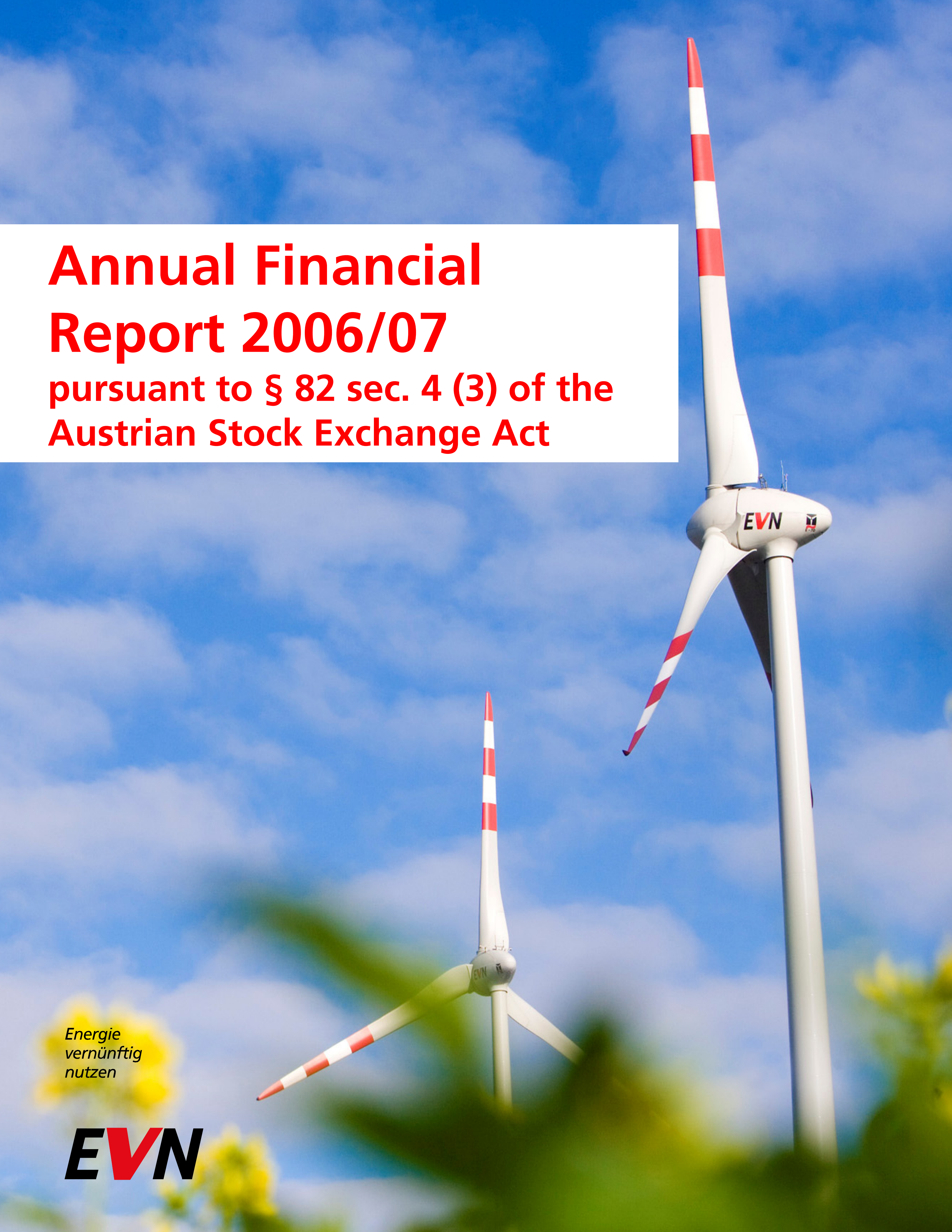
Annual Financial Report 2006/07

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



Energie vernünftig nutzen

EVN

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Full-scale market liberalisation in Austria

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

Incentive model for the electricity network

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

Regulatory authority orders 4% reduction in EVN gas network tariffs

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

Amendment to the Austrian Green Electricity Act

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

Within the context of the Austrian National Allocation Plan I (2005 – 2007), the EVN Group was allotted CO_2 certificates for annual emissions amounting to 1.45m t of CO_2. This volume is one-third below the average level of CO_2 emissions for the years 2003 and 2004. Subsequently, EVN was required to purchase additional CO_2 emission certificates, leading to significantly higher costs. However, due to a decline in prices for CO_2 emission certificates starting in April 2006, the costs incurred by EVN during the 2006/07 financial year were below those in the previous financial year (also see page 44).

Massive cut in CO_2 emissions prescribed

In 2007, the European Commission evaluated the National Allocation Plans II, applicable for the period 2008 – 2012, and prescribed an average 6.4% reduction in CO_2 emissions. The Austrian National Allocation Plan II was originally based on a forecast of CO_2 emissions in Austria totalling 38.33m t per year and an annual savings potential of 5.53m t of CO_2 emissions. The total resulting allocation of free certificates for CO_2 emissions amounting to 32.80m t per annum was reduced by the European Commission to 30.33m t. Subsequently, there is more than a 20% gap between the original forecasts of CO_2 emissions and the amount actually allocated by the EU. These guidelines not only pose a major challenge to industrial and utility companies in terms of reducing CO_2 emissions, but impose a considerable financial burden for the purchase of additional certificates. Austria's energy sector was allotted 7.70m t annually of CO_2 emission certificates at no charge, of which EVN was granted 1.58m t. EVN estimates it will be required to purchase emission certificates for approximately 500,000 – 800,000 t annually.

EU Commission adopts third legislative package for energy markets

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

Legal framework in South-eastern Europe

Bulgaria

Successful company unbundling

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

Legal opening of the electricity market as of July 2007

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

Macedonia

Completely regulated market based on the single buyer model

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

First signs of liberalisation

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

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

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

Overall business environment

Dynamic global economic growth continues

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

Economic downturn in the USA

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

Austrian economy grows stronger than the EU average

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

GDP growth in Bulgaria surpasses 6%

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

Economic recovery in Macedonia

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

Energy sector environment

		2006/07	2005/06	Change %
Temperature-related energy demand[1]	%	72	101	–
Crude oil price – Brent	EUR/bbl	49.24	53.03	–7.1
Gas price – GIMP[2]	cent/m³	21.80	22.94	–5.0
Coal – API#2[3]	EUR/t	55.58	48.69	14.2
CO_2 certificates (1st period)[4]	EUR/t	3.06	20.74	–85.3
Electricity – spot market				
EEX base load electricity	EUR/MWh	34.69	54.62	–36.5
EEX peak load electricity	EUR/MWh	49.69	79.21	–37.3
Electricity – forward market				
EEX base load electricity	EUR/MWh	53.62	44.64	20.1
EEX peak load electricity	EUR/MWh	79.88	61.15	30.6

1) Calculated according to the heating degree total in Austria. The basis (100%) corresponds to the long-term average value 1971 – 2000.
2) Gas Import Price – Austrian Statistical Office
3) ARA notation
4) EEX - European Energy Exchange

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

Mild temperatures dampen sales volumes

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

Euro price of crude oil down 7.1%

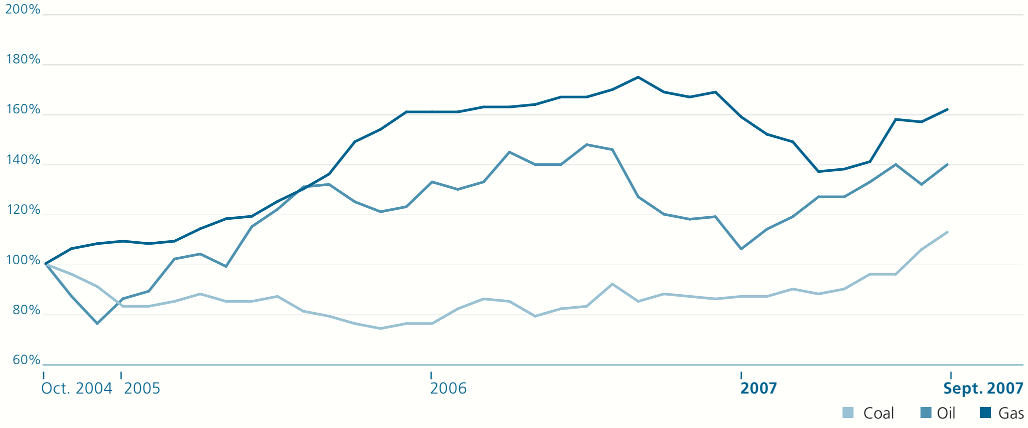
In spite of the weather related decline in demand, the price of North Sea crude oil (Brent), the variety of the highest relevance to Europe, hovered at a level of USD 65.62, comparable to the crude oil price of the previous year. At the same time, the value of the euro climbed significantly against the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

