

# SUSTAINABILITY ALWAYS MAKES SENSE.

True

False

False! Not everything that is hailed as sustainable also makes sense. Genuine sustainability is based on a strategy that refers to the complete value added system and fully accommodates stakeholder interests.

# EVN corporate policy statement

## Our vision

As an energy and environmental services provider, we fulfil the daily needs of our customers. Through our reliable and high quality services, we make a sustainable contribution to their quality of life.

## Our mission

We create value through high profitability and by assuming corporate social responsibility, thus ensuring the long-term success of the EVN Group. On this basis, we offer our customers competitive prices, our shareholders a sustainable enhancement of value, and our employees attractive working conditions.

From our headquarters in Lower Austria, we focus primarily on the dynamically growing region of Central and Eastern Europe, where we are seeking to establish a strong market position.

In the energy and environmental services segments, our business operations are mainly designed to serve end customers. In order to meet their expectations as optimally as possible, we have developed the highest quality standards for both our products and services.

Sustainable performance in the provision of electricity, gas, heating, drinking water, wastewater treatment or waste incineration services requires outstanding know-how, a high level of efficiency, a state-of-the-art infrastructure and a constant willingness to innovate.

## Our values

We have defined highly ambitious standards of behaviour that apply to the way in which we operate and manage our Group and these correspond with the assumption of a high level of responsibility in our daily supply and waste and wastewater management activities. For us, adherence to fundamental ethical principles and all relevant legal regulations is a matter of course.

We are committed to the principle of sustainable corporate governance and therefore endeavour to balance economic, ecological and social considerations. Our main priority is to ensure a fair and reasonable balance of the needs of all company stakeholders.

The economic responsibility of securing the long-term existence of our Group demands outstanding performance on our part. A high level of competence and reliability ensure the satisfaction of our customers and business partners. In turn, they represent the underlying basis for our sustained corporate success.

In particular, we fulfil our responsibility to the environment by endeavouring to optimally husband the natural resources entrusted to us, minimise waste gas emissions and promote the use of renewable energy sources. Ongoing innovations and increased efficiency make a decisive contribution towards achieving these goals.

We also fulfil our social responsibility in a variety of ways. The commitment we demonstrate to ensuring the well-being of our employees and fair and attractive salary levels, as well as our maintenance of a positive corporate culture featuring openness, loyalty and mutual respect, are as important as our emphasis on serving people and achieving an appropriate positioning within the framework of a society shaped by a diverse range of influences. This approach encompasses a high level of transparency and the willingness to engage in an ongoing dialogue, both in- and outside the company.

**In addition, EVN's environmental policy statement is available under <http://www.responsibility.evn.at/leitbild.asp>. In the following, EVN is to be understood as meaning the entire EVN Group.**

## Company profile

We are an international, listed energy and environmental services group based in Lower Austria, the largest of the nation's federal provinces. By means of leading edge infrastructure, we offer consumers electricity, gas, heat, water, waste incineration and other related services on a one-stop shopping basis. With our portfolio, we both secure and enhance the quality of life of over three million customers in 14 countries.

In addition to our Austrian activities, we have also established a strong position in the South-eastern European energy industry through majority holdings in two regional power supply companies in Bulgaria and the takeover of the national power supplier in Macedonia. In the environmental sector, we possess successful subsidiaries in the fields of drinking water supply, wastewater treatment and waste incineration. EVN serves a total of more than three million customers with energy and environmental services.

As a result of the realisation of synergy effects between the various business areas within the EVN on both a national and international level, all business activities are focused on sustainable wealth creation and augmentation in the interests of our customers, owners and employees. Whereby the central principles of security of supply, a responsible approach to resources, the creation of a modern and environmentally compatible infrastructure and a systematically established image as a supplier of quality are constantly applied.



**SUSTAINABILITY  
IS NOT ALWAYS  
SUSTAINABILITY.**

**As a sustainability-oriented energy and environmental services supplier, we are responsible to our customers, owners, employees, society, the general public and the environment. Therefore, in line with our claim to competence, "Using energy wisely" we study matters relating to sustainability with particular care.**

**A decision as to whether or not something offers genuine and sensible sustainability can only be taken on a holistic basis. Consequently, those wishing to create development that will endure in the future must plan with foresight and act accordingly, with one eye on the details and the other on the overall picture.**

**LOW-ENERGY LIGHT BULBS ALWAYS  
MAKE SENSE.**

True

False



A hand in a light-colored sleeve holds a compact fluorescent light bulb (CFL) above a dark, cylindrical lampshade. The background is a plain, light-colored wall. The image is used to illustrate the text about CFL bulbs.

**False! Low-energy light bulbs make great sense wherever lights must burn continuously for long periods. However, this situation also describes the disadvantages, as low-energy bulbs first reach full luminosity after a warming up period (although subsequently they require around 80% less power than standard bulbs for the same degree of illumination). Moreover, frequent switching on and off shortens their service life and influences the overall energy balance. Accordingly, their employment is really only of benefit in rooms with a constant, long-term lighting requirement, which means that in general, they are unsuitable for use on staircases, on landings and in WCs, but ideal for lights with a timer as protection against intruders.**

**RENEWABLE ENERGY KNOWS  
NO LIMITS AND PROTECTS THE  
ENVIRONMENT.**

True

False



**False! EVN promotes renewable energy, but not at any price. This is because the sources of biomass are limited and there are ecological restrictions relating to the utilisation of hydropower. The location of wind farms must also be carefully considered with regard to the environment and the local population. Therefore, it is a balanced mix of the differing possibilities provided by diversification, in tandem with efforts aimed at raising the efficiency of existing plants, that will ensure a continuous reduction in CO<sub>2</sub> emissions.**



**THE APPOINTMENT OF A SUSTAINABILITY OFFICER MEANS THAT THE MATTER IS CLOSED.**

True

False

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Heidi Marek

Sustainability Officer



**False! Sustainable planning and action must permeate every area of a company. A sustainability officer alone, who perhaps has to deal with matters in this area in addition to his/her fundamental responsibilities, cannot achieve a great deal. For this reason, EVN has formed a team of around 30 employees, which undertakes the ongoing surveillance of objectives and the progress of the implementation process.**

# Sustainability highlights 2006/07

In line with its obligation to sustainable development, EVN defines outstanding events in differing dimensions, which serve to clearly characterise the progress of the sustainability process within the company.



Advances relating to the realisation of the **energy concept** for the central zone of Lower Austria.

→ Investments of over EUR 200m in increased **efficiency and renewable energy**.

– Conversion of an oil tank at the **Theiss power station** into an accumulator with a capacity of 60 GWh district heat for the supply of the Krems and Gedersdorf district heating networks.

→ Receipt of the **EPCON Award 2007**

– **EVN Group Conference 2007**, a working meeting of all the employees, who are responsible for the integration process in differing Group areas in Bulgaria and Macedonia.

– Foundation of the **EVN Macedonia Academy** (safety training, management seminars, personality training, English and German language courses), which mirrors the EVN Bulgaria Academy.



– Expansion of the **CSR organisation at EVN**, creation of a CSR network and the holding of workshops.

– Determination of CSR criteria for various, important **sourcing procedures** in Lower Austria.

– Formulation of a **CSR programme** (incl. objectives, measures, responsibilities).



– Further expansion of **heat generation** using biomass.

– Receipt of the “Corporate Governance” excellence award for transparency for the EVN Annual Report at the **Austrian Annual Report Award 2006**.

– EVN is rated third among the 500 fastest **growing** companies in Europe.

– EVN Sustainability Report 2005/06 achieves fourth place at the **Austrian Sustainability Reporting Award**.

– **Group net profit** of EUR 227.0m surpasses the record figure of the preceding year by 2.3%.

More information concerning EVN economic development is contained in the current Annual Report 2006/07. This can be ordered or downloaded from [www.investor.evn.at](http://www.investor.evn.at).

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**Report scope** EVN publishes an annual sustainability report and the period covered by this edition extends from 1 October 2006 to 30 September 2007. The Report adheres to Global Reporting Initiative (GRI) guidelines and deals with the companies contained within the EVN Group's consolidation range. As of the closing date on 30 September 2007, the consolidation range includes EVN AG as the parent company as well as 46 fully consolidated companies and four companies which are proportionately consolidated. Moreover, 12 companies are included at equity (for further information, please see the EVN Annual Report 2006/07). Where all companies are not included in the data given, this is stated.

Editorial closing date: 22 November 2007

# Introduction of the Executive Board

## Ladies and gentlemen,

### Active sustainability within EVN

In the course of the 2006/07 financial year, EVN was able to provide manifold and impressive evidence of the fact that it does not interpret sustainability as a temporary and modish phenomenon, but rather as an holistic approach to company management that is followed on a daily basis. On the one hand, this Sustainability Report documents the diverse range of efforts and projects undertaken in this connection and on the other hand, it provides a preview of our objectives and plans, as well as interesting insights into EVN's corporate world.

### Reorientation in line with standardised GRI guidelines

EVN formulated its first valid environmental mission statement seventeen years ago and this continues to serve as a basis for all environmental activities. At that time, the first Environmental Report was prepared as a supplement to the Annual Report. In 2001, the Environmental Report was enlarged and became the Social and Environmental Report in a process that constituted the transition to the first of our comprehensive Sustainability Reports, which has been published annually since 2002. During the preparation of this edition of the Report, we have adopted a new approach and have employed the guidelines of the Global Reporting Initiative (GRI) for the first time. We have made every effort to attain the Application Level A+. Unfortunately, the drawing up of special requirements for the energy industry (sector supplement) was incomplete on the reporting date, but nonetheless these stipulations have largely been applied.

### Enlargement of the CSR advisory team, involvement of all important areas

The CSR organisation was further extended during the year under review and the internal CSR advisory team was enlarged to include six members. In addition, in order to secure the implementation of the CSR concept throughout the company, CSR network officers were appointed in all the important departments of the Group.

But what were the operative focal points in the 2006/07 financial year aimed at the intensification and extension of EVN's sustainability strategy? In an economic regard, the most important line of approach was the rapid continuation of the integration of our subsidiaries in Bulgaria and Macedonia with the aim of bringing them up to the quality and profitability levels prevailing in the Lower Austrian domestic market. Our subsidiaries in these countries are being gradually integrated into the sustainability processes, in order that within a few years, the related reporting will also be able to provide a complete portrait of EVN.

### Reduction in CO<sub>2</sub> emissions with simultaneous increase in security of supply

During 2006/07, we maintained an unchanged strategy in the Energy Segment, in order to steadily increase our contribution to climate protection and exploit all the related opportunities. Accordingly, our projects for enhanced energy efficiency and an increased share of renewable energy source utilisation are correspondingly diverse. Alone the "Theiss district heating accumulator" project has facilitated a reduction in CO<sub>2</sub> emissions of 4,000t annually, while simultaneously increasing the security of the district heating supply to the Krems area. The outstanding significance of this innovation was confirmed by the receipt of the EPCON Award for innovative and high-potential products and concepts from energy supply companies. A further milestone was passed at the beginning of 2007 with the start of construction for one of Austria's largest biomass-fired district heating plant, which will supply the three Climate Alliance districts of Ternitz, Neunkirchen and Wimpassing with natural heat.

### National and international projects at the highest technological level

A number of projects were either concluded or newly initiated in the Environment Segment. Moscow's largest waste incineration plant, which has been equipped with leading edge technologies and designed according to ecological principles, was handed over to the operating company. In the coming years, a new, large-scale wastewater treatment plant is to be built in Istanbul, while in Austria EVN has completed two wastewater treatment plants in the Drau Valley and a central wastewater treatment plant for the municipality of Zistersdorf.



These project examples form both EVN core business and part of active Corporate Social Responsibility. This answerability incorporates economic, social and environmental factors and results in a holistic approach, which serves to create equilibrium between apparently contradictory objectives. For us, central challenges are posed by the combination of a conservationist approach to resources of every type and a reduction in the emissions derived from energy generation with the simultaneous maintenance of security of supply. However, as a listed company we also have a special obligation relating to the expectations of our shareholders with regard to investment returns and a consistent dividend policy demands the securing and increase of earning power. Nonetheless, we do not regard these differing aspirations as being diametrically opposed, but instead are convinced that the long-term growth strategy that we are pursuing can only be realised when all stakeholder groups are involved.

**Economics, society and ecology  
form the three cornerstones of  
our responsibilities**

Part of this approach is also formed by our awareness of the social answerability that we bear for the people in our supply areas. We seek to consolidate and enhance the quality of life of our customers through the products and services that we offer. We regard our employees as important sources of know-how, who determine the long-term success of the company. Moreover, we are willing to discuss social questions and the problems surrounding us and develop solutions on a consensual basis.

**Social responsibility for  
customers and employees**

We trust that with this report we will convince you of the validity of our motto, "Sustainability must make sense!" Furthermore, by means of the questions running through the entire report, we would like to invite you to initiate a dialogue with us and check your own knowledge of this vital topic.

# Why sustainability?

## Definition

Since the UN Environment and Development Conference held in Rio de Janeiro in 1992, “sustainable development” has become a leitmotif in international politics and the regular object of public concern and debate. Moreover, according to the definition of the Brundtland Commission (named after the former Norwegian prime minister and head of the UN Commission for Environment and Development, Gro Harlem Brundtland), this term primarily emphasises fairness of wealth distribution. In line with this interpretation, sustainability is a development process, which seeks equilibrium in the three subsequent relationships:

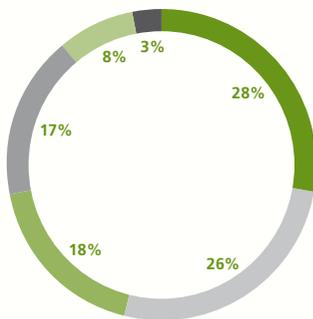
- That between human needs and nature’s ability to replenish.
- That between present needs and those of future generations.
- That between the needs of rich and poor.

Only when a balance is achieved between present needs and the perspectives of future generations can a lasting guarantee be given for high quality of life, the retention of nature and the environment in an ecological equilibrium, and the social and cultural cohesion in which companies fulfil their responsibilities in a globalised world. Accordingly, sustainability as a global responsibility for development that is fit for the future is divided into three dimensions comprised of environmental, economic and social factors.

The most pressing issue with regard to the environmental balance is climate change. In view of the current climatic shifts and global warming with all its consequences, the EU has demanded a substantial reduction in greenhouse gases. In addition to methane, nitrogen oxide and fluorinated gases, CO<sub>2</sub> constitutes the main factor in the alteration in the global radiation balance.

As the most important measure for CO<sub>2</sub> reduction, EVN is promoting the substitution of energy generated with fossil fuels by biomass and renewable forms of energy such as wind and hydropower, the use of waste heat and enhanced energy efficiency.

Sources of greenhouse gases 2005



- Industry 28%
- Transport 26%
- Energy generation 18%
- Small consumers 17%
- Agriculture 8%
- Miscellaneous 3%

Source: Umweltbundesamt (expert authority of the federal government in Austria for environmental protection and environmental control)

## CO<sub>2</sub> emission trading

The European Commission is seeking a reduction in CO<sub>2</sub> emissions of at least 20% by 2020. As opposed to the national Allocation Plan I (NAP), a cut of 10% in the certificate volume has been established for the NAP II (2008–2012). The Austrian NAP II is based on a CO<sub>2</sub> emission forecast of 38.33 million tons p.a. and yearly savings of 5.53 million tons. The resulting free allocation volume of 32.8 million tons has further been reduced by the EU Commission to 30.33 million tons. For industry and the energy sector this means additional challenges with regard to emission reduction and a financial burden derived from the necessity of purchasing the missing certificates.

For the period from 2008–2012, the Austrian electricity industry has received free CO<sub>2</sub> emission certificates amounting to 7.7 million t/y. Of this total, EVN has been allocated some 1.58 million tons. The remaining 500,000–800,000 t/y must either be saved or purchased.

## Energy efficiency and energy services

In 2006, the EU approved a directive, which requires member states to realise energy savings of 9% within nine years. Initial action plans were presented to the authorities in Brussels in the summer of 2007. The Austrian Federal Ministry of Economics and Labour is co-operating with the Austrian Association of Electricity Companies and the Gas and Heat Confederation on the realisation of the planned measures. The objective is to establish a concrete plan of action by the spring of 2008.

Factors such as a robust financial and balance sheet structure, solid earnings growth and the securing of future profitability form the economic dimension of sustainability. At EVN, this approach is partially determined by efforts aimed at the regionalisation of product cycles, which must correspond with criteria in line with CSR principles. At the same time, corporate business success also represents a prerequisite for the serious consideration of ecological and social questions.

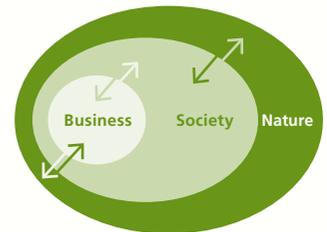
Sustainability in the social dimension is targeted on a fair, responsible and partnership-based attitude towards employees. For EVN, the basis for sustainable human resources management involves a high degree of mutual respect and a general readiness for constructive teamwork. This approach assumes concrete form in the attractive and socially aware design of working conditions, as well as a high-quality training and further training programme for permanent advancement. Other aspects of this concept include a highly committed and comprehensive medical care service, measures for accident prevention and work safety, and a company pension scheme.

EVN fulfils its extensive social responsibilities with regarding to the current and future generations by means of Corporate Social Responsibility management.

### EVN understands the term sustainable company management as meaning:

- An enlargement of the business field of vision to include the social, environmental and cultural dimensions.
- The promotion of creativity and hence innovative new products and services within the framework of a customer-oriented and responsible product policy.
- A protective approach to resources through the furtherance of energy efficiency both in- and outside the company.
- The encouragement of a “culture of sustainability” within the company.
- The sustainable securing of economic success and a related increase in corporate value.
- The provision of a valuable contribution to the quality of life of people in all the regions served.

This sustainability process is described in the annual Sustainability Report, which serves both external and internal communications, raises awareness levels and encourages an open dialogue.



## Corporate Social Responsibility

Corporate Social Responsibility (CSR) is, “A concept whereby companies integrate social and environmental concerns into their business operations and their interaction with their stakeholders on a voluntary basis. Thereby, the companies agree to go beyond the obligations derived from minimum legal requirements and wage agreements, in order to take social necessities into account.” (Definition of the European Commission, 2006)

# EVN's contributions to sustainability



As a sustainability-oriented supplier of energy and environmental services, the EVN Group is committed to the concept of viewing economic, social and ecological issues as a single entity and systematic efforts aimed to achieve equilibrium among the interests of all company stakeholders. One expression of this conviction is provided by accession to the UN Global Compact in September 2005. Starting from Lower Austria, it is a declared company objective to anchor the principles of sustainability-oriented company management in a sustainability strategy that is binding for the entire EVN Group. Furthermore, the guidelines for sustainable company management contained in the Corporate Social Responsibility concept also apply to all areas of corporate activity.

## Ecological responsibility

The core of EVN's environmental responsibility is formed by climate protection concerns. Therefore, a comprehensive package of measures and investments for reducing CO<sub>2</sub> emissions is being implemented. The projects completed or initiated during the year under review are presented in detail on page 32ff. A new method for the calculation of total Group environmental protection costs is currently in preparation.

As part of the strategy for the acquisition of the CO<sub>2</sub> certificates essential to operations, EVN is supporting various reduction measures in other countries through Joint Implementation (JI) and Clean Development Mechanism (CDM) projects. The realisation of such climate protection projects in other states allows EVN to purchase emission certificates for its own plant capacity. CO<sub>2</sub> emission reduction potential can also be anticipated in future from the company's power and heat generation plants at the subsidiaries in Bulgaria and Macedonia. A further contribution to climate protection in the coming years should emanate from CDM projects in Albania, where the possibilities for generating Certified Emission Reduction certificates from hydropower projects are currently being examined. Participations in JI and CDM projects for wind parks and hydropower plants, e.g. in India, Egypt, China and Brasil have already been initiated by means of suitable climate protection funds.

### CO<sub>2</sub> savings derived from the use of biomass<sup>1)</sup>



■ CO<sub>2</sub> savings in t/y

- 1) In comparison with the theoretical use of extra light heating oil in households. The data given contains EVN AG energy generation using biomass.
- 2) Since the 2004/05 financial year, including local biomass-fired heating

### CO<sub>2</sub> savings through the use of hydro- and wind power<sup>1)</sup>



■ CO<sub>2</sub> savings in t/y  
 ■ Hydropower  
 ■ Wind power

- 1) In comparison to power generation in a hard coal fired power station. The data shown includes the own production of EVN AG, evn naturkraft and EVN's sourcing rights relating to Danube power stations.

Another important EVN concern is the maximum use of CO<sub>2</sub> emission reduction potential in Lower Austria within the scope of teamwork with local and provincial authorities. The possibilities for a switch to biomass firing, whether in the form of individual or district heating solutions, are explored with the Lower Austrian government and then implemented in co-ordination with its experts. Moreover, between September 2006 and June 2007, an expert working group met at the request of EVN and the Lower Austrian government to discuss visionary scenarios for future energy supplies under the rubric, "Lower Austria's Energy Future."

EVN is making a sizeable contribution to the achievement of the climate protection targets of the province of Lower Austria, the Austrian Republic and the EU by means of increases in efficiency, the use of renewable energy sources, the environmentally compatible incineration of waste and information campaigns aimed at highlighting the potential available for energy savings.

At present, in spite of the growing use of renewable resources such as biomass, wind and hydropower, the continuous rise in the demand for electricity and heat cannot be fully met from these sources. Indeed, the practical dimensions of such plants, fuel supply availability and economic limits prevent full coverage. Therefore, in addition to gas, due to its global availability, coal will remain an important part of the primary energy portfolio for several years to come.

### Efficient, low-emission energy generation in Walsum

In November 2006, the cornerstone was laid for a state-of-the-art hard coal fired power station at Duisburg-Walsum in Germany. This 790 MW plant is being completed as a joint venture between Evonik Steag GmbH, Essen/Germany and EVN, which has a 49% stake in the project. The investment volume amounts to over EUR 800m. The plant should contribute to resource protection by means of leading edge technologies such as nitrogen oxide reduction systems, e-filters for dust removal, flue gas desulphurisation units and higher steam temperatures and pressure. As compared to conventional, coal-fired power stations in the EU, the resulting increase in efficiency provides CO<sub>2</sub> savings of around 35%. Start-up is scheduled for 2010. Detailed information is available under [www.evonik.com/en/energy/index.html](http://www.evonik.com/en/energy/index.html).

### Exemplary EVN measures for CO<sub>2</sub> reduction

- A flexible generation mix of thermal power and renewable energy, which is to see an increase in its contribution to electricity production to 33% by 2010. Two-thirds of the municipal district heating supplied by EVN already derives from biomass (please also see the section, "Range of services and current projects").
- Regional value added through the use of domestic energy sources.
- Assistance with regard to energy savings through advisory services at company Customer Centres and the "Energy Saving Champion", an extensive range of online consulting offers.
- The promotion of alternative fuels such as compressed natural gas (CNG) and biogas.
- The enlargement, refurbishment and efficiency upgrading of plants for energy generation from renewable sources.
- First use of "climate-neutral printing" for the Annual and Sustainability Reports 2006/07.
- A commitment to encourage the raising of positive awareness levels among the workforce and general public by means of workshops and theme-related events, etc.

