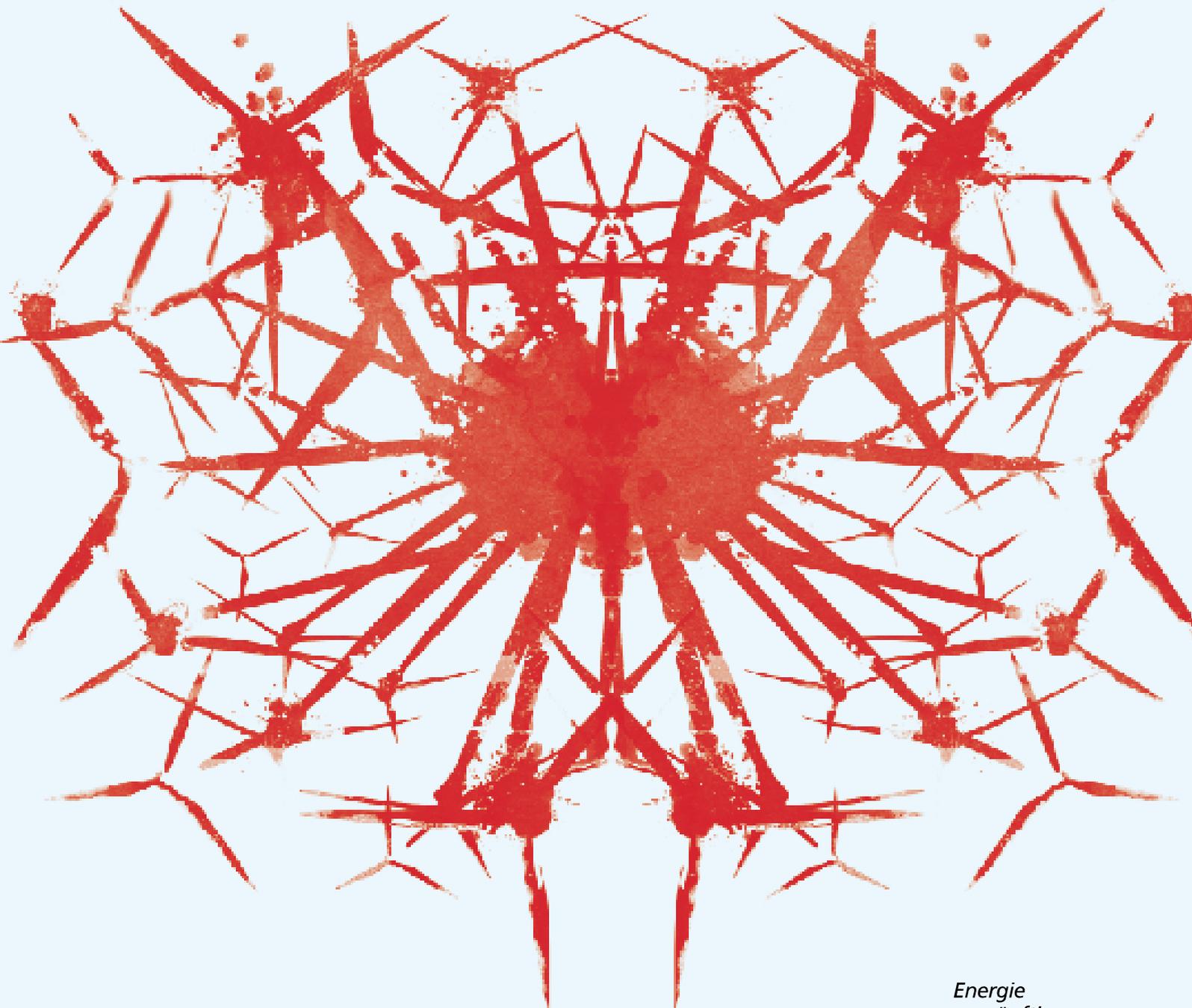


# ANNUAL FINANCIAL REPORT

## 2007/08

pursuant to § 82 sec. 4 (3) of the Austrian  
Stock Exchange Act



*Energie  
vernünftig  
nutzen*

**EVN**

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# Management report

## Legal framework

### European energy policy

#### Contribution of EU members to climate protection

In the year 2007, the European Commission spoke out in favour of implementing an integrated energy and climate protection policy. Within the context of an ambitious climate protection package of measures, it defined binding targets for expanding electricity generation from renewable sources and raising energy efficiency by 2020:

- Reduction of greenhouse gas emissions by at least 20% compared to 1990, or even 30% if a follow-up agreement to the Kyoto Treaty was concluded
- Increase in the share of renewable energy (wind, hydroelectric and solar power, geothermal energy and biomass) as a percentage of total energy consumption from 6% in 2005 to 20%; (the current range is from 0.3% in Malta to 40.0% in Latvia). Austria is ranked fourth in the EU with a 21.2% share, with a level of 34% specified as the future target.
- Rise in energy efficiency: reduction of primary energy consumption by 20% from the base year 1990, and an efficiency improvement by end customers of 9% by 2016

#### Countries decide on energy mix

The individual member states are entitled to decide on the specific energy mix used to achieve these goals. Nevertheless, according to a study called "Energy Scenarios for Austria to 2020" put together by the Austrian Institute of Economic Studies, any policy decisions should take into consideration that final energy consumption in Austria is expected to rise by 1.1% annually.

#### Discussion on unbundling of transmission and long-distance power lines

In addition to these guidelines, the EU Commission presented its third liberalisation package of measures designed to strengthen competition and complete the process of establishing a unified internal energy market in September 2007. The regulations foresee far-reaching structural measures. The focal point is the issue whether an "unbundling" on the level of the transmission and long-distance power lines should proceed on the basis of proprietary rights or by creating an independent system network operator. Due to the fact that EVN does not operate any transmission network, the decision made on this issue will not have a major impact on the EVN Group.

#### Focus on consumer rights

A broad range of potential solutions is being evaluated at present on all other related issues such as the scope of the decoupling of distribution network operators, the level of autonomy and competencies of regulatory authorities, the concentration of competencies in the hands of a national regulatory body, the transparency of market processes, consumer rights, etc. A further body ("London Forum") has been set up to ensure the quick implementation of consumer rights.

The legislative proposals continue to provoke very controversial discussions among EU member states. Final agreement is expected in the course of the 2008/09 financial year. Once this takes place, EVN will be first be able to evaluate the expected impact on the business environment, and the steps required to convert the EU regulations into national laws.

### Regulatory environment in Austria

#### Regulated electricity and gas networks

#### Incentive regulatory system also for the gas network

An incentive regulatory system was applied to electricity networks at the beginning of 2006 and for gas networks at the beginning of 2008, replacing the previous individual cost evaluation procedures by a

multiyear regulatory period. During the regulatory period, which lasts until 2009 for the electricity network and applies to the gas network until 2012, tariff rates develop according to a predefined calculatory model. The incentive regulatory system was developed on a unified basis. It foresees compensation for inflation, adjusted to deduct a general rise in productivity anticipated for all Austrian network operators, as well as an individual deduction for growth in efficiency. The core component of this approach is a national benchmarking system for Austria's electricity network operators, of which EVN ranks among the most efficient providers in respect to both the electricity and gas networks. For this reason, EVN expects a stable development of its electricity and gas network revenues for both regulatory periods.

Thanks to its high network efficiency, the tariff assessment process evaluating electricity network tariffs in January 2007 and 2008 did not lead to any lowering of tariffs, thus resulting in an overall stable development of network revenues. However, two tariff rate appraisals for the gas network had an effect on gas network tariffs in the 2007/08 financial year and subsequently on gas network revenues. Based on the former system of an individual cost evaluation procedure, the Austrian regulatory authority required EVN to cut its gas network tariffs by 4.0% effective January 2007. Within the context of the incentive regulatory system, a further 2.0% reduction of gas network tariffs was imposed as of February 1, 2008.

**High network efficiency on the part of EVN**

#### **Liberalisation-related customer turnover**

Since the beginning of the liberalisation process initiated in Austria's electricity and gas markets in the years 2001 and 2002 respectively, a total of 260,000 household customers (6.6%) have switched over to a new electricity provider, and 48,000 (3.8%) have decided in favour of a new gas supplier, according to E-Control, the Austrian regulatory authority. Taking account of commercial and industrial customers, a total of about 470,000 electricity customers (8.4%) and 53,000 gas customers (4.0%) have switched loyalties and are now supplied by different companies.

**Customer turnover in Austria**

#### **2<sup>nd</sup> Eco-Electricity Act**

The 2<sup>nd</sup> Amendment to the Eco-Electricity Act passed by Austria's Parliament on July 8, 2008 led to major changes in the original eco-electricity regulations. The share of green electricity generated in Austria should be increased to 15% by the year 2015. As a consequence, electricity generation from wind power will have to rise by 700 MW or 1,500 GWh annually, from hydroelectric power by 700 MW or 3,500 GWh p.a. (350 MW or 1,750 GWh from small and medium-sized hydroelectric plants) and from biomass by 100 MW or 600 GWh per year, if it can be demonstrated that the required raw materials are available. Additional annual subsidies to support the start-up of other eco-electricity generating facilities will be raised from EUR 17m to EUR 21m annually, including EUR 2.1m for photovoltaic plants. Due to the fact that several regulations of this law involve subsidies or grants, the European Commission will have to either ratify the new law or not object to its stipulations. The law is expected to take effect by January 1, 2009 at the latest.

**Expansion of eco-electricity to a 15% share by 2015**

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

In 2007, the European Commission evaluated the National Allocation plans applicable for the period 2008–2012 and prescribed an average 6.4% reduction in CO<sub>2</sub> emissions. The allocation of free certificates for CO<sub>2</sub> emissions amounting to 32.8m t per annum was subsequently reduced to 30.33m t. Accordingly, there is more than a 20% gap between the original forecasts of CO<sub>2</sub> emissions and the amount actually allocated by the EU. Austria's electricity industry was allocated 7.70m t annually of CO<sub>2</sub> emission certificates at no charge, of which EVN was granted 1.58m t (NAP I for the period 2005–2007 of 1.45 m t). EVN estimates it will be required to purchase emission certificates for approximately 0.5m to 0.8m t annually in the years to come.

**Considerable financial burden for the purchase of additional CO<sub>2</sub> emission certificates**

## Legal framework in South East Europe

### EVN unbundling successfully completed

#### Bulgaria

In accordance with EU guidelines pertaining to the unified electricity and natural gas markets in Europe, the legal unbundling between network operators and electricity suppliers was implemented as at January 1, 2007. In the second half of 2006, EVN already implemented the unbundling of its network and electricity supply operations, simultaneously merging its two Bulgarian regional electricity supply companies. The subsidiary EVN EP (formerly ERP Plovdiv AD) now serves as the network operator, whereas EVN EC (formerly ERP Stara Zagora AD) is responsible for the sourcing, procurement and distribution of electricity.

### Liberalised electricity market faces obstacles

As prescribed by the new energy law, the Bulgarian electricity market was fully liberalised starting on July 1, 2007. However, a competitive market only exists to a very limited extent due to the insufficient volumes available on the free market. In practice, long-term energy supply agreements between producers and the national electricity company NEK stand in the way of actual market liberalisation in the same way as the Bulgarian regulatory authorities have allotted pre-determined electricity distribution volumes to existing supply companies in order to ensure secure energy supplies. Most large customers draw their required electricity from the regulated market segment. Even after the closing of the atomic power plant in Kozloduy, Bulgaria remains a net exporter of electricity.

### New five-year regulatory period

Electricity prices in Bulgaria continue to be stipulated by a government commission. Following the initial three-year regulatory period, the new five-year regulatory period took effect on July 1, 2008. In accordance with the legally prescribed unbundling, the basis for the price regulation was changed, which led to an increase of end customer prices for electricity by an average of 14% as of July 1, 2008. Nevertheless, different price rises were carried out for the various supply functions (generation, transmission, system operation, distribution network, end supplier). The highest price hikes were prescribed for the national electricity company NEK and the other electricity producers. The costs presented by EVN for 2009 were not taken into account in the new network tariffs, nor were the new investments and other measures designed to increase energy supply reliability rewarded in any way. In this situation, increasing importance must be attached to the reduction of network losses from the power grid and cutting operating costs as a means of ensuring the profitability of the distribution network.

During the last four years, electricity prices in Bulgaria have risen by close to one-third, but still amount to only about half the level in Western Europe. EVN is cooperating with other electricity supply and distribution companies as well as the regulatory authorities in Bulgaria to develop a modern tariff structure.

### Lack of electricity in Macedonia

#### Macedonia

The electricity market continues to be largely regulated in Macedonia, based on the single buyer model. Two electricity supply companies were spun off from the former nationalised electricity distribution company: ELEM, the largest electricity producer, and the thermal power station TEC Negotino. Up until September 2008, MESPO, the operator of the state power grid, also served as a national energy pool, 80% of which consisted of electricity generated by the state power generating company ELEM and 20% from imported electricity. The subsidiary EVN Macedonia derived almost all of its electricity requirements from this energy pool. On balance, Macedonia is highly dependent upon energy and electricity imports. Despite ongoing hikes in energy costs, price levels continue to be well below the European average.

In September 2008, a new energy law took effect in Macedonia, which will lead to future changes in the conditions underlying energy procurement. ELEM was granted responsibility for managing the national

energy pool and is obliged to provide EVN Macedonia with a specified quantity of electricity defined by the regulatory authority on the basis of customer requirements and recognised network losses. Electricity supply volumes exceeding the recognised network losses must be acquired by EVN on wholesale electricity markets, which in turn will lead to higher procurement costs.

The secondary legislation, in particular related to new price regulations and corresponding market rules, is currently being prepared with the assistance of international advisors. In July 2008, an important development took place on the basis of the approval by the Macedonian regulator on technical network regulations proposed by EVN Macedonia. A major milestone in the improvement of energy supply reliability was achieved on the basis of the new definition of the network access process and transparent cost accounting.

## Overall business environment

The overall business environment of the global economy deteriorated considerably in 2008. In 2007, economic growth already levelled off due to high energy, raw material and food prices. In the middle of 2008, the international financial crisis sparked by the mortgage and financial crisis in the USA further intensified the negative effects of the upward price spiral. The turbulences on the US financial market continued with unrelenting vehemence, and also impacted the European banking sector, causing highly volatile financial markets and a strong rise in corporate refinancing costs. In particular, banks had to partially carry out a massive write off of their credit portfolios. Accordingly, the high growth phase prevailing in recent years has come to an end. As of the end of 2008, it was not possible to reliably estimate the duration of the impending recession.

The economic situation in the eurozone also worsened considerably in the course of the year, as a consequence of the recession in the USA, the significant rise in value of the Euro vis-à-vis the US dollar and the massive raw material price increases. GDP growth forecasts were revised downwards to a range of 1.0% to 1.5% in the eurozone, and is expected to only reach 1.0% in 2009.

The Austrian economy expanded by a rate of 3.2% in 2007, with GDP growth of 2.0% expected in 2008 and 0.9% to 1.2% forecast for 2009. The strong export performance of the Austrian economy as well as private consumption slowed down considerably as a result of declining demand and the strong Euro. The investment climate was also dampened by these developments. An average inflation rate of 3.4% is expected in 2008, driven by the broad-based increase in food and energy prices. However, the weakening economy is expected to reduce inflation to 2.3% in 2009. These developments will also affect the labour market. After first signs of job losses in 2008, the unemployment rate is expected to rise considerably in 2009.

Since the year 2000, economic growth in Central and South-eastern Europe has been double the EU growth rate. GDP continued to expand strongly in the first half of 2008, but the global economic downturn also had a negative impact on this region. Average growth in the Central and Eastern European economies is expected to decline from 6.0% in 2007 to 5.0% in 2008 and 4.0%–5.0% in 2009. The forecasts for South-eastern Europe are somewhat more favourable, predicting an expansion of 7.0% in 2008 and 5.0% in 2009.

### New energy law in effect

### New price regulations in preparation

### Global recession could follow financial crisis

### Economic slowdown in the US and Europe

### Austrian economy grows stronger than the EU average

**GDP growth in Bulgaria to surpass 6.0%, 5.0% forecast for Macedonia and 9.0% in Albania**

The Bulgarian economy is benefitting from the robust development of its industrial and service sectors as well as a double digit rise increase in investment activity. Bulgaria is expected to post a GDP growth rate of 6.0% in 2008 and 5.8% in 2009. The inflation rate will likely drop to 8.0%, down from 13.0% in 2008. Preliminary forecasts foresee a 5.0% expansion of the Macedonian economy in 2008. Albania is expected to post a GDP growth rate of 9.0% in 2008 and 10.0% in 2009, following 8.0% growth in the previous year. The inflation rate will remain low, at 3.0%, whereas unemployment will continue to be quite high, at 13.0% to 14.0%.

## Energy sector environment

		2007/08	2006/07	Change in %
Temperature-related energy demand <sup>1)</sup>	%	102	76	26
Crude oil – Brent	EUR/bbl	70.41	49.24	43.0
Gas – GIMP <sup>2)</sup>	cent/m <sup>3</sup>	28.09	21.80	28.9
Coal – API#2 <sup>3)</sup>	EUR/t	98.84	55.58	77.8
CO <sub>2</sub> certificates (1 <sup>st</sup> /2 <sup>nd</sup> period)	EUR/t	17.92	3.06	–
<b>Electricity – spot market EEX<sup>4)</sup></b>				
Base load	EUR/MWh	63.20	34.69	82.2
Peak load	EUR/MWh	86.58	49.69	74.2
<b>Electricity – forward market<sup>5)</sup></b>				
Base load	EUR/MWh	56.01	53.62	4.5
Peak load	EUR/MWh	79.64	79.88	–0.3

1) Calculated according to the heating degree total in Austria. The base (100%) corresponds to the long-term average value 1997–2006; changes reported in percentage points

2) Gas Import Price (GIMP)

3) ARA notation (Amsterdam, Rotterdam, Antwerp)

4) EEX – European Energy Exchange

5) Average price of the respective quarter forward prices, beginning one year before the particular period of time on the EEX

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

**Cold weather drives energy consumption**

As measured by the heating degree total, temperatures in the region of Austria supplied by EVN were 1.5% higher in the 2007/08 financial year than the long-term average, whereas the temperatures were 5.2% higher in Macedonia and 1.3% above the long-term average in Bulgaria. The cold weather conditions primarily had an impact on household energy consumption, in particular the demand for gas and heating. In the period under review, EVN chiefly supplied gas and heating to customers in its domestic market of Austria. Based on the acquisition of TEZ Plovdiv, about 40,000 customers in Bulgaria have also been supplied with heating in Bulgaria since the beginning of 2008. Accordingly, gas sales volumes to end customers rose by 20.6% in the 2007/08 financial year, whereas heating sales volumes were up 49.5% year-on-year.

**Euro price of crude oil up 43.0%, gas price rise of 28.9%**

The price of North Sea crude oil (Brent), the variety of the highest relevance to Europe, climbed 61.9% in the 2007/08 financial year, to USD 106.2 per barrel. At the same time, the value of the euro climbed significantly against the US dollar. As a result, the euro price of crude oil increased 43.0%, to EUR 70.41 compared to the preceding year. Gas procurement costs, linked to the price of crude oil but with a time delay, rose 28.9% during the period under review. Despite this massive price increase, prices charged by EVN to its end customers have remained stable since December 2006.

The prices for CO<sub>2</sub> emission certificates rose fourfold during the 2007/08 financial year to EUR 17.92 t, from EUR 3.06/t in the preceding year. Against the backdrop of the expiration of the first trading period in 2007, and following the publication of statistics reporting actual emission levels in most EU member states to be below the targeted values, the costs of these CO<sub>2</sub> emission certificates began to drift downwards in 2006, with the trend continuing in 2007, the last year of this trading period. Up until now, CO<sub>2</sub> emission certificate prices for the second regulatory period (2008–2012) have ranged between EUR 15 t and EUR 30 t.

**Price increases for CO<sub>2</sub> emission certificates**

In terms of primary energy prices, the prices for hard coal rose the most dramatically, at an average of 77.8%, to EUR 98.84 t. In the last quarter of the 2007/08 financial year, hard coal commanded a record price of EUR 125 t, which can be attributed to the strong demand from Asia and India.

**Price for hard coal at record level**

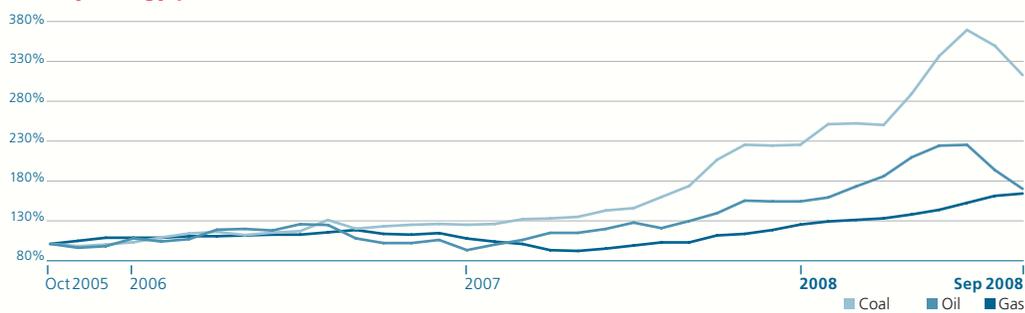
In the 2007/08 financial year, the spot market prices for peak load electricity were up 82.2%, for base load electricity 74.2% above the previous year's level. The 2006/07 financial year had been characterised by a sharp drop in wholesale electricity prices due to declining primary energy costs in connection with the mild winter, and a significant decrease in prices for CO<sub>2</sub> emission certificates. The forward market prices for base load electricity in the respective quarters of 2007/08 were 4.5% higher on average than the comparable values of the preceding year. The development of forward market prices for electricity is the decisive factor influencing EVN's actual electricity procurement cost, due to the fact that EVN already concluded forward contracts in previous quarterly periods.

**Strong increase in electricity prices**

A summary evaluation of the various influencing factors leads to the following conclusion: price increases for the primary energy sources of crude oil, natural gas and hard coal and increasing prices for CO<sub>2</sub> emission certificates have a negative impact on the business development of the EVN Group. EVN did not pass on these cost increases to end customers in the 2007/08 financial year.

**Rising costs have a negative impact**

**Primary energy price trends (indexed)**



**Electricity price trends (electricity forward market EEX)**



## Overall business development

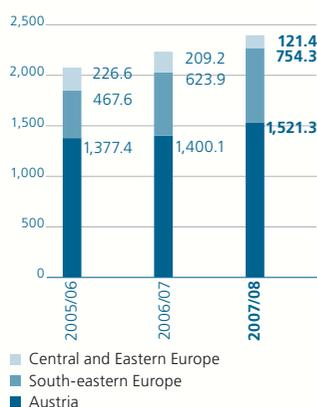
### Consolidated Financial Statements according to IFRS

These consolidated financial statements were prepared in accordance with the principles of International Financial Reporting Standards (IFRSs, as adopted by the European Union). Compared to the previous year, the consolidation range was expanded by five fully consolidated companies. In particular, the most significant change was the acquisition of the Bulgarian district heating company TEZ Plovdiv in December 2007. All in all, the consolidation range now encompasses – including EVN AG as parent company – a total of 51 fully consolidated companies (previous year: 46) and four companies which are proportionately consolidated (previous year: 4). Moreover, 13 companies are included at equity in the consolidated financial statements (previous year: 12).

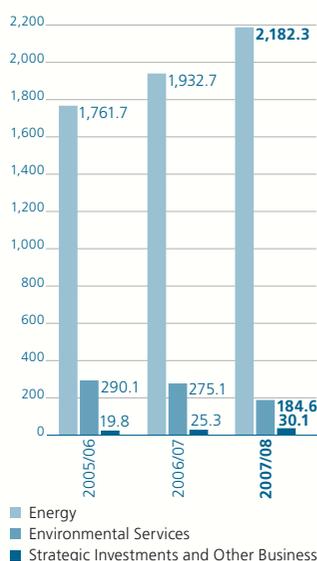
### Increase in revenue

In the 2007/08 financial year, EVN raised its total revenue by 7.3%, or EUR 163.9m, to EUR 2,397.0m. In particular, the lower temperatures in comparison to the preceding year, the increased use of EVN's own power plants and the partial upward adjustment of prices in South East Europe led to a rise in sales volumes and thus Energy segment revenue by 12.9%, or EUR 249.6m, to EUR 2,182.3m. The higher revenue in the Energy segment more than compensated for the decline in revenue of the Environmental Services segment by EUR 90.5m to EUR 184.6m, in connection with project acquisition delays. Accordingly, the Energy segment's share of total revenue rose to 91.0%, up from 86.5% in the previous year. Revenue generated outside of the Austrian market rose from EUR 833.0m in 2006/07 to EUR 875.7m in the period under review, which corresponds to a 36.5% share of revenue generated abroad.