Price decline for CO_2 emission certificates

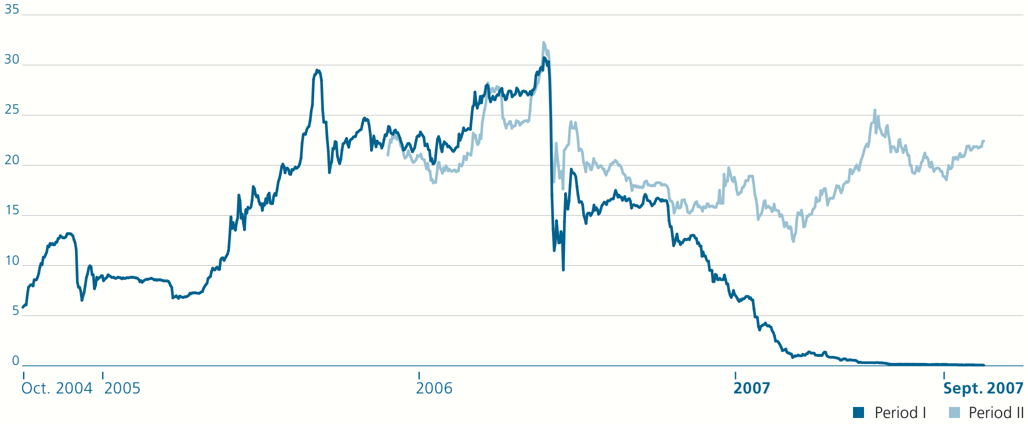
The prices for CO_2 emission certificates were 85.3% lower than in the preceding financial year. The costs of CO_2 emission certificates began to drift downwards following the publication of statistics reporting actual levels of CO_2 emissions in most EU member states to be far below initial expectations. This trend was further strengthened by the mild winter temperatures, which led to a drop in energy consumption. On average, the prices for CO_2 emission certificates declined to a level of EUR 3.06/t during the 2006/07 financial year, down from EUR 20.74/t in the previous year.

Wholesale electricity prices in Europe decreased by about one-third during the period under review. This was primarily due to declining primary energy prices and the collapse of prices for CO_2 emission certificates. However, such a reduction in the spot market prices only had a minor impact on actual electricity procurement expenses. This can be attributed to the fact that energy supplies were procured on the forward market in the previous period.

Primary energy price trends (indexed)



CO_2 emission certificates – price development
EUR/t



Negative and positive factors balance each other out

A summary evaluation of the various influencing factors leads to the following conclusion: less expensive CO_2 emission certificates and a decline in primary energy prices for crude oil and gas had a positive impact on the business development of the EVN Group. EVN partly passed on the lower prices to its end customers. However, due to the procurement of energy supplies on the forward market, the electricity procurement price did not decrease to the same degree. The weather-related drop in demand, in particular for heating and gas, had a negative effect on EVN's business development.

Overall business development

Consolidated Financial Statements according to IFRS

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

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

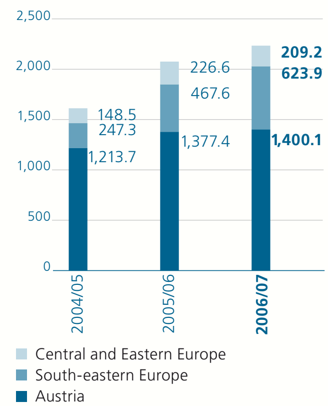
The Macedonian electricity distribution company ESM AD, in which EVN acquired a 90% shareholding, has been fully consolidated in the consolidated financial statements of the EVN Group since April 2006, or the 3rd quarter of the 2005/06 financial year. In the previous year, ESM AD was only included in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

Increase in revenue

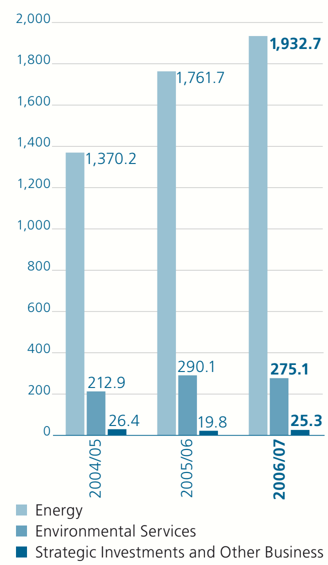
In the 2006/07 financial year, the EVN Group succeeded in raising its total revenue by 7.8%, or EUR 161.6m, to EUR 2,233.1m. Due to the aforementioned consolidation effect, the Energy segment posted a 9.7% rise in revenue, to EUR 1,932.7m, in spite of the mild weather conditions. Revenue of the Environmental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

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

Revenue by region
EURm



Revenue by segment
EURm



Condensed consolidated income statement

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

Energy prices remained at a high level

Increase of electricity purchases and primary energy expenses by 12.9%

Despite the mild weather, which accounted for the decline in sales volumes of the Energy segment, the full-year consolidation of the Macedonian company ESM AD in the item "Electricity purchases and primary energy expenses" had a positive quantitative effect amounting to EUR 23.0m. At the same time, the increasing prices for primary energy and electricity purchases, impacted by the forward market, had a negative price effect of EUR 157.0m. Accordingly, the item "Electricity purchases and primary energy expenses" climbed by EUR 134.0. Despite the significant decline in the prices of additional CO_2 emission certificates, the required expenditure still totalled EUR 7.2m during the period under review (previous year: EUR 15.6m).

Cost of materials and services virtually constant

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

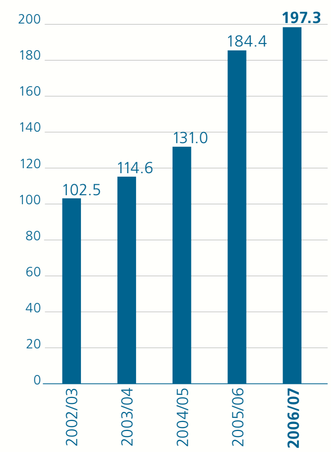
Fewer employees due to successful restructuring

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

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

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

Results from operating activities EURm

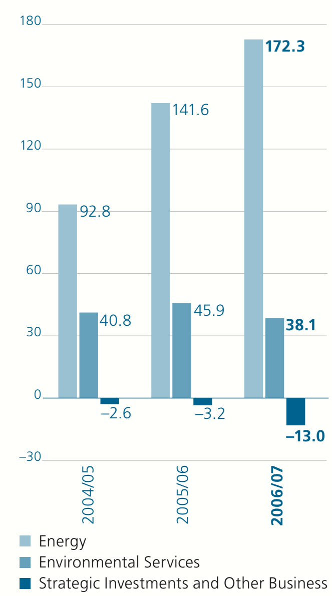


Lower depreciation and amortisation

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

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

EBIT by segment
EURm



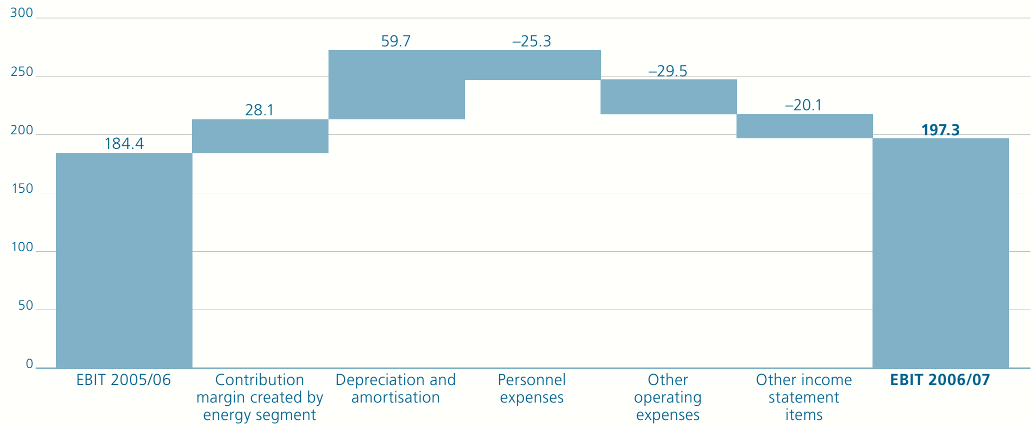
Further improvement in the results from operating activities

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

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

Development of EBIT 2006/07

EURm



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

Decline of 25.2% to EUR 90.1m

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

Net profit for the period at last year's level

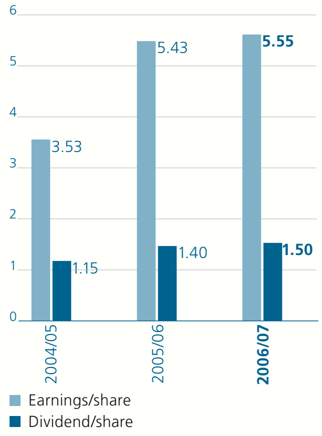
One-off effects based on tax cuts

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

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

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

Earnings and dividend per share in EUR



Development of selected indicators

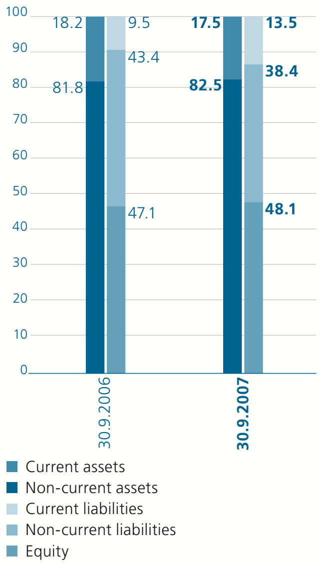
Key indicators		2006/07	2005/06	2004/05
ROE	%	9.0	10.6	8.2
Average equity	EURm	2,885.3	2,520.7	1,920.5
ROCE	%	7.1	7.9	6.2
Average capital employed	EURm	4,624.6	4,068.8	3,270.7
WACC	%	6.5	6.5	6.0
OpROCE	%	9.0	10.8	9.4
EVA	EURm	77.5	118.8	82.9

