You certainly have plenty of imagination.

(So have we!)

Sustainability Report 2007/08

Energie vernünftig nutzen

EVN

EVN corporate policy statement

Our vision

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

Our mission

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

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

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

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

Our values

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

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

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

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

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

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

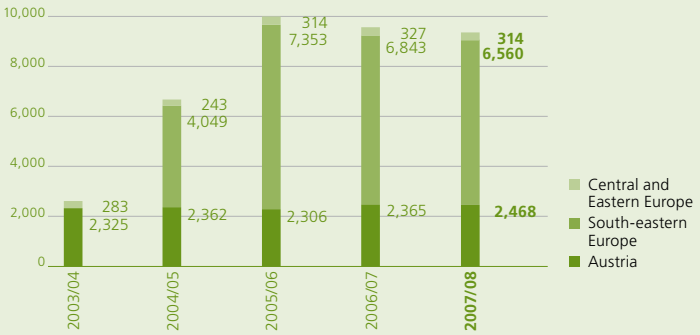
Company profile

We are an international, listed energy and environmental services group based in Lower Austria, the largest of the nation's federal provinces. By means of leading edge infrastructure, we offer consumers electricity, gas, heat, water, waste incineration and other related services on a one-stop shopping basis. With our portfolio, we both secure and enhance the quality of life of over three million customers in 18 countries.

In addition to our role in Austria, we have succeeded in establishing a positioning in the energy industry in Bulgaria and Macedonia. Moreover, in the environmental sector, we possess successful subsidiaries in the fields of drinking water supply, wastewater treatment and waste incineration.

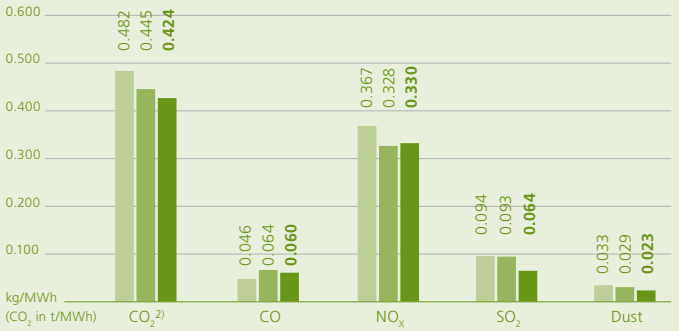
As a result of the realisation of synergy effects between the various business areas of EVN on both a national and international level, all business activities are focused on sustainable wealth creation and augmentation in the interests of our customers, owners and employees. Whereby the central principles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

Employees by region



Group revenue in EUR m

Specific emissions from EVN thermal power stations and district heating plants[1)]



1) Annual average of the Austrian plants

2) Biomass is regarded as being CO_2-neutral and therefore emissions from biomass firing are not included in the CO_2 emission calculation.

Due to altered system limits, the data from the preceding year has altered slightly.

What is stirring in your unconscious?

Imaginative associations? Inspiring insights? Holistic approaches to solutions? Test your intuition with three associative images relating to EVN's most important sustainability topics. Join us in recognizing the perspectives of sustainable corporate management, which for EVN represents the bridgehead between ecological, economic and social targets and accommodates the interests of all stakeholders. The diverse nature of our approach is indicated by the test images and documented by the content of this Sustainability Report.

Test image No. 1

37% of those viewing this image are certain that it is an imposing set of stag's antlers. Another 25% see a bull (mainly stockbrokers), while 18% recognize an extremely rare ball of lightning, the very existence of which is doubted in some quarters.

For EVN the bird's eye view of the Ottenstein reservoir symbolizes the strategy, which envisages the raising of the share of renewable energy in overall production to a third by 2010. Our subsidiary evn naturkraft operates seven wind farms with 63 windmills, as well as 68 hydropower plants. With more than 44 heating plants, EVN is Austria's largest supplier of heating generated using biomass. Moreover, by 2009, we will complete the refurbishing of eleven small-scale hydropower plants in Macedonia and currently, the potential for wind and photovoltaic projects in South-eastern Europe is also under scrutiny.