### Revenue by region EURm



### Revenue by segment EURm



### Condensed consolidated income statement

	2007/08 EURm	2006/07 EURm	Change EURm	%	2005/06 EURm
Energy revenue	2,182.3	1,932.7	249.6	12.9	1,761.7
Environmental Services revenue	184.6	275.1	-90.5	-32.9	290.1
Strategic Investments and Other Business revenue	30.1	25.3	4.8	19.0	19.8
<b>Total revenue</b>	<b>2,397.0</b>	<b>2,233.1</b>	<b>163.9</b>	<b>7.3</b>	<b>2,071.6</b>
Change in work in progress and own work capitalised	11.8	8.3	3.5	42.4	13.6
Other operating income	50.9	45.6	5.3	11.6	40.7
Electricity purchases and primary energy expenses	-1,375.8	-1,176.1	-199.7	-17.0	-1,042.1
Other materials and services	-281.7	-335.2	53.4	15.9	-316.1
Personnel expenses	-304.4	-288.9	-15.5	-5.4	-263.6
Other operating expenses	-135.3	-136.1	0.8	0.6	-106.6
<b>EBITDA</b>	<b>362.3</b>	<b>350.7</b>	<b>11.6</b>	<b>3.3</b>	<b>397.4</b>
Depreciation and amortisation	-195.7	-153.3	-42.3	-27.6	-213.0
<b>Results from operating activities (EBIT)</b>	<b>166.6</b>	<b>197.3</b>	<b>-30.7</b>	<b>-15.6</b>	<b>184.4</b>
<b>Financial results</b>	<b>68.9</b>	<b>90.1</b>	<b>-21.3</b>	<b>-23.6</b>	<b>120.5</b>
<b>Profit before income tax</b>	<b>235.5</b>	<b>287.4</b>	<b>-52.0</b>	<b>-18.1</b>	<b>304.9</b>
Income tax expense	-5.6	-28.5	22.8	80.3	-38.1
<b>Net profit for the period</b>	<b>229.8</b>	<b>259.0</b>	<b>-29.1</b>	<b>-11.2</b>	<b>266.8</b>
Thereof minority interest	42.9	31.9	11.0	34.3	44.9
<b>EVN AG shareholders (Group net profit)</b>	<b>186.9</b>	<b>227.0</b>	<b>-40.1</b>	<b>-17.7</b>	<b>221.9</b>
<b>Earnings per share in EUR<sup>1)</sup></b>	<b>1.14</b>	<b>1.39</b>	<b>-0.25</b>	<b>-17.7</b>	<b>1.36</b>

1) The previous years' figures have been adapted to the stock split in a ratio of 1:4 carried out effective April 17, 2008.

### Energy prices remained at a high level

The 2007/08 financial year was characterised by a considerable increase in the item "Electricity purchases and primary energy expenses", which rose by 17.0%, or EUR 199.7m. This can be primarily attributed to the massive increase in primary energy prices (oil, gas, coal) and electricity market prices as well as higher sales volumes related to the good cyclical development, particularly in South East Europe. Of this increase, EUR 109.0m is related to increased sales volumes, and EUR 90.7m is the consequence of higher primary and electricity market prices.

**Increase of energy procurement expenses: +17.0%**

In contrast, the cost of materials and services declined by 15.9%, or EUR 53.4m, which is primarily related to the lower project volume in the Environmental Services segment. During the year under review, maintenance investments decreased in EVN's domestic market of Austria compared to the preceding year, which encompassed scheduled maintenance and repair work on the waste incineration facility in Dürnrrohr and a gas turbine in Theiß. However, this lower level of maintenance investments was offset by increased expenditures for reducing network losses in South East Europe.

**Decrease of cost of materials and services: -15.9%**

### Increased efficiency thanks to successful restructuring

In the 2007/08 financial year, the average number of employees totalled 9,342 people, a decline of 2.0% from the previous year, despite higher workforce numbers in Austria and the initial consolidation of TEZ Plovdiv. This development is chiefly related to the ongoing restructuring programme in Bulgaria and Macedonia.

Nevertheless, personnel expenses rose by 5.4%, or EUR 15.5m, to EUR 304.4m, which is chiefly related to the higher employee headcount in Austria and stronger contractually stipulated wage increases mandated by collective agreements.

**Increase of personnel expenses: +5.4%**

Other operating expenses amounted to EUR 135.3m, slightly below the previous year's figure of EUR 136.1m. A significant decline in costs for network access in Bulgaria was offset by increased write-offs of receivables and by consulting fees.

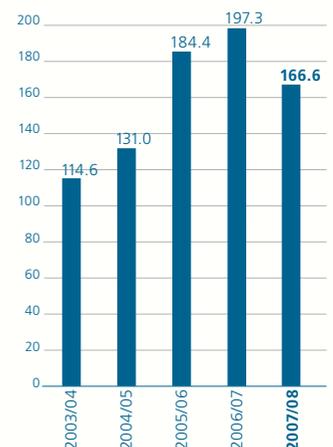
### Improved EBITDA

On balance, EBITDA rose 3.3%, or EUR 11.6m, to EUR 362.3m, despite the difficult business environment. Due to higher revenue growth, the EBITDA margin fell by 0.6 percentage points, to 15.1%.

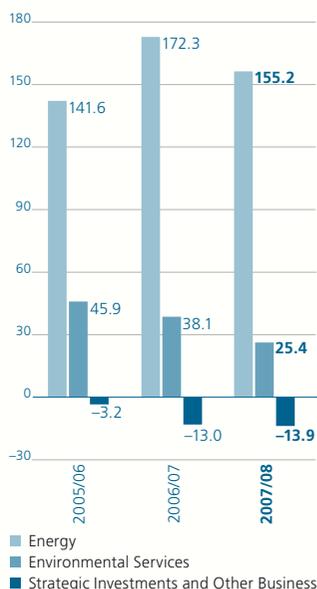
### One-off depreciation effects

Compared to 2006/07, depreciation and amortisation rose 27.6%, or EUR 42.3m, to EUR 195.7m. In addition to the increase in scheduled depreciation of EUR 8.2m, to EUR 183.7m, which is primarily related to ongoing investments, the underlying reason for the overall rise is the extraordinary depreciation resulting from impairment tests. The positive effect of EUR 22.1m in the preceding year as a consequence of reversals of impairment losses for EVN's own power stations is in contrast for the negative profit contribution of -EUR 12.0m in the 2007/08 financial year. This development is related to impairment losses on the distribution network in Bulgaria, which were necessary due to the disadvantageous regulatory framework on the Bulgarian market.

### Results from operating activities (EBIT) EURm



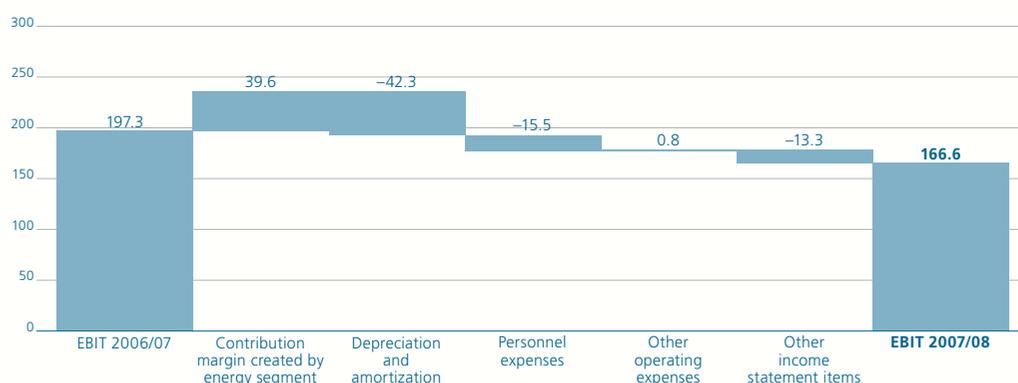
### EBIT by segment EURm



### Decline in results from operating activities (EBIT)

Due to the above-mentioned developments, EBIT fell by 15.6%, or EUR 30.7m, to EUR 166.6m. The Energy segment contributed EUR 155.2m, whereas the Environmental Services segment accounted for EUR 25.4m of total EBIT. The Strategic Investments and Other Business segment posted a negative EBIT of –EUR 13.9m.

### Development of EBIT 2007/08 EURm



### Financial results: –23.6%

### Financial results burdened by negative development on financial markets

Income from companies included at equity, which rose EUR 5.9m to EUR 95.7m, as well as the income from other investments, up EUR 4.1m to EUR 41.3m primarily as the result of the higher dividend distributed by Verbundgesellschaft, raised the profit contribution from Group investments by 7.9%, or EUR 10.0m. In contrast, there was a considerable decline in “Interest and other financial results” of EUR 31.3m, to –EUR 68.2m. The increase in interest income on non-current financial assets, related to leasing payments for large projects operated in Moscow, more than compensated for the higher interest expense for non-current financial liabilities, but not the development of other financial results. EVN was not immune to the negative trends on global financial markets. Market value related adjustments in the share prices of investment funds legally stipulated as security holdings for employee-related provisions and securities used for the temporary investment of free liquid funds, negatively impacted earnings in 2007/08. On balance, EVN’s financial results declined by 23.6%, or EUR 21.3m, to EUR 68.9m.

### Income tax expense: –80.3%

### Profit before income tax below previous year

Taking the development of the financial results into account, the profit before income tax fell by 18.1%, or EUR 52.0m, to EUR 235.5m. The total income tax expense amounted to –EUR 5.6m, or EUR 22.8m below the comparable level of the previous year. This is related to corporate tax rate reductions in Bulgaria, Germany and Macedonia. Despite a significant rise in tax-free income from investments in other companies, the main reasons for the lower income tax expense were the decline in the profit before income tax, as well as the one-off effect of EUR 11.0m resulting from a valuation change pertaining to deferred taxes.

For this reason, the decrease in the net profit for the period in the 2007/08 financial year was comparatively more moderate, declining by 11.2%, or EUR 29.1m, to EUR 229.8m. Minority interest, which basically refers to minority shareholders of fully consolidated companies, climbed by EUR 11.0m, to EUR 42.9m, as a result of the positive earnings generated by RAG as well as the earnings improvements achieved in South East Europe.

Group net profit for the 2007/08 financial year was EUR 40.1m, or 17.7% below the preceding year. In the light of the stock split and the buyback of treasury shares in the year under review, earnings per share totalled EUR 1.14, down from EUR 1.39 in 2006/07.

Despite this earnings development, the Executive Board will propose a dividend of EUR 0.370 per share, which comes close to matching the previous year's dividend of EUR 0.375 per share. As a result, the dividend payout ratio will climb to 32.4% (previous year: 27.0%), representing a dividend yield of 2.5% (previous year: 1.7%).

### Development of selected indicators

Key indicators		2007/08	2006/07	2005/06
ROE	%	7.4	9.0	10.6
Average equity	EURm	3,111.6	2,885.3	2,520.7
ROCE	%	6.3	7.1	7.9
Average capital employed	EURm	4,901.8	4,624.6	4,068.8
WACC	%	6.5	6.5	6.5
OpROCE	%	8.7	9.0	10.8
EVA	EURm	71.7	77.5	118.8

The return on equity (ROE) declined to 7.4%, down from the 9.0% in the previous year, which is primarily related to the expected lower Group net profit and the higher average equity level.

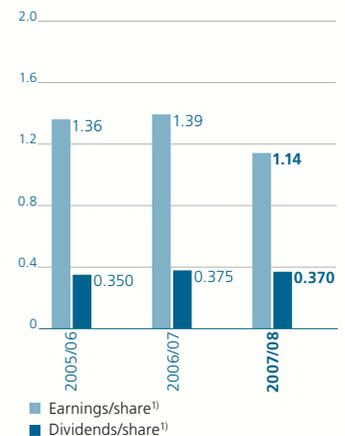
Similarly, the return on capital employed (ROCE) was 6.3%, below the comparable figure of 7.1% in the preceding year. Both indicators reflect a rise in the capital base which includes the upward adjustment in value of EVN's shareholding in Verbundgesellschaft, without recognition to profit or loss.

When adjusted for the changed market valuation of EVN's stake in Verbundgesellschaft, the performance indicators for the 2007/08 financial year tell a different story, with the economic value added (EVA) of EUR 71.7m only slightly below the previous year's level, and the return on capital employed (OpROCE) at 8.7%, only a slight drop from 2006/07. During the period under review, the weighted average cost of capital after tax (WACC) of EVN, adjusted for specific corporate and country risks, was 6.5% (previous year: 6.5%).

### Significant increase in the balance sheet total

The balance sheet total of EVN rose to EUR 6,636.3m during the period under review, an increase of EUR 374.3m compared to the last balance sheet date. This can be primarily attributed to a considerable increase in non-current assets, which now comprise 86.1% of total assets, up from 82.5% in the previous year. Intangible assets and property, plant and equipment rose due to the acquisition of TEZ Plovdiv as well as

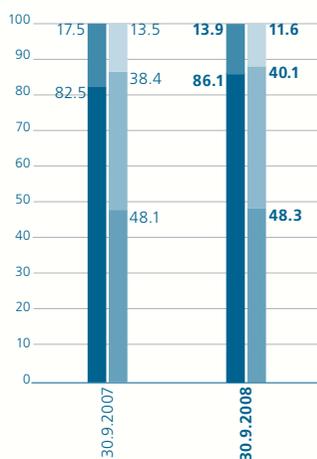
### Earnings and dividend per share in EUR



1) The previous years' figures have been adapted to the stock split effective April 17, 2008 in a ratio of 4 for 1.

## Balance sheet structure

%



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

through an increase in ongoing investments. The balance sheet items "Companies included at equity" and "Other financial assets" showed an increase as a consequence of EVN's larger indirect stake in RAG and the further increase in value of EVN's shareholding in Verbundgesellschaft, without recognition to profit or loss.

### Condensed consolidated balance sheet

	30.9.2008 EURm	30.9.2007 EURm	Change EURm	%	30.9.2006 EURm
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets and property, plant and equipment	2,749.5	2,477.0	272.5	11.0	2,359.3
Companies included at equity and other financial assets	2,365.0	2,073.7	291.3	14.0	1,903.4
Other non-current assets	597.9	615.3	-17.4	-2.8	519.1
	<b>5,712.4</b>	<b>5,166.0</b>	<b>546.4</b>	<b>10.6</b>	<b>4,781.9</b>
<b>Current assets</b>	<b>923.9</b>	<b>1,095.9</b>	<b>-172.1</b>	<b>-15.7</b>	<b>1,063.9</b>
<b>Total assets</b>	<b>6,636.3</b>	<b>6,261.9</b>	<b>374.3</b>	<b>6.0</b>	<b>5,845.8</b>
<b>Equity and liabilities</b>					
<b>Equity and liabilities</b>					
Equity attributable to EVN AG shareholders	2,975.9	2,788.0	187.9	6.7	2,523.3
Minority interest	232.5	226.7	5.8	2.6	232.7
	<b>3,208.5</b>	<b>3,014.7</b>	<b>193.7</b>	<b>6.4</b>	<b>2,756.0</b>
<b>Non-current liabilities</b>					
Non-current loans and borrowings	1,358.9	1,172.6	186.3	15.9	1,397.2
Deferred tax liabilities and non-current provisions	876.4	856.9	19.5	2.3	813.9
Deferred income from network subsidies and other non-current liabilities	420.0	371.0	49.0	13.2	325.9
	<b>2,655.3</b>	<b>2,400.6</b>	<b>254.7</b>	<b>10.6</b>	<b>2,537.0</b>
<b>Current liabilities</b>					
Current loans and borrowings	153.9	247.2	-93.3	-37.7	15.3
Miscellaneous current liabilities	618.6	599.4	19.2	3.2	537.6
	<b>772.5</b>	<b>846.6</b>	<b>-74.1</b>	<b>-8.8</b>	<b>552.8</b>
<b>Total equity and liabilities</b>	<b>6,636.3</b>	<b>6,261.9</b>	<b>374.3</b>	<b>6.0</b>	<b>5,845.8</b>

The reduction in current assets by 15.7%, or EUR 172.1m, to EUR 923.9m is primarily the result of the disposal of current securities used as a temporary investment of free liquid funds as the basis for redeeming current loans and borrowings which had become due.

Equity rose by 6.4%, or EUR 193.7m, to EUR 3,208.5m. This development was driven by the current business results and the upward valuation of EVN's investment in Verbundgesellschaft, which was contrasted by the dividend payment for the 2006/07 financial year to EVN AG shareholders totalling EUR 61.3m and to minority interest of EUR 36.4m. All in all, the equity ratio was 48.3%, slightly higher than the previous year's figure of 48.1%.

Non-current liabilities rose 10.6%, or EUR 254.7m, to EUR 2,655.3m, which can be attributed to the increase in non-current loans and borrowings and deferred tax liabilities, related to the upward adjustment in value of EVN's shareholding in Verbundgesellschaft, and a rise in deferred income from network subsidies provided by customers.

As the level of miscellaneous current liabilities remained relatively stable, the decline in total current liabilities is related to the falling level of current loans and borrowings, which primarily encompass the repayment of obligations and bonds.

### Net debt

In spite of increased equity, the higher net debt led to a deterioration of gearing by 7.9 percentage points, to 35.3%, which continues to be under the energy sector average.

The CHF obligation at a nominal interest rate of 3.25% and the DEM bond at a nominal interest rate of 5.00% in total of EUR 225.4m were redeemed on schedule during the year under review. The refinancing was carried out by drawing upon the existing syndicated credit facility to the amount of EUR 200m. Furthermore, EVN Macedonia AD concluded a EUR 70m line of credit with the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC) to finance the investment commitments stipulated in the privatisation agreement. At the balance sheet date, EUR 62.4m of these funds were drawn upon. External loans and borrowings were also used as the basis for financing construction of the third waste incineration line in Dürnröhr. Taking account of the ongoing redemption of existing loans, total non-current loans and borrowings rose by EUR 186.3m, to EUR 1,358.9m.

### Scheduled loan repayments of EUR 225.4m

	2007/08	2006/07	Change	%	2005/06
	EURm	EURm			EURm
<b>Net debt</b>					
Non-current loans and borrowings	1,358.9	1,172.6	186.3	15.9	1,397.2
Other current liabilities <sup>1)</sup>	127.0	225.4	-98.3	-43.6	0.1
Cash and cash equivalents	-94.1	-54.4	-39.8	-73.2	-76.8
Current securities	-136.0	-395.7	259.7	65.6	-282.7
Non-current securities	-102.9	-101.2	-1.6	-1.6	-94.2
Loans receivable	-21.6	-21.4	-0.2	-1.0	-13.6
<b>Net debt</b>	<b>1,131.3</b>	<b>825.3</b>	<b>306.0</b>	<b>37.1</b>	<b>930.0</b>
<b>Equity</b>	<b>3,208.5</b>	<b>3,014.7</b>	<b>193.7</b>	<b>6.4</b>	<b>2,756.0</b>
<b>Gearing<sup>2)</sup></b>	<b>%</b>	<b>35.3</b>	<b>27.4</b>	<b>-</b>	<b>7.9</b>
					<b>33.7</b>

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

2) Changes reported in percentage points

The CHF obligation at a nominal interest rate of 2.43% will be redeemed on June 10, 2009, and is thus recognised at the balance sheet date as current loans and borrowings. Despite this repayment, the liquidity situation of EVN will continue to remain very stable, enabling the company to fulfil the demands arising from its business development in the future. In addition to the cash and cash equivalents at its disposal, EVN can also draw upon a revolving line of credit valid up until 2013, of which EUR 400m had not yet been used as of the balance sheet date.

**Gross cash flow: +3.5%**

### Development of cash flow

Following a significantly higher level of depreciation and amortisation from the previous year, particularly as the result of impairment tests, and as the majority of the negative profit contributions to the financial results arising as a consequence of the global financial crisis were non-cash financial results, total non-cash items in the cash flow climbed considerably, rising 53.3%, or EUR 66.5m, to EUR 191.2m. Accordingly, total gross cash flow was up 3.5%, or EUR 14.5m, to EUR 426.7m, despite the reduced profit before income tax.

Condensed consolidated cash flow statement	2007/08	2006/07	Change		2005/06
	EURm	EURm	EURm	%	EURm
Profit before income tax	235.5	287.4	-52.0	-18.1	304.9
Non-cash items	191.2	124.7	66.5	53.3	130.1
<b>Gross cash flow</b>	<b>426.7</b>	<b>412.1</b>	<b>14.5</b>	<b>3.5</b>	<b>435.0</b>
Changes to current and non-current balance sheet items	-15.6	-51.7	36.1	69.9	-14.7
Income tax paid	-28.5	-17.6	-10.9	-61.6	-20.6
<b>Net cash flow from operating activities</b>	<b>382.6</b>	<b>342.8</b>	<b>39.8</b>	<b>11.6</b>	<b>399.7</b>
Changes in intangible assets and property, plant and equipment	-350.4	-206.2	-144.1	-69.9	-210.9
Acquisition of subsidiaries, net of cash paid	-35.0	-	-	-	-227.9
Changes in non-current financial and other assets	-186.8	18.8	-205.7	-	-180.4
Changes in current financial assets	245.4	-107.7	353.2	-	-100.7
<b>Net cash flow from investing activities</b>	<b>-326.8</b>	<b>-295.2</b>	<b>-31.6</b>	<b>-10.7</b>	<b>-719.9</b>
<b>Net cash flow from financing activities</b>	<b>-16.0</b>	<b>-70.1</b>	<b>54.1</b>	<b>77.1</b>	<b>314.6</b>
<b>Net change in cash and cash equivalents</b>	<b>39.8</b>	<b>-22.4</b>	<b>62.2</b>	<b>-</b>	<b>-5.6</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>54.4</b>	<b>76.8</b>	<b>-22.4</b>	<b>-29.2</b>	<b>82.4</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>94.1</b>	<b>54.4</b>	<b>39.8</b>	<b>73.2</b>	<b>76.8</b>

**Net cash flow from operating activities: +11.6%**

On the basis of the far lower increase in working capital compared to the previous year, the net cash flow from operating activities climbed at a much higher rate, rising 11.6%, or EUR 39.8m, to EUR 382.6m, in spite of the higher income tax paid.

The net cash flow from investing activities reached a level of EUR 326.8m, only slightly above the preceding year's level, despite ongoing investments in intangible assets and property, plant and equipment, the acquisition of EVN's shareholdings in TEZ Plovdiv and Fernwärme St. Pölten and the increased indirect stake in RAG. This can be attributed to the fact that these investments were largely financed by the sale of securities. The previous year's figure encompassed the proceeds from the sale of EVN's shareholding in Energie AG Oberösterreich amounting to EUR 177.4m.

Despite the repayment of the two loans in the 2007/08 financial year, total financial liabilities increased at a higher rate than in the previous year, due to the refinancing activities in connection with the syndicated credit facility, and additional project financing agreements. The net cash flow from financing activities rose only slightly as a consequence of the dividend distributed to EVN AG shareholders and to minority

interest of fully consolidated companies for the 2006/07 financial year. Accordingly, the net cash flow from financing activities also correspondingly declined, to a cash outflow of EUR 16.0m.

On balance, EVN posted a net change in cash and cash equivalents of EUR 39.8m, which in turn led to an increase in cash and cash equivalents to EUR 94.1m. As at the balance sheet date of September 30, 2008, EVN held EUR 136.0m of current securities (previous year: EUR 395.7m), which in accordance with IFRS were not allocated to cash and cash equivalents. Therefore, the liquidity situation of EVN continues to remain very stable.

As a result of the increased net debt, net debt coverage declined from 50.7% to 41.3%. The interest cover remained at the previous year's level of 5.5, as the interest expense developed similarly to the funds from operations.

### Investments in intangible assets and property, plant and equipment

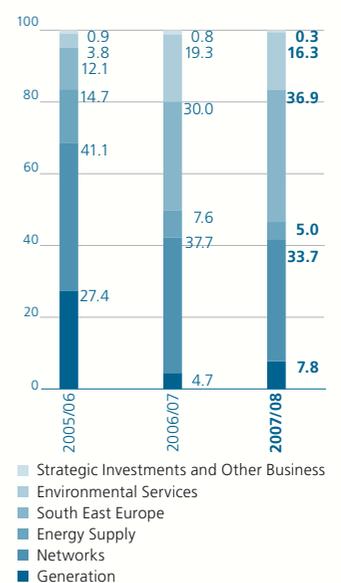
The investments of EVN in intangible assets and property, plant and equipment posted a considerable increase in the 2007/08 financial year, climbing by EUR 137.9m, to EUR 415.6m. A total of EUR 153.2m was designed for the expansion and upgrading of the network infrastructure and electricity meters in South East Europe, in order to further improve energy supply reliability and quality, as well as to reduce network losses from the power grid. The Networks business unit invested EUR 140.0m in Lower Austria, focusing its efforts on the expansion and modernisation of high voltage transmission lines and construction of new transformer stations in the electricity distribution network.