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

Significant increase in the balance sheet total

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

Balance sheet structure
in %



Condensed consolidated balance sheet

	30.9.2007 EURm	30.9.2006 EURm	Change EURm	%	30.9.2005 EURm
Assets					
Non-current assets					
Intangible assets and property, plant and equipment	2,477.0	2,359.3	117.7	5.0	2,060.0
Companies included at equity and other investments	2,073.7	1,903.4	170.3	8.9	1,659.3
Other non-current assets	615.3	519.1	96.2	18.5	352.8
	5,166.0	**4,781.9**	**384.1**	**8.0**	**4,072.1**
Current assets	**1,095.9**	**1,063.9**	**32.0**	**3.0**	**667.5**
Total assets	**6,261.9**	**5,845.8**	**416.1**	**7.1**	**4,739.6**
Equity and liabilities					
Equity					
Equity attributable to EVN shareholders	2,788.0	2,523.3	264.7	10.5	2,094.2
Minority interest	226.7	232.7	–6.0	–2.6	191.2
	3,014.7	**2,756.0**	**258.8**	**9.4**	**2,285.4**
Non-current liabilities					
Non-current loans and borrowings	1,172.6	1,397.2	–224.6	–16.1	1,035.6
Deferred tax liabilities and non-current provisions	856.9	813.9	43.0	5.3	682.7
Deferred income from network subsidies and other non-current liabilities	371.0	325.9	45.1	13.8	294.5
	2,400.6	**2,537.0**	**–136.5**	**–5.4**	**2,012.7**
Current liabilities					
Current loans and borrowings	247.2	15.3	232.0	–	2.3
Other current liabilities	599.4	537.6	61.8	11.5	439.3
	846.6	**552.8**	**293.8**	**53.1**	**441.5**
Total equity and liabilities	**6,261.9**	**5,845.8**	**416.1**	**7.1**	**4.739.6**

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

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

Net debt		2006/07 EURm	2005/06 EURm	Change EURm	Change %	2004/05 EURm
Non-current loans and borrowings		1,172.6	1,397.2	–224.6	–16.1	1,035.6
Other current liabilities[1]		225.4	0.1	225.3	–	0.7
Cash and cash equivalents		–54.4	–76.8	22.4	29.2	–82.4
Current securities		–395.7	–282.7	–113.0	–40.0	–177.2
Non-current securities		–101.2	–94.2	–7.0	–7.5	–90.3
Loans receivable		–21.4	–13.6	–7.8	–57.0	–12.6
Net debt		**825.3**	**930.0**	**–104.7**	**–11.3**	**673.8**
Equity		**3,014.7**	**2,756.0**	**258.8**	**9.4**	**2,285.4**
Gearing	%	**27.4**	**33.7**	**–**	**6.4**[2]	**29.5**

1) Excl. bank overdrafts contained in cash and cash equivalents
2) Percentage points

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

Loan repayments of EUR 225.4m in 2008

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

Development of cash flow

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

Despite a lower level of depreciation and amortisation in the 2006/07 financial year due to the results of impairment tests, non-cash items were only slightly below the comparable level of the 2005/06 financial year – which was characterised by one-off effects resulting from the valuation at equity of BEWAG and BEGAS, as well as the proceeds from the sale of EVN's shareholding in Energie AG Oberösterreich. The decrease in the gross cash flow of EUR 22.9m, to EUR 412.1m, can be primarily attributed to the lower profit before income tax of the EVN Group.

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

Net cash flow from operating activities: EUR 342.8m

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

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

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

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

Improved net debt coverage and interest cover

Investments in intangible assets and property, plant and equipment

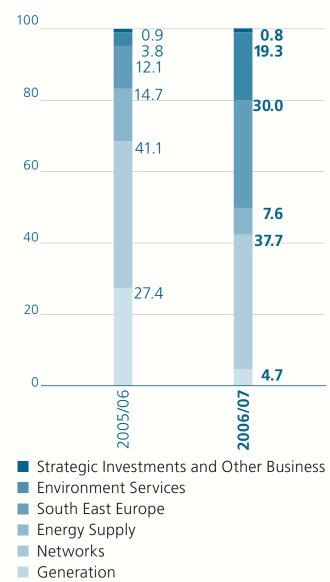
The investments of the EVN Group in intangible assets and property, plant and equipment posted an increase in the 2006/07 financial year, climbing EUR 26.2m above the previous year's level, to EUR 277.7m. Investment activity in generation facilities declined due to the completion of several wind parks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

Increased investments in South-eastern Europe

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

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

Structure of EVN investments in %



Human resources

Integration of employees in Bulgaria and Macedonia

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

Increase in further training expenditures of 47.6%

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

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

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

Environment and sustainability

Environmental protection and sustainability as permanent fixtures 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_2 emissions, but also towards reducing the company's dependence on fossil-based primary energy sources. To ensure the highest possible effectiveness of its power generating plants, EVN makes use of state-of-the-art technologies, such as combined cycle heat and power facilities. Almost all of EVN's thermal power stations have been granted an environmental certificate.

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

Outlook for the 2007/08 financial year

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

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

Stable basis for further growth

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

Perceptible increase in investments planned

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

Risk management

Adaptation of the risk management system

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

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

Definition of risk

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

Organisation of risk management

Responsible managers in operative business units report to central risk controlling

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

Operational risks

Ensuring energy supplies is the top priority

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

Consolidated Financial Statements 2006/07

According to IFRS (International Financial Reporting Standards)

Consolidated Balance Sheet

	Note[1]	30.9.2007 TEUR	30.9.2006 TEUR
Assets			
Non-current assets			
Intangible assets	25	327,857.2	332,955.7
Property, plant and equipment	26	2,149,128.1	2,026,371.6
Companies included at equity	27	460,310.7	424,319.8
Other financial assets	28	1,613,362.0	1,479,098.9
Deferred tax assets	41	1,032.4	1,296.9
Other non-current assets	29	614,303.8	517,806.3
		5,165,994.3	**4,781,849.1**
Current assets			
Inventories	30	84,127.5	70,725.1
Current receivables and other current assets	31	539,900.1	618,593.9
Cash und cash equivalents	32	471,904.1	374,622.4
		1,095,931.6	**1,063,941.5**
Total Assets		**6,261,925.9**	**5,845,790.6**
Equity and Liabilities			
Equity			
Equity attributable to EVN shareholders	33-38	2,788,012.5	2,523,276.1
Minority interest	39	226,720.8	232,676.8
		3,014,733,3	**2,755,952.9**
Non-current liabilities			
Non-current loans and borrowings	40	1,172,612.3	1,397,169.2
Deferred tax liabilities	41	399,807.9	379,699.7
Non-current provisions	42	457,122.7	434,208.3
Deferred income from network subsidies[2]	43	324,041.4	287,457.4
Other non-current liabilities[2]	44	46,968.7	38,479.4
		2,400,553,0	**2,537,014.0**
Current liabilities			
Current loans and borrowings	45	247,233.6	15,271.5
Taxes payable	46	58,870.5	58,422.2
Trade payables[2]	47	297,980.0	258,553.8
Current provisions[2]	48	92,956.6	89,816.3
Other current liabilities	49	149,598.9	130,760.0
		846,639.6	**552,823.8**
Total Equity and Liabilities		**6,261,925.9**	**5,845,790.6**

1) The following notes to the financial statements form an integral part of this consolidated balance sheet.
2) Comparative figures from the previous year were adjusted to reflect the new Group reporting requirements.
See note 23. Changes in accounting and valuation methods.

Consolidated Income Statement

	Note[1]	2006/07 TEUR	2005/06 TEUR
Revenue	50	2,233,124.3	2,071,571.5
Change in work in progress		–5,098.3	–955.5
Own work capitalised		13,353.7	14,541.3
Other operating income	51	45,585.5	40,739.4
Cost of materials and services	52	–1,511,279.0	–1,358,240.8
Personnel expenses	53	–288,893.2	–263,606.3
Depreciation and amortisation	54	–153,339.9	–213,015.8
Other operating expenses	55	–136,138.3	–106,629.0
Results from operating activities (EBIT)		**197,314.9**	**184,405.0**
Income from companies included at equity	56	89,844.7	115,109.2
Income from other investments	57	37,160.6	32,673.9
Interest and other financial results	58	–36,880.0	–27,303.5
Financial results		**90,125.3**	**120,479.6**
Profit before income tax		**287,440.2**	**304,884.6**
Income tax expense	59	–28,462.2	–38,120.8
Net profit for the period		**258,978.0**	**266,763,8**
Thereof			
Minority interest		31,948.3	44,882.3
EVN AG shareholders (Group net profit)		227,029.7	221,881.5
Earnings per share in EUR[2]	60	5.55	5.43
Dividend per share in EUR		1.50[3]	1.40

1) The following notes to the financial statements form an integral part of this consolidated income statement.
2) There is no difference between basic and diluted earnings per share.
3) Proposal to the Annual General Meeting.