Test image No. 2

48% see empty bottles after a long party night, while 26% think of stars. A further 15% are of the opinion that this is Elvis Presley's hair spray can collection.

We see low-energy bulbs, which could be used in every household. EVN makes constant efforts to secure the efficient use of energy within its own area of activities. Accordingly, in the production plants efficiency levels are constantly being raised through the employment of a wealth of imagination. We also offer comprehensive consultative discussions to our customers and hold information events, which provide advice on energy balance improvements without any loss of comfort. This is because for EVN, energy efficiency represents the most important contribution to environment and climate protection.

Test image No. 3

Do you agree with the 52% that see a butterfly about to take flight, which indicate a good deal of romanticism flavoured with touch of languor? Alternatively, 36% of the dynamic persons questioned recognized a pair of dressage riders in the arena, while a single person saw two T-Rex dinosaurs having a lunchtime nap. We are not sure why.

For EVN the image consists of the many and diverse stakeholders, whose needs have to be balanced. The best possible fulfilment of the economic claims of the stock-holders has to be achieved along with the needs of the customers and employees. Furthermore, environmental protection and the assumption of social responsibility are important issues. In order to attain these objectives, sustainability is an integral part of EVN's corporate culture and strategy.

CSR highlights at EVN during the 2007/08 financial year

EVN regards sustained development as a continuous process that extends to every section of the company and demands clear objectives. The following advances along this path were made during the year under report, although reverses and negative events also occurred:

- **Foundation of the EVN Social Fund**
- **Winner of the TRIGOS Prize 2008 in the "Ecology" category for the "Regional use of biomass in standardized local heating modules."**
- **Branch winner (Raw Materials and Energy) in the CSR rankings of the Center for Corporate Citizenship Austria (CCC-A); third place in the overall ratings.**
- **First completion of the "Great Place to Work®" employee survey in Lower Austria**
- **Opening of new Customer Relations Centers in Bulgaria and Macedonia**
- **Introduction of "ELAK audit management (ELAK-AM)"**
- **Progress according to plan with regard to the energy concept for the central zone of Lower Austria**
- **Initiation of an EVN Energy Offensive for greater energy efficiency in commercial enterprises**
- **Equipping of personnel in Bulgaria and Macedonia with protective equipment suited to their assignments**
- **Raising of CSR awareness levels throughout the company by means of several workshops**
- **Expansion of the sustainable design of sourcing procedures**
- **In a repeat performance, the 2006/07 Annual Report wins the Corporate Governance excellence prize for transparency at the Austrian Annual Report Awards 2008**
- **EVN Sustainability Report ranked second at the Austrian Sustainability Reporting Awards in the "Integrated Reports" category.**
- **Award of the Austrian Environmental Seal (Green Electricity category) for the "natural electricity" product from Naturkraft Energievertriebsgesellschaft m.b.H.**
- **Co-operation partner to the Lower Austria Chamber of Commerce during the first award of the Helios Energy Efficiency Prize**
- **Receipt of all the authorizations required for the revitalization of the Schütt small-scale hydropower plant**

Reverses and negative events

- In spite of the highest safety standards, during the past financial year EVN in Lower Austria suffered one fatality. We sincerely regret this incident, which we regard as a spur to work tirelessly for an improvement in our safety precautions. On the positive side, we succeeded in reducing the number of industrial accidents.
- Although intensive efforts were made, due to the current deficiencies in the statutory and economic framework, no new wind power projects could be acquired during the past financial year. Nonetheless, we are continuing to work on increasing the share of renewable energy.

More information concerning EVN's business development is contained in the current Annual Report 2007/08, which is published jointly with this Sustainability Report. The reports can be requested under the telephone number +43 2236 200-0, or read and downloaded under www.investor.evn.at.