### ClimatePartners

The exclusive sales partner for "ClimatePartners" in Austria is the EVN subsidiary, Allplan GmbH. This company offers customers possibilities for the organisation of their business activities in a climate protective or even climate-neutral manner. There are diverse opportunities available in this regard:

- Climate-neutral events and trade fair exhibits
- Climate-neutral building construction and use
- Climate-neutral products
- Climate-neutral travel (by car or aircraft)
- Climate-neutral purchasing and lifestyle

## Economic responsibility

EVN's number one economic objective is a sustainable increase in corporate value. To this end, apart from the securing of existing sources of income, the aim is to achieve operative diversification and the selective realisation of expansion possibilities. The limits to such plans are formed by the maintenance of an attractive dividend policy, a solid balance sheet and financing structure and the clear exposition of investment criteria.

In addition, economic responsibility also demands sustainability-oriented wealth creation, which constantly seeks a balance between factors of environmental, social and economic relevance. For EVN the orientation of sourcing in this direction is of central importance and in an initial step, in Lower Austria has led to the establishment of CSR criteria for a number of important sourcing procedures. These criteria also apply to future purchases of advertising materials, work clothing, vehicles, foods and computing equipment. Accordingly, suppliers of work clothing for example must provide certified accreditation regarding their production locations, in order to exclude the possibility of child labour. A gradual and complete transition of the EVN transport fleet to natural gas is planned and the purchase of 14 vehicles of this type is foreseen for the 2007/08 financial year. Fuelling will take place at the company's own filling station. As far as the purchasing of foods is concerned, attention will focus on seasonality and regional origin. Whenever possible, coffee, tea and orange juice will be obtained from fair trade sources. In the case of computing equipment, the stipulations of the TCO (Tjänstemännens Central Organisation) test symbol ensure the highest ergonomic quality for flat screens, while the "Blue Angel" environmental symbol designates that standard laser printers only have low noise and atmospheric emissions and power consumption. The detailed stipulations for standard flat screens and laser copiers supplement the CSR criteria, which also prescribe minimum emissions. The aim is to establish CSR criteria for all of the main sourcing procedures.

### EVN's general economic significance

EVN's business activities result in direct and indirect macro-economic effects and contributions, which are outlined below:

#### – Public sector

Payment of EUR 28.5m in income tax for the purpose of public spending. EVN does not receive governmental financial support. If individual material laws foresee the possibility of obtaining grants, as is the case, e.g. with the Eco-Electricity Act, EVN examines the preconditions and where appropriate, applies for the funding allocated for this purpose.

#### – Employer

On average the workforce numbered 9,535 in the year under review. This figure included 77 apprentices. Personnel expenditure amounted to EUR 288.9m (12.9% of sales).

#### – Investments

These amounted to EUR 277.7m, which was 10.4% more than in the preceding year and were spent on network infrastructure expansion and production plants.

#### – Customer

EUR 1,511.3m, or 11.3% more than in the previous year was spent on materials and services (mainly energy sourcing and maintenance).

## Supplier relationships

EVN subsidiaries represent sectoral customers in extensive areas and during purchasing procedures are subject to both the 2006 federal law on tendering and the Lower Austrian tender control legislation. Through total adherence to these legal regulations, EVN guarantees its suppliers the maintenance of the basic freedoms within the EU and the ban on discrimination.

## Exemplary EVN measures for the promotion of economic sustainability

- Continuous improvement process (employee training, technical standard of plants, etc.).
- Preparation and definition of measures for purchasing in line with the CSR concept.
- Commitment to the creation of positive awareness amongst the workforce and the general public by means of workshops, events, information days, etc.
- Use of planning, management and controlling instruments.
- Trade fairs, leaflets and newspapers as a source of product information for customers.
- Project valuations and benchmarking.

## Social responsibility

EVN fulfils its responsibilities towards its stakeholders in a number of ways. With regard to its workforce it acts as a fair employer, which through active human resources management, sets great store by training and further training measures and promotes a corporate culture based on values such as candour, loyalty and mutual respect. As far as EVN's human resources policy is concerned, the principles of equal treatment and opportunities, a current and comprehensive supply of information to the workforce and social partnership within the company apply. Further information on this subject is available under [www.responsibility.evn.at/mitarbeiter\\_grundsatz.asp](http://www.responsibility.evn.at/mitarbeiter_grundsatz.asp).

In order to prevent all types of corruption, EVN not only strictly observes the legal framework, but is also participating in a number of initiatives. Membership of the UN Global Compact allows the use of relevant provisions from the organisation's regulations and these are also being employed in the orientation of the code of conduct, which is currently undergoing preparation. In addition, a binding set of rules drawn up in 1967 excludes any possibility of corruption. As far as its customers are concerned, EVN meets its responsibility to act as a reliable supplier of energy and environmental services through the provision of high quality services at competitive prices. EVN endeavours to achieve good, long-term relationships with its partners, with whom it works on the development of innovative energy solutions, and with its suppliers by means of an approach based on partnership, fair business practices and an open dialogue. With regard to society as a whole, EVN accepts the responsibility of promoting and supporting sustainable development through all its business activities.

## Exemplary EVN measures for the strengthening of social responsibility

- Active human resources management and development, e.g. trainee manager training scheme ([www.responsibility.evn.at/employees.asp](http://www.responsibility.evn.at/employees.asp))
- EVN health programme ([www.responsibility.evn.at/gesundheits.asp](http://www.responsibility.evn.at/gesundheits.asp))
- EVN PowerPartner scheme – teamwork with Lower Austrian electrical and plumbing companies
- Apprentice training ([www.responsibility.evn.at/lehrlinge.asp](http://www.responsibility.evn.at/lehrlinge.asp) and page 48).
- Foundation of a European Works Council.

## Signing of the foundation charter for an European Works Council



## Milestones in the EVN sustainability process

Active, operative environmental protection has long traditions at EVN. Indeed the ongoing development of the environmental protection and sustainability agenda is the result of the embedding of this topic at the highest management level (since its foundation, EVN Environmental Controlling has been directly answerable to the Executive Board). The corporate law supervision of the Executive Board is carried out by the Supervisory Board and as this consented to a corporate strategy in which sustainability issues are an integral part, the Executive Board is also obliged to furnish reports concerning this strategy's progress and direction.

**1990**

Publication of the first **Environmental Report**, which was subsequently issued annually in conjunction with the Annual Report.

**1990**

Introduction of a **uniform environmental mission statement** throughout the company as the foundation for all EVN environmental activities.

**1991**

Creation of the **"Environmental Controlling and Safety"** organisational unit, which formed the platform for EVN environmental management.

**1992**

Installation of an **Environmental Advisory Board** (subsequently the Advisory Committee for the Environment and Social Responsibility).

**1995**

Founding of the **EVN pension fund**.

**1995**

Begin of the implementation of **accredited environmental management systems**.

**1997**

EMAS I accreditation of **Dürnrrohr power station**.

**1996**

Accreditation of the **Theiss thermal power station** according to ISO 14001 in the first certification of its type in Central Europe.

**1998**

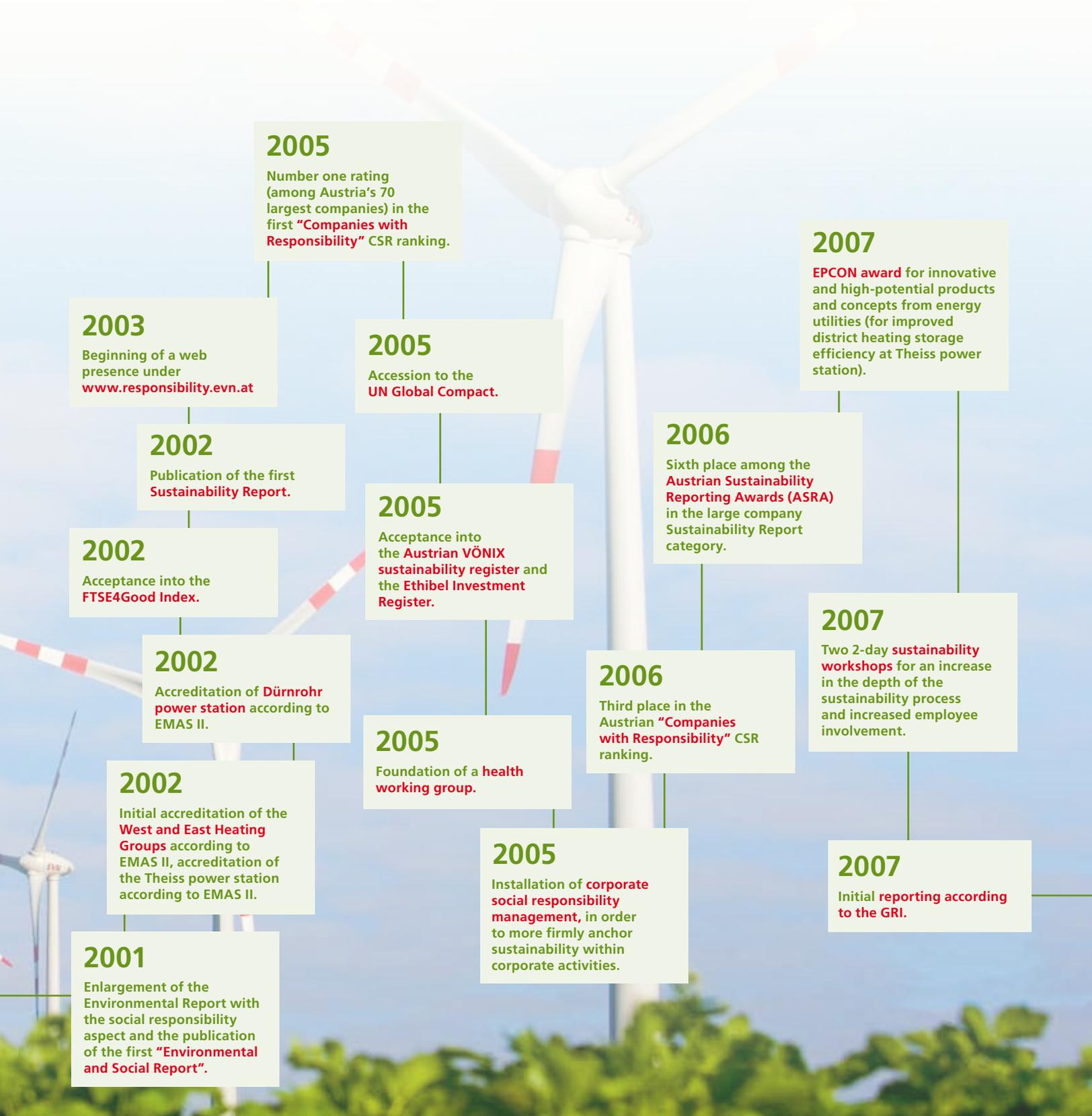
EMAS I accreditation of the **Mödling, Baden and Wiener Neustadt** district heating (power) plants.

**1999**

EMAS I accreditation of the **East and West Heating Groups**.

**1999**

Introduction of **flexible working hours** without core time.



**2005**  
 Number one rating (among Austria's 70 largest companies) in the first "Companies with Responsibility" CSR ranking.

**2007**  
**EPCON award** for innovative and high-potential products and concepts from energy utilities (for improved district heating storage efficiency at Theiss power station).

**2003**  
 Beginning of a web presence under [www.responsibility.evn.at](http://www.responsibility.evn.at)

**2005**  
 Accession to the **UN Global Compact**.

**2002**  
 Publication of the first **Sustainability Report**.

**2006**  
 Sixth place among the **Austrian Sustainability Reporting Awards (ASRA)** in the large company Sustainability Report category.

**2002**  
 Acceptance into the **FTSE4Good Index**.

**2005**  
 Acceptance into the **Austrian VÖNIX sustainability register** and the **Ethibel Investment Register**.

**2007**  
 Two 2-day **sustainability workshops** for an increase in the depth of the sustainability process and increased employee involvement.

**2002**  
 Accreditation of **Dürnrohr power station** according to **EMAS II**.

**2006**  
 Third place in the Austrian "**Companies with Responsibility**" CSR ranking.

**2005**  
 Foundation of a **health working group**.

**2007**  
 Initial **reporting according to the GRI**.

**2002**  
 Initial accreditation of the **West and East Heating Groups** according to **EMAS II**, accreditation of the **Theiss power station** according to **EMAS II**.

**2005**  
 Installation of **corporate social responsibility management**, in order to more firmly anchor sustainability within corporate activities.

**2001**  
 Enlargement of the **Environmental Report** with the social responsibility aspect and the publication of the first "**Environmental and Social Report**".

## CSR organisation

A CSR organisation was first introduced at EVN at the beginning of October 2005. As a result of the initial experience gained, this was then restructured and improved at the beginning of 2007. The CSR management steering committee consists of the complete Executive Board and the heads of the Group functions Environmental Controlling and Communications. Moreover, a CSR advisory team comprised of employees from the Communications, Human Relations, Investor Relations, Environmental Controlling and Legal departments is operating under the auspices of a CSR officer from the technical area. This team is responsible for the preparation of CSR principles and measures, as well as their communication and implementation. This committee is supported by CSR network officers appointed in every EVN department in order to secure internal communications and all downstream processes.

The CSR focus during the 2006/07 financial year was on the enlargement of the CSR organisation, a heightening of awareness among employees, the determination of the 2007/08 sustainability programme and this Sustainability Report. For this purpose, two workshops were held in Ottenstein and several working meetings took place at EVN headquarters in Maria Enzersdorf. In addition, in the stakeholder loyalty area, students carried out a survey among EVN customers regarding their awareness levels in relation to EVN's commitment to sustainability (please see page 16–17).

**The members of the CSR advisory team come from various areas of the company**



### The members of EVN's CSR advisory team on their understanding of sustainability

The topic of sustainability determines our daily lives, irrespective of whether we are active or inactive, consume or refrain from favourite habits. A sustainable orientation cannot be switched on or off, but must be tangibly experienced and this leads to critical questions. How did the products that I consume originate, where do they come from and what factors were involved in their production? Can I conserve resources through my actions and decisions? Does my consumer behaviour have negative consequences for others? One has to develop a feeling for this philosophy and attitude to life. Sustainability cannot be donned like a hat, which is then hung up in the evening or whenever it suits. If we fail to identify with it, we will not succeed in living out the body of thought relating to sustainability, or adapting our actions accordingly. Our goal is to understand the interactions within sustainability in detail and to follow them in general.

This understanding also shapes the activities of the CSR advisory team, which co-ordinates CSR measures at EVN and seeks to generate new impulses. The resultant guaranteed integration of differing company areas, has triggered the penetration of the idea of sustainability throughout the Group. The members of the CSR advisory team see their responsibility as involving the maintenance of the impetus and stimulation of this process. This objective justifies the related effort required, for in the final analysis, sustainability means quality of life, which above all, can be upheld or acquired for future generations.

**From left to right: Elvira Hammer, Peter Zaruba, Maria Werni, Renate Lackner-Gass, Klaus Kohlhuber, Ulrike Henzinger**



## CSR organisation

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

Approves EVN programmes and confers on strategy

### CSR advisory team (CSR officer 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 network officers (employees from all departments)

Securing of internal communications and all downstream processes.

### Temporary working groups

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

## EVN's CSR network officers

### Guest presentation by Prof. Ernst Gehmacher

The presentation held by Prof. Gehmacher at the meeting of the Advisory Board on June 4, 2007 dealt with the topic of sustainability and social capital. Following his definition of social capital as the solidarity within a society and sustainability as a focus on the long-term advantages for a social grouping, Prof. Gehmacher turned to the tensions and problems imminent to these areas of discussion. This exposition then led to the presentation of various sustainability models and objectives. In closing, Prof. Gehmacher outlined a number of actual approaches for EVN, which the Executive Board has adopted for debate and further pursuit within the framework of CSR activities. Prof. Gehmacher's presentation is available under [www.responsibility.evn.at/organe.asp](http://www.responsibility.evn.at/organe.asp).

## Advisory Board for the Environment and Social Responsibility

Established in 1992 as the Advisory Board for the Environment, today this platform bears the name Advisory Board for the Environment and Social Responsibility and is composed of representatives from the worlds of business, the sciences, health and government. The Board is intended to advise the Executive Board in questions relating to environmental protection and sustainable company management in the ecological and social areas, and also provide fresh impulses. The Board meets twice yearly and on these occasions a presentation is held concerning a current environmental or social topic of direct or indirect relevance to EVN. During the subsequent discussions, opinions are exchanged and possible consequences for EVN explored. The Executive Board makes every effort to ensure that the feedback from these valuable contributions is used in the company in enhanced form. A guest commentary from Franz Maier, who is a member of the Advisory Board, can be read on page 68. The CSR advisory team intends to integrate his remarks into their activities to an increased extent.

## Transparent communications with all stakeholder groups

### 1<sup>st</sup> Lower Austrian Energy Savings Day

On February 23, 2007 the 1<sup>st</sup> Lower Austrian Energy Savings Day was held throughout the federal province in conjunction with the Raiffeisen banking group and the Lower Austrian government. 18 EVN energy experts were available at Raiffeisen branches for free energy consulting on the following main topics:

- Low energy and passive housing
- The thermal renovation of properties
- Energy pass and key figures
- Energy source comparisons
- Heating and hot water with, e.g. heat pumps and gas calorific value systems
- Thermography and air-tightness measurement

### EVN advisors help customers to save energy

Out of an awareness that successful development can only be achieved through the involvement of all interested parties, EVN endeavours to maintain an open dialogue that is characterised by mutual trust. Past efforts in this regard were intensified and concentrated with the stakeholder survey carried out in the summer 2006. In order that the information needs of the company's various target groups can be better addressed in years to come, customers, suppliers, employees, owner representatives, financial institutions, interest groups, the media and public bodies were all questioned.

### Active employee integration

The dialogue with the EVN workforce goes far beyond the legally prescribed obligation to provide information and employees are supplied with a constant flow of news concerning current company developments and also topics surrounding the CSR process. Moreover, from the very beginning, the workforce was involved in the drawing up of basic principles and measures for the establishment of sustainable corporate management. In addition, instruments have been installed as part of daily working, which promote an active contribution by employees to the ongoing improvement of all internal processes and working procedures. For more information on this idea management system please visit the [www.responsibility.evn.at/ideenmanagement.asp](http://www.responsibility.evn.at/ideenmanagement.asp) website. Details concerning the social partnership within EVN are available under [www.responsibility.evn.at/mitarbeiter\\_grundsatz.asp](http://www.responsibility.evn.at/mitarbeiter_grundsatz.asp). Over 90% of the workforce are represented by Works Council members or trades unions and as far as their remuneration is concerned, protected by collective, tariff or statutory minimum wage agreements.

### Total customer orientation

EVN numbers more than three million households, industrial companies, commercial customers, local authorities and other energy supply companies in 14 countries among its clientele. Their satisfaction is the company's top priority and also the basis for its business success. Accordingly, the task is not only to fulfil customer demands with regard to the quality and direction of products and services, but also in relation to communications, information and service quality. A diversity of service products and processes has been developed for precisely this purpose and a special role is allotted to consulting concerning the intelligent use of energy and possibilities for economies.



In a move aimed at improving and further developing the internal communications and teamwork at the Customer Centres, Social Competence Days have been introduced. In the course of workshops, evaluations concerning working activities and co-operative behaviour are visualised and thus made tangible. Furthermore, the demands made on the advisory teams and the Customer Centre managers are formulated and discussed. These discussions then flow into a written target agreement, which includes measures for improved teamwork during the current year.

EVN operates according to the principle of equal treatment of all its customers and acts accordingly. In conflict situations, the sole basis for decisions is provided by legal regulations. The company's entire external image corresponds with ethical principles and here, too, no discriminatory or racist content is employed.

### Presentation of the electricity origins in Austria

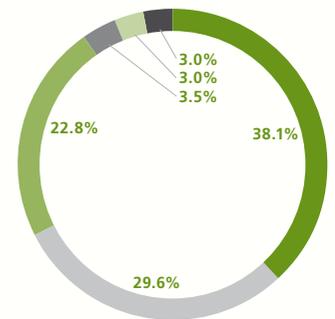
EVN communications also offer complete transparency with regard to the origins of electricity. Within the framework of the EnergieAllianz Austria GmbH (partners: EVN 45%, Wien Energie 45%, BEWAG 7%, BEGAS 3%), EVN Energievertrieb GmbH & Co KG (EVN KG for short) is responsible for the sale of electricity and gas to consumers. This means that since October 2001, EVN has fulfilled its existing legal obligation to provide consumers with information on their electricity bills about the origins of the power they receive. The auditor, KPMG Austria GmbH, examines this electricity classification.

The environmental impact derived from the primary energy mix employed by EVN KG during 2005/06 in Lower Austria amounted to 313.28 g/kWh of CO<sub>2</sub> emissions and 0 g/kWh of radioactive waste. The UCTE (Union for the Co-ordination of Transmission of Electricity) mix, which describes the composition of European electricity, shows environmental impact of 446.43 g/kWh CO<sub>2</sub> and radioactive fallout of 0.000832 g/kWh (source: E-Control). The EnergieAllianz Austria GmbH subsidiary Naturkraft Energievertriebsgesellschaft m.b.H. acts as a supplier for "NaturStrom", which is electricity produced entirely from renewable sources. The environmental impact derived from this supplier mix amounts to 0 g/kWh of CO<sub>2</sub> emissions and 0 g/kWh of radioactive waste.

### Electricity sourcing in Bulgaria and Macedonia

In South-eastern Europe, EVN's energy companies in both Bulgaria and Macedonia are subject to single buyer models, which oblige them to obtain the power they require from the respective state-owned transmission network operators, who are responsible for national power sourcing, imports and exports. The companies only have limited own generation capacity. However, in the long-term, EVN is looking to offer a flexible energy mix analogous to that employed in Lower Austria. Both the prices for purchases from the national suppliers and those relating to sales to consumers are government regulated.

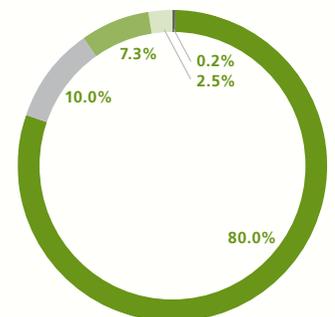
### EVN KG primary energy mix 2005/06



- Hydropower<sup>1)</sup> 38.1%
- Natural gas 29.6%
- Coal 22.8%
- Solid or liquid biomass 3.5%
- Wind and solar power 3.0%
- Rest (AVN waste incineration, oil and by-products, biogas, landfill and sewage plant gas, geothermal energy) 3.0%

<sup>1)</sup> 3.89% of the hydropower was generated in small-scale plants.

### Naturkraft sales company primary energy mix 2005/06



- Hydropower (exclusively from small-scale power plants) 80.0%
- Wind and solar power 10.0%
- Solid or liquid biomass 7.3%
- Biogas 2.5%
- Landfill and sewage plant gas and geothermal energy 0.2%

## SUSTAINABILITY QUIZ

**EVN HAS BEEN INTENSIVELY INVOLVED WITH THE TOPIC OF SUSTAINABILITY SINCE 2001.**

True  False

False! The first Environmental and Social Report was published in 2001, but prior to that a number of initiatives had already been taken (please see page 10–11). For example, the first Environmental Report was issued in 1990.

### Safety information

EVN also adopts a highly conscientious approach to its customer responsibilities in connection with information concerning the dangers relating to electricity and gas. Leaflets on this topic are available from the Customer Centres and can be delivered upon request. In co-operation with the “PowerPartners” in Lower Austria, electrical and gas safety checks are also offered.