Consolidated Cash Flow Statement

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

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

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

Changes in Consolidated Equity Statement

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

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

Notes

Basis of Preparation

1. General

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

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

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

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

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

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

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

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

2. Standards applied for the first time

	Effective[1]
New standards/IFRIC	
IFRS 6 Exploration for and Evaluation of Mineral Resources	January 1, 2006
IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	January 1, 2006
IFRIC 6 Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	January 1, 2006
IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	March 1, 2006
IFRIC 8 Scope of IFRS2	May 1, 2006
IFRIC 9 Reassessment of Embedded Derivatives	June 1, 2006
Revised standards/IFRIC	
IFRS 1 First-time Adoption of International Reporting Standards	January 1, 2006
IFRS 4 Insurance Contracts	January 1, 2006
IAS 19 Employee Benefits	January 1, 2006
IAS 21 The Effects of Changes in Foreign Exchange Rates	January 1, 2006
IAS 39 Financial Instruments: Recognition and Measurement	January 1, 2006

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

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

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

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

IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies" clarifies how comparative figures are to be restated in financial statements if the functional currency becomes hyperinflationary. IFRIC 7 requires a company that has identified a state of hyperinflation to restate its financial statements as if the economy had always been hyperinflationary. Moreover, IFRIC 7 regulates the treatment of deferred tax balances in opening balance sheets. The EVN Group operates primarily in countries that have single-digit inflation rates. For this reason, IFRIC 7 is currently not relevant for the EVN Group.

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

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

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

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

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

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

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

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

2. Standards which are not yet effective

	Effective
New Standards/IFRIC	
IFRS 7 Financial Instruments: Disclosures[1)]	January 1, 2007
IFRS 8 Operating Segments[1)]	January 1, 2009
IFRIC 10 Interim Financial Reporting and Impairment[1)]	November 1, 2006
IFRIC 11 IFRS 2 Group and Treasury Share Transactions[1)]	March 1, 2007
IFRIC 12 Service Concession Arrangements[2)]	January 1, 2008
IFRIC 13 Customer Loyalty Programmes[2)]	July 1,2008
IFRIC 14 The Limit on a Defined Benefit Asset Minimum Funding Requirements and Their Interaction[2)]	January 1, 2008
Revised standards IFRIC	
IAS 1 Presentation of Financial Statements (relating to additional disclosures on equity)[1)]	January 1, 2007
IAS 23 Borrowing Costs [2)]	January 1, 2009
IAS 32 Financial Instruments: Disclosure and Presentation was replaced by IFRS 7. The title of IAS 32 was changed to IAS 32 Financial Instruments: Presentation.[2)]	January 1, 2007

1) In accordance with the Official Journal of the European Union, these standards are to be applied beginning with the financial year that starts on or after the date on which the standards become binding.
2) In accordance with IASB, the standards that have not yet been approved by the EU must be applied beginning with the financial year that starts on or after the date on which the standards become binding.

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

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

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

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

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

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

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

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

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

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

Basis of Consolidation

3. Consolidation methods

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

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

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

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

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

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

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

3. Key positions of jointly controlled entities

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

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

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

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

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

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

4. Consolidation range

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

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

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

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

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

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

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

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

Business combinations

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

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

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

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

Start-ups/initial consolidations

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

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

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

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

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

Deconsolidation

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

5. Foreign currency translation

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

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

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

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

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

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

5. Foreign currency translation

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

1) The exchange rate is determined by Bulgarian regulations.
2) The euro became the official currency in Slovenia as of January 1, 2007.

Significant Accounting Policies

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

6. Intangible assets

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

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

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

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

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

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

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

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

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

7. Property, plant and equipment

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

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

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

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

7. Expected useful life of property, plant and equipment

	Years
Buildings	10 – 50
Transmission lines and pipelines	15 – 50
Machinery	10 – 33
Meters	7 – 40
Tools and equipment	3 – 25

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

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

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

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

8. Procedures and effects of impairment tests

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

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

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

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

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

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

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

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

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

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

9. Leased and rented assets

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

Long-term lease receivables within the context of the so-called BOOT model ("Build, Own, Operate & Transfer") – in which a facility is built, financed and then operated on behalf of the customer for a 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 the EVN Group.

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

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

10. Financial assets

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

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

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

Other non-current assets

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

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

11. Inventories

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

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

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

12. Receivables

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

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

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

13. Cash and cash equivalents

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

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

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

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

15. Provisions for pensions and similar obligations

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

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

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

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

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

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

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

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

16. Provisions for severance payments

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

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

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

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

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

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

17. Provisions for service anniversary bonuses

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

18. Other non-current provisions

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

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

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

19. Liabilities

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

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

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

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

20. Derivative financial instruments

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

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

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

The forward and futures contracts concluded by EVN for the purchase or sale of electricity and CO_2 emission certificates generally result in a physical delivery. These contracts are concluded to secure purchase prices for expected electricity deliveries or CO_2 emission certificates and the sale prices for planned electricity production. Due to the regular physical deliveries that fulfil the terms of the forward and futures contracts concluded by EVN, these contracts are not dedicated to derivative financial instruments. For this reason, the contracts are not measured at market value pursuant to IAS 39. EVN's existing forward and futures contracts represent executory sale and purchase agreements which, in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", must be examined to determine the expected losses from executory contracts.

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

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

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

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

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

21. Revenue

Realisation of revenue (in general)

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

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

Contract manufacturing

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

22. Income taxes and deferred taxes

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

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

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

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

22. Corporate income tax rates

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

1) Taxes on corporate profits are first levied when dividends are paid to shareholders. Retained earnings are not taxed.
2) Following a May 2007 resolution of the "Bundestag" (Federal Diet), the lower house of the German Parliament, which was approved by the Federal Council in July 2007, the corporate tax reform package will take effect on January 1, 2008. Accordingly, the corporate tax rate for corporations will be reduced by 9%, to 30%.

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

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

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

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

23. Changes in accounting and valuation methods

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

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

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

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

24. Forward-looking statements

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

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

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

Notes to the Consolidated Balance Sheet

Assets

Non-current assets

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

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

25. Intangible assets

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

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

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

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

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

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

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

25. Development of intangible assets 2005/06

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

25. Development of intangible assets 2006/07

TEUR	Goodwill	Other intangible assets	Total
Gross value on 30.9.2006	**191,172.8**	**361,648,7**	**552,821.5**
Currency translation differences	154.1	–100.6	53.6
Additions	296.7	2,062.1	2,358.8
Disposals	–	–23,100.0	–23,100.0
Transfers	–	1,273.5	1,273.5
Gross value on 30.9.2007	**191,623.6**	**341,783.7**	**533,407.3**
Accumulated amortisation on 30.9.2006	**–**	**–219,865.8**	**–219,865.8**
Currency translation differences	–	12.2	12.2
Scheduled amortisation	–	–11,533.1	–11,533.1
Impairment losses	–	–171.9	–171.9
Reversal of impairment losses	–	3,206.2	3,206.2
Disposals	–	23,096.9	23,096.9
Transfers	–	–294.5	–294.5
Accumulated amortisation 30.9.2007	**–**	**–205,550.1**	**–205,550.1**
Net value on 30.9.2006	**191,172.8**	**141,782.9**	**332,955.7**
Net value on 30.9.2007	**191,623.6**	**136,233.6**	**327,857.2**

26. Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

27. Companies included at equity

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

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

27. Development of companies included at equity

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

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

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

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

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

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

28. Other investments

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

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

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

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

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

28. Development of other financial assets

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

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

29. Other non-current assets

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

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

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

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

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

29. Development of other non-current assets

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

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

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

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

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

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

Current assets

30. Inventories

Primary energy inventories are comprised largely of coal supplies.

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

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

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

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

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

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

31. Receivables and other current assets

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

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

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

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

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

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

32. Cash and current deposits

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

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

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

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

Liabilities

Equity

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

33. Share capital

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

34. Share premium

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

35. Retained earnings

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

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

35. Development of profit for the period of the parent company

	TEUR
Reported Group net profit for the period 2006/07	61,301.6
Retained earnings from the 2005/06 financial year	148.7
Distributable Group net profit for the period	61,450.3
Proposed dividend	–61,322.2
Retained earnings for the 2007/08 financial year	128.1

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

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

36. Revaluation reserve according to IFRS 3

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

37. Valuation reserve according to IAS 39

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

37. Valuation reserve according to IAS 39

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

38. Currency translation reserve

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

39. Minority interest

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

39. Minority interest

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

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

Non-current liabilities

40. Non-current loans and borrowings

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

40. Composition of non-current loans and borrowings

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

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

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

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

40. Maturity of non-current loans and borrowings

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

Bonds

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

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

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

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

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

Non-current loans and borrowings from banks

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

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

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

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

Deferred interest expenses are included under other current liabilities.

41. Deferred taxes

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

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

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

42. Non-current provisions

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

The amounts reported for the provision on pensions and for similar obligations as well as severance payments were generally calculated on the basis of the following parameters:
- Interest rate of 5.00% p.a. (previous year: 4.75%)
- Remuneration increases of 3.00%, following years: 2.75% p.a. (previous year: 2.75% p.a.)
- Pension increases of 2.75% p.a. (previous year: 2.75% p.a.)
- Expected long-term interest rate of 4.75% p.a. (previous year: 4.75% p.a.)

42. Development of the provisions for pensions and similar obligations

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

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

42. Development of the provision for severance payments

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

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

42. Development of other non-current provisions

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

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

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

43. Deferred income from network subsidies

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

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

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

44. Other non-current liabilities

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

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

44. Term to maturity of other non-current liabilities

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

Current liabilities

45. Current loans and borrowings

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

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

1) The CHF obligation will be redeemed on April 8, 2008.
2) The DEM bond will be redeemed on August 26, 2008.