Contents

Report scope EVN publishes an annual sustainability report and the period covered by this edition extends from October 1, 2007 to September 30, 2008. The Report adheres to Global Reporting Initiative (GRI) guidelines and deals with the companies contained within the EVN Group's scope of consolidation. If the EVN AG is included as the parent company, on the closing date of September 30, 2008, this included 51 fully consolidated companies, four pro rata consolidated companies and thirteen companies consolidated at equity (for further information, please see the EVN Annual Report 2007/08). Where all companies are not included in the data given, this is stated. Editorial closing date: November 28, 2008

Introduction of the Executive Board

Ladies and gentlemen,

Transparent communications as a basis for trust

The current situation in the global financial markets and the related effects on the real economy once again make very clear the consequences of short-term corporate decision-making. The persons involved in this crisis are now mutually withdrawing their trust, thus creating a paralysis that may be difficult to overcome. For EVN, these developments constitute confirmation of the necessity of adhering to its efforts aimed at a responsible approach to all stakeholders. This approach is reflected by transparent and ongoing communications, as well the preservation of the interests of both our owners and neighbours, the securing of customer satisfaction and fairness with regard to employees. It is also expressed by EVN's commitment to the UN Global Compact, a worldwide initiative supported by the UNO, which aims to realize ten principles in the fields of human rights, work standards, the environment and anti-corruption.

Reporting according to GRI, Application Level A+

As an energy and environmental services supplier, EVN not only has to fulfil its supply obligations, but must also fully exploit its potential for the solution of current issues with regard to climate protection, social justice and improved quality of life. This Sustainability Report furnishes an insight into EVN's diverse approaches and initiatives in this regard, and simultaneously documents the progress made on the company's path to sustainability. The latter assumed concrete form as early as 1990, when a uniform environmental mission statement was formulated for the whole company as a basis for all environmental activities and the first environmental report was published. Since then, the principles of sustainability have been gradually and systematically implemented in corporate management and a comprehensive sustainability reporting system created. The form of reporting is oriented towards the guidelines of the Global Reporting Initiative (GRI) and we have set ourselves the target of reaching Application Level A+. The preparation of additional GRI indicators for electric utilities (Sector Supplement) had not been completed by the closing date for this report, but these are nonetheless taken into extensive account.

Ongoing supplementation and realization of the CSR measures programme

In order to generate a sense of awareness throughout the company concerning the urgency and the far-reaching significance of this complex topic area, a Corporate Social Responsibility (CSR) organisation has been established, which rests on a co-ordinating CSR advisory team and CSR network officers from every area of the company. The involvement of the Executive Board and the central Group functional areas is secured through a steering committee. This broad-based structure ensures the continuous further development and implementation of the programme of CSR measures shown on page 60ff.

Focus on climate and environmental protection

As a result of the company object, sustainability decisions have an extensive influence on EVN's strategic orientation. The most important premise remains a sustained increase of corporate value in the interests of our stock- and stakeholders, which in our opinion can only be achieved through the allocation of equal consideration to all ecological, social and economic aspects. The related operational approach is focused on guaranteed security of supply in combination with a simultaneous minimization of environmental impact, in order to provide an active contribution to climate protection. A key intention in this regard is formed by the planned increase in renewable energy generating capacity in Lower Austria to cover a third of production by 2010 via the intensified use of hydro and wind power, photovoltaics and biomass. At the same time, the efficiency of existing generation plant must be raised, as exemplified by the energy concept for the central area of Lower Austria. This will secure fully integrated, and thus economic, energy use at the Dürnrohr location along with a marked annual reduction in CO_2 emissions.

Although the most important steps towards the operative integration of the EVN subsidiaries in Bulgaria and Macedonia have been largely concluded, due to their differing initial status and local conditions, these companies have yet to entirely reflect the sustainability process and all of EVN's sustainability indicators.