Electrical and magnetic fields are created during the generation, transmission and use of electrical energy. In a long-term project, the World Health Organisation (WHO) has evaluated the results from more than 25,000 research studies from the past 30 years. To date, no negative effects on health derived from long-term exposure to weak high- and grid-frequency fields could be proven. As far as its judgement and handling of electrical and magnetic fields in relation to humans are concerned, EVN adheres to the VORNORM ÖVE/ÖNORM E8850 standard, which lays down limits for long-term exposure to 50 Hz fields. These values derive from the directives of the International Commission on Non-Ionizing Radiation (ICNIRP).

### Electrical, magnetic and electromagnetic fields

The public electricity supply throughout Europe uses alternating current with a 50 Hz frequency. In this frequency range, the electrical and magnetic components are virtually independent of one another and therefore possible effects must be analysed in isolation. Electrical fields are created through voltage and shielding can be relatively simply provided by the conductivity of trees, houses, bushes and cars. Magnetic fields are generated through electrical currents. Shielding against these fields is virtually impossible or at best, extremely complicated. A combination of these two types of field (electromagnetic fields) only occurs in far higher frequency ranges, like those required for mobile radio networks.

### Customer satisfaction levels in Lower Austria

In order to fulfil customer expectations and needs to the greatest possible extent, since 1981 EVN has carried out regular image analyses. Moreover, starting in 1998, the company has also completed surveys regarding customer satisfaction levels. In addition to these annual studies, in May 2007 students from Vienna University questioned customers within the framework of a research seminar. Using a random sample, 233 people were asked about the values and benefits that EVN provides for the region and the extent to which its commitment to sustainability is known.

A large percentage of those questioned connected EVN with quality of life and the survey pinpointed the following wishes among EVN customers for improvements:

- Increased invoice transparency (price composition, clear information and listing of the composition of the electricity, etc.).
- Stronger positioning in the sustainability sector.
- Increased personal customer consulting.
- More activities for young people (the communication of sustainability through school projects, excursions, teaching materials, posters in schools, practical advertising gifts suited to the various age groups, etc.).
- Intensified regional support, e.g. through the use of local resources.

**Information and communications range for EVN customers in Lower Austria**

- The quarterly customer newspaper, EVN Journal
- The EVN website, [www.evn.at](http://www.evn.at)
- Return call service
- EVN complaint management
- Participation in events such as the GEWINN trade fair, the Wels Energy Saving fair, building & energy fairs, the BIOEM bio-energy fair, etc.
- 26 Customer Centres
- Individual consulting

**QUIP customer satisfaction benchmarking**

Every contact made by a customer, whether in person, in writing or by telephone shapes attitudes to the company and also offers a possibility for the best possible fulfilment of wishes and needs. Therefore, for a number of years, EVN has been running a competition for continual improvements in the quality of the advice and support available. Under the acronym “QUIP” (Quality Improvement Programme), test persons make customer inquiries by phone and in written form, and send in complaints to EVN, the handling of which is assessed according to clearly defined quality criteria. In addition, the EVN Customer Centres and advisors are examined at selected energy fairs with regard to the standard of the customer support supplied. The results thus obtained then flow into concrete optimisation measures at regular intervals.

**EVN annually honours outstanding consulting and support performance**



## SUSTAINABILITY QUIZ

**SUSTAINABILITY CAN ONLY BE PRACTICED IN HIGHLY DEVELOPED ECONOMIES.**

True       False

False! As currently demonstrated by EVN in Bulgaria and Macedonia, sustainability aspects can also be implemented during a process of economic transition. Accordingly, the EVN standards that have long been adhered to in Lower Austria are to be gradually implemented at the South-eastern European units.

### Auditing of external services

Since 2004, EVN has also taken environmental protection, work safety and security factors into account when choosing its services suppliers for building activities and assembly operations in Austria. During the invitation to tender, suppliers wishing to be involved in the final selection, have to answer questions relating to the environment and safety. This auditing has led to an increased awareness among suppliers with regard to work safety and the quality of the services provided.



**“We appreciate the teamwork and fairness provided by EVN.”**

#### Jürgen and Sabine Uhl, Master Builders, Wiener Neustadt

“We appreciate the teamwork and fair treatment provided by EVN, which is based on mutual respect and the upholding of agreements. We have established that our standards of completion and quality have risen to the extent required by our customer. This process of growth in line with the demands made upon us is sustainable and also leads to business success.”

Messrs Uhl provides earthmoving and construction work for EVN in the Wiener Neustadt, Baden and Pottenstein districts.

## Investor relations

As part of its investor relations activities, EVN holds a regular dialogue with its shareholders and analysts from institutional investors and banks. The aim is to strengthen the long-term confidence of these target groups through current and comprehensive information and thus ensure a fair evaluation of the EVN share. The governing principles which apply in this regard consist of parallel, open and comprehensive communications with all capital market participants, high transparency levels in the orientation of the quarterly and annual reports, proactive reporting by means of press conference and roadshows, and the annual gathering of shareholders.

[www.investor.evn.at](http://www.investor.evn.at)

The provision of shareholder and employee recommendations to the Executive and Supervisory Boards is regulated by legal stipulations and corporate governance. However, this information flow is also extended by internal, organisational measures. Shareholders can receive information at any time via a free service hotline and upon request, are also provided with support and return calls by the investor relations team. Comprehensive online information concerning business trends and the share is available on the [www.investor.evn.at](http://www.investor.evn.at) website. In addition, services such as the supply of SMS and e-mail messages concerning share price trends and a newsletter about events relating to EVN are also available. A retail shareholder event was also organised during the 2006/07 financial year. Some 850 shareholders came to Waidhofen/Ybbs and following a presentation concerning business developments given by the Board spokesman, Burkhard Hofer, were able to choose between a visit to the Lower Austrian Provincial Exhibition or a tour of the museum and hydropower plant in Schwellöd. Mr. Hofer was also available for subsequent questions.

## In dialogue with shareholders



A visit to the Schwellöd museum and hydropower plant



## Interview with Michael Landau and Burkhard Hofer



**“The interaction with foreign cultures represents a great opportunity.”**

Burkhard Hofer, Spokesman of the EVN Executive Board



**“Investors have an enormous social responsibility.”**

Michael Landau, Director of the Caritas organisation of the Archdiocese of Vienna

**In recent years, EVN has undergone radical change due first and foremost to its involvement in South-eastern Europe and international project business in the environmental sector.**

**Hofer:** We have been in a process of permanent change for a number of years. Today, with its workforce of around 10,000, the EVN Group supplies some three million customers in Austria and South-eastern Europe with energy. Indeed, more than 75% of our employees and customers no longer have German as their mother tongue. Such radical shifts also apply to other important areas of life such as regional identity and religious beliefs, where a high degree of uniformity has been very rapidly superseded by great diversity. We have been facing up to this considerable inter-cultural challenge since our entry into the Bulgarian electricity market and can already point to considerable progress.

**What do you regard as the greatest hurdles facing EVN in this connection?**

**Hofer:** En route to becoming an internationally oriented corporate group, we should regard dealing with foreign cultures as a major opportunity. During the transfer of our Lower Austrian success model to our subsidiaries in Bulgaria and Macedonia and the development of a shared Group culture, we must employ the greatest respect with regard to historical, traditional and cultural differences during the development of a shared group culture. We can only fully master the integration process and achieve sustained success by means of a joint approach to work and responsibility. A significant aspect of integration in South-eastern Europe is formed by social issues, in particular the prevailing far lower affluence levels and related, unreliable payment behaviour among various customer groups. A look over the border gives us the certainty that above all, Austria is a model with regard to social standards.

**The Catholic Church can look back on a very long, international tradition, as does its Caritas organisation. In your opinion, what are the standards that Austrian companies should take into account when entering the South-east European market?**

**Landau:** Without doubt, the necessary sensitivity required with regard to social questions is of decisive importance. The majority of the Balkan states are very young democracies and only a few years ago, the region was the scene of civil wars, which have left wounds that are still partially open. When I consider EVN's activities in South-eastern Europe, apart from the poverty among large sections of the population, minority issues play a major role. In this connection I am thinking of the Romany population in Bulgaria and the Albanian minority in north-west Macedonia. Consequently, along with their economic involvement, Austrian investors also assume an enormous social responsibility.

**Hofer:** This tallies precisely with our approach. In the countries where we are active, we also wish to contribute to the solution of problems within the framework of our social responsibility and possibilities. Discrimination against minorities must be totally avoided in the course of our supply assignment and the equal treatment of all customers is a central EVN objective. The problem that Mr. Landau mentioned with regard to Stolipinovo, the Romany quarter in Plovdiv, is in truth a European issue, which can only be solved by the EU in teamwork with the Republic of Bulgaria. Clear, legal regulations are required in this regard, particularly in relation to urban planning questions and we can already see intensive efforts aimed at eliminating this unjust situation on the part of the Bulgarian authorities together with European institutions. As far as EVN is concerned, we also wish to make a constructive contribution in this area.

**EVN has been operating in Macedonia since 2006. How is the integration process progressing?**

**Hofer:** Our number one priority in Macedonia is the improvement of the security of supply and a reduction in technical line losses. Moreover, in Macedonia we are faced by even greater problems regarding payment behaviour than was the case when we entered Bulgaria. At the beginning of the year, we ran a three-month campaign regarding the conclusion of instalment payment agreements for outstanding debts owed to our subsidiary, ESM, and this was met by a highly positive response among customers. As a result, a large percentage of the old receivables were paid and customers, who were not able to settle their debts

at once, received an opportunity to pay in instalments. EVN has also been able to assist over 8,000 customers in Austria with their financial problems through payment agreements.

**Landau:** This is a most important point, as despite the problems in South-eastern Europe, we must not lose sight of our Austrian homeland. An increasing number of families are being pushed towards the periphery of society due to price increases in many areas of life. Energy companies also bear a major social responsibility when dealing with cases of hardship. I find that EVN's flexibility in such situations is positive and I am also pleased by our support of the "Spark of Warmth" aid promotion, which has been jointly organised by Caritas and the "Kronenzeitung" newspaper. This provides many Austrians in need with extremely efficient help in winter.

**In the environmental sector, EVN is actively involved in twelve other European countries and the building of wastewater treatment and waste incineration plants for major cities such as Moscow and Zagreb. How do you view this development?**

**Landau:** Basically, I regard the export of top Austrian environmental technology as extremely positive. When domestic companies provide clean water and proper waste treatment in other parts of Europe, this definitely contributes to European integration. And naturally, I expect very high standards from companies such as EVN with regard to sustainability and the assumption of social responsibilities, which also extend to the environment.

**Hofer:** I strongly concur with these remarks. All over the world, local government is faced by the same infrastructural challenges, consisting of the safe and clean supply of energy and water, mastery of the waste disposal problem, and functional transport networks. We offer modern solutions for major issues relating to the quality of life in large areas of Europe.

**In recent years, energy has become a commodity in short supply. Where is electricity to come from in future?**

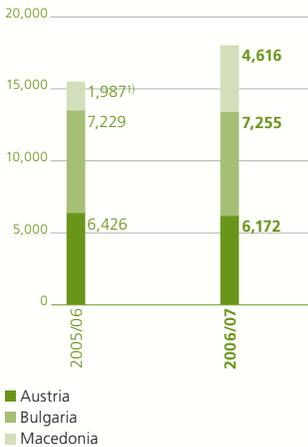
**Landau:** In my opinion, a careful approach towards nature and climate protection demands a complete rethink of both energy and development policy. In view of climate change, the world must close ranks and jointly create positive perspectives for the generations of tomorrow. As far as Austria is concerned, I believe that this means the increased use of national resources such as biomass, wind, solar energy and water. In line with the preservation of creation, I do not see nuclear power as an alternative in the battle to reduce CO<sub>2</sub> emissions. We have to adopt a reasonable attitude to energy and we cannot accept misuse as being given. I regard the conscious sacrifice of consumption in many areas as virtually a Christian obligation. After all, when we have two healthy legs not every short distance demands the use of a car.

**Hofer:** In recent years, we have done a great deal in this direction and intend to markedly step up these activities. Our strategy for the future carries the motto, "Using energy wisely!" And in other words, we are seeking to save energy wherever this is possible and intelligent and achieve energy efficiency in every area. We are doing all we can in this connection and support our customers with efforts aimed at using less energy for unchanged levels of comfort. EVN is proud to be a company that does not deliver electricity to Austrian consumers generated by nuclear power. Indeed, my aim is to anchor sustainability in every area of Group strategy to the advantage of our customers, employees, owners and the environment.



## Integration of the subsidiaries in Bulgaria and Macedonia

### Electricity sales in GWh



1) 3<sup>rd</sup> and 4<sup>th</sup> quarters 2005/06

During recent years, EVN has markedly expanded the radius of its activities. In January 2005, both the southern Bulgarian power suppliers, ERP Plovdiv (now EVN Bulgaria EP AD, responsible for network operations) and ERP Stara Zagora (now EVN Bulgaria EC AD, responsible for energy sales) and in April 2006, the Macedonian power supplier, ESM AD, were the object of majority takeovers. As at September 30, 2007, the Bulgarian companies had a combined workforce of 3,350 and EVN thus represents one of the largest employers in the country. Approximately 3,100 employees work for EVN in Macedonia, where some 720,000 customers are supplied throughout the total area of the country, which amounts to 25,700 km<sup>2</sup>, with approximately 4,600 GWh of electricity annually. 1.5 million customers are served in Bulgaria, which means that in total, the EVN Group supplies over 3 million electricity consumers. Following the conclusion of a takeover agreement for the district heating supply company, TEZ Plovdiv, EVN will also enter this segment of the Bulgarian energy market and have roughly 40,000 district heating customers.

In addition to increased security of supply and improved customer services, the main priorities are the integration of new employees and the consolidation of company competitiveness. The following sections discuss the most important measures initiated to overcome these challenges.

### Establishment of a common culture of responsibility and leadership

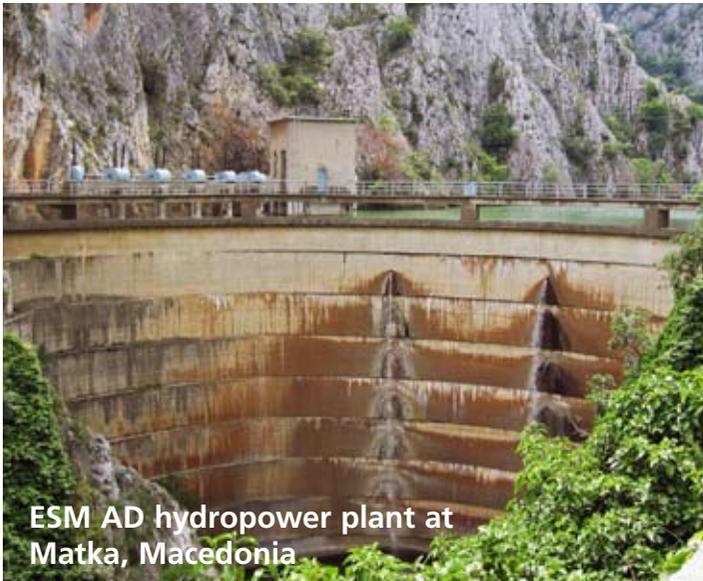
The development of a shared corporate culture, based on uniform Group principles is important as a means of bridging the differences created by linguistic and cultural diversity. Training at the EVN Bulgaria and EVN Macedonia Academies, internships, the exchange of experts and a variety of other measures are currently encouraging an integrative culture of responsibility and leadership. The "Always at your service" claim already implemented in Lower Austria represents the paramount aim in this regard. This applies to both customers and all EVN stakeholder groups.

To encourage trust among the workforce in Bulgaria and Macedonia, EVN operates an open communications policy. For example, a special emphasis is laid upon internal communications in the form of an employee journal and there is at least one bilingual expert in every department. Internal transfers were also needed in order to secure the optimum and most efficient use of the Bulgarian and Macedonian employees. All the central departments were concentrated in Plovdiv and Skopje and a programme for the encouragement of geographic flexibility and mobility was developed.

### Transfer of employee protection and safety standards

In Bulgaria numerous measures have been taken for improvements regarding accident protection and heightened awareness with regard to safety matters. In an initial step, technical specifications were drawn up for protective working clothing. As a result, improved technology is already being used to safeguard the wearers of flame-retardant clothing and important personal protection items such as safety belts and helmets have been upgraded to the state of the art. The voltage testing devices for 20 kV systems have also been exchanged for equipment that matches EVN's high safety standards and not only have improved tools been purchased for the electro-fitters, but also special training has been organised. Safety officers from Austria held the first of these seminars with the help of the occupational medical service in Bulgaria. Renovations to company buildings have also been completed with an eye to improved safety levels, the checks and purchasing of portable fire extinguishers having been newly regulated and a concept developed for the introduction of electrical equipment locking systems that meets Austrian standards. In addition, employee care has been enhanced through an agreement with occupational medicine centres.

A personal protection equipment purchasing programme was also started for the enhancement of work safety among employees in Macedonia. Around 40% of this programme has been completed and a tendering process for new earthing and short circuit sets is being prepared with the aim of raising safety standards.



**ESM AD hydropower plant at Matka, Macedonia**



**Substation tower in Stara Zagora, Bulgaria**

During the period under review, a supply contract was signed with a supplier for the sourcing and checking of fire extinguishers. Moreover, an “Accident Reporting” directive was agreed, in order to improve prevention levels and first aid courses have been organised via the EVN Macedonia Academy.

## **The transfer of environmental standards**

In order to establish EVN environmental standards, during the year under review internal environmental protection training courses commenced for Bulgarian and Macedonian employees under the guidance of Austrian experts. In addition, an external workshop was held in conjunction with the Bulgarian Environment Ministry, which focused on waste legislation, and a seminar took place on the topic of oil-related pollution. Furthermore, the past financial year saw the completion of the investigation of possibly contaminated sites with the result that no environmental hazards were identified. A similar process has also already begun in Macedonia. In both countries, PCB studies were completed and the inventory of electrical equipment containing oil demanded at ministerial level has already been carried out in Bulgaria and started in Macedonia. Furthermore, initial steps were taken in Bulgaria for the implementation of waste management in conformity with EU guidelines. In this connection, waste volume assessments were carried out at the locations, an internal waste management directive was prepared and employees were selected for the role of waste officers.

## Improvements in employee qualifications

Extensive training and further training measures are intended to secure internal know-how transfer and to even out the differing standards of education and qualifications in the new EVN subsidiaries at a uniform high level. For this purpose, the EVN Macedonia Academy was launched in October 2007. This follows the example set by the EVN Bulgaria Academy, which has already been attended by more than 6,300 trainees since January 2006. In the initial phase, a training programme has been prepared for employees at company headquarters consisting of courses in English, German and computing. Employees from other organisational levels will then be gradually included in the training process and the range of courses enlarged. The introduction of management development programmes is planned for both Bulgaria and Macedonia in the coming financial year. The introduction of employee discussions is also being examined.



**Opening of the EVN  
Macedonia Academy  
in October 2007**

## Personnel reduction and social plan

In order to secure long-term business success in South-eastern Europe, it is essential that an ongoing increase in operational productivity be achieved. Nonetheless, EVN is making every effort to organise the related reduction in the workforce in the most social manner possible. As was previously the case in Bulgaria, during the year under review, a social plan was drawn up in Macedonia in conjunction with the company trades union. This plan lays down the guidelines for the scheduled staff cuts at the Macedonian company in detail. First and foremost, these cuts should take place via natural losses in the workforce and attractive redundancy models. In total, since the takeover, personnel numbers in Macedonia have been reduced by around 700. This figure includes persons on short-term contracts at the time of the acquisition.

## Positive dialogue with the trades unions and Works Council delegates

In both Bulgaria and Macedonia, collective wage agreements were concluded in conjunction with the trades unions, which form a cornerstone of company personnel policy. Another step towards the integration of the South-eastern European subsidiaries was taken in mid-September 2007, with the signing of an agreement between the Group executive management and Works Council delegates from Bulgaria, Macedonia and Austria concerning the implementation of a European Works Council. Above all, this should serve as a platform for communications and understanding.

## Group Conference 2007

The EVN Group Conference in June 2007 in Maria Enzersdorf represented a working meeting for all those employees involved in the management of the integration process within differing areas of the Group. At the same time this gathering was intended to symbolise the reorientation in EVN's corporate culture. Parallel to an intensive working programme and team-building tasks, the attendees were taken to Sankt Pölten for a musical excursion through Europe with the Niederösterreichische Tonkünstler. It is intended to repeat such working meetings in the coming years.



## Implementation of the principles of sustainability

It is EVN's declared aim that the environmental and social standards applying in its Austrian domestic market should be extended to the international companies within the Group. As a result of ongoing and imminent projects, above all, the development of a sustainability-oriented investment policy represents a special challenge with regard to the redirection of the company. Among other issues, the current focal points of activities in Bulgaria and Macedonia involve the implementation of waste management systems, the inventory of electrical devices containing PCBs, the integration of environmental protection in the developing management system, and investments in grid updating in order to cut losses.

In mid-2007, ESM AD joined the UN Global Compact as a Macedonian company and is especially involved in issues relating to human rights, working standards, the environment and anti-corruption measures. The benefits of membership consist of the unlimited interaction and exchange of know-how, experience and support between various interest groups.

## Temporary power cuts in Bulgaria

Prior to EVN's purchase of the two Bulgarian electricity supply companies, the district of Stolipinovo in the city of Plovdiv, which has a predominantly Romany population, had been subject to repeated power cuts between 8.00 a.m. and 7.00 p.m. due to unpaid electricity bills. The technical infrastructure did not permit a differentiation between paying customers and those in arrears. The number of official connections in Stolipinovo totalled 5,200, although as a result of illegal tapping, this figure was probably much higher.

EVN is well aware of the power cut problem and since the takeover has been working intensively on the modernisation of the electrical infrastructure in the critical Bulgarian supply areas. The exchange of some 5,500 existing meters and 700 meter panels commenced during the year under review. The new meters not only allow the correct, individual (remote) reading of the energy consumption figures, but also individual (remote) shut-downs in the case of unpaid accounts. In addition, all the customers with outstanding debts to EVN have the possibility of agreeing to instalment payments.

## SUSTAINABILITY QUIZ

### EXTERNAL HOUSE WALLS ARE RESPONSIBLE FOR THE MAJORITY OF HEAT LOSSES.

True       False

False! One-third of the heat loss passes through storey ceilings or roofs. Especially in the case of small budgets, ceiling and unheated loft insulation constitutes an energy-efficient measure.

#### Successful customer promotions in Macedonia and Bulgaria

At the beginning of 2007, every ESM AD invoice was supplemented by an energy saving leaflet, in order to raise awareness levels regarding the intelligent use of electricity. Moreover, in a promotion aimed at encouraging a sense of loyalty, a prize draw was organised for regular customers. The main winners received a trip to Vienna and low-energy lamps were also distributed as prizes, along with information concerning environmental protection and economic lamp use.