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

Investment priorities at EVN	EURm	2007/08	2006/07
<b>Generation</b>		<b>32.3</b>	<b>13.1</b>
Thereof thermal power stations		26.6	12.0
<b>Networks</b>		<b>140.0</b>	<b>104.7</b>
Thereof electricity network		107.2	81.8
Thereof gas network		27.3	16.3
<b>Supply</b>		<b>20.6</b>	<b>21.0</b>
Thereof district heating plants		20.5	20.9
<b>South East Europe</b>		<b>153.2</b>	<b>83.2</b>
<b>Environmental Services</b>		<b>67.9</b>	<b>53.6</b>
Thereof 3 <sup>rd</sup> waste incineration line in Dürnröhr		39.0	20.0
Thereof combined cycle heat and power plant in Moscow		6.4	13.1
Thereof supra-regional power lines, local networks and wastewater		14.9	17.5
<b>Strategic Investments and Other Business</b>		<b>1.6</b>	<b>2.1</b>
<b>Total</b>		<b>415.6</b>	<b>277.7</b>

### Increased investments in South East Europe

### Structure of EVN investments in %



## Human resources

### Employee qualifications as a success factor

The EVN Group considers the qualifications and dedication of its 9,342 employees to be the stable basis of its corporate success. Accordingly, the company is strongly committed to investing in ongoing professional training and further education courses, safety measures and the implementation of modern management tools.

### Successful integration of employees in South East Europe

In the 2007/08 financial year, expenditure on further training (seminar fees, trainers, e-learning) amounted to about EUR 2.9 million, which corresponds to EUR 314.9 per employee. The slight 2.1% decline compared to the previous year is related to the phasing out of management development programmes in Austria and similar trainings in Bulgaria and Macedonia. Employees spend an average of 11.4 hours on each completed training course. Accordingly, EVN organised 105,765 training hours and 13,308 training days for its employees. In addition to IT courses and specialised instruction, a further focal point of the company's efforts is behavioural training designed to improve the social competence of employees with customers as well as fellow workers.

### Improvement of personal working methods

In determining the qualification needs of employees, EVN relies on Group-wide training coordinators who have been serving the company since 2005, serving as an interface between the employees, their superiors and Group Human Resources. They coordinate all internal and external qualification measures for their respective areas. Since 2005, a practice-oriented training programme for employees and executives has also been implemented. The aim is to improve and enhance personal working techniques, focusing on employees achieving greater job satisfaction, efficiency and effectiveness at the office workplace. Up until now, more than 1,100 employees have been trained in Lower Austria, with further courses planned for the 2008/09 financial year. An ongoing improvement process will consolidate the improvements made over a long-term basis.

## Environment and sustainability

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

EVN has integrated the responsible use of natural resources as a key aspect of a sustainability-oriented corporate management, and considers this approach as a decisive success factor. By promoting renewable energy sources such as hydroelectric and wind power, biomass and biogas, EVN not only makes a valuable contribution to reducing CO<sub>2</sub> emissions, but also towards reducing the company's dependence on fossil-based primary energy sources. To ensure the highest possible effectiveness of its power generating plants, EVN makes use of state-of-the-art technologies, such as combined cycle heat and power facilities. Almost all of EVN's thermal power stations have been granted an environmental certificate.

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

## Risk management

### Definition of risk

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

### Risk management process

The overriding goal of EVN's risk management system is the targeted safeguarding of existing and future earnings potential. A centrally managed, two phased risk controlling system provides the responsible employees in the EVN Group with the methods and tools required to identify and evaluate risks. The responsible operative business units communicate their risk positions to the central risk controlling unit, which carries out a cross-divisional assessment, in order to ultimately define suitable measures to minimise risk.

### The risk controlling process

- Identification: identification of risks arising from the results of the last risk inventory and the Group's new business activities
- Evaluation & analysis: quantification of risk, aggregation of risks according to different assessment approaches, modelling of profit distribution, preparation of a risk report
- Reporting: risk reports are sent to risk managers at regular intervals. The risk reporting to the Executive Board encompasses two corporate bodies, the Group risk committee and the risk management working committee, which are involved in the evaluation and discussion of risk positions.
- Process review: serves to determine the organisational units to be monitored, in which case a method has been developed to identify those units which must be regularly subject to an explicit risk assessment. At the same time, the company regularly carries out analyses to determine whether the pre-defined methodology applied to identify and evaluate risks needs to be changed in the light of changed conditions.

**Responsible managers in the operative business units report to central risk controlling**

### Risk management and control committees

The Group risk committee presents and discusses the results of the risk reports. It decides on any potential need for action, convenes working groups and authorises them to carry out specified tasks. The Group risk committee is the ultimate authority with the right to adapt the risk management system of the EVN Group in accordance with changes in risk positions. Accordingly, it influences risk policies and the strategic orientation of the company.

In contrast, the risk management work committee is authorised to monitor the proper implementation of the risk controlling mechanisms. It also defines the evaluation methods, specifications and guidelines in respect to the type and scope of official reporting tools. Internal controlling encompasses an examination of risk controlling processes and the implementation of the planned measures.

**Certification of the risk management system of the EVN Group by KPMG Austria**

The risk management system of the EVN Group has been certified by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, in respect to its effectiveness and quality standards.

**Risk minimisation based on central treasury and ongoing monitoring**

**Risks based on international expansion**

The continuing expansion of the EVN Group in Central, Eastern and South East Europe increases earnings but also the risk potential of the company. The expansion in the field of energy procurement and sales focuses on the Bulgarian and Macedonian markets, regularly posing new challenges to the EVN Group.

The EVN Group has been actively doing business in southeast Bulgaria for five years. The related risk potential is primarily in connection with the country's political and regulatory environment, and the macroeconomic development of the country. The most important risk classes encompass profit margin risks in the electricity and district heating businesses, supplier risks in regards to various projects, high personnel fluctuation rates, granting undue advantages or default risk on the part of commercial or private customers.

The risks in Macedonia are primarily related to the political and regulatory environment. Continuous changes in the legal framework and ethnic tensions in the region comprise the most serious challenges, which can only be solved in cooperation with local, regional and national authorities and interest groups. The operational risks involve profit margin risks in the electricity supply business, granting undue advantages, technical and commercial network losses, regulatory guidelines as well as increasing personnel expenses for well qualified specialists.

**Hedging instruments for volatile markets**

The ongoing expansion of the Environmental Services segment in the Central and Eastern European region, particularly in Russia, increases the risk potential of the EVN Group. The most important risk classes in respect to EVN's business in this region are the prevailing political and regulatory conditions, as well as various aspects of project financing which must be newly evaluated in the light of the international financial crisis and the changed macroeconomic indicators. Increasing financing costs on the part of municipalities, the lack of skilled employees as well as default risk on the part of business partners are the most important individual risks of the Environmental Services segment in the CEE region. Political and economic risks are counteracted by an appropriate hedging strategy, whereas liability rights and right of recourse are ensured on the basis of corporate law.

**No existence-threatening risks identified**

**General risk profile**

EVN's risk situation is continually changing as a result of the expansion of the company. Despite the volatile business environment, in particular relating to financing issues and the selection of suitable partners, EVN did not identify any risks whose impact could potentially endanger the existence of the company.

## The most important risks for EVN and relevant countermeasures to minimise risk

### Market and competitive risks

#### Profit margin risks

Electricity trading and district heating: non-achievement of profit margins

→ Hedging strategies, diversification of customer segments, longer-term sale of power plant capacities, fixed pricing agreements

Non-recognition of full-costs of network operations in the network tariffs stipulated by regulatory authorities

→ Lobbying with national regulatory authorities and interest groups

#### Supply risk

Increasing consolidation among equipment suppliers, with the potential to become dependent on individual suppliers

→ Targeted diversification of supplier relationships, long-term contractual service agreements

#### Project risk

Increasing project costs in building up new production capacities

→ Partnerships, contractual safeguarding of economic parameters as far as possible, external expert reports

### Financial risks

#### Default risk

Inability of business partners to meet payment obligations

→ Group-wide credit limit management system, contractual agreements and guarantees assumed by third parties

#### Liquidity risk

Inability to redeem financial liabilities on schedule

→ Long-term, centrally managed financial planning, contractual safeguarding of financing requirements

#### Equity investment risks

Non-fulfillment of profit targets of an equity investment

→ Representation on the Supervisory Board of the equity investment

#### Interest rate risk

Changes in market interest rates, value changes in variable-interest financial instruments

→ Hedging strategies

#### Foreign exchange risks

Exchange rate fluctuations for foreign business projects

→ Hedging instruments

#### Price change risks

Price fluctuations for primary energy sources

(Oil, gas, coal and biomass)

→ Diversification of sources, hedging instruments

Uncertain conditions for trading with CO<sub>2</sub> emission certificates in the EU as of 2013

→ Lobbying with national and EU interest groups and regulatory authorities

### Operational risks

#### Personnel risks

Competitive disadvantage due to delayed build up of required expertise

→ Regular internal and external professional training measures, participation in external research projects

Social security for employees: personal damage following accidents at work, retirement from work and loss of personal resources

→ Health care, safety measures, flexible working time models

#### Infrastructure risks

Commercial network losses

→ Exchange of electricity meters, shutdown of electricity supply in case of default of payment

Technical network losses from the power grid:

outdated technologies

→ Promotion of an infrastructure investment programme

Technical complications at own or third party facilities: partially insufficient technical infrastructure in South East Europe

→ Ongoing replacement of outdated equipment

→ Lobbying with local, regional and national authorities in respect to the modernisation of facilities

### Legal, political and macroeconomic risks

#### Third EU Energy Market Package

Unclear impact arising from the separation of distribution and sales

→ Lobbying with authorities, associations and interest groups on a national and international level, preparation of internal organisational and infrastructure measures

#### Environmental laws

Reduction of limit values in production facilities for electricity and heat

→ Application of state-of-the-art technologies in existing power plants and for new projects, lobbying via regional, national and international interest groups

#### Regulatory framework in Central and Eastern Europe

Implementation of national and international regulations on a local level

→ Lobbying via local, regional, national and EU-wide interest groups

### Other risks

#### Information dissemination and granting undue advantages

Dissemination of confidential information to third parties and granting undue advantages

→ IT security concepts, access limits for confidential information

## Outlook for the 2008/09 financial year

The business success of the EVN Group in the Energy segment depends largely on prices for primary energy and CO<sub>2</sub> emission certificates as well as electricity wholesale prices on the European spot and forwards markets. Moreover, the development of outdoor temperatures has an influence on sales volumes of electricity gas and heat. Despite massive price increases on energy markets, EVN has succeeded in maintaining end customer prices for electricity and gas at a stable level since December 2006, thanks to a successful procurement and sourcing policy. A temporary decline in gas prices was passed on to end customers in the form of a 7% reduction in gas prices in June 2007. However, the price increases on international raw material and energy markets reached such a magnitude that EVN was forced to carry out an upward adjustment in its electricity and gas sales prices in its regional market of Lower Austria effective November 1, 2008. However, these rates charged to end customers will be adjusted in the course of the financial year to reflect reduced primary energy costs.

The projected development of revenue and earnings in the 2008/09 financial year is based on the following factors:

- Due to the current development of primary energy costs and electricity market prices, EVN will increasingly rely on power generated from its thermal power stations in the **Generation business unit**, which will likely lead to higher revenue and earnings.
- On balance, the **Networks business unit** expects a slight rise in overall demand and sales volumes, in the light of both improved household energy efficiency and the greater reliance on EVN's own thermal power stations. EVN does not anticipate any major negative effects on revenue to arise in connection with potential tariff rate changes. Accordingly, earnings are expected to remain stable.
- The **Supply business unit** assumes that there will only be a slight increase in electricity volumes as a result of improved energy efficiency, and a decline in gas volumes due to customer's changeover to other fuels and district heat. Due to the high volatility of the price development on international energy markets, it is likely that the results from operating activities of this business unit in 2008/09 will not match the level achieved in 2007/08.
- The integration of the new subsidiaries in the **South East Europe business unit** will proceed as planned, and should lead to a positive business development. Business in Bulgaria will depend on the success in dealing with upcoming market liberalisation. In Macedonia, an improvement in earnings can only be achieved by increased efficiency and further reducing losses from the power grid due to problematic regulatory conditions and changes in the new energy law.
- The performance of the **Environmental Services segment** is strongly shaped by the project-related nature of this line of business. Revenue and earnings are expected to increase once again in the 2008/09 financial year following a decline in 2007/08. A positive development is anticipated in the drinking water and wastewater business on the basis of a good level of orders on hand, whereas the acquisition of new large-scale waste incineration projects is first in the planning phase.
- The **Strategic Investments and Other Business segment** will strive to match the results generated in 2007/08, although the overall development of the segment is strongly linked to overall macroeconomic trends.

If the aforementioned assumptions are accurate, the EVN Group anticipates a strong increase in revenue for the 2008/09 financial year. The results from operating activities should also improve, although, from today's perspective, the performance of the company is unlikely to match the record results of 2006/07. A slight improvement in the financial results could arise assuming a stabilisation of the situation on global money and capital markets, in which case the Group net profit will surpass the level of 2007/08. EVN is also striving to maintain its attractive dividend policy in line with its value-oriented growth strategy.

#### Stable basis for further growth

The company also plans a significant increase in investments in intangible assets and property, plant and equipment in 2008/09. The large projects being implemented within the context of EVN's energy concept for the Lower Austrian Central Region will proceed at a rapid pace. This project focuses on investments at EVN's facilities in Dürnrrohr/Zwentendorf, encompassing an expansion of capacity in the waste incineration plant, the expansion of the power station in Dürnrrohr to process heat generated by the biomass and waste incineration facilities, and an extension of the district heating pipeline from Dürnrrohr to Sankt Pölten. Large-scale investments will continue in Lower Austria's electricity and gas networks to ensure reliable and secure energy supplies in the face of growing demands. The investment programme to modernise and expand the power grid in South-eastern Europe will continue.

#### Perceptible increase in investments planned

On a more cautionary note, it must be said that the potential development of the EVN Group as described above is not immune to the recessionary effects unleashed by the increasingly intensified financial and economic crisis. Although it can be assumed that the effects on the energy and environmental service industries will not be as far-reaching as for other sectors, earnings of the EVN Group in the 2008/09 financial year could potentially be below expectations.

Maria Enzersdorf, November 20, 2008  
EVN AG  
Executive Board



Burkhard Hofer  
Spokesman of the Executive Board and CEO



Peter Layr



Herbert Pöttschacher

# Consolidated Financial Statements 2007/08

According to International Financial Reporting Standards

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## Consolidated Balance Sheet

	Note <sup>1)</sup>	30.9.2008 TEUR	30.9.2007 TEUR
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	24	357,549.5	327,857.2
Property, plant and equipment	25	2,391,972.3	2,149,128.1
Companies included at equity	26	641,490.1	460,310.7
Other financial assets	27	1,723,504.2	1,613,362.0
Deferred tax assets	40	912.0	1,032.4
Other non-current assets	28	596,987.2	614,303.8
		<b>5,712,415.3</b>	<b>5,165,994.3</b>
<b>Current assets</b>			
Inventories	29	97,551.7	84,127.5
Current receivables and other current assets	30	569,376.3	539,900.1
Cash and cash equivalents	31	256,932.5	471,904.1
		<b>923,860.5</b>	<b>1,095,931.6</b>
<b>Total assets</b>		<b>6,636,275.7</b>	<b>6,261,925.9</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity attributable to EVN AG shareholders	32–37	2,975,927.3	2,788,012.5
Minority interest	38	232,532.3	226,720.8
		<b>3,208,459.6</b>	<b>3,014,733.3</b>
<b>Non-current liabilities</b>			
Non-current loans and borrowings	39	1,358,888.1	1,172,612.3
Deferred tax liabilities	40	420,022.5	399,807.9
Non-current provisions	41	456,363.3	457,122.7
Deferred income from network subsidies	42	354,322.2	324,041.4
Other non-current liabilities	43	65,684.4	46,968.7
		<b>2,655,280.3</b>	<b>2,400,553.0</b>
<b>Current liabilities</b>			
Current loans and borrowings	44	153,904.0	247,233.6
Taxes payable	45	60,479.4	58,870.5
Trade payables	46	283,695.6	297,980.0
Current provisions	47	96,410.8	92,956.6
Other current liabilities	48	178,045.9	149,598.9
		<b>772,535.8</b>	<b>846,639.6</b>
<b>Total equity and liabilities</b>		<b>6,636,275.7</b>	<b>6,261,925.9</b>

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

## Consolidated Income Statement

	Note <sup>1)</sup>	2007/08 TEUR	2006/07 TEUR
Revenue	49	2,397,001.9	2,233,124.3
Change in work in progress		-1,745.8	-5,098.3
Own work capitalised		13,500.9	13,353.7
Other operating income	50	50,863.8	45,585.5
Cost of materials and services	51	-1,657,571.5	-1,511,279.0
Personnel expenses	52	-304,436.8	-288,893.2
Depreciation and amortisation	53	-195,681.3	-153,339.9
Other operating expenses	54	-135,326.7	-136,138.3
<b>Results from operating activities (EBIT)</b>		<b>166,604.3</b>	<b>197,314.9</b>
Income from companies included at equity	55	95,721.2	89,844.7
Income from other investments	56	41,307.0	37,160.6
Interest income	57	49,934.1	31,467.0
Interest expense	57	-84,921.3	-75,835.0
Other financial results	57	-33,186.2	7,487.9
<b>Financial results</b>		<b>68,854.8</b>	<b>90,125.3</b>
<b>Profit before income tax</b>		<b>235,459.2</b>	<b>287,440.2</b>
Income tax expense	58	-5,616.2	-28,462.2
<b>Net profit for the period</b>		<b>229,843.0</b>	<b>258,978.0</b>
Thereof			
Profit attributable to Minority interest		42,906.1	31,948.3
Profit attributable to EVN AG shareholders (Group net profit)		186,936.8	227,029.7
Earnings per share in EUR <sup>2)</sup>	59	1.14	1.39 <sup>3)</sup>
Dividend per share in EUR		0.370 <sup>4)</sup>	0.375 <sup>3)</sup>

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

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

3) The previous year's figures have been adapted to the stock split effective April 17, 2008 in a ratio of 4 for 1.

4) Proposal to the Annual General Meeting

## Consolidated Cash Flow Statement

	TEUR	2007/08	2006/07
<b>Profit before income tax</b>		<b>235,459.2</b>	<b>287,440.2</b>
+ Depreciation and amortisation and impairment losses		195,681.3	153,339.9
– Non-cash share of income from companies included at equity		–1,621.4	–10,205.4
– Gains/+ losses from foreign exchange translation		–69.3	–105.0
+/- Other non-cash financial results		29,671.8	–5,644.4
– Release of deferred income from network subsidies		–29,507.6	–27,835.1
– Gains/+ losses on the disposal of non-current assets		–840.2	–331.4
+ Increase/– decrease in non-current provisions		–2,115.3	15,482.2
<b>Gross cash flow</b>		<b>426,658.4</b>	<b>412,140.9</b>
– increase/+ decrease in current inventories and receivables		–60,927.1	– 89,812.1
+ Increase/– decrease in current provisions		3,348.9	–9,623.2
+ Increase/– decrease in trade payables and other liabilities		41,999.6	47,747.4
– Income tax paid		–28,487.0	–17,623.6
<b>Net cash flow from operating activities</b>		<b>382,592.7</b>	<b>342,829.4</b>
+ Proceeds from the disposal of intangible assets and property, plant and equipment		5,270.2	2,675.4
+ Proceeds from network subsidies		59,191.1	64,419.0
+ Proceeds from the disposal of financial assets and other non-current assets		46,859.0	201,943.8
+ Proceeds from the disposal of current financial assets <sup>1)</sup>		352,423.2	81,513.9
– Acquisition of subsidiaries, net of cash acquired		–35,021.9	–
– Acquisition of intangible assets and property, plant and equipment		–414,816.8	–273,341.9
– Acquisition of non-current financial and other assets		–233,723.0	–183,122.0
– Acquisition of current financial assets <sup>1)</sup>		–107,001.5	–189,244.1
<b>Net cash flow from investing activities</b>		<b>–326,819.7</b>	<b>–295,155.9</b>
– Dividends paid by EVN AG		–61,322.2	–57,234.0
– Dividends paid to minority shareholders of fully consolidated companies		–36,420.7	–35,147.0
– Buyback of treasury shares		–4,753.9	–
+ Increase in financial liabilities		404,183.4	128,268.3
– Decrease in financial liabilities		–317,712.7	–106,002.3
<b>Net cash flow from financing activities</b>		<b>–16,026.1</b>	<b>–70,115.0</b>
<b>Net change in cash and cash equivalents</b>		<b>39,747.0</b>	<b>–22,441.4</b>
<b>Net change in cash and cash equivalents<sup>1)</sup></b>			
Cash and cash equivalents at the beginning of the period		54,356.0	76,797.4
Currency translation adjustment		14.5	–
Cash and cash equivalents at the end of the period		94,117.5	54,356.0
<b>Net change in cash and cash equivalents</b>		<b>39,747.0</b>	<b>–22,441.4</b>

1) Changes in securities are reported under these items in cases where the securities are used for the investment of surplus liquidity, but do not meet the IFRS criteria for reporting as cash equivalents. See note 60. Cash flow statement.

## Changes in Consolidated Equity Statement

TEUR	Share capital	Share premium	Retained earnings	Revaluation reserve according to IFRS 3	Valuation reserve according to IAS 39	Currency translation reserve	Treasury shares	EVN AG shareholders	Minority interest	Total
<b>Balance on 30.9.2006</b>	<b>99,069.4</b>	<b>309,361.9</b>	<b>1,255,634.2</b>	<b>7,050.6</b>	<b>851,897.6</b>	<b>262.4</b>	<b>-</b>	<b>2,523,276.1</b>	<b>232,676.8</b>	<b>2,755,952.9</b>
<b>After-tax gains (+) or losses (-) recognised directly in equity from...</b>										
Currency translation adjustment	-	-	-	-	-	842.0	-	842.0	-	842.0
Market valuation of securities	-	-	-	-	69,369.6	-	-	69,369.6	-	69,369.6
Cash flow hedges	-	-	-	-	16,806.9	-	-	16,806.9	-	16,806.9
Companies included at equity	-	-	-	-	7,886.5	-	-	7,886.5	-786.8	7,099.7
Other changes	-	-	35.8	-	-	-	-	35.8	-36.0	-0.1
<b>Total after-tax gains (+) or losses (-) recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>35.8</b>	<b>-</b>	<b>94,063.0</b>	<b>842.0</b>	<b>-</b>	<b>94,940.8</b>	<b>-822.7</b>	<b>94,118.0</b>
Net profit for the period 2006/07	-	-	227,029.7	-	-	-	-	227,029.7	31,948.3	258,978.0
<b>Total result for the period</b>	<b>-</b>	<b>-</b>	<b>227,065.5</b>	<b>-</b>	<b>94,063.0</b>	<b>842.0</b>	<b>-</b>	<b>321,970.5</b>	<b>31,125.5</b>	<b>353,096.0</b>
Dividends 2005/06	-	-	-57,234.0	-	-	-	-	-57,234.0	-35,147.0	-92,381.1
Business combinations of fully consolidated companies	-	-	-	-	-	-	-	-	-1,934.5	-1,934.5
<b>Balance on 30.9.2007</b>	<b>99,069.4</b>	<b>309,361.9</b>	<b>1,425,465.7</b>	<b>7,050.6</b>	<b>945,960.7</b>	<b>1,104.4</b>	<b>-</b>	<b>2,788,012.5</b>	<b>226,720.8</b>	<b>3,014,733.3</b>
<b>After-tax gains (+) or losses (-) recognised directly in equity from ...</b>										
Currency translation adjustment	-	-	-	-	-	1,032.3	-	1,032.3	-	1,032.3
Market valuation of securities	-	-	-	-	81,097.5	-	-	81,097.5	-	81,097.5
Cash flow hedges	-	-	-	-	-7,502.8	-	-	-7,502.8	-	-7,502.8
Companies included at equity	-	-	-	-	-7,573.2	-	-	-7,573.2	-673.9	-8,247.1
<b>Total after-tax gains (+) or losses (-) recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,021.4</b>	<b>1,032.3</b>	<b>-</b>	<b>67,053.8</b>	<b>-673.9</b>	<b>66,379.9</b>
Net profit for the period 2007/08 <sup>1)</sup>	-	-	186,936.8	-	-	-	-	186,936.8	42,906.1	229,843.0
<b>Total result for the period</b>	<b>-</b>	<b>-</b>	<b>186,936.8</b>	<b>-</b>	<b>66,021.4</b>	<b>1,032.3</b>	<b>-</b>	<b>253,990.6</b>	<b>42,232.3</b>	<b>296,222.8</b>
Capital increase from non-appropriated reserves	200,930.6	-200,930.6	-	-	-	-	-	-	-	-
Buyback of treasury shares	-	-	-	-	-	-	-4,753.9	-4,753.9	-	-4,753.9
Dividends 2006/07	-	-	-61,322.2	-	-	-	-	-61,322.2	-36,420.7	-97,742.9
<b>Balance on 30.9.2008</b>	<b>300,000.0</b>	<b>108,431.3</b>	<b>1,551,080.5</b>	<b>7,050.6</b>	<b>1,011,982.0</b>	<b>2,136.7</b>	<b>-4,753.9</b>	<b>2,975,927.3</b>	<b>232,532.3</b>	<b>3,208,459.6</b>

1) Proposal to the Annual General Meeting: a dividend payout of EUR 0,370 per share from the Group net profit for the period.