Nonetheless, during the year under report fundamental progress was achieved regarding improved employee work safety, sourcing procedure standardization and the quality of customer support. Programmes for the protection of biodiversity in both countries have been launched successfully and with the continuation of the investment programme, major improvements in network quality and meters will also be secured.

Herbert Pöttschacher, Burkhard Hofer and Peter Layr

Environment segment and a comprehensive range of customer consulting

The Environmental segment, which since the 1990s has been continually expanded to form a second, strategic pillar, is also making significant contributions to environmental protection and increased quality of life. Over the years, more than 80 projects for the supply of drinking water and the treatment of wastewater have been realized in virtually the whole of Europe. For example, during the year under report, a wastewater treatment plant was opened on Cyprus and new projects were commenced in Poland, Lithuania, Montenegro, Russia and Turkey. Through the AVN waste incineration plant in Zwentendorf/Dürnrohr and a similar plant built for the city of Moscow, which is now also under our operational management, we have not only facilitated considerable fossil fuel savings, but also the most ecological treatment of waste possible. However, EVN not only exploits all the possibilities available within its own areas of activity, but also feels an obligation to raise the awareness levels of its customers regarding the economic use of energy through consulting and services. These opportunities should be used and therefore our offers, which are described in detail on page 46 of this report, are worthy of study. At the same time, we would request that our invitation to a dialogue with EVN, which is renewed with this report, be accepted and that questions and critical suggestions be sent to us without hesitation. In this regard, reference should be made to the various contact possibilities provided at the end of this report.

Company profile

EVN is an international, listed energy and environmental services group based in Lower Austria, which on a platform of leading edge infrastructure, offers its customers electricity, gas, heat, water, waste incineration and other related services on a one-stop shopping basis. EVN's workforce of 9,342 makes a valuable contribution to the securing and enhancement of the quality of life of more than three million customers in eighteen countries.

Segment overview

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

In addition to its role in Austria, EVN has succeeded in establishing a strong position in the energy industry in Bulgaria and Macedonia. Moreover, in the environmental sector, the Group enjoys success via subsidiaries in the water supply, wastewater treatment and waste incineration areas. All activities are governed by the central principles of security of supply, a responsible approach to natural resources, the creation of a modern and environmentally compatible infrastructure and a systematically promoted image as a supplier of quality.

Integration of sustainability in corporate strategy

Commitment to sustainability-oriented corporate management

Starting from its base in Lower Austria, EVN is seeking the attainment and retention of a powerful position in selected CEE markets. Thanks to its motivated workforce, EVN has defined itself as a reliable partner to its customers, to whom it offers first class services at competitive prices. The Group is committed to sustainability-oriented corporate management and is convinced that the desired, continual increase in corporate value can only be achieved through the involvement of all stakeholder groups. Group strategy is based on four cornerstones:

1. Consolidation of the two-pillar strategy comprised by energy and environmental business
In order to diversify its operations and as a supplement to its core energy supply activities, some years ago EVN commenced the development of business areas in the environmental sector, which have now been combined to form a separate segment. Details concerning the Environmental segment are contained in the Ecology section on page 28.

2. Organic and external growth with a focus of Central and Eastern Europe
Following its recent acquisitions in Bulgaria and Macedonia, EVN continues to monitor the possibilities for expansion in Eastern and South-eastern Europe. Together with Verbundgesellschaft EVN plans to build a hydropower plant on the River Drin in Albania and negotiations for a licence to erect three pumped storage plants of the River Devoll are also already well advanced.

3. Strong financials, transparency and a solid dividend policy
EVN's capital market strategy is characterized by a transparent and up to the minute dialogue with stockholders and analysts, appropriate interest on the capital invested by stockholders in the form of dividends, and a value-oriented investment policy.

4. Sustainable corporate management
A duty to future generations constitutes the paramount premise governing all EVN activities. The aim is to achieve equilibrium between the economic, ecological and social dimensions. This sustainability report documents the endeavours and objectives involved in this strategic approach.

