business units. Moreover, this segment encompasses the intra-Group services provided within the EVN Group.

Strategic Investments and Other Business segment	2006/07	2005/06	Change		2004/05
	EURm	EURm	EURm	%	EURm
External revenue	25.3	19.8	5.5	27.5	26.4
Intra-Group revenue	49.0	48.5	0.5	0.9	10.3
Operating expenses	-85.8	-69.5	-16.3	-23.5	-36.7
EBITDA	-11.5	-1.1	-10.4	-	0.1
Depreciation and amortisation	-1.6	-2.1	0.5	25.3	-2.7
Results from operating activities (EBIT)	-13.0	-3.2	-9.9	-	-2.6
EBIT margin (%)	-17.6	-4.7	-12.9	-	-7.1
Financial results	110.3	151.0	-40.8	-27.0	62.7
Profit before income tax	97.2	147.9	-50.6	-34.2	60.1
Total assets	3,005.9	2,880.6	125.3	4.3	2,304.9
Total liabilities	1,221.8	1,149.7	72.1	6.3	996.0
Investments	2.1	2.2	-0.1	-3.2	1.9

Segment result

The profit before income tax of the Strategic Investments and Other Business segment declined by 34.2%, or EUR 50.6m, compared to the previous year, to EUR 97.2m. The 2005/06 financial year had been characterised by one-off effects relating to proceeds from the disposal of EVN's shareholding in Energie AG Oberösterreich, as well as the conversion of the financial reporting at BEWAG and BEGAS to IFRS. The increase of the dividend payment of Verbundgesellschaft by 50%, to EUR 28.9m, had a positive effect on earnings. Despite the warm weather, the earnings of EVN's investments in BEWAG and BEGAS in the 2006/07 financial year, adjusted for one-off effects, amounted to EUR 17.5m, slightly above the previous year's level of EUR 16.4m. In the period under review, RAG contributed EUR 45.4m to the profit before income tax of the Strategic Investments and Other Business segment (previous year: EUR 43.4m).

Outlook

EVN anticipates a positive development of its investments in the 2007/08 financial year, particularly its strategic investments. As a result, EVN expects a further increase in the contributions of the Strategic Investments and Other Business segment in the upcoming year.

Consolidated Financial Statements 2006/07

According to IFRS (International Financial Reporting Standards)

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Consolidated Balance Sheet

	Note ¹⁾	30.9.2007 TEUR	30.9.2006 TEUR
Assets			
Non-current assets			
Intangible assets	25	327,857.2	332,955.7
Property, plant and equipment	26	2,149,128.1	2,026,371.6
Companies included at equity	27	460,310.7	424,319.8
Other financial assets	28	1,613,362.0	1,479,098.9
Deferred tax assets	41	1,032.4	1,296.9
Other non-current assets	29	614,303.8	517,806.3
		5,165,994.3	4,781,849.1
Current assets			
Inventories	30	84,127.5	70,725.1
Current receivables and other current assets	31	539,900.1	618,593.9
Cash und cash equivalents	32	471,904.1	374,622.4
		1,095,931.6	1,063,941.5
Total Assets		6,261,925.9	5,845,790.6
Equity and Liabilities			
Equity			
Equity attributable to EVN shareholders	33-38	2,788,012.5	2,523,276.1
Minority interest	39	226,720.8	232,676.8
		3,014,733.3	2,755,952.9
Non-current liabilities			
Non-current loans and borrowings	40	1,172,612.3	1,397,169.2
Deferred tax liabilities	41	399,807.9	379,699.7
Non-current provisions	42	457,122.7	434,208.3
Deferred income from network subsidies ²⁾	43	324,041.4	287,457.4
Other non-current liabilities ²⁾	44	46,968.7	38,479.4
		2,400,553.0	2,537,014.0
Current liabilities			
Current loans and borrowings	45	247,233.6	15,271.5
Taxes payable	46	58,870.5	58,422.2
Trade payables ²⁾	47	297,980.0	258,553.8
Current provisions ²⁾	48	92,956.6	89,816.3
Other current liabilities	49	149,598.9	130,760.0
		846,639.6	552,823.8
Total Equity and Liabilities		6,261,925.9	5,845,790.6

1) The following notes to the financial statements form an integral part of this consolidated balance sheet.

2) Comparative figures from the previous year were adjusted to reflect the new Group reporting requirements.
See note 23. **Changes in accounting and valuation methods.**

Consolidated Income Statement

	Note ¹⁾	2006/07 TEUR	2005/06 TEUR
Revenue	50	2,233,124.3	2,071,571.5
Change in work in progress		-5,098.3	-955.5
Own work capitalised		13,353.7	14,541.3
Other operating income	51	45,585.5	40,739.4
Cost of materials and services	52	-1,511,279.0	-1,358,240.8
Personnel expenses	53	-288,893.2	-263,606.3
Depreciation and amortisation	54	-153,339.9	-213,015.8
Other operating expenses	55	-136,138.3	-106,629.0
Results from operating activities (EBIT)		197,314.9	184,405.0
Income from companies included at equity	56	89,844.7	115,109.2
Income from other investments	57	37,160.6	32,673.9
Interest and other financial results	58	-36,880.0	-27,303.5
Financial results		90,125.3	120,479.6
Profit before income tax		287,440.2	304,884.6
Income tax expense	59	-28,462.2	-38,120.8
Net profit for the period		258,978.0	266,763.8
Thereof			
Minority interest		31,948.3	44,882.3
EVN AG shareholders (Group net profit)		227,029.7	221,881.5
Earnings per share in EUR ²⁾	60	5.55	5.43
Dividend per share in EUR		1.50 ³⁾	1.40

1) The following notes to the financial statements form an integral part of this consolidated income statement.

2) There is no difference between basic and diluted earnings per share.

3) Proposal to the Annual General Meeting.

Consolidated Cash Flow Statement

	TEUR	2006/07	2005/06 ¹⁾
Profit before income tax		287,440.2	304,884.6
+ Depreciation and amortisation and impairment losses/ – reversal of impairment losses on non-current assets		153,339.9	213,015.8
– Non-cash share of income from companies included at equity		–10,205.4	–49,161.0
– Gains/+ losses from foreign exchange translation		–105.0	–6,115.3
– Other non-cash financial results		–5,644.4	–17,576.9
– Release of deferred income from network subsidiaries		–27,835.1	–23,334.4
– Gains/+ losses on disposal of non-current assets		–331.4	210.4
+ Increase/– decrease in non-current provisions		15,482.2	13,093.6
Gross cash flow		412,140.9	435,016.8
– Increase/+ decrease in current inventories and receivables		–89,812.1	–15,000.2
– Decrease/+ increase in current provisions		–9,623.2	–40,441.7
+ Increase/– decrease in trade payables and other liabilities		47,747.4	40,729.0
– Income tax paid		–17,623.6	–20,581.8
Net cash flow from operating activities		342,829.4	399,722.1
+ Proceeds from the disposal of intangible assets and property, plant and equipment		2,675.4	1,294.7
+ Proceeds from network subsidiaries		64,419.0	39,136.0
+ Proceeds from the disposal of financial assets and other non-current assets		201,943.8	32,780.4
+ Proceeds from the disposal of current financial assets ²⁾		81,513.9	114,768.7
– Acquisition of subsidiaries, net of cash acquired		–	–227,909.9
– Acquisition of intangible assets and property, plant and equipment		–273,341.9	–251,343.8
– Acquisition of non-current financial and other assets		–183,122.0	–213,187.6
– Acquisition of current financial assets ²⁾		–189,244.1	–215,471.8
Net cash flow from investing activities		–295,155.9	–719,933.1
– Dividends paid by EVN AG		–57,234.0	–47,013.7
– Dividends paid to minority shareholders of fully consolidated companies		–35,147.0	–26,329.7
+ Increase in financial liabilities		128,268.3	418,160.5
– Decrease in financial liabilities		–106,002.3	–30,223.5
Net cash flow from financing activities		–70,115.0	314,593.6
Net change in cash and cash equivalents		–22,441.4	–5,617.5
Net change in cash and cash equivalents²⁾			
Cash and cash equivalents at the beginning of the period		76,797.4	82,414.9
Cash and cash equivalents at the end of the period		54,356.0	76,797.4
Net change in cash and cash equivalents		–22,441.4	–5,617.5

1) Comparative figures from the preceding year were in part adjusted to reflect the new Group reporting requirements.

2) Changes in securities are reported under these items in cases where the securities are used for the investment of surplus liquidity, but do not meet the IFRS criteria for reporting as cash equivalents. See note 61. **Cash flow statement.**

Changes in Consolidated Equity Statement

TEUR	Share capital	Share premium	Retained earnings	Revaluation reserve according to IFRS 3	Valuation reserve according to IAS 39	Currency translation reserve	EVN AG shareholders	Minority interest	Total
Balance on 30.9.2005	99,069.4	309,361.9	1,080,938.3	7,050.6	597,669.5	122.6	2,094,212.2	191,194.6	2,285,406.8
Valuation gains/losses on financial instruments	–	–	–	–	247,975.8	–	247,975.8	–	247,975.8
Currency translation adjustment	–	–	–172.0	–	–	139.8	–32.2	–	–32.2
Business combinations of fully consolidated companies	–	–	–	–	–	–	–	20,232.9	20,232.9
Proportional share of changes to companies included at equity	–	–	–	–	6,252.4	–	6,252.4	2,696.8	8,949.1
After-tax gains (+) or losses (–) recognised directly in equity	–	–	–172.0	–	254,228.1	139.8	254,196.0	22,929.6	277,125.6
Net profit for the period 2005/06	–	–	221,881.5	–	–	–	221,881.5	44,882.3	266,763.8
Total result for the period	–	–	221,709.6	–	254,228.1	139.8	476,077.5	67,811.9	543,889.4
Dividends 2004/05	–	–	–47,013.7	–	–	–	–47,013.7	–26,329.7	–73,343.4
Balance on 30.9.2006	99,069.4	309,361.9	1,255,634.2	7,050.6	851,897.6	262.4	2,523,276.1	232,676.8	2,755,952.9
Valuation gains/losses on financial instruments	–	–	–	–	86,176.5	–	86,176.5	–	86,176.5
Currency translation adjustment	–	–	–	–	–	842.0	842.0	–	842.0
Proportional share of changes to companies included at equity	–	–	–	–	7,886.5	–	7,886.5	–786.8	7,099.7
Other changes	–	–	35.8	–	–	–	35.8	–36.0	–0.1
After-tax gains (+) or losses (–) recognised directly in equity	–	–	35.8	–	94,063.0	842.0	94,940.8	–822.7	94,118.0
Net profit for the period ¹⁾	–	–	227,029.7	–	–	–	227,029.7	31,948.3	258,978.0
Total result for the period	–	–	227,065.5	–	94,063.0	842.0	321,970.5	31,125.5	353,096.0
Dividends 2005/06	–	–	–57,234.0	–	–	–	–57,234.0	–35,147.0	–92,381.1
Business combinations of fully consolidated companies	–	–	–	–	–	–	–	–1,934.5	–1,934.5
Balance on 30.9.2007	99,069.4	309,361.9	1,425,465.7	7,050.6	945,960.7	1,104.4	2,788,012.5	226,720.8	3,014,733.3

1) Proposal to the Annual General Meeting: a dividend of EUR 1.50.

Notes

Basis of Preparation

1. General

EVN is a leading listed Austrian energy and environmental services provider, which is headquartered at EVN Platz, A-2344 Maria Enzersdorf, Austria. The business operations of the company focus on the fields of energy supply and environmental services (also see note 62. [Segment reporting](#)). In addition to providing services to its domestic market in the province of Lower Austria, EVN AG is also strongly positioned in the energy industry of South-eastern Europe, following the purchase of majority stakes in two regional electricity supply companies in Bulgaria and the acquisition of the national electricity distribution company in Macedonia. EVN AG provides customers in twelve countries with water supply, wastewater treatment and waste incineration.

The consolidated financial statements of the EVN Group are prepared as of the balance sheet date of the parent company. The financial year of the parent company encompasses the period from October 1 to September 30.

The consolidated financial statements are prepared on the basis of uniform accounting policies. If the balance sheet dates of consolidated companies or companies included at equity are different, interim financial statements are prepared which reflect the balance sheet date of the EVN Group. The interim financial statements of all domestic and foreign companies included in the consolidated financial statements of the EVN Group, which were subject to a statutory audit or voluntarily submitted to such an examination, were audited by independent public accountants in accordance with IFRS regulations.

Certain items on the balance sheet and income statement are grouped together in order to achieve a more understandable and clearly structured presentation. In the notes, these positions are itemised individually and explained according to the principle of materiality.

In order to improve clarity and comparability, the amounts in the consolidated financial statements are generally shown in thousands of euros. Immaterial mathematical differences may arise from the rounding of individual items or percentage rates. The income statement is prepared in accordance with the Austrian method under which "total costs" are shown.

2. Reporting in accordance with International Financial Reporting Standards (IFRS)

Pursuant to § 245a Austrian Commercial Code, the consolidated financial statements were prepared in accordance with the current guidelines set forth in International Financial Reporting Standards (IFRS) as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that were applicable as of the balance sheet date and adopted by the European Union.

The following standards or interpretations were applied for the first time in preparing the consolidated financial statements of the EVN Group for the 2006/07 financial year:

2. Standards applied for the first time

Effective¹⁾

New standards/IFRIC

IFRS 6 Exploration for and Evaluation of Mineral Resources	January 1, 2006
IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	January 1, 2006
IFRIC 6 Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	January 1, 2006
IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	March 1, 2006
IFRIC 8 Scope of IFRS2	May 1, 2006
IFRIC 9 Reassessment of Embedded Derivatives	June 1, 2006

Revised standards/IFRIC

IFRS 1 First-time Adoption of International Reporting Standards	January 1, 2006
IFRS 4 Insurance Contracts	January 1, 2006
IAS 19 Employee Benefits	January 1, 2006
IAS 21 The Effects of Changes in Foreign Exchange Rates	January 1, 2006
IAS 39 Financial Instruments: Recognition and Measurement	January 1, 2006

1) In accordance with the Official Journal of the European Union, these standards are to be applied beginning with the financial year that starts on or after the date on which the standards become binding.

IFRS 6 “Exploration for and Evaluation of Mineral Resources” regulates the accounting treatment of expenses relating to the exploration and evaluation of mineral resources such as minerals, oil, natural gas and other similar, non-renewable resources, before the technical and economically viable extraction can be demonstrated. IFRS 6 does not prescribe any specific accounting methods for dealing with exploration and evaluation-related expenses, but defines a framework for determining an appropriate accounting method to be applied in the preparation of financial statements. The initial application of IFRS 6 does not have any impact on the consolidated financial statements of the EVN Group.

IFRIC 5 “Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds” defines the reporting requirements for reimbursements from funds that cover decommissioning, restoration and rehabilitation costs or similar commitments. The EVN Group does not participate in funds that have been created to provide reimbursement for decommissioning, restoration or rehabilitation costs. Therefore, this interpretation is not relevant for EVN.

IFRIC 6 “Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment” stipulates when specified manufacturers of electrical goods are required to recognise a liability for the cost of waste management relating to the environmentally compatible decommissioning of waste electrical and electronic equipment supplied to private households. The EVN Group does not operate in these areas of business. Therefore, this interpretation is not relevant for EVN.

IFRIC 7 “Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies” clarifies how comparative figures are to be restated in financial statements if the functional currency

becomes hyperinflationary. IFRIC 7 requires a company that has identified a state of hyperinflation to restate its financial statements as if the economy had always been hyperinflationary. Moreover, IFRIC 7 regulates the treatment of deferred tax balances in opening balance sheets. The EVN Group operates primarily in countries that have single-digit inflation rates. For this reason, IFRIC 7 is currently not relevant for the EVN Group.

IFRIC 8 "Scope of IFRS 2" contains clarifications relating to the application of IFRS 2 "Share-based Payment". In accordance with the interpretation, IFRS 2 must be applied to business transactions in which the company is unable to specifically identify some or all of the goods or services received within the context of share-based payment transactions (e.g. granting of shares to a non-profit organisation). In this case, the company is required to measure the unidentifiable goods or services received as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received. Due to the fact that IFRS 2 is not applied in the EVN Group, IFRIC 8 is also not relevant to the company.

IFRIC 9 "Reassessment of Embedded Derivatives", published in March 2006, deals with the timing for the assessment of a contract to determine whether it contains an embedded derivative that must be separated from the host contract and accounted for as if it were a stand-alone derivative. IFRIC indicates that this assessment is only required when the company becomes a party to the contract. A subsequent reassessment is not required unless there is a change in the terms of the contract that significantly modifies cash flows. The initial application of IFRIC 9 does not have any material effect on the consolidated financial statements of the EVN Group.

The change in IFRS 1 "First-time Adoption of International Reporting Standards" more clearly formulates the wording of an exemption clause for companies that first applied IFRS 6 "Exploration for and Evaluation of Mineral Resources" before January 1, 2006. IFRS 1 is not applied in the EVN Group.

A change in IAS 19 "Employee Benefits" creates an additional option that enables a company to immediately recognise actuarial gains and losses resulting from services relating to a termination of employment contracts in the form of a statement of changes in equity. The EVN Group has decided not to exercise this option. Furthermore, the revision to IAS 19 contains guidelines on allocating the cost of a group defined benefit plan to the different employers.

The revision of IAS 21 "The Effects of Changes in Foreign Exchange Rates" stipulates that monetary assets and liabilities of a parent company or a subsidiary engaged in foreign business operations are to be considered as part of the reporting company's net investment in that foreign operation, regardless of the currency in which these items are denominated. Accordingly, any resulting currency translation adjustments are initially recognised outside of profit and loss in equity in the consolidated financial statements. The EVN Group does not expect the application of this interpretation will have any material effect on the financial position, profit and loss or cash flows of the company.

Furthermore, the IASB made further changes to IAS 39. These revisions relate to the option of reporting financial instruments as "financial assets or financial liabilities measured at fair value through profit and loss" and to the reporting of cash flow hedges that are designed to hedge foreign currency risks of highly probable intragroup forecast transactions. The changes in IAS 39 together with IFRS 4 "Financial Guarantee Contracts" require obligations arising from financial guarantees to be recognised as a liability. The EVN Group does not expect the application of this interpretation will have any material effect on the financial position, profit and loss or cash flows of the company.

In conclusion, the initial application of standards or interpretations beginning with the 2006/07 financial year will not have any material effect on the consolidated financial statements for the period under review or any earlier period.

The following standards have been approved by the IASB up to the date on which the consolidated financial statements of the EVN Group were prepared. These new standards have been partially accepted by the EU and published in the Official Journal of the European Union:

2. Standards which are not yet effective

Effective

New Standards/IFRIC

IFRS 7 Financial Instruments: Disclosures ¹⁾	January 1, 2007
IFRS 8 Operating Segments ¹⁾	January 1, 2009
IFRIC 10 Interim Financial Reporting and Impairment ¹⁾	November 1, 2006
IFRIC 11 IFRS 2 Group and Treasury Share Transactions ¹⁾	March 1, 2007
IFRIC 12 Service Concession Arrangements ²⁾	January 1, 2008
IFRIC 13 Customer Loyalty Programmes ²⁾	July 1, 2008
IFRIC 14 The Limit on a Defined Benefit Asset Minimum Funding Requirements and Their Interaction ²⁾	January 1, 2008

Revised standards IFRIC

IAS 1 Presentation of Financial Statements (relating to additional disclosures on equity) ¹⁾	January 1, 2007
IAS 23 Borrowing Costs ²⁾	January 1, 2009
IAS 32 Financial Instruments: Disclosure and Presentation was replaced by IFRS 7. The title of IAS 32 was changed to IAS 32 Financial Instruments: Presentation. ²⁾	January 1, 2007

1) In accordance with the Official Journal of the European Union, these standards are to be applied beginning with the financial year that starts on or after the date on which the standards become binding.

2) In accordance with IASB, the standards that have not yet been approved by the EU must be applied beginning with the financial year that starts on or after the date on which the standards become binding.

In August 2005 the IASB approved IFRS 7 “Financial Instruments: Disclosures”. This standard requires the disclosure of information on the significance of financial assets and financial liabilities for a company’s financial position and performance, and also contains new guidelines for the reporting of risks that may arise in connection with these financial assets and financial liabilities. The new standard will have an impact on the manner in which information on financial instruments is published in the consolidated financial statements of the EVN Group, but not on the recognition or valuation of financial instruments.