In September 2007, EVN launched an energy saving campaign with simple tips for easily realisable economies in Bulgaria. The campaign was supported by a series of posters, a TV and radio commercial and print advertising. This campaign was then continued on the homepage, leaflets and in the customer journal, "EVN Bulgaria Bulletin". [www.evn.bg](http://www.evn.bg)

#### First low-energy Customer Centre in Bulgaria

In summer 2007, planning commenced for the building of a new Customer Centre in the Bulgarian city of Primorsko. The design of the ground plan and the external appearance of the building correspond with EVN's corporate identity guidelines, but also take regional factors into account. An Austrian architect, working in close co-operation with Bulgarian planners, provided the basic concept for the new Customer Centre. The building is of low energy design and the aim is an average U-value (measurement of the heat permeability of parts of the building such as walls and ceilings) of 0.2W/m<sup>2</sup>K. This is the first time that EVN has implemented this low energy standard in an administrative building. In order to increase energy efficiency, ventilation in the inner rooms will employ a heat exchanger and solar collectors will be used for hot water preparation. A free cooling system (night ventilation via the windows and a separate de-aeration shaft) is to be utilised for the cooling of the storage mass. Special ceiling systems will be employed for the use of the cooler air obtained during the night.

#### Working process optimisation and material management

A number of material standardisation procedures were implemented in order to ensure the greatest possible uniformity of the materials used. In Bulgaria, around 25 differing cable cross-sections and types have been reduced to 13 subject to special EVN requirements. Moreover, as far as national regulations allowed, an internationally harmonised standards catalogue was taken into account in a new list of specifications. For example, in the case of power cables, a switch has been made from PVC sheathing to high-density polyethylene with the joint aim of reducing environmental impact and raising the security of operation and supply. Following the signing of general agreements, the handling of orders with construction and assembly companies has become more efficient and warehousing management has also been optimised. Fitters and engineers have received information in the form of technical manuals, which provide an insight into working methods and standardised materials. Furthermore, workshops with outdated equipment will be brought up to EU environmental standards and their production procedures optimised.

# The EVN strategy

## Equilibrium between company objectives

As an independent, listed energy and environmental services provider, on the basis of its activities in Lower Austria, EVN intends to establish and maintain a strong, long-term position in selected CEE markets. This superordinated objective leads to a number of equally important lines of approach. With regard to its customers, EVN defines itself as a reliable partner that supplies first class services at competitive prices. This claim to quality is made possible by committed employees, who are offered possibilities for advancement, fair remuneration and attractive working conditions. On the basis of this catalogue of values, EVN feels obliged to pursue a sustainability-oriented management policy and is convinced that the desired, continuous increase in corporate value can only be attained through the involvement of all stakeholder groups. With the support of active and transparent communications, such value added should be reflected by the price trend of the EVN share and in combination with an attractive dividend policy, facilitate the payment of appropriate returns on the capital invested by stockholders. During the year under review, the strategic plans and objectives for the period up to 2010 were defined in close co-ordination with the Advisory Board. In brief, the four cornerstones of this strategy, which are described in detail in the 2006/07 Annual Report on page 20ff consist of the following:

## The four cornerstones of EVN strategy

### Strengthening of bi-directional strategy

In order to constantly raise the level of operative diversification, parallel to its energy business, for a number of years EVN has been increasing its involvement in environment-related areas such as waste incineration, water supply and wastewater treatment. With projects in twelve countries, this segment provided 12.3% of total turnover in the 2006/07 financial year.

### External and organic growth with a focus on Eastern and South-eastern Europe

Following the recent acquisitions in Bulgaria and Macedonia, the Executive Board is examining the possibilities for further expansion in Eastern and South-eastern Europe. For example, during the year under review, important preliminaries were completed with regard to tendering for three hydropower plants in Albania.

### A transparent capital market policy with solid dividends

EVN intends to facilitate a fair assessment of the company by means of open, up-to-date and comprehensive communications. The total derived from the increase in the share price and dividends should represent appropriate returns on the capital invested by stockholders. As the result of a proposed dividend of EUR 1.50 and a rise in the share price of 8.3%, a total shareholder return of 10.0% can be calculated for the 2006/07 financial year, following 13.1% in 2005/06.

### Sustainable company management

This Sustainability Report documents the efforts and objectives of this strategic line of approach. In summary, the greater use of renewable energy sources, reductions in emissions of all types and the consideration of differing stakeholder needs can be formulated as strategic targets.



**“...using all genuine opportunities!”**

**Burkhard Hofer, Spokesman, EVN Executive Board**

“In our business areas we wish to capture a leading market position in selected CEE markets and then retain it in the long-term. As far as the actual realisation of this objective is concerned, apart from the rapid integration of our new subsidiaries in Bulgaria and Macedonia, among other aspects this means maximum increases in the efficiency of our existing generation capacity, further expansion in the field of renewable energy use, the creation of additional power plant capacity, and the optimisation and enlargement of our electricity, gas, heat, water and telecommunication networks. As a second strategic cornerstone, in the environmental sector the completion of drinking water treatment, wastewater purification and waste incineration plants, is to be intensified. Moreover, we have to constantly modify our extensive energy consulting portfolio and comprehensive employee training and further training initiatives to match current developments.”

**Corporate governance and risk management**

The members of the EVN Executive and Supervisory Boards are obliged to adhere to the principles of good corporate governance. The respective responsibilities of the Executive Board members are clearly defined by the distribution of assignments. However, should an issue affect several Executive Board areas, a decision is taken by the entire Board. In particular, the Supervisory Board monitors the activities of the Executive Board. In addition to legal statutes and especially stock market and capital law, the standards relating to employee participation at company level and the EVN AG articles of incorporation, the design framework for corporate governance is provided by the Austrian Corporate Governance Code, to which EVN submitted in full with effect from June 1, 2006. Further information concerning adherence to this set of rules is available from the 2006/07 Annual Report on page 14ff.

As an international supplier of energy and environmental services, EVN is subject to a whole series of business, operational, financial and result risks, not least due to the purchase of its companies in Macedonia and Bulgaria. EVN controls such risks through a multi-phase risk organisation and risk controlling system, the most important elements of which form uniform Group directives. EVN is thus in a position to actively influence risks, which simultaneously represent opportunities. The enlargement of the scope of project business in the environmental sector, extensive activities in the area of alternative energies and the general increase in the diversification of the activities portfolio have all had a positive effective on overall Group risk – bearing capacity. A detailed presentation of the individual risk categories and instruments can be found on page 54ff of the 2006/07 Annual Report.

**“...we constantly involve all stakeholders...”**



**Herbert Pöttschacher, Member of the Executive Board**

“In the course of our business activities, we come into daily contact with various stakeholder groups, ranging from customers, to EVN Group employees, suppliers, financial institutions, shareholders, the media, the general public and authorities. The involvement of all these groupings in our projects and partnerships and their provision with a constant flow of information concerning our plans and objectives is an expression of our social responsibility. We do not shy away from transparency and are convinced that long-term company success is possible not in isolation, but hand in hand with the aforementioned stakeholders.”

## From an environmental management to an integrated management system

In order to minimise environmental risks, 1996 saw the introduction by EVN of an environmental management system in line with EMAS and ISO 14001 at all its locations of significance with regard to environmental impact. Since then, virtually all of EVN's thermal power generation plants have received accreditation. A management system that seeks to fulfil the demands made by EMAS and ISO 14001 must dispose over a clear structural and procedural organisation and secure risk minimisation in the case of potentially hazardous working procedures by means of concrete process descriptions. The core of this orientation is formed by a continuous improvement process, which ensures that key indicators and environmental impact are established and analysed, strengths and weaknesses are identified and possible potential for improvement is pinpointed and utilised.

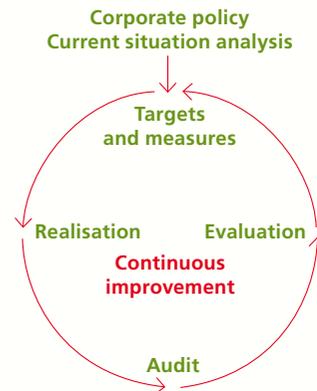
On the basis of the existing environmental management system, the requirements relating to environmental and work protection, legal issues and safety were combined to form a uniform system and all the related measures concentrated in a single structure.

The next step was formed by the expansion of the integrated management system with the sustainability dimension and integration into a unified managerial structure. The experience derived from environmental management provided a valuable basis for the preparations in this connection, initial synergies already being obtained during the simultaneous audit of the Sustainability Report and the environmental management system. Highlights from the EMAS environmental programme are also included among the CSR measures.

At present, a general management system is being created within the scope of the integration of the subsidiaries in Bulgaria and Macedonia. In addition to operative procedures, environmental and employee protection and sustainability have been included from the outset as an integral part of this process.

### Positive environmental inspections at EVN's power stations

In line with a recommendation from the European Union, since 2007, environmental inspections have been carried out in Austria. The Dürnrrohr, Theiss and Korneuburg power stations were examined by process technology, clean air technology and hydraulic structure experts with regard to environmental legal compliance and possible environmental risks due to emergencies or faults, as well as the related measures and organisational precautions aimed at avoiding or minimising environmental impact. Long-term EMAS



### Introduction of an integrated management system for the EVN district heating plants

The optimisation of the procedural organisation and the combination of the complete assignment documentation in all EVN district heating plants took place as part of the introduction of the integrated management system. This combines all the requirements derived from EMAS and ISO 14001 with the rules and processes of the existing management system.

#### Peter Layr, Member of the Executive Board

"Long before sustainability and Corporate Social Responsibility became established as concrete terms and a comprehensive concept, EVN had already oriented itself towards the idea of sustainable business development. Quite simply, because in its specific role as a supplier of public utilities, the company was well aware of its high level of responsibility for both people and the environment. As a provider of energy and environmental services, the protective use of natural resources is an integral part of our core business and this explains our sense of obligation regarding a balance between economic and ecological interests. The maximum possible use of environment-friendly hydro- and wind power, the generation of electricity and heat from biomass and the employment of cutting edge environmental and generation technologies constitute just some aspects of this approach. Our corporate objective is an increase in the share of renewable fuels in energy generation to 33% by 2010 and in the year under report, we again made progress towards this goal."



**"...sustainability is already an EVN tradition..."**



**Participants at this year's EMAS meeting**

and ISO 14001 accreditation, together with the efficient power station management system, made a major contribution to the positive result of these inspections.

This year's exchange of views regarding EMAS with the Austrian Ministry of the Environment and other EMAS accredited companies was dedicated to the topic of "Sustainability in EMAS companies", as well as current developments in the environmental protection statutes. EVN hosted this meeting in spring 2007.

### **R&D involvement**

EVN sees investments in R&D as an essential element in its corporate success and therefore, has been involved in numerous projects over many years. Above all, EVN has been able to position itself both nationally and internationally as a qualified and committed contact partner in R&D questions relating to the topic of energy. In Austria, the company assumes a leading technological and economic role with regard to highly efficient, environmentally compatible power plants and is committed to the ecologically innovative and effective use of natural resources and a reduction in CO<sub>2</sub> emissions. Moreover, through the preparation of inventive solution strategies, EVN plays an active part in political decision-making processes concerning issues related to the sustainable development of the energy sector. In the period under review, EVN invested some EUR 900,000 in R&D projects, which were partly supported by grants.

### **Research initiatives and co-operations**

Within the framework of the strategic umbrella project "Clean Energy Pathways 2020" launched by the Austrian Federal Ministry of Transport, Innovation and Technology, new natural and biogas-fuelled engines are being tested under practical conditions in the course of a 2-year research project relating to the use of cleaner fuels. For the first time, operations involving high mileage allow the monitoring of clean, low-emission drive systems from a sustainability perspective. The results of this research are scheduled for presentation at a symposium to be held in the autumn of 2008.

**Low-emission engines using CNG**



EVN is also involved in the Austrian Fenco Initiative (AFI), a working group that provides, administers and finances a research fund for fossil fuel energy programmes in the environment-friendly technology sector. The FENCO (Fossil Energy Coalition) was established in 2004 by Germany and the UK with the assistance of EVN in order to undertake an inventory and subsequent networking of national and European research programmes in the field of carbon-free emissions from fossil fuels. On the basis provided by FENCO, in 2005 the European Commission, European industrial companies, NGOs, scientists and

environmental activists founded the European Technology Platform for Zero Emission Fossil Fuel Power Plants. EVN is also acting as the chair of the Executive Committees of the IEA-Clean Coal Center and has initiated Austria's accession to IEA greenhouse gas R&D.

During the year under review, EVN signed a co-operative research agreement on the topic of "CO<sub>2</sub> removal and utilisation" for the testing of brown and hard coal firing in an Oxyfuel test bed. The project is a joint venture with Vattenfall Europe Generation, one of the leading proponents of Oxyfuel technology, and the Cottbus University of Technology. The aim is the completion of exhaustive testing of plant components and the combustion and emission behaviour of brown and hard coal in the Oxyfuel test bed at the Jänschwalde power station. Parallel to this undertaking, corresponding tests for the examination and verification of the effects of differing CO<sub>2</sub> reduction technologies are being undertaken in the EVN unit at the Dürnröhr power station.

In addition, along with nine other European energy supply companies, EVN is taking part in a pre-engineering study aimed at establishing solid technical and economic decision-making principles for power stations using 700 °C live steam. The project links up directly with the COMTES700 pilot plant, which was built with the financial support of the European Commission. This plant is the first in the world to be designed for the production of 700 °C live steam and has been operating successfully at Scholven/Gelsenkirchen in Germany since July 2005. Up to the end of February 2006, some 4,000 operational hours had been completed.

EVN is also participating in a CO<sub>2</sub> research initiative with J-Power, Japan, within the scope of the periodic Technical Information Exchange.

SUSTAINABILITY QUIZ

**A DISHWASHER USES LESS WATER AND ENERGY THAN WASHING UP BY HAND.**

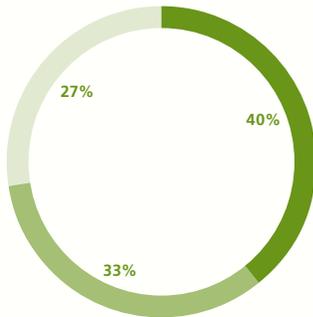
True

False

True! If the dishwasher is designed to be energy-efficient. The energy label and product data provide information concerning energy efficiency, cleaning effectiveness and the drying capacity of the appliance.

# Services portfolio and current projects

## Electricity price structure<sup>1)</sup>



- Energy costs 40% (EUR 248.6)
- Network costs 33% (EUR 211.1)
- Taxes and charges 27% (EUR 172.9)

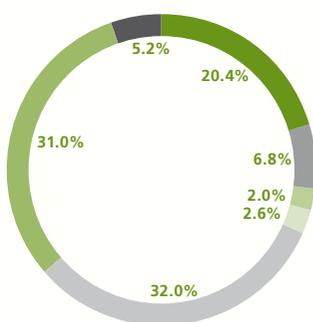
1) Assumption: household with annual consumption of 3,500 kWh, including "FreiTag", the EVN energy bonus, with which retail customers can receive energy free of charge for up to one month per year.

## Energy Segment – electricity, gas and heat

In line with the company's long-term diversification strategy, EVN business activities are divided into the energy and environment operative segments. In the Energy Segment, apart from the South East Europe Business Unit, a differentiation is made along the value added chain between the Generation, Networks and Energy Procurement and Supply Business Units. The products, electricity, gas and heat, are allotted to the individual value added phases. In addition to the full coverage supply of Lower Austria, since January 2005, some 1.5 million electricity customers in Bulgaria have been served. In April 2006, they were joined by around 720,000 customers in Macedonia and these activities are now combined in the South East Europe Business Unit. To date, the supply of heat was limited to the Lower Austrian domestic market, however with the takeover of the second largest heating plant in Bulgaria, TEZ Plovdiv, an internationalisation process will also be initiated in this area.

Lower Austria is the location for all EVN electricity trading, i.e. both the marketing of in-company generated power and the sourcing of the quantities required for the supply of customers, which is carried out by e&t Energiehandelsgesellschaft mbH, the joint trading and sourcing subsidiary of the EnergieAllianz partners. However, Lower Austrian customers continue to be provided with ongoing support and advice by the 26 EVN Customer Centres. In the case of extreme weather conditions, e.g. flooding and storms, the employees at these service units also ensure the fastest possible restoration of the power supply.

## EVN electricity generation 2006/07 by primary energy sources



- Hydropower<sup>1)</sup> 20.4%
- Wind power 6.8%
- Biomass 2.0%
- Other renewable energies 2.6%
- Coal 32.0%
- Natural gas 31.0%
- Other (waste incineration) 5.2%

1) Including electricity generation in Macedonia

## EVN energy generation capacity

In its own power plants, EVN disposes over generating capacity of around 1,700 MW of **electricity**. In addition to the three thermal power stations in Dürnrohr (coal/gas), Theiss (gas/oil) and Korneuburg (gas), the eco-power subsidiary evn naturkraft Erzeugungs- und Verteilungs GmbH operates five storage and 63 run of river hydropower plants, as well as 63 wind power units in seven wind farms. In addition to its own power stations, EVN also has electricity sourcing rights for the Melk, Greifenstein and Freudenau power stations on the Danube. ESM AD has eleven hydropower plants with a capacity of 39.5 MW in Macedonia, of which seven are currently leased.

## EVN power plants – electricity generation capacity<sup>1)</sup>

	in MW
Thermal power <sup>2)</sup>	1,382
Hydropower <sup>3)</sup>	226
Wind power	116
Biomass	10
<b>Total</b>	<b>1,734</b>

1) As at September 30, 2007

2) Including cogeneration and combined cycle heat and power plants

3) Including sourcing rights at the Danube power stations in Austria and small-scale hydropower plants in Macedonia

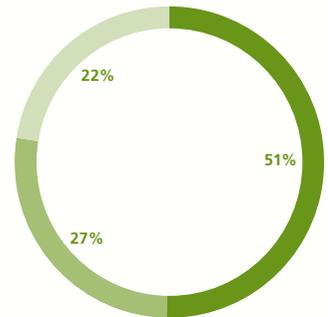
**Heat** is obtained from EVN's own district, local heating and cogeneration plants. These plants are operated with natural, bio- and liquid gas, as well as biomass. Cogeneration plants operate according to the combined power and heat principle, which allows the use of the waste heat produced during electricity generation. In addition heat is bled from EVN's thermal power stations. In order to prevent or limit CO<sub>2</sub> emissions, since 1993 renewable biomass, which offers overall CO<sub>2</sub>-neutrality, has been used to an increasing extent as a fuel for heat generation. Indeed, two-thirds of the municipal district heating supplied by

EVN already derives from solid biomass (e.g. forestry chippings, sawmill waste wood). The remaining third is comprised by natural, bio- and liquid gas, as well as waste heat from coal and refuse.

In the **gas area**, it is planned that increasing amounts of biogas will be utilised as a fuel. Following suitable treatment this gas can be employed in the same manner as natural gas and also offers the additional advantage of being neutral with regard to CO<sub>2</sub> emissions and independence from imports due to the numerous, domestic sources available. For these reasons, EVN is participating in the “Biogas treatment and network integration” project in Bruck/Leitha as one of the main partners. The existing biogas plant in Bruck/Leitha has been enlarged to include a treatment module, in order to guarantee the quality required for feeding into the gas network. In the course of this treatment process, around 100m<sup>3</sup>/h of bio-methane are obtained from 180m<sup>3</sup>/h biogas and then subsequently fed into the public gas network. This volume corresponds with the heating energy requirements of around 1,000 residential units.

Moreover, in order to promote the increased use of gas-fuelled vehicles, EVN is seeking to raise the number of public filling stations (CNG stations) in Lower Austria’s urban areas such as Sankt Pölten, Krems, Amstetten and Wiener Neustadt (please see page 36). The company is also using natural gas as an alternative fuel for its vehicle fleet.

**Gas price structure<sup>1)</sup>**



- Energy costs 51% (EUR 569.6)
- Taxes and charges 27% (EUR 307.3)
- Network costs 22% (EUR 253.9)

1) Assumption: household with annual consumption of 20,000 kWh, including “FreiTag”, the EVN energy bonus, with which retail customers can receive energy free of charge for up to one month per year.

**evn naturkraft in brief**

Within the EVN Group, evn naturkraft, a fully owned EVN AG subsidiary, is responsible for sustainable electricity generation on the basis of hydro- and wind power. With total output of 222 MW, the company is already able to supply some 146,000 households with environment-friendly power from these sources. It operates 68 hydropower plants of which sixty are located in Lower Austria and eight in Styria and can thus cover the needs of around 76,000 households. In addition, evn naturkraft has a one-third interest in the Nußdorf power station in Vienna and in order to enlarge its generation capacity, the company undertakes ongoing new construction and modernisation measures. Existing small-scale hydropower plants are refurbished and historical locations are given a new and worthwhile lease of life.

Wind power is the second important cornerstone in evn naturkraft’s electricity generation capacity. With 63 wind power units in seven wind farms, evn naturkraft can generate 240 GWh of eco-power for 70,000 households annually and is thus one of the largest producers of wind power in Austria. From an environmental perspective wind and hydropower offer massive advantages as generation is pollutant-free and also protects limited reserves of raw materials. However, the more difficult conditions created by an amendment to the Austrian Eco-Electricity Act during the year under report, have seriously affected the viability of future wind power plant projects.

At present, evn naturkraft is examining the possibilities of expanding the use of wind and hydropower in Bulgaria, Macedonia and Romania.



**63 wind power units generate eco-power for 70,000 households**

## One of Europe's largest district heat accumulators



### Theiß district heating storage plant

The waste heat produced at the Theiß power station is supplied directly to the Krems area by means of a 12km-pipeline. As a result, over 5,000 homes are provided with district heating and approximately 4,000t of CO<sub>2</sub> emissions are prevented annually. However, due to the fact that the power station does not operate on a 24-7 basis, gas has to be employed in the district heating system for bridging purposes. In order to close this production gap, heat is stored in a converted heavy oil tank on the power station site. This 30m-high tank, which has a diameter of just over 50 m, contains 50,000 m<sup>3</sup> or 2,000 tanker loads of water and is thus one of Europe's largest heat storage installations.

The tank's heat storage capacity amounts to 2 million kWh, whereby a single filling is sufficient to cover the annual heating requirements of 300 households.

### Fine dust

The systematic use of renewable energy sources forms a cornerstone of Austria climate strategy. However, although as compared to the burning of fossil fuels, biomass is CO<sub>2</sub>-neutral, it does create fine dust emissions. According to calculations from the Federal Office of the Environment, in 2005 some 21.5% of total Austrian dust emissions derived from household fires and around 2.5% of fine dust emanated from energy generation. Especially in urban areas and during the winter months, under certain weather conditions, the statutory limits are regularly exceeded. The Immission Protection Act stipulates a daily mean value of 50µg/m<sup>3</sup> fine dust and a yearly mean value limit of 40µg/m<sup>3</sup>.

### Heat from biomass

EVN operates 43 heating plants with biomass, and with yearly consumption of around one million piled cubic metres, is Austria's largest producer of heat from this energy source. In order to provide a constant supply of biomass, close and successful co-operation is maintained with the regional agricultural and forestry sectors. The conversion of plants to this fuel is continuing, thereby facilitating a gradual reduction in CO<sub>2</sub> emissions. At the beginning of 2007, work started on the realisation of another important project, involving one of Austria's largest biomass-fired district heating plants. In a phased development, the Climate Alliance districts of Ternitz, Neunkirchen and Wimpassing are to be supplied with natural heat, Ternitz, from the autumn of 2007, Wimpassing and parts of Neunkirchen, in autumn 2008 and the remaining areas of Neunkirchen, in autumn 2009. Over 60,000 piled cubic metres of biomass in the form of wood chips and bark derived from the region will supply a total of 4,500 households with natural heat and thus prevent 14,000t of CO<sub>2</sub> emissions annually. The district heating network will extend over a distance of some 20km and total investment will amount to EUR 16.4m.