# Notes

## Basis of Preparation

### 1. General

EVN AG as the parent company of the EVN Group ("EVN") is a leading listed Austrian energy and environmental services provider, which is headquartered at EVN Platz, A-2344 Maria Enzersdorf, Austria. The business operations of the company focus on the fields of energy supply and environmental services (see note 61. [Segment reporting](#)).

In addition to providing services to its domestic market in the province of Lower Austria, "EVN" has been able to strongly position itself in the energy industry of Bulgaria and Macedonia. "EVN" successfully provides customers in fourteen countries with water supply, wastewater treatment and waste incineration services via its subsidiaries.

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

The consolidated financial statements are prepared on the basis of uniform accounting policies. If the balance sheet dates of consolidated companies are different, interim financial statements are prepared which reflect the balance sheet date of the "EVN". The interim financial statements of all domestic and foreign companies included in the consolidated financial statements, which were subject to a statutory audit or voluntarily submitted to such an examination, were audited by independent public accountants in accordance with International Financial Reporting Standards (IFRSs).

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

In order to improve clarity and comparability, the amounts in the consolidated financial statements are generally shown in thousands of euros, unless otherwise noted. Immaterial mathematical differences may arise from the rounding of individual items or percentage rates.

The income statement is prepared in accordance with the Austrian method under which "total costs" are shown.

### 2. Reporting in accordance with International Financial Reporting Standards

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

The following standards or interpretations were applied for the first time for the 2007/08 financial year:

## 2. Standards applied for the first time

Effective<sup>1)</sup>

### New standards/Interpretations

IFRS 7 Financial Instruments: Disclosure	January 1, 2007
IFRIC 10 Interim Financial Accounting and Impairment	November 1, 2006
IFRIC 11 Group and Treasury Share Transactions according to IFRS 2	March 1, 2007

### Revised standards/Interpretations

IAS 1 Presentation of Financial Statements	January 1, 2007
IAS 32 Financial Instruments: Presentation	January 1, 2007
IFRS 7 Financial Instruments: Disclosure	July 1, 2008
IAS 39 Financial Instruments: Recognition and Measurement	July 1, 2008

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

The initial application of IAS 1 and IFRS 7 requires additional notes to be included. The first time application of the other above-mentioned standards and interpretations does not have any material effect on the consolidated financial statements of the "EVN".

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

## 2. Standards which are not yet effective

Effective

### New standards/Interpretations

IFRS 8 Operating Segments <sup>1)</sup>	January 1, 2009
IFRIC 12 Service Concession Arrangements <sup>2)</sup>	January 1, 2008
IFRIC 13 Customer Loyalty Programmes <sup>2)</sup>	July 1, 2008
IFRIC 14 The Limit on Defined Benefit Asset Minimum Funding Requirements and Their Interaction <sup>2)</sup>	January 1, 2008
IFRIC 15 Agreements for the Construction of Real Estate <sup>2)</sup>	January 1, 2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation <sup>2)</sup>	October 10, 2008

### Revised standards/Interpretations

IAS 1 Presentation of Financial Statements <sup>3)</sup>	January 1, 2009
IAS 23 Borrowing Costs <sup>2)</sup>	January 1, 2009
IAS 27 Consolidated and Separate Financial Statements <sup>2)</sup>	January/July 1, 2009
IAS 32 Financial Instruments: Disclosure and Presentation <sup>2)</sup>	January 1, 2009
IAS 39 Financial Instruments: Recognition and Measurement <sup>2)</sup>	July 1, 2009
IFRS 1 First-Time Adoption of International Financial Reporting Standards <sup>2)</sup>	January 1, 2009
IFRS 2 Share-based Payments <sup>2)</sup>	January 1, 2009
IFRS 3 Business Combinations <sup>2)</sup>	July 1, 2009

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

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

3) There were several changes which have only been partially accepted by the EU up until now. In respect to when they take effect, please refer to the section "Reporting in accordance with IFRS" on pages 128ff.

New or revised standards and interpretations will not be applied by "EVN" on a premature basis. For detailed information on the above mentioned standards and interpretations, please refer to the section "Reporting in accordance with IFRS" on pages 128ff.

## Basis of Consolidation

### 3. Consolidation methods

The consolidation is carried out by offsetting the acquisition cost against the revalued net assets of the subsidiary on the date of acquisition.

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

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

The consolidated financial statements encompass the business activities of those companies in which EVN AG, directly or indirectly, holds a majority of the voting rights (subsidiaries) or, if it has control, when it is the primary beneficiary of any economic benefit arising from the business operations of these companies, or if it must bear most of the risks. This is usually the case when the voting rights exceed 50.0%.

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

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

<b>3. Key positions of jointly controlled entities</b>	TEUR	2007/08	2006/07
<b>Balance sheet</b>			
Non-current assets		16,024.7	3,143.0
Current assets		301,634.0	230,629.4
Non-current liabilities		4,983.7	5,118.9
Current liabilities		246,362.9	128,850.4
<b>Income statement</b>			
Revenue		776,082.7	616,849.6
Operating expenses		-749,640.6	-576,516.2
Depreciation and amortisation		-319.0	-197.9
Results from operating activities (EBIT)		26,123.1	40,135.5
Financial results		3,552.7	1,365.9
Profits before income tax		29,675.8	41,501.4

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

Subsidiaries, joint venture companies or associated companies are not consolidated if their influence on the assets, liabilities, financial position and profit and loss is considered to be immaterial, either individually or in total. These companies are reported at fair value, which generally corresponds to amortised cost. In order to assess the materiality of an investment, the balance sheet, non-current assets, proportional equity and external revenues are considered in relation to Group totals. The companies consolidated on the basis of these criteria account for more than 98% of the respective totals.

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

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

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

#### **4. Consolidation range**

The consolidation range is established in accordance with the requirements of IAS 27. Accordingly, 25 domestic subsidiaries (previous year: 23) – including EVN AG as parent company – and 26 foreign subsidiaries (previous year: 23) were fully consolidated.

A total of 28 affiliated companies (previous year: 25) were not consolidated due to their immaterial influence on the assets, financial position and profitability of the Group.

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

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

The fully consolidated company RAG-Beteiligungs-Aktiengesellschaft, Maria Enzersdorf, ("RBG"), in which "EVN" owns a 50.05% stake, has a 75.0% interest in Rohöl-Aufsuchungs Aktiengesellschaft, Vienna, ("RAG"). In the 1<sup>st</sup> quarter of 2007/08, EVN acquired additional shares in "RAG" via EESU Holding GmbH, Vienna, ("EESU Holding"), in which "EVN" has a 49.95% interest and is thus included at equity. Accordingly, "EVN" now has an indirect majority shareholding of 50.03% of "RAG". However, "RAG" will continue to be included at equity. This is due to a contractual stipulation, which does not permit "EVN" to exert a controlling influence on the company.

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

An overview of the companies included in the consolidated financial statements is provided in the notes to the consolidated financial statements, starting on page 124 under "EVN Group investments". The consolidation range (including EVN AG as parent company) developed as follows during the reporting period:

<b>4. Changes in the consolidation range</b>	Full consolidation	Proportionate consolidation	Equity method	Total
<b>30.9.2006</b>	43	4	13	60
Start-Ups/Initial consolidation	4	–	2	6
Deconsolidation	–1	–	–3	–4
<b>30.9.2007</b>	46	4	12	62
Mergers/Contribution of assets	1	–	–	1
Start-Ups/Initial consolidation	4	–	1	5
<b>30.9.2008</b>	51	4	13	68
Thereof foreign companies	26	–	3	29

#### **Business combinations**

Within the Bulgarian supply territory of "EVN", EVN Bulgaria Toplofikatsia EAD, Plovdiv, Bulgaria, ("TEZ Plovdiv"), was entirely acquired. It is Bulgaria's second largest district heating company and operates a total of five heat generation facilities, with a total heat generation capacity of 1,259 MW thermally and 85 MW electrically. Initial consolidation was on December 14, 2007. The purchase price, including ancillary acquisition costs, amounted to TEUR 35,177.2.

The evaluation of the value of the property, plant and equipment has not yet been concluded. For this reason, it has been determined that the business combination and the related initial consolidation have the following preliminary effects at Fair Value on the consolidated balance sheet:

#### 4. Impact of business combination

	TEUR	2007/08 <sup>1)</sup>
Non-current assets		35,259.5
Current assets		6,258.1
		<b>41,517.6</b>
Equity		25,552.8
Non-current liabilities		5,769.2
Current liabilities		10,195.6
		<b>41,517.6</b>

1) No business combinations took place in the 2006/07 financial year.

The privatisation agreement concluded in connection with the acquisition of the two Bulgarian electricity supply companies in 2004/05 included a provision for the acquisition of the electricity distribution assets of the local operating company Sunny Beach AD, Bulgaria, ("Sunny Beach"), in which the Republic of Bulgaria owned a qualified majority, by EVN AG or its Bulgarian electricity supply subsidiaries. An agreement with the Republic of Bulgaria was reached in October 2007, in which the electricity distribution assets were transferred to the Bulgarian network company of "EVN" in accordance with the stipulations of the privatisation agreement. As a result, the acquisition cost and the resulting goodwill were retroactively increased by TEUR 14,128.8.

#### Start-ups/initial consolidations

EVN Projektmanagement GmbH, Maria Enzersdorf, a fully-owned subsidiary of "EVN", was established in October 2007 for the purpose of building a pyrolysis facility for the gasification of biomass on the premises of the coal fired power plant in Dürnröhr.

Effective from January 2008, "EVN" acquired a 49.0% stake in Fernwärme St. Pölten GmbH, St. Pölten, ("Fernwärme St. Pölten"), in which the district heating activities of the municipal utility company St. Pöltener Stadtwerke were spun-off. The company is included at equity.

Retroactive to October 1, 2007, the heating operations of "EVN" were spun off from EVN AG and bundled into a newly-established company, EVN Wärme GmbH, Maria Enzersdorf, ("EVN Wärme"). The company will be responsible for providing customers with heat, natural gas, combined cycle heat and power, biogas heat, solar energy and other energy sources. The spinning off of the heating activities in the new company will not lead to any changes in the consolidated financial statements, due to the fact that "EVN Wärme" is fully consolidated. As a consequence, business volumes will be fully reported in the Group as in the past.

In April 2008, the project company WTE desalinizacija morske vode d.o.o. – Budva, Budva, Montenegro, ("WTE Budva"), was founded for the purpose of planning, constructing, financing and operating the local seawater desalination facility.

In June 2008, OAO WTE Süd-Ost, Moscow, Russia, was established, in which "EVN" has a 100% stake. The company serves as the property and management company for the sodium hypochlorite facility located on the premises of the large Ljuberzy wastewater purification plant in Moscow.

## 5. Foreign currency translation

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

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

Differences arising from foreign currency translation are recorded in the currency translation reserve in equity not affecting net income. The resulting change in equity for the 2007/08 financial year amounted to TEUR +1,032.3 (previous year: TEUR +842.0).

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

Goodwill resulting from the acquisition of foreign subsidiaries is recorded at the exchange rate in effect on the date of acquisition. This goodwill is subsequently allocated to the acquired company and translated at the exchange rate in effect on the balance sheet date. When a foreign company is deconsolidated, any related currency differences are recognised to profit or loss. The following key exchange rates were used for foreign currency translation:

5. Foreign currency translation Currency	2007/08		2006/07	
	Exchange rate on the balance sheet date	Average	Exchange rate on the balance sheet date	Average
Bulgarian lev <sup>1)</sup>	1.95583	1.95583	1.95583	1.95583
Croatian kuna	7.10490	7.25265	7.27730	7.34395
Danish krone	7.46110	7.45732	7.45440	7.45128
Macedonian denar	61.16420	61.24637	61.40120	61.12578
Polish zloty	3.39670	3.49430	3.77300	3.84162
Russian rubel	36.40950	36.36155	35.34900	34.68977

1) The exchange rate was determined by Bulgarian regulations.

## Significant Accounting Policies

The consolidated financial statements were prepared in accordance with the existing, changed and newly released standards and interpretations, inasmuch as they had been published in the Official Journal of the European Union by September 30, 2008 and had already taken effect. The consolidated financial statements were prepared in accordance with the following accounting principles:

### 6. Intangible assets

Intangible assets are carried at acquisition or production cost, less ordinary straight-line depreciation and any impairment losses. Internally generated intangible assets are recorded at production cost, when the requirements of IAS 38 for the capitalisation of such assets have been fulfilled. IAS 38 differentiates between research and development expenses. "EVN" did not capitalise any development expenses during the past financial year, as in the preceding year.

The calculation of amortisation for intangible assets with a definable, limited useful life is based on the straight-line method over a period of three to eight years for software and three to 40 years for rights. The expected useful life and amortisation procedure are determined by means of estimates on a pro rata temporis basis in respect to the period of time and cash inflow from the intangible assets.

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

Within the context of a relaunch, a definable expected useful life was determined for the ESM brand, which was capitalised in the 2005/06 financial year as a result of the business combination and initial consolidation of EVN Macedonia AD, Skopje, Macedonia. As a consequence of this classification, scheduled amortisation was carried out over a period of two years.

### 7. Property, plant and equipment

Property, plant and equipment are carried at acquisition or production cost, less ordinary straight-line depreciation and any impairment losses. If there is an obligation to decommission plant and equipment, or restore property, acquisition or production cost also encompasses the estimated expense for demolition and disposal costs. The present value of the future payments is recognised along with the acquisition or production cost and recognised to the same amount as a liability.

Ongoing maintenance and repairs on property, plant and equipment are expensed provided this work does not change the nature of the asset and no additional future benefits arise. A subsequent capitalisation of these expenses as part of the acquisition or production cost takes place if these measures are value-enhancing.

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

Assets are depreciated when available for use. Depreciation is calculated on a straight-line basis over the expected useful life of the equipment or its components. The expected economic and technical life of plant or equipment is evaluated on each balance sheet date and adapted if necessary.

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

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

When property, plant or equipment are sold, the assets are evaluated at the time the transaction is approved to determine whether they meet the criteria of being classified as non-current assets held for sale in accordance with IFRS 5. If required, the asset is written down to equal the selling price less any costs to sell. The resulting carrying value is not depreciated further until the date of disposal. Similar to the previous year, property, plant and equipment did not meet these criteria of IFRS 5.

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

### **8. Procedures and effects of impairment tests**

All assets fulfilling the criteria of IAS 36 are tested on the balance sheet date to determine if there are sufficient internal or external signs of an impairment loss. Property, plant and equipment and intangible assets with a definite useful life are to be tested for unscheduled impairment if there are sufficient signs of a potential impairment loss, in addition to scheduled depreciation. Goodwill and intangible assets with an indefinite lives must be tested for impairment at least once a year.

The impairment test for goodwill as well as assets for which no expected future cash flows can be identified is based on an assessment of the cash generating units (CGUs). For the assignment of consolidation differences CGUs that produce cash flow and – in cases of goodwill arising from business combinations – derive a benefit from the synergies resulting from the merger have to be identified. Any non-assignable consolidation difference is allocated to the cash-generating units Supply, Bulgaria, Macedonia and Environmental Services.

The decisive criterion for the qualification of property, plant and equipment as a CGU is its technical and commercial ability to generate independent revenues. In “EVN”, this definition applies to electricity and heating generation plants, electricity and gas distribution systems, data transmission lines and electricity purchasing rights.

In assessing economic value within the context of impairment tests, the higher of the net selling price and the value in use of the CGU is compared with the previously reported carrying amount. The net selling price corresponds to the fair value less costs to sell.

The value in use is calculated by discounting the future monetary inflows and outflows (cash flows) that result from the use of an asset, whose valuation is carried out on the basis of medium-term internal planning. These cash flows are discounted at the pretax weighted average cost of capital (WACC) of 8.7% (previous year: 8.7%), taking into consideration specific corporate and country risks. This valuation process takes the future expected revenues into consideration as well as maintenance and repair expenses. In cases of property, plant and equipment and intangible assets with definite lives, the condition of the assets must also be taken into account. The quality of the planning data is regularly compared with actual results through a variance analysis. These findings are taken into consideration in developing the next medium-term corporate planning strategies.

If the recoverable amount is below the recognised carrying amount, the carrying amount is to be reduced to equal the recoverable amount and an impairment loss is to be recognised. If the carrying amount of a CGU, to which goodwill or any other asset has been allocated exceeds the recoverable amount, the goodwill or the respective asset is reduced through an impairment loss amounting to the difference between the previously reported carrying value and the recoverable amount. Any further impairment is reflected in a proportional reduction of the carrying amount of the remaining fixed assets in the CGU.

If the reasons for impairment cease to exist, a corresponding write-up is recorded, whereby the increased carrying amount may not exceed the depreciated acquisition or production cost. In accordance with IFRS 3, goodwill that was written down through an impairment loss may not be revalued, even if the reasons for the impairment have ceased to exist.

## 9. Leased and rented assets

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

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

Assets obtained through finance leases are capitalised by the lessee at the fair value or the lower present value of the minimum lease payment, and amortised on a straight-line basis over their expected useful life or the shorter contract period. The obligations resulting from future lease payments are reported as a liability. Assets obtained through operating leases are considered to be owned by the lessor. The rental charges incurred by the lessee are allocated as equal instalment payments over the duration of the lease and reported as an expense.

## 10. Non-current assets

### Companies included at equity

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

### Other financial assets

Shareholdings in non-consolidated affiliated companies, in associated companies that are not included at equity and in other investments are reported as "available for sale". These financial assets are carried at fair value, if fair value can be reliably determined. Unrealised profits or losses are capitalised under equity without recognition through profit or loss. Impairment losses are recognised to reflect any permanent reductions in value. When financial assets are sold, the unrealised profits or losses that were previously recorded under equity without recognition to profit or loss are recognised to profit or loss.

### Other non-current assets

Securities recorded under non-current assets are initially recognised as "financial assets at fair value through profit or loss". These assets are recorded at cost (acquisition price) as of the date of acquisition and at market value as of the balance sheet date in later periods. Changes in market value are recognised to the income statement as income or expense. Interest-bearing debt is reported at amortised cost, whereas interest-free and low-interest loans are reported at their present value. All identifiable risks are taken into consideration by means of corresponding provisions. Non-current receivables and accrued lease transactions are derived from the project business, and are reported as finance leases according to IAS 17 in connection with IFRIC 4 (see note 9. [Leasing and rented assets](#)).

## 11. Inventories

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

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

## 12. Current receivables and other current assets

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

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

## 13. Cash and cash equivalents

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

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

## 14. Equity instruments

In contrast to borrowed capital, equity is defined in accordance with the IFRS Framework as the "residual interest in the assets of an entity after deducting all of its liabilities". Equity is thus the residual value derived from the entity's assets and liabilities.

The treasury shares held by the company are not recognised as securities pursuant to IAS 32, but are reported at the acquisition cost of the repurchased shares and are offset against the retained earnings. Profit or loss resulting from the resale of the treasury shares in comparison to the acquisition cost increase or decrease the share premium.

## 15. After tax-gains or losses recognised directly in equity

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

## 16. Provisions for pensions and similar obligations

Under the terms of a company agreement, "EVN" is obliged to pay a supplementary pension on retirement to employees who joined the company prior to December 31, 1989. This commitment also applies to EVN Netz GmbH, Maria Enzersdorf, for those employees who, within the context of the legal unbundling agreement for the spin-off of the electricity and gas networks to EVN Netz GmbH, were also transferred to EVN Netz GmbH. In principle, the amount of this supplementary pension is performance-related, and

is derived from the length of service and the amount of remuneration at the time of retirement. Contributions to EVN-Pensionskasse AG, Maria Enzersdorf, are always made by "EVN" and, as a rule, also by the employees, whereby the resulting claims are fully credited to pension payments. The obligations of "EVN" to retired employees as well as to prospective beneficiaries are covered in part by provisions for pensions and through defined contribution payments made by EVN-Pensionskasse AG, Maria Enzersdorf.

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

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

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

The provisions are determined by an actuary on the basis of an actuarial report as of the balance sheet date. The calculation parameters are described in note 41. **Non-current provisions**. Accumulated actuarial gains and losses that exceed 10% of the higher of the defined benefit obligation (DBO) and the present value of plan assets are recognised through profit or loss over the average remaining working life of the particular employees.

The biometric bases for calculation were established using the "Rechnungsgrundlagen AVÖ 2008-P – Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler" Austrian pension tables (previous year: "AVÖ 1999-P").

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

### **17. Provisions for severance payments**

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

In Bulgaria and Macedonia, employees are entitled to severance payments on retirement, the amount of which is based on the number of years of service. With regard to severance compensation entitlements, other employees of "EVN" are covered by similar social protection measures under the legal, economic and tax framework of the particular country in which they work.

The provisions for severance payments are created according to actuarial principles. Severance payments are calculated using the same parameters as the provision for pensions and for obligations similar to pensions. The calculation parameters are described in note **41. Non-current provisions**.

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

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

### **18. Other non-current provisions**

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

The obligations for service anniversary bonuses required by collective wage and company agreements are calculated using the same parameters as the provision for pensions and for obligations similar to pensions.

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

### **19. Liabilities**

Liabilities are reported at amortised cost, with the exception of liabilities arising from derivative financial instruments or liabilities arising from hedge accounting (see note **20. Derivative financial instruments**). Costs for the procurement of funds are considered as part of the acquisition cost. Non-current liabilities are discounted by applying the effective interest method.

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

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

## 20. Derivative financial instruments

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

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

The forward and futures contracts concluded by "EVN" for the purchase or sale of electricity and CO<sub>2</sub> emission certificates generally result in a physical delivery. These contracts are concluded to secure purchase prices for expected electricity deliveries or CO<sub>2</sub> emission certificates and the sale prices for planned electricity production. Due to the regular physical deliveries that fulfil the terms of the forward and futures contracts concluded by "EVN", these contracts are not dedicated to derivative financial instruments pursuant to IAS 39 and are therefore not measured at market value. "EVN's" existing forward and futures contracts represent executory sale and purchase agreements which, in accordance with IAS 37 must be examined to determine the expected losses from executory contracts.

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

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

The market valuation of derivative financial instruments, which are classified as cash flow hedging instruments (primarily interest rate swaps in exchanging floating for fixed interest rate swaps and energy derivatives) are recorded without recognition to profit or loss in the valuation reserve according to IAS 39 (see note 63. **Financial instruments**). The realisation of a hedge is recognised through profit or loss.

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

For the most part, the derivative financial instruments fulfil the prerequisites for hedge accounting.

## 21. Revenue

### Realisation of revenue (in general)

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

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

### Contract manufacturing

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

## 22. Income taxes and deferred taxes

The corporate income tax rate applicable to the parent company EVN AG on the balance sheet date equalled 25.0%.

The 2005 Tax Reform Act passed by the Austrian Parliament allows companies to establish corporate tax groups. "EVN" has taken advantage of this measure since the 2004/05 financial year by establishing four such groups. EVN AG is in the corporate tax group created by NÖ Landes-Beteiligungsholding GmbH, St. Pölten.

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

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

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

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

Deferred taxes are not recorded on the consolidated balance sheet for temporary differences resulting from companies included at equity.

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

<b>22. Corporate income tax rates</b>	%	2007/08	2006/07
<b>Headquarters</b>			
Austria		25.0	25.0
Bulgaria		10.0	10.0
Croatia		20.0	20.0
Cyprus		10.0	10.0
Denmark		25.0	28.0
Estonia <sup>1)</sup>		21.0	22.0
Germany <sup>2)</sup>		30.0	39.0
Lithuania		15.0	15.0
Macedonia		10.0	12.0
Montenegro		9.0	9.0
Poland		19.0	19.0
Russia		24.0	24.0
Slovenia		22.0	23.0
Turkey		20.0	20.0

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

2) The corporate tax rates were reformed in Germany effective January 1, 2008. The tax burden on companies was reduced by 9.0 percentage points to 30.0%.

### 23. Forward-looking statements

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

The impairment tests concern estimates above all concerning future cash flows. Changes in the overall economic, industry or company situation in the future may reduce cash inflows and lead to an impairment of goodwill.

The measurement of the existing provisions for pensions and obligations similar to pensions as well as for the provisions for severance payments is based on assumptions relating to the discount rate, the age of retirement, life expectancy and future salary and pension increases.

Further applications of economic assumptions and estimates involve determining the useful life of non-current assets, creating provisions for legal proceedings, environmental protection and the assessment of receivables and inventories. All estimates are based on practical experience and other assumptions, which may be accurate under certain circumstances.