IFRS 8 “Operating Segments” was released by the IASB in November 2006 and replaces IAS 14. It regulates the disclosure of information on business segments, products and services, regions and the customer relationships of the company. In accordance with IFRS 8, segment reporting must be prepared on the same basis as used by the main decision-making bodies of the company to evaluate performance and allocate resources (management approach). In contrast, IAS 14 structured segment reporting according to the source and type of opportunities and risks (risks and rewards approach). The precise impact of IFRS 8 on the financial reporting of the EVN Group can only be determined when this standard actually takes effect, and will be based on the development of the EVN Group and its current segments of business.

IFRIC 10 "Interim Financial Reporting and Impairment", which was published in July 2006, concludes that impairment losses on goodwill and certain financial assets recognised in previous interim periods, and for which IAS 36 or IAS 39 prescribed a reversal of the impairment losses, may not be reversed in subsequent interim or consolidated financial statements. The EVN Group does not expect the application of this interpretation will have any material effect on the financial position, profit and loss or cash flows of the company.

IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" provides guidance on the application of IFRS 2 to share-based payment transactions in which a company's own equity instruments or the equity instruments of a subsidiary are to be granted. As IFRS 2 is currently not applied in the EVN Group, IFRIC 11 is also not relevant to EVN at this time.

The IFRIC also published interpretation IFRIC 12 "Service Concession Arrangements" in November 2006. This guideline addresses the issue of reporting on service concession arrangements by companies with government or similar grants contracts for the supply of public services, such as the construction of roads, airports, prisons or energy distribution infrastructure. IFRIC 12 clarifies how companies are to report the rights and responsibilities arising from such contractual obligations. The EVN Group is currently evaluating how the application of this interpretation will impact the financial position, profit and loss and cash flows of the company.

IFRIC 13 "Customer Loyalty Programmes", which was published in June 2007, addresses the accounting policies of companies that grant loyalty award credits (e.g. "bonus points") to customers, who buy other goods and services. In particular, IFRIC 13 explains how these companies should account for their obligations to provide free or discounted goods or services to customers who redeem such award credits. The EVN Group does not make use of any such customer loyalty programmes. Subsequently, IFRIC 13 is not relevant to EVN.

The revised IAS 1 "Presentation of Financial Statements" requires the disclosure of additional information on capital, e.g. the capital structure and how this capital structure is determined and managed by the company as well as any regulations on capital resources that were issued by supervisory bodies.

The main change to IAS 23 "Borrowing Costs", which was revised in April 2007, pertains to the elimination of the option to immediately expense borrowing costs that can be classified as directly related to the acquisition, construction or production of qualifying assets. In this case, a qualifying asset is considered to exist if a substantial period of time is required to ready the particular asset for use or sale. The EVN Group has not made use of this option. Therefore, this change has no impact on the financial position, profit and loss or cash flows of the company.

A change implemented in August 2005 replaced the guidelines contained in IAS 32 by IFRS 7 "Financial Instruments: Disclosures". The title of IAS 32 was changed to "Financial Instruments: Presentation".

The new or revised standards and interpretations will not be applied by EVN on a premature basis.

Basis of Consolidation

3. Consolidation methods

The consolidation is carried out in accordance with IAS 27 by offsetting the acquisition cost against the revalued net assets of the subsidiary on the date of acquisition.

In accordance with IFRS 3, the identifiable assets, liabilities and contingent liabilities are reported at their full fair value, irrespective of any minority interest. Intangible assets must be presented separately from goodwill, if it can be demonstrated that they are separable from the entity or arise from contractual or other legal rights. In applying this method, restructuring provisions may not be recognised separately within the context of the purchase price allocation. Any remaining unallocated acquisition costs, which compensate the divesting company for market opportunities or developmental potential that has not been clearly identified, are recorded as goodwill in the local currency in the relevant segment. If the interest in the fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the gain is recognised immediately in profit or loss after a reassessment of the measurement. Any undisclosed reserves or obligations are carried forward in proportion to the related assets and liabilities during the subsequent consolidation.

In cases where EVN acquires additional shares in a company in which it already holds a controlling interest, the difference between the purchase price and the proportional share of equity is reported as a fair value adjustment. Any remaining difference is reported as goodwill.

The consolidated financial statements of the EVN Group encompass the business activities of those companies in which EVN AG, directly or indirectly, holds a majority of the voting rights (subsidiaries) or, if it has control, when EVN is the primary beneficiary of any economic benefit arising from the business operations of these companies, or if EVN AG must bear most of the risks. This is usually the case when the voting rights held by EVN exceed 50%.

The initial consolidation of a company is carried out as of the acquisition date, or alternatively at a balance sheet date soon thereafter if there is no material effect compared with consolidation as of the acquisition date. A company is deconsolidated when EVN is no longer able to exercise a controlling influence.

The consolidation of joint venture companies (joint management together with one or more companies outside the EVN Group) is carried out on a proportionate basis, according to the same principles outlined above.

The following overview documents the main positions reported on the balance sheet and income statement of the joint ventures that are consolidated on a proportionate basis:

3. Key positions of jointly controlled entities	TEUR	2006/07	2005/06
Balance sheet			
Non-current assets		3,143.0	3,320.8
Current assets		230,629.4	182,904.7
Non-current liabilities		5,118.9	2,389.9
Current liabilities		128,850.4	116,813.1
Income statement			
Revenue		616,849.6	552,298.8
Operating expenses		-576,516.2	-529,506.9
Depreciation and amortisation		-197.9	-153.6
EBIT		40,135.5	22,638.3
Financial results		1,365.9	1,267.7
Profit before income tax		41,501.4	23,906.0

The same basic principles applied to fully consolidated companies are also applied to associates included at equity. The financial statements of the companies included in the financial statements of the EVN Group at equity are based on uniform accounting policies.

Subsidiaries, joint venture companies or associated companies consolidated at equity are not consolidated if their influence on the assets, liabilities, financial position and profit and loss is considered to be immaterial, either individually or in total. These companies are reported at fair value, which generally corresponds to amortised cost. In order to assess the materiality of an investment, the balance sheet, non-current assets, proportional equity and external revenues are considered in relation to Group totals. The companies consolidated on the basis of these criteria account for more than 99% of the respective totals.

The consolidation procedure for profit and loss on intragroup transactions considers the effects on income taxes as well as the recognition of deferred taxes.

Intragroup balances, expenses and income as well as intragroup profits arising in companies that are included using full or proportionate consolidation are eliminated if they are not immaterial.

Impairment losses and reversals thereon to investments in subsidiaries, which are included in the individual financial statements, are eliminated in preparing the consolidated financial statements.

4. Consolidation range

The consolidation range is established in accordance with the requirements of IAS 27. Accordingly, 23 domestic and 23 foreign subsidiaries that are subject to the legal and factual control of EVN were fully consolidated.

A total of 25 affiliated companies (previous year: 14) were not consolidated due to their immaterial influence on the assets, financial position and profitability of the EVN Group.

The sub-group financial statements of EnergieAllianz Austria GmbH, Vienna, ("EAA"), are included on a proportionate basis. EVN now holds a 45.0% interest in the financial statements of the sub-group, which is comprised of "EAA", Switch Energievertriebsgesellschaft m.b.H., Salzburg, and Naturkraft Energievertriebsgesellschaft mbH, Vienna.

EVN Energievertrieb GmbH & Co KG, Maria Enzersdorf, which is wholly owned by EVN, is consolidated on a proportionate basis because of a specific contractual agreement.

Rohöl-Aufsuchungs Aktiengesellschaft, Vienna, ("RAG"), in which the fully consolidated company RAG-Beteiligungs-AG, Maria Enzersdorf, ("RBG"), owns a 75.0% interest, is included at equity although EVN holds a majority of the voting rights. This is due to a contractual stipulation, which does not permit EVN to exert a controlling influence on the company.

EconGas GmbH, Vienna, in which EVN AG has a 15.7% interest, is included at equity due to a special clause in the contractual agreement that allows EVN to exert significant influence on the company.

An overview of the companies included in the financial statements of the EVN Group is provided in the notes to the financial statements, under "EVN Group investments". The consolidation range (including EVN AG as parent company) developed as follows during the reporting period:

4. Changes in the consolidation range	Full consolidation	Proportionate consolidation	Equity method	Total
30.9.2005	40	4	15	59
Start-ups/Initial consolidation	4	–	–	4
Mergers/Contribution of assets	–1	–	–	–1
Deconsolidation	–	–	–2	–2
30.9.2006	43	4	13	60
Start-ups/Initial consolidation	4	–	2	6
Deconsolidation	–1	–	–3	–4
30.9.2007	46	4	12	62
Thereof foreign companies	23	–	3	26

Business combinations

Business combinations and the subsequent initial consolidations had the following effects on the balance sheet of the EVN Group:

4. Impact of business combinations	TEUR	2006/07	2005/06
Non-current assets		–	234,730.0
Current assets		–	75,958.5
		–	310,688.5
Equity		–	202,328.8
Non-current liabilities		–	31,443.6
Current liabilities		–	76,916.2
		–	310,688.5

The carrying amount of the acquired assets and liabilities assumed by the EVN Group in connection with the acquisition of the Macedonian electricity supply company AD Elektrostopanstvo na Makedonija, Skopje, Mazedonien, "ESM AD", was determined in April 2007. This assessment did not indicate any adjustments of the acquired assets and liabilities. Subsequent additional costs related to the acquisition led to an increase of TEUR 266.5 in goodwill.

During the 2006/07 financial year, EVN acquired a further 2.7% interest in the fully consolidated company Burgenland Holding AG, Eisenstadt, ("BUHO"), at a cost of TEUR 5,040.0. This transaction will only have an effect on minority interest and the acquired undisclosed reserves associated with previously recognised assets.

Start-ups/initial consolidations

EVN Trading SEE EAD, Sofia, Bulgaria, was founded as a wholly owned subsidiary of EVN in September 2007. The business of this company involves the processing of energy trading transactions, including the procurement and sourcing of primary energy, optimisation of electricity production and provision of energy-related services in South-eastern Europe.

In January 2007, OOO EVN Umwelt Service, Moscow, Russia, was established as a wholly owned subsidiary of EVN. This company serves as the property and management company for a district heating plant that is located on the grounds of the Kuryanovo wastewater treatment plant in Moscow, and will also act as the development company for EVN's future business activities in Russia.

In September 2007, EVN Umwelt Finanz- und Service-GmbH, Maria Enzersdorf, and WTE Projektgesellschaft Natriumhypochlorit mbH, Essen, Germany – both wholly owned subsidiaries of EVN – were established to implement a project for the construction, operation and financing of a sodium chloride facility in Moscow.

EESU Holding GmbH, Vienna, ("EESU"), in which EVN owns a 49.95% stake, was founded in August 2007 and is included at equity in the consolidated financial statements of the EVN Group. "EESU" was founded to purchase, together with other partners, a 100% stake in E&P Holding GmbH, Vienna, ("EPH"), which in turn holds a 25% interest in "RAG". The purchase contract concluded with the Shell Group, the owner of "EPH", is subject to the usual conditions, e.g. anti-trust regulations.

Zagrebacke otpadne vode – upravljanje i pogon d.o.o., Zagreb, Croatia, ("ZOV UIP"), was founded in January 2004. EVN holds a 35.0% stake in this company, which was included at equity for the first time in the consolidated financial statements of the EVN Group for reasons of materiality. The company's business activities relate primarily to the operation of the central wastewater treatment facility in Zagreb, which was constructed by the joint venture Zagrebacke otpadne vode d.o.o., Zagreb, Croatia, ("ZOV"), in cooperation with RWE.

Deconsolidation

SHW Hölter Projektgesellschaft Slowenien mbH, Essen, Germany, which was previously included through full consolidation, was deconsolidated during the reporting year following the cessation of business operations. ARGE Coop Telekom, Maria Enzersdorf, Kraftwerk Nussdorf Errichtungs- und Betriebs GmbH & Co KG, Vienna, and Toplak Gesellschaft m.b.H., Breitenfurt, which were previously consolidated at equity, were deconsolidated for reasons of immateriality.

5. Foreign currency translation

The EVN subsidiaries report transactions in foreign currencies at the average exchange rate in effect on the date of the relevant transaction. Assets and liabilities denominated in foreign currencies are translated at the average exchange rate on the balance sheet date. Any resulting foreign currency gains are recognised to profit or loss in the same business year as the transactions.

The financial statements of foreign subsidiaries that report in foreign currencies are translated into the euro based on the functional currency method, in accordance with IAS 21. For companies that do not report in the euro, assets and liabilities are translated at the average exchange rate on the balance sheet date, while expenses and income are translated at the average exchange rate for the reporting period.

Differences arising from foreign currency translation are recorded in the currency translation reserve in equity not affecting net income. The resulting change in equity for the 2006/07 financial year amounted to TEUR +842.0 (previous year: TEUR +139.8).

The development of assets is reported at the average exchange rate for the relevant transactions. Changes in the average exchange rate between the balance sheet date for the reporting period and the previous year as well as differences arising from the use of average exchange rates to translate changes during the financial year are reported separately under the currency translation adjustment in the development of assets.

Goodwill resulting from the acquisition of foreign subsidiaries is recorded at the exchange rate in effect on the date of acquisition; this goodwill is subsequently allocated to the acquired company and translated at the exchange rate in effect on the balance sheet date. When a foreign company is deconsolidated, any related currency differences are recognised to profit or loss.

The following key exchange rates were used for foreign currency translation:

Currency	2006/07		2005/06	
	Exchange rate on the balance sheet date	Average	Exchange rate on the balance sheet date	Average
Bulgarian lev ¹⁾	1.95583	1.95583	1.95583	1.95583
Croatian kuna	7.27730	7.34395	7.38950	7.33438
Danish krone	7.45440	7.45128	7.45760	7.46020
Macedonian denar	61.40120	61.12578	61.19550	61.19890
Polish zloty	3.77300	3.84162	3.97130	3.91888
Russian rouble	35.34900	34.68977	33.94200	34.08500
Slovenian tolar ²⁾	—	—	239.59000	239.55846

1) The exchange rate is determined by Bulgarian regulations.

2) The euro became the official currency in Slovenia as of January 1, 2007.

Significant Accounting Policies

The consolidated financial statements as of September 30, 2007 were prepared in accordance with the following accounting principles:

6. Intangible assets

Acquired intangible assets are recognised at acquisition cost. Internally generated intangible assets are recorded at production cost, when the requirements of IAS 38 for the capitalisation of such assets have been fulfilled.

Development expenses are capitalised if a newly developed product or process can be clearly separated, is technically feasible and will either be used or marketed. Research expenses are capitalised in the period when the research work is carried out.

The EVN Group did not capitalise any development expenses or internally generated assets during the past financial year.

Intangible assets are amortised in accordance with their expected useful life. With the exception of goodwill and intangible assets with indefinite lives, the calculation of amortisation is based on the straight-line method over a period of three to eight years for software and three to 40 years for rights.

Order backlog acquired through business combinations is reduced in accordance with performance on the relevant orders.

The capitalised customer relationships (customer base) arising from an acquisition are not amortised if a useful life has yet to be defined for lack of market liberalisation. Scheduled amortisation between five and 15 years is applied to customer relationships in liberalised markets.

The ESM brand, which was capitalised in the preceding financial year, was classified as an intangible asset with an indefinite life based on an assessment of product life cycles, contractual and legal controls and other relevant factors. As a consequence of this classification, the asset was not amortised. Due to the planned relaunch of ESM, scheduled amortisation will be carried out over a period of two years.

Impairment losses are recognised in the year in which impairment is identified. If the reasons for impairment cease to exist, a corresponding write-up is recorded to an amount that does not exceed amortised cost.

Goodwill and intangible assets with indefinite lives are tested each year for impairment. If events or a change in circumstances indicate a potential loss in value, impairment tests are carried out more frequently. For further details on the procedures used to test goodwill for impairment, refer to note 8. [Procedures and effects of impairment tests.](#)

7. Property, plant and equipment

Property, plant and equipment are carried at acquisition or production cost, less ordinary straight-line depreciation and any impairment losses. Production cost includes direct costs as well as an appropriate percentage of material and manufacturing overheads. General administrative costs are not capitalised. If applicable, acquisition or production cost also encompasses the estimated expense for decommissioning plant and equipment or the restoration of property.

If the construction of fixed assets continues over an extended period of time, the interest expense on debt is capitalised as a part of acquisition or production cost until construction is completed, in accordance with IAS 23 "Borrowing Costs".

Assets are depreciated when available for use. Depreciation is calculated on a straight-line basis over the expected useful life of the equipment or its components. The expected economic and technical life of plant or equipment is taken into consideration in determining the useful life of these items.

Ordinary straight-line depreciation is based on the following calculations for expected useful life:

7. Expected useful life of property, plant and equipment	Years
Buildings	10 – 50
Transmission lines and pipelines	15 – 50
Machinery	10 – 33
Meters	7 – 40
Tools and equipment	3 – 25

If property, plant and equipment qualify as non-current assets available for sale pursuant to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", scheduled depreciation is discontinued. In both the 2006/07 financial year and the preceding year, the requirements of IFRS 5 relating to the disposal of non-current assets available for sale and discontinued operations were not met.

Maintenance and repairs are expensed in the year incurred, provided this work does not change the nature of the asset and no additional future benefits arise. Replacement investments and value-enhancing investments are capitalised.

When property, plant or equipment is retired, the cost of the acquisition and the accumulated depreciation are reported in the financial statements as a disposal. The difference between the net proceeds on the sale and the remaining carrying value are reported as operating income or other operating expenses.

When property, plant or equipment are sold, the carrying value of the asset is written down if required, to equal the selling price less any costs to sell. This adjustment takes place once the transaction is approved and the conditions defined in IFRS 5 are met. The resulting carrying value is not depreciated until the date of disposal.

8. Procedures and effects of impairment tests

Goodwill and other intangible assets with indefinite lives

In accordance with IFRS 3 "Business Combinations" and IAS 38 "Intangible Assets", goodwill and other intangible assets with indefinite lives are not subject to scheduled amortisation, but are tested for impairment at least once a year.

The goodwill arising from a business combination is allocated to the cash-generating units that produce cash flow and derive a benefit from the synergies resulting from the merger. Any non-assignable consolidation difference is allocated to the cash-generating units Energy Procurement and Supply, Bulgaria, Macedonia and Environmental Services.

In assessing economic value within the context of impairment tests, the higher of the net selling price and the value in use is compared with the previously reported carrying amount.

The calculation of the carrying amount is based on the expected future cash flows, which can be determined on the basis of the data derived from medium-term corporate planning. These monetary inflows and outflows are discounted at the pre-tax weighted average cost of capital (WACC) of 8.7% (previous year: 8.7%), which is adjusted to reflect the specific corporate and country risks.

If the market value exceeds the carrying amount, there is no need to recognise an impairment loss. If the market value is lower than the reported carrying amount, an impairment loss must be recognised to the cash-generating unit. In accordance with IFRS 3, goodwill that was written down through an impairment loss may not be revalued, even if the reasons for the impairment have ceased to exist.

Intangible assets with finite lives and property, plant and equipment

Intangible assets with finite lives and property, plant and equipment are tested for impairment in accordance with IAS 36 "Impairment of Assets" if there are sufficient signs of an impairment loss or if the past reasons for an impairment loss have ceased to exist.

An impairment loss is recognised if the higher of the value in use or the net selling price is less than the carrying amount. If the asset is part of a cash-generating unit, the value of the impairment loss is determined on the basis of the recoverable amount of the cash-generating unit. The decisive criterion for the qualification of a production unit as a cash-generating unit is its technical and commercial ability to generate independent revenues. In the EVN Group, this definition applies to electricity and heating generation plants, electricity and gas distribution systems, data transmission lines and electricity purchasing rights.

The value in use is calculated by discounting the future monetary inflows and outflows that result from the use of an asset. The interest rate for the discount (WACC) amounted to 8.7% during the period under review (previous year: 8.7%), and was derived from the weighted average cost of capital for the EVN Group.

The valuation is carried out on the basis of internal planning. This planning process takes the future expected revenues into consideration as well as maintenance and repair expenses, in which case the condition of the respective property, plant and equipment must also be taken into account. The quality of the planning data is regularly compared with actual results through a variance analysis. These findings are taken into consideration in developing the next medium-term corporate planning strategies.

If the carrying amount of a cash-generating unit to which goodwill has been allocated exceeds the recoverable amount, the goodwill is reduced through an impairment loss amounting to the difference between the previously reported carrying value and the recoverable amount. Any further impairment is reflected in a proportional reduction of the carrying amount of the remaining fixed assets in the cash-generating unit. If the reasons for impairment cease to exist, a corresponding write-up is recorded, whereby the increased carrying amount may not exceed the depreciated acquisition or production cost.