### Dust emissions from EVN's biomass-fired heating plants

EVN's heating plants are fitted with modern cyclone, electric and fabric dust filters, which enable the mandatory limits to be considerably undercut. Over two-thirds of the power plants examined show dust emissions that amount to less than 50% of the permitted limit and over half of the plants even produce less than 25% of the maximum emissions allowed. The emission levels and filter systems at EVN's heating plants are the object of ongoing surveillance.

A comparative study<sup>1)</sup> showed that the dust emissions from EVN's heating plants only amount to half or one-third of those derived from domestic heating units using biomass. Moreover, although the NO<sub>x</sub> values only differ slightly, the emissions of unburned hydrocarbons and carbon monoxide from district heating plants are several times lower. Accordingly, district heating generated from biomass not only makes a significant contribution to climate protection, but also assists greatly in maintaining and improving the quality of the air.

<sup>1)</sup> Result of the Wieselburger Study 2005 and mean values from the 2006 Emissions Statement of the EVN heating plants.

## Increased energy efficiency

In order to ensure that energy use is as efficient as possible, any gaps in the energy cycle must be closed and multiple use thus guaranteed. For example, the waste heat emanating from electricity generation in power stations can be employed for heating purposes in neighbouring industrial companies or homes. This approach raises markedly the degree of efficiency of the energy used and EVN can point to a number of successful projects in this regard:

- The waste heat created by the Dürnröhr power station is transported to the Sankt Pölten urban area by means of a pipeline, in order to replace the generation of heat using fossil fuels to the largest possible extent (please see on page 43).
- Due to the use of waste heat from an adjacent biogas plant, over 1,000 MWh of primary fuel can be saved at the Mank district heating plant.

## Refurbishing of the Kollmitzgraben hydropower plant

During the year under review, the historic Kollmitzgraben an der Thaya power plant, which was built in 1922, was refurbished in such a way that it now corresponds with the strictest ecological requirements. A fish ladder has been installed and the remaining waterway was regulated. In order to compensate for the generation loss derived from the increase in residual water outflow, the existing Francis turbine was replaced with a new Kaplan turbine with submerged generator and output was raised from 160 kW to 260 kW. Annual production thus increased from 0.6 GWh to 1.1 GWh enabling the supply of over 300 homes with electricity and CO<sub>2</sub> savings of 918t.

## Fish ladders at the refurbished Kollmitzgraben power plant



## CNG and biogas

Compressed natural gas (CNG) fuelled engines cause extremely low environmental impact and practically no fine dust. In addition, as compared to petrol engines, they reduce the volume of greenhouse gas emissions by some 25%. With the help of innovative technical processes, biogas can be so upgraded that it offers the same technical and ecological characteristics as natural gas. The main components in biogas are methane and carbon dioxide, which are created during the oxygen-free degradation of organic matter.

## Environment-friendly mobility

The use of bio- and natural gas as a vehicle fuel leads to a sizeable reduction in greenhouse gases, fine dust and other pollutants and represents an active contribution to climate protection. Over seven million natural gas-fuelled vehicles are in operation, of which 1,500 are to be found in Austria. EU transport policy has set a target of a 10% increase in the share of gas-fuelled vehicles in total fuel consumption by the year 2020. In Austria alone, the number of gas-powered vehicles should rise to 50,000 by 2010.

In order to achieve these ambitious targets, domestic energy and industrial companies have teamed up with university institutes to work on the biogas issue and apart from EVN, OMV and Wien Energie Gasnetz, the Vienna University of Life Sciences, the Vienna University of Technology, the Energiepark and Biogas Plant Bruck/Leitha, the process technology specialist Axiom and the drive developers AVL and LuPower, are all involved. The results of these efforts are being collated at the Energiepark Bruck/Leitha, where the complete value added chain is being processed and optimised, from raw material production, to the upgrading of biogas and its use as a fuel. The aim is to prove that the upgrading of large volumes of biogas is both technically possible and economically viable.

A newly developed method involving membrane technology has been developed for the preparation of around 800,000 m<sup>3</sup> of clean biogas, which enables the achievement of high levels of purity.

This capacity is sufficient to supply half the consumption of all the natural gas-fuelled vehicles in Austria and sales are planned to take place via public filling stations under the designation "Bio CNG".

## Upgraded biogas at the Bruck/Leitha Energy Park



By the end of 2008, the town of Sankt Pölten will switch all of its 23 urban buses to environment-friendly CNG technology and for this purpose EVN built a CNG filling station in conjunction with ÖBB-Postbus GmbH.



**Stadt Haag town square before and after work by the EVN Lighting Service**

## Consulting and service competence

Out of a sense of awareness of just how sensitive and life-determining its products are for its customers, EVN attaches the greatest importance to reliability, service and consulting. “EVN - always at your service” is not only a company advertising slogan, but is also reflected by services such as the 24-hour “All Safe!” emergency repair service, which is organised via Lower Austria’s 26 regional Customer Centres. For retail customers the services portfolio extends from general energy consulting, gas safety controls, leak tightness measurements, or thermographic analyses for the increased energy efficiency of buildings, to favourable financing packages for energy-related purchases. The range on offer to corporate customers is also tailor-made and includes a lighting and transformer service, reactive current compensation, connection technology and cathodic corrosion protection. In addition to energy and drinking water supplies, the selection of products and services available for local authorities also encompasses waste incineration, a lighting service for roads, sporting and other facilities, as well as the preparation of comprehensive energy reports and flood danger maps. Selected highly specialised business areas are presented in the subsequent sections.

## Reduced costs through reactive current compensation

As a service especially designed for corporate customers, for a number of years EVN has offered the installation of reactive current compensation systems and over 50 such installations have already been designed and completed. Reactive current is the part of voltage that cannot be used, but nonetheless still requires line and plant capacity. This causes considerable unproductive costs, although these are preventable through the installation of reactive current compensation systems, which also increase the safety of network operations and reduce the risk of faults. The EVN range of services extends from consulting, planning, installation and financing solutions, to ongoing plant maintenance. In line with an individual analysis, the EVN advisors present the customer with concrete savings potential, through which rapid payback on the investment is generally achieved. Care is also taken that the technical design of the plant ensures that there are no effects on the network.

## SUSTAINABILITY QUIZ

### THE ELECTRICITY COSTS FOR FRIDGES AND FREEZERS ARE CONSTANT.

True       False

False! The formation of ice in the appliances prevents refrigeration. 1 cm of ice causes an increase in electricity costs of up to 75%. Regular defrosting is a great help.

### The heat imaging camera makes potential plant defect sources visible

#### Cathodic corrosion protection

V&C GmbH, which has been an EVN Group company since 1996, is a recognised cathodic protection specialist. In both Austria and other countries complete packages are supplied for the corrosion protection of pipelines and containers such as tanks and reinforced concrete structures. These packages extend from project planning and construction supervision to completion and installation, trading with and the ongoing or periodic control of corrosion protection systems. In the "Austria's Leading Companies" competition, V&C was ranked second in the "Lower Austria's most dynamic companies" category.

#### Thermography for buildings and industrial plants

In many cases machines and plants are subject to extreme loads, which can also have an effect on their electrical connections. If these problems are not identified in time, they can result in overheating, short circuits and in a worst case scenario, in a complete plant standstill. However, using heat imaging cameras, potential defects can be made visible and corrected before any damage is done. The procedure is entirely contact-free and the camera can be used even when the plant is in operation. Moreover, retail customers can also be helped by this method, which shows weak points in building insulation, in order to help initiate countermeasures aimed at reducing energy consumption.

From 2008, a new EU directive prescribes the provision of an extended energy certificate as part of applications for building permission. Detailed information concerning heating and hot water preparation must be presented, while ventilation and lighting data must be submitted for non-residential objects. With 1,600 energy certificates and several hundred thermographic studies per year, EVN is the largest supplier of such energy services in Lower Austria.



### Geodata, floodwater surveys and three-dimensional visualisation

Since its foundation in 1991, the EVN subsidiary, grafotech Beratungs- und Planungsgesellschaft mbH, has been involved with the collation, examination and preparation of data for geographic information systems (GIS). Traditional business involving land surveys and line documentation is being systematically expanded with innovative projects. grafotech's floodwater studies provide a valuable basis for a diversity of planning measures, while another focal point is the modelling and visualisation of landscape and urban models as a multifunctional instrument for various tasks such as administration and planning, citizens' information services, tourism management, forestry management, environmental protection and crisis management (e.g. flooding), etc.

The EVN subsidiary grafotech facilitates the useful visualisation and surveying of surfaces and objects



### Environment Segment – water, wastewater, waste incineration

Apart from the regional supply of drinking water in Lower Austria (EVN Wasser Wasser GmbH), the **Water** and **Wastewater** Business Areas incorporate the international drinking and wastewater treatment project business handled by WTE Wassertechnik GmbH in CEE markets. WTE plans, builds, finances and operates municipal and industrial water and wastewater installations and has established itself as partner to cities, local government and industry. It has already completed over 75 water and wastewater plants for around 10 million people (e.g. a major project in Moscow for one million people (please see page 49). During the year under review, the last of four biological cleaning stages in the Zagreb municipal wastewater treatment plant was put into operation, along with a sludge line for the extraction of biogas for two unit heating plants. Official start-up took place in October 2007. In Moscow, the groundbreaking ceremony for the building of a new unit heating plant adjacent to the Kuryanovo wastewater treatment plant is soon to take place. In line with the "waste to energy" principle, this new plant will generate electricity from the biogas produced in the municipal wastewater plant. Other major projects, including plants in Cyprus and Lithuania are already well into the construction phase.

### Construction of the Dellach wastewater plant in the Drau Valley



### Large-scale wastewater treatment plant for Istanbul

At the end of the 2006/07 financial year, construction work was about to commence on a large-scale wastewater treatment plant in Turkey. In co-operation with two Turkish construction companies, via the subsidiary WTE, EVN is to complete the Ataköy plant on a turnkey basis and then assume its operational management for a period of five years. The project encompasses wastewater treatment including carbon degradation, nitrogen and phosphorus removal and downstream sludge digestion. The sewage gas emanating from the plant will be used in a unit power plant for energy generation. The plant will treat the wastewater from around two million inhabitants.

### Clean (waste) water in the Drautal

WTE is building two wastewater plants at Steinfeld and Dellach in the Drau Valley. The Steinfeld plant will clean the wastewater from the districts of Steinfeld and Greifenburg and part of that from the district of Weißensee (capacity: 13,300 p.e.). The plant in Dellach is to handle the wastewater from the districts of Dellach and Berg (capacity: 7,800 p.e.) and in addition, will serve as the central control point for the Obere Drautal maintenance organisation. The type of plant being used allows the removal of over 95% of the organic content of the wastewater and thus permits the safe discharge of the cleaned wastewater into the River Drau.

### Central wastewater plant for Zistersdorf

WTE has upgraded the entire wastewater treatment system of the municipality of Zistersdorf and its nine cadastral districts. The sewerage piping and house connections were enlarged and the capacity of the existing plant doubled. In total, 1,600 new household connections were installed. The wastewater treatment plant had to remain in operation during the phased modernisation of the sewer network. In addition to the planning, construction and financing of the new system, WTE has also assumed the operative management of the treatment plant for 25 years.

### Modernisation and enlargement of the Zistersdorf wastewater treatment plant





The **Waste Management** Business Area incorporates waste incineration, which apart from fossil fuel savings in relation to power and heat generation, focuses on the ecological treatment of waste in all working phases. In addition to its own AVN Abfallverwertung Niederösterreich GmbH waste incineration plant at Dürnrrohr in Lower Austria, EVN has also been able to successfully position itself in international project business, whereby its portfolio extends from planning, financing and plant construction to operational management.

#### **Waste incineration plant in Moscow**

EVN has updated and enlarged the largest of Moscow's three waste incineration plants, the MSZ3, which lies in the southern part of the city. Ecological factors were carefully considered and the latest technology installed, with the result that the energy derived from waste incineration is employed for the supply of power and heat to 40,000 households. The handover to the operating company has already taken place.

Detailed information concerning EVN products and services and classified according to customer groups can be found under [www.evn.at](http://www.evn.at).

#### **Energy efficiency at Zwentendorf/Dürnrrohr**

The Zwentendorf/Dürnrrohr waste incineration plant not only represents the largest of its type in Austria, but also employs a globally unique concept. The energy derived from the environmentally compatible treatment of the waste is used for power and district heat generation in the neighbouring Dürnrrohr power station. To date, this energy network system "waste to energy" has generated 600 million kWh of electricity.

## The EVN energy concept for the central zone of Lower Austria

EVN is fully aware of its responsibilities in the Lower Austrian supply area and during the coming years is to implement an extensive energy concept, which will not only enhance the security of supply, but also secure a bridgehead between ecological and economic targets. The starting-point for this undertaking is formed by the EVN power station location in Dürnrrohr, where the completion of a third waste treatment line in 2009 will increase total incineration capacity from 300,000 t/y to 500,000 t/y. Energy released during the current incineration process is already being employed for power and heat generation, but parallel to plant enlargement a roughly 31 km-long district heating pipeline to Sankt Pölten is being built, which will be ready for the 2009/10 heating season. This new system is being completed in co-operation with the Stadtwerke Sankt Pölten and will supply around two-thirds of the town's heat customers with district heating from Dürnrrohr.

In line with company strategy, the share of renewable fuels in heat and power production is to be increased to 33% by 2010 and to this end new generation approaches are to be tested in Dürnrrohr. A biomass-fired test pyrolysis plant is to be built in which biogas is to be extracted from field biomass using a new industrial process, which is unique in Europe. Biogas could serve as a replacement fuel in the power station and allow a further diversification of the fuels employed. However, EVN's consciousness levels with regard to sustainability go far further than the mere consideration of fuel use and also include upstream processes such as the eco-friendly supply of the raw materials to be utilised.

The investment costs of the aforementioned projects amount to over EUR 200m. And through the realisation of this energy concept, EVN will not only secure the long-term supply of power and heat to the central zone of Lower Austria and diversify the structure of the fuels employed, but also make a valuable contribution to reductions in CO<sub>2</sub> emissions.

### Third waste incineration line

On October 1, 2007, the cornerstone for Line 3 at the Dürnrrohr / Zwentendorf plant was ceremoniously laid by the governor of Lower Austria, Erwin Pröll, and the spokesman of the EVN Executive Board, Burkhard Hofer. Since the commissioning of the first two incineration lines, AVN has already handled 1,370,000 t of waste. The process steam generated during incineration is conducted to the neighbouring power station via a pipeline and then used instead of fossil fuel for the production of power and heat. Every year, EVN produces electricity for over 100,000 Lower Austrian households utilising the energy obtained from the waste. With the completion of Line 3 in 2009, the total incineration capacity of the plant will be raised from 300,000 t/y to 500,000 t/y.

### Test plant for biomass-fired pyrolysis

The possibilities offered by biogas as an alternative fuel for power station operation are to be examined in Dürnrrohr through the construction of a test plant, which is due to become operational at the beginning of 2008. In an upstream unit, biogas is to be extracted from cereal and maize straw and lucerne (pulses). The nucleus of the pilot plant will be formed by a degasser in which the biomass will be heated under vacuum to approximately 450 – 650 °C (pyrolysis). The biogas obtained in this manner can be used in the power station boiler and depending on its content, the resulting pyrolysis coke can either be employed as an agricultural fertilizer, or as fuel for a thermal plant. Should testing prove successful, a pilot plant will be built that will offer around one-third of the capacity of a full-scale operation. In the case of the latter, some 190,000t of biomass would be used annually and roughly 100,000 households could be supplied with environment-friendly eco-electricity.

## District heating for Sankt Pölten

Beginning with the heating season 2009/10, EVN will supply two-thirds of the heat requirement of the Lower Austrian capital of Sankt Pölten from its power station complex in Dürnrrohr/Zwentendorf. From this date onwards, around 200 GWh of heat per year will be delivered to customers in Sankt Pölten via a 31km-long district heating pipeline. The heat will derive from three sources, comprising the waste incineration plant, the Dürnrrohr power station itself and the planned biomass plant. Alone the use of the waste heat from these plants will save around 21 million tons of natural gas per year and over 40,000 t/y of CO<sub>2</sub> emissions in Sankt Pölten. In order to realise this project, the town of Sankt Pölten spun off its district heating activities from the Sankt Pöltener Stadtwerke to form a separate company in which EVN will hold a 49% interest. The specially insulated heat pipeline will run from Dürnrrohr/Zwentendorf to Sankt Pölten via the Perschling Valley Canal and the Traisen Valley. It will have a diameter of 450 mm and be Austria's longest district heating pipeline. The line is to be completed during the coming 18 months at an investment cost of around EUR 35m.

## Conveyor belt system

In order to transfer part of the transport volume from the roads to the environmentally friendlier waterways, a roughly 4 km-long, encapsulated surface conveyor system is to be built from the Danube to the Dürnrrohr plant. This will result in a marked reduction in emission impact on the surrounding districts. Moreover, a survey is being completed in order to establish the extent to which the use of rail transport can be augmented.



The Dürnrrohr complex with a waste incineration plant with a current capacity of 300,000t and a 350 MW thermal power station.

# Sustainable protection of the landscape, flora and fauna

## Examples of nature protection measures

- Careful clearance in the Wienerwald forest and subsequent reforestation.
- Ploughing as an alternative excavation method.
- The creation of ecological compensation areas during the construction of new lines.
- Active protection of species and the landscape during the construction of overland lines and wind power plants (in close co-operation with the affected districts).

## Careful planning and organisation of construction activities

During all its activities, but first and foremost in its choice of plant locations, EVN attaches special importance to the protection of the natural habitats of fauna and flora. The planning of construction work is carried out with as much prudence as the completion itself. Accordingly, Natura 2000 and nature conservation areas are given special consideration during the planning of lines with voltages of 110 kV and above all the selection of sites for new power substations.

In general, the completion of new supply lines only involves the temporary disturbance of the natural world, but nonetheless, EVN makes every effort during the realisation phase to keep any interference in the landscape to a minimum. Moreover, Lower Austrian nature conservation statutes require prior approval by the nature conservation authority before any 20 kV line construction work commences outside of urban areas.

During applications for permission to build plants, EVN takes the concerns of neighbours into account at a very early stage, in order to account for them in the best possible manner. For example, prior to the completion of the 380kV line Etzersdorf-Theiss project, which involves the construction of a 16.7 km line (the technical necessity for which has been confirmed by experts), the effects on the environment, humans and animals were quickly clarified and from a selection of routes, the configuration best suited to the various interests involved was selected. However, objections during the official approval process by the governmental authorities cannot be entirely excluded, although conflicts going beyond procedural law complaints are unknown.

## Ecological bedding of hydropower plants

In the course of project planning for new hydropower plants, or the refurbishing of existing capacity, external experts are commissioned with the examination of the ecological effects and surveys are completed by the authorities both before and after the beginning of the project. Extensive expertises are obtained with regard to both landscape and nature conservation, as well as the determination of residual water outflows on the basis of biotic and abiotic factors. In addition, planting zones are created, which are suited to the site and great attention is paid to other issues such as the handling of flotsam and jetsam and the possible effects on ground water.

## European Water Directive

With the approval in 2000 of the European Water Directive, a framework was created for a co-ordinated water policy throughout the EU, which is targeted on sustainable and environmentally compatible water use. During the planning of new hydropower plants and the refurbishing of existing capacity, evn naturkraft automatically considers ecological factors. An open dialogue is conducted with pressure group representatives, the authorities and scientists.

In the case of existing capacity, the EU Directive can result in generation losses and according to a study by the Lower Austrian government from 2004, in Lower Austria's hydropower plants, these losses can be estimated as amounting to approx. 16.5%. evn naturkraft, which operates 83% of these power plants, has calculated that average generation losses will be as high as 20%. Therefore, the company is seeking to compensate for these losses by raising the output of its plants through technical improvements.

## New flood forecasting system for the River Kamp

As an indication of a sense of responsibility with regard to the environment, human and natural life, EVN and the Lower Austrian government commissioned the Central Office of Meteorology and Geodynamics and the Vienna University of Technology with the development of a flood forecasting system for the River Kamp. The system, which is operated by the Lower Austrian government, can be used by the authorities within the scope of civil defence measures for the information, pre-warning and warning of the public of the danger of flooding, and by EVN as a means of support during the optimisation of stored capacity in the case of high water. The aim is to employ storage basins to maximum effect in the reduction of peak surges.

The positive contribution of evn naturkraft's hydropower dams was again demonstrated during the last high water situation in Austria during September 2007. Following prolonged periods of drought in the spring and summer of 2007 and the resulting increase in the retention capacity of the reservoirs on the River Kamp, flooding was entirely avoided along the entire length of the river.

## Cautious wind farm planning

During the realisation of new wind parks the implications for the surrounding area are analysed by both external experts and the authorities. The most important expertises and stipulations drawn up in this connection incorporate nature and landscape conservation aspects, as well as the ornithological consequences. The rotor shadows cast by such farms are also analysed to make certain that the effects on residential areas are minimised and a shadow belt is established with the involvement of the affected population. Special paints and lighting are employed to secure aeronautical safety and sensors are employed to warn of the danger of ice formation on the blades. Such alarms lead to the automatic shutdown of the wind farm.

### Power plants as a natural habitat

In addition to active landscape and species conservation, habitat surveys have shown that numerous EVN plants and locations serve as valuable retreats for both fauna and flora. Due to the protection offered by fencing, biotopes are created in which nature can recover lost ground. A classic example of this fact is provided by the Dürnröhr power station complex, where hares, insects and other creatures flourish on a 120 ha site.



# EVN contributions to regional quality of life

“EVN – always at your service” is not a mere advertising slogan, but rather a statement concerning the company’s understanding of its role as a reliable partner within its supply region. With all its products and services, plants, co-operations and other activities, EVN aims to contribute to the quality of life of the population of the region and its development, as well as to environmental protection and nature conservation. Seven core areas of quality of life have been defined:

- Households
- Education
- Work
- Consumers
- Nutrition
- Leisure
- Mobility & Infrastructure

## Households

EVN is well aware of the significance of the problem-free supply of its customers with energy and environmental services and therefore makes every effort to prevent failures of any type.

### Security of supply

EVN sees the securing of the full coverage supply of its energy and environmental services range as its most important priority and obligation. In Lower Austria, connection wishes are fulfilled in agreement with the customers with the result that with the exception of individual, extremely isolated buildings, the entire population can be supplied with electricity. In addition to electrification projects in urban areas, special construction work is undertaken for the connection to the power supply of remote and mountainous areas such as the Schneeberg. During such projects efforts are made to ensure that water, wastewater, telephone and power lines are installed simultaneously, in order to reduce the related costs to a minimum.

## Security of supply in Austria

In international comparisons, Austria numbers among the countries with the lowest levels of interruptions to the power supply. The security and quality of supply in Austria is constantly monitored and evaluated by E-Control GmbH. Power cuts can be traced primarily to the effects of weather conditions. This was the case in January 2007, when the storm “Kyrill” resulted in a temporary interruption in the power supply to 20,000 households. EVN dispatched over 500 fitters to the affected area, in order to restore supplies as quickly as possible. In the interim period, emergency generation capacity was used in some areas.