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

## Notes to the Consolidated Balance Sheet

### Assets

#### Non-current assets

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

Currency translation differences are reported as those amounts resulting from the different exchange rates to translate assets at the beginning and the end of the reporting year.

#### 24. Intangible assets

The addition to goodwill amounting to TEUR 23,753.2 is derived from the acquisition of "TEZ Plovdiv" and the agreement reached between the Republic of Bulgaria and "EVN" concerning the transfer of the electricity distribution assets of "Sunny Beach".

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

As of September 30, 2008 capitalised customer relationships in regulated markets were recognised as assets with an indefinite life at a total acquisition cost of TEUR 24,514.9 (previous year: TEUR 54,513.0). In Bulgaria the beginning of the new regulatory period was accompanied by the beginning of the scheduled depreciation of the customer base. The completely amortised brand name ESM was disposed of in the 2007/08 financial year. Disposals in the previous year refer primarily to capitalised future profit contributions from the order backlog of the "WTE", whose planned amortisation ended in the 2006/07 financial year.

The impairment test for intangible assets in the previous year led to a reversal of impairment losses amounting to TEUR 3,206.2 that were previously recorded to electricity purchasing rights.

In the 2007/08 financial year, a total of TEUR 934.1 (previous year: TEUR 576.3) was invested in research and development. The criteria required by IFRS to capitalise these items were not fulfilled.

#### 24. Development of intangible assets 2006/07

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

## 24. Development of intangible assets 2007/08

TEUR	Goodwill	Other intangible assets	Total
<b>Gross value on 30.9.2007</b>	<b>191,623.6</b>	<b>341,783.7</b>	<b>533,407.3</b>
Currency translation differences	111.6	4.1	115.7
Additions through business combination	23,753.2	54.1	23,807.3
Additions	–	14,398.7	14,398.7
Disposals	–	–7,416.3	–7,416.3
Transfers	–	1,935.9	1,935.9
<b>Gross value on 30.9.2008</b>	<b>215,488.5</b>	<b>350,760.2</b>	<b>566,248.6</b>
<b>Accumulated amortisation on 30.9.2007</b>	<b>–</b>	<b>–205,550.1</b>	<b>–205,550.1</b>
Currency translation differences	–	–1.9	–1.9
Scheduled amortisation	–	–10,420.3	–10,420.3
Disposals	–	7,353.4	7,353.4
Transfers	–	–80.2	–80.2
<b>Accumulated amortisation on 30.9.2008</b>	<b>–</b>	<b>–208,699.2</b>	<b>–208,699.2</b>
<b>Net value on 30.9.2007</b>	<b>191,623.6</b>	<b>136,233.6</b>	<b>327,857.2</b>
<b>Net value on 30.9.2008</b>	<b>215,488.5</b>	<b>142,061.0</b>	<b>357,549.5</b>

## 25. Property, plant and equipment

The additions result primarily from the expansion of the electricity distribution and heating facilities, the construction of gas transport and distribution pipelines and the exchange of electricity meters as well as investments in facilities for the company's technical infrastructure. Additions to non-current assets also include capitalised interest expense of TEUR 3,541.3 (previous year: TEUR 0.0). The interest rate used for capitalisation ranges from 5.43% – 5.50% (previous year: 0.0%). Additions through business combinations comprised the asset value of the Bulgarian district heating company "TEZ Plovdiv".

Land and buildings contain land valued at TEUR 69,989.4 (previous year: TEUR 52,274.7). As of the balance sheet date, "EVN" held a mortgage with a maximum value of TEUR 1,827.7, as in the previous year. Own work capitalised during the 2007/08 financial year amounted to TEUR 13,500.9 (previous year: TEUR 13,353.7).

During the period under review, the implementation of impairment tests led to a reversal of impairment losses for heating facilities amounting to TEUR 1,437.9 (previous year: reversal of impairment loss of TEUR 2,031.4). Regulatory changes on the Bulgarian market led to an impairment in the network infrastructure of TEUR 11,451.2. The impairment loss for all other equipment totalled TEUR 1,980.2 (previous year: TEUR 790.0). In the 2006/07 financial year, impairment losses were reversed for the gas-fired power plants in Theiß and Korneuburg amounting to TEUR 16,736.6, and for the coal fired power plant in Dürnröhr of TEUR 1,112.1.

Prepayments and equipment under construction include TEUR 294,733.4 (previous year: TEUR 133,371.1) of acquisition costs relating to equipment under construction on the balance sheet date.

For leased and rented equipment, the present value of the payment obligations for the use of heating networks and heat generation plants is reported on the consolidated balance sheet. The carrying amount

of these assets totalled TEUR 22,170.3 at the balance sheet date (previous year: TEUR 16,716.0). The related leasing and rental liabilities are recorded under other non-current liabilities, with the exception of short-term lease and rental agreements with a term of up to one year.

## 25. Development of property, plant and equipment 2006/07

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

## 25. Development of property, plant and equipment 2007/08

TEUR	Land and buildings	Transmission lines and pipelines	Technical equipment	Meters	Other plant, tools and equipment	Prepayments and equipment under construction	Total
<b>Gross value on 30.9.2007</b>	<b>693,537.6</b>	<b>2,202,930.1</b>	<b>1,649,174.3</b>	<b>179,372.5</b>	<b>207,335.9</b>	<b>196,937.0</b>	<b>5,129,287.4</b>
Currency translation differences	638.5	238.5	659.3	14.4	146.9	-34.6	1,663.0
Additions through business combination	17,242.5	12,453.0	3,648.2	96.4	263.7	319.8	34,023.7
Additions	9,859.4	101,841.6	53,474.4	12,296.9	16,081.1	206,659.9	400,213.3
Disposals	-4,090.8	-6,234.7	-11,159.1	-4,422.4	-12,416.7	-660.0	-38,983.6
Transfers	-117,398.6	215,861.4	-19,520.1	5,014.8	9,967.4	-96,057.1	-2,132.2
<b>Gross value on 30.9.2008</b>	<b>599,788.5</b>	<b>2,527,090.0</b>	<b>1,676,277.1</b>	<b>192,372.6</b>	<b>221,378.4</b>	<b>307,165.0</b>	<b>5,524,071.7</b>
<b>Accumulated depreciation on 30.9.2007</b>	<b>-307,830.0</b>	<b>-1,278,423.2</b>	<b>-1,140,462.8</b>	<b>-95,303.3</b>	<b>-156,752.2</b>	<b>-1,387.8</b>	<b>-2,980,159.3</b>
Currency translation differences	-295.4	-129.4	-381.4	-1.3	-108.3	-	-915.8
Scheduled depreciation	-16,847.2	-74,614.1	-48,292.4	-13,057.0	-20,456.7	-	-173,267.5
Impairment losses	-397.2	-12,233.3	-800.8	-0.1	-	-	-13,431.4
Additions	-	1,069.8	337.7	-	-	30.4	1,437.9
Disposals	3,058.6	5,940.6	10,343.2	3,393.5	11,267.9	304.5	34,308.2
Transfers	57,071.1	-92,808.8	35,572.3	-0.6	94.4	-	-71.5
<b>Accumulated depreciation on 30.9.2008</b>	<b>-265,240.1</b>	<b>-1,451,198.4</b>	<b>-1,143,684.2</b>	<b>-104,968.8</b>	<b>-165,954.9</b>	<b>-1,052.9</b>	<b>-3,132,099.4</b>
<b>Net value on 30.9.2007</b>	<b>385,707.5</b>	<b>924,506.9</b>	<b>508,711.6</b>	<b>84,069.2</b>	<b>50,583.7</b>	<b>195,549.2</b>	<b>2,149,128.1</b>
<b>Net value on 30.9.2008</b>	<b>334,548.4</b>	<b>1,075,891.6</b>	<b>532,593.0</b>	<b>87,403.8</b>	<b>55,423.5</b>	<b>306,112.1</b>	<b>2,391,972.3</b>

## 26. Companies included at equity

The companies included in the consolidated financial statements at equity are listed in the annex under the item "EVN Group Investments" starting on page 124.

Companies included at equity are initially recognised at their proportional share of IFRS income or loss, which is derived from an interim or annual report with a balance sheet date that is not more than three months before the balance sheet date of the parent company.

### 26. Development of companies included at equity

	TEUR
<b>Gross value on 30.9.2007</b>	<b>327,384.7</b>
Additions	186,156.1
<b>Gross value on 30.9.2008</b>	<b>513,540.8</b>
<b>Accumulated depreciation on 30.9.2007</b>	<b>132,926.0</b>
Currency translation differences	1,636.5
Proportional share of results	95,721.2
Dividends	-94,099.8
Changes in equity not recognised through profit or loss	-8,234.6
<b>Accumulated depreciation on 30.9.2008</b>	<b>127,949.3</b>
<b>Net value on 30.9.2007</b>	<b>460,310.7</b>
<b>Net value on 30.9.2008</b>	<b>641,490.1</b>

Additions to the companies included at equity encompass the district heating company "Fernwärme St. Pölten" as well as the raising of the funding for financing: firstly for the project company constructing the power plant in Duisburg-Walsum, Germany, secondly for the acquisition of the indirect stake in "RAG" by "EESU Holding".

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

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

	TEUR	2007/08	2006/07
Equity		1,098,873.7	680,988.5
Assets		3,579,825.0	2,424,254.8
Liabilities		2,480,951.3	1,743,266.3
Revenue		4,835,257.4	3,841,244.1
Net profit		220,715.0	199,853.0

A proportional loss of TEUR 0.0 was not recognised for the 2007/08 financial year (previous year: -TEUR 431.1) because it exceeded the carrying value of the investment.

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

## 27. Other financial assets

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

Other investments include shares in listed companies with a market value of TEUR 1,707,661.3 (previous year: TEUR 1,599,621.5). Other investments included in this position amount to TEUR 15,842.9 (previous year: TEUR 13,740.5) and represent stakes in non-listed companies. Therefore, an estimation of their market value is not possible due to insufficient information on market prices.

Group net profit for the period does not include any income from the disposal of financial assets classified as "available for sale".

Reversals of impairment losses totalling TEUR 108,039.8 (previous year: TEUR 92,492.8) to other investments primarily represent adjustments to reflect increased market value and share prices, which were offset against the valuation reserve according to IAS 39 after the deduction of deferred taxes.

During the period under review, impairment losses of TEUR 58.7 (previous year: TEUR 0.0) were recognised to net profit for the period.

## 27. Development of other financial assets

TEUR	Investments in subsidiaries	Other investments	Total
<b>Gross value on 30.9.2007</b>	<b>10,477.1</b>	<b>376,279.2</b>	<b>386,756.3</b>
Additions	1,994.5	204.9	2,199.4
Disposals	-20.1	-4.6	-24.8
Transfers	-166.9	-32.8	-199.7
<b>Gross value on 30.9.2008</b>	<b>12,284.6</b>	<b>376,446.6</b>	<b>388,731.2</b>
<b>Accumulated value adjustments on 30.9.2007</b>	<b>-5,586.4</b>	<b>1,232,192.2</b>	<b>1,226,605.8</b>
Impairment losses	-6.2	-52.5	-58.7
Write-ups	33.9	108,039.8	108,073.6
Transfers	127.2	25.0	152.2
<b>Accumulated value adjustments on 30.9.2008</b>	<b>-5,431.5</b>	<b>1,340,204.5</b>	<b>1,334,772.9</b>
<b>Net value on 30.9.2007</b>	<b>4,890.7</b>	<b>1,608,471.4</b>	<b>1,613,362.0</b>
<b>Net value on 30.9.2008</b>	<b>6,853.1</b>	<b>1,716,651.1</b>	<b>1,723,504.2</b>

## 28. Other non-current assets

Securities reported under other non-current assets consist of shares in investment funds, and mainly serve to provide coverage for the provisions for pensions and obligations similar to pensions at the balance sheet date as required by Austrian tax regulations (Note: this regulation of the Austrian Income Tax Code was repealed in October 2006 by the Austrian Constitutional Court and reintroduced in August 2007). The amounts shown on the balance sheet date correspond to the fair value of these assets. Additions and disposals result from the regrouping of assets during the financial year.

Of the loans receivable amounting to TEUR 21,648.5 (previous year: TEUR 21,427.6), a total of TEUR 2,228.5 (previous year: TEUR 1,592.8) have a remaining time to maturity of less than one year.

Non-current receivables and accrued lease transactions resulted from the project business within the context of BOOT models. Receivables from ongoing contracts amount to TEUR 25,896.0 (previous year: TEUR 16,212.2). Additions to other non-current assets also include capitalised interest expense of TEUR 295.0 (previous year: TEUR 7,441.4). The interest rate used for capitalisation ranges from 4.6% – 9.1% (previous year: 3.2% – 7.0%).

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

## 28. Development of other non-current assets

TEUR	Securities	Loans receivable	Long-term primary energy reserves	Non-current receivables and accrued lease transactions	Other non-current assets	Total
<b>Gross value on 30.9.2007</b>	<b>95,959.8</b>	<b>21,579.7</b>	<b>11,908.9</b>	<b>462,543.4</b>	<b>19,850.1</b>	<b>611,841.9</b>
Currency translation differences	10.3	–	–	–	–	10.3
Additions	14,310.0	1,403.9	–	27,765.4	748.9	44,228.2
Disposals	–474.3	–973.4	–	–45,876.3	–3,946.8	–51,270.8
Transfers	0.6	–	–	–	–	0.6
<b>Gross value on 30.9.2008</b>	<b>109,806.4</b>	<b>22,010.2</b>	<b>11,908.9</b>	<b>444,432.4</b>	<b>16,652.2</b>	<b>604,810.2</b>
<b>Accumulated depreciation on 30.9.2007</b>	<b>5,257.1</b>	<b>–152.1</b>	<b>–521.1</b>	<b>–</b>	<b>–2,122.0</b>	<b>2,461.9</b>
Currency translation differences	–7.3	–	–	–	–	–7.3
Impairment losses	–12,077.5	–200.3	–	–	–	–12,277.8
Disposals	–111.9	–9.3	–	–	2,122.0	2,000.8
Transfers	–0.6	–	–	–	–	–0.6
<b>Accumulated depreciation on 30.9.2008</b>	<b>–6,940.2</b>	<b>–361.6</b>	<b>–521.1</b>	<b>–</b>	<b>–</b>	<b>–7,823.0</b>
<b>Net value on 30.9.2007</b>	<b>101,216.8</b>	<b>21,427.6</b>	<b>11,387.8</b>	<b>462,543.4</b>	<b>17,728.1</b>	<b>614,303.8</b>
<b>Net value on 30.9.2008</b>	<b>102,866.2</b>	<b>21,648.5</b>	<b>11,387.8</b>	<b>444,432.4</b>	<b>16,652.2</b>	<b>596,987.2</b>

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

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

TEUR	Remaining term as of 30.9.2008				Remaining term as of 30.9.2007			Total
	Up to 1 year	Over 1 year	Over 5 years	Total	Up to 1 year	More than 1 year	More than 5 years	
Interest components	39,225.6	110,828.2	57,654.1	207,707.9	42,553.1	124,536.4	74,053.8	241,143.3
Principal components	51,047.5	183,127.4	210,257.5	444,432.4	44,530.8	189,829.6	228,183.0	462,543.4
<b>Total</b>	<b>90,273.1</b>	<b>293,955.6</b>	<b>267,911.6</b>	<b>652,140.3</b>	<b>87,083.9</b>	<b>314,366.0</b>	<b>302,236.8</b>	<b>703,686.7</b>

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

The interest components correspond to the proportionate share of interest components in the total leasing payment, and do not represent a discounted amount. The interest components from leasing payments in the 2007/08 financial year are reported as interest income on non-current financial assets.

## Current assets

### 29. Inventories

Primary energy reserves are comprised of coal supplies.

The emission certificates relate exclusively to certificates that were purchased to fulfil the requirements stipulated in the Emission Certificate Act but which have not yet been used. The corresponding obligation for insufficiency of the certificates is reported under current provisions (see note 47. Current provisions).

<b>29. Inventories</b>	TEUR	<b>2007/08</b>	2006/07
Primary energy reserves		44,563.7	37,098.7
Emission certificates		272.2	2,207.6
Raw materials, supplies, consumables and other inventories		37,718.6	30,831.5
Customer orders not yet invoiced		14,997.2	13,989.7
<b>Total</b>		<b>97,551.7</b>	<b>84,127.5</b>

The risk of inventories resulting from comparatively low turnover was reflected in a valuation adjustment of TEUR 1,437.6 (previous year: TEUR 1,011.3). This write-down was contrasted by reversals of impairment losses amounting to TEUR 10.4 (previous year: TEUR 1,836.2).

Business combinations led to an increase of TEUR 647.9 in inventories (previous year: TEUR 0.0). The inventories are not subject to any limitations on disposal and are not encumbered.

### 30. Receivables and other current assets

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

The risk of insolvency by dubious customers is accounted for by a provision amounting to TEUR 55,917.6 (previous year: TEUR 34,253.0).

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

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

Other receivables and assets consist mainly of receivables from taxation, receivables from insurance and prepayments made.

<b>30. Receivables and other current assets</b>	TEUR	2007/08	2006/07
Trade accounts receivable		305,085.8	284,186.2
Receivables from financial instruments		20,528.5	20,286.2
Receivables from employees		9,952.6	10,067.3
Receivables from companies included at equity		131,003.9	87,730.9
Receivables from affiliated companies		4,740.9	17,543.6
Other receivables and assets		98,064.6	120,086.0
<b>Total</b>		<b>569,376.3</b>	<b>539,900.1</b>

### 31. Cash and current deposits

In addition to a loss of TEUR 3,453.1 (previous year: gain TEUR 443.1) on the sale of securities, a write-down of TEUR 14,307.2 (previous year: write-up of TEUR 3,130.6) was recognised in the reporting period to reflect a decrease in stock prices.

<b>31. Cash and current deposits</b>	TEUR	2007/08	2006/07
Cash on hand and cash at banks		120,980.9	76,223.5
Securities		135,951.6	395,680.5
<b>Total</b>		<b>256,932.5</b>	<b>471,904.1</b>

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

<b>31. Composition of securities</b>	TEUR	2007/08	2006/07
Cash funds		82,905.5	293,725.5
Bond funds		2,052.7	22,483.6
Equity funds		3,317.5	8,740.6
Other fund products		18,572.3	44,682.4
<b>Total funds</b>		<b>106,848.0</b>	<b>369,632.1</b>
Fixed income securities		5,954.5	4,356.0
Shares		23,149.1	21,692.4
<b>Total securities</b>		<b>135,951.6</b>	<b>395,680.5</b>

## Liabilities

### Equity

The development of equity in the 2006/07 and 2007/08 financial years is presented on page 73.

### 32. Share capital

The 79<sup>th</sup> Annual General Meeting of the EVN AG shareholders held on January 17, 2008 resolved to increase the capital stock of the corporation from the company's own resources by TEUR 200,930.6, from TEUR 99,069.4 to TEUR 300,000.0. This increase in the share capital, effective April 17, 2008, was carried out by converting a part of the non-appropriated capital reserves, without issuing new shares. The stock split at a ratio of 4 for 1, which was also approved at the 79<sup>th</sup> Annual General Meeting of the EVN AG shareholders, was carried out on the Vienna Stock Exchange effective the same day as the capital increase. As of this day, EVN AG shareholders received three additional zero par value bearer shares for each zero par value bearer share in his or her possession. Correspondingly, on the date of the stock split, April 17, 2008, the share price was adjusted to a quarter of the level on the previous day of trading.

As a consequence, EVN AG's share capital amounts to TEUR 300,000.0 (previous year: TEUR 99,069.4) and consists of a total of 163,525,820 (previous year: 40,881,455) zero par value bearer shares.

### 33. Share premium

In accordance with the capital increase carried out effective April 17, 2008, the share premium declined by TEUR 200,930.6 in comparison to the 2006/07 financial year to TEUR 108,431.3 (previous year: TEUR 309,361.9). This item comprises appropriated reserves of TEUR 50,163.6 from capital increases in accordance with Austrian stock corporation law (previous year: TEUR 251,094.2) as well as non-appropriated capital reserves of TEUR 58,267.7 pursuant to Austrian stock corporation law, the same level as in the preceding year.

### 34. Retained earnings

Retained earnings of TEUR 1,551,080.5 (previous year: TEUR 1,425,465.7) comprise the proportional share of non-distributed profit from the parent company as well as companies included in the consolidation as of the date of initial consolidation.

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

<b>34. Development of profit for the period of the parent company</b>	<b>TEUR</b>
<b>Reported Group net profit for the period 2007/08</b>	60,526.5
Retained earnings from the 2006/07 financial year	128.1
<b>Distributable Group net profit for the period</b>	60,654.6
Proposed dividend	-60,401.7
Retained earnings for the 2008/09 financial year	252.9

The proposed dividend of EUR 0.370 per share for the 2007/08 financial year, which was recommended to the Annual General Meeting, is not included under liabilities.

The dividend payment for 2006/07, which totalled EUR 1.50 per share (or EUR 0.375 per share taking into consideration the stock split at a ratio of 4 for 1 effective April 17, 2008) was proposed by the "EVN" Executive Board and approved at the 79<sup>th</sup> Annual General Meeting on January 17, 2008. The dividend payment to shareholders took place on January 28, 2008.

### 35. Revaluation reserve according to IFRS 3

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

### 36. Valuation reserve according to IAS 39

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

### 36. Valuation reserve according to IAS 39

TEUR	2007/08			2006/07		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Results recognised directly in equity from ...						
Market value of securities	1,342,552.4	-335,626.8	1,006,925.6	1,234,437.5	-308,609.4	925,828.1
Cash flow hedges	-1,988.9	479.7	-1,509.2	8,013.5	-2,019.9	5,993.6
Investments in associates	6,565.7	-	6,565.7	14,138.9	-	14,138.9
<b>Total</b>	<b>1,347,129.2</b>	<b>-335,147.1</b>	<b>1,011,982.0</b>	<b>1,256,589.9</b>	<b>-310,629.3</b>	<b>945,960.7</b>

### 37. Treasury shares

The 79<sup>th</sup> Annual General Meeting of the EVN AG shareholders held on January 17, 2008 authorised the "EVN" Executive Board to acquire treasury shares in accordance with §65 (1) line 8 of the Austrian Stock Corporation Act. The "EVN" Executive Board decided during the 2007/08 financial year to exercise this option to buy back the shares. It is intended to buy back up to 1,000,000 shares, representing 0.612% of the current share capital, on the Vienna Stock Exchange.

The share buyback programme began on July 24, 2008 and will continue until March 31, 2009 at the latest. As of September 30, 2008, EVN had acquired a total of 278,035 treasury shares (0.17% of share capital) at a total purchase price of TEUR 4,753.9, and a market value of TEUR 4,167.7 on the balance sheet date.

The number of outstanding shares developed as follows in the 2007/08 financial year:

### 37. Development of the number of outstanding shares

	Zero par value shares	Treasury shares	Outstanding shares
<b>1.10.2007</b>	<b>40,881,455</b>	–	<b>40,881,455</b>
Stock split at a ratio of 4 for 1	122,644,365	–	122,644,365
Buyback of treasury shares	–	–278,035	–278,035
<b>30.9.2008</b>	<b>163,525,820</b>	<b>–278,035</b>	<b>163,247,785</b>

The weighted average number of outstanding shares, which is used as the basis for calculating the earnings per share, amounts to 163,448,927 shares.

EVN AG is not entitled to any rights arising from the ownership of treasury shares. In particular, these shares are not entitled to dividends.

### 38. Minority interest

This item comprises the following minority interests in the equity of subsidiaries which are fully consolidated:

<b>38. Minority interest</b>	%	<b>2007/08</b>	2006/07
Burgenland Holding AG, Eisenstadt, ("BUHO")		27.73	27.73
EVN Bulgaria Elektrorazpredelenie AD, Plovdiv, Bulgaria		33.00	33.00
EVN Bulgaria Elektrosnabdiavane AD, Plovdiv, Bulgaria		33.00	33.00
EVN Macedonia AD, Skopje, Macedonia		10.00	10.00
RAG-Beteiligungs-AG, Maria Enzersdorf		49.95	49.95
Wasserkraftwerke Trieb und Krieglach GmbH, Maria Enzersdorf		30.00	30.00

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

## Non-current liabilities

### 39. Non-current loans and borrowings

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

#### 39. Composition of non-current loans and borrowings

	Nominal interest rate (%)	Term	Nominal amount	Carrying amount 30.9.2008 (TEUR)	Carrying amount 30.9.2007 (TEUR)	Effective interest rate on the carrying amounts <sup>1)</sup> (%)	Fair value 30.9.2008 (TEUR)
JPY bond	5.20	1994–2014	8 Mrd JPY	50,440.0	45,537.8	12.18	62,742.1
EUR bond	5.25	2001–2011	262.85 Mio EUR	251,973.8	251,960.7	6.72	261,866.9
CHF obligation	2.43	2004–2009	200 Mio CHF	–	120,308.7	–	–
Total bonds	–	–	–	302,413.8	417,807.3	7.63	324,609.0
Non-current bank loans	1.00–8.77	up to 2031	–	1,056,474.3	754,805.0	4.76	1,056,474.3
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,358,888.1</b>	<b>1,172,612.3</b>	<b>5.40</b>	<b>1,381,083.3</b>

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

The effective interest rate, which averaged 5.40% (previous year: 5.33%), represents the average interest on the average carrying amount after interest and currency hedging. The interest rate weighted by the carrying amount of the relevant liabilities totalled 7.05% as of the balance sheet date (previous year: 5.84%) and accounts for repayments.