9. Leased and rented assets

In accordance with IAS 17 "Leases", a leased asset is allocated to the lessee or lessor based on the transfer of significant risks and rewards incidental to the ownership of the asset.

Long-term lease receivables within the context of the so-called BOOT model ("Build, Own, Operate & Transfer") – in which a facility is built, financed and then operated on behalf of the customer for a pre-defined period of time, after which the plant becomes the property of the customer – are classified as finance leases in accordance with IAS 17 together with IFRIC 4, and capitalised as such in the consolidated financial statements of the EVN Group.

Assets obtained through finance leases are capitalised by the lessee at the fair value or the lower present value of the minimum lease payment, and amortised on a straight-line basis over their expected useful life or the shorter contract period. The obligations resulting from future lease payments are reported as a liability.

Assets obtained through operating leases are considered to be owned by the lessor. The rental charges incurred by the lessee are allocated as equal instalment payments over the duration of the lease and reported as an expense.

10. Financial assets

Companies included at equity

Companies included at equity are initially recognised at cost (acquisition price), and measured in later periods at the proportional share of depreciated net assets. In this case, the carrying value is increased or decreased by the proportional share of net profit, distributed dividends or other changes in equity. An impairment loss is recognised when the recoverable amount is less than the carrying amount. Recognised goodwill is included in the carrying amount.

Other financial assets

Shareholdings in non-consolidated affiliated companies, in associated companies that are not included at equity and in other investments are reported as "available for sale".

These financial assets are carried at fair value, if fair value can be reliably determined. Unrealised profits or losses are capitalised under equity without recognition through profit or loss. Impairment losses are recognised to reflect any permanent reductions in value. When financial assets are sold, the unrealised profits or losses that were previously recorded under equity without recognition to profit or loss are recognised to profit or loss.

Other non-current assets

Securities recorded under non-current assets are initially recognised as “financial assets to be carried at fair value through profit or loss”. These assets are recorded at cost as of the date of acquisition and at market value as of the balance sheet date in later periods. Changes in market value are recognised to the income statement as income or expense.

Interest-bearing debt is reported at amortised cost, whereas interest-free and low-interest loans are reported at their present value. Long-term receivables are derived from EVN's project business, and are reported as finance leases according to IAS 17 in connection with IFRIC 4 (see note 9. **Leased and rented assets**).

11. Inventories

Inventories represent assets that are held for sale in the ordinary course of business (finished products and goods), stored for manufacturing purposes (unfinished products and services), or used to manufacture products or perform services (raw materials, auxiliary materials or fuels as well as purchased emission certificates).

The valuation of inventories is based on acquisition or production cost or the lower net realisable value on the balance sheet date. For marketable inventories, these values are derived from the current market price. For other inventories, these figures are based on the expected proceeds less future production costs. Risks arising from the duration of storage or reduced convertibility are reflected in impairment losses which are based on experience. The applicability of primary energy inventories and raw materials, auxiliary materials or fuels is determined in accordance with the moving average price method or by application of any other qualified procedure.

The emission certificates allotted free of charge in accordance with the Austrian Emission Certificate Act are capitalised at an acquisition cost of zero based on IAS 20 and IAS 38, following the rejection of IFRIC 3 by the European Commission. Any additional purchased emission certificates are capitalised at cost, whereas additions to provisions for shortfalls are based on the current market price as of the balance sheet date. The cost of materials and services on the income statement only includes expenses arising from an insufficient allotment of emission certificates.

12. Receivables

Receivables and other assets are generally reported at amortised cost. Exceptions to this procedure are derivative financial instruments, which are reported at market values, and assets and liabilities in foreign currencies, which are valued at the exchange rate in effect on the balance sheet date. Amortised cost is considered to represent a fair estimate of the current value because the remaining time to maturity is less than one year in most cases.

Non-current receivables are discounted by applying the effective interest method. Corresponding value adjustments allow for all recognisable risks.

Deferred tax assets and deferred tax liabilities are offset when they relate to the same tax authority and the company has a right to offset the items.

13. Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at banks as well as securities used for the temporary investment of free liquid funds.

Cash on hand and cash at banks are reported at current rates. Cash balances in foreign currencies are translated at the exchange rate in effect on the balance sheet date. Securities designated "held for trading" are carried at market value, and any changes in market value are recognised immediately through profit or loss.

14. After-tax gains or losses recognised directly in equity

This item comprises certain changes in equity that are not recognised through profit or loss as well as the related deferred taxes. For example, this position includes the currency translation adjustment, unrealised gains or losses from the market valuation of marketable securities, and the effective part of market value changes from cash flow hedge transactions. This item also encompasses the proportional share of changes to companies included at equity recognised directly in equity.

15. Provisions for pensions and similar obligations

Under the terms of a company agreement, EVN is obliged to pay a supplementary pension on retirement to employees who joined the company prior to December 31, 1989. This commitment also applies to EVN Netz GmbH, Maria Enzersdorf, for those employees who, within the context of the legal unbundling agreement for the spin-off of EVN's electricity and gas networks to EVN Netz GmbH, Maria Enzersdorf, were also transferred to the new company. In principle, the amount of this supplementary pension is performance-related, and is derived from the length of service and the amount of remuneration at the time of retirement. Contributions to EVN-Pensionskasse AG, Maria Enzersdorf, are always made by EVN and, as a rule, also by the employees, whereby the resulting claims are fully credited to pension payments. The obligations of EVN to retired employees as well as to prospective beneficiaries are covered in part by provisions for pensions and through defined contribution payments made by EVN-Pensionskasse AG, Maria Enzersdorf.

For employees who joined the company after January 1, 1990, the supplementary company pension has been replaced by a contribution-based pension scheme, which is financed by EVN-Pensionskasse AG, Maria Enzersdorf. This pension fund invests the pension fund assets primarily in different investment funds, in accordance with the provisions of the Austrian Pension Fund Act. EVN has made pension commitments to certain employees, which entitle these persons to receive company pension payments on retirement if certain conditions are met.

Provisions were created for liabilities arising from the future claims of current employees and current claims of retired personnel and dependents to receive benefits in kind in the form of electricity and gas.

The provisions for pensions and similar obligations are calculated on the basis of an actuarial report using the projected unit credit method. The expected pension payments are distributed according to the number of years of service by employees until retirement. The expected increases in wage, salaries and pensions are incorporated.

The provisions for pensions are determined by an actuary on the basis of an actuarial report as of the balance sheet date. The calculation parameters are described in note **42. Non-current provisions**.

Accumulated actuarial gains and losses that exceed 10% of the higher of the defined benefit obligation (DBO) and the present value of plain assets are recognised through profit or loss over the average remaining working life of the particular employees.

As in the previous year, the biometric bases for calculation were established using the "AÖV 1999-P – Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler, Angestelltenbestand" Austrian pension tables.

The current service cost and the interest portion of the addition to the provision for pensions are reported as personnel expenses.

16. Provisions for severance payments

Severance payments represent one-off payments that are compulsory under Austrian labour legislation. Companies are required to make these payments when employees whose employment began before January 1, 2003 are dismissed or have reached the legal retirement age. The amount of such payments is based on the number of years of service and the amount of individual remuneration.

In Bulgaria and Macedonia, employees are entitled to severance payments on retirement, the amount of which is based on the number of years of service.

With regard to severance compensation entitlements, other employees of the EVN Group are covered by similar social protection measures under the legal, economic and tax framework of the particular country in which they work.

The provisions for severance payments are created according to actuarial principles. Severance payments are calculated using the same parameters as the provision for pensions. The calculation parameters are described in note [42. Non-current provisions](#).

Accumulated actuarial gains and losses that exceed 10% of the higher of the defined benefit obligation (DBO) and the present value of plan assets are recognised through profit or loss over the average remaining working life of the particular employees.

For those employees whose employment commenced after December 31, 2002, the responsibility for fulfilling this obligation will be assumed by a contribution-based severance payment system. The payments to this external employee fund are reported as expenses.

17. Provisions for service anniversary bonuses

The obligations for service anniversary bonuses required by collective wage and company agreements are calculated using the same parameters as the provision for pensions. Accumulated actuarial gains and losses that exceed 10% of the higher of the defined benefit obligation (DBO) and the present value of plan assets are recognised through profit or loss over the average remaining working life of the particular employees.

18. Other non-current provisions

Other non-current provisions reflect all other recognisable legal or factual commitments to third parties as of the balance sheet date, based on events which took place in the past, and where the level of the commitments and the precise starting point are still uncertain. These provisions are recorded at the actual amount to be paid. Valuation is based on the expected value or the amount which involves the highest probability of a loss.

Non-current provisions are reported at the discounted amount to be paid as of the balance sheet date.

Waste disposal or land restoration requirements to fulfil legal and perceived commitments are recorded at the present value of the expected future costs. Changes in the valuation of the costs or the interest rate are offset against the carrying amount of the underlying assets. If the provision for these costs exceeds the carrying amount of the assets, the difference is recognised through profit and loss.

19. Liabilities

Liabilities are reported at amortised cost, with the exception of liabilities arising from derivative financial instruments or liabilities arising from hedge accounting (See note **20. Derivative financial instruments**). Costs for the procurement of funds are considered part of acquisition cost.

Non-current liabilities are discounted by applying the effective interest method.

Deferred income from construction subsidies and other investment subsidies do not reduce the reported acquisition or production costs of the corresponding assets. They are reported as liabilities in the consolidated balance sheet in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". Deferred income from construction subsidies, which constitutes payments made by customers as part of investments in network construction, represents an offset to the acquisition cost of these assets and is released on a straight-line basis over their average useful life.

Other investment subsidies are released as income in line with the useful life of the related assets. As a rule, the provision of investment subsidies is linked to operational management in accordance with legal requirements and the approval of the responsible authorities.

20. Derivative financial instruments

Derivative financial instruments include, in the broader meaning of the term, swaps, options, forwards, futures and structured products.

Individual derivative instruments, primarily currency and interest rate swaps, are utilised as a means of hedging and controlling existing economic exchange rate and interest fluctuation risks. EVN makes use of swaps, futures and forwards as a means of limiting the risks in the energy sector that may arise from changes in energy, commodity and product prices.

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", contracts to buy or sell non-financial items (e.g. electricity supplies) are not derivatives as defined by IAS 39, if these non-financial items are entered into and held for the purpose of the receipt or delivery of a non-financial item (e.g. energy deliveries) and when the contract is in accordance with the entity's expected purchase, sale or usage requirements.

The forward and futures contracts concluded by EVN for the purchase or sale of electricity and CO₂ emission certificates generally result in a physical delivery. These contracts are concluded to secure purchase prices for expected electricity deliveries or CO₂ emission certificates and the sale prices for planned electricity production. Due to the regular physical deliveries that fulfil the terms of the forward and futures contracts concluded by EVN, these contracts are not dedicated to derivative financial instruments. For this reason, the contracts are not measured at market value pursuant to IAS 39. EVN's existing forward and futures contracts represent executory sale and purchase agreements which, in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", must be examined to determine the expected losses from executory contracts.

Derivative financial instruments pursuant to IAS 39 are financial instruments used to limit and manage foreign currency and interest rate risks as well as swaps used to limit the risks arising from changes in raw material and product prices in procurement and sourcing.

The valuation of derivatives pursuant to IAS 39 is carried out at market value (fair value). The fair value of derivatives reflects the estimated amount that the EVN Group receives or is required to pay if the transaction is concluded on the balance sheet date. For this reason, the values also encompass unrealised gains and losses. The treatment of these changes in value depends on the type of hedge.

For the most part, the derivative financial instruments used by the EVN Group fulfil the prerequisites for hedge accounting.

The market valuation of derivative financial instruments, which are classified as cash flow hedging instruments (primarily interest rate swaps and energy derivatives) in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" (see note 64. **Financial instruments**) are recorded without recognition to profit or loss (hedging reserve) in the valuation reserve under equity. Ineffectivenesses of cash flow hedges are immaterial. The realisation of a hedge is recognised through profit or loss.

In the case of fair value hedges (primarily interest rate swaps and currency swaps), the valuation of the underlying transaction is adjusted through profit or loss to reflect the amount that corresponds to the market value of the hedged risk. The results are generally reported on the income statement, in which the hedged transaction is also reported. The changes in the value of hedges are primarily offset by the changes in the value of the hedged transaction.

21. Revenue

Realisation of revenue (in general)

At the balance sheet date revenues from EVN's end customer business are partly determined with the help of statistical procedures from the billing system, and accrued based on the quantities of energy and water supplied during the reporting period. Revenues are recognised when EVN is entitled to payment from the customer for billable services.

Interest income is reported on a proportional basis using the effective interest rate method. Dividends are recognised when a legal entitlement to payment arises.

Contract manufacturing

Receivables from contracts and related sales derived from EVN's project business (particularly BOOT models) are accounted for in proportion to the level of completed work by using the percentage of completion method. Projects are concluded on the basis of individual contractual agreements that specify fixed prices. The degree of completion is established by using the cost-to-cost method. Reliable estimates of the total costs and sale prices and the actual accumulated costs are available. The estimated contract profits are recognised as income in proportion to recorded revenues. Under the cost-to-cost method, sales and profits are recorded after considering the ratio of accumulated costs to the estimated total costs required to complete each contract. Changes in the total estimated contract costs and losses, if any, are recognised to the income statement in the period in which they are determined. Any other technological and financial risks that may occur during the remaining project period are reflected in a contingency fee, which is assessed individually for each project and included in the estimated contract costs. Impending losses on the valuation of projects not yet invoiced are recognised immediately as an expense. Impending losses are recognised when it is probable that the total contract costs will exceed the contract revenues.

22. Income taxes and deferred taxes

The corporate income tax rate applicable to the parent company EVN AG on the balance sheet date equalled 25%.

The 2005 Tax Reform Act passed by the Austrian Parliament allows companies to establish corporate tax groups. EVN has taken advantage of this measure since the 2004/05 financial year by establishing three such groups.

The taxable profit or loss from the companies belonging to these three groups is assigned to the superior unit (Group member) or the respective corporate tax group, following the calculation of losses incurred by each of the companies in the group. In order to offset the transferred taxable results, the group contracts were amended to include a tax charge that is based on the stand-alone method.

The following corporate income tax rates were used to calculate deferred taxes:

22. Corporate income tax rates	in %	2006/07	2005/06
Headquarters			
Austria		25.0	25.0
Bulgaria		10.0	15.0
Croatia		20.0	20.0
Cyprus		10.0	10.0
Denmark		28.0	28.0
Estonia ¹⁾		22.0	23.0
Germany ²⁾		39.0	39.0
Lithuania		15.0	15.0
Macedonia		12.0	15.0
Poland		19.0	19.0
Russia		24.0	24.0
Slovenia		23.0	25.0

1) Taxes on corporate profits are first levied when dividends are paid to shareholders. Retained earnings are not taxed.

2) Following a May 2007 resolution of the "Bundestag" (Federal Diet), the lower house of the German Parliament, which was approved by the Federal Council in July 2007, the corporate tax reform package will take effect on January 1, 2008. Accordingly, the corporate tax rate for corporations will be reduced by 9%, to 30%.

Future tax changes have been included, if the relevant law was enacted as of the balance sheet date.

Deferred tax assets and deferred tax liabilities are calculated and recorded for all temporary differences that will balance in the future (differences between the amounts included in the consolidated financial statements and the financial statements prepared for tax purposes). Deferred taxes are calculated using the liability method at the tax rate to be expected on the balance sheet date when short-term differences are reversed.

Tax loss carryforwards are capitalised as deferred tax assets. Deferred tax assets and deferred tax liabilities are offset, when the company is entitled to offset these amounts and when they relate to the same tax authority. Deferred tax assets are only reported to the extent that it is considered probable that sufficient taxable results or taxable temporary differences will arise.

In accordance with IAS 12.39 "Income Taxes", deferred taxes are not recorded on the balance sheet for temporary differences resulting from companies included at equity.

23. Changes in accounting and valuation methods

The following changes were made to the reporting of non-current and current liabilities:

Investment subsidies amounting to TEUR 37,465.8 (previous year: TEUR 37,422.3) are no longer reported as other liabilities, but together with construction subsidies under "deferred income from network subsidies".

Outstanding invoices for billable services amounting to TEUR 49,820.4 (previous year: TEUR 57,444.1) are no longer recorded as current provisions, but as trade payables.

Accordingly, there were no transfers between non-current and current items. The prior year figures were adjusted to improve comparability.

24. Forward-looking statements

The preparation of the consolidated financial statements in accordance with IFRS requires estimates and appraisals that have an influence on the assets and liabilities, income and expenses and amounts listed in the notes to the financial statements.

The main applications of economic assumptions and estimates involve determining the useful life of non-current assets, ascertaining discounted cash flows within the context of impairment tests, creating provisions for legal proceedings, social security contributions for employees and corresponding duties, taxes and environmental protection, the assessment of inventories, price discounts, product liabilities and guarantees. All estimates are based on practical experience and other assumptions, which may be accurate under certain circumstances.

However, the actual amounts which result at the end of the financial year may deviate from these estimates. The validity of these estimates and appraisals, and their underlying presumptions, is the subject of continuous evaluation.

Notes to the Consolidated Balance Sheet

Assets

Non-current assets

The net value represents the residual book value, which equals the acquisition cost less accumulated depreciation.

Currency translation differences are reported as those amounts resulting from the different exchange rates used by EVN's foreign subsidiaries to translate assets at the beginning and the end of the reporting year.

25. Intangible assets

The additions to goodwill from acquisitions amounted to TEUR 0.0 (previous year: TEUR 28,398.1).

Other intangible assets include electricity procurement rights, transportation rights for natural gas pipelines and other rights, in particular software licenses, the customer base of the Bulgarian and Macedonian electricity supply companies and the brand name ESM.

As of September 30, 2007 capitalised customer relationships in regulated markets were recognised as assets with an indefinite life at a total acquisition cost of TEUR 54,513.0 (previous year: TEUR 54,513.0). The carrying amount corresponds to the acquisition cost. Following the decision in favour of a market relaunch, the brand name ESM will be amortised over the remaining expected useful life beginning in the 2006/07 financial year.

Disposals refer primarily to capitalised future profit contributions from the order backlog of the WTE Group, whose planned amortisation ended in the 2006/07 financial year.

The impairment test for intangible assets led to a reversal of impairment losses amounting to TEUR 3,206.2 (previous year: TEUR 5,625.2) that were previously recorded to electricity purchasing rights.

The procedure used for impairment testing is described under the accounting and valuation methods in note 8. **Procedures and effects of impairment tests**. The development of depreciation in the reporting period is described in note 54. **Depreciation and amortisation**.

In the 2006/07 financial year, a total of TEUR 576.3 (previous year: TEUR 573.0) was invested in research and development. The criteria required by IFRS to capitalise these items were not fulfilled.

25. Development of intangible assets 2005/06

TEUR	Goodwill	Other intangible assets	Total
Gross value on 30.9.2005	162,774.7	331,770.3	494,544.9
Currency translation differences	—	–0.1	–0.1
Additions through business combinations	28,398.1	29,595.0	57,993.1
Additions	—	2,065.6	2,065.6
Disposals	—	–2,344.0	–2,344.0
Transfers	—	561.9	561.9
Gross value on 30.9.2006	191,172.8	361,648.7	552,821.5
Accumulated amortisation on 30.9.2005	—	–210,099.2	–210,099.2
Currency translation differences	—	0.1	0.1
Scheduled amortisation	—	–17,600.2	–17,600.2
Reversal of impairment losses	—	5,625.2	5,625.2
Disposals	—	2,210.5	2,210.5
Transfers	—	–2.2	–2.2
Accumulated amortisation on 30.9.2006	—	–219,865.8	–219,865.8
Net value on 30.9.2005	162,774.7	121,671.1	284,445.8
Net value on 30.9.2006	191,172.8	141,782.9	332,955.7

25. Development of intangible assets 2006/07

TEUR	Goodwill	Other intangible assets	Total
Gross value on 30.9.2006	191,172.8	361,648.7	552,821.5
Currency translation differences	154.1	–100.6	53.6
Additions	296.7	2,062.1	2,358.8
Disposals	—	–23,100.0	–23,100.0
Transfers	—	1,273.5	1,273.5
Gross value on 30.9.2007	191,623.6	341,783.7	533,407.3
Accumulated amortisation on 30.9.2006	—	–219,865.8	–219,865.8
Currency translation differences	—	12.2	12.2
Scheduled amortisation	—	–11,533.1	–11,533.1
Impairment losses	—	–171.9	–171.9
Reversal of impairment losses	—	3,206.2	3,206.2
Disposals	—	23,096.9	23,096.9
Transfers	—	–294.5	–294.5
Accumulated amortisation 30.9.2007	—	–205,550.1	–205,550.1
Net value on 30.9.2006	191,172.8	141,782.9	332,955.7
Net value on 30.9.2007	191,623.6	136,233.6	327,857.2

26. Property, plant and equipment

The additions result primarily from the expansion of the electricity distribution and heating facilities, the construction of gas transport and distribution pipelines and the exchange of electricity meters as well as investments in facilities for the company's technical infrastructure.