46. Current tax liabilities

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

47. Trade payables

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

48. Current provisions

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

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

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

48. Development of current provisions

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

49. Other current liabilities

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

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

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

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

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

Notes to the Consolidated Income Statement

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

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

50. Revenue

The revenues of the individual business segments developed as follows:

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

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

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

51. Other operating income

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

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

52. Cost of materials and services

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

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

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

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

53. Personnel expenses

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

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

The average number of employees was as follows:

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

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

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

54. Depreciation and amortisation

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

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

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

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

55. Other operating expenses

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

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

Financial results

56. Income from companies included at equity

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

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

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

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

57. Income from other investments

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

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

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

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

58. Interest and other financial results

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

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

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

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

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

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

59. Income tax expense

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

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

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

The effective tax rate of the EVN Group for the 2006/07 in relation to the profit before income tax amounted to 9.9% (previous year: 12.5%). The effective tax rate represents the weighted average of the effective local corporate tax rates of all consolidated subsidiaries.

The main reasons for the difference between the valid Austrian corporate tax rate of 25% in 2007 (previous year: 25%) and the recorded effective corporate tax rate can be explained as follows:

59. Calculation of the effective tax rate	2006/07 %	2006/07 TEUR	2005/06 %	2005/06 TEUR
Profit before income tax	**–**	**287,440.2**	**–**	**304,884.6**
Income tax rate/income tax expense at nominal tax rate	**25.0**	**71,860.0**	**25.0**	**76,221.2**
+/– Different corporate tax rates in other countries	0.4	1,141.0	–0.7	–1,988.7
– Changes in taxation	–4.5	–12,937.9	–	–
– Tax-free income from investments	–11.0	–31,751.4	–11.1	–33,858.7
+ Non-deductable expenses	0.5	1,541.4	0.6	1,697.8
– Tax reductions related to previous periods	–0.4	–1,009.0	–0.3	–867.9
– Other items	–0.1	–381.9	–1.0	–3,082.9
Effective tax rate	**9,9**	**28.462,2**	**12,5**	**38.120,8**

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

60. Earnings per share

Earnings per share are calculated by dividing Group net profit (proportional share of Group profit for the period attributable to EVN AG shareholders) by the average number of ordinary shares outstanding, i.e. 40,881,455 (previous year: 40,881,455).

This figure may generally be diluted by the existence of so-called potential shares arising from share options or convertible bonds. However, EVN has no such potential shares. Subsequently, there is no difference between basic earnings per share and diluted earnings per share.

Group net profit amounted to TEUR 227,029.7 for the 2006/07 financial year (previous year: TEUR 221,881.5). Calculated on this basis, earnings per share for the 2006/07 financial year totalled EUR 5.55 (previous year: EUR 5.43).

Other Information

61. Cash flow statement

The cash flow statement of the EVN Group shows the changes in cash and cash equivalents during the 2006/07 financial year as a result of monetary inflows and outflows.

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

Income tax payments of TEUR 17,623.6 (previous year: TEUR 20,581.8) are reported separately under cash flow from operating activities.

Dividends received, interest income and interest expense are allocated to current business activities. Cash flow from dividends for the year totalled TEUR 116,799.9 (previous year: TEUR 99,073.3). Interest received amounted to TEUR 31,467.0 (previous year. TEUR 12,646.3), whereas interest paid totalled TEUR 74,346.1 (previous year: TEUR 56,542.1).

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

Proceeds from the disposal of intangible assets and property, plant and equipment amounted to TEUR 2,675.4 (previous year: TEUR 1,294.7). These proceeds resulted in a profit of TEUR 331.4 (previous year: loss of TEUR 210.4).

Dividend payments of TEUR 57,234.0 (previous year: TEUR 47,013.7) to EVN AG shareholders and TEUR 35,147.0 (previous year: TEUR 26,329) to minority shareholders of "RBG" and "BUHO" are reported under cash flow from financing activities.

61. Cash and cash equivalents

TEUR	2006/07	2005/06
Cash on hand	300.6	255.7
Cash at banks	75,923.0	91,679.4
Bank overdrafts	–21,867.6	–15,137.7
Total	**54,356.0**	**76,797.4**

The cash and cash equivalents received by EVN from business combinations amounted to TEUR 0.0 (previous year: TEUR 5,073.3).

The share of cash and cash equivalents held by companies included through proportionate consolidation amounted to TEUR 7,820.0 (previous year: TEUR 8,491.6).

62. Segment reporting

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

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

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

The segments encompass the following activities:

Segment activities

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

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

Principles of segment allocation

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

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

Transfer pricing

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

62. Segment reporting by area of business

EURm	Energy 2006/07	Energy 2005/06	Environmental Services 2006/07	Environmental Services 2005/06	Strategic Investments and Other Business 2006/07	Strategic Investments and Other Business 2005/06	Elimination 2006/07	Elimination 2005/06	Total 2006/07	Total 2005/06
External revenues	**1,932.7**	**1,761.7**	**275.1**	**290.1**	**25.3**	**19.8**	**–**	**–**	**2,233.1**	**2,071.6**
Internal revenues (between segments)	10.7	11.3	9.4	9.6	49.0	48.5	–69.0	–69.5	–	–
Operating expenses	–1,634.5	–1,439.8	–230.6	–233.7	–85.8	–69.5	68.4	68.8	–1,882.5	–1,674.2
EBITDA	**309.0**	**333.2**	**53.8**	**66.0**	**–11.5**	**–1.1**	**–0.7**	**–0.7**	**350.7**	**397.4**
Depreciation	–136.7	–191.5	–15.8	–20.1	–1.6	–2.1	0.7	0.7	–153.3	–213.0
Thereof impairment losses	–0.6	–78.6	–0.3	–0.4	–	–	–	–	–1.0	–78.9
Thereof reversal of impairment losses	23.1	44.6	–	–	–	–	–	–	23.1	44.6
Results from operating activities (EBIT)	**172.3**	**141.6**	**38.1**	**45.9**	**–13.0**	**–3.2**	**–**	**–**	**197.3**	**184.4**
Income from companies included at equity	8.0	8.7	18.8	13.4	63.1	93.1	–	–	89.8	115.1
Carrying value of companies included at equity	44.6	15.5	53.0	34.4	362.7	374.3	–	–	460.3	424.3
Goodwill	150.1	149.7	41.5	41.5	–	–	–	–	191.6	191.2
Liabilities	**1,929.8**	**1,949.4**	**806.9**	**761.5**	**1,221.8**	**1,149.7**	**–711.2**	**–770.8**	**3,247.2**	**3,089.8**
Total assets	**3,006.0**	**2,847.9**	**1,049.5**	**929.9**	**3,005.9**	**2,880.6**	**–799.4**	**–812.5**	**6,261.9**	**5,845.8**
Investments in intangible assets and property, plant and equipment	**222.0**	**239.7**	**53.6**	**9.6**	**2.1**	**2.2**	**–**	**–**	**277.7**	**251.5**

62. Segment reporting by region

EURm	Austria 2006/07	Austria 2005/06	South-eastern Europe 2006/07	South-eastern Europe 2005/06	Central and Eastern Europe 2006/07	Central and Eastern Europe 2005/06	Total 2006/07	Total 2005/06
Revenues	1,400.1	1,377.4	623.9	467.6	209.2	226.6	2,233.1	2,071.6
Results from operating activities (EBIT)	177.5	145.9	3.3	17.3	16.6	21.3	197.3	184.4
Investments in intangible assets and property, plant and equipment	180.1	220.2	83.2	30.5	14.4	0.8	277.7	251.5
Total assets	4,683.8	4,423.0	842.9	812.2	735.2	610.6	6,261.9	5,845.8

63. Risk management

As an international company, EVN is subject to a wide variety of risks. Uniform Group guidelines form a significant element of risk management at EVN and permit a comprehensive description and evaluation of the current risk situation as well as the corresponding opportunities.

The overriding goal of a risk management system is the early identification of potential risks. This allows the operating units to promptly initiate suitable countermeasures to minimise damages.

Financial risks encompass interest rate, price, foreign exchange and credit risks and, in a broader sense, market price risks related to the commercial exploitation of electricity, gas, coal, oil and CO_2.

Similarly, changes in the price marketable securities have an impact on the overall financial risk situation.

The EVN Group has established a centralised treasury management system to counteract foreign currency, interest, price and liquidity risks. Detailed Group directives and limits regulate the use of derivative financial instruments, which are primarily designed to minimise financial risks. Such transactions are only carried out in cooperation with banks that have a top credit rating, as a means of minimising risks in connection to business partners.

Interest rate risk

In order to minimise interest rate risk, EVN works to achieve a mix of fixed income and variable rate liabilities. Risk is minimised through monitoring, compliance with limits and hedging. Fixed interest periods are managed over the short-term through derivative financial instruments (see also note 64. Financial instruments).

Price risk

Price change risks are the result of market fluctuations. For the EVN Group, the main risks are fluctuations in primary energy prices, electricity procurement and sourcing prices, and share price risks involving securities. Forward and future contracts (see below), options and swaps (see note 64. Financial instruments) are concluded to hedge price risks for electricity, gas, oil and black coal.