At the beginning of November 2006, voltage fluctuations emanating from Germany led to power cuts in sizeable parts of Europe. In the Lower Austrian supply region, 1,800 households in the Kilb area (district of Melk) suffered a power cut lasting around twelve minutes. Above all, a large number of wind power plants shut down automatically due to voltage fluctuations. A rapid correction of these losses by means of in-house generation capacity kept the consequences within limits and provided a demonstration of how important a flexible generation mix and the strengthening of the domestic electricity network are to ensuring the security of supply.

**Measures for ensuring the security of supply**

- Maximum increases in efficiency in the case of existing generation (e.g. Dürnröhr power station).
- The increased use of domestic sources of renewable energy sources, in order to reduce imports (e.g. heat from biomass).
- The creation of additional own power plant capacity.
- The optimisation of existing distribution networks.
- The installation of new electricity, gas, heat, water and tele-communications networks (e.g. the drinking water pipeline from Mollersberg/Tulln to Bisamberg for the linkage of a large supply area with several well fields).
- The construction of drinking water and wastewater treatment plants and waste incineration plants.

**Comprehensive investment programme in Bulgaria and Macedonia**

In order to enhance the security of supply to EVN customers in Bulgaria and Macedonia, an extensive investment programme has been launched in both countries. Since its entry to the market in 2005, over EUR 110m have been invested in infrastructure improvements, as well as the exchange and transfer of meters in Bulgaria. Indeed, by the end of 2007, 770,000 devices will have been replaced. Of the investment volume in the year 2007 of around EUR 60m, some 68% was employed for improvements in the network structure and thus used to ensure the security of supply. From the taking of a majority interest in ESM AD during April 2006 until the end of the 2006/07 financial year, 190 new power transformers were put into operation in the Republic of Macedonia, along with three new 110 kV substations, a 310 km medium-voltage network, and a 150 km low voltage network. The quality of the electricity supply is to be markedly improved through investments in the distribution network costing EUR 96m. The end results of this investment will not only include improved security of supply, but also a cut in network losses.

**Installation of a new 20 kV underground cable increases the security of supply for large Bulgarian customers**

A special plough was employed for the laying of a new 20 kV cable (400 mm<sup>2</sup> cross-section) in Bulgaria, from TEZ Plovdiv to the Tsaratsovo/Radinovo industrial zone via a switching station. The new 9km-long line was commissioned at the beginning of October 2007 and secures the power supply to the Plovdiv North industrial zone. Total investment amounted to some EUR 1m.

**Intensive efforts to reduce technical network losses**



**Underground cable laying using a special plough**

**“I can recommend EVN as a training company to any interested young person!”**



### **EVN PowerPartners**

In July 2007, EVN and its PowerPartners launched a special support offer, which had been specially designed for retail customers. This project once again illustrates EVN's commitment in the fields of energy efficiency and resource conservation. The "TopProdukt" promotion is intended to raise the levels of consumer consciousness with regard to the energy use of domestic appliances and the benefits of energy-saving devices. For example, a four-person household can save an average of EUR 260 per year if an investment is made in low-energy appliances for cooking, washing and refrigeration.

### **Work**

#### **Robert Sieder**

"When I started to look for an apprenticeship as an electrician some six years ago, it quickly became apparent to me that EVN would be the right training company. Things worked out and I was able to start my apprenticeship as planned. Moreover, my expectations were more than fulfilled. Not only was the scope of activities at EVN larger than that found at small branch companies due to various business areas such as electricity, gas and heat, but the size of the company meant that apprentice support and assistance during preparations for vocational college was also ideal. Due to the regular working hours, following the completion of my apprenticeship, I was also able to commence a course in computing and electrical engineering at the Sankt Pölten Higher College of Engineering, which will substitute for my master's certificate in the electrical area. At the moment, I am working for EVN as an electrical fitter in Stockerau, but I could well imagine going to Bulgaria or Macedonia for a number of years and become the manager of one of EVN's Customer Centres sometime."

### **Strong partners from business and industry**

For EVN, networking and teamwork with local partners not only represents a central success factor, but an element in CSR that is used every day. Over 500 Lower Austrian electrical and plumbing companies are currently designated as "EVN PowerPartners" and the declared aim of this co-operation scheme is to offer customers a high degree of quality with regard to energy and other services and in the final analysis, thus provide and secure advantages for all those involved. The thematic focus during the 2006/07 financial year was on heat pumps, emergency power supplies for farms and energy-efficient household appliances.

**Competent consulting on heat pump use**



Following the successful launch of the heat pump promotion in summer 2006, the training programme for fitters was continued with the aim of raising ability levels in this highly promising business area still further. In order to arouse the interest of potential customers, March 2007 was declared to be "Heat Pump Month". During this period, five very well attended information events were held throughout Lower Austria, which in addition to specialist presentations by EVN experts and exhibitors also included displays from EVN's regional PowerPartners.



## **Water, the source of life**

### **Nutrition**

Water contains minerals in the form of salts, which like vitamins assume vital functions for the human organism. In Austria, which is a water-rich country, it is seen as a matter of course that fresh, clean drinking water is available via the piping system on a 24-7 basis. This drinking water derives entirely from ground and well water, as no surface water is employed for this purpose. In line with the concept of sustainability, care is taken that the well fields are not over-exploited and that utilisation corresponds with the ground water renewal potential. In order to ensure that this is the case, all EVN Wasser well fields are equipped with numerous water level recording devices and electronic plotters, which register water levels in the wells via surveillance probes.

Drinking water numbers among the most strictly controlled foodstuffs. As a matter of routine, EVN Wasser uses chemical and microbiological parameters to examine the quality of its water at 380 points at least four times annually. Subsequently, the water is divided up into supply areas for testing by state authorised, accredited and independent bodies, prior to approval for human consumption.

EVN's local authority customers are informed about the most important test parameters on a quarterly basis, while retail customers receive annual, written notification. This data is also permanently available via the Internet. No breaches of the health standards relating to drinking water have occurred in the past.

### **Improved drinking water quality in Moscow**

The EVN subsidiary, WTE, which is part of the Environment Segment has completed a drinking water treatment plant for a million inhabitants and a daily capacity of 250,000 m<sup>3</sup> in Moscow. The highly innovative technology and exemplary safety and environmental standards used in the plant ensure a sustained improvement in the quality of the drinking water supply in the Russian capital. A multi-barrier system (elimination of harmful content through precipitation/floccing/sedimentation; ozone treatment, activated carbon, multi-layer and ultrafiltration) ensures the effective, cost-efficient and safe treatment of raw water from the Moskva River. Since the end of 2006, the inhabitants in the supply area have again been able to receive drinking water direct from the pipes.

## Leisure – power station parties and lake idylls

The fact that a power station can not only supply energy, but also provide a highly popular party venue is evidenced by Theiss. For the past six years, the power station has been the scene of EVN's "Young Energy" school parties, which are greatly enjoyed by Lower Austria's youngsters. Over 15,000 young people come to the power station every year and are looked after by EVN's youth team under the motto "Parties with no alcohol or smoking". A fun park with bungee jumping and climbing walls, as well live appearances by stars and school bands, offer any amount of entertainment and fun. The co-operation with the Lower Austrian Office for Children and Young People, which has on the spot representatives at the parties, also facilitates a relaxed confrontation with topics such as "Violence in school" and "Alcohol and nicotine". During recent years, EVN's youth events have become a firmly established element in the youth culture of the area around the town of Krems and offer contemporary, open contacts and a socially valuable relationship between EVN and the youth of Lower Austria.

EVN's Ottenstein reservoir is part of the chain of power plants along the River Kamp. When the reservoir is full, the 69m-arched dam on the river guards a lake with a total volume of 73 million m<sup>3</sup> and a surface area of 4.3 km<sup>2</sup>, which extends to Zwettl monastery. The reservoir, which has depths of up to 58 m, is not only an oasis for swimming, boating and sunbathing, but also a paradise for fish. Following swimming area tests conducted by the EU during the past year, the Ottenstein and Dobra and Thurnberg reservoirs all received top ratings.



**The Ottenstein reservoir, a paradise for leisure-seekers and fish**

## Mobility & Infrastructure

EVN has long been involved in the field of alternative energy and the support of the use of environment-friendlier fuels and vehicles. This is important as increasing mobility and the required reduction in traffic-related ecological impact are certain to cause a shift in the transport concepts of the future. The aim must be to achieve sustainable mobility through the growing use of new fuels and drive systems.

The EVN CUP is a platform for alternative automobile concepts, drives and fuels and is intended to show approaches to the low-emission mobility of the future. The 16th EVN CUP was held on September 2, 2007, in the Arena Nova in Wiener Neustadt. An informative overview was provided concerning the state of the art regarding alternative automobile concepts and fuels, e.g. natural gas drives, hybrid technology, fuel cells and hydrogen-fuelled engines. Moreover, the latest models from Ford, FIAT, Honda, Lexus, Mercedes-Benz, Opel, Toyota, Saab, BMW and VW with alternative drive systems also showed the advanced systems that are already in serial production and visitors to the event had the opportunity to test these models for themselves.

### Modern communications technologies

Via its powerful network, the EVN subsidiary, kabelsignal AG, has been supplying a large number of households in Lower Austria and a region in Styria with cable television for over 25 years. Moreover, since the spring of 2006, as a multimedia supplier, the company has also been providing Lower Austria with a terrestrial telephone service. Using kabelsignal's "wavenet" product, which is a broadband technology that functions via radio waves, the rural areas that lie outside the limits of cable supply networks can also be furnished with efficient Internet access.

**Powerful Internet  
 access for rural  
 areas**



### SUSTAINABILITY QUIZ

**A DRIPPING TAP CAUSES CONSIDERABLY HIGHER WATER CONSUMPTION.**

True

False

True! Even a slowly dripping tap can lose 150 l of drinking water in a month.

## Education

EVN sees the furtherance of children and young people as a major part of its social responsibilities. Therefore, education traditionally represents a focus of the company's regional commitments. In addition, these endeavours also constitute an important investment in the future with high value added for society in general. The activities and projects involved extend from materials for the little ones at kindergarten, to teaching materials and presentations for Lower Austrian schools and apprentice training.

### EVN involvement in kindergartens and schools

During the 2006/07 school year, EVN's school advisors gave around 700 presentations in Lower Austria concerning a diversity of topics related to energy and energy supply and over 25,000 school students were provided with teaching aids and materials for experiments on the topic of energy. Since September 2007, suitable teaching materials are also available for kindergartens in the form of the "Joulius energy bundle" activities box. Moreover, regular prize competitions, theatre performances and training are offered. For secondary and grammar schools, EVN acts as a partner and sponsor for the Lower Austrian Safety Days, which are held at ten regional locations, as well as participating in the Children's Safety Olympics for primary school children, which is organised by the Civil Defence Association. These events take place under the motto, "The safe everyday use of electricity and gas."

### The "Joulius energy bundle" visits Lower Austrian kindergartens



### EVN apprentice training

For EVN, the training of qualified apprentices into excellent skilled workers is an important element in medium- and long-term human resources development and at the same time, an expression of its responsibility as a regional employer. During the 2006/07 financial year, an average of 77 apprentices were undergoing training at EVN with an emphasis on trades such as electrical fitter, whereby close co-operation exists with partner companies from the branch. Apprentices can also obtain practical experience at one of EVN's subsidiaries, which are involved in a variety of areas. In order to promote multiple qualifications, EVN supports the completion of additional training in other segments of its product portfolio, such as

apprenticeships as gas and heating engineers. Apart from its practical aspects, this training also covers personality development, customer orientation and social competence development. The vast majority of company apprentices can be convinced of the development and career opportunities offered by EVN and therefore, following the completion of their courses, remain in the company.

### “Youth Uni”

During the year under review, the “Youth Uni” project was initiated in co-operation with the Krems College of Applied Sciences. The aim was to arouse enthusiasm among ten to fourteen year-olds for the fascinating world of science and research, with a particular focus on encouraging interest in the technical-scientific professions among girls. In the course of a “Business World Youth Uni” workshop in July 2007, the participating children and young people had an opportunity to work directly with top managers from respected Lower Austrian companies. During the workshop organised by EVN, the topics of energy and sustainability took centre stage. Various tasks such as the building of a water wheel or a solar oven had to be completed along with the preparation of forecasts concerning the composition of the energy supply in 2030. For example, EVN also provided funding for the Lower Austria primary schools competition, “Learning with a Future”, the “Media 06” school newspaper challenge and the “RIZ Youth Prize” idea competition. Furthermore, EVN also granted two scholarships for the MSC programme “Renewable Energy in Central and Eastern Europe”, Austria’s first university course for future-oriented energy generation. During this study, which is offered by the Vienna University of Technology and the Bruck/Leitha Energy Park, students obtain a detailed knowledge of the efficient use of renewable energy forms.

### “Youth with a Future” in Bulgaria

In summer 2006, EVN launched a programme of summer practical training in Bulgaria under the title “Youth with a Future”. 30 qualified students from technical and economic disciplines from Bulgarian and foreign universities had an opportunity to work in the company and gain important experience in the fields of energy, engineering and business. The students were attached to a variety of departments such as network engineering, network management, controlling, infrastructure and work safety. Several students also received a chance for further training at EVN in Austria. The programme was successfully continued in the summer of 2007 and a comparable scheme is also planned for ESM AD in Macedonia.

### EVN as a sponsor of the arts and sciences

#### A fairytale journey for dreamers both large and small

During the summer of 2007, as part of the Lower Austrian Fairytale Summer sponsored by EVN, Schloss Thürnthal in Fels am Wagram offered an open invitation to a journey through the world of spirits, elves and trolls with, “Malanda – the fairytale world of dreams”. This second production for adults and children at Thürnthal castle was organised by the event director, Nina Blum, in response to the outstanding success of the 2006 Fairytale Summer with the play “Princess seeks Prince”.

#### The evn collection

Since 1995, through its collection of contemporary art, EVN has sought to link active patronage with efforts aimed at promoting artistic appreciation. The fact that the collection of art does not merely amount to the acquisition of paintings, photographs, sculptures or media works, is evident from

**In 2007, “Christian Philipp Müller: The New World” was issued. This was the first publication in the evn collection to focus on a single work by an artist within of its complete context.**



## SUSTAINABILITY QUIZ

### THE ENERGY CONSUMPTION OF A WASHING MACHINE DEPENDS ON THE WASH TEMPERATURE.

True       False

True! A temperature reduction from 40°C to 30°C to 20°C can bring energy savings of up to 40%.

numerous projects outside the purchasing area. A major element in this regard is provided by collection publications. Since the foundation of the evn collection, these have been issued at regular intervals, in order to document new purchases. The basic concept underlying this information is formed by the (photographic) documentation of the individual works in combination with a short written description. In this way, an interested lay public can be provided with clear basic data, which is most helpful due to the fact that the complex diversity of contemporary art can often demand special communication.

#### Archaeological excavations at the Sarasdorf substation

EVN sees the preservation of cultural monuments for posterity as an important task and therefore supports archaeological diggings, which take place in the course of project-related construction work and excavations. During the building of an EVN substation in the district of Sarasdorf, between August and September 2006, 623 objects from the Hallstatt, La-Tène and early imperial Roman cultures were uncovered and documented on a site of around 4 ha.

#### Archaeological diggings near Sarasdorf



**Youth football sponsoring**

EVN is the main sponsor of the EVN Junior Cup and supports the knockout competition of the eight, main Lower Austrian youth groups in the under-12 and under-13 age groups. This year the prize award ceremony will be held in December 2007.

**Support for Connecting People**

In January 2007, the EVN FORUM invited customers and partners to a laid-back, jazz brunch. In line with motto of the jazz band, Swinging Leaders, “Always free, but never for nothing”, the band’s EUR 3,000 fee was paid to the Connecting People aid organisation. Connecting People is a project of the Austrian Asylum Coordination Association, which is supported by the band and helps children and young refugees, who having fled from war, violence and persecution, are stranded alone in Austria.



**EVN was the main sponsor of the EVN Junior Cup 2006**

**Consumers – first class advice**

EVN not only regards itself as a utility company, but extends its range of answerability far further. In the 26 Lower Austrian Customer Centres, a diversity of information is offered relating to every energy area question. Specially trained energy advisors furnish all the possible answers and also help to find the correct approach for individual solutions.

**Refurbishing saves money and increases comfort**

Their coke boiler was more than 20 years old and in view of the fact that a defect could soon be expected, the Mauerlechner family thought about the sensible refurbishment of its heating system. They decided this should be comfortable and function automatically. Moreover, the family became aware of the possibilities offered by heat pumps after an information presentation by the Mitterhuemer company in Seitenstetten, which was held in conjunction with EVN. Following detailed consulting regarding grants, heating costs and installation, the family opted for an air-water heat pump, which went into operation in June 2003. In the meantime, this investment has more than paid for itself as in the 2006/07 heating period, the Mauerlechners saved around EUR 600 on the costs that would have emanated from a coke boiler (approx. 4,500kg of coke for EUR 1,800 as compared to EUR 1,200 for around 9,900 kWh of electricity).



**Annual savings of EUR 600 thanks to a new air-water heat pump**

## Outlook for 2007/08

In January and June 2007, workshops were held at which the CSR network officers from all units of the company prepared a programme of CSR measures. In September, this programme was presented to the Executive Board and approved. Targets were formulated for each of the measures defined and responsible CSR network officers appointed. Depending on the situation involved, these appointees will form temporary working groups in order to ensure that targets are achieved. The working groups will report on the results of their efforts to the CSR advisory team within the scope of a management cycle.

No.	Topic	Objectives
<b>General issues</b>		
1	Code of conduct	Binding code of conduct for the entire EVN Group
2	GRI key indicators	Interpretation and increased exposition of GRI key indicators
3	Sourcing	Sourcing in line with CSR criteria
<b>Social dimension</b>		
4	Internal communications	Creation of awareness within the company (topic-related training 10% of Austrian personnel)
5	Sustainability controlling	Systematic and institutionalised auditing of CSR activities
6	Employee job satisfaction	Evaluation of employee identification with the company
7	Efficient assistance in the case of acute dangers to health	Improved first aid assistance through trained employees
8	Integration of families into company life	Identification of employee family members with the company
9	Stakeholder management	Stakeholder dialogue, stakeholder analysis
<b>Economic dimension</b>		
10	Additional supplier evaluation pursuant to CSR criteria	Selection of companies on the basis of best practice, extension of sourcing criteria for improved technical quality and safety
11	Addition of environmental data to the planning archive	Networked GIS system
12	Amortisation models	Enlargement of viability models to include sustainability factors
13	Due diligence examinations	Enlargement of project audits to include sustainability criteria
14	CSR company platform	Promotion of co-operation with other sustainability-oriented companies and related external communications
<b>Environmental dimension</b>		
15	General mobility management	Support of natural gas fuelled vehicles
16	Intercompany mobility management	More efficient handling of CO <sub>2</sub> emissions
17	Energy-efficient construction	Exemplary, energy-efficient construction methods, communication of the "Using energy wisely" ideology
18	Use of resources in the workplace	Reduction in the use of resources
19	Energy savings in Bulgaria and Macedonia	Sensitisation of customers and employees with regard to the conscious use of energy
20	Intercompany environmental protection in Bulgaria and Macedonia	Creation of environmental protection awareness among the workforce, in-house training by company waste officers
21	Fuel quality	Optimisation of warehousing at the Waidhofen district heating plant
22	Emission measurement 	Full remote surveillance of continuous emission measurements, defects, or overshoots and guaranteed availability

The **CSR programme** of measures is characterised by three main topics:

- The further implementation of the sustainability concept within the company.
- The increased involvement of stakeholder groups.
- A further sensitisation of the specialist units with regard to ecological factors.

Measures	Responsible bodies	Priority	Deadline/ Milestones
Preparation of a code of conduct	Investor Relations, CSR advisory team, support by external consultant	1	Sept. 2008
Exchange of experience with other companies	CSR advisory team, ÖGUT platform	2	Ongoing
Preparation of a catalogue of measures taking into account the complete value added chain and relevant training	Purchasing, Env. Controlling, specialist units	1	Sept. 2008
Communication of the value of sustainability to EVN, general basic training and a total of four days of events for internal CSR network officers comprised of CSR workshops, inclusion of CSR aspects in the introductory day for new personnel	CSR advisory team, Training and Further Training	1	Sept. 2008
Scrutiny by Internal Auditing	Internal Auditing, Env. Controlling, Tech. Controlling	3	by 2010
Survey of EVN AG and EVN Netz GmbH employees and comparison with other companies	Human Resources	1	Sept. 2008
Training of additional first aid specialists (first responders)	Human Resources	1	Ongoing
Preparation of suitable measures and promotions, e.g. Family Open Day	Human Resources, Communications	2	Sept. 2008
Preparation of a stakeholder concept	Communications, General Secretariat and Corporate Affairs, Investor Relations	2	Sept. 2009
Integration of social and ecological guidelines into the auditing of external products and services	Specialist unit, Purchasing, Env. controlling	1	Dec. 2007
Implementation of relevant environmental data in the GIS system	Administration and Construction, specialist unit	2	Sept. 2010
Implementation of sustainability factors in computer models	Specialist unit, Env. Controlling	2	Sept. 2009
Preparation of a checklist	CSR advisory team, ÖGUT	2	Sept. 2009
Holding of a workshop, stakeholder integration	CSR advisory team, Communications	2	Sept. 2009
Building of public natural gas filling stations	Specialist unit, Administration and Construction	2	Ongoing
Gradual "greening" of the vehicle fleet, measures to reduce business travel, promotion of rail travel, time management optimisation (e.g. through video conferences)	Specialist unit, Administration and Construction	2	Ongoing
Creation of an energy-efficient Customer Centre in Bulgaria	Administration and Construction, Env. Controlling, Energy Consulting	1	Sept. 2012
Avoidance or reductions in energy, water, office material use and waste, etc.	Administration and Construction, Env. Controlling, specialist unit	1	Sept. 2008
Energy saving campaign in Bulgaria and Macedonia, information in the employee journal and energy saving pamphlet, use of energy saving measures, e.g. low-energy lamps, heat insulation, solar energy, etc.	Communications, specialist units in Bulgaria and Macedonia	2	Sept. 2008
Selection and training of waste officers by EVN experts, internal know-how transfers by the appointed officers	Env. Controlling, waste officers in Bulgaria and Macedonia	1	Sept. 2008
Use of the FIFO (first in, first out) process for warehouse logistics	Heating Group West	1	Spring 2008
Integration of the stationary, continuous emission measurement at the EVZ Ybbs in the EVN central emission database and replacement of the emission measurement system at the Agrana Tulln cogeneration plant	Heating Group West	1	Spring 2008

# Facts & figures

## EVN electricity and heating generation plants



Total capacity: 1,734 MW

As at: 30.9.2007

## Key economic indicators<sup>1)</sup>

### Key operative indicators/sales trend

		2006/07	2005/06	2004/05	2003/04	2002/03
Electricity sales volumes	GWh	18,043	15,641	11,342	6,164	6,126
Gas sales volumes <sup>2)</sup>	GWh	6,212	8,313	7,821	7,925	11,863
Heating sales volumes	GWh	911	1,067	1,033	967	877

1) Financial year from October 1 to September 30; key financial indicators according to IFRS

2) From January 1, 2003 excluding sales to large companies and gas trading following transfer to EconGas, including gas sales to retailers

### Key financial indicators

		2006/07	2005/06	2004/05	2003/04	2002/03
Revenue	EUR m	2,233.1	2,071.6	1,609.5	1,207.3	1,082.1
EBITDA	EUR m	350.7	397.4	335.2	297.6	227.5
Results from operating activities (EBIT)	EUR m	197.3	184.4	131.0	114.6	102.5
Profit before income tax	EUR m	287.4	304.9	186.2	135.9	145.4
Group net profit	EUR m	227.0	221.9	144.4	117.4	102.6
Return on equity (ROE)	%	9.0	10.6	8.2	8.7	9.3
Equity ratio	%	48.1	47.1	48.2	41.7	38.8

### Key share indicators

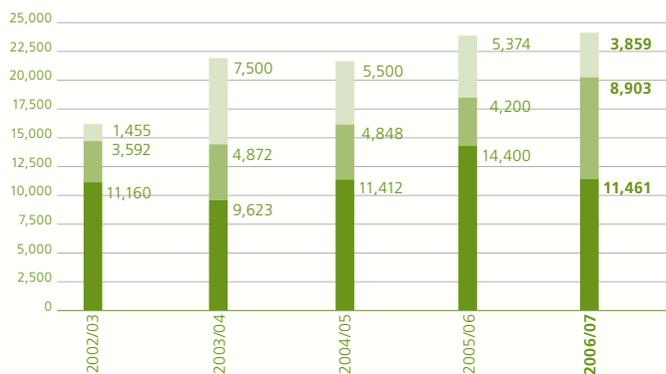
		2006/07	2005/06	2004/05	2003/04	2002/03
Earnings per share	EUR	5.55	5.43	3.53	3.08	2.73
Dividend per share	EUR	1.50 <sup>1)</sup>	1.40 <sup>2)</sup>	1.15 <sup>3)</sup>	0.95	0.75
Share price at the end of September	EUR	90.50	83.58	75.00	41.50	36.22

1) Proposal to the AGM

2) EUR 1.20 + EUR 0.20 bonus

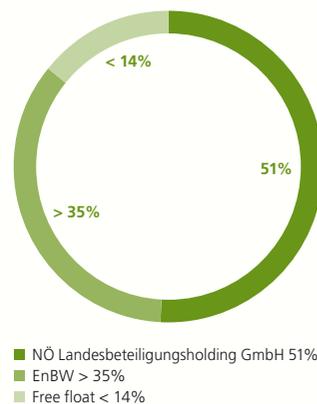
3) EUR 1.00 + EUR 0.15 bonus

## EVN Info Centre visitor numbers



■ Theiss power station  
 ■ Ottenstein power station  
 ■ AVN waste incineration plant

## Shareholder structure



■ NÖ Landesbeteiligungsholding GmbH 51%  
 ■ EnBW > 35%  
 ■ Free float < 14%

## Key ecological indicators

### Withdrawal of water in Lower Austria 2006/07

	Drinking water volume	Source	Process water volume	Source
Power stations	m <sup>3</sup> /y 17,856	Primary municipal suppliers	1,074,666	Primary ground water
District heating plants	m <sup>3</sup> /y 134,186	Municipal suppliers	49,171	Primary municipal suppliers
Head office and customer centres	m <sup>3</sup> /y 37,589	Municipal suppliers	33,083	Primary ground water

Cooling water throughput at the thermal power stations on the Danube amounted to 301.51 mm<sup>3</sup> in 2006/07.