In the 2005/06 financial year, additions through company acquisitions were comprised primarily of the asset value of the Macedonian electricity supply company "ESM AD".

Land and buildings contain land amounting to TEUR 52,274.7 (previous year: TEUR 50,934.3).

As of the balance sheet date, the EVN Group held a mortgage with a maximum value of TEUR 1,827.7 (previous year: TEUR 1,827.7).

Own work capitalised performed during the 2006/07 financial year totalled TEUR 13,353.7 (previous year: TEUR 14,541.3).

The following impairment losses were reversed because the reasons for impairment had ceased to exist: TEUR 16,736.6 for the gas-fired power plants in Theiss and Korneuburg (previous year: impairment loss of TEUR 15,974.5), TEUR 1,112.1 for the coal-fired power plant in Dürnröhr (previous year: TEUR 18,583.9) and TEUR 2,031.4 for heating facilities (previous year: TEUR 4,376.2 TEUR). The prior year impairment loss of TEUR 75,197.0 was related primarily to the gas network, and was intended to reflect an expected reduction in revenues as the result of regulatory measures. Moreover, impairment losses of TEUR 790.0 (previous year: TEUR 3,727.3) were recognised to other equipment.

The procedures for impairment tests are explained in the accounting and valuation methods section, note **8. Procedure and effects of impairment tests.**

Prepayments and equipment under construction include TEUR 133,371.1 (previous year: TEUR 90,817.1) of acquisition costs relating to equipment under construction on the balance sheet date.

For leased and rented equipment, the present value of the payment obligations for the use of heating networks and heat generation plants is reported on the balance sheet. The carrying amount of these assets totalled TEUR 16,716.0 at the balance sheet date (previous year: TEUR 9,922.8). The related leasing and rental liabilities are recorded under other non-current liabilities, with the exception of short-term lease and rental agreements with a term of up to one year.

26. Development of property, plant and equipment 2005/06

TEUR	Land and buildings	Transmission lines and pipelines	Technical equipment	Meters	Other plant, tools and equipment	Prepayments and equipment under construction	Total
Gross value on 30.9.2005	526,095.7	2,051,795.1	1,419,758.6	152,478.9	184,675.5	124,309.2	4,459,113.0
Currency translation differences	0.1	–	0.7	–	–4.6	–0.4	–4.2
Additions through business combinations	117,243.5	–	70,557.1	–	4,111.0	12,626.3	204,537.9
Additions	36,997.7	43,680.1	91,415.7	19,940.5	13,087.5	44,260.6	249,382.1
Disposals	–569.9	–3,441.4	–2,879.6	–2,975.7	–17,729.3	–1,012.8	–28,608.7
Transfers	8,401.5	24,294.7	35,966.1	37.3	6,901.6	–75,899.7	–298.4
Gross value on 30.9.2006	688,168.6	2,116,328.5	1,614,818.5	169,481.0	191,041.7	104,283.2	4,884,121.6
Accumulated depreciation on 30.9.05	–302,054.6	–1,074,648.6	–1,082,383.0	–77,307.5	–145,288.8	–1,892.0	–2,683,574.5
Currency translation differences	–	–	–0.4	–	2.8	–	2.4
Scheduled depreciation	–13,166.9	–76,197.2	–42,814.2	–10,629.7	–17,884.8	–358.3	–161,051.0
Impairment losses	–1,563.8	–71,136.1	–6,112.1	–80.3	–32.1	–	–78,924.3
Reversal of impairment losses	16,178.6	530.2	22,225.8	–	–	–	38,934.6
Disposals	321.7	3,290.2	2,562.1	2,465.0	17,247.7	862.5	26,749.2
Transfers	114.3	–1.1	641.2	–9.2	–631.4	–	113.7
Accumulated depreciation on 30.9.06	–300,170.8	–1,218,162.6	–1,105,880.5	–85,561.7	–146,586.7	–1,387.8	–2,857,750.1
Net value on 30.9.2005	224,041.1	977,146.5	337,375.6	75,171.4	39,386.7	122,417.2	1,775,538.5
Net value on 30.9.2006	387,997.9	898,165.9	508,938.0	83,919.3	44,455.1	102,895.4	2,026,371.6

26. Development of property, plant and equipment 2006/07

TEUR	Land and buildings	Transmission lines and pipelines	Technical equipment	Meters	Other plant, tools and equipment	Prepayments and equipment under construction	Total
Gross value on 30.9.2006	688,168.6	2,116,328.5	1,614,818.5	169,481.0	191,041.7	104,283.2	4,884,121.6
Currency translation differences	–692.3	–	–626.4	–8.9	–61.8	–131.7	–1,521.0
Additions	7,077.5	49,932.5	19,968.5	3,214.0	10,196.9	185,252.7	275,642.0
Disposals	–1,461.3	–7,850.9	–5,332.5	–3,202.9	–8,129.3	–1,090.6	–27,067.6
Transfers	445.0	44,520.0	20,346.2	9,889.4	14,288.4	–91,376.8	–1,887.7
Gross value on 30.9.2007	693,537.6	2,202,930.1	1,649,174.3	179,372.5	207,335.9	196,937.0	5,129,287.4
Accumulated depreciation on 30.9.06	–300,170.8	–1,218,162.6	–1,105,880.5	–85,561.7	–146,586.7	–1,387.8	–2,857,750.1
Currency translation differences	321.5	–	377.8	1.2	55.8	–	756.3
Scheduled depreciation	–17,888.7	–68,068.3	–47,432.9	–12,076.2	–18,465.1	–	–163,931.3
Impairment losses	–18.0	–217.6	–430.4	–103.6	–20.3	–	–790.0
Reversal of impairment losses	6,223.9	1,001.2	12,655.0	–	–	–	19,880.1
Disposals	844.8	6,967.2	3,087.5	2,619.7	7,630.5	–	21,149.7
Transfers	2,857.2	56.9	–2,839.3	–182.6	633.6	–	525.8
Accumulated depreciation on 30.9.07	–307,830.0	–1,278,423.2	–1,140,462.8	–95,303.3	–156,752.2	–1,387.8	–2,980,159.3
Net value on 30.9.2006	387,997.9	898,165.9	508,938.0	83,919.3	44,455.1	102,895.4	2,026,371.6
Net value on 30.9.2007	385,707.5	924,506.9	508,711.6	84,069.2	50,583.7	195,549.2	2,149,128.1

27. Companies included at equity

The companies included in the consolidated financial statements of the EVN Group at equity are listed in the annex under the item "EVN Group Investments".

Companies included at equity are initially recognised at their proportional share of IFRS income or loss, which is derived from an interim or annual report with a balance sheet date that is not more than three months before the balance sheet date of the parent company. The results of these companies during the previous financial year amounted to TEUR 33,004.0.

27. Development of companies included at equity

TEUR

Gross value on 30.9.2006	311,448.9
Additions	20,364.8
Transfers	-4,429.0
Gross value on 30.9.2007	327,384.7
Accumulated equity changes on 30.9.2006	112,870.9
Currency translation differences	384.5
Proportional share of results	89,844.7
Dividends	-79,639.3
Changes in equity not recognised through profit or loss	7,099.7
Transfers	2,365.5
Accumulated equity changes on 30.9.2007	132,926.0
Net value on 30.9.2006	424,319.8
Net value on 30.9.2007	460,310.7

The following overview presents the main balance sheet and income statement items of the companies included at equity:

27. Key balance sheet/income statement figures of companies included at equity

	TEUR	2006/07	2005/06
Equity		680,988.5	611,272.1
Assets		2,424,254.8	1,998,039.6
Liabilities		1,743,266.3	1,386,767.5
Revenue		3,841,244.1	4,274,406.8
Net profit		199,853.0	190,060.2

A proportional loss of TEUR -431.1 was not recognised for the 2006/07 financial year (previous year: TEUR -22.6) because it exceeded the carrying value of the investment.

There are no publicly recognised market prices for the companies included at equity in the EVN Group.

28. Other investments

This item includes shares in affiliated and associated companies, which are not consolidated due to immateriality as well as investments in which EVN owns a stake of less than 20%, if these investments were not included at equity.

Other investments include shares in listed companies with a market value of TEUR 1,599,621.5 (previous year: TEUR 1,469,728.8). Other investments included in this position amount to TEUR 13,740.5 (previous year: TEUR 9,370.1) and represent stakes in non-listed companies. Therefore, an estimation of their market value is not possible due to insufficient information on market prices.

Group net profit for the period does not include any income from the disposal of financial assets classified as "available for sale". In the 2005/06 financial year, the disposal of the interest in the non-listed company Energie AG Oberösterreich, which had a carrying value of TEUR 163,786.4, resulted in profit amounting to TEUR 11,849.4 (excluding the indexing up to the date of payment).

Reversals of impairment losses totalling TEUR 92,492.8 (previous year: TEUR 344,798.8) to other investments represent adjustments to reflect increased market value and share prices, which were offset against the valuation reserve after the deduction of deferred taxes in accordance with IAS 39.

No impairment losses were recognised to net profit for the period (previous year: TEUR 0.0).

28. Development of other financial assets

TEUR	Investments in subsidiaries	Other investments	Total
Gross value on 30.9.2006	9,607.8	332,956.2	342,564.0
Currency translation differences	2.9	–	2.9
Additions	841.7	38,889.1	39,730.8
Transfers	24.6	4,433.9	4,458.5
Gross value on 30.9.2007	10,477.1	376,279.2	386,756.3
Accumulated value adjustments on 30.9.2006	–5,586.4	1,142,121.3	1,136,534.9
Write-up	–	92,492.8	92,492.8
Transfers	–	–2,421.9	–2,421.9
Accumulated value adjustments on 30.9.2007	–5,586.4	1,232,192.2	1,226,605.7
Net value on 30.9.2006	4,021.4	1,475,077.5	1,479,098.9
Net value on 30.9.2007	4,890.7	1,608,471.4	1,613,362.0

The additions primarily relate to EVN Group's increased stake in Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbundgesellschaft).

29. Other non-current assets

Securities reported under other non-current assets consist of shares in investment funds, and mainly serve to provide coverage for the provisions for pensions and similar pension-related obligations at the balance sheet date as required by Austrian tax regulations (Note: this regulation of the Austrian Income Tax Code was repealed in October 2006 by the Austrian Constitutional Court). The amounts shown on the balance sheet date correspond to the fair value of these assets. Additions and disposals result from the regrouping of assets during the financial year.

Of the loans receivable amounting to TEUR 21,427.6 (previous year: TEUR 13,644.6), a total of TEUR 1,592.8 (previous year: TEUR 1,101.4) have a remaining time to maturity of less than one year.

Additions to non-current assets also include capitalised interest expense of TEUR 7,441.4 (previous year: TEUR 9,932.8). The interest rate used for capitalisation ranges from 3.2% – 7.0% (previous year: TEUR 3.1% – 6.1%).

Non-current receivables from leases resulted from the project business within the context of BOOT models. Receivables from ongoing contracts amount to TEUR 16,212.2 (previous year: TEUR 306,596.4).

Other non-current assets consist primarily of deferred guarantee payments for long-term bank loans and receivables in connection with the fair value of interest and currency swaps.

29. Development of other non-current assets

TEUR	Securities	Loans receivable	Primary energy reserves	Non-current receivables and accrued lease transactions	Other non-current assets	Total
Gross value on 30.9.2006	88,910.4	13,799.3	10,303.1	384,449.0	17,882.9	515,344.7
Currency translation differences	-3.8	-	-	-	-	-3.8
Additions	7,065.3	8,542.1	1,605.8	106,626.3	2,138.8	125,978.5
Disposals	-12.2	-761.8	-	-28,531.9	-171.6	-29,477.4
Gross value on 30.9.2007	95,959.8	21,579.7	11,908.9	462,543.4	19,850.1	611,841.9
Accumulated depreciation on 30.9.2006	5,259.4	-154.7	-521.1	-	-2,122.0	2,461.6
Depreciation	-2.4	-	-	-	-	-2.4
Disposals	-	2.6	-	-	-	2.6
Accumulated depreciation on 30.9.2007	5,257.1	-152.1	-521.1	-	-2,122.0	2,461.9
Net value on 30.9.2006	94,169.8	13,644.6	9,782.0	384,449.0	15,760.9	517,806.3
Net value on 30.9.2007	101,216.8	21,427.6	11,387.8	462,543.4	17,728.1	614,303.8

The conversion of the future minimum lease payments to their present value is as follows:

29. Remaining terms of non-current receivables and accrued lease transactions

TEUR	Remaining term as of 30.9.2007				Remaining term as of 30.9.2006			
	Up to 1 year	Over 1 year	Over 5 years	Total	Up to 1 year	Over 1 year	Over 5 years	Total
Interest components	42,553.1	124,536.4	74,053.8	241,143.3	20,955.7	112,772.3	71,128.7	204,856.7
Principal components	44,530.8	189,829.6	228,183.0	462,543.4	23,049.3	187,293.5	174,106.2	384,449.0
Total	87,083.9	314,366.0	302,236.8	703,686.7	44,005.0	300,065.8	245,234.9	589,305.7

The total of the principal components corresponds to the capitalised value of non-current receivables and accrued lease transactions.

The interest components correspond to the proportionate share of interest components in the total leasing payment, and do not represent a discounted amount. The interest components from leasing payments in the 2006/07 financial year are reported as interest income from non-current financial assets.

Current assets

30. Inventories

Primary energy inventories are comprised largely of coal supplies.

The emission certificates relate exclusively to certificates that were purchased to fulfil the requirements stipulated in the Emission Certificate Act; these certificates have not yet been used. The corresponding obligation to return the certificates is reported under current provisions (see note 48. **Current provisions**).

Other inventories consist of raw materials, supplies, consumables and miscellaneous items as well as orders not yet invoiced.

30. Inventories	TEUR	2006/07	2005/06
Primary energy reserves		37,098.7	23,290.2
Emission certificates		2,207.6	7,921.4
Raw materials, supplies, consumables and other inventories		30,831.5	24,822.9
Customer orders not yet invoiced		13,989.7	14,690.6
Total		84,127.5	70,725.1

The risk of inventories resulting from comparatively low turnover was reflected in a valuation adjustment of TEUR 1,011.3 (previous year: TEUR 1,566.5). This write-down was contrasted by reversals of impairment losses amounting to TEUR 1,836.2 (previous year: TEUR 37.1).

Business combinations led to an increase of TEUR 0.0 in inventories (previous year: TEUR 10,634.5).

The inventories are not subject to any limitations on disposal and are not encumbered.

31. Receivables and other current assets

Trade accounts receivable relate mainly to electricity, gas and heating customers.

The risk of insolvency by dubious customers is accounted for by a provision amounting to TEUR 34,253.0 (previous year: TEUR 20,973.6).

Receivables from financial instruments relate in particular to the valuation of hedging transactions without recognition to profit or loss and from interest accruals. Receivables from employees comprise accruals from current payroll accounting.

Receivables from affiliated and associated companies are derived primarily from intragroup transactions with energy supplies as well as Group financing and services to non-consolidated subsidiaries.

Other receivables consist mainly of a performance guarantee relating to the acquisition of the Bulgarian and Macedonian electricity supply companies, prepayments made, receivables from insurance and receivables from taxation.

31. Receivables and other current assets	TEUR	2006/07	2005/06
Trade accounts receivable		284,186.2	250,895.6
Receivables from financial instruments		20,286.2	3,265.2
Receivables from employees		10,067.3	5,834.3
Receivables from companies included at equity		87,730.9	86,246.1
Receivables from affiliated companies		17,543.6	7,654.2
Other receivables and assets		120,086.0	264,698.6
Total		539,900.1	618,593.9

32. Cash and current deposits

In addition to a gain of TEUR 443.1 (previous year: TEUR 2,530.3) on the sale of securities, a write-up of TEUR 3,130.6 (previous year: 3,541.6) was recognised in the reporting period to reflect an increase in stock prices.

32. Cash and current deposits	TEUR	2006/07	2005/06
Cash on hand and cash at banks		76,223.5	91,935.1
Securities		395,680.5	282,687.3
Total		471,904.1	374,622.4

The structure of EVN's securities portfolio at the balance sheet date is as follows:

32. Composition of securities	TEUR	2006/07	2005/06
Cash funds		293,725.5	47,108.6
Bond funds		22,483.6	28,506.8
Equity funds		8,740.6	81,759.9
Other fund products		44,682.4	62,912.5
Total funds		369,632.1	220,287.8
Fixed income securities		4,356.0	4,112.4
Shares in listed companies		21,692.4	58,287.1
Total securities		395,680.5	282,687.3

Liabilities

Equity

The development of equity in the 2005/06 and 2006/07 financial years is presented on page 71.

33. Share capital

The share capital of EVN AG remained unchanged during the period of review, and amounts to TEUR 99,069.4. It is comprised of 40,881,455 bearer shares with zero par value. The company held no treasury shares as of the balance sheet dates for the reporting year and previous financial year.

34. Share premium

The share premium held by EVN at the end of the 2006/07 financial year remained unchanged in comparison to the preceding year. This item comprises appropriated reserves of TEUR 251,094.2 from capital increases in accordance with Austrian stock corporation law as well as non-appropriated capital reserves of TEUR 58,267.7 pursuant to Austrian stock corporation law.

35. Retained earnings

Retained earnings of TEUR 1,425,465.7 (previous year: TEUR 1,255,634.2) comprise the proportional share of non-distributed profit from the parent company as well as companies included in the consolidation as of the date of initial consolidation.

Dividends are based on the reported profit for the period of the parent company EVN AG as contained in the consolidated financial statements of the EVN Group. The development of dividends is presented in the following table:

35. Development of profit for the period of the parent company	TEUR
Reported Group net profit for the period 2006/07	61,301.6
Retained earnings from the 2005/06 financial year	148.7
Distributable Group net profit for the period	61,450.3
Proposed dividend	-61,322.2
Retained earnings for the 2007/08 financial year	128.1

The proposed dividend of EUR 1.50 per share for the 2006/07 financial year, which was recommended to the Annual General Meeting, is not included under liabilities.

The dividend payment for 2005/06, which totalled EUR 1.20 plus a bonus of EUR 0.20 per share, was proposed by the EVN Executive Board and approved at the 78th Annual General Meeting on January 18, 2007. The dividend payment to shareholders took place on January 29, 2007.

36. Revaluation reserve according to IFRS 3

The revaluation reserve in accordance with IFRS 3 is derived from business combinations achieved in stages, and results from the acquisition of a further 10.05% interest in "RBG", as well as the remaining 50% stake in EVN Liegenschaftsverwaltung Gesellschaft m.b.H., Maria Enzersdorf, during the 2004/05 financial year.

37. Valuation reserve according to IAS 39

The valuation reserve according to IAS 39 includes non-recognised changes in the market value of available-for-sale securities and cash flow hedges as well as the proportional share of changes to investments in associates that were recognised directly in equity.

37. Valuation reserve according to IAS 39

TEUR	2006/07			2005/06		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Market value of securities	1,234,437.5	-308,609.4	925,828.1	1,141,944.7	-285,486.2	856,458.5
Cash flow hedges	8,013.5	-2,019.9	5,993.6	-14,500.0	3,686.8	-10,813.3
Proportional share of changes to investments in associates recognised directly in equity	14,138.9	-	14,138.9	6,252.4	-	6,252.4
Total	1,256,589.9	-310,629.3	945,960.7	1,133,697.1	-281,799.4	851,897.6

38. Currency translation reserve

This item contains translation gains and losses from the consolidation of foreign subsidiaries, which resulted from the use of different exchange rates for the balance sheet and income statement.

39. Minority interest

This item comprises minority interests in the equity of subsidiaries, which are fully consolidated in the financial statements of the EVN Group.