63. Price hedging in comparison

	2006/07					2005/06				
	Nominal volumes		Market values			Nominal volumes		Market values		
TEUR	Purchases	Disposals	Positive	Negative	Net	Purchases	Disposals	Positive	Negative	Net
Futures	97,121.5	–1,298.5	4,590.4	–1,994.9	2,595.5	34,695.5	–12,358.2	834.0	–1,383.6	–549.5
Forwards	370,187.9	–310,069.1	41,232.3	–34,029.2	7,203.1	490,626.1	–378,669.4	93,802.5	–73,728.6	20,073.9

Foreign exchange risk

The company incurs foreign exchange risk mainly from the JPY and CHF bonds it has issued. These are largely hedged with derivative financial instruments (see also note 40. Non-current loans and borrowings and note 64. Financial instruments).

Credit risk

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

64. Financial instruments

Primary financial instruments

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

Non-current financial liabilities arising from issued bonds are described in detail in note 40. Non-current loans and borrowings. Current liabilities consist of euro cash bills that are due on a daily basis.

The carrying amount of available-for-sale financial assets equals TEUR 395,680.5 (previous year: TEUR 282,687.3) and is reported under cash and cash equivalents. In addition, securities of TEUR 101,216.8 (previous year: TEUR 94,169.8) that are recognised at fair value through profit or loss are reported as non-current assets.

Derivative financial instruments

Derivative financial instruments are used primarily to hedge liquidity, exchange rate and interest rate risk. The operative goal is to ensure the long-term continuity of financial results. In individual cases, the Group exploits opportunities that carry a higher risk but offer a larger profit.

All derivative financial instruments are integrated in a risk management system as soon as the transactions are completed. This provides a daily overview of all main risk indicators. A separate staff unit has been established to monitor risk controlling, and develop risk analyses based on the value-at-risk method.

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

Derivative instruments used by EVN are comprised of the following:

64. Derivative financial instruments	Nominal value[1] 30.9.2007	Nominal value[1] 30.9.2006	Market value[2] 30.9.2007	Market value[2] 30.9.2006
Currency swaps				
CHFm (under 1 year)[3]	180.0	–	–12.8	–
CHFm (under 5 years)[3]	200.0	180.0	–0.9	–4.6
JPYm (over 5 years)[3]	8,000.0	8,000.0	–21.6	–16.6
USDm (under 1 year)[3]	15.4	–	1.8	–
USDm (over 5 years)[3]	6.0	21.3	0.6	0.5
Interest rate swaps				
EURm (under 1 year)	70.3	–	0.2	–
EURm (under 5 years)	–	70.3	–	–
EURm (under 5 years)[3]	445.0	100.0	–13.2	0.3
EURm (over 5 years)[3]	–	205.0	–	–4.2
Energy swaps				
Purchases (gas, coal, oil)[3]	119.0	89.6	19.0	–3.4
Caps				
EURm (over 5 years)	105.0	105.0	0.5	0.4

1) In EURm of nominal currency
2) In EURm
3) Used as a hedging instrument in accordance with IAS 39.

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

65. Significant events after the balance sheet date

EVN submits on November 19, 2007 an offer for the concession to construct hydroelectric power plants in Albania. Feasibility studies call for the construction of three peak load, storage power stations on the Devoll River with a total capacity of approximately 400 MW, and annual power production of 1,000 GWh.

The privatisation agreement concluded in connection with the acquisition of the two Bulgarian electricity supply companies in 2004/05 included a provision for the acquisition of the electricity distribution assets of the local operating company Sunny Beach AD, in which the Republic of Bulgaria owns a qualified majority, by EVN or Bulgarian electricity distribution companies. Following the expiration of the original deadline set for the 2004/05 financial year, this transfer of assets has not yet taken place. Subsequently, EVN filed suit at the International Court of Arbitration of the International Chamber of Commerce in Paris demanding a contract penalty for failure to honour contractual obligations. With respect to this matter, EVN reached an agreement with the Republic of Bulgaria in October 2007 and the electricity distribution assets have been transferred to the Bulgarian network company EVN Bulgaria Elektrorazpredelenie AD. Subsequently, the warranty claims deducted from the acquisition cost within the context of the initial consolidation will not be paid. As a result, the acquisition cost and the resulting goodwill were retroactively increased by TEUR 14,128.8.

66. Other obligations and risks

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

66. Other obligations and risks	2006/07	2005/06
Comfort letters for the optimisation of electricity purchases and trading activities of e&t Energie Handelsgesellschaft m.b.H., Vienna	348,308.6	654,359.1
Order obligations for investments in intangible assets and property, plant and equipment	145,270.7	154,368.3
Counter-guarantee to Österreichische Kontrollbank related to the construction of a waste incineration facility in Moscow	152,000.0	152,000.0
Guarantee related to the construction of a coal-fired power plant in Duisburg-Walsum, Germany	70,740.3	–
Comfort letters for financing projects in the environmental business	33,928.8	33,928.8
Guarantee in connection with the construction of a central wastewater treatment plant in Zagreb	57,883.6	57,883.6
Guarantee for a sale and leaseback transaction relating to the Freudenau power plant	16,847.5	30,240.6
Potential risk of claims not covered by provisions for environmental dangers and hazardous waste at discontinued industrial locations, which remain subject to investigation by public authorities,	9,550.2	10,312.9
Further obligations arising from guarantees or other contractual contingent liabilities	60,593.6	98,077.8
A completion guarantee agreement relating to the construction of a drinking water facility in Moscow	–	50,000.0
Total	**888,946.5**	**1,241,171.1**

The above-mentioned obligations are contrasted by damage claims amounting to TEUR 631,588.0.

Due to a variety of changes (e.g. in the shareholder structure) at e&t Energie Handelsgesellschaft m.b.H., Vienna, the former system of calculating contingent liabilities based on approximate estimates has been replaced by a new system enabling a precise classification of purchase transactions with the individual partners. Accordingly, this resulted in a significant reduction in contingent liabilities for EVN.

Further obligations from guarantees and other contractual contingent liabilities are comprised chiefly of outstanding capital contributions and loan commitments to EVN Group subsidiaries as well as assumed liabilities for loans to subsidiaries and associates.

Various legal proceedings and lawsuits arising from EVN's operating activities are pending, or claims may be potentially asserted against EVN AG in the future. The risks relating to such legal proceedings have been analysed in relation to their probability of occurrence. Although the results of such legal proceedings can not always be predicted in advance with a high degree of certainty, an assessment of risk in this regard indicates that the results of these legal proceedings and lawsuits, individually and as a whole, would not have a material impact on the business, financial position, profit and loss or cash flow of the company.

67. Information on business transactions with related companies and individuals

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

Transactions with a main shareholder
A group and tax settlement agreement was concluded with NÖ Landes-Beteiligungsholding GmbH during the inclusion of EVN AG in a company group, in accordance with § 9 of the Austrian Corporate Tax Act. EVN AG has since included further subsidiaries in the company group based on this agreement. This resulted in a liability of TEUR 7,935.6 (previous year: TEUR 19,468.5) to NÖ Landes-Beteiligungsholding GmbH as of the balance sheet date.

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

The total remuneration paid to active members of the Executive Board in the 2006/07 financial year amounted to TEUR 1,186.4 (previous year: TEUR 1,075.0). Payments to former members of the Executive Board and their dependents totalled TEUR 918.8 (previous year: 834.8).

Expenses for severance payments and pensions totalled for the members of the Executive Board TEUR 2,243.6 (previous year: TEUR 767.0) and for senior management TEUR 8,167.8 (previous year: TEUR 1,981.8). In addition, pension commitments amounting to TEUR 8,167.8 (previous year: TEUR 6,152.0) apply to current members of the Executive Board.

Remuneration paid to the Supervisory Board amounted to TEUR 140.8 (previous year: TEUR 123.3). The members of the Environmental and Social Responsibility Advisory Committee were paid compensation of TEUR 79.1 in the year under review (previous year: TEUR 65.8).

Transactions with companies included at equity
Within the context of its ordinary business operations, EVN has concluded supply and service contracts with numerous companies, which also include associated companies consolidated at equity in the consolidated financial statements of the EVN Group.

Long-term agreements were concluded with e&t Energie Handelsgesellschaft m.b.H., Vienna, for the sale and sourcing of electricity. Long-term sourcing contracts were also concluded with EconGas GmbH, Vienna, for natural gas. Moreover, a cooperation agreement exists with “BEGAS” for gas-related services as well as a long-term utilisation agreement with NÖKOM NÖ Telekom Service Gesellschaft m.b.H., Maria Enzersdorf, for the provision of optical fibre cables.