### Waste volumes<sup>1)</sup>

	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02
Hazardous waste	t 483	322	274	253	192	215
Non-hazardous waste	t 7,378	5,004	5,768	5,272	5,888	4,990

### Exports of hazardous waste<sup>1)</sup>

	2006/07
Electrical equipment cont. PCB to Germany for complete recycling	kg 63,337

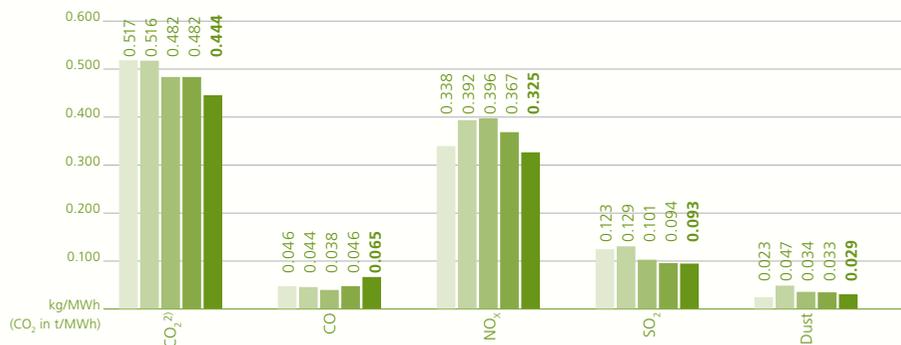
1) Data relates to EVN AG and EVN Netz GmbH (without construction residues and power station by-products)

### SF<sub>6</sub><sup>1)</sup> volumes in closed switchgear and transformer stations

	2006
Austria	kg 1,085
Bulgaria	kg 480
Macedonia	kg 401

1) Sulphur hexafluoride

### Specific emissions from EVN thermal power stations and district heating plants<sup>1)</sup>



■ 2002/03  
■ 2003/04  
■ 2004/05  
■ 2005/06  
■ 2006/07

1) Annual average

2) Due to the CO<sub>2</sub>-neutrality of biomass, emissions from biomass firing are rated as zero.

**Note:** During the past year, the calculation basis for emissions from plant units at the Theiss power station were altered due to current measurement results. The new specific emission calculation also results in slight changes to the values for the preceding years.

## AVN

Atmospheric emissions		2006/07
Dust	g/t waste	6
CO	g/t waste	92
CO <sub>2</sub>	kg/t waste	1,234 <sup>3)</sup>
NO <sub>x</sub>	g/t waste	239
SO <sub>2</sub>	g/t waste	20
HCl <sup>1)</sup>	g/t waste	0.01
C <sub>total</sub>	g/t waste	5
Hg <sup>2)</sup>	g/t waste	0.06

1) Chlorinated hydrocarbons 2) Mercury 3) Excl. CO<sub>2</sub> from the biogenic part of the waste

## WTE

Wastewater plant totals		2006
Population equivalent numbers	Number	2,327,028
Wastewater	m <sup>3</sup>	187,139,690
Sewage sludge	t <sub>TS</sub>	11,379
<b>Mean sludge recycling</b>		
Agriculture	%	23
Composting	%	11
Incineration	%	8
Landfill <sup>5)</sup>	%	57
Recultivation	%	2
<b>Mean cleaning performance<sup>6)</sup></b>		
Filtratable substances	%	97
CSB <sup>1)</sup>	%	93
BOR <sub>5</sub> <sup>2)</sup>	%	82
N <sub>total</sub> <sup>3)</sup>	%	70
P <sub>total</sub> <sup>4)</sup>	%	61

1) Chemical oxygen requirement  
 2) Biochemical oxygen requirement  
 3) Total nitrogen  
 4) Total phosphorus  
 5) The landfill is only temporary as the sewage sludge is to be transported to a new sludge incineration plant, which is soon to be built.  
 6) The biological phase at the large Kaunas and Zagren wastewater plants is either incomplete or not yet in operation.

## Primary energy consumption of EVN thermal power stations and district heating plants

		2006/07
Fossil fuels <sup>1)</sup>	Terajoule	21,714
Biomass	Terajoule	1,745

1) Natural gas, hard coal, heating oil

## Energy network lengths

		2006/07
Electricity	km	127,810
Gas	km	10,650
Heating	km	351

## Energy balance

		2006/07
<b>Input</b>		
Waste	t	300,904
Natural gas (auxiliary firing)	m <sup>3</sup>	678,000
<b>Output</b>		
Waste	t	99,591
thereof hazardous	t	7,393
thereof non-hazardous	t	92,198
Steam from AVN for energy use	t	1,009,631

## EVN Wasser

Drinking water		2006/07
Transport and distribution pipelines	km	1,804
Persons supplied	Number	480,000
Drinking water sourced	m <sup>3</sup>	26.7
Pipeline system losses	%	2.1

## Wastewater 2006/07

	Plants <10,000 p.e.	Plants <100,000 p.e.
Wastewater volume	m <sup>3</sup> /y	45,000
Total sewage sludge volume	t <sub>thousand</sub>	3
		202

## Mean cleaning performance

COR <sup>1)</sup>	%	96
BOR <sub>5</sub> <sup>2)</sup>	%	98
N <sub>total</sub> <sup>3)</sup>	%	89
P <sub>total</sub> <sup>4)</sup>	%	96

1) Chemical oxygen requirement  
 2) Biochemical oxygen requirement  
 3) Total nitrogen  
 4) Total phosphorus

## Main components used in EVN AG and EVN Netz GmbH network construction in Lower Austria

		2006/07
Power cable	m	1,496,781
Gas pipes	m	143,485
Heat pipes	m	29,793

For technical reasons, recycling materials are not used for the main components.

## Registered contaminated sites and suspected contaminated sites in Lower Austria<sup>1)</sup>

### List of registered contaminated sites

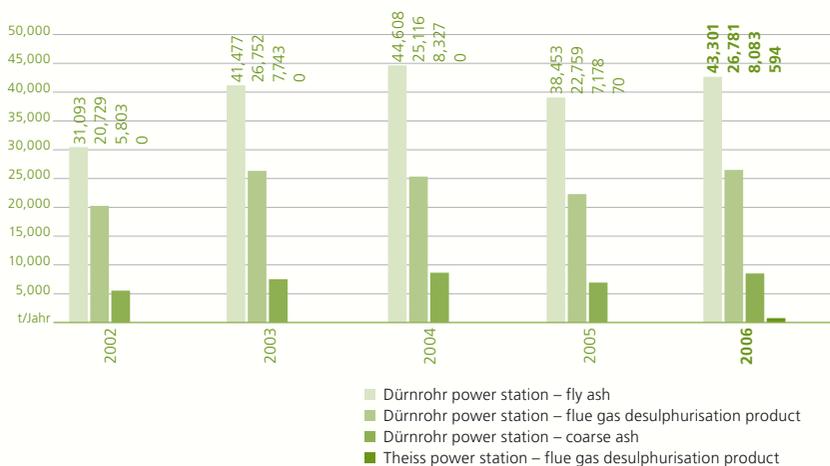
Name	Branch	Type of contamination	Priority class	Situation as at September 2007
Wr. Neustadt gasworks	Gasworks	PAH, phenols, cyanide	2	In August 2007, the gas, water and heat pipelines were re-laid in order to allow the start of decontamination.
Stockerau gasworks	Gasworks	PAH, BTX, phenols, cyanide, ammonium	3	Site contamination completed in 2007.
Baden gasworks	Gasworks	PAH, BTX, phenols, cyanide	3	Measures aimed at lowering the ground water table will be improved in 2008.
Tuttendorfer Breite (Korneuburg)	Refinery	Mineral oil	1	A variation study was completed in summer 2003 and presented. The selection of the decontamination approach is currently taking place. The Republic of Austria will bear the related costs.

### List of suspected contaminated sites

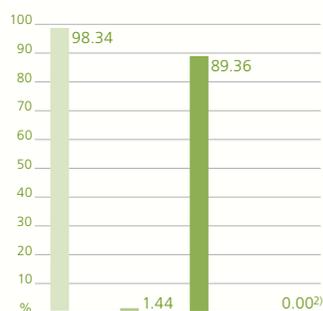
Name	Branch	Type of contamination
Moosbierbaum	Oil refinery	Hydrocarbons
Mistelbach gasworks	Gasworks	
Krems gasworks	Gasworks	
Sankt Pölten gasworks	Gasworks	
VEW/Schöller Bleckmann, Ternitz	Old industrial site – iron industry pickling sludge dump	Chlorinated hydrocarbons

1) None of the contamination listed derived from the activities of EVN.

## Ash and flue gas desulphurisation product volumes



## Utilisation levels 2002–2006



1) From 2002–2004, no flue gas desulphurisation product resulted in Theiss. The flue gas desulphurisation product from 2005 and 2006 is currently stored in a silo to await recycling.

## Successful environmental programme implementations in 2006/07 according to EMAS

The 2005/06 Sustainability Report presented various highlights from the current environmental programme. In the year under review, numerous projects were completed on schedule:

- Substitution of over 1,000 MWh of the summer load by means of the use of waste heat from a biogas plant at the **Mank district heating plant**. The installation of superordinated controls for both the existing and new biomass plant has facilitated a reduction in both the operation of the reserve boiler and CO<sub>2</sub> emissions from the entire plant (autumn 2006 – September 2007).

Biogas feeding was installed at the Mank district heating plant and the piping systems were completed in August 2007. Electrical power integration followed in October 2007. The related individual objectives such as a reduction in summer load through the use of biogas plant waste heat and a cut in the use of oil-fired boiler operation and residual ash will be evaluated in the coming financial year. Biogas feeding will receive separate visualisation.

- Relining of the domed roof and rear wall of the winter biomass boiler at the **Sankt Veit district heating plant** with fireclay refractories in order to maintain efficiency and availability through firing optimisation.

The domed roof and rear wall of the winter boiler at the St. Veit district heating plant were relined and the firing optimised. All targets were thus attained.

- Conversion of an oil tank at the **Theiss power station** into a district heating accumulator for the storage of 60 GWh of district heat using waste heat from flue gas. The stored heat is supplied to the district heating networks in Krems and Gedersdorf in Lower Austria. In addition to heat storage, this project is aimed at an increase in unit efficiency of 0.5%, as well as a reduction in CO<sub>2</sub> and NO<sub>x</sub> emissions of 1% (2007/08).

The “Theiss power station waste heat utilisation and heat storage” project has been in the start-up phase since the end of October 2007 and following the completion of test operations, will probably be ready for regular operations from the beginning of December 2007 onwards.

- Simplification of plant documentation in part of the EVN **district heating plants** (Heating Group East) with regard to audits, maintenance work, work planning and budgeting through the joint logging and documentation of all aggregates and spare part types, and the merging of a diversity of separate documents concerning repairs and audits, etc. as well as the introduction of maintenance software (autumn 2009).

Realisation is already in progress as scheduled. At present, the choice of maintenance software is being made and a plant designation system as a basis for computerised processing is in the introductory phase. The simplification and standardisation of the stored data and documentation were completed in the course of the PEP programme (personal effectiveness programme), which took place on an inter-location basis.

- Optimisation of the procedural organisation and the combining of all assignment documentation through the integration of an integrated management system at the **EVN district heating plants**. The integrated management system amalgamates all the requirements derived from EMAS and ISO 14001 with the regulations and procedures contained in the existing management system (spring 2007).

An integrated management system (IMS) has been introduced and jointly implemented at the **EVN district heating plants**. The amalgamation of assignment documentation within the two heating plant groups has led to a simplification, which has resulted in a simplification of procedural organisation. At the same time, a switch has been made to a superordinated computing system for all locations.

## Incidents of environmental relevance in Lower Austria

During the 2006/07 financial year, ten events of environmental significance occurred. EVN was not subject to any related fines.

Date	Place	Type of incident	Cause of incident	Type of pollution	Extent of environmental impact	Corrective measures
5.12.06	Dürnrrohr power station	Breach of NO <sub>x</sub> limit	NH <sub>3</sub> supply failure	Atmospheric (35% HMV <sup>2)</sup> overshoot)	Very limited	Rapid correction by plant operator
5.12.06	Dürnrrohr power station	Breach of NO <sub>x</sub> limit	NH <sub>3</sub> supply failure	Atmospheric (46% HMV <sup>2)</sup> overshoot)	Very limited	Rapid correction by plant operator
6.12.06	Dürnrrohr power station	Breach of NO <sub>x</sub> limit	NH <sub>3</sub> supply failure	Atmospheric (33% HMV <sup>2)</sup> overshoot)	Very limited	Rapid correction by plant operator
4.1.07	Dürnrrohr power station	Fire in company car	Cable fire	Atmospheric	Very limited	Disposal of car
21.1.07	TS <sup>1)</sup> wastewater plant	Transformer oil fire	Self-ignition	Soil/atmospheric	Limited	Fire extinguished; removal and disposal of 38.4 t of earth
18.7.07	Dürnrrohr power station	Breach of NO <sub>x</sub> limit	NH <sub>3</sub> supply failure	Atmospheric (31% HMV <sup>2)</sup> overshoot)	Very limited	Rapid correction by plant operator
19.7.07	Dürnrrohr power station	Breach of NO <sub>x</sub> limit	NH <sub>3</sub> supply failure	Atmospheric (7% HMV <sup>2)</sup> overshoot)	Very limited	Rapid correction by plant operator
21.7.07	TS <sup>1)</sup> Liebnitz	Transformer oil leak	Lightning	Soil	Very limited	Removal and disposal of 3 m <sup>3</sup> of soil
25.7.07	TS <sup>1)</sup> Tauchen Wiesenhöf	Collapse of a wooden mast and transformer oil leak into the soil	Mast rot	Soil	Very limited	Removal and disposal of 3 m <sup>3</sup> of soil
23.8.07	High-pressure gas pipeline near Langenlebarn	Gas leak due to damage caused during excavations by an external company	No map information obtained from EVN by the external company prior to excavation	Atmospheric	Limited	Interruption to gas supplies for 8 hours due to repairs

1) Transformer substation

2) Half-hourly mean value

## Key employment indicators

Workforce <sup>1)</sup>		2006/07	2005/06
Energy Segment	Total	8,478	8,985
thereof South-eastern Europe	Total	6,843	7,353
Environment Segment	Total	462	438
Other business areas	Total	595	550
<b>EVN Group</b>	<b>Total</b>	<b>9,535</b>	<b>9,973</b>
thereof apprentices	Total	77	78

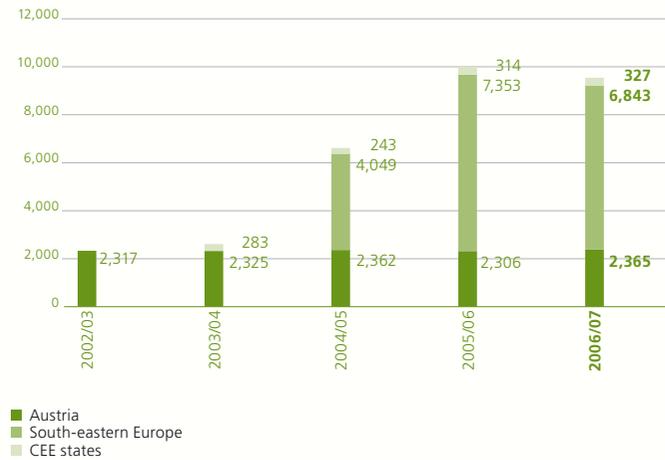
1) On full-time employee (FTE) basis; annual average

## Key workforce indicators

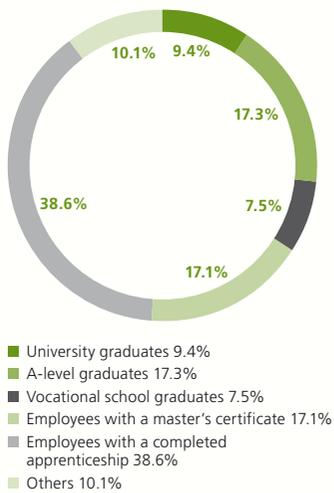
		2006/07
Employees	Total	9,535
thereof women	%	22.1
thereof men	%	77.9
Persons with special needs	Total	153
Apprentices	Total	77
Employee fluctuation <sup>1)</sup>	%	3.3
Average length of service	Years	15.8
Average age	Years	42.4
Revenue per employee	EUR	234,200.3
Sick leave per employee	Total	10
Personnel expenses to revenue	%	12.9
Training and further training expenditure	EUR m	3.1

<sup>1)</sup> Excluding persons leaving due to the Bulgarian and Macedonian social plans and retirements

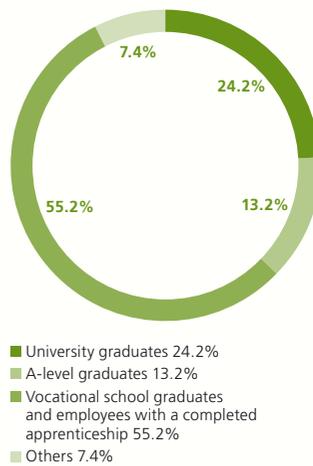
### Employees by region



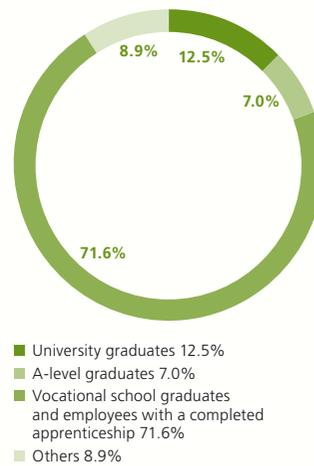
### Educational structure of the Austrian companies within the EVN Group as at Sept. 30, 2007



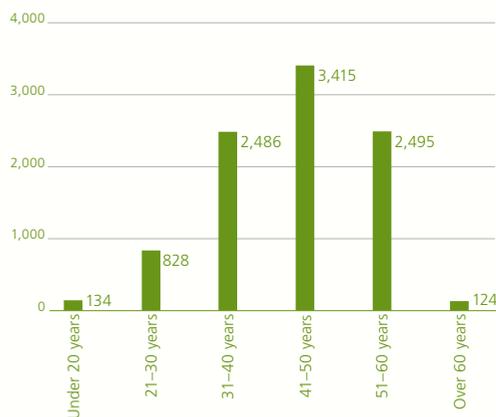
### Educational structure of the Bulgarian companies within the EVN Group as at Sept. 30, 2007



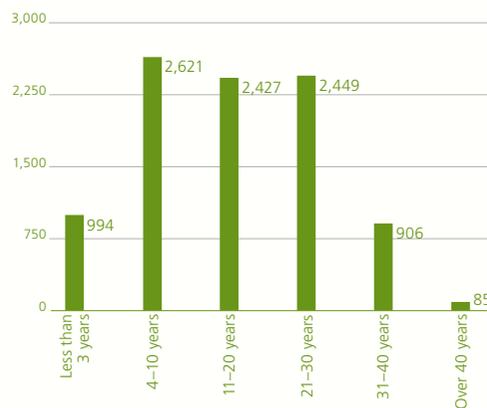
### Educational structure of the Macedonian companies within the EVN Group as at Sept. 30, 2007



### Employee age structure



### Employee service



### Training and further training

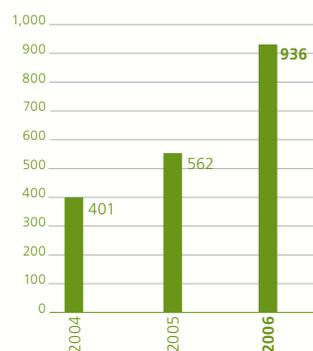
	2006/07	2005/06	2004/05
Expenditure <sup>1)</sup> _____ EUR m	3.1	2.1	1.1
Average training budget per employee _____ EUR	321.7	212.8	159.7
Training hours per employee _____ Hours	7.9	6.7	11.2

1) Seminar fees, trainers, e-learning

### Industrial accidents<sup>1)</sup>



### Working days lost



1) Accidents subject to report (excluding road accidents, including minor accidents)

The data provided relates to EVN AG, EVN Netz GmbH, AVN, evn naturkraft, EVN Wasser and kabelsignal AG

### Fire statistics<sup>1)</sup>

	2006	2005	2004	2003	2002
Fires _____ Total	9	12	4	14	15
Damage value _____ TEUR	22	67	23	493	133

1) The data provided relates to EVN AG, EVN Netz GmbH, AVN, evn naturkraft, EVN Wasser and kabelsignal AG.