39. Minority interest

	%	2006/07	2005/06
Burgenland Holding AG, Eisenstadt, ("BUHO")		27.73	30.40
RAG-Beteiligungs-AG, Maria Enzersdorf, ("RBG")		49.95	49.95
EVN Bulgaria Elektorazpredelenie AD, Plovdiv, Bulgaria, ("EVN EP")		33.00	33.00
EVN Bulgaria Elektrosnabdiavane AD, Stara Zagora, Bulgaria, ("EVN EC")		33.00	33.00
Wasserkraftwerke Trieb und Krieglach GmbH, Maria Enzersdorf		30.00	30.00
AD Elektrostopanstvo na Makedonija, Skopje, Macedonia, ("ESM AD")		10.00	10.00

EVN directly or indirectly owns a 100% interest in all other fully consolidated companies.

Non-current liabilities

40. Non-current loans and borrowings

The item "Non-current loans and borrowings" at the balance sheet date is comprised of the following:

40. Composition of non-current loans and borrowings

	Nominal interest rate (%)	Term	Nominal amount	Carrying amount 30.9.2007 (TEUR)	Carrying amount 30.9.2006 (TEUR)	Effective interest rate on the carrying amounts ¹⁾ (%)	Fair value 30.9.2007 (TEUR)
JPY bond	5.20	1994-2014	8bn JPY	45,537.8	43,691.6	11.90	58,717.2
CHF obligation	3.25	1998-2008	184m CHF	–	117,413.0	–	–
DEM bond	5.00	1998-2008	224m DEM	–	115,200.6	–	–
EUR bond	5.25	2001-2011	262.85m EUR	251,960.7	262,669.3	5.83	265,636.2
CHF obligation	2.43	2004-2009	200m CHF	120,308.7	125,675.9	2.91	119,330.2
Total bonds	–	–	–	417,807.3	664,650.4	–	443,683.6
Non-current bank loans	1.00–7.29	up to 2031	–	754,805.0	732,518.8	4.84	754,805.0
Total	–	–	–	1,172,612.3	1,397,169.2	5.33	1,198,488.6

1) Interest expense in relation to average carrying amount, allowing for interest and currency hedges.

The effective interest rate for the 2006/07 financial year, which averaged 5.33% (previous year: 4.31%), represents the average interest on the average carrying amount after interest and currency hedging. The interest rate weighted by the carrying amount of the relevant liabilities totalled 5.84% as of the balance sheet date (previous year: 3.75%).

The maturity structure of non-current loans and borrowings is as follows:

40. Maturity of non-current loans and borrowings

TEUR	Up to 1 year	Over 1 year	Over 5 years	Total
Bonds	–	372,269.5	45,537.8	417,807.3
Thereof: fixed interest	–	120,308.7	–	120,308.7
Thereof: variable interest	–	251,960.7	45,537.8	297,498.6
Non-current loans and borrowings from banks	74,451.3	441,834.9	238,518.9	754,805.0
Thereof: fixed interest	47,433.3	390,960.6	165,466.1	603,860.1
Thereof: variable interest	27,017.9	50,874.3	73,052.7	150,994.9
Total non-current financial liabilities	74,451.3	814,104.4	284,056.7	1,172,612.3

Bonds

All bonds call for payment in arrears. In the past financial year, no bonds were repurchased (previous year: TEUR 4,000.0 of the EUR bond were repurchased).

The CHF obligation with a nominal interest rate of 3.25% and the DEM bond with a nominal interest rate of 5.00% will be redeemed on April 8, 2008 and August 26, 2008 respectively, and are therefore recorded as current loans and borrowings at the balance sheet date. Interest expense for the past financial year is included under interest expense for non-current loans and borrowings.

These items are valued at amortised cost. Liabilities in foreign currencies were translated at the exchange rate in effect on the balance sheet date or at the hedged rate. In accordance with IAS 39, hedged liabilities were adjusted to reflect the corresponding change in the value of the hedged risk in cases where hedge accounting was applied. The resulting change in bonds reported under non-current loans and borrowings is largely offset by a corresponding development in provisions for non-current financial instruments.

The legally required valuation as of the balance sheet date resulted in income of TEUR 58.3 from a reduction in the value of the CHF obligations (previous year: income of TEUR 2,641.6 from a reduction in the value of the CHF obligations).

Fair value was calculated on the basis of available market information on the respective bond prices and the exchange rate as of the balance sheet date.

Non-current loans and borrowings from banks

The loans consist of borrowings from banks, which are subsidised in part by interest and redemption grants from the Austrian Environment and Water Industry Fund.

The non-recourse liabilities incurred by project companies against EVN AG amounted to TEUR 399,829.6 as of September 30, 2007 (previous year: TEUR 362,474.8).

Shares in project companies and their assets were pledged as collateral for project financing.

EVN concluded a syndicated revolving credit facility of EUR 600m through EVN Finance Service B.V., Amsterdam, on September 12, 2006, which has a term to maturity of seven years (2006-2013). The interest margin is 15.0 basis points above the EURIBOR rate for the first five years, and will rise to 17.5 basis points above the EURIBOR in the last two years. As of the balance sheet date, no funds had been drawn from this line of credit.

Deferred interest expenses are included under other current liabilities.

41. Deferred taxes

41. Deferred taxes	TEUR	2006/07	2005/06
Deferred tax assets			
Employee-related provisions		-27,191.6	-28,828.4
Tax loss carryforwards		-1,687.4	-2,646.4
Financial instruments		-	-172.1
Other deferred tax assets		-9,535.2	-10,542.0
Deferred tax liabilities			
Non-current assets		43,983.9	49,423.7
Untaxed reserves		25,300.4	27,403.4
Financial instruments		339,784.9	312,267.8
Other deferred tax liabilities		28,120.4	31,496.7
Total		398,775.4	378,402.8
Thereof			
Deferred tax assets		-1,032.4	-1,296.9
Deferred tax liabilities		399,807.9	379,699.7

Deferred taxes increased by TEUR 28,829.9 as the result of changes in retained earnings without recognition through profit or loss and declined as a result of deferred tax income of TEUR 8,457.2, for a net total of TEUR 398,775.4.

Deferred tax assets were not recorded on loss carryforwards of TEUR 20,197.0 (previous year: TEUR 20,111.1) that are not expected to be reversed within a foreseeable period.

42. Non-current provisions

42. Non-current provisions	TEUR	2006/07	2005/06
Provisions for pensions		221,938.9	225,142.1
Provisions for obligations similar to pensions		16,253.4	16,272.0
Provisions for severance payments		67,415.4	65,932.8
Other non-current provisions		151,515.0	126,861.5
Total		457,122.7	434,208.3

The amounts reported for the provision on pensions and for similar obligations as well as severance payments were generally calculated on the basis of the following parameters:

- Interest rate of 5.00% p.a. (previous year: 4.75%)
- Remuneration increases of 3.00%, following years: 2.75% p.a. (previous year: 2.75% p.a.)
- Pension increases of 2.75% p.a. (previous year: 2.75% p.a.)
- Expected long-term interest rate of 4.75% p.a. (previous year: 4.75% p.a.)

42. Development of the provisions for pensions and similar obligations

TEUR	2006/07	2005/06
Present value of pension obligations (DBO) on October 1	247,183.6	254,937.0
+ Service costs	1,896.3	1,918.1
+ Interest paid	11,766.4	10,859.9
– Pension payments	–17,003.4	–16,876.5
– Actuarial loss	–3,331.5	–3,654.9
Present value of pension obligations (DBO) on September 30	240,511.4	247,183.6
Provisions for pensions and similar obligations on September 30	238,192.3	241,414.1

As of the balance sheet date, the provision for pensions showed a deficit of 1.0% compared to the DBO value (previous year: deficit of 2.3%).

TEUR	2006/07	2005/06
Present value of severance payment obligations on October 1	69,177.0	65,138.3
+ Additions through business combinations	–	2,760.3
+ Service costs	2,883.0	2,982.6
+ Interest paid	3,266.1	2,871.7
– Severance payments	–4,999.4	–3,803.6
+/- Actuarial loss/gain	1,195.5	–772.4
Present value of severance payments (DBO) on September 30	71,522.1	69,177.0
Provision for severance payments on September 30	67,415.4	65,932.8

As of the balance sheet date, the provision for severance payments showed a deficit of 5.7% compared to the DBO value (previous year: deficit of 4.7%).

42. Development of other non-current provisions

TEUR	Service anniversary bonuses	Cooperation agreements	Non-current financial instruments	Rents for network access	Legal proceedings	Restructuring	Environmental and waste risks	Other non-current provisions	Total
Carrying amount on 1.10.2006	16,817.2	37,500.0	25,895.5	–	11,944.0	3,331.1	28,634.0	2,739.5	126,861.5
Currency translation adjustment	–	–	–	–	18.8	–	–	–	18.8
Interest paid	753.9	2,190.0	–	–	–	–	177.0	–	3,120.9
Use	–1,672.0	–2,638.8	–	–	–6,948.2	–1,003.7	–391.0	–1,764.3	–14,418.0
Additions	596.8	–	22,616.6	15,305.7	2,186.7	183.6	7,805.9	–	48,695.3
Transfers	–	–	–12,763.6	–	–	–	–	–	–12,763.6
Carrying amount on 30.9.2007	16,496.0	37,051.2	35,748.6	15,305.7	7,201.3	2,511.0	36,225.9	975.2	151,515.0

Rents for network access involve provisions for rents to gain access to third party facilities in Bulgaria.

As part of the extensive restructuring measures, a model was approved in Bulgaria during the 2005/06 financial year pertaining to the payment of severance compensation to employees who leave the company voluntarily. This model calls for a payment to participating employees, with the exact payment depending on age and length of service.

43. Deferred income from network subsidies

The item "deferred income from network subsidies" developed as follows:

43. Deferred income from network subsidies

	TEUR	Construction subsidies	Investment subsidies	Total
Carrying amount on 1.10.2006		250,035.2	37,422.3	287,457.4
Transfers		11,505.4	-11,505.4	-
Addition		51,211.0	13,208.0	64,419.0
Reversal		-26,176.0	-1,659.1	-27,835.1
Carrying amount on 30.9.2007		286,575.6	37,465.8	324,041.4

TEUR 296,206.4 (previous year: TEUR 259,622.4) will not be recognised as income within one year.

44. Other non-current liabilities

Other non-current liabilities consist chiefly of lease liabilities relating to the long-term utilisation of heating networks and heating plants.

44. Other non-current liabilities

	TEUR	2006/07	2005/06
Long-term leases		33,723.3	29,213.8
Long-term accruals of financial instruments		7,178.3	5,948.5
Other non-current liabilities		6,067.2	3,317.1
Total		46,968.7	38,479.4

44. Term to maturity of other non-current liabilities

TEUR	Term to maturity as of 30.9.2007			Term to maturity as of 30.9.2006		
	Over 1 year	Over 5 years	Total	Over 1 year	Over 5 years	Total
Long-term leases	10,057.0	23,666.3	33,723.3	8,456.3	20,757.5	29,213.8
Other non-current liabilities	1,149.8	4,917.3	6,067.2	1,330.8	1,986.2	3,317.1
Total	11,206.8	28,583.6	39,790.4	9,787.2	22,743.7	32,530.9

Current liabilities

45. Current loans and borrowings

Overdrafts are included under cash and cash equivalents on the cash flow statement.

45. Current loans	TEUR	2006/07	2005/06
3.25% CHF obligation 1998–2008 ¹⁾		110,836.7	–
5.00% DEM bond 1998–2008 ²⁾		114,529.4	–
EUR cash loans		–	133.8
Bank overdrafts and other current loans		21,867.6	15,137.7
Total		247,233.6	15,271.5

1) The CHF obligation will be redeemed on April 8, 2008.

2) The DEM bond will be redeemed on August 26, 2008.

46. Current tax liabilities

Current tax liabilities are comprised of value added tax, energy tax, payroll-related duties and prepayments and corporate income tax not yet assessed, and totalled TEUR 58,870.5 (previous year: TEUR 58,422.2).

47. Trade payables

Trade payables include obligations resulting from outstanding invoices amounting to TEUR 49,820.4 (previous year: TEUR 57,444.1).

48. Current provisions

The provision for claims by employees comprises special payments not yet due and outstanding leaves as well as liabilities resulting from an early retirement programme in which employees can participate on a voluntary basis. The provision for legally binding agreements on the balance sheet date equals TEUR 4,148.4 (previous year: TEUR 6,540.8).

For the 2005/06 and 2006/07 financial years, an official notification from the Austrian government confirmed that a total of 1,444,152 emission certificates were granted to the EVN Group free of charge. A provision was created (see note 30. Inventories) for the existing shortfall as of the balance sheet date based on the market value of the emission certificates as of September 30, 2007.

Restructuring provisions include the measures implemented in Macedonia within the context of a voluntary social programme.

48. Development of current provisions

TEUR	Personnel entitlements	Impending losses	Emission certificates	Restructuring	Non-current financial instruments	Other current provisions	Total
Carrying value on 1.10.2006	54,787.8	7,715.3	20,294.6	–	–	7,018.6	89,816.3
Use	–4,934.2	–7,715.3	–20,294.6	–	–	–873.5	–33,817.5
Reversal	–69.6	–	–	–	–	–	–69.6
Addition	6,566.7	11,330.6	577.1	3,231.8	–	2,557.9	24,264.0
Transfer	–	–	–	–	12,763.6	–	12,763.6
Carrying value on 30.9.2007	56,350.6	11,330.6	577.1	3,231.8	12,763.6	8,703.1	92,956.6

49. Other current liabilities

The liabilities relating to social security contributions comprise liabilities to the tax authorities.

The liabilities due to affiliated companies relate to those subsidiaries which are not consolidated.

Prepayments received, which increased considerably as the result of the mild temperatures, were designed to cover the costs of electricity, gas and heating supplies, and the installation of customer equipment.

Other liabilities consist primarily of deferred interest expenses as well as accrued liabilities from the offset of the surcharge on network tariffs.

49. Other current liabilities

	TEUR	2006/07	2005/06
Liabilities relating to social security		15,140.4	12,980.5
Liabilities to companies included at equity		26,735.2	29,792.2
Liabilities to affiliated companies		19,633.8	15,509.4
Prepayments received		26,339.3	3,483.6
Other liabilities		61,750.2	68,994.3
Total		149,598.9	130,760.0

Notes to the Consolidated Income Statement

The Macedonian electricity distribution company "ESM AD", in which EVN acquired a majority stake, has been included in the consolidated financial statements of the EVN Group since April 2006 – or since the third quarter of the 2005/06 financial year. Therefore, the consolidated income statement for the previous year includes this company for only two quarters.

The increase in the consolidation range in South-eastern Europe has led to significant changes in almost all positions. For this reason, comparisons with prior year figures may not be very informative.

50. Revenue

The revenues of the individual business segments developed as follows:

50. Revenue	TEUR	2006/07	2005/06
Energy		1,932,742.5	1,761,662.1
Environmental Services		275,068.2	290,061.5
Strategic Investments and Other Business		25,313.6	19,847.8
Total		2,233,124.3	2,071,571.5

The segment reporting contains an overview of revenues by business area and region (see note 62. [Segment reporting](#)).

Revenue also includes income of TEUR 106,626.3 (previous year: TEUR 169,104.0) from contractual work on international projects in accordance with BOOT models.

51. Other operating income

Other operating income consists primarily of payments for claims and rental income and insurance compensation.

51. Other operating income	TEUR	2006/07	2005/06
Income from the reversal of provisions		1,049.6	492.4
Income from the reversal of deferred income from network subsidies		27,835.1	23,334.4
Income from the disposal of intangible assets and property, plant and equipment		331.4	-210.4
Other miscellaneous operating income		16,369.5	17,123.1
Total		45,585.5	40,739.4

52. Cost of materials and services

The cost of electricity purchases and primary energy is comprised mainly of gas and electricity procurement costs as well as expenses for the purchase of additional emission certificates, which are required due to the increased production of electricity.

The insufficient allocation of free emission certificates resulted in corresponding costs of TEUR 7,218.7 (previous year: TEUR 15,602.3) for the purchase of additional certificates during the reporting period.

The cost of other materials and services relates primarily to the project business as well as services for the operation and maintenance. This item also includes other costs directly related to required services.

52. Cost of materials and services	TEUR	2006/07	2005/06
Electricity purchases and primary energy expenses		1,176,086.7	1,042,091.3
Other materials and services		335,192.3	316,149.5
Total		1,511,279.0	1,358,240.8

53. Personnel expenses

Personnel expenses include payments of TEUR 4,425.4 TEUR (previous year: TEUR 4,400.7) to EVN-Pensionskasse AG as well as contributions of 129.9 TEUR (previous year: TEUR 104.8) to EVN pension funds.

53. Personnel expenses	TEUR	2006/07	2005/06
Wages and salaries		205,221.7	184,383.4
Severance payments		13,608.9	13,017.5
Pension costs		17,447.5	16,393.6
Compulsory social security contributions and payroll-related taxes		43,621.9	43,625.1
Other employee-related expenses		8,993.2	6,186.6
Total		288,893.2	263,606.3

The average number of employees was as follows:

53. Employees by business unit	Annual average	2006/07	2005/06
Generation		71	70
Networks		1,423	1,449
Energy Procurement and Supply		141	112
South-eastern Europe		6,843	7,353
Thereof Bulgaria		3,418	3,803
Thereof Macedonia		3,425	3,550 ¹⁾
Environmental Services		462	438
Other		595	550
Total		9,535	9,973

1) For comparative purposes, the average number of employees in these companies is calculated in relation to the entire year, although the new subsidiaries were not included in EVN's consolidated financial statements for the entire financial year.

Employees from proportionately consolidated companies are included in the above statistics in accordance with the stake held by EVN.

54. Depreciation and amortisation

The procedure used for impairment testing is described under the accounting and valuation methods in note 8. *Procedures and effects of impairment tests.*

54. Depreciation and amortisation by balance sheet item	TEUR	2006/07	2005/06
Amortisation of intangible assets		8,498.7	11,975.0
Depreciation of property, plant and equipment		144,841.1	201,040.8
Total		153,339.9	213,015.8

54. Depreciation and amortisation	TEUR	2006/07	2005/06
Scheduled depreciation and amortisation		175,464.3	178,651.1
Impairment losses ¹⁾		961.9	78,924.5
Reversal of impairment losses ¹⁾		-23,086.3	-44,559.8
Total		153,339.9	213,015.8

1) For details see notes 25. *Intangible assets* and 26. *Property, plant and equipment*

55. Other operating expenses

55. Other operating expenses	TEUR	2006/07	2005/06
Rents		20,999.9	5,479.3
Legal and consulting fees, expenses related to risks of legal proceedings		15,337.2	20,409.1
Write-off of receivables		13,452.1	15,505.9
Advertising expenses		11,816.3	8,987.3
Business operations taxes and duties		11,699.6	6,233.9
Telecommunications and postage		10,304.4	9,122.1
Insurance		9,760.2	9,445.1
Transportation and travelling expenses		5,943.2	4,599.2
Other miscellaneous operating expenses		36,825.3	26,847.2
Total		136,138.3	106,629.0

Other miscellaneous operating expenses are comprised of expenses for environmental protection, training courses, fees for monetary transactions, maintenance work, licensing and membership fees as well as administrative and office expenses.

Financial results

56. Income from companies included at equity

This item is comprised chiefly of profit contributions and amortisation relating to the acquisition of intangible assets in the following companies:

56. Proportional share

of companies included at equity	% share of EVN in profit/loss	2006/07	2005/06
BEGAS – Burgenländische Erdgasversorgungs-Aktiengesellschaft, Eisenstadt, (“BEGAS”) ¹⁾		49.0	49.0
Burgenländische Elektrizitätswirtschafts-Aktiengesellschaft (BEWAG), Eisenstadt, (“BEWAG”) ¹⁾		49.0	49.0
EconGas GmbH, Vienna		15.7	15.7
Rohöl-Aufsuchungs Aktiengesellschaft, Vienna, (“RAG”)		75.0	75.0
STEAG-EVN Walsum 10 Kraftwerksgesellschaft mbH, Essen, Germany		49.0	49.0
Zagrebacke otpadne vode d.o.o., Zagreb, Croatia, (“ZOV”)		48.5	48.5
Zagrebacke otpadne vode – upravljanje i pogon d.o.o., Zagreb, Croatia, (“ZOV UIP”)		35.0	–

1) “BEWAG”, “BEGAS” and “RAG” are held indirectly via BUHO and RBG, in which EVN does not have a 100% stake (see also note 39. *Minority interest*)

Furthermore, ALLPLAN Gesellschaft m.b.H., Vienna, “EESU”, e&i EDV Dienstleistungsgesellschaft m.b.H., Vienna, e&t Energie Handelsgesellschaft m.b.H., Vienna, and NÖKOM NÖ Telekom Service Gesellschaft m.b.H., Maria Enzersdorf are included at equity.