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

67. Transactions with companies included at equity

TEUR	2006/07	2005/06
Revenue	234,076.5	242,447.3
Cost of services	513,391.7	540,563.2
Trade accounts receivable	69,340.0	68,367.7
Obligations from outstanding invoices	15,469.7	12,543.3
Obligations from cash pooling	11,196.6	14,448.9
Interest balance from cash pooling	–441.6	–360.5

68. Information on management and staff

The corporate bodies of EVN AG are:

Executive Board

Burkhard Hofer – Spokesman, Peter Layr, Herbert Pöttschacher

Supervisory Board

Rudolf Gruber – Chairman
Stefan Schenker – Vice-Chairman
Gerhard Posset – Vice-Chairman
Walter Aigner
Amir Ghoreishi
Norbert Griesmayr
Gottfried Holzer
Dieter Lutz
Reinhard Meißl
Bernhard Müller
Wolfgang Peterl
Martin Schuster
Michaela Steinacker
Franz Hemm – employee representative
Rudolf Rauch – employee representative
Manfred Weinrichter – employee representative
Paul Hofer – employee representative (as of April 1, 2007)
Otto Mayer – employee representative
Helmut Peter – employee representative
Peter Ruis – employee representative (up to April 1, 2007)
Franz Ziegelwagner – employee representative

69. Approval of the consolidated financial statements 2006/07 for publication

The consolidated financial statements have been prepared by the Executive Board as per November 19, 2007 and will be transmitted to the Supervisory Board together with the statutory financial statements for audit and approval. The Supervisory Board may approve the consolidated financial statements or delegate the approval to the Annual General Meeting.

Maria Enzersdorf, November 19, 2007
EVN AG
The Executive Board

Burkhard Hofer
Spokesman

Peter Layr

Herbert Pöttschacher

EVN Group investments

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

1. EVN AG investments in the Energy Segment as of September 30, 2007

Company, registered office	Shareholder	Interest in %	Currency	Shareholders' equity in EUR	Last year's profit/loss in TEUR	Balance sheet date	Method of consolida-tion 2006/07
AD Elektrostopanstvo na Makedonija, Skopje, Macedonia	EVN	90.00	MKD	149,318	–50,781	31.12.2006	V
AUSTRIA FERNGAS Gesellschaft m.b.H. in Liqu., Vienna	EVN	23.75	EUR	2,223	–500	31.12.2006	NE
EconGas GmbH, Vienna	EVN	15.70	EUR	94,974	45,561	31.3.2007	E
ENERGIEALLIANZ Austria GmbH ("EAA"), Vienna	EVN	45.00	EUR	4,333	387	30.9.2007	Q
Energie Raum Mur Wasserkraftwerk Errichtungs- und Betriebs GmbH, Graz	WTK	50.00	EUR	57	6	31.12.2006	NE
Energy Service DOOEL, Skopje, Macedonia[1]	EVN MKD	100.00	MKD	–	–	–	NV
Energy Trading EAD, Sofia, Bulgaria	EVN EC	100.00	BGN	–141	–7	31.12.2006	V
EVN Bulgaria Electrorazpredelenie AD ("EVN EP"), Plovdiv, Bulgaria[2]	EVN	67.00	BGN	183,582	3,191	31.12.2006	V
EVN Bulgaria Electrosnabdjavane AD ("EVN EC"), Stara Zagora, Bulgaria[3]	EVN	67.00	BGN	30,628	10,737	31.12.2006	V
EVN Bulgaria EAD ("EVN Bulgaria"), Sofia, Bulgariia	EVN	100.00	BGN	253	–20	31.12.2006	V
EVN Development EOOD, Sofia, Bulgaria	EVN Bulgaria	100.00	BGN	3	–	31.12.2006	NV
EVN Energievertrieb GmbH & Co KG, Maria Enzersdorf	EVN	100.00	EUR	77,797	37,270	30.9.2007	Q
EVN Kraftwerks- und Beteiligungsgesellschaft mbH ("EVN Kraftwerk"), Maria Enzersdorf	EVN	100.00	EUR	22,774	–11	30.9.2007	V
EVN Liegenschaftsverwaltung Gesellschaft m.b.H., Zwentendorf an der Donau	EVN/Utilitas	100.00	EUR	785	–76	30.9.2007	V
EVN Macedonia DOOEL ("EVN MKD"), Skopje, Macedonia	EVN	100.00	MKD	–281	–286	31.12.2006	V
evn naturkraft Erzeugungs- und Verteilungs GmbH ("evn naturkraft"), Maria Enzersdorf	EVN	100.00	EUR	42,628	6,951	30.9.2007	V
EVN Netz GmbH, Maria Enzersdorf	EVN	100.00	EUR	344,916	6,913	30.9.2007	V
EVN Trading SEE EAD, Sofia, Bulgaria[1]	EVN	100.00	BGN	–	–	–	V
e&t Energie Handelsgesellschaft m.b.H., Vienna	EVN	45.00	EUR	2,451	683	30.9.2007	E
IN-ER Erömü Kft., Nagykanizsa, Hungary	EVN	70.00	HUF	2,115	4	31.12.2006	NV
grafotech Beratungs- und Planungsgesellschaft m.b.H., Maria Enzersdorf	Utilitas	100.00	EUR	2,072	1,829	30.9.2007	V
Kabelsignal AG, Maria Enzersdorf	Utilitas	100.00	EUR	23,437	7,341	30.9.2007	V
Kraftwerk Nussdorf Errichtungs- und Betriebs GmbH, Vienna	evn naturkraft	33.33	EUR	45	4	31.12.2006	NE

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

Company, registered office	Shareholder	Interest in %	Currency	Shareholders' equity in EUR	Last year's profit/loss in TEUR	Balance sheet date	Method of consolidation 2006/07
Kraftwerk Nussdorf Errichtungs- und Betriebs GmbH & Co KG, Vienna	evn naturkraft	33.33	EUR	5,828	95	31.12.2006	NE
MAKGAS DOOEL, Skopie, Macedonia[1]	EVN AG	100.00	MKD	–	–	–	NV
Naturkraft Energievertriebsgesellschaft m.b.H., Vienna	EAA	100.00	EUR	750	92	30.9.2007	Q
NÖKOM NÖ Telekom Service Gesellschaft m.b.H., Maria Enzersdorf	EVN	50.00	EUR	12,379	–2,591	31.12.2006	E
STEAG-EVN Walsum 10 Kraftwerksgesellschaft mbH, Essen, Germany	EVN Kraftwerk	49.00	EUR	11,608	–5,451	31.12.2006	E
Switch Energievertriebsgesellschaft m.b.H., Salzburg	EAA	100.00	EUR	222	5	30.9.2007	Q
Toplak Gesellschaft m.b.H., Breitenfurt	EVN	50.00	EUR	–129	–103	31.10.2006	NE
Wasserkraftwerke Trieb und Krieglach GmbH ("WTK"), Maria Enzersdorf	evn naturkraft	70.00	EUR	193	–557	30.9.2007	V

1) The company was newly established during the reporting year.
2) Formerly Elektrorazpredelenie Plovdiv AD
3) Formerly Elektrorazpredelenie Stara Zagora AD

2. EVN AG investments in the Environmental Services Segment as of September 30, 2007

Company, registered office	Shareholder	Interest in %	Currency	Shareholders' equity in EUR	Last year's profit/loss in TEUR	Balance sheet date	Method of consolidation 2006/07
ABeG Abwasserbetriebsgesellschaft mbH, Offenbach am Main, Germany	WTE Essen	49.00	EUR	220	12	30.9.2006	NE
AVN Abfallverwertung Niederösterreich Ges.m.b.H, Maria Enzersdorf	EVN Umwelt	100.00	EUR	11,308	10,023	30.9.2007	V
BioBalance Baltic UAB, Kaunas, Lithuania	WTE Denmark	100.00	LTL	64	4	30.9.2007	NV
Cista Dolina – SHW Komunalno podjetje d.o.o., Kranjska Gora, Slovenia	WTE Betrieb	100.00	EUR	45	29	30.9.2007	V
DTV Rt., Dunavarsány, Hungary	evn wasser	51.00	HUF	1,541	85	31.12.2006	NV
EVN Projektgesellschaft Müllverbrennungsanlage Nr. 3 mbH ("EVN MVA3"), Maria Enzersdorf	EVN Umwelt/Utilitas	100.00	EUR	33,592	–3,590	30.9.2007	V
EVN Umwelt Beteiligungs und Service GmbH ("EVN UBS"), Maria Enzersdorf	EVN Umwelt	100.00	EUR	4,274	241	30.9.2007	V
EVN Umwelt Finanz- und Service-GmbH ("EVN UFS"), Maria Enzersdorf[1]	EVN Umwelt	100.00	EUR	34	–1	30.9.2007	V
EVN Umweltholding und Betriebs-GmbH ("EVN Umwelt"), Maria Enzersdorf	EVN	100.00	EUR	123,488	18,550	30.9.2007	V
evn wasser Gesellschaft m.b.H., Maria Enzersdorf	EVN/Utilitas	100.00	EUR	63,325	4,520	30.9.2007	V
OAO "EVN MSZ 3" ("OAO MVA3"), Moscow, Russia	EVN MVA3	100.00	RUB	148,003	384	31.12.2006	V
OAO "WTE Süd-West"("OAO SW"), Moscow, Russia	Süd-West	100.00	RUB	190,804	118	31.12.2006	V
OOO EVN Umwelt Service, Moscow, Russia	EVN UBS	100.00	RUB	–	–	–	V
OOO EVN-EkotechProm MSZ3, Moscow, Russia[1]	OAO MVA3	70.00	RUB	–	–	–	NV
OOO Wasserwerk Süd-West, Moscow, Russia[1]	OAO SW	70.00	RUB	–	–	–	NV
OOO Wassergesellschaft für Engineering und Beratung, Moscow, Russia	WTE Essen	90.00	RUB	–6	–10	31.12.2006	NV