Responsible corporate management

Voluntary adherence to the Austrian Corporate Governance Code

The members of EVN's Executive and Supervisory Boards make every effort to provide transparent and responsible corporate management, not least due to their voluntary declaration of compliance to the Austrian Corporate Governance Code. The respective competences of the Executive Board members are clearly defined (please see page 26 of the Annual Report) by a distribution of portfolios and should a matter relate to several areas of responsibility, the entire Board makes a decision. In particular, the Supervisory Board has the task of monitoring the activities of the Executive Board and corporate strategy.

Multi-level risk management system

As an international player in the fields of energy and environmental services, EVN is subject to numerous risks. An implemented, multi-level risk management system facilitates a comprehensive picture of the current risk situation and prompt damage minimization measures. The Group auditing competence area undertakes the auditing of procedures and business units within EVN. Separate auditing departments have been installed in the Bulgarian and Macedonian subsidiaries. A detailed presentation of the risk management system is available in the Annual Report on page 55 and for corporate governance, please see page 26.

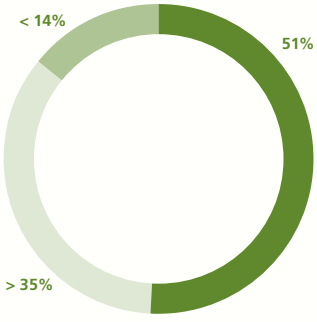
"Sustainable corporate management demands the commitment and conviction of the entire workforce"

Burkhard Hofer, Spokesman of the Executive Board and CEO

"During the 2007/08 financial year, we achieved satisfactory progress on our path to sustainability. However, the challenges posed by our branches with regard to an active contribution to environmental protection have lost none of their scale and, as far as the orientation of our production capacity is concerned, we have to find a balanced mix that not only guarantees the security of supply of our customers, but also minimizes environmental impact. At the same time, more efficient energy use at our existing plants must be secured.

In the course of all our related projects, we constantly make every effort to achieve an equilibrium between partially conflicting interests, while not losing sight of our objective of a sustained increase in corporate value. This necessitates both transparent reporting and a regular and direct dialogue with our stakeholder groups. These goals can only be achieved when every employee feels obliged to make an active contribution and I am convinced that we will continue to adhere rigorously to this chosen path."

Shareholder structure



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

A dialogue with the capital market

EVN maintains an animate and, above all, regular dialogue with existing and potential investors and analysts through its numerous investor relations activities. These are governed by the basic principles of timely, open and comprehensive communications with all capital market participants, high levels of transparency and active reporting. During the 2007/08 financial year, the diverse opportunities offered by press conferences, conference calls, roadshows and international utility branch congresses were used to provide information concerning EVN's business development and strategy.

On the occasion of the presentation of the half-yearly results on June 6, 2008, an information afternoon was held for stockholders at the EVN FORUM. In addition to presentations by the Executive Board concerning Group economic development, specialist talks were given on the topics of renewable energy and energy efficiency. Subsequently, the Board, the speakers and an EVN energy advisor were on hand to answer questions from the audience of roughly 150 shareholders. More information is available under www.investor.evn.at and in the Annual Report on page 35.

Information afternoon for shareholders in June 2008

EVN corporate social responsibility

Clear EVN commitment to sustainability

As a responsible energy and environmental services company, EVN answers the challenge of viewing economic, ecological and social issues from a holistic perspective and creating a balance between the interests of all stakeholder groups. One expression of this conviction is provided by company accession to the UN Global Compact in September 2005.

Starting from Lower Austria, it is a declared company objective to implement the principles of sustainability-oriented corporate management in the Group subsidiaries in Bulgaria and Macedonia. During the year under review, above all these companies witnessed significant progress, especially with regard to safety standards, network quality, meters and the raising of awareness levels concerning the various aspects of sustainability.