57. Income from other investments

Dividend payments from affiliated companies comprise distributions by companies that are not consolidated because they are not of material importance for the assets and liabilities, financial position and results of operations of the EVN Group.

Dividend payments from other companies are comprised primarily of a distribution by Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbundgesellschaft).

Income from the disposal of investments in associates relates to the proceeds from the sale of EVN's interest in Energie AG Oberösterreich.

57. Income from other investments	TEUR	2006/07	2005/06
Dividend payments		37,160.6	22,285.2
from non-consolidated affiliated companies		15.0	10.0
from other companies		37,145.6	22,275.2
Income from the disposal of investments		–	11,849.4
Other results from investments		–	–1,460.8
Total		37,160.6	32,673.9

58. Interest and other financial results

Interest income from non-current financial assets includes interest from investment funds that focus chiefly on fixed-interest securities as well as interest components of EVN's leasing business. Other interest income generally relates to income on securities recorded under current financial assets.

Interest expense on non-current financial liabilities represents regular interest payments on issued bonds and non-current bank loans. Other interest expense includes expenses for current loans as well as leasing costs for biomass equipment, distribution and heating networks.

Exchange rate gains/losses on non-current foreign currency obligations resulted primarily from a nominal adjustment to the CHF obligation, which carries an interest rate of 2.43% (nominal value: CHF 200m).

The results of share price changes and disposals of securities held as non-current assets are based primarily on the valuation of the investment instruments in the R138 fund.

The results of changes in share prices and disposals of securities recorded under current assets are related mainly to the sale of investment funds and the valuation of securities in accordance with IAS 39.

58. Interest and other financial result	TEUR	2006/07	2005/06
Interest income on non-current financial assets		21,570.8	2,288.6
Other interest income		9,896.2	10,357.7
Interest expense for non-current financial liabilities		-68,479.9	-52,410.1
Other interest expense		-7,355.1	-4,132.0
Valuation gains/losses on non-current foreign currency liabilities		105.0	2,639.3
Results of valuation gains/losses and disposals of non-current securities		495.2	2,396.7
Results of valuation gains/losses and disposals of current securities		4,974.2	5,669.0
Other financial results		1,913.6	5,887.3
Total		-36,880.0	-27,303.5

59. Income tax expense

Income tax expense relates to income tax paid on profit for the period in the individual EVN Group companies as well as accrued deferred taxes.

59. Taxes on profit	TEUR	2006/07	2005/06
Income tax expense		36,919.4	46,226.1
Thereof			
Austrian companies		30,927.5	36,822.3
Foreign companies		5,991.9	9,403.8
Deferred tax expense		-8,457.2	-8,105.3
Thereof			
Austrian companies		2,995.4	-5,037.9
Foreign companies		-11,452.6	-3,067.4
Total		28,462.2	38,120.8

The difference between the theoretical corporate tax (profit before tax multiplied by the Austrian corporate tax rate of 25%) and the effective corporate tax rate for the 2006/07 financial year, as shown in the income statement, is calculated as follows:

The effective tax rate of the EVN Group for the 2006/07 in relation to the profit before income tax amounted to 9.9% (previous year: 12.5%). The effective tax rate represents the weighted average of the effective local corporate tax rates of all consolidated subsidiaries.

The main reasons for the difference between the valid Austrian corporate tax rate of 25% in 2007 (previous year: 25%) and the recorded effective corporate tax rate can be explained as follows:

59. Calculation of the effective tax rate	2006/07		2005/06	
	%	TEUR	%	TEUR
Profit before income tax	–	287,440.2	–	304,884.6
Income tax rate/income tax expense at nominal tax rate	25.0	71,860.0	25.0	76,221.2
+/- Different corporate tax rates in other countries	0.4	1,141.0	–0.7	–1,988.7
– Changes in taxation	–4.5	–12,937.9	–	–
– Tax-free income from investments	–11.0	–31,751.4	–11.1	–33,858.7
+ Non-deductible expenses	0.5	1,541.4	0.6	1,697.8
– Tax reductions related to previous periods	–0.4	–1,009.0	–0.3	–867.9
– Other items	–0.1	–381.9	–1.0	–3,082.9
Effective tax rate	9,9	28.462,2	12,5	38.120,8

The effect arising from changes in taxation during the 2006/07 financial year can be primarily attributed to a revaluation of deferred taxes in Bulgaria, Germany and Macedonia following a change in the corporate tax rates of these countries (see note 22. **Income taxes and deferred taxes**).

60. Earnings per share

Earnings per share are calculated by dividing Group net profit (proportional share of Group profit for the period attributable to EVN AG shareholders) by the average number of ordinary shares outstanding, i.e. 40,881,455 (previous year: 40,881,455).

This figure may generally be diluted by the existence of so-called potential shares arising from share options or convertible bonds. However, EVN has no such potential shares. Subsequently, there is no difference between basic earnings per share and diluted earnings per share.

Group net profit amounted to TEUR 227,029.7 for the 2006/07 financial year (previous year: TEUR 221,881.5). Calculated on this basis, earnings per share for the 2006/07 financial year totalled EUR 5.55 (previous year: EUR 5.43).

Other Information

61. Cash flow statement

The cash flow statement of the EVN Group shows the changes in cash and cash equivalents during the 2006/07 financial year as a result of monetary inflows and outflows.

The cash flow statement is presented in accordance with the indirect method. Deductible expenses are added and deductible income is subtracted from profit before tax.

Income tax payments of TEUR 17,623.6 (previous year: TEUR 20,581.8) are reported separately under cash flow from operating activities.

Dividends received, interest income and interest expense are allocated to current business activities. Cash flow from dividends for the year totalled TEUR 116,799.9 (previous year: TEUR 99,073.3). Interest received amounted to TEUR 31,467.0 (previous year: TEUR 12,646.3), whereas interest paid totalled TEUR 74,346.1 (previous year: TEUR 56,542.1).

The effects of business combinations were eliminated, and are now reported under "net payments for company acquisitions" as part of net cash flow from investing activities. Net cash flow from investing activities also includes the proceeds from the sale of EVN's interest in Energie AG Oberösterreich amounting to TEUR 177,363.2 (including indexing up to the date of payment in January 2007).

Proceeds from the disposal of intangible assets and property, plant and equipment amounted to TEUR 2,675.4 (previous year: TEUR 1,294.7). These proceeds resulted in a profit of TEUR 331.4 (previous year: loss of TEUR 210.4).

Dividend payments of TEUR 57,234.0 (previous year: TEUR 47,013.7) to EVN AG shareholders and TEUR 35,147.0 (previous year: TEUR 26,329) to minority shareholders of "RBG" and "BUHO" are reported under cash flow from financing activities.

61. Cash and cash equivalents	TEUR	2006/07	2005/06
Cash on hand		300.6	255.7
Cash at banks		75,923.0	91,679.4
Bank overdrafts		-21,867.6	-15,137.7
Total		54,356.0	76,797.4

The cash and cash equivalents received by EVN from business combinations amounted to TEUR 0.0 (previous year: TEUR 5,073.3).

The share of cash and cash equivalents held by companies included through proportionate consolidation amounted to TEUR 7,820.0 (previous year: TEUR 8,491.6).

62. Segment reporting

IAS 14 Segment reporting stipulates that specific data from the annual financial statements of a company must be provided separately according to the various areas of business and geographical segments. This classification follows the internal reporting structure, and therefore provides a reliable assessment of the risks and earnings of the Group. Segment reporting allows for greater transparency in evaluating the profitability and prospects of success relating to the business activities of the Group.

The new organisational structure of the EVN Group, which took effect at the beginning of the 2005/06 financial year, has also been reflected in the company's external reporting instruments since the first quarter of 2005/06 (e.g. letters to shareholders and annual report). Accordingly, the structure of this report focuses on the three business segments: Energy, Environmental Services, and Strategic Investments and Other Business.

On the one hand, this new segment reporting provides a compact description of the relevant management components characterising the EVN Group (management approach). On the other hand, it is also designed to convey a sufficient level of information on the development of business in the different business areas, and thus serve as the basis for a logical interpretation of developments in the EVN Group.

The segments encompass the following activities:

Segment activities

Segment	Activity
Energy	Generation, networks, energy procurement and supply, and South-eastern Europe
Environmental Services	Water, wastewater and waste incineration
Strategic Investments and Other Business	Strategic and other investments

The geographical segmentation encompasses the sub-divisions of EVN's business activities in the following regions: Austria, South-eastern Europe, Central and Eastern Europe.

Principles of segment allocation

Items that can be assigned directly are allocated to the respective segments. Services provided by one segment for another segment that can be charged directly are allocated by means of intragroup transactions. Any items that cannot be assigned or charged directly are assigned using an objective cost allocation process. Any remaining amounts are distributed in proportion to the assigned items.

Revenues are assigned to the country in which the service was provided in accordance with the country of destination. The project location is the main criteria used to determine the assignment of revenues for EVN's project business.

Transfer pricing

The transfer prices for energy between the individual segments are based on comparable prices for special contract customers, and thus represent applicable market prices. For the remaining items, pricing is based on costs plus an appropriate mark-up.

62. Segment reporting by

area of business

EURm	Energy		Environmental Services		Strategic Investments and Other Business		Elimination		Total	
	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
External revenues	1,932.7	1,761.7	275.1	290.1	25.3	19.8	–	–	2,233.1	2,071.6
Internal revenues (between segments)	10.7	11.3	9.4	9.6	49.0	48.5	–69.0	–69.5	–	–
Operating expenses	–1,634.5	–1,439.8	–230.6	–233.7	–85.8	–69.5	68.4	68.8	–1,882.5	–1,674.2
EBITDA	309.0	333.2	53.8	66.0	–11.5	–1.1	–0.7	–0.7	350.7	397.4
Depreciation	–136.7	–191.5	–15.8	–20.1	–1.6	–2.1	0.7	0.7	–153.3	–213.0
Thereof impairment losses	–0.6	–78.6	–0.3	–0.4	–	–	–	–	–1.0	–78.9
Thereof reversal of impairment losses	23.1	44.6	–	–	–	–	–	–	23.1	44.6
Results from operating activities (EBIT)	172.3	141.6	38.1	45.9	–13.0	–3.2	–	–	197.3	184.4
Income from companies included at equity	8.0	8.7	18.8	13.4	63.1	93.1	–	–	89.8	115.1
Carrying value of companies included at equity	44.6	15.5	53.0	34.4	362.7	374.3	–	–	460.3	424.3
Goodwill	150.1	149.7	41.5	41.5	–	–	–	–	191.6	191.2
Liabilities	1,929.8	1,949.4	806.9	761.5	1,221.8	1,149.7	–711.2	–770.8	3,247.2	3,089.8
Total assets	3,006.0	2,847.9	1,049.5	929.9	3,005.9	2,880.6	–799.4	–812.5	6,261.9	5,845.8
Investments in intangible assets and property, plant and equipment	222.0	239.7	53.6	9.6	2.1	2.2	–	–	277.7	251.5

62. Segment reporting by region

EURm	Austria		South-eastern Europe		Central and Eastern Europe		Total	
	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
Revenues	1,400.1	1,377.4	623.9	467.6	209.2	226.6	2,233.1	2,071.6
Results from operating activities (EBIT)	177.5	145.9	3.3	17.3	16.6	21.3	197.3	184.4
Investments in intangible assets and property, plant and equipment	180.1	220.2	83.2	30.5	14.4	0.8	277.7	251.5
Total assets	4,683.8	4,423.0	842.9	812.2	735.2	610.6	6,261.9	5,845.8

63. Risk management

As an international company, EVN is subject to a wide variety of risks. Uniform Group guidelines form a significant element of risk management at EVN and permit a comprehensive description and evaluation of the current risk situation as well as the corresponding opportunities.

The overriding goal of a risk management system is the early identification of potential risks. This allows the operating units to promptly initiate suitable countermeasures to minimise damages.

Financial risks encompass interest rate, price, foreign exchange and credit risks and, in a broader sense, market price risks related to the commercial exploitation of electricity, gas, coal, oil and CO₂.

Similarly, changes in the price marketable securities have an impact on the overall financial risk situation.

The EVN Group has established a centralised treasury management system to counteract foreign currency, interest, price and liquidity risks. Detailed Group directives and limits regulate the use of derivative financial instruments, which are primarily designed to minimise financial risks. Such transactions are only carried out in cooperation with banks that have a top credit rating, as a means of minimising risks in connection to business partners.

Interest rate risk

In order to minimise interest rate risk, EVN works to achieve a mix of fixed income and variable rate liabilities. Risk is minimised through monitoring, compliance with limits and hedging. Fixed interest periods are managed over the short-term through derivative financial instruments (see also note 64. Financial instruments).

Price risk

Price change risks are the result of market fluctuations. For the EVN Group, the main risks are fluctuations in primary energy prices, electricity procurement and sourcing prices, and share price risks involving securities. Forward and future contracts (see below), options and swaps (see note 64. Financial instruments) are concluded to hedge price risks for electricity, gas, oil and black coal.

63. Price hedging in comparison

TEUR	Nominal volumes		2006/07			Nominal volumes		2005/06		
	Purchases	Disposals	Positive	Market values Negative	Net	Purchases	Disposals	Positive	Market values Negative	Net
Futures	97,121.5	-1,298.5	4,590.4	-1,994.9	2,595.5	34,695.5	-12,358.2	834.0	-1,383.6	-549.5
Forwards	370,187.9	-310,069.1	41,232.3	-34,029.2	7,203.1	490,626.1	-378,669.4	93,802.5	-73,728.6	20,073.9

Foreign exchange risk

The company incurs foreign exchange risk mainly from the JPY and CHF bonds it has issued. These are largely hedged with derivative financial instruments (see also note 40. **Non-current loans and borrowings** and note 64. **Financial instruments**).

Credit risk

Credit risk arises from the potential non-payment of financial obligations by a business partner. To limit credit risk, the company carries out credit assessments of the contracting parties. Sufficient collateral is required before a transaction if the partner's credit standing is classified as inadequate.

64. Financial instruments

Primary financial instruments

Primary financial instruments in the EVN Group chiefly consist of financial assets such as securities, loans and borrowings, EVN Group investments, cash at banks, securitised and non-securitised liabilities and trade payables. The relevant accounting and valuation principles are described under the respective item. Purchases and disposals are recognised on the settlement date.

Non-current financial liabilities arising from issued bonds are described in detail in note 40. **Non-current loans and borrowings**. Current liabilities consist of euro cash bills that are due on a daily basis.

The carrying amount of available-for-sale financial assets equals TEUR 395,680.5 (previous year: TEUR 282,687.3) and is reported under cash and cash equivalents. In addition, securities of TEUR 101,216.8 (previous year: TEUR 94,169.8) that are recognised at fair value through profit or loss are reported as non-current assets.

Derivative financial instruments

Derivative financial instruments are used primarily to hedge liquidity, exchange rate and interest rate risk. The operative goal is to ensure the long-term continuity of financial results. In individual cases, the Group exploits opportunities that carry a higher risk but offer a larger profit.

All derivative financial instruments are integrated in a risk management system as soon as the transactions are completed. This provides a daily overview of all main risk indicators. A separate staff unit has been established to monitor risk controlling, and develop risk analyses based on the value-at-risk method.

The nominal values represent the non-offset totals of all the items classified as financial derivatives on the balance sheet date. Although these are equivalent to the amounts agreed between the contractual partners, these figures do not provide a measure of the risk incurred by the company through the use of derivatives. Potential risk factors include fluctuations in the market prices and the credit risk of the contractual parties. The nominal and current market values (fair value) of all derivative financial instruments are recognised.

Derivative instruments used by EVN are comprised of the following:

64. Derivative financial instruments	Nominal value ¹⁾		Market value ²⁾	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
Currency swaps				
CHFm (under 1 year) ³⁾	180.0	–	–12.8	–
CHFm (under 5 years) ³⁾	200.0	180.0	–0.9	–4.6
JPYm (over 5 years) ³⁾	8,000.0	8,000.0	–21.6	–16.6
USDm (under 1 year) ³⁾	15.4	–	1.8	–
USDm (over 5 years) ³⁾	6.0	21.3	0.6	0.5
Interest rate swaps				
EURm (under 1 year)	70.3	–	0.2	–
EURm (under 5 years)	–	70.3	–	–
EURm (under 5 years) ³⁾	445.0	100.0	–13.2	0.3
EURm (over 5 years) ³⁾	–	205.0	–	–4.2
Energy swaps				
Purchases (gas, coal, oil) ³⁾	119.0	89.6	19.0	–3.4
Caps				
EURm (over 5 years)	105.0	105.0	0.5	0.4

1) In EURm of nominal currency

2) In EURm

3) Used as a hedging instrument in accordance with IAS 39.

Depending on the time to maturity, positive market values are recognised under other non-current assets or receivables from financial instruments, whereas negative market values are recorded as provisions for financial instruments. Value fluctuations in hedging are chiefly offset by value fluctuations in the hedged transactions. The value adjustments of transactions for which hedge accounting was not applied are recognised to the income statement.

65. Significant events after the balance sheet date

EVN submits on November 19, 2007 an offer for the concession to construct hydroelectric power plants in Albania. Feasibility studies call for the construction of three peak load, storage power stations on the Devoll River with a total capacity of approximately 400 MW, and annual power production of 1,000 GWh.

The privatisation agreement concluded in connection with the acquisition of the two Bulgarian electricity supply companies in 2004/05 included a provision for the acquisition of the electricity distribution assets of the local operating company Sunny Beach AD, in which the Republic of Bulgaria owns a qualified majority, by EVN or Bulgarian electricity distribution companies. Following the expiration of the original deadline set for the 2004/05 financial year, this transfer of assets has not yet taken place. Subsequently, EVN filed suit at the International Court of Arbitration of the International Chamber of Commerce in Paris demanding a contract penalty for failure to honour contractual obligations. With respect to this matter, EVN reached an agreement with the Republic of Bulgaria in October 2007 and the electricity distribution assets have been transferred to the Bulgarian network company EVN Bulgaria Elektrorazpredelenie AD. Subsequently, the warranty claims deducted from the acquisition cost within the context of the initial consolidation will not be paid. As a result, the acquisition cost and the resulting goodwill were retroactively increased by TEUR 14,128.8.

66. Other obligations and risks

EVN has entered into long-term, fixed quantity and price agreements with e&t Energie Handelsgesellschaft m.b.H., Vienna, as well as EconGas GmbH, Vienna, to ensure its supplies of electricity and primary energy. The company has also concluded long-term agreements for the import of coal from Poland and Russia. The commitments EVN has entered into and the risks are comprised of the following:

66. Other obligations and risks	2006/07	2005/06
Comfort letters for the optimisation of electricity purchases and trading activities of e&t Energie Handelsgesellschaft m.b.H., Vienna	348,308.6	654,359.1
Order obligations for investments in intangible assets and property, plant and equipment	145,270.7	154,368.3
Counter-guarantee to Österreichische Kontrollbank related to the construction of a waste incineration facility in Moscow	152,000.0	152,000.0
Guarantee related to the construction of a coal-fired power plant in Duisburg-Walsum, Germany	70,740.3	–
Comfort letters for financing projects in the environmental business	33,928.8	33,928.8
Guarantee in connection with the construction of a central wastewater treatment plant in Zagreb	57,883.6	57,883.6
Guarantee for a sale and leaseback transaction relating to the Freudenau power plant	16,847.5	30,240.6
Potential risk of claims not covered by provisions for environmental dangers and hazardous waste at discontinued industrial locations, which remain subject to investigation by public authorities,	9,550.2	10,312.9
Further obligations arising from guarantees or other contractual contingent liabilities	60,593.6	98,077.8
A completion guarantee agreement relating to the construction of a drinking water facility in Moscow	–	50,000.0
Total	888,946.5	1,241,171.1

The above-mentioned obligations are contrasted by damage claims amounting to TEUR 631,588.0.

Due to a variety of changes (e.g. in the shareholder structure) at e&t Energie Handelsgesellschaft m.b.H., Vienna, the former system of calculating contingent liabilities based on approximate estimates has been replaced by a new system enabling a precise classification of purchase transactions with the individual partners. Accordingly, this resulted in a significant reduction in contingent liabilities for EVN.

Further obligations from guarantees and other contractual contingent liabilities are comprised chiefly of outstanding capital contributions and loan commitments to EVN Group subsidiaries as well as assumed liabilities for loans to subsidiaries and associates.