Company, registered office	Shareholder	Interest in %	Currency	Shareholders' equity in EUR	Last year's profit/loss in TEUR	Balance sheet date	Method of consolida-tion 2006/07
Saarberg Hölter Projektgesellschaft Süd Butowo mbH ("Süd Butowo"), Essen, Germany	WTE Essen	100.00	EUR	8,362	541	30.9.2007	V
SHW Hölter Projektgesellschaft Zelenograd mbH ("Zelenograd"), Essen, Germany	WTE Essen	100.00	EUR	20,208	1,183	30.9.2007	V
SHW Hölter Projektgesellschaft Slowenien mbH, Essen, Germany	WTE Essen	100.00	EUR	22	–1	30.9.2007	NV
SHW/RWE Umwelt Aqua Vodogradnja d.o.o., Zagreb, Croatia	WTE Essen	50.00	HRK	1,467	1,467	31.12.2006	NE
SHW Projektgesellschaft Pskov mbH, Essen, Germany	WTE Essen	100.00	EUR	21	–	30.9.2007	NV
Wasserver- und Abwasserentsorgungsgesellschaft Märkische Schweiz mbh, Buckow, Germany	WTE Essen	49.00	EUR	528	16	31.12.2006	NE
Wiental-Sammelkanal Gesellschaft m.b.H, Untertullnerbach	evn wasser	50.00	EUR	888	–1	31.12.2006	NE
WTE Denmark A/S ("WTE Denmark"), Birkerod, Denmark	WTE Essen	100.00	DKK	–295	–909	30.9.2007	V
WTE Projektna druzba Bled d.o.o., Bled, Slovenia	WTE Essen	100.00	EUR	18	5	30.9.2007	V
WTE Projektna druzba Kranjska Gora d.o.o., Kranjska Gora, Slovenia	WTE Essen	100.00	EUR	20	7	30.9.2007	V
WTE Projektna druzba Lasko d.o.o., Lasko, Slovenia	WTE Essen	100.00	EUR	–29	–8	30.9.2007	V
WTE Projektgesellschaft Natriumhypochlorit mbH, Essen, Germany[1)]	EVN UFS/WTE Essen	100.00	EUR	24	–1	30.9.2007	V
WTE Projektgesellschaft Süd-West Wasser mbH ("Süd-West"), Essen, Germany	WTE Essen	100.00	EUR	39,431	–8,008	30.9.2007	V
WTE Betriebsgesellschaft mbH ("WTE Betrieb"), Hecklingen, Germany	WTE Essen	100.00	EUR	511	–	30.9.2007	V
WTE Vodice d.o.o., Zagreb, Croatia	WTE Essen	100.00	EUR	8	5	30.9.2007	V
WTE Wassertechnik GmbH ("WTE Essen"), Essen, Germany	EVN Umwelt	100.00	EUR	63,034	4,504	30.9.2007	V
WTE Wassertechnik (Polska) Sp.z.o.o., Warsaw, Poland	WTE Essen	100.00	PLN	898	528	30.9.2007	V
ZAO "STAER", Moscow, Russia	Süd Butowo	70.00	RUB	80	70	31.12.2006	NV
ZAO "STAER-ZWK", Moscow, Russia	Zelenograd	70.00	RUB	123	57	31.12.2006	NV
Zagrebacke otpadne vode d.o.o., Zagreb, Croatia	WTE Essen	48.50	HRK	83,273	30,258	31.12.2006	E
Zagrebacke otpadne vode – upravljanje i pogon d.o.o, Zagreb. Croatia	WTE Essen	35.00	HRK	2,473	2,470	31.12.2006	E

1) The company was founded during the reporting year.

3. EVN AG investments in the Strategic Investments and Other Business Segment as at September 30, 2007

Company, registered office	Shareholder	Interest in %	Currency	Shareholders' equity in EUR	Last year's profit/loss in TEUR	Balance sheet date	Method of consolida-tion 2006/07
ALLPLAN Gesellschaft m.b.H., Vienna	Utilitas	50.00	EUR	763	143	31.12.2006	E
ARGE Coop Telekom, Maria Enzersdorf	grafotech	50.00	EUR	82	21	31.12.2006	NE
Burgenland Holding Aktiengesellschaft ("BUHO"), Eisenstadt	EVN	72.27	EUR	75,795	6,044	30.9.2007	V
Burgenländische Elektrizitätswirtschafts-Aktiengesellschaft (BEWAG), Eisenstadt	BUHO	49.00	EUR	189,793	20,542	30.9.2006	E
BEGAS – Burgenländische Erdgasversorgungs-Aktiengesellschaft, Eisenstadt	BUHO	49.00	EUR	68,071	7,697	30.9.2006	E
EESU Holding GmbH, Vienna	Utilitas	49.95	EUR	–	–	–	E
Ernst Hora Elektroinstallationen Gesellschaft m.b.H., Vienna	first facility	100.00	EUR	67	19	31.12.2006	NV
EVN Albania SHPK, Tirana, Albania[1]	EVN	100.00	ALL	–	–	–	NV
EVN Business Service GmbH, Maria Enzersdorf	Utilitas	100.00	EUR	492	308	30.9.2007	V
EVN Finanzmanagement und Vermietungs GmbH ("EVN FM"), Maria Enzersdorf	EVN	100.00	EUR	13,224	2,323	30.9.2007	V
EVN Finanzservice GmbH, Maria Enzersdorf	EVN FM	100.00	EUR	15,792	4,837	30.9.2007	V
EVN Finance Service B.V., Amsterdam, Netherlands	EVN FM	100.00	EUR	–15	–33	30.9.2006	NV
EVN-Pensionskasse Aktiengesellschaft, Maria Enzersdorf	EVN	100.00	EUR	4,445	273	31.12.2006	NV
e&i EDV Dienstleistungsgesellschaft m.b.H., Vienna	EVN	50.00	EUR	383	45	30.9.2007	E
first facility GmbH ("first facility"), Vienna	Utilitas	100.00	EUR	484	45	30.9.2007	V
first facility Bulgaria EOOD, Sofia, Bulgaria	first facility	100.00	BGN	–30	–18	31.12.2006	NV
first facility d.o.o., Zagreb, Croatia	first facility	100.00	HRK	–14	–17	31.12.2006	NV
first facility Ingatlankezelö Kft., Budapest, Hungary	first facility/Ernst Hora	100.00	HUF	–128	–84	31.12.2006	NV
first facility Imobile SRL, Bucharest, Romania	first facility/Ernst Hora	100.00	RON	–	–	31.12.2006	NV
first facility Macedonia DOOEL, Skopje, Macedonia[1]	first facility	100.00	EUR	–	–	–	NV
first facility - healthcare GmbH, Vienna[1]	first facility	100.00	EUR	34	–1	31.12.2006	NV
first facility - tourism GmbH, Vienna[1]	first facility	100.00	EUR	–	–	–	NV
NFM - Niederösterreichische Facility Management GmbH, Wiener Neustadt[1]	first facility	50.00	EUR	–	–	–	NV
Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbund), Vienna	EVN	12.84	EUR	1,196,006	261,739	31.12.2006	N
R 138-Fonds, Vienna	EVN AG/EVN Netz/evn wasser	100.00	EUR	94,080	3,528	30.9.2007	V
RAG-Beteiligungs Aktiengesellschaft ("RBG"), Maria Enzersdorf	EVN	50.05	EUR	117,701	67,210	30.6.2007	V
Rohöl-Aufsuchungs-Aktiengesellschaft, Vienna	RBG	75.00	EUR	122,999	88,692	31.12.2006	E
Utilitas Dienstleistungs- und Beteiligungs-Gesellschaft m.b.H. ("Utilitas"), Maria Enzersdorf	EVN	100.00	EUR	33.502	6.869	30.9.2007	V
VCK Betonschutz + Monitoring GmbH, Mainz, Germany[1]	V&C	50.00	EUR	–	–	–	NE
V&C Kathodischer Korrosionsschutz Gesellschaft m.b.H. (V&C), Pressbaum	Utilitas	100.00	EUR	500	220	31.3.2007	V
Wiener Stadtwerke Management Beta Beteiligungs GmbH, Vienna	Utilitas	47.37	EUR	1,121	205	30.11.2006	NE

1) The company was founded during the reporting year.

Translation of the Independent Auditor's Report

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

EVN AG,
Maria Enzersdorf,

for the year from 1 October 2006 to 30 September 2007. These consolidated financial statements comprise the balance sheet as at 30 Seeptember 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended 30 September 2007, and a summary of significant accounting policies and other explanatory notes.

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

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

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

Opinion
Our audit did not give rise to any objections. Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 30 September 2007, and its financial performance and its cash flows for the financial year from 1 October 2006 to 30 September 2007 in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements
Laws and regulations applicable in Austria require us to perform audit procedures whether the group management report is consistent with the consolidated financial statements and whether the other disclosures made in the group management report do not give rise to misconception of the position of the group.

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

Vienna, November 19, 2007

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Rainer Hassler Austrian Chartered Accountant	ppa. Maximilian Schreyvogl Austrian Chartered Accountant

This report is a translation of the original report in German, which is solely valid. Publication of the consolidated financial statements together with our auditor's opinion may only be made if the financial statements are identical with the audited version attached to this report. § 281 Abs 2 UGB applies.

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 19, 2007
EVN AG
The Executive Board

Burkhard Hofer Speaker of the Executive Board	Peter Layr Member of the Executive Board	Herbert Pöttschacher Member of the Executive Board