"We must also exploit our role as a multiplier in the area of CSR issues"

Peter Layr, member of the Executive Board

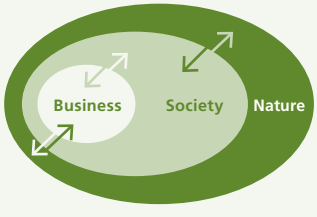
"Owing to its corporate dimensions, EVN is in a position to assume an important role as a multiplier with regard to the promotion of aspects of Corporate Social Responsibility. We are an important customer in the domestic economy and therefore the responsible design of our sourcing procedures can raise awareness levels among both suppliers and partners. Consequently, in the course of a multi-phase project, we have examined the CSR conformity of our main sourcing processes and have established the relevant criteria. Numerous items such as work clothing, foods, advertising materials and computing equipment have thus been oriented accordingly.

The transfer of EVN's comprehensive sense of responsibility was and is a central issue with regard to the integration of our subsidiaries in Bulgaria and Macedonia. With the active support of the Lower Austrian workforce, we have been able to make major advances during the 2007/08 financial year, especially in the areas of work safety and customer services."

EVN activities in relation to the fulfilment of its social responsibilities (Corporate Social Responsibility, CSR) are manifold. Due to the company object, an active contribution to climate protection forms the nucleus of this approach. An overview of selected areas of activity and their related objectives is provided by the table on the next page, which should serve to offer guidance through this report and show other information sources.

Corporate Social Responsibility

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



In order to secure ongoing progress en route to sustainable corporate management, EVN annually updates and expands its programme of CSR measures. All sections of the company are called upon to examine their areas of activity for improvements and show imagination.

Selected areas of activity	Exemplary measures and objectives	Further information
Climate protection	Development of renewable energy sources	Page 42-45
	Emission reduction through plant optimization and the implementation of R&D results	Page 30-32
	Energy concepts and services for customers	Page 46-49
	Raising of energy efficiency within the company	Page 45-46
	Examination of the use of carbon capture & storage (CCS) technologies	Page 31
Security of supply	Investments in network infrastructure in Lower Austria, Bulgaria and Macedonia	Page 49-50
	Investments in the latest technologies	Page 30-32
	Production plant construction, enlargement and revitalization	Page 40,41 and 46
Environmental and biodiversity protection	Ecology-oriented line construction	Page 27, link[1]
	Creation of ecological compensation areas	Page 27
	Initiation and support of external projects	Page 27
	Co-operations with environmental protection organizations	Page 24
Sustained increases in corporate value	Value-oriented corporate management on the basis of the ROCE and EVA key indicators	Annual Report, page 17
Money and capital market	Favourable financing due to a good credit rating, stable dividend policy and TSR (Total Shareholder Return)	Annual Report, page 37, link[2]
Customers	Guaranteed security of supply	Page 15 and 16
	Transparent and fair pricing	Page 14 and 15
	Best possible customer service and consulting	Page 16 and 17
Employees	Securing of know-how through ongoing training and further training; indication of internal career opportunities	Page 53-56
	Positioning as an attractive employer	Page 56 and 57
	Work safety and health improvements	Page 57 and 58
	Support of the compatibility of professional and family life	Page 58
Social responsibility	Active dialogue with all stakeholder groups	Page 24 and 25
	Reliable customer, employer and infrastructure supplier to business and industry	Page 51
	Furtherance of children and young people	Page 19 and 20
	Sponsoring of sport and cultural activities	Page 20 and 21

In order to achieve these basic objectives, EVN has drawn up a detailed programme of CSR measures, which is updated and enlarged annually and secures the systematic realisation and evaluation of the planned initiatives. The current programme of measures is shown on page 60–61 of this report.