Various legal proceedings and lawsuits arising from EVN's operating activities are pending, or claims may be potentially asserted against EVN AG in the future. The risks relating to such legal proceedings have been analysed in relation to their probability of occurrence. Although the results of such legal proceedings can not always be predicted in advance with a high degree of certainty, an assessment of risk in this regard

indicates that the results of these legal proceedings and lawsuits, individually and as a whole, would not have a material impact on the business, financial position, profit and loss or cash flow of the company.

67. Information on business transactions with related companies and individuals

Related companies and individuals include the main shareholders, NÖ Landes- Beteiligungsholding GmbH, St. Pölten, and EnBW Energie Baden-Württemberg AG, Karlsruhe, the members of the EVN Executive Board as well as associated companies included at equity.

Transactions with a main shareholder

A group and tax settlement agreement was concluded with NÖ Landes-Beteiligungsholding GmbH during the inclusion of EVN AG in a company group, in accordance with § 9 of the Austrian Corporate Tax Act. EVN AG has since included further subsidiaries in the company group based on this agreement. This resulted in a liability of TEUR 7,935.6 (previous year: TEUR 19,468.5) to NÖ Landes-Beteiligungsholding GmbH as of the balance sheet date.

Transactions with the Executive and Supervisory Boards

The services rendered to members of the Executive Board and the Supervisory Board consist primarily of salaries, post employment benefits, severance payments and remuneration of the Supervisory Board.

The total remuneration paid to active members of the Executive Board in the 2006/07 financial year amounted to TEUR 1,186.4 (previous year: TEUR 1,075.0). Payments to former members of the Executive Board and their dependents totalled TEUR 918.8 (previous year: 834.8).

Expenses for severance payments and pensions totalled for the members of the Executive Board TEUR 2,243.6 (previous year: TEUR 767.0) and for senior management TEUR 8,167.8 (previous year: TEUR 1,981.8). In addition, pension commitments amounting to TEUR 8,167.8 (previous year: TEUR 6,152.0) apply to current members of the Executive Board.

Remuneration paid to the Supervisory Board amounted to TEUR 140.8 (previous year: TEUR 123.3). The members of the Environmental and Social Responsibility Advisory Committee were paid compensation of TEUR 79.1 in the year under review (previous year: TEUR 65.8).

Transactions with companies included at equity

Within the context of its ordinary business operations, EVN has concluded supply and service contracts with numerous companies, which also include associated companies consolidated at equity in the consolidated financial statements of the EVN Group.

Long-term agreements were concluded with e&t Energie Handelsgesellschaft m.b.H., Vienna, for the sale and sourcing of electricity. Long-term sourcing contracts were also concluded with EconGas GmbH, Vienna, for natural gas. Moreover, a cooperation agreement exists with "BEGAS" for gas-related services as well as a long-term utilisation agreement with NÖKOM NÖ Telekom Service Gesellschaft m.b.H., Maria Enzersdorf, for the provision of optical fibre cables.

The value of services provided to companies included at equity is as follows:

67. Transactions with companies included at equity	TEUR	2006/07	2005/06
Revenue		234,076.5	242,447.3
Cost of services		513,391.7	540,563.2
Trade accounts receivable		69,340.0	68,367.7
Obligations from outstanding invoices		15,469.7	12,543.3
Obligations from cash pooling		11,196.6	14,448.9
Interest balance from cash pooling		-441.6	-360.5

68. Information on management and staff

The corporate bodies of EVN AG are:

Executive Board

Burkhard Hofer – Spokesman, Peter Layr, Herbert Pötttschacher

Supervisory Board

Rudolf Gruber – Chairman	Martin Schuster
Stefan Schenker – Vice-Chairman	Michaela Steinacker
Gerhard Posset – Vice-Chairman	Franz Hemm – employee representative
Walter Aigner	Rudolf Rauch – employee representative
Amir Ghoreishi	Manfred Weinrichter – employee representative
Norbert Griesmayr	Paul Hofer – employee representative (as of April 1, 2007)
Gottfried Holzer	Otto Mayer – employee representative
Dieter Lutz	Helmut Peter – employee representative
Reinhard Meißl	Peter Ruis – employee representative (up to April 1, 2007)
Bernhard Müller	Franz Ziegelwagner – employee representative
Wolfgang Peterl	

69. Approval of the consolidated financial statements 2006/07 for publication

The consolidated financial statements have been prepared by the Executive Board as per November 19, 2007 and will be transmitted to the Supervisory Board together with the statutory financial statements for audit and approval. The Supervisory Board may approve the consolidated financial statements or delegate the approval to the Annual General Meeting.

Maria Enzersdorf, November 19, 2007

EVN AG

The Executive Board



Burkhard Hofer
Spokesman



Peter Layr



Herbert Pötttschacher

EVN Group investments

Following is a list of EVN Group investments, which is structured according to segments of business. The figures are derived from the last available financial statements of each company, as of the respective balance sheet date. The share capital of companies that report in a foreign currency is converted to euro using the exchange rate in effect on the balance sheet date, while annual results are converted to euro using the average exchange rate for the financial year.

1. EVN AG investments in the Energy Segment as of September 30, 2007

Company, registered office	Shareholder	Interest in %	Currency	Shareholders' equity in EUR	Last year's profit/loss in TEUR	Balance sheet date	Method of consolidation 2006/07
AD Elektrostopanstvo na Makedonija, Skopje, Macedonia	EVN	90.00	MKD	149,318	-50,781	31.12.2006	V
AUSTRIA FERGAS Gesellschaft m.b.H. in Liqu., Vienna	EVN	23.75	EUR	2,223	-500	31.12.2006	NE
EconGas GmbH, Vienna	EVN	15.70	EUR	94,974	45,561	31.3.2007	E
ENERGIEALLIANZ Austria GmbH ("EAA"), Vienna	EVN	45.00	EUR	4,333	387	30.9.2007	Q
Energie Raum Mur Wasserkraftwerk							
Errichtungs- und Betriebs GmbH, Graz	WTK	50.00	EUR	57	6	31.12.2006	NE
Energy Service DOOEL, Skopje, Macedonia ¹⁾	EVN MKD	100.00	MKD	-	-	-	NV
Energy Trading EAD, Sofia, Bulgaria	EVN EC	100.00	BGN	-141	-7	31.12.2006	V
EVN Bulgaria Electrorazpredelenie AD ("EVN EP"), Plovdiv, Bulgaria ²⁾	EVN	67.00	BGN	183,582	3,191	31.12.2006	V
EVN Bulgaria Electrosnabdjavane AD ("EVN EC"), Stara Zagora, Bulgaria ³⁾	EVN	67.00	BGN	30,628	10,737	31.12.2006	V
EVN Bulgaria EAD ("EVN Bulgaria"), Sofia, Bulgaria	EVN	100.00	BGN	253	-20	31.12.2006	V
EVN Development EOOD, Sofia, Bulgaria	EVN Bulgaria	100.00	BGN	3	-	31.12.2006	NV
EVN Energievertrieb GmbH & Co KG, Maria Enzersdorf	EVN	100.00	EUR	77,797	37,270	30.9.2007	Q
EVN Kraftwerks- und Beteiligungsgesellschaft mbH ("EVN Kraftwerk"), Maria Enzersdorf	EVN	100.00	EUR	22,774	-11	30.9.2007	V
EVN Liegenschaftsverwaltung Gesellschaft m.b.H., Zwentendorf an der Donau	EVN/Utilitas	100.00	EUR	785	-76	30.9.2007	V
EVN Macedonia DOOEL ("EVN MKD"), Skopje, Macedonia	EVN	100.00	MKD	-281	-286	31.12.2006	V
evn naturkraft Erzeugungs- und Verteilungs GmbH ("evn naturkraft"), Maria Enzersdorf	EVN	100.00	EUR	42,628	6,951	30.9.2007	V
EVN Netz GmbH, Maria Enzersdorf	EVN	100.00	EUR	344,916	6,913	30.9.2007	V
EVN Trading SEE EAD, Sofia, Bulgaria ¹⁾	EVN	100.00	BGN	-	-	-	V
e&t Energie Handelsgesellschaft m.b.H., Vienna	EVN	45.00	EUR	2,451	683	30.9.2007	E
IN-ER Erömu Kft., Nagykanizsa, Hungary	EVN	70.00	HUF	2,115	4	31.12.2006	NV
grafotech Beratungs- und Planungsgesellschaft m.b.H., Maria Enzersdorf	Utilitas	100.00	EUR	2,072	1,829	30.9.2007	V
Kabelsignal AG, Maria Enzersdorf	Utilitas	100.00	EUR	23,437	7,341	30.9.2007	V
Kraftwerk Nussdorf Errichtungs- und Betriebs GmbH, Vienna	evn naturkraft	33.33	EUR	45	4	31.12.2006	NE

Method of consolidation

- E Company included at equity (associated company)
- NE Non-consolidated associated company
- NV Non-consolidated affiliated company
- Q Proportionately consolidated company
- V Fully consolidated company (subsidiary)

Company, registered office	Shareholder	Interest in %	Currency	Shareholders' equity in EUR	Last year's profit/loss in TEUR	Balance sheet date	Method of consolidation 2006/07
Kraftwerk Nussdorf Errichtungs- und Betriebs GmbH & Co KG, Vienna	evn naturkraft	33.33	EUR	5,828	95	31.12.2006	NE
MAKGAS DOOEL, Skopje, Macedonia ¹⁾	EVN AG	100.00	MKD	–	–	–	NV
Naturkraft Energievertriebsgesellschaft m.b.H., Vienna	EAA	100.00	EUR	750	92	30.9.2007	Q
NÖKOM NÖ Telekom Service Gesellschaft m.b.H., Maria Enzersdorf	EVN	50.00	EUR	12,379	–2,591	31.12.2006	E
STEAG-EVN Walsum 10 Kraftwerksgesellschaft mbH, Essen, Germany	EVN Kraftwerk	49.00	EUR	11,608	–5,451	31.12.2006	E
Switch Energievertriebsgesellschaft m.b.H., Salzburg	EAA	100.00	EUR	222	5	30.9.2007	Q
Toplak Gesellschaft m.b.H., Breitenfurt	EVN	50.00	EUR	–129	–103	31.10.2006	NE
Wasserkraftwerke Trieb und Krieglach GmbH ("WTK"), Maria Enzersdorf	evn naturkraft	70.00	EUR	193	–557	30.9.2007	V

1) The company was newly established during the reporting year.

2) Formerly Elektroraspredelenie Plovdiv AD

3) Formerly Elektroraspredelenie Stara Zagora AD

2. EVN AG investments in the Environmental Services Segment as of September 30, 2007

Company, registered office	Shareholder	Interest in %	Currency	Shareholders' equity in EUR	Last year's profit/loss in TEUR	Balance sheet date	Method of consolidation 2006/07
ABeG Abwasserbetriebsgesellschaft mbH, Offenbach am Main, Germany	WTE Essen	49.00	EUR	220	12	30.9.2006	NE
AVN Abfallverwertung Niederösterreich Ges.m.b.H., Maria Enzersdorf	EVN Umwelt	100.00	EUR	11,308	10,023	30.9.2007	V
BioBalance Baltic UAB, Kaunas, Lithuania	WTE Denmark	100.00	LTL	64	4	30.9.2007	NV
Cista Dolina – SHW Komunalno podjetje d.o.o., Kranjska Gora, Slovenia	WTE Betrieb	100.00	EUR	45	29	30.9.2007	V
DTV Rt., Dunavarsány, Hungary	evn wasser	51.00	HUF	1,541	85	31.12.2006	NV
EVN Projektgesellschaft Müllverbrennungsanlage Nr. 3 mbH ("EVN MVA3"), Maria Enzersdorf	EVN Umwelt/Utilitas	100.00	EUR	33,592	–3,590	30.9.2007	V
EVN Umwelt Beteiligungs und Service GmbH ("EVN UBS"), Maria Enzersdorf	EVN Umwelt	100.00	EUR	4,274	241	30.9.2007	V
EVN Umwelt Finanz- und Service-GmbH ("EVN UFS"), Maria Enzersdorf ¹⁾	EVN Umwelt	100.00	EUR	34	–1	30.9.2007	V
EVN Umweltholding und Betriebs-GmbH ("EVN Umwelt"), Maria Enzersdorf	EVN	100.00	EUR	123,488	18,550	30.9.2007	V
evn wasser Gesellschaft m.b.H., Maria Enzersdorf	EVN/Utilitas	100.00	EUR	63,325	4,520	30.9.2007	V
OAO "EVN MSZ 3" ("OAO MVA3"), Moscow, Russia	EVN MVA3	100.00	RUB	148,003	384	31.12.2006	V
OAO "WTE Süd-West" ("OAO SW"), Moscow, Russia	Süd-West	100.00	RUB	190,804	118	31.12.2006	V
OOO EVN Umwelt Service, Moscow, Russia	EVN UBS	100.00	RUB	–	–	–	V
OOO EVN-EkotechProm MSZ3, Moscow, Russia ¹⁾	OAO MVA3	70.00	RUB	–	–	–	NV
OOO Wasserwerk Süd-West, Moscow, Russia ¹⁾	OAO SW	70.00	RUB	–	–	–	NV
OOO Wassergesellschaft für Engineering und Beratung, Moscow, Russia	WTE Essen	90.00	RUB	–6	–10	31.12.2006	NV

Company, registered office	Shareholder	Interest in %	Currency	Shareholders' equity in EUR	Last year's profit/loss in TEUR	Balance sheet date	Method of consolidation 2006/07
Saarberg Hölter Projektgesellschaft Süd Butowo mbH ("Süd Butowo"), Essen, Germany	WTE Essen	100.00	EUR	8,362	541	30.9.2007	V
SHW Hölter Projektgesellschaft Zelenograd mbH ("Zelenograd"), Essen, Germany	WTE Essen	100.00	EUR	20,208	1,183	30.9.2007	V
SHW Hölter Projektgesellschaft Slowenien mbH, Essen, Germany	WTE Essen	100.00	EUR	22	-1	30.9.2007	NV
SHW/RWE Umwelt Aqua Vodogradnja d.o.o., Zagreb, Croatia	WTE Essen	50.00	HRK	1,467	1,467	31.12.2006	NE
SHW Projektgesellschaft Pskov mbH, Essen, Germany	WTE Essen	100.00	EUR	21	-	30.9.2007	NV
Wasserver- und Abwasserentsorgungsgesellschaft Märkische Schweiz mbH, Buckow, Germany	WTE Essen	49.00	EUR	528	16	31.12.2006	NE
Wiental-Sammelkanal Gesellschaft m.b.H, Untertullnerbach	evn wasser	50.00	EUR	888	-1	31.12.2006	NE
WTE Denmark A/S ("WTE Denmark"), Birkerød, Denmark	WTE Essen	100.00	DKK	-295	-909	30.9.2007	V
WTE Projektna družba Bled d.o.o., Bled, Slovenia	WTE Essen	100.00	EUR	18	5	30.9.2007	V
WTE Projektna družba Kranjska Gora d.o.o., Kranjska Gora, Slovenia	WTE Essen	100.00	EUR	20	7	30.9.2007	V
WTE Projektna družba Lasko d.o.o., Lasko, Slovenia	WTE Essen	100.00	EUR	-29	-8	30.9.2007	V
WTE Projektgesellschaft Natriumhypochlorit mbH, Essen, Germany ¹⁾	EVN UFS/WTE Essen	100.00	EUR	24	-1	30.9.2007	V
WTE Projektgesellschaft Süd-West Wasser mbH ("Süd-West"), Essen, Germany	WTE Essen	100.00	EUR	39,431	-8,008	30.9.2007	V
WTE Betriebsgesellschaft mbH ("WTE Betrieb"), Hecklingen, Germany	WTE Essen	100.00	EUR	511	-	30.9.2007	V
WTE Vodice d.o.o., Zagreb, Croatia	WTE Essen	100.00	EUR	8	5	30.9.2007	V
WTE Wassertechnik GmbH ("WTE Essen"), Essen, Germany	EVN Umwelt	100.00	EUR	63,034	4,504	30.9.2007	V
WTE Wassertechnik (Polska) Sp.z.o.o., Warsaw, Poland	WTE Essen	100.00	PLN	898	528	30.9.2007	V
ZAO "STAER", Moscow, Russia	Süd Butowo	70.00	RUB	80	70	31.12.2006	NV
ZAO "STAER-ZWK", Moscow, Russia	Zelenograd	70.00	RUB	123	57	31.12.2006	NV
Zagrebacke otpadne vode d.o.o., Zagreb, Croatia	WTE Essen	48.50	HRK	83,273	30,258	31.12.2006	E
Zagrebacke otpadne vode – upravljanje i pogon d.o.o, Zagreb, Croatia	WTE Essen	35.00	HRK	2,473	2,470	31.12.2006	E

1) The company was founded during the reporting year.

3. EVN AG investments in the Strategic Investments and Other Business Segment as at September 30, 2007

Company, registered office	Shareholder	Interest in %	Currency	Shareholders' equity in EUR	Last year's profit/loss in TEUR	Balance sheet date	Method of consolidation 2006/07
ALLPLAN Gesellschaft m.b.H., Vienna	Utilitas	50.00	EUR	763	143	31.12.2006	E
ARGE Coop Telekom, Maria Enzersdorf	grafotech	50.00	EUR	82	21	31.12.2006	NE
Burgenland Holding Aktiengesellschaft ("BUHO"), Eisenstadt	EVN	72.27	EUR	75,795	6,044	30.9.2007	V
Burgenländische Elektrizitätswirtschafts-Aktiengesellschaft (BEWAG), Eisenstadt	BUHO	49.00	EUR	189,793	20,542	30.9.2006	E
BEGAS – Burgenländische Erdgasversorgungs-Aktiengesellschaft, Eisenstadt	BUHO	49.00	EUR	68,071	7,697	30.9.2006	E
EESU Holding GmbH, Vienna	Utilitas	49.95	EUR	–	–	–	E
Ernst Hora Elektroinstallationen Gesellschaft m.b.H., Vienna	first facility	100.00	EUR	67	19	31.12.2006	NV
EVN Albania SHPK, Tirana, Albania ¹⁾	EVN	100.00	ALL	–	–	–	NV
EVN Business Service GmbH, Maria Enzersdorf	Utilitas	100.00	EUR	492	308	30.9.2007	V
EVN Finanzmanagement und Vermietungs GmbH ("EVN FM"), Maria Enzersdorf	EVN	100.00	EUR	13,224	2,323	30.9.2007	V
EVN Finanzservice GmbH, Maria Enzersdorf	EVN FM	100.00	EUR	15,792	4,837	30.9.2007	V
EVN Finance Service B.V., Amsterdam, Netherlands	EVN FM	100.00	EUR	–15	–33	30.9.2006	NV
EVN-Pensionskasse Aktiengesellschaft, Maria Enzersdorf	EVN	100.00	EUR	4,445	273	31.12.2006	NV
e&i EDV Dienstleistungsgesellschaft m.b.H., Vienna	EVN	50.00	EUR	383	45	30.9.2007	E
first facility GmbH ("first facility"), Vienna	Utilitas	100.00	EUR	484	45	30.9.2007	V
first facility Bulgaria EOOD, Sofia, Bulgaria	first facility	100.00	BGN	–30	–18	31.12.2006	NV
first facility d.o.o., Zagreb, Croatia	first facility	100.00	HRK	–14	–17	31.12.2006	NV
first facility Ingatlankezelő Kft., Budapest, Hungary	first facility/Ernst Hora	100.00	HUF	–128	–84	31.12.2006	NV
first facility Imobile SRL, Bucharest, Romania	first facility/Ernst Hora	100.00	RON	–	–	31.12.2006	NV
first facility Macedonia DOOEL, Skopje, Macedonia ¹⁾	first facility	100.00	EUR	–	–	–	NV
first facility - healthcare GmbH, Vienna ¹⁾	first facility	100.00	EUR	34	–1	31.12.2006	NV
first facility - tourism GmbH, Vienna ¹⁾	first facility	100.00	EUR	–	–	–	NV
NFM - Niederösterreichische Facility Management GmbH, Wiener Neustadt ¹⁾	first facility	50.00	EUR	–	–	–	NV
Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbund), Vienna	EVN	12.84	EUR	1,196,006	261,739	31.12.2006	N
R 138-Fonds, Vienna	EVN AG/EVN Netz/evn wasser	100.00	EUR	94,080	3,528	30.9.2007	V
RAG-Beteiligungs Aktiengesellschaft ("RBG"), Maria Enzersdorf	EVN	50.05	EUR	117,701	67,210	30.6.2007	V
Rohöl-Aufsuchungs-Aktiengesellschaft, Vienna	RBG	75.00	EUR	122,999	88,692	31.12.2006	E
Utilitas Dienstleistungs- und Beteiligungs-Gesellschaft m.b.H. ("Utilitas"), Maria Enzersdorf	EVN	100.00	EUR	33,502	6,869	30.9.2007	V
VCK Betonschutz + Monitoring GmbH, Mainz, Germany ¹⁾	V&C	50.00	EUR	–	–	–	NE
V&C Kathodischer Korrosionsschutz Gesellschaft m.b.H. (V&C), Pressbaum	Utilitas	100.00	EUR	500	220	31.3.2007	V
Wiener Stadtwerke Management Beta Beteiligungs GmbH, Vienna	Utilitas	47.37	EUR	1,121	205	30.11.2006	NE

¹⁾ The company was founded during the reporting year.