# Advisory Board for the Environment and Social Responsibility

**Theodor Zeh** (Chairman), Director of the Lower Austrian Chamber of Commerce, ret.

**Wolfgang Berger**, Member of the Austrian Administrative Court

**Reinhard Dayer**, National CEO, Naturfreunde Österreich

**Rudolf Friewald**, Mayor of Michelhausen, Member of the Lower Austrian provincial parliament

**Albert Hackl**, Lecturer, Institute for Process Engineering, Environmental Engineering and Technical Biosciences, Vienna University of Technology

**Herbert Kaufmann**, Spokesman of the Executive Board, Flughafen Wien AG

**Heinz Kaupa**, Member of the Executive Board, VERBUND-Austrian Power Grid AG

**Helmut Kroiss**, Head of the Water Quality, Resource and Waste Management Department, Vienna University of Technology

**Hermann Kühnreiter**, Mayor of Zwentendorf

**Günther Leichtfried**, Mayor of Wieselburg, Member of the Lower Austrian provincial parliament

**Franz Maier**, CEO, Austrian Environmental Umbrella Association

**Georg Mayer**, Head of the Economic Policy Department, Lower Austrian Chamber of Labour

**Ernst Pucher**, Institute for Internal Combustion Engines & Automotive Design, Vienna University of Technology

**Ingeborg Rinke**, Mayor of Krems, Member of the Lower Austrian provincial parliament

**Klaus Schuster**, EVN AG Group physician

**Matthias Stadler**, Mayor of Sankt Pölten

**Adolf Stricker**, Executive Chairman, Lower Austrian Board of Education, ret.

**Christa Vladyka**, Mayor of Bruck/Leitha, Member of the Lower Austrian provincial parliament

**Paul Weiß**, Farmer

**Heinz Zipper**, District head, District of Wiener Neustadt

## Employee representatives

**Leopold Buchner**

**Monika Fraißl**

**Leopold Rösel**

## Executive Board

**Burkhard Hofer**, Spokesman of the Executive Board

**Peter Layr**

**Herbert Pötttschacher**

## Statement by a member of the Advisory Board for the Environment and Social Responsibility

### Systematic sustainability!



Sustainability is a term that is currently used as a term of self-description by anyone with a sense of personal esteem. Companies lacking a sustainability report look rather old-fashioned and sustainability has also become a buzzword. Indeed, it is frequently employed at random and without content. Nonetheless, as a conservationist one is pleased by this new sense of awareness with regard to sustainability and even more delighted when words turn into action.

The EVN claim "Using energy wisely" is an expression of this heightened consciousness. In fact, it is only reasonable to orientate our economic activities in the direction of sustainability and by no means (merely) a question of ethics and morals. The company's mission statement, "Dynamic, responsible, international" also demands this approach.

At the beginning of 2006, the former Environmental Advisory Board was correctly reconstituted as the "Advisory Board for the Environment and Social Responsibility". As a new member, I was surprised to discover that all three members of the Executive Board regard the Board's twice yearly meetings as obligatory appointments, remain throughout the proceedings and make active contributions. Moreover, as a rule, the chairman of the Supervisory Board is also present. The composition of the Advisory Board seeks to reflect the three cornerstones of sustainability formed by economics, ecology and social matters. The tangible essence of the Advisory Board, which also constitutes EVN's value added, is provided by far-sightedness, the introduction of external perspectives and a stakeholder orientation.

However, for me, the Advisory Board is far from being a homogeneous body with a joint, thoroughly discussed understanding of sustainability or Corporate Social Responsibility (CSR). I suspect that the majority of its members only come together for its meetings and therefore their relationship with EVN varies greatly. Some may feel a sense of responsibility towards the company in the manner of a supervisory board member, while others merely absorb the information on offer. Accordingly, the Advisory Board has no shared expectations of EVN and requests or appeals to the assembled members of the Executive Board are the exception. Moreover, to date, the Advisory Board as a whole has not been involved in the CSR process.

As a representative of an environmental interest group, my anticipatory attitude to the EVN management is obvious. Company policy must be gradually attuned to ecological sustainability. In the extensive field offered by increased energy production and utilisation efficiency, EVN could become a role model among Austria's large, domestic energy suppliers. Annual increases in electricity consumption of over 2% are anything but sustainable, but through contracting and other service offers energy savings can become profitable for a supplier. In the hydropower plant area, the requirement is for modernisation and ecologisation (keyword water directive) rather than new capacity. Moreover, EVN bears a special ecological responsibility due to its powerful position in Eastern Europe. Austrian environmental standards should also become the automatic benchmark in South-eastern Europe and the general rule should apply that new power plants be based on renewable energy sources rather than oil and gas. Indeed, the oil peak has probably already been reached.

Franz Maier is the CEO of the Austrian Environmental Umbrella Organisation.

A handwritten signature in black ink, appearing to read 'Franz Maier', written in a cursive style.

## Statement of the Österreichisches Institut für Nachhaltige Entwicklung

EVN AG requested the Austrian Institute for Sustained Development (ÖIN) to assess this Sustainability Report with regard to its compliance with the international guidelines of the Global Reporting Initiative (GRI) for sustainability reporting. This assessment not only involved an evaluation of formal reporting criteria, but also the qualitative anchoring of sustainability procedures within the company, which is expressed in the challenges identified.

The ÖIN is an official "organisational stakeholder" in GRI and the audit was completed using the AA 1000 Assurance Standard. In line with this standard, the evaluation took relevance and completeness into account, as well as the integration of all the main stakeholders.

With this report, EVN underlines its systematic sustainability orientation, which in the course of company history has been developed from a strong environmental direction to a consolidated, holistic approach in line with a triple bottom line. A further expression of this development is the comprehensive institutionalisation carried out by an extremely committed CSR team, which is composed of representatives from different organisational units and promotes the dissemination of the sustainability idea throughout the company. The intensive contacts with stakeholders in a process of open dialogue further innovation and provide the company with valuable food for thought.

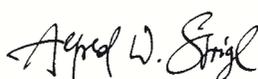
On the basis of the diverse positive steps already taken by EVN AG, in the opinion of ÖIN, the following central challenges remain to be mastered in the coming years:

- The diverse activities of relevance to sustainability demand increased concentration and systematisation in the form of integrated sustainability management. This should be the central task of the CSR team on the basis of the sustainability programme contained in this report.
- The integration of the subsidiaries in Bulgaria and Macedonia should constantly take place against the background of the international implementation of the EVN sustainability culture. The creation of Group-wide awareness with regard to sustainability will continue to be necessary in an intensified form.
- Qualitative information must be prepared in increasing detail and the economic consequences presented in greater depth for still greater transparency and the future sector supplement.

During the reporting process, the ÖIN obtained comprehensive insight into all documents of relevance, which were made available at all times and without limitation, and can herewith confirm that EVN AG has met all the requirements of the GRI guideline (A+ application level). EVN AG bears sole responsibility for all the figures published in the report.

In closing, we wish to stress that the sustainability process within EVN AG is being pursued with great commitment and courage and during the period under review clearly gained in importance. ÖIN honours this as an important step in the direction of long-term energy supply security and wishes the company every success on its chosen path.

Vienna, November 2007

  
Alfred W. Strigl  
(CEO)

  
Dietmar Kanatschnig  
(Director)



## Auditor's report

We were engaged by EVN AG to verify the financial figures contained in the Sustainability Report of EVN AG for the financial year 2006/07. Management is responsible for the preparation of the Sustainability Report.

Based on the engagement we issue the following attestation:

The financial figures contained in the "Facts & Figures" and "Economic Responsibility" sections of this report derive from the audited consolidated financial statements as at 30 September 2007 and 30 September 2006 prepared in accordance with International Financial Reporting Standards. We have issued an unqualified audit opinion on these consolidated financial statements. The financial figures contained in these sections are properly reflected.

We draw our attention to the fact that the financial figures should be read together with the consolidated financial statements for the financial years 2006/07 and 2005/06 and the related notes.

Vienna, November 19, 2007



KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Rainer Hassler  
Austrian chartered accountant

ppa. Maximilian Schreyvogl  
Austrian chartered accountant

# Assurance Statement of the Environmental Verifier

## Scope and criteria of the assurance

Lloyd's Register Quality Assurance Limited (LRQA) was commissioned by EVN to assure the ecological and social part of its corporate responsibility report for the period 2006/07 for all activities of the company in the areas of power production and distribution, heat production and supply, water purification and supply and waste incineration. From a geographical standpoint the report comprises the main activities of the subsidiaries in Austria, Bulgaria and Macedonia, as well as activities in other European countries controlled from Austria.

## LRQA's approach

In order to form our conclusions the assurance covered the following activities:

- Auditing and interviewing people responsible for EVN's CSR system at head office
- Applying a limited, rather than absolute, level of assurance to our sampling by checking aggregated data at head office. Therefore the assurance did not include verifying the data and information back to its original sources, with the exception of those EMAS registered sites in Austria.
- Reviewing existing LRQA EMAS Regulation, EU Emission Trading Scheme and ISO 14001:2004 audit records related to EVN's power plant and heating facilities in Austria to validate environmental performance disclosed in the corporate responsibility report and in particular statements associated with CO<sub>2</sub> emissions.
- Reviewing air emission data and operating policies at the Dürnrrohr waste incineration plant.

## LRQA's conclusions and findings

Nothing has come to our attention that does not support our opinion that the corporate responsibility report represents a true and fair reflection of the ecologic and social performance of EVN's business.

Conclusions given in this statement were based upon the full disclosure by EVN of all relevant data and information.

November 8, 2007



On behalf of the LRQA Ltd.  
LRQA Vienna, Austria  
Environmental Verifier Organisation  
Accreditation number: A-V-022

Johann Kitzweger  
Lead Verifier

Harald Ketzner  
Lead Verifier

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# Glossary

## **Austrian Fenco Initiative (AFI)**

An initiative launched by manufacturing industry and power producers for the development of a new research concept aimed at the operation of the targeted Austrian Fossil Fuel Fund (R&D fund for low-emission, fossil fuel fired plants).

## **Biogas**

A gaseous mixture comprised largely of methane and carbon dioxide, which is created during the oxygen-free degrading of organic material (renewable raw materials, slurry or organic residues from the foodstuffs industry).

## **Biomass**

The total mass of organic material (dead life forms, organic metabolic products and residues) of which certain quantities can be used for electricity and heat generation purposes in combined heat and power plants.

## **Clean Development Mechanism (CDM)**

A flexible mechanism envisaged by the Kyoto Protocol, which is intended to minimise the costs involved in attaining the contractually established reduction targets. To this end, countries listed in Annex B of the Kyoto Protocol can purchase carbon credits from non listed states. This provides a possibility for the reduction of greenhouse gas emissions where it is least expensive. The desired side-effect is the transfer of the latest technology to the developing world.

## **ClimatePartner**

A German strategy consulting and application development company, which originates holistic strategies and sustainable applications in the voluntary climate protection sector.

## **CO<sub>2</sub> (carbon dioxide)**

Chemical compound consisting of carbon and oxygen, which is largely created by the combustion of fossil fuels.

## **CO<sub>2</sub> emission trading**

Within the framework of the EU emission trading system, the member states distribute CO<sub>2</sub> emission rights to companies. Companies whose actual CO<sub>2</sub> emissions exceed the volume of the assigned certificates must purchase additional emission rights.

## **Corporate Governance Code**

A voluntary code of corporate behaviour, which defines the managerial and supervisory principles of a company.

## **Corporate Social Responsibility (CSR)**

Sustainability-oriented company management, which in line with sustainable development involves voluntary measures that go beyond the statutory obligations.

## **EMAS**

European directive for environmental management systems.

## **E-Control GmbH (ECG)**

A watchdog authority installed by the Austrian legislative body on the basis of the Energy Liberalisation Act. The authority has the task of monitoring and supporting the liberalisation of the Austrian electricity and gas market and if necessary, of implementing regulative action.

## **EVN PowerPartner**

Grouping of over 500 electricians and plumbers throughout Lower Austria, which closely co-operates with EVN. The aim is to offer shared customers with top quality in the energy and services sectors.

## **FTSE4Good Index**

An index that offers sustainability-oriented investors a possibility for targeted investments in companies that meet the globally accepted standards for responsible activities in line with the interests of the environment and stakeholders.

## **Global Reporting Initiative (GRI)**

International dialogue initiative, which establishes standardised guidelines for the preparation of transparent, sustainability reports for companies, governments and NGOs.

## **Joint Implementation (JI)**

Mechanism foreseen by the Kyoto Protocol for a cut in pollutant emissions. Should a state be listed in Annex B of the Protocol, it can obtain additional certificates for its domestic emissions through the realisation of measures for emission reductions in other Annex B states. The reduction in emissions created by such international involvement is credited to the investor country.

## **Kyoto Protocol**

The Protocol was agreed in 1997 during a UN conference in Kyoto and obliges member states to reduce greenhouse gases, which are the main cause of global warming.

## **Natura 2000**

Cross-border conservation area system within the European Union. Natura 2000 areas are of social importance or of significance as special nature and ornithological reserves.

## **Eco-power**

Electricity, which is produced from renewable energy sources in an ecologically acceptable manner. At present, eco-power is largely generated in small-scale hydro- and wind power plants. In addition, electricity generated from biogas, biomass, photovoltaic and solar power systems, solar and geothermal sources is also regarded as eco-power.

## **Oxyfuel technology**

A process in which coal combustion takes place using oxygen instead of air.

## **Polychlorinated biphenyl (PCB)**

Toxic chlorine compounds.

## **Pyrolysis**

The thermal cracking of chemical compounds. Bond breakages are caused in large molecules by means of high temperatures.

## **Total shareholder return**

Parameter for the further development of a share investment over a certain period taking into account dividends and price increases.

## **UN Global Compact**

An initiative launched by the UN with the aim of supporting ecological and economic interests in areas of human rights, work, the environment and corruption.

## **Waste heat**

Heat generated by plant and equipment, which remains unused. Under certain circumstances this can be fed into a district heating network.

## **Waste to energy principle**

Process in which the steam created during waste incineration is fed into power plant energy and heat generation systems. Electricity can also be produced from the biogas emanating from wastewater treatment plants.

# GRI G3 content index

		Source	Status
<b>1</b>	<b>Strategy and analysis</b>		
1.1	Status of sustainability within the company	AR,HP,Rf,2-5,12-13,25,27,42,56-57	■
1.2	Description of the most important effects, risks and opportunities	6-9,27-28	■
<b>2</b>	<b>Organisational profile</b>		
2.1-2.10	Organisational profile	AR,HP,Rf,22,32-41,58	■
<b>3</b>	<b>Reporting parameter</b>		
3.1-3.13	Reporting parameter	Rb,1-2,5,12-14,69-71	■
<b>4</b>	<b>Management, obligations, commitment</b>		
4.1	Corporate governance/management structure	AR,12-13,28-29,67-68	■
4.2	Independence of the highest management body	HP	■
4.3	Management bodies in organisations without a supervisory board		n.r.
4.4	Possibilities for contributions by employees and part owners	14-19	■
4.5	Linkage between management body remuneration and organisational performance	AR	■
4.6	Mechanisms for the prevention of conflicts of interest	9,28	■
4.7	Management body economic, environmental and social expertise	2-3,27-29	■
4.8	Models, codes of behaviour, sustainability principles	HP,Rf,6,10-11,27-29	■
4.9	Processes for the control of sustainability performance	AR,6-9,56-57	■
4.10	Assessment of the Executive Board's sustainability performance	AR	■
4.11	Taking into account of the contingency principle	2-3,6-9,12-13,28-29,42-45	■
4.12	External support of activities relating to sustainability cornerstones	6-9,10-11,16,25,28-31,44-45	■
4.13	Membership in associations and pressure groups	HP	■
4.14-4.17	Stakeholder management (selection, approaches, central topics)	HP,6-9,12-19,25,28,46-55	■
	<b>Economic performance indicators</b>		
	Management approach	HP,Rf,2-5,8-9,10-13,27,56-57	■
EC1	Directly generated and distributed economic value	AR,8,30	■
EC2	Financial consequences of climate change	4,6,8,29-30	■
EC3	Social expenditure in the company	HP,AR,5	■
EC4	Public grants	AR,4,8	■
EC5*	Relation of standard, initial remuneration to local minimum wage	14	■
EC6	Business policy, practices and share of local suppliers	HP,5,8-9,15,18	■
EC7	Recruitment of local employees	HP,9,48	■
EC8	Investments in the community	6-9,14,22-23,25,30-31,46-55	■
EC9*	Indirect economic effects	22-26,44-55	■
	<b>Ecological performance indicators</b>		
	Management approach	HP,Rf,2-4,7,10-11,13,23,27-30,42,44-45,56-57,64-68	■
EN1	Use of materials	33-34,60-61	■
EN2	Use of recycled materials	61	■
EN3	Direct primary energy consumption	61	■
EN4	Indirect primary energy consumption	60	■
EN5*	Energy savings	HP,14,30-43	■
EN6*	Energy efficiency and renewable energy initiatives	HP,30-43,56-57	■
EN7*	Initiatives for reductions in indirect energy consumption	HP,30-43,56-57	■
EN8	Total water consumption	49,60-61	■
EN9*	Water sources affected by consumption	49,60-61	■
EN10*	Recycled and reused water		n.p.
EN11	Area use in conservation areas	HP,44-45	■
EN12	Effects of business activities on bio-diversity	HP,44-45	■
EN13*	Protected or restored natural habitats	HP,44-45	■
EN14*	Strategies and measures for the protection of bio-diversity	HP,44-45	■
EN15*	Threatened species in areas of business activity	HP,44-45	■
EN16	Direct and indirect greenhouse gas emissions	2,4-7,15,60-61	■
EN17	Other relevant greenhouse gas emissions		n.p.
EN18*	Initiatives for reductions in greenhouse gas emissions and results	2,4-7,30-31,34-37,42-43	■
EN19	Emissions of ozone-degrading substances		n.r.
EN20	NO <sub>x</sub> , SO <sub>x</sub> and other significant atmospheric emissions	60-61	■
EN21	Total wastewater discharge	HP	■
EN22	Waste according to type and disposal method	60-61	■
EN23	Main pollutant emissions	66	■
EN24*	Weight of waste classified as hazardous	60	■
EN25*	Waters subject to wastewater discharge and surface run-off		n.r.
EN26	Minimisation of environmental impact due to products/services	2,4-7,23,28,30-36,42-43,56-57	■
EN27	Packaging material reduction		n.r.
EN28	Fines due to overshoots in the environmental sector	66	■
EN29*	Main environmental effects due to transport		□
EN30*	Total environmental protection expenditure	6	■

		Source	Status
<b>Social performance indicators</b>			
<b>Working practices &amp; humane employment</b>			
	Management approach	HP,Rf,2-3,5,9,12-14,22-25,52,56-57	■
LA1	Employees by employment relationship and region	HP,62	■
LA2	Employee fluctuation	HP,24,62	■
LA3*	Benefits only for full-time employees	HP	■
LA4	Employees subject to collective wage agreements	HP,14,24	■
LA5	Reporting time limits for company changes	HP,9,14,22,28	■
LA6*	Employees in work safety committees	HP,22	■
LA7	Injuries, work-related illnesses, days lost, absences and fatalities	HP,62,64	■
LA8	Health care, instructions with regard to serious illnesses	HP	■
LA9*	Work safety agreements with the trades unions	HP	■
LA10	Training and further training per employee	HP,63	■
LA11*	Know-how management and lifelong learning programme	HP	■
LA12*	Employment performance assessment and development planning	HP,9,15,24	■
LA13	Employee and managerial body diversity	HP,12-13,62-63	■
LA14	Differences in remuneration due to gender	HP	■
<b>Human rights</b>			
	Management approach	HP,Rf,5,8-9,18,20,22-25,56-57	■
HR1	Investment agreements with human rights clauses		□
HR2	Supplier check regarding adherence to human rights	HP,8-9,56-57	■
HR3*	Training concerning aspects of human rights of company relevance		□
HR4	Cases of discrimination and measures taken	HP	■
HR5	Right to freedom of assembly and collective negotiations	HP,9,14,24,28	■
HR6	Business activities bearing the risk of child labour	HP,6,8-9,25,28	■
HR7	Business activities bearing the risk of forced labour	HP,6,8-9,25,28	■
HR8*	Training for security personnel on the topic of human rights		n.r.
HR9*	Cases of breaches of the rights of indigenous peoples		n.r.
<b>Society</b>			
	Management approach	HP,Rf,2-6,8-11,18,25,27-29,44-45,56-57	■
SO1	Effects of business activities on society	Rf,8-9,16,22-25,34-35,42-47	■
SO2	Investigated corruption risks	9,25,28	■
SO3	Employee training for the prevention of corruption	HP,9	■
SO4	Anti-corruption measures	HP	■
SO5	Political positions, participation in the forming of political will, lobbying	HP,7-8,10-11,13,15,30-31,36,44	■
SO6*	Political donations	HP	■
SO7*	Legal suits due to anti-competitive practices	HP	■
SO8	Sanctions due to breaches of the law	HP	■
<b>Product responsibility</b>			
	Management approach	HP,Rf,2-3,5,10-11,14-17,22-23,29,44-46,56-57	■
PR1	Effects on health throughout the product life cycle	14-18,22-23,34-38,44-45,49	■
PR2*	Breaches of health and safety regulations		n.p.
PR3	Product/services information	10-11,14-15,32-33	■
PR4*	Breaches of information obligations		n.p.
PR5*	Customer satisfaction	14-19,25,37	■
PR6	Legal conformity in the advertising area	HP,8,15	■
PR7*	Breaches in the advertising area		n.p.
PR8*	Justified data protection complaints		n.p.
PR9	Fines due to breaches of product and services regulations		n.p.

- fully reported
- partly reported
- currently not reported
- n.r. non-relevant
- n.p. non-priority
- AR Annual Report
- HP Homepage: [www.responsibility.evn.at](http://www.responsibility.evn.at)
- Rf report front cover
- Rb report back cover
- \* Additional

The EVN Sustainability Report is oriented towards the Application Level A+ requirements of the GRI G3 guideline. The table gives an overview of the GRI content and key indicators dealt with and where they are to be found. Adherence to this reporting standard and the related criteria was closely examined by the Institute for Sustainable Development and is hereby officially confirmed.



# SUSTAINABILITY KNOW-HOW ALWAYS MAKES SENSE. AND IS PROFITABLE.

Simply answer the questions and send them in! Prizes with a total value of EUR 1,000 are to be won! Correctly completed cards will enter a draw for three electrical appliances with Class A energy efficiency.

## SUSTAINABILITY QUIZ

**1. How many customers does EVN serve in its various business areas and markets?**

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**2. How much is EVN investing in the central zone of Lower Austria within the scope of the energy concept?**

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**3. What percentage of the EVN workforce are active outside Austria?**

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Name

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Address

---

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Postal code

City

I am an: (please cross)

- |   |  |
|---|--|
| <input type="checkbox"/> Employee                 | <input type="checkbox"/> Customer                      |
| <input type="checkbox"/> Shareholder              | <input type="checkbox"/> Pressure group representative |
| <input type="checkbox"/> Authority representative | <input type="checkbox"/> Supplier                      |
| <input type="checkbox"/> Journalist               |  |

Conditions for participation: Every correctly completed entry received by September 30, 2008 will take part in a draw to be held at the beginning of October 2008. The winners will be informed in writing. Correspondence and legal recourse are excluded. One card per person is permitted.

**EVN AG**

**CSR team**

**EVN Platz**

**A-2344 Maria Enzersdorf**

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