1) www.responsibility.evn.at
2) www.investor.evn.at

CSR organization

EVN first implemented a CSR organizational structure at the beginning of October 2005. This defines the basic mechanisms and responsibilities within the system, while nevertheless allowing the flexible further development of processes, a reaction to current developments and prioritization. Accordingly, in the year under review, individual process steps and responsibilities were optimized with the involvement of CSR network officers from throughout the Group. Moreover, recommendations from Group Auditing were adopted, following an initial audit of CSR activities with regard to strategy, implementation, costs and communications in the year under review.

Structure in overview

CSR steering committee (entire Executive Board, heads of the Group functions Communications, Human Resources and Environmental Controlling)
Provides impulses for new CSR measures and determines sustainability strategy. Establishes the CSR organization, releases budget funding and communicates measures and decisions to the management team.

CSR advisory team (CSR officer and representatives of the Communications, Human Resources, Investor Relations, Environmental Controlling and Legal Departments)
Provides reporting and CSR consulting for the steering committee, raises and evaluates CSR measures in co-ordination with specialist units and provides internal and external information concerning ongoing activities.

CSR network officers (employees from all areas of the Group)
The CSR network officers secure the involvement of all corporate units and identify potential for the further development of CSR and co-ordination in the respective specialist units. The officers serve as contact persons for the CSR advisory team.

Temporary working groups
Support of the CSR advisory team during the actual preparation of measures approved by the CSR steering committee.

CSR network officers at a workshop in July 2008

Advisory Board for Environment and Social Responsibility

Platform for external impulses and an exchange of ideas

Established in 1992 as the Advisory Board for Environment, the scope of this platform was enlarged in 2006 to create the Advisory Board for Environment and Social Responsibility. The Board is composed of representatives from the worlds of business, the sciences, health and government and advises the Executive Board in questions relating to environmental protection and sustainable company management. It also provides fresh impulses in these areas and meets twice yearly, when presentations concerning current issues are held and then debated. The Executive Board ensures that the feedback from these valuable contributions is used in the company. In the year under review, guest presentations were given on the topics of "The potential for biogas generation in Austria" and "Help for self-help – sustainable development in South-eastern Europe." A list of the members of the Advisory Board is provided on page 69.

Sustainability as part of the integrated management system

Enlargement of the environmental management system into an integrated management system

In order to minimize environmental risks, since 1996 EVN has operated environmental management systems in line with EMAS and ISO 14001 at those locations generating significant environmental impact. In recent years, these individual systems have been combined to form EVN's integrated management system and in August 2008, the new ELAK Audit Management (electronic files) became operative, ensuring more efficient realization through the electronic visualization of internal and external audits.

At the very beginning of the integration of the Bulgarian and Macedonian subsidiaries, work started on the development of a management system that would take environmental protection, employee safeguards and sustainability into equal account. However, due to personnel changes, the system did not make substantial progress during the past financial year.

Certificated biomass-fired power and heat plant, Baden

Accreditations and positive environmental audits

Virtually all EVN's thermal generation plants, two of three power stations and 38 of 44 district heating plants, are accredited according to EMAS and ISO 14001. Initial certification of the Theiss power station took place in 1995 and it was followed by the Dürnrohr power station in 1997. During the 2007/08 financial year, the Baden and Mödling biomass-fired, power and heat cogeneration plants were newly accredited

Herbert Pöttschacher, member of the Executive Board

"As long as demand continues to rise, we must use every justifiable energy source, in order to secure a smooth supply to our customers. In addition to expansion with regard to renewable energy sources such as hydro and wind power, photovoltaics and biomass, this also means the employment of power plant technologies, which facilitate the environmentally compatible use of less popular raw materials such as hard coal. This will be ensured during the construction of the hard coal fired Dusiburg-Walsum power plant in Germany. However, not only is building of new capacity essential, but also a systematic increase in energy efficiency. We are currently demonstrating the importance of this aspect of our climatic protection strategy with the realization of an energy concept for the central zone of Lower Austria at the Dürnrohr location."