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

#### 39. Maturity of non-current loans and borrowings

TEUR	Up to 1 year	Over 1 year	Over 5 years	Total
Bonds	–	251,973.8	50,440.0	302,413.8
Thereof fixed interest	–	–	–	–
Thereof variable interest	–	251,973.8	50,440.0	302,413.8
Non-current loans and borrowings	70,258.9	697,588.6	288,626.8	1,056,474.3
Thereof fixed interest	51,966.9	272,211.7	113,203.4	437,382.0
Thereof variable interest	18,292.0	425,376.9	175,423.4	619,092.3
<b>Total non-current loans and borrowings</b>	<b>70,258.9</b>	<b>949,562.4</b>	<b>339,066.8</b>	<b>1,358,888.1</b>

#### Bonds

All bonds call for payment in arrears. In the past financial year, no bonds were repurchased (previous year: TEUR 0.0).

The CHF obligation with a nominal interest rate of 3.25% and the DEM bond with a nominal interest rate of 5.00% were redeemed on April 8, 2008 and August 26, 2008 respectively. The CHF obligation with a nominal interest rate of 2.43% will be redeemed on June 10, 2009. These repayments are recorded as current loans and borrowings at the balance sheet date (see 44. Current loans and borrowings). Interest expense for the past financial year is included under interest expense for non-current financial liabilities.

These items are valued at amortised cost. Liabilities in foreign currencies were translated at the exchange rate in effect on the balance sheet date. In accordance with IAS 39, hedged liabilities were adjusted to reflect the corresponding change in the value of the hedged risk in cases where hedge accounting was applied. The resulting change in bonds amounting to –TEUR 4,915.9 is largely offset by a corresponding development in provisions for non-current financial instruments of TEUR 7,651.7.

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

#### Non-current bank loans

The loans consist of borrowings from banks, which are subsidised in part by interest and redemption grants from the Austrian Environment and Water Industry Fund. The non-recourse liabilities incurred by project companies against EVN AG amounted to TEUR 335,736.5 as of September 30, 2008 (previous year: TEUR 399,829.6).

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

“EVN” concluded a syndicated revolving credit facility of EUR 600m through EVN Finance Service B.V., Amsterdam, on September 12, 2006, which has a term to maturity of seven years (2006–2013). As of the balance sheet date on September 30, 2008, “EVN” had used EUR 200m of this credit line.

Deferred interest expenses are included under other current liabilities.

### 40. Deferred taxes

40. Deferred taxes	TEUR	2007/08	2006/07
<b>Deferred tax assets</b>			
Employee-related provisions		–25,933.0	–27,191.6
Tax loss carryforwards		–2,465.2	–1,687.4
Other deferred tax assets		–4,579.4	–9,535.2
<b>Deferred tax liabilities</b>			
Non-current assets		50,300.6	43,983.9
Untaxed reserves		21,395.9	25,300.4
Financial instruments		361,082.5	339,784.9
Other deferred tax liabilities		19,309.1	28,120.4
<b>Total</b>		<b>419,110.5</b>	<b>398,775.4</b>
Thereof			
Deferred tax assets		–912.0	–1,032.4
Deferred tax liabilities		420,022.5	399,807.9

Deferred taxes increased by TEUR 24,517.8 (previous year: 28,829.9) as the result of changes in equity without recognition through profit or loss as well as through business combinations by TEUR 914.6 (previous year: TEUR 0.0), and declined as a result of deferred tax income of TEUR 5,097.3 (previous year: TEUR 8,457.2), for a net total of TEUR 419,110.5 (previous year: TEUR 398,775.4).

Deferred tax assets were not recorded on loss carryforwards of TEUR 24,170.9 (previous year: TEUR 20,197.0), that are not expected to be reversed within a foreseeable period. A total of TEUR 3,740.4 of these loss carryforwards (previous year: TEUR 0.0) expire after 2013.

#### 41. Non-current provisions

41. Non-current provisions	TEUR	2007/08	2006/07
Provisions for pensions		219,517.6	221,938.9
Provisions for obligations similar to pensions		16,670.0	16,253.4
Provisions for severance payments		72,323.0	67,415.4
Other non-current provisions		147,852.6	151,515.0
<b>Total</b>		<b>456,363.3</b>	<b>457,122.7</b>

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

- Interest rate of 5.75% p.a. (previous year: 5.00% p.a.)
- Remuneration increases of 3.75% p.a., subsequent years 3.00% p.a. (previous year: 3.00% p.a.)
- Pension increases of 3.75% p.a. (previous year: 2.75% p.a.)
- Austrian pension tables "Rechnungsgrundlagen AVÖ 2008-P – Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler" (previous year: "AVÖ 1999-P")

#### 41. Development of provisions for pensions and obligations similar to pensions

	TEUR	2007/08	2006/07
<b>Present value of pension obligations (DBO) on October 1</b>		<b>240,511.4</b>	<b>247,183.6</b>
+ Service costs		1,758.4	1,896.3
+ Interest paid		12,037.0	11,766.4
– Pension payments		–16,949.0	–17,003.4
+/- Actuarial loss/gain		15,093.2	–3,331.5
<b>Present value of pension obligations (DBO) on September 30</b>		<b>252,450.8</b>	<b>240,511.4</b>
<b>Provisions for pensions and obligations similar to pensions on September 30</b>		<b>236,187.6</b>	<b>238,192.3</b>

As of the balance sheet date, the provisions for pensions and obligations similar to pensions showed a deficit of 6.4% compared to the DBO value (previous year: deficit of 1.0%).

#### 41. Development of the provisions for severance payments

	TEUR	2007/08	2006/07
<b>Present value of severance payment obligations on October 1</b>		<b>71,522.1</b>	<b>69,177.0</b>
+ Currency translation adjustment		5.8	–
+ Addition through business combination		245.9	–
+ Service costs		3,057.6	2,883.0
+ Interest paid		3,655.6	3,266.1
– Severance payments		–3,979.2	–4,999.4
+ Actuarial loss		1,503.9	1,195.5
<b>Present value of the severance payments (DBO) on September 30</b>		<b>76,011.7</b>	<b>71,522.1</b>
<b>Provision for severance payments on September 30</b>		<b>72,323.0</b>	<b>67,415.4</b>

As of the balance sheet date, the provision for severance payments showed a deficit of 4.9% compared to the DBO value (previous year: deficit of 5.7%).

#### 41. Development of other non-current provisions

TEUR	Service anniversary bonuses	Cooperation agreements	Non-current financial instruments	Rents for network access	Legal proceedings	Restructuring	Environmental and waste risks	Other non-current provisions	Total
<b>Carrying amount on 1.10.2007</b>	<b>16,496.0</b>	<b>37,051.2</b>	<b>35,748.6</b>	<b>15,305.7</b>	<b>7,201.3</b>	<b>2,511.0</b>	<b>36,225.9</b>	<b>975.2</b>	<b>151,515.0</b>
Currency translation adjustment	4.3	–	–	–	28.3	–	–	–	32.5
Addition through business combination	–	–	–	546.3	–	–	563.7	–	1,110.0
Interest paid	623.8	2,223.1	–	–	1,894.3	–	1,749.7	–	6,490.8
Use	–678.1	–1,414.3	–9,628.4	–28.1	–2,795.5	–	–1,679.0	–206.5	–16,429.9
Additions	619.8	–	–	1,265.1	1,230.3	–	2,257.4	2,277.7	7,650.3
Transfers	–5.1	–	–	–	–	–2,511.0	–	–	–2,516.1
<b>Carrying amount on 30.9.2008</b>	<b>17,060.7</b>	<b>37,860.0</b>	<b>26,120.2</b>	<b>17,089.0</b>	<b>7,558.7</b>	<b>–</b>	<b>39,117.7</b>	<b>3,046.4</b>	<b>147,852.6</b>

The provision for non-current financial instruments are related to hedging transactions which are partly offset by the corresponding development in bonds reported under non-current loans and borrowings.

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

#### 42. Deferred income from network subsidies

The item “deferred income from network subsidies” developed as follows:

#### 42. Deferred income from network subsidies

TEUR	Construction subsidies	Investment subsidies	Total
<b>Carrying amount on 1.10.2007</b>	<b>286,575.6</b>	<b>37,465.8</b>	<b>324,041.4</b>
Currency translation differences	43.9	–	43.9
Addition through business combination	–	597.3	597.3
Transfers	–891.7	891.7	–
Additions	55,453.2	3,694.0	59,147.2
Reversal	–27,299.6	–2,208.0	–29,507.6
<b>Carrying amount on 30.9.2008</b>	<b>313,881.3</b>	<b>40,440.8</b>	<b>354,322.2</b>

TEUR 324,814.5 (previous year: TEUR 296,206.4) will not be recognised as income within one year.

#### 43. Other non-current liabilities

Other non-current liabilities consist chiefly of leases relating to the long-term utilisation of heating networks and heating plants. The accruals of financial instruments relate to present value advantages from lease-and-lease-back transactions in connection with electricity procurement rights at the Danube power plants, whereas the other liabilities refer to future leasing payments from finance leases.

<b>43. Other non-current liabilities</b>	TEUR	<b>2007/08</b>	2006/07
Long-term leases		37,812.7	33,723.3
Long-term accruals of financial instruments		10,723.5	7,178.3
Other non-current liabilities		17,148.2	6,067.2
<b>Total</b>		<b>65,684.4</b>	<b>46,968.7</b>

#### 43. Term to maturity of other non-current liabilities

TEUR	Term to maturity as of 30.9.2008			Term to maturity as of 30.9.2007		
	Over 1 year	Over 5 years	Total	Over 1 year	Over 5 years	Total
Long-term leases	12,645.5	25,167.2	37,812.7	10,057.0	23,666.3	33,723.3
Long-term accruals of financial instruments	3,840.1	6,883.4	10,723.5	2,705.0	4,473.2	7,178.3
Other non-current liabilities	5,471.9	11,676.3	17,148.2	1,149.8	4,917.3	6,067.2
<b>Total</b>	<b>21,957.6</b>	<b>43,726.8</b>	<b>65,684.4</b>	<b>13,911.8</b>	<b>33,056.8</b>	<b>46,968.7</b>

### Current liabilities

#### 44. Current loans and borrowings

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

<b>44. Current loans and borrowings</b>	TEUR	<b>2007/08</b>	2006/07
3.25 % CHF obligation 1998–2008 <sup>1)</sup>		–	110,836.7
5.00 % DEM bond 1998–2008 <sup>1)</sup>		–	114,529.4
2.43 % CHF obligation 2004–2009 <sup>2)</sup>		126,719.8	–
Bank overdrafts and other current loans		27,184.2	21,867.6
<b>Total</b>		<b>153,904.0</b>	<b>247,233.6</b>

1) The obligation and the bond were redeemed as scheduled in the 2007/08 financial year.

2) The obligation will be redeemed on June 10, 2009.

#### 45. Current tax liabilities

The item “Current tax liabilities” as of the balance sheet date is comprised of the following:

<b>45. Current tax liabilities</b>	TEUR	<b>2007/08</b>	2006/07
Energy tax		28,706.8	22,548.7
Value added tax		22,383.6	18,228.0
Corporate income tax		5,995.9	12,674.1
Other taxes and duties		3,393.1	5,419.7
<b>Total</b>		<b>60,479.4</b>	<b>58,870.5</b>

#### 46. Trade payables

Trade payables include obligations resulting from outstanding invoices amounting to TEUR 47,284.0 (previous year: TEUR 49,820.4).

#### 47. Current provisions

The provision for personnel entitlements comprises special payments not yet due and outstanding leaves as well as liabilities resulting from an early retirement programme in which employees can participate on a voluntary basis. The provision for legally binding agreements on the balance sheet date equals TEUR 1,993.4 (previous year: TEUR 4,148.4).

In the 2007/08 financial year, an official notification from the Austrian government confirmed that a total of 1,577,956 emission certificates (previous year: 1,444,152) were granted to "EVN" free of charge for the calendar year 2008. A provision was created (see note 29. Inventories) for the existing shortfall as of the balance sheet date based on the market value of the emission certificates as of September 30, 2008.

Restructuring provisions encompass the measures implemented in Bulgaria and Macedonia within the context of the voluntary social benefits programme.

#### 47. Development of current provisions

	TEUR	Personnel entitlements	Impending losses	Emission certificates	Restructuring	Current financial instruments	Other current provisions	Total
<b>Carrying value on 1.10.2007</b>		<b>56,350.6</b>	<b>11,330.6</b>	<b>577.1</b>	<b>3,231.8</b>	<b>12,763.6</b>	<b>8,703.1</b>	<b>92,956.6</b>
Currency translation adjustment		7.1	–	–	11.7	–	5.3	24.2
Addition through business combination		–	–	–	–	–	105.3	105.3
Use		–26,957.2	–5,511.0	–562.8	–3,926.3	–12,763.6	–6,436.9	–56,157.8
Additions		27,770.5	16,358.7	425.2	3,738.7	–	9,352.4	57,645.6
Transfers		–28.0	–	–	2,296.4	–	–431.5	1,836.9
<b>Carrying value on 30.9.2008</b>		<b>57,143.0</b>	<b>22,178.3</b>	<b>439.5</b>	<b>5,352.2</b>	<b>–</b>	<b>11,297.8</b>	<b>96,410.8</b>

#### 48. Other current liabilities

The liabilities relating to social security contributions comprise liabilities to insurance institutions.

Liabilities to companies consolidated at equity primarily refer to liabilities for the distribution and procurement of electricity to e&t Energie Handelsgesellschaft m.b.H., Vienna, ("e&t"), and for the procurement of natural gas to "EconGas".

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

Prepayments received were designed to cover the costs of electricity, gas and heating supplies, and the installation of customer equipment.

Other liabilities consist primarily of liabilities relating to employee social security, deposits received, compensation payments for electricity futures as well as liabilities to partners within "EAA".

<b>48. Other current liabilities</b>	TEUR	<b>2007/08</b>	2006/07
Liabilities relating to social security		14,133.8	15,140.4
Liabilities to companies included at equity		71,061.0	26,735.2
Liabilities to associates		4,651.6	19,633.8
Prepayments received		27,825.0	26,339.3
Deferred interest expenses		9,234.2	10,103.4
Other liabilities		51,140.3	51,646.8
<b>Total</b>		<b>178,045.9</b>	<b>149,598.9</b>

## Notes to the Consolidated Income Statement

The Bulgarian district heating company "TEZ Plovdiv", in which "EVN" acquired a 100% shareholding, has been included in the consolidated financial statements of "EVN" since December 2007. Therefore, the consolidated income statement includes this company for only three quarters.

### 49. Revenue

The revenues of the individual business segments developed as follows:

<b>49. Revenue</b>	TEUR	<b>2007/08</b>	2006/07
Energy		2,182,302.9	1,932,742.5
Environmental Services		184,563.4	275,068.2
Strategic Investment and Other Business		30,135.5	25,313.6
<b>Total</b>		<b>2,397,001.9</b>	<b>2,233,124.3</b>

The segment reporting contains an overview of revenues by areas of business and region (see note [61. Segment reporting](#)).

Revenue also includes income of TEUR 27,932.5 (previous year: TEUR 106,626.3) from contractual work on international projects in accordance with BOOT models.

### 50. Other operating income

Other operating income consists primarily of payments for interest on late customer payments, subsidies and grants as well as the sale of goods and services which are not related to "EVN's" business operations.

<b>50. Other operating income</b>	TEUR	<b>2007/08</b>	2006/07
Income from the reversal of provisions		1,809.9	1,049.6
Income from the reversal of deferred income from network subsidies		29,507.6	27,835.1
Income from the disposal of intangible assets and property, plant and equipment		840.2	331.4
Rental income		2,289.2	2,228.1
Insurance compensation		3,392.3	1,898.3
Miscellaneous operating income		13,024.5	12,243.1
<b>Total</b>		<b>50,863.8</b>	<b>45,585.5</b>

## 51. Cost of materials and services

The cost of electricity purchases and primary energy is comprised mainly of gas and electricity procurement costs as well as expenses for the purchase of additional emission certificates. The insufficient allocation of free emission certificates resulted in corresponding costs of TEUR 4,468.1 (previous year: TEUR 7,218.7) for the purchase of additional certificates during the reporting period.

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

51. Cost of materials and services	TEUR	2007/08	2006/07
Electricity purchases and primary energy expenses		1,375,823.4	1,176,086.7
Other materials and services		281,748.1	335,192.3
<b>Total</b>		<b>1,657,571.5</b>	<b>1,511,279.0</b>

## 52. Personnel expenses

Personnel expenses include payments of TEUR 4,710.3 (previous year: TEUR 4,425.4) to EVN-Pensionskasse AG, Maria Enzersdorf, as well as contributions of TEUR 207.8 (previous year: TEUR 129.9) to "EVN" pension funds.

52. Personnel expenses	TEUR	2007/08	2006/07
Wages and salaries		218,735.3	205,221.7
Severance payments		11,466.0	13,608.9
Pension costs		18,938.0	17,447.5
Compulsory social security contributions and payroll-related taxes		46,390.9	43,621.9
Other employee-related expenses		8,906.6	8,993.2
<b>Total</b>		<b>304,436.8</b>	<b>288,893.2</b>

The average number of employees was as follows:

52. Employees by business unit	Annual average	2007/08	2006/07
Generation		82	71
Networks		1,446	1,423
Supply		174	141
South East Europe		6,560	6,843
Thereof Bulgaria		3,520	3,418
Thereof Macedonia		3,041	3,425
Environmental Services		456	462
Other		624	595
<b>Total</b>		<b>9,342</b>	<b>9,535</b>

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

### 53. Depreciation

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

<b>53. Depreciation and amortisation by balance sheet item</b>	TEUR	<b>2007/08</b>	2006/07
Amortisation of intangible assets		10,420.3	8,498.7
Depreciation of property, plant and equipment		185,261.0	144,841.1
<b>Total</b>		<b>195,681.3</b>	<b>153,339.9</b>

<b>53. Depreciation and amortisation</b>	TEUR	<b>2007/08</b>	2006/07
Scheduled depreciation and amortisation		183,687.8	175,464.3
Impairment losses <sup>1)</sup>		13,431.4	961.9
Reversal of impairment losses <sup>1)</sup>		-1,437.9	-23,086.3
<b>Total</b>		<b>195,681.3</b>	<b>153,339.9</b>

1) For details see notes 24. **Intangible assets** and 25. **Property, plant and equipment**.

### 54. Other operating expenses

<b>54. Other operating expenses</b>	TEUR	<b>2007/08</b>	2006/07
Legal and consulting fees, expenses related to risks of legal proceedings		19,681.1	15,337.2
Write-off of receivables		18,953.2	13,452.1
Business operation taxes and duties		15,518.3	11,699.6
Advertising expenses		12,124.9	11,816.3
Telecommunications and postage		10,140.7	10,304.4
Insurance		9,535.7	9,760.2
Transportation and travelling expenses		6,504.4	5,943.2
Rents		5,245.8	20,999.9
Maintenance		5,009.9	4,499.6
Employee training		2,947.4	3,012.1
Miscellaneous operating expenses		29,665.2	29,313.6
<b>Total</b>		<b>135,326.7</b>	<b>136,138.3</b>

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

## Financial results

### 55. Income from companies included at equity

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

#### 55. Proportionate share of companies included at equity

	% share of "EVN" in profit/loss	2007/08	2006/07
BEGAS – Burgenländische Erdgasversorgungs-Aktiengesellschaft, Eisenstadt, ("BEGAS") <sup>1)</sup>		49.0	49.0
Burgenländische Elektrizitätswirtschafts-Aktiengesellschaft (BEWAG), Eisenstadt, ("BEWAG") <sup>1)</sup>		49.0	49.0
"EconGas"		15.7	15.7
"EESU Holding"		49.95	49.95
"Fernwärme St. Pölten"		49.0	–
"RAG" <sup>1)</sup>		75.0	75.0
Evonik-EVN Walsum 10 Kraftwerksgesellschaft mbH, Essen, Germany <sup>2)</sup>		49.0	49.0
Zagrebacke otpadne vode d.o.o., Zagreb, Croatia		48.5	48.5
Zagrebacke otpadne vode – upravljanje i pogon d.o.o., Zagreb, Croatia		35.0	35.0

1) "BEWAG", "BEGAS" and "RAG" are held indirectly via "BUHO" and "RBG", in which "EVN" does not have a 100% stake (see also note 38. *Minority interest*).

2) Formerly STEAG-EVN Walsum 10 Kraftwerksgesellschaft mbH, Essen, Germany

Furthermore, ALLPLAN Gesellschaft m.b.H., Vienna, e&i EDV Dienstleistungsgesellschaft m.b.H., Vienna, "e&t" and NÖKOM NÖ Telekom Service Gesellschaft m.b.H., Maria Enzersdorf, ("NÖKOM"), are included at equity.

### 56. Income from other investments

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

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

	TEUR	2007/08	2006/07
<b>56. Income from other investments</b>			
Dividend payments		41,331.9	37,160.6
from non-consolidated affiliated companies		10.0	15.0
from other companies		41,321.9	37,145.6
Impairment losses/Reversals of impairment		–24.8	–
<b>Total</b>		<b>41,307.0</b>	<b>37,160.6</b>

## 57. Interest and other financial results

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

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

The results of valuation gains/losses and disposals of securities held as non-current assets contains the assets recognised at their fair value, and thus primarily on the valuation of the investment instruments in the R138 fund.

The results of valuation gains/losses and disposals of securities recorded under current assets are related mainly to the sale or valuation of financial instruments "held for sale" i.e. of investment funds and current securities.

<b>57. Interest and other financial result</b>	TEUR	<b>2007/08</b>	<b>2006/07</b>
Interest income on non-current financial assets		40,626.0	21,570.8
Other interest income		9,308.1	9,896.2
Interest expense on non-current financial liabilities		-77,031.4	-68,479.9
Other interest expense		-7,889.9	-7,355.1
Results of valuation gains/losses and disposals of non-current securities		-11,697.9	495.2
Results of valuation gains/losses and disposals of current securities		-17,760.4	4,974.2
Other financial results		-3,727.9	2,018.6
<b>Total</b>		<b>-68,173.4</b>	<b>-36,880.0</b>

## 58. Income tax expense

<b>58. Taxes on profit</b>	TEUR	<b>2007/08</b>	<b>2006/07</b>
Income tax expense		10,713.6	36,919.4
thereof Austrian companies		5,160.6	30,927.5
thereof Foreign companies		5,552.9	5,991.9
Deferred tax expense		-5,097.3	-8,457.2
thereof Austrian companies		-3,050.8	2,995.4
thereof Foreign companies		-2,046.5	-11,452.6
<b>Total</b>		<b>5,616.2</b>	<b>28,462.2</b>

The effective tax rate of "EVN" for the 2007/08 in relation to the profit before income tax amounted to 2.4% (previous year: 9.9%). The effective tax rate represents the weighted average of the effective local corporate tax rates of all consolidated subsidiaries.

The main reasons for the difference between the valid Austrian corporate tax rate of 25.0% in 2008 (previous year: 25.0%) and the recorded effective corporate tax rate in accordance with the consolidated income statement can be explained as follows:

<b>58. Calculation of the effective tax rate</b>	<b>2007/08</b>		<b>2006/07</b>	
	<b>%</b>	<b>TEUR</b>	<b>%</b>	<b>TEUR</b>
<b>Profit before income tax</b>	–	<b>235,459.2</b>	–	<b>287,440.2</b>
<b>Income tax rate/income tax expense at nominal tax rate</b>	<b>25.0</b>	<b>58,864.8</b>	<b>25.0</b>	<b>71,860.0</b>
+/- Different corporate tax rates in other countries	–1.0	–2,331.8	0.4	1,141.0
– Changes in taxation	–	–	–4.5	–12,937.9
– Tax-free income from investments	–18.2	–42,890.9	–11.0	–31,751.4
– Revaluation of deferred taxes	–4.7	–10,998.7	–	–
+ Non-deductible expenses	0.3	702.5	0.5	1,541.4
–/+ Tax reductions/increases related to previous periods	0.2	390.7	–0.4	–1,009.0
+/- Other items	0.8	1,879.7	–0.1	–381.9
<b>Effective tax rate</b>	<b>2.4</b>	<b>5,616.2</b>	<b>9,9</b>	<b>28,462.2</b>

The effect arising from changes in taxation during the 2006/07 financial year can be primarily attributed to a revaluation of deferred taxes in Bulgaria, Germany and Macedonia following a change in the corporate tax rates of these countries (see note 22. [Income taxes and deferred taxes](#)).