Translation of the Independent Auditor's Report

Report on the consolidated financial statements

We have audited the accompanying **consolidated financial statements** of
EVN AG,
Maria Enzersdorf,

for the year from 1 October 2006 to 30 September 2007. These consolidated financial statements comprise the balance sheet as at 30 September 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended 30 September 2007, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 30 September 2007, and its financial performance and its cash flows for the financial year from 1 October 2006 to 30 September 2007 in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Laws and regulations applicable in Austria require us to perform audit procedures whether the group management report is consistent with the consolidated financial statements and whether the other disclosures made in the group management report do not give rise to misconception of the position of the group.

In our opinion, the group management report is consistent with the consolidated financial statements.

Vienna, November 19, 2007

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Rainer Hassler
Austrian Chartered Accountant

ppa. Maximilian Schreyvogel
Austrian Chartered Accountant

This report is a translation of the original report in German, which is solely valid. Publication of the consolidated financial statements together with our auditor's opinion may only be made if the financial statements are identical with the audited version attached to this report. § 281 Abs 2 UGB applies.

Glossary

American Depositary Receipts (ADR)

Tradable certificates for non-American shares available in the USA.

Barrel The recognised global unit of measurement for crude oil. For crude oil and petrochemical products, 1 barrel = 158.987 litres

Basic load/peak load Basic load is the constant energy consumption throughout the entire day. In contrast, peak load represents a high demand for energy in the electricity distribution network for short periods of time.

Book value per share Book value of share capital divided by the number of shares at the balance sheet date.

BOOT model (Build, Own, Operate, Transfer) Within the context of BOOT projects, plants are built, financed and operated on behalf of a customer. After a pre-defined period of time, the plant becomes the property of the customer.

Brent The most important crude oil for European consumption, derived from the North Sea.

Capital Employed Equity plus loans subject to interest or assets minus liabilities not subject to interest.

Cash flow Balance of the flows (inflows and outflows) of cash and cash equivalents. Serves as an indicator for the assessment of the financial strength of a company, as well as its ability to make dividend payments, debt repayments and investment financing from its own funds. The cash flow is divided into cash flow from operating, investment and financing activities.

Cash generating unit (CGU) The smallest, identifiable group of assets to generate independent cash flows, which are largely autonomous, from the cash flows of other assets, or asset groups. The present value of future cash flows can be employed for the valuation of the respective CGU.

Combined cycle heat and power/cogeneration Simultaneous generation of electrical energy and heat in an energy generating facility. The combined production enables the plant to achieve a high level of efficiency, and thus to optimally apply the primary energy used.

Consolidation range The range of consolidation encompasses every company included in the consolidated financial statements. The prerequisite is a controlling influence of the parent company. This is given if the parent company is either directly or indirectly in a position to determine the financial and business policy of the subsidiary. The inclusion of

a subsidiary commences with the beginning of the controlling influence by the parent company and ends with its termination.

Corporate Governance Codex A code of behavioural guidelines for companies, which define the principles for the management and controlling of a company. They do not represent a compilation of legal statutes, but rather a set of guidelines which companies voluntarily adhere to.

Corporate Social Responsibility (CSR) Sustainable corporate management. A company voluntarily agrees to do more in the spirit of ensuring sustainable development than stipulated by legal regulations.

Coverage ratio Ratio of the volume of electricity produced in own power generating facilities and the total electricity sales volumes of EVN.

CO₂ Chemical designation for carbon dioxide.

CO₂ emission certificate trading Within the EU-wide emission certificate trading system, the member states distribute CO₂ emission rights to companies. Those firms whose actual CO₂ emissions exceed the volume of the allocated certificates must purchase additional emission rights.

Degree of efficiency The efficiency of a plant comprised of the ratio of input to output (i.e. the quantity of electrical energy generated in ratio to the primary energy employed).

Derivative financial instruments Financial instruments, which create rights and commitments derived from market developments, e.g. options, swaps and futures. The use of such financial instruments can be used to minimise financial risks.

Dilution Dilution occurs when, in the context of a capital increase, the shareholder value of a company is not adjusted to the same level as the increase in equity. Capital dilution thus takes place when free shares are issued or when new shares are issued below the share price of the old shares. The share price of the old shares declines and the loss of value is designated as dilution.

Dividend yield Ratio of the distributed dividend to the share price.

Earnings before interest and taxes (EBIT) Also known as the results from operating activities. Parameter designed to measure the earnings capacity of a company.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) Earnings before interest, taxes, depreciation

and amortisation of non-current assets and property, plant and equipment. Serves as a simple cash flow parameter.

Earnings per share Group net profit divided by the weighted number of shares.

Economic value added (EVA) Difference between the yield spread (ROCE less WACC) multiplied by the average capital employed. Parameter for the shareholder value created in a company.

E-Control GmbH (ECG) The regulatory authority established by lawmakers on the basis of the Energy Liberalisation Act to monitor the implementation of the liberalisation process for the Austrian electricity and gas markets, and to intervene in the marketplace if necessary.

EEX European Energy Exchange: the largest energy marketplace in Continental Europe, headquartered in Leipzig.

EIWOG German designation for the Electricity Industry and Organisation Act.

Emission certificates Emission certificates were introduced into the European Union effective January 1, 2005, as part of the drive to implement the Kyoto Accords, which aim to reduce the emission of greenhouse gases. The certificates are allotted within the framework of the "National Allotment Plan", depending on the level of a company's emissions. Firms requiring more than their designated volume have to acquire additional certificates from companies which have met their commitments to reduce emissions, and thus require fewer such emission certificates.

Energy units
kWh _____ Kilowatt hour;
1 Watt hour (Wh) x 10³

MWh _____ Megawatt hour: 1 Wh x 10⁶

GWh _____ Gigawatt hour: 1 Wh x 10⁹
Natural gas – energy content:
1 Nm³ of natural gas equals 11.07 kWh

Equity consolidation Accounting method integrating the interests held in companies, which are not fully incorporated into the consolidated financial statements with all assets and liabilities. At acquisition, they are reported at the cost of acquisition, and adjusted in accordance with the pro rata equity. The share of the annual earnings of the companies included at equity is incorporated into the income statement.

Equity ratio Ratio between equity and total capital.

Fair value The fair value in efficient markets is the price determined by considering all relevant price-determining factors, used

as the basis for transactions which could be concluded by partners potentially willing to enter into a contractual agreement.

Forward market In contrast to the spot market, the forward or futures market is characterised by a contractually stipulated time lag between the conclusion of the transaction and actual delivery. At the time a contract is concluded, the buyer is not required to have the necessary liquid funds, nor is the seller required to have the purchased goods. The price of the goods is determined at the time the contract is concluded.

Fossil fuels Energy resources derived from biomass over a period of millions of years, such as crude oil, natural gas, brown and black coal.

Free cash flow (FCF) Net cash flow from operating activities minus cash flow from investments. It is available for payments from financing activities (distribution of the dividends, payment of outstanding liabilities).

Fully functional model Within the context of the liberalisation of the European electricity and gas markets, the legally stipulated unbundling of network operations from the rest of the functions carried out by energy supply companies is best implemented not only by spinning off the management of network operations, but by transferring network property to a company subsidiary.

Funds from operations (FFO) Net cash flow from operating activities adjusted by interest expenses.

Gearing Ratio of net debt to equity.

Heating degree total Parameter for the temperature-related energy requirement for heating purposes.

Hedging Hedging is an instrument used for financial risk management purposes, limiting or avoiding negative changes in the market value in interest, currency or stock-related transactions. A company aiming to "hedge" a particular transaction concludes another transaction linked to the underlying business.

Horizontal integration In the business world, horizontal integration is understood as meaning the grouping of companies on the same production level under a single management. For example, in the energy industry, a company operates or offers various forms of supply or services (e.g. electricity, gas, heat, water, wastewater and waste incineration).

IFRIC or SIC International Financial Reporting Interpretation Committee. Its responsibility is to interpret and provide detailed explanations of the International Financial Reporting Standards (IFRS) developed by the International Accounting Standards Board (IASB).

IFRS or IAS International Financial Reporting Standards/International Accounting Standards. The designation IAS was changed to IFRS in 2001. However, the standards published prior to 2001 are still designated as IAS. They are published by the International Accounting Standards Board (IASB).

Impairment test Recoverability test, comparing the carrying amount of an asset to its fair value. If the fair value of an asset falls below the carrying amount, then an exceptional write-off (impairment) is to be carried out. This instrument is particularly important for the calculation of goodwill, which may not be reported as scheduled amortisation since the 2004/05 financial year, but must be subject to an annual impairment test.

Incentive regulatory model A regulatory model designed as an incentive to improve certain parameters. Applied to network access tariffs, it aims at boosting the productivity of the network operators. The regulator defines a general upper limit for network tariffs for a specified regulatory period. In order to achieve productivity gains, this upper limit is reduced for the individual operators by corresponding deductions.

Inhabitant equivalent value The inhabitant equivalent value determines the expected biological burden of wastewater treatment facilities. It is based on the population equivalent, and is calculated by adding the number of inhabitants and the population equivalent.

Interest Cover Ratio of the funds from operations to interest expenses.

Kyoto Protocol International climate protection agreement concluded by the U.N. It defines goals relating to the reduction of greenhouse gas emissions, which are considered the catalyst for global warming. Adopted in 1997, it officially went into effect on February 16, 2005.

Management approach Presentation of the management and controlling aspects of a company.

Mark-to-market Valuation of financial transactions at current market prices.

Multi-service utility Company that offers various supply and infrastructure services (electricity, gas, heat, water, waste incineration, etc.) on a one-stop shopping basis.

Net debt Balance from interest-bearing asset and liability items (issues and liabilities to credit institutes less loans, securities and liquid funds).

Net debt coverage Ratio of funds from operations to interest-bearing debt.

Network loss The difference between the current supplied or fed into an electricity network and the electrical energy, which is actually delivered. Network losses basically arise due to the physical characteristics of the transmission lines.

Over the Counter (OTC) Share trading on the external market.

Payout ratio Ratio between the dividends distributed and the earnings/share.

Primary energy Energy available from naturally available energy sources. In addition to fossil fuels such as natural gas, petroleum, black and brown coal, primary energy sources also include nuclear fuels such as uranium and renewable energy sources such as water, sun and wind.

Proportionate consolidation Only includes the assets and liabilities and the income and expenses of the subsidiary in the consolidated financial statements, in accordance with the level of the shareholding of the parent company.

Population equivalent The population equivalent serves as the unit of measure used to describe the extent of waste water discharge. It is considered to be the equivalent of the daily sum of biodegradable load matter in waste water produced by one person, and thus represents a significant component in determining the expected biological burden of wastewater treatment facilities.

Rating Evaluation of issuers and borrowers in relation to their economic strength. Internationally recognised rating agencies include Standard & Poor's and Moody's.

Regulatory authority Public authority responsible for those fields of the energy market, which have not yet been deregulated but are still monopolised, in order to ensure free competition and fair pricing (also refer to E-Control GmbH).

Renewable energy Energy won from regenerative sources (solar energy, biomass, hydroelectric and wind generating power)

Return on capital employed (ROCE) This ratio shows the return on the capital utilised within a company. For the calculation of this parameter, net profit for the period and interest expenses less tax effects are compared with average capital employed. In order to consistently show the development

of the value contribution, operating ROCE (OpROCE) is adjusted for impairments, one-off effects and the market value of the Verbundshareholding.

Return on equity (ROE) Return on equity is a parameter used to calculate the creation of value by a company on the basis of equity. For calculation of parameter, the net profit for period is compared with average equity.

Risk management Through risk management, potential risks (business, operational, financial and event risks) are to be identified, evaluated, cushioned or avoided through appropriate measures.

Single buyer model The sole purchaser or single buyer model specifies one particular company as a monopolist responsible for operating the power grid and purchasing or distributing electricity. The single buyer must provide entitled customers with access to the network. Both the Bulgarian and the Macedonian electricity markets are organised according to the single buyer model.

Spot market/spot trading General designation for markets, in which delivery, acceptance of the goods and payment (clearing) are carried out immediately following conclusion of the business transaction.

Sustainability index In a business environment increasingly shaped by sustainability and social responsibility, sustainability indices contrary to classic stock indices offer sustainability-oriented investors the possibility to carry out targeted investments in those companies which are industry leaders in regards to their ecological and social performance, and which demonstrate an appropriate behaviour towards the environment and their stakeholders.

Syndicated loan A binding commitment on the part of a banking consortium to provide a line of credit, which a company can draw upon in varying amounts, repayment terms and currencies.

Total Shareholder Return Yardstick measuring the value development of investments in stocks over a specified period of time, taking into account dividends paid and share price increases.

Unbundling Within the context of the liberalisation process in Europe's electricity and gas markets, utilities are required to carry out an unbundling (separation, spin-off) of their network operations from the rest of the functions carried out by energy supply companies. Various models are to be considered: the fully-functional model (transfer of network property to a company subsidiary); the leasing

model (leasing of the network to a company subsidiary), or operation management model (management of network operations remaining in an integrated company by a company subsidiary).

United Nations Global Compact An initiative launched by UNO with the aim of supporting ecological and economic interests in the areas of human rights, work, the environment and corruption.

Value-at-Risk (VaR) Process to calculate the potential loss arising from price changes of a specified trading position by assuming a certain level of probability.

Value chain elements The electricity sector is divided into different phases of value creation: generation, distribution, sale and consumption.

Value-oriented management The focus of value-oriented management is less on achieving traditional goals such as revenue or net profit, but on increasing stakeholder value, which not only takes account of the interests of shareholders but other stakeholder groups of the company. In this spirit, all investment decisions are measured according to their impact on achieving a sustainable value contribution. The main indicators used to assess the value development of EVN's business operations are the economic value added (OEVA) and the rate of return on the capital employed (ROCE).

Vertical integration In the business world, vertical integration is understood as meaning the grouping of companies on different production levels of the value-added chain under a single management. For example, in the energy industry, a single company carries out sourcing/generation, transmission/network operations and sales.

Waste incineration Thermal waste incineration is the controlled industrial burning of waste at temperatures exceeding 1,000 degrees Celsius, leading to a destruction or reduction of harmful substances. At the same time, the energy contained in the waste materials is released, and used for electricity generation or district heating purposes.

Weighted Average Cost of Capital (WACC) This indicator consists of debt and equity capital costs, weighted according to their share in total capital. The actual, average credit interest – adjusted for tax effects – is used as the cost of debt, while the cost of equity corresponds with the return on a risk-free investment plus a risk markup, which is individually calculated for every company.

EVN AG

EVN Platz
A-2344 Maria Enzersdorf
Phone +43 2236 200-0
Fax +43 2236 200-2030

Investor Relations
Klára Székffy
Phone +43 2236 200-12745
investor.relations@evn.at

Information on the Internet
www.evn.at
www.investor.evn.at
www.responsibility.evn.at

EVN Online Annual Report 2006/07
www.investor.evn.at/gb/ar2007

Financial calendar 2007/08¹⁾

79th AGM	January 17, 2008	Results H1 2007/08	May 29, 2008
Ex-dividend day	January 22, 2008	Results Q1–3 2007/08	August 28, 2008
Dividend payment	January 28, 2008	Annual results 2007/08	December 11, 2008
Results Q1 2007/08	February 28, 2008		

1) Preliminary

Basic information

Share capital	EUR 99,069,392.62
Denomination	40,881,455 zero par value shares
ISIN security code number	AT0000741053
Tickers	EVNV.VI (Reuters); EVN AV (Bloomberg); AT; EVN (Dow Jones); EVNVY (ADR)
Stock exchange listing	Vienna
ADR programme; depository	Sponsored level one ADR program (5 ADR = 1 share); Bank of New York
Ratings	A1, stable (Moody's); A, stable (Standard & Poor's)

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The EVN Group

Main EVN Group subsidiaries¹⁾

Energy segment

Generation business unit	100%	EVN Kraftwerks- und BeteiligungsgmbH	
	49%	STEAG-EVN Walsum 10 KraftwerksgmbH	Construction of a coal-fired power plant in Duisburg
	100%	evn naturkraft Erzeugungs- und Verteilungs GmbH	Electricity generation from renewable energy sources
	70%	Wasserkraftwerke Trieb und Krieglach GmbH	Hydroelectric power generation
	100%	EVN Liegenschaftsverwaltung Gesellschaft m.b.H.	Management of elements of power plant
Networks business unit	100%	EVN Netz GmbH	Operation of electricity and gas networks
	100%	Utilitas Dienstleistungs- und Beteiligungs GmbH²⁾	
	100%	Kabelsignal AG	Cable TV and Internet services
	100%	grafotech Beratungs- und Planungsgesellschaft mbH	Digital cartography
	50%	NÖKOM NÖ Telekom Service GmbH	Provincial government telecommunications network
Energy Procurement and Supply business unit	100%	EVN Energievertrieb GmbH & Co KG	Electricity and gas sales to end customers within EnergieAllianz
	45%	EnergieAllianz Austria GmbH	Joint EnergieAllianz partner sales subsidiary
	100%	Naturkraft Energievertriebsgesellschaft m.b.H.	Electricity sales from renewable energy sources
	100%	Switch Energievertriebsgesellschaft m.b.H.	
	45%	e&t Energie Handelsgesellschaft mbH	Joint EnergieAllianz partner energy trading and sourcing company
	15.7%	EconGas GmbH	Joint venture of EnergieAllianz partner with OMV, OÖF and Linz AG gas trading and large customer sales company
South East Europe business unit	67%	EVN Bulgaria EP AD	Venture of operation of electricity networks in Bulgaria
	67%	EVN Bulgaria EC AD	Electricity distribution for retail customers in Bulgaria
	100%	Energy Trading AD	Electricity distribution for large customers in Bulgaria
	100%	EVN Trading SEE EAD	Electricity trading
	100%	EVN Bulgaria EAD	Management company
	90%	ESM AD	Electricity supply in Macedonia
	100%	EVN Macedonia DOOEL	Management company

Environmental Services segment

	100%	EVN Wasser GmbH	Lower Austrian drinking water supply
	100%	EVN Umweltholding und Betriebs-GmbH	Holding for drinking water supply, wastewater and waste incineration services
	100%	WTE Wassertechnik GmbH, Essen, Germany	Drinking water supply and wastewater services ³⁾
	100%	AVN Abfallverwertung Niederösterreich GmbH	Waste incineration
	99%	EVN Projektgesellschaft MVA3 mbH	Waste incineration in Moscow

Strategic Investments and Other Business

	12.84%	Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbund)	Power generation, trading and distribution
	72.27%	Burgenland Holding AG	Regional electricity and gas supply
	49%	Burgenländische Elektrizitätswirtschafts-AG (BEWAG)	Electricity supply
	49%	Burgenländische Erdgasversorgungs-AG (BEGAS)	Gas supply
	50.05%	RAG-Beteiligungs-AG	Oil and gas exploration and gas storage
	75%	Rohöl-Aufsuchungs AG	
	100%	Utilitas Dienstleistungs- und Beteiligungs GmbH	Technical services
	50%	Allplan GmbH	Building utility, energy and environmental engineering
	49.95%	EESU Holding GmbH	Company to implement acquisition of E&P Holding GmbH with partners
	100%	EVN Business Service GmbH	
	100%	first facility GmbH	Facility management
	100%	V&C GmbH	Cathodic corrosion protection
	100%	EVN Finanzmanagement und Vermietungs GmbH	Group financing
	100%	EVN Finanzservice GmbH	

Status: September 30, 2007. The main operative companies and Group holding companies are shown. Interests in %.

1) EVN AG continues to encompass thermal power stations, heating facilities and pipelines.

2) Utilitas services are integrated in the Strategic Investments and Other Business segment.

3) The investments of WTE Wassertechnik GmbH are project and operating companies in Central and Eastern Europe.

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