### 59. Earnings per share

Earnings per share are calculated by dividing Group net profit (proportional share of Group net profit for the period attributable to EVN AG shareholders) by the weighted average number of ordinary shares outstanding, i.e. 163,488,927 (previous year: 163,525,820). This figure may generally be diluted by the existence of so-called potential shares arising from share options or convertible bonds. However, "EVN" has no such potential shares. Subsequently, there is no difference between basic earnings per share and diluted earnings per share.

Group net profit amounted to TEUR 186,936.8 for the 2007/08 financial year (previous year: TEUR 227,029.7). Calculated on this basis, earnings per share for the 2007/08 financial year totalled EUR 1.14 (previous year: EUR 1.39). The previous year's figures have been adjusted as the result of the stock split carried out on April 17, 2008 at a ratio of 4 for 1.

## Other information

### 60. Cash flow statement

The cash flow statement of "EVN" shows the changes in cash and cash equivalents during the 2007/08 financial year as a result of monetary inflows and outflows.

The cash flow statement is presented in accordance with the indirect method. Deductible expenses are added and deductible income is subtracted from profit before tax.

Income tax payments of TEUR 28,487.0 (previous year: TEUR 17,623.6) are reported separately under cash flow from operating activities.

Dividends received, interest income and interest expense are allocated to current business activities. Cash flow from dividends for the year totalled TEUR 135,431.7 (previous year: TEUR 116,799.9). Interest received amounted to TEUR 47,355.8 (previous year: TEUR 31,467.0), whereas interest paid totalled TEUR 82,198.6 (previous year: TEUR 74,346.1).

The effects of business combinations were eliminated, and are now reported under "net payments for company acquisitions" as part of net cash flow from investing activities. In the previous financial year, net cash flow from investing activities included the proceeds from the sale of "EVN's" interest in Energie AG Oberösterreich amounting to TEUR 177,363.2 (including indexing up to the date of payment in January 2007).

Proceeds from the disposal of intangible assets and property, plant and equipment amounted to TEUR 5,270.2 (previous year: TEUR 2,675.4). These proceeds resulted in a profit of TEUR 840.2 (previous year: TEUR 331.4).

Dividend payments of TEUR 61,322.2 (previous year: TEUR 57,234.0) to EVN AG shareholders and TEUR 36,420.7 (previous year: TEUR 35,147.0) to minority shareholders of "RBG" and "BUHO" are reported under cash flow from financing activities.

The cash and cash equivalents received by "EVN" from business combinations amounted to TEUR 155.4 (previous year: TEUR 0.0).

The share of cash and cash equivalents held by companies included through proportionate consolidation amounted to TEUR 14,143,1 (previous year: TEUR 7,820.0).

<b>60. Cash and cash equivalents</b>	TEUR	<b>2007/08</b>	<b>2006/07</b>
Cash on hand		327.8	300.6
Cash at banks		120,653.2	75,923.0
Bank overdrafts		-26,863.5	-21,867.6
<b>Total</b>		<b>94,117.5</b>	<b>54,356.0</b>

## 61. Segment reporting

IAS 14 stipulates that specific data from the annual financial statements of a company must be provided separately according to the various areas of business and geographical segments. This classification follows the internal reporting structure, and therefore provides a reliable assessment of the risks and earnings of the Group. Segment reporting allows for greater transparency in evaluating the profitability and prospects of success relating to the business activities of the Group.

The new organisational structure of "EVN", which took effect at the beginning of the 2005/06 financial year, has also been reflected in the company's external reporting instruments (letters to shareholders and annual report). Accordingly, the structure of this report focuses on the three business segments: Energy, Environmental Services, and Strategic Investments and Other Business.

On the one hand, this new segment reporting provides a compact description of the relevant management components characterising the EVN Group (management approach). On the other hand, it is also designed to convey a sufficient level of information on the development of business in the different business areas, and thus serve as the basis for a logical interpretation of developments in the Group.

The segments encompass the following activities:

### Segment activities

Segment	Activity
Energy	Generation, networks, energy procurement and supply, and South East Europe
Environmental Services	Water, wastewater and waste incineration
Strategic Investments and Other Business	Strategic and other investments

The geographical segmentation encompasses the sub-divisions of "EVN's" business activities in the following regions: Austria, South East Europe as well as Central and Eastern Europe.

### Principles of segment allocation

Items that can be assigned directly are allocated to the respective segments. Services provided by one segment for another segment that can be charged directly are allocated by means of intragroup transactions. Any items that cannot be assigned or charged directly are assigned using an objective cost allocation process. Any remaining amounts are distributed in proportion to the assigned items.

Revenues are assigned to the country in which the service was provided in accordance with the country of destination. The project location is the main criteria used to determine the assignment of revenues for "EVN's" project business.

### Transfer pricing

The transfer prices for energy between the individual segments are based on comparable prices for special contract customers, and thus represent applicable market prices. For the remaining items, pricing is based on costs plus an appropriate mark-up.

## 61. Segment reporting by areas of business

EURm	Energy		Environmental Services		Strategic Investments and Other Business		Consolidation		Total	
	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
<b>External revenue</b>	<b>2,182.3</b>	<b>1,932.7</b>	<b>184.6</b>	<b>275.1</b>	<b>30.1</b>	<b>25.3</b>	–	–	<b>2,397.0</b>	<b>2,233.1</b>
Intra-Group revenue	15.2	10.7	11.2	9.4	56.8	49.0	–83.2	–69.0	–	–
Operating expenses	–1,861.6	–1,634.5	–156.1	–230.6	–99.1	–85.8	82.1	68.4	–2,034.7	–1,882.5
<b>EBITDA</b>	<b>335.9</b>	<b>309.0</b>	<b>39.6</b>	<b>53.8</b>	<b>–12.1</b>	<b>–11.5</b>	<b>–1.1</b>	<b>–0.7</b>	<b>362.3</b>	<b>350.7</b>
Depreciation and amortization	–180.7	–136.7	–14.2	–15.8	–1.8	–1.6	1.1	0.7	–195.7	–153.3
Thereof impairment losses	–13.4	–0.6	–	–0.3	–	–	–	–	–13.4	–1.0
Thereof reversal of impairment losses	1.4	23.1	–	–	–	–	–	–	1.4	23.1
<b>Results from operating activities (EBIT)</b>	<b>155.2</b>	<b>172.3</b>	<b>25.4</b>	<b>38.1</b>	<b>–13.9</b>	<b>–13.0</b>	–	–	<b>166.6</b>	<b>197.3</b>
Income from companies included at equity	9.7	8.0	9.9	18.8	76.1	63.1	–	–	95.7	89.8
Carrying value of companies included at equity	87.6	44.6	63.2	53.0	490.7	362.7	–	–	641.5	460.3
Goodwill	173.6	150.1	41.9	41.5	–	–	–	–	215.5	191.6
<b>Liabilities</b>	<b>2,240.6</b>	<b>1,929.8</b>	<b>801.0</b>	<b>806.9</b>	<b>1,303.6</b>	<b>1,221.8</b>	<b>–917.4</b>	<b>–711.2</b>	<b>3,427.8</b>	<b>3,247.2</b>
<b>Total assets</b>	<b>3,421.3</b>	<b>3,006.0</b>	<b>1,083.8</b>	<b>1,049.5</b>	<b>3,136.7</b>	<b>3,005.9</b>	<b>–1,005.6</b>	<b>–799.4</b>	<b>6,636.3</b>	<b>6,261.9</b>
<b>Investments in intangible assets and property, plant and equipment</b>	<b>346.1</b>	<b>222.0</b>	<b>67.9</b>	<b>53.6</b>	<b>1.6</b>	<b>2.1</b>	–	–	<b>415.6</b>	<b>277.7</b>

## 61. Segment reporting by region

EURm	Austria		South East Europe		Central and Eastern Europe		Group total	
	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Revenue	1,521.3	1,400.1	754.3	623.9	121.4	209.2	2,397.0	2,233.1
Results from operating activities (EBIT)	145.0	177.5	16.5	3.3	5.1	16.6	166.6	197.3
Investments in intangible assets and property, plant and equipment	251.3	180.1	153.2	83.2	11.1	14.4	415.6	277.7
Total assets	4,927.3	4,683.8	1,003.8	842.9	705.2	735.2	6,636.3	6,261.9

## 62. Risk management

### Interest rate risk

Interest rate risk relates to the threat posed to “EVN” by a negative change in prevailing interest rates and the effects this would have on interest payments, interest income and expense as well as the share capital of “EVN”. In order to minimise interest rate risk, “EVN” works to achieve a balanced mix of fixed income and variable rate liabilities. Risk is minimised through monitoring, compliance with limits and hedging. Fixed interest periods are managed over the short-term through derivative financial instruments (see note 63. Financial instruments). The valuation of these financial instruments distinguishes between those with fixed interest rates and those with variable interest rates.

In accordance with the stipulations contained in IFRS 7, the valuation of the interest rate risk is carried out on the basis of a sensitivity analysis in the case of financial instruments with a variable interest rate. For example, an increase in the market interest rate of one percentage point calculated on the basis of the portfolio of variable-rate financial instruments on the balance sheet date would have a negative impact on earnings to the amount of EUR 8.7m. A decline in the market interest rate of one percentage point would correspondingly lead to higher earnings of EUR 8.7m. Principally speaking, “EVN” aims to counteract the effects of interest rate fluctuations by using hedging instruments.

### Foreign exchange risk

Currency risks arise through the denomination of financial instruments in a currency which does not correspond to the functional currency of the company. "EVN" incurs foreign exchange risks mainly in relation to the JPY and CHF bonds it has issued. These are largely hedged with cross currency swaps (see notes 39. Non-current loans and borrowings and 63. Financial Instruments).

### Other market risks

This item primarily refers to price change risks resulting from market fluctuations. For "EVN", the main risks are fluctuations in primary energy prices, electricity procurement and sourcing prices, and share price risks involving securities. Forward and future contracts (see below), options and swaps (see 63. Financial instruments) are concluded to hedge price risks for electricity, gas, oil, black coal, CO<sub>2</sub> and biomass.

## 62. Price hedging in the Energy segment

TEUR	2007/08					2006/07				
	Nominal volumes		Market values			Nominal volumes		Market values		
	Purchases	Disposals	Positive	Negative	Net	Purchases	Disposals	Positive	Negative	Net
Futures	97,022.5	-40,940.5	13,170.7	-12,725.7	445.0	97,121.5	-1,298.5	4,590.4	-1,994.9	2,595.5
Forwards	419,939.4	-333,073.2	99,225.5	-81,243.5	17,982.1	370,187.9	-310,069.1	41,232.3	-34,029.2	7,203.1

Share price changes exist in respect to securities, and are dependent on the development of the capital market. "EVN" has a significant shareholding in Verbundgesellschaft.

### Liquidity risk

Liquidity risk encompasses the risk of the company not being able to raise the financial resources required to redeem liabilities on schedule. "EVN" minimises the risk on the basis of long-term financial planning, setting limits and Group-wide cash pooling. The gearing ratio of "EVN" is 35.3%, which is below the average in the energy sector, demonstrating the sound capital structure of the company. In the 2006/07 financial year, "EVN" concluded a syndicated credit facility amounting to EUR 600m with a European banking consortium. As of September 30, 2008, EUR 400m of this line of credit had not yet been drawn upon and was available for immediate use.

### Credit risk

Credit risk arises from the potential non-payment of financial obligations by a business partner. To limit credit risk, the company carries out credit assessments of the contracting parties. Sufficient collateral is required before a transaction if the partner's credit standing is classified as inadequate.

"EVN" pays attention to ensuring that funds are deposited at banks with the best possible creditworthiness as demonstrated by international ratings. The credit risk is limited to the balance sheet totals.

## 63. Financial instruments

### Primary financial instruments

Primary financial instruments in "EVN" chiefly consist of financial assets such as securities, loans and borrowings, "EVN" Group investments, trade accounts receivable, cash at banks, securitised and non-securitised liabilities and trade payables. The relevant accounting and valuation principles are described under the respective item. Purchases and disposals are recognised on the settlement date.

Non-current financial liabilities arising from issued bonds are described in detail in note 39. **Non-current loans and borrowings.**

The following table contains the carrying values and fair values of financial assets and liabilities valued at amortised cost:

63. Financial instruments at amortised cost	in EURm	2007/08		2006/07	
		Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>					
Bonds		21.6	21.6	21.4	21.4
Current receivables		548.8	548.8	519.6	519.6
Cash and cash equivalents		121.0	121.0	76.2	76.2
<b>Financial liabilities</b>					
Bonds		302.4	324.6	417.8	443.7
Non-current loans and borrowings		1,056.5	1,056.5	754.8	754.8
Trade payables and other current liabilities		461.7	461.7	447.6	447.6
Current loans and borrowings		153.9	153.9	247.2	247.2

For the most part, receivables, cash and cash equivalents and liabilities have short terms to maturity. For this reason, the carrying values at the balance sheet date approximately equal the market values.

The market values of bonds are determined by taking the present value of the discounted future cash flow based on prevailing market interest rates.

The fair value is based on share price listings at the balance sheet date. The fair value of shares in non-listed subsidiaries and other investments is based on the discounted expected cash flow or comparable transactions.

63. Financial instruments at market values	2007/08	2006/07
in EURm		
Financial assets carried at fair value through profit or loss	102.9	101.2
Investments available for sale	1,723.5	1,613.4
Financial assets held for trading	136.0	395.7

### Derivative financial instruments

Derivative financial instruments are used primarily to hedge liquidity, exchange rate, price and interest rate risks. The operative goal is to ensure the long-term continuity of financial results. In individual cases, the Group exploits opportunities that carry a higher risk but offer a larger profit. All derivative financial instruments are integrated in a risk management system as soon as the transactions are completed. This provides a daily overview of all main risk indicators. A separate staff unit has been established to monitor risk controlling, and develop risk analyses based on the value-at-risk method.

The nominal values represent the non-offset totals of all the items classified as financial derivatives on the balance sheet date. Although these are equivalent to the amounts agreed between the contractual partners, these figures do not provide a measure of the risk incurred by the company through the use of derivatives. Potential risk factors include fluctuations in the market prices and the credit risk of the contractual parties. The nominal and current market values (fair value) of all derivative financial instruments are recognised.

Derivative instruments used by "EVN" are comprised of the following:

63. Derivative financial instruments	Nominal value <sup>1)</sup>		Market value <sup>2)</sup>	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
<b>Currency swaps</b>				
CHFm (under 1 year) <sup>3)</sup>	200.0	180.0	5.6	-12.8
CHFm (under 5 years) <sup>3)</sup>	-	200.0	-	-0.9
JPYm (over 5 years) <sup>3)</sup>	8,000.0	8,000.0	-15.2	-21.6
USDm (under 5 years) <sup>3)</sup>	15.4	15.4	1.9	1.8
USDm (over 5 years) <sup>3)</sup>	3.0	6.0	0.3	0.6
<b>Interest rate swaps</b>				
EURm (under 1 year)	-	70.3	-	0.2
EURm (under 5 years) <sup>3)</sup>	482.8	445.0	-10.3	-13.2
<b>Energy swaps</b>				
Purchases (gas, coal, oil) <sup>3)</sup>	136.1	119.0	0.4	19.0
<b>Caps</b>				
EURm (under 5 years)	105.0	-	0.8	-
EURm (over 5 years)	-	105.0	-	0.5

1) In EURm nominal currency

2) In EURm

3) Used as a hedging instrument in accordance with IAS 39

Depending on the time to maturity, positive market values are recognised under other non-current assets or receivables from financial instruments, whereas negative market values are recorded as provisions for financial instruments. Value fluctuations in hedging are chiefly offset by value fluctuations in the hedged transactions. The value adjustments of transactions for which hedge accounting was not applied are recognised to the consolidated income statement.

#### 64. Significant events after the balance sheet date

On November 7, 2008, "WTE" won a contract to build a sludge treatment plant for the Lithuanian capital city of Vilnius with an annual capacity of 600,000 population equivalents. The total investment volume amounts to EUR 45m.

Taking account of the expected operational business development, "EVN" took advantage of a syndicated revolving credit facility of EUR 600m concluded on September 12, 2006. Further funds totalling EUR 100m were drawn from this line of credit to ensure sufficient interim financing of "EVN". As a result, "EVN" has now drawn up EUR 300m of this credit facility for interim financing purposes.

#### 65. Other obligations and risks

"EVN" has entered into long-term, fixed quantity and price agreements with "e&t", as well as "EconGas" to ensure its supplies of electricity and primary energy. The company has also concluded long-term agreements for the import of coal from Poland and Russia. The commitments "EVN" has entered into and the risks are comprised of the following:

	TEUR	2007/08	2006/07
Guarantees for subsidiaries in connection with energy purchases and trading transactions		509,152.3	348,308.6
Guarantees related to the operation and construction of power plants		150,131.9	87,587.8
Order obligations for investments in intangible assets and property, plant and equipment		149,131.6	145,270.7
Guarantees for subsidiaries in connection with construction projects in the Environmental Services segment		80,383.6	243,812.4
Further obligations arising from guarantees or other contractual contingent liabilities		27,821.7	63,967.0
<b>Total</b>		<b>916,621.1</b>	<b>888,946.5</b>

The above-mentioned obligations are contrasted by damage claims amounting to TEUR 421,651.9.

Further obligations from guarantees and other contractual contingent liabilities are comprised chiefly of outstanding capital contributions and loan commitments to Group subsidiaries as well as assumed liabilities for loans to subsidiaries and associates. Various legal proceedings and lawsuits arising from operating activities are pending, or claims may be potentially asserted against "EVN" in the future. The risks relating to such legal proceedings have been analysed in relation to their probability of occurrence. Although the results of such legal proceedings can not always be predicted in advance with a high degree of certainty, an assessment of risk in this regard indicates that the results of these legal proceedings and lawsuits, individually and as a whole, would not have a material impact on the business, financial position, profit and loss or cash flow of the Group.

#### 66. Information on business transactions with related companies and individuals

Related companies and individuals include the main shareholders, NÖ Landes-Beteiligungsholding GmbH, St. Pölten, and EnBW Energie Baden-Württemberg AG, Karlsruhe, the members of the "EVN" Executive Committee and Supervisory Board as well as associated companies included at equity.

### Transactions with a main shareholder

A group and tax settlement agreement was concluded with NÖ Landes-Beteiligungsholding GmbH during the inclusion of EVN AG in a company group, in accordance with § 9 of the Austrian Corporate Tax Act. EVN AG has since included further subsidiaries in the company group based on this agreement. This resulted in receivables of TEUR 15,653.0 (previous year: liabilities TEUR 7,935.6) to NÖ Landes-Beteiligungsholding GmbH as of the balance sheet date.

### Transactions with the Executive and Supervisory Boards

The services rendered to members of the Executive Board and the Supervisory Board consist primarily of salaries, post employment benefits, severance payments and remuneration of the Supervisory Board.

The total remuneration paid to active members of the Executive Board in the 2007/08 financial year amounted to TEUR 1,235.3 (previous year: TEUR 1,186.4). Payments to former members of the Executive Board and their dependents totalled TEUR 949.1 (previous year: 918.8).

Expenses for severance payments and pensions totalled for the members of the Executive Board TEUR 1,312.7 (previous year: TEUR 2,243.6) and for senior management TEUR 1,322.0 (previous year: TEUR 1,434.1). In addition, pension commitments amounting to TEUR 9,391.9 (previous year: TEUR 8,167.8) apply to current members of the Executive Board.

Remuneration paid to the Supervisory Board amounted to TEUR 144.1 (previous year: TEUR 140.8). The members of the Environmental and Social Responsibility Advisory Committee were paid compensation of TEUR 79.0 in the year under review (previous year: TEUR 79.1).

### Transactions with companies included at equity

Within the context of its ordinary business operations, "EVN" has concluded supply and service contracts with numerous companies, which also include associated companies consolidated at equity in the consolidated financial statements of "EVN". Long-term agreements were concluded with "e&t" for the sale and sourcing of electricity. Long-term sourcing contracts were also concluded with "EconGas" for natural gas. Moreover, a cooperation agreement exists with "BEGAS" for gas-related services as well as a long-term utilisation agreement with "NÖKOM" for the provision of optical fibre cables.

The value of services provided to companies included at equity is as follows:

<b>66. Transactions with companies included at equity</b>	TEUR	2007/08	2006/07
Revenue		233,592.6	234,076.5
Cost of services		609,656.7	513,391.7
Trade accounts receivable		123,402.3	69,340.0
Trade accounts payable		59,686.3	15,469.7
Obligations from cash pooling		11,238.0	11,196.6
Interest balance from cash pooling		-880.6	-441.6

## 67. Information on management and staff

The corporate bodies of EVN AG are:

### Executive Board

Burkhard Hofer – Spokesman of the Executive Board and CEO, Peter Layr, Herbert Pötttschacher

### Supervisory Board

Rudolf Gruber – Chairman

Stefan Schenker – Vice-Chairman

Gerhard Posset – Vice-Chairman

Walter Aigner (up to March 17, 2008)

Amir Ghoreishi (up to January 17, 2008)

Norbert Griesmayr

Gottfried Holzer

Dieter Lutz

Reinhard Meißl

Bernhard Müller

Wolfgang Peterl

Martin Schuster

Michaela Steinacker

Hans-Peter Villis (as of January 17, 2008)

Franz Hemm – employee representative

Rudolf Rauch – employee representative

Manfred Weinrichter – employee representative

Paul Hofer – employee representative

Otto Mayer – employee representative

Helmut Peter – employee representative (up to March 17, 2008)

Franz Ziegelwagner – employee representative

## 68. Approval of the consolidated financial statements 2007/08 for publication

The current consolidated financial statements of the EVN Group have been prepared by the Executive Board as of the date signed below. The statutory financial statements, which will also be included in the consolidated financial statements after being adapted to International Financial Reporting Standards, along with the Group financial statements of the parent company, will be conveyed to the Supervisory Board on December 10, 2008 for their examination and approval. The Supervisory Board may approve the consolidated financial statements or delegate the approval to the Annual General Meeting.

Maria Enzersdorf, November 20, 2008

EVN AG

The Executive Board

Burkhard Hofer  
Spokesman of the Executive Board  
and CEO

Peter Layr

Herbert Pötttschacher

## EVN Group investments

The following is a list of "EVN's" investments, which is structured according to segments of business. The figures are derived from the last available financial statements of each company, as of the respective balance sheet date. The share capital of companies that report in a foreign currency is converted to euro using the exchange rate in effect on the balance sheet date, while annual results are converted to euro using the average exchange rate for the financial year.

### 1. EVN AG investments in the Energy Segment ≥ 20% as of September 30, 2008

Company, registered office	Shareholder	Interest in %	Currency	Shareholders' equity in TEUR	Last year's profit/loss in TEUR	Balance sheet date	Method of consolidation 2007/08
AUSTRIA FERGAS Gesellschaft m.b.H. in Liqu., Vienna	EVN	23.75	EUR	2,522	299	31.12.2007	NE
EconGas GmbH, Vienna <sup>1)</sup>	EVN	15.70	EUR	110,340	47,314	31.12.2007	E
Energie Raum Mur Wasserkraftwerk Errichtungs- und Betriebs GmbH, Graz	WTK	50.00	EUR	57	–	31.12.2007	NE
ENERGIEALLIANZ Austria GmbH, ("EAA"), Vienna	EVN	45.00	EUR	5,025	692	30.9.2008	Q
Energy Service DOOEL, Skopje, Macedonia	EVN MKD	100.00	MKD	9	–3	31.12.2007	NV
Energy Trading EAD, Sofia, Bulgaria	EVN EC	100.00	BGN	115	–26	31.12.2007	V
EVN Bulgaria Elektrorazpredelenie AD, Plovdiv, Bulgaria	EVN	67.00	BGN	198,217	14,635	31.12.2007	V
EVN Bulgaria Elektroznabdjavane AD, ("EVN EC") Plovdiv, Bulgaria	EVN	67.00	BGN	33,757	3,128	31.12.2007	V
EVN Bulgaria EAD, ("EVN Bulgaria"), Sofia, Bulgaria	EVN	100.00	BGN	353	101	31.12.2007	V
EVN Bulgaria Toplofikatsia EAD, Plovdiv, Bulgaria <sup>2)</sup>	EVN	100.00	BGN	22,568	–10,629	31.12.2007	V
EVN Development EOOD, Sofia, Bulgaria	EVN Bulgaria	100.00	BGN	1	–1	31.12.2007	NV
EVN DOOEL, Skopje, Macedonia <sup>2)</sup>	EVN SEE	100.00	MKD	–	–	–	NV
EVN Energievertrieb GmbH & Co KG, Maria Enzersdorf	EVN	100.00	EUR	40,649	14,250	30.9.2008	Q
EVN Kraftwerks- und Beteiligungsgesellschaft mbH ("EVN Kraftwerk"), Maria Enzersdorf	EVN	100.00	EUR	49,481	–46	30.9.2008	V
EVN Liegenschaftsverwaltung Gesellschaft m.b.H. Zwentendorf an der Donau	EVN/Utilitas	100.00	EUR	100,882	98	30.9.2008	V
EVN Macedonia AD, Skopje, Macedonia <sup>3)</sup>	EVN	90.00	MKD	150,195	64	31.12.2007	V
EVN Macedonia Holding DOOEL, ("EVN MKD"), Skopje Macedonia <sup>4)</sup>	EVN	100.00	MKD	–491	–209	31.12.2007	V
evn naturkraft Erzeugungs- und Verteilungs GmbH ("evn naturkraft"), Maria Enzersdorf	EVN	100.00	EUR	48,376	8,503	30.9.2008	V
EVN Netz GmbH, ("EVN Netz"), Maria Enzersdorf	EVN	100.00	EUR	351,203	13,763	30.9.2008	V
EVN Projektmanagement GmbH, Maria Enzersdorf <sup>2)</sup>	EVN	100.00	EUR	100,804	769	30.9.2008	V
EVN Trading d.o.o. Beograd, Belgrade, Serbia <sup>2)</sup>	EVN SEE	100.00	RSD	–	–	–	NV
EVN Trading South East Europe EAD, ("EVN SEE") Sofia, Bulgaria	EVN	100.00	BGN	911	–10	31.12.2007	V

#### Method of consolidation

E: Company included at equity (associated company)  
 NE: Non-consolidated associated company  
 NV: Non-consolidated affiliated company  
 Q: Proportionately consolidated company  
 V: Fully consolidated company (subsidiary)

Company, registered office	Shareholder	Interest in %	Currency	Shareholders' equity in TEUR	Last year's profit/loss in TEUR	Balance sheet date	Method of consolidation 2007/08
EVN Wärme GmbH, Maria Enzersdorf <sup>2)</sup>	EVN	100.00	EUR	73,856	5,785	30.9.2008	V
EVN Windpower Development & Construction S.R.L. Bukarest, Romania <sup>2)</sup>	evn naturkraft	50.00	RON	–	–	–	NE
Evonik-EVN Walsum 10 Kraftwerksgesellschaft mbH Essen, Germany <sup>5)</sup>	EVN Kraftwerk	49.00	EUR	55,938	–1,270	31.12.2007	E
e&t Energie Handelsgesellschaft mbH, Vienna	EVN	45.00	EUR	4,163	1,711	30.9.2008	E
Fernwärme St. Pölten GmbH, St. Pölten <sup>2)</sup>	EVN	49.00	EUR	–	–	–	E
grafotech Beratungs- und Planungsgesellschaft m.b.H. ("grafotech"), Maria Enzersdorf	Utilitas	100,00	EUR	2.103	1.861	30.9.2008	V
IN-ER Erözü Kft., Nagykanizsa, Hungary	EVN	70.00	HUF	2,190	6	31.12.2007	NV
Kabelsignal AG, Maria Enzersdorf	Utilitas	100.00	EUR	26,970	7,024	30.9.2008	V
Kraftwerk Nussdorf Errichtungs- und Betriebs GmbH, Vienna	evn naturkraft	33.33	EUR	49	4	31.12.2007	NE
Kraftwerk Nussdorf Errichtungs- und Betriebs GmbH & Co KG, Vienna	evn naturkraft	33.33	EUR	6,036	237	31.12.2007	NE
MAKGAS DOOEL, Skopje, Macedonia	EVN	100.00	MKD	3	–1	31.12.2007	NV
Naturkraft Energievertriebsgesellschaft m.b.H., Vienna	EAA	100.00	EUR	906	156	30.9.2008	Q
Naturkraft OOD, Plovdiv, Bulgaria <sup>2)</sup>	evn naturkraft	100.00	BGN	–	–	–	NV
NÖKOM NÖ Telekom Service Gesellschaft m.b.H. Maria Enzersdorf	EVN	50.00	EUR	9,939	–2,836	31.12.2007	E
Switch Energievertriebsgesellschaft m.b.H., Salzburg	EAA	100.00	EUR	218	–4	30.9.2008	Q
Toplak Gesellschaft m.b.H., Vienna	EVN	50.00	EUR	–129	–103	31.10.2007	NE
Wasserkraftwerke Trieb und Krieglach GmbH, ("WTK") Maria Enzersdorf	evn naturkraft	70.00	EUR	179	–14	30.9.2008	V

1) Despite an interest of ≤ 20%, the shareholding is included due to its materiality.

2) The company was newly established during the reporting year.

3) Formerly AD Elektrostopanstvo na Makedonija, Skopje, Macedonia

4) Formerly EVN Macedonia DOOEL, Skopje, Macedonia

5) Formerly STEAG-EVN Walsum 10 Kraftwerksgesellschaft mbH, Essen, Germany

## 2. EVN AG investments in the Environmental Services Segment

### ≥ 20% as of September 30, 2008

Company, registered office	Shareholder	Interest in %	Currency	Shareholders' equity in TEUR	Last year's profit/loss in TEUR	Balance sheet date	Method of consolidation 2007/08
ABeG Abwasserbetriebsgesellschaft mbH Offenbach am Main, Germany	WTE Essen	49.00	EUR	250	30	30.9.2007	NE
AVN Abfallverwertung Niederösterreich Ges.m.b.H. Maria Enzersdorf	EVN Umwelt	100.00	EUR	6,917	5,809	30.9.2008	V
BioBalance Baltic UAB, Kaunas, Lithuania	WTE Denmark	100.00	LTL	98	34	30.9.2008	NV
Cista Dolina – SHW Komunalno podjetje d.o.o. Kranjska Gora, Slovenia	WTE Betrieb	100.00	EUR	63	20	30.9.2008	V
DTV Rt., Dunavarsány, Hungary	evn wasser	51.00	HUF	1,605	12	31.12.2007	NV
EVN Projektgesellschaft Müllverbrennungsanlage Nr. 3 mbH, ("EVN MVA3"), Maria Enzersdorf	EVN Umwelt/Utilitas	100.00	EUR	26,868	–6,723	30.9.2008	V
EVN Umwelt Beteiligungs und Service GmbH ("EVN UBS"), Maria Enzersdorf	EVN Umwelt	100.00	EUR	4,388	111	30.9.2008	V
EVN Umwelt Finanz- und Service-GmbH ("EVN UFS") Maria Enzersdorf	EVN Umwelt	100,00	EUR	18	–17	30.9.2008	V

Company, registered office	Shareholder	Interest in %	Currency	Shareholders' equity in TEUR	Last year's profit/loss in TEUR	Balance sheet date	Method of consolidation 2007/08
EVN Umweltholding und Betriebs-GmbH ("EVN Umwelt"), Maria Enzersdorf	EVN	100.00	EUR	107,868	9,958	30.9.2008	V
evn wasser Gesellschaft m.b.H., ("evn wasser") Maria Enzersdorf	EVN/Utilitas	100,00	EUR	63.325	4.210	30.9.2008	V
OAD "EVN MSZ 3", („OAD MVA3“), Moscow, Russia	EVN MVA3	100.00	RUB	196,485	-388	31.12.2007	V
OAD "WTE Süd-West", Moscow, Russia	Süd-West	100.00	RUB	171,279	-18,142	31.12.2007	V
OAD "WTE Süd-Ost", Moscow, Russia <sup>1)</sup>	WTE Hyp	100.00	RUB	-	-	-	V
OOO EVN Umwelt Service, Moscow, Russia	EVN UBS	100.00	RUB	8	6	31.12.2007	V
OOO EVN-Ekotechprom MSZ3, Moscow, Russia	OAD MVA3	70.00	RUB	-123	-125	31.12.2007	NV
OOO Süd-West Wasserwerk, Moscow, Russia	Süd-West	70.00	RUB	816	813	31.12.2007	NV
OOO "WTE Wassertechnik West", Moscow, Russia <sup>1)</sup>	WTE Essen	100.00	RUB	-	-	-	NV
Saarberg Hölter Projektgesellschaft Süd Butowo mbH ("Süd Butowo"), Essen, Germany	WTE Essen	100.00	EUR	8,418	626	30.9.2008	V
SHW Hölter Projektgesellschaft Zelenograd mbH ("Zelenograd"), Essen, Germany	WTE Essen	100.00	EUR	20,689	1,661	30.9.2008	V
SHW Hölter Projektgesellschaft Slowenien mbH Essen, Germany	WTE Essen	100.00	EUR	22	-	30.9.2008	NV
SHW/RWE Umwelt Aqua Vodogradnja d.o.o. Zagreb, Croatia	WTE Essen	50.00	HRK	2,376	874	31.12.2007	NE
SHW Projektgesellschaft Pskov mbH, Essen, Germany	WTE Essen	100.00	EUR	21	-	30.9.2008	NV
Wasserver- und Abwasserentsorgungsgesellschaft Märkische Schweiz mbH, Buckow, Germany	WTE Essen	49.00	EUR	535	23	31.12.2007	NE
Wiental-Sammelkanal Gesellschaft m.b.H Untertullnerbach	evn wasser	50.00	EUR	887	-1	31.12.2007	NE
WTE Denmark A/S ("WTE Denmark") Birkerød, Denmark	WTE Essen	100,00	DKK	600	898	30.9.2008	V
WTE desalinizacija morske vode d.o.o. – Budva Budva, Montenegro <sup>1)</sup>	WTE Essen	100.00	EUR	-	-	-	V
WTE Projektna družba Bled d.o.o., Bled, Slovenia	WTE Essen	100.00	EUR	-24	-43	30.9.2008	V
WTE Projektna družba Kranjska Gora d.o.o. Kranjska Gora, Slovenia	WTE Essen	100.00	EUR	18	1	30.9.2008	V
WTE Projektna družba Lasko d.o.o., Lasko, Slovenia	WTE Essen	100.00	EUR	-56	-17	30.9.2008	V
WTE Projektgesellschaft Natriumhypochlorit mbH ("WTE Hyp"), Essen, Germany	EVN UFS/WTE Essen	100.00	EUR	14,976	-49	30.9.2008	V
WTE Projektgesellschaft Süd-West Wasser mbH ("Süd-West"), Essen, Germany	WTE Essen	100.00	EUR	30,111	-9,320	30.9.2008	V
WTE Betriebsgesellschaft mbH, ("WTE Betrieb") Hecklingen, Germany	WTE Essen	100.00	EUR	511	-	30.9.2008	V
WTE Vodice d.o.o., Zagreb, Croatia	WTE Essen	100.00	HRK	8	5	30.9.2008	V
WTE Wassertechnik GmbH, ("WTE Essen") Essen, Germany	EVN Umwelt	100.00	EUR	63,456	421	30.9.2008	V
WTE Wassertechnik (Polska) Sp.z.o.o., Warschau, Poland	WTE Essen	100.00	PLN	1,368	371	30.9.2008	V
ZAO "STAER", Moscow, Russia	Süd Butowo	70.00	RUB	171	168	31.12.2007	NV
ZAO "STAER-ZWK", Moscow, Russia	Zelenograd	70.00	RUB	126	63	31.12.2007	NV
Zagrebacke otpadne vode d.o.o., Zagreb, Croatia	WTE Essen	48.50	HRK	108,647	23,588	31.12.2007	E
Zagrebacke otpadne vode – upravljanje i pogon d.o.o Zagreb, Croatia	WTE Essen	35.00	HRK	4,414	3,603	31.12.2007	E

1) The company was newly established during the reporting year.

### 3. EVN AG investments in the Strategic Investments and Other Business Segment of $\geq 20\%$ as at September 30, 2008

Company, registered office	Shareholder	Interest in %	Currency	Shareholders' equity in TEUR	Last year's profit/loss in TEUR	Balance sheet date	Method of consolidation 2007/08
ALLPLAN Gesellschaft m.b.H., Vienna	Utilitas	50.00	EUR	795	172	31.12.2007	E
ARGE Coop Telekom, Maria Enzersdorf	grafotech	50.00	EUR	91	29	31.12.2007	NE
BEGAS – Burgenländische Erdgasversorgungs-Aktiengesellschaft, Eisenstadt	BUHO	49.00	EUR	72,140	5,494	30.9.2007	E
Burgenland Holding Aktiengesellschaft, ("BUHO") Eisenstadt	EVN	72.27	EUR	76,622	6,527	30.9.2008	V
Burgenländische Elektrizitätswirtschaft-Aktiengesellschaft (BEWAG), Eisenstadt	BUHO	49.00	EUR	201,067	21,415	30.9.2007	E
EESU Holding GmbH, Vienna	Utilitas	49.95	EUR	330,168	45,362	30.6.2008	E
Ernst Hora Elektroinstallationen Gesellschaft m.b.H. ("Ernst Hora"), Vienna	first facility	100.00	EUR	57	5	31.12.2007	NV
EVN Albania SHPK, Tirana, Albania	EVN	100.00	ALL	6	-2	31.12.2007	NV
EVN Business Service GmbH, Maria Enzersdorf	Utilitas	100.00	EUR	653	519	30.9.2008	V
EVN Finanzmanagement und Vermietungs-GmbH ("EVN FM"), Maria Enzersdorf	EVN	100.00	EUR	15,697	4,796	30.9.2008	V
EVN Finanzservice GmbH, Maria Enzersdorf	EVN FM	100.00	EUR	15,841	4,887	30.9.2008	V
EVN Finance Service B.V., Amsterdam, Netherlands	EVN FM	100.00	EUR	8	-27	30.9.2007	NV
EVN-Pensionskasse Aktiengesellschaft, Maria Enzersdorf	EVN	100.00	EUR	4,742	297	31.12.2007	NV
e&i EDV Dienstleistungsgesellschaft m.b.H., Vienna	EVN	50.00	EUR	377	44	30.9.2008	E
first facility Bulgaria EOOD, Sofia, Bulgaria	first facility	100.00	BGN	17	4	31.12.2006	NV
first facility d.o.o., Zagreb, Croatia	first facility	100.00	HRK	-125	-79	31.12.2007	NV
first facility GmbH, ("first facility"), Vienna	Utilitas	100.00	EUR	462	18	30.9.2008	V
first facility Ingotlankezelő Kft., Budapest, Hungary	first facility	100.00	HUF	-184	-53	31.12.2007	NV
first facility Imobile SRL, Bukarest, Romania	first facility/Ernst Hora	95.00	RON	-3	-3	31.12.2007	NV
first facility Macedonia DOOEL, Skopje, Macedonia	first facility	100.00	MKD	4	-1	31.12.2007	NV
first facility Slowakei s.r.o., Bratislava, Slovakia <sup>1)</sup>	first facility	92.50	EUR	-	-	-	NV
first facility – tourism GmbH, Vienna	first facility	50.00	EUR	48	-57	31.12.2007	NE
Niederösterreichische Facility Management GmbH Wiener Neustadt	first facility	50.00	EUR	27	-8	31.12.2007	NE
Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbund), Vienna <sup>1)</sup>	EVN	12.84	EUR	1,298,745	333,068	31.12.2007	N
R 138-Fonds, Vienna	EVN AG/EVN Netz/evn wasser	100.00	EUR	87,695	-6,385	30.9.2008	V
RAG-Beteiligungs-Aktiengesellschaft, ("RBG") Maria Enzersdorf	EVN	50.05	EUR	120,381	69,880	30.6.2008	V
Rohöl-Aufsuchungs Aktiengesellschaft, Vienna	RBG	75.00	EUR	126,487	92,143	31.12.2007	E
Spieth Kathodischer Korrosionsschutz GmbH Denkendorf, Germany <sup>2)</sup>	V&C	100.00	EUR	-	-	-	NV
Utilitas Dienstleistungs- und Beteiligungs-Gesellschaft m.b.H. ("Utilitas"), Maria Enzersdorf	EVN	100.00	EUR	186,755	17,871	30.9.2008	V
VCK Betonschutz + Monitoring GmbH, Mainz, Germany	V&C	50.00	EUR	61	24	31.12.2007	NE
V&C Kathodischer Korrosionsschutz Gesellschaft m.b.H. ("V&C"), Pressbaum	Utilitas	100.00	EUR	569	268	31.3.2008	V
V2 FM, Vienna <sup>3)</sup>	first facility	100.00	EUR	34	-1	31.12.2007	NV
Wiener Stadtwerke Management Beta Beteiligungs GmbH, Vienna	Utilitas	47.37	EUR	924	5	30.11.2007	NE

1) Despite an interest of  $\leq 20\%$ , the shareholding is included due to its materiality.

2) The company was newly established in the reporting year.

3) Formerly first facility – healthcare GmbH, Vienna

## Reporting in accordance with IFRS New and revised standards and interpretations

### New and revised standards and interpretations applied for the first time<sup>1)</sup>

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

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

**IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions"** published in November 2006 provides guidance on the application of IFRS 2 to share-based payment transactions in which a company's own equity instruments or the equity instruments of a subsidiary are to be granted. As IFRS 2 is currently not applied in the "EVN", IFRIC 11 is also not relevant to "EVN" at this time.

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

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

In October 2008, IASB published revisions to **IAS 39 "Financial Instruments: Recognition and Measurement"** and an amendment to **IFRS 7 "Financial Instruments: Disclosures"**, called "Reclassification of Financial Assets". The changes to IAS 39 not only allow some reclassifications of non-derivative financial assets (except for those "measured at fair value" on the basis of the fair value option) from the category "financial assets measured at fair value", but also the reclassification of "available for sale financial assets" in the category loans and receivables. The revisions made to IFRS 7 also prescribe additional disclosure requirements for companies which have carried out reclassifications of financial assets in accordance with the revised stipulations contained in IAS 39. The changes made to IAS 39 and IFRS 7 took effect retroactively to July 1, 2008, and are binding as of October 31, 2008.

### New and revised standards and interpretations which are not yet applicable<sup>2)</sup>

**IFRS 8 "Operating segments"** was released by the IASB in November 2006 and completely replaces IAS 14. It regulates the disclosure of information on business segments, products and services, regions and the customer relationships of the company. In accordance with IFRS 8, segment reporting must be prepared on the same basis as used by the main decision-making bodies of the company to evaluate performance and allocate resources (management approach). In contrast, IAS 14 structured segment reporting according to the source and type of opportunities and risks (risks and rewards approach). The precise impact of IFRS 8 on the financial reporting of "EVN" can only be determined based on the development of "EVN" and its current segments, and the initial application of this standard in the 2008/09 financial year. The revisions have already been adopted by the EU.

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

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

**IFRIC 15 "Agreements for the Construction of Real Estate"**, published in July 2008, provides guidance on the accounting practice in respect to the recognition of revenue for real estate sales before construction has been completed. The construction of real estate is not part of the business operations of "EVN". For this reason, the revisions in IFRIC 15 will not have any impact on the consolidated financial statements of "EVN".

IFRIC also published **IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"** in July 2008, which is designed to clarify issues arising from the application of IAS 39 "Financial Instruments: Recognition and Measurement" and IAS 21 "The Effects of Changes in Foreign Exchange Rates" in respect to the accounting for the hedging of foreign currency risks within a company and its foreign entities. "EVN" is currently evaluating how the application of this interpretation will impact the financial position, cash flows of the company.

In September 2007, IASB already published a revised version of **IAS 1 "Presentation of Financial Statements"** designed to achieve a better comparability and basis for analysis of annual financial statements. Changes were made in the terms used, as well as prescribed accounting practices. Accordingly, all owner-related changes in equity are to be reported separately from all other transactions leading to change in equity. At the same time, companies can present all non-owner changes in equity within the framework of a so-called "Statement of Comprehensive Income". As a result of applying this standard, "EVN" will be required to make changes in the preparation and presentation of its consolidated financial statements as of the 2009/10 financial year.

Revisions made to **IAS 1 "Presentation of Financial Statements"** and **IAS 32 "Financial Instruments: Presentation"** relate to the distinctions between equity and debt in accounting for company capital. Accordingly, several financial instruments (cancellable instruments and obligations which arise in the case of liquidation) which explicitly fulfil the criteria of a financial liability can be recognised as equity. The revision thus also affects the area of applicability of IAS 32. A careful evaluation of the revisions will reveal the extent to which the revisions contained in IAS 1 and IAS 32 have an impact on the presentation of the consolidated financial statements of "EVN".

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

Up until now, **IAS 27 "Consolidated and Separate Financial Statements"** has prescribed the reduction in the recognised acquisition cost of a subsidiary by the profit distributed after the acquisition date from the retained earnings formed before the respective acquisition. No differentiation is to be made in this respect following the change carried out in May 2008 in accordance with the revision of IFRS 1 "First-Time Adoption of International Financial Reporting Standards". Effective immediately, dividends must be recognised in the income statement as a profit or loss. A further change contained in IAS 27 arose on the basis of the revisions to IFRS 3 "Business Combinations". "EVN" is carefully evaluating the revisions to IAS 27 and IFRS 3 in order to determine their impact on the financial position, profit and loss or cash flows of the company. The change made to IAS 27 in connection with IFRS 1 will not have an impact on the consolidated financial statements of "EVN", which has long applied the International Financial Reporting Standards.

IASB published the most recent revisions to **IAS 39 "Financial Instruments: Recognition and Measurement"** in July 2008. In addition to existing regulations, which enable a company to encompass the entire risk, part of it, or certain risks in connection with an underlying financial instrument in a hedge, it is now possible under certain circumstances to include inflation risks or one-sided risks in a hedge. "EVN" is currently evaluating the extent to which changes to IAS 39 will have a material impact on the consolidated financial statements of the company.

In May 2008, changes were made to **IFRS 1 "First-Time Adoption of International Financial Reporting Standards"**, which prescribe a more simplified approach to the valuation of a subsidiary in the separate financial statements of the parent according to IFRS (see above). This change also affects the scope of application of IAS 27 "Consolidated and Separate Financial Statements", due to the fact that the retroactive regulations in respect to acquisition costs are no longer necessary. This change will not have an impact on the consolidated financial statements of "EVN", which has long applied the IFRSs.

The changes to **IFRS 2 "Share-based Payments"** published in January 2008 primarily refer to the definition of "vesting conditions" and stipulations pertaining to the cancellation of equity instruments by other parties except for the company. There are no "share-based payments" carried out by "EVN". For this reason, IFRS 2 is currently not being applied.

A new, comprehensive version of **IFRS 3 "Business Combinations"** was published in January 2008. The most important revision relates to a change in the method of accounting for minority interest. From now on, minority interest can either be reported including its proportionate share of goodwill, or, as in the past, at the fair value of their proportion of identifiable assets and liabilities. The carrying amount of the minority interest can also be negative in the future, due to the fact that the stipulation was changed enabling losses exceeding the carrying amount of the minority interest to be assigned to the majority shareholders. Moreover, the application of the "economic entity approach" is binding for reporting transactions with minority interest. Consequently, changes in IFRS 3 also entail corresponding changes in IAS 27 "Consolidated and Separate Financial Statements" (see above). "EVN" is currently examining the precise point in time in which the company will apply the revisions to IFRS 3 and IAS 27, as well as the effects on the presentation of the financial position, profit and loss or cash flows of the company. The EU has not yet officially adopted the changes.

1) Applied for the first time in the 2007/08 financial year

2) At the time of preparation of these consolidated financial statements released by the IASB and partly approved by the EU as well as published in the Official Journal of the EU; the exact dates of commencement are listed on page 75.

# Independent Auditor's Report

## **Report on the Consolidated Financial Statements**

We have audited the accompanying **consolidated financial statements** of

**EVN AG,  
Maria Enzersdorf,**

for the **financial year from 1 October 2007 to 30 September 2008**. Those financial statements comprise the balance sheet as of 30 September 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing and International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

Our audit did not give rise to any objections. Based on the results of our audit in our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 30 September 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

## **Report on Other Legal Requirements**

Law and regulation applicable in Austria require us to perform audit procedures whether the group management report is consistent with the consolidated financial statements and whether the other disclosures made in the group management report do not give rise to misconception of the position of the group.

In our opinion, the group management report is consistent with the consolidated financial statements.

Vienna, 20 November 2008

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed:

Mag. Rainer Hassler  
Wirtschaftsprüfer

ppa MMag. Angelika Vogler  
Wirtschaftsprüfer

(Austrian Chartered Accountants)

This report is a translation of the original report in German, which is solely valid.

## **Declaration by the Executive Board** **pursuant to § 82 Sect. 4 (3) of the Austrian Stock Exchange Act**

The Executive Board of EVN AG certifies,

that, to the best of its knowledge, the annual financial statements of the company, prepared in compliance with internationally accepted accounting standards, presents a fair and accurate picture of the profit, asset and financial position of all the companies included in consolidation taken as a whole;

that the Management Report presents the development and performance of the business and the state of affairs of all the companies included in consolidation in such a manner as to ensure a fair and accurate picture of the profit, asset and financial position, and that the principal risks and uncertainties have been described.

Maria Enzersdorf, on November 20, 2008  
EVN AG  
The Executive Board



Burkhard Hofer  
Spokesman of the  
Executive Board and CEO



Peter Layr  
Member of the  
Executive Board



Herbert Pöttschacher  
Member of the  
Executive Board