"Security of supply not only demands increased capacity, but also greater efficiency"

and in the coming year, certification is planned for the new Mittleres Schwarzatal district heating plant. External and internal environmental management audits in line with EMAS and ISO take place on an annual basis. During the year under report, the East and West Heating Groups (district heating (cogeneration) plants), and the Theiss power station were subjected to a recertification audit. This detailed external audit is completed every three years.

The year under review also saw environmental audits at the Dürnrohr and Korneuburg power stations by experts from the Lower Austrian government. Due to the extensive preparations completed by the responsible employees and the existing ELAK official notification and obligation management system, both inspections were concluded without objections.

TÜV AUSTRIA certification of bio-methane production and employment

When biogas is upgraded to natural gas quality, it is called bio-methane and can be fed into the natural gas network and then used elsewhere as an efficient energy source. As is the case with eco-electricity, bio-methane is invoiced on a virtual basis and an auditor checks this calculation annually. EVN has decided voluntarily to provide additional technical proof of perfect bio-methane production and utilization and as from October 1, 2008, TÜV AUSTRIA SERVICES GMBH is to carry out this supplementary audit for EVN Wärme GmbH. In the case of a positive result, the audit report will be presented for "proven bio-methane origin." Deviations in quantity must be balanced out in the subsequent financial year.

Accreditation of evn naturkraft production by TÜV AUSTRIA

TÜV AUSTRIA SERVICES GMBH accreditation of evn naturkraft Erzeugungs- und Verteilungs GmbH for "electricity from ecological production" was renewed in June 2008, thus authorizing the company to offer electricity with this designation until the beginning of June 2011.

External quality controls

For its Zwentendorf/Dürnrohr waste incineration plant, the EVN subsidiary, AVN, holds a "Specialist Waste Treatment Company" certificate, which requires an annual audit. Among the items checked are adherence to all statutory and official environmental requirements, personnel qualification and training, and the standardization and further development of processes and official submissions.

TÜV AUSTRIA
NACHGEWIESENE BIOMETHANHERKUNFT
TÜV AUSTRIA SERVICES GMBH

Annual auditing of the waste incineration plant of AVN

Milestones in the EVN sustainability process

The introduction of a uniform environmental mission statement throughout the Group in 1990 can be seen as the official begin of EVN's sustainability approach, which in the intervening years has been steadily expanded and intensified. Indeed the ongoing development of the environmental protection and sustainability agenda is the result of the embedding of this topic at the highest management level (since its foundation, EVN Environmental Controlling has been directly answerable to the Executive Board). The corporate law supervision of the Executive Board is carried out by the Supervisory Board and as this consented to a corporate strategy in which sustainability issues are an integral part, the Executive Board is also obliged to furnish reports concerning this strategy's progress and direction.

1990
Publication of the first **Environmental Report,** which was subsequently issued annually in conjunction with the Annual Report.

1990
Introduction of **a uniform environmental mission statement** throughout the company as the foundation for all EVN environmental activities.

1991
Creation of the **"Environmental Controlling and Safety"** organizational unit, which formed the platform for EVN environmental management.

1992
Installation of an **Environmental Advisory Board** (from 2006 subsequently the Advisory Committee for the Environment and Social Responsibility).

1995
Founding of the **EVN pension fund.**

1995
Begin of the implementation of **accredited environmental management systems.**

1996
Accreditation of the **Theiss thermal power station** according to ISO 14001 in the first certification of its type in Central Europe.

1997
EMAS I accreditation of **Dürnrohr power station.**

1998
EMAS I accreditation of the **Mödling, Baden and Wiener Neustadt** district heating (power) plants.

1999
EMAS I accreditation of the **East and West Heating Groups.**

1999
Introduction of **flexible working hours** without core time.

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

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

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

2002
Acceptance into the **FTSE4Good Index.**

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

2003
Beginning of a web presence under **www.responsibility.evn.at**

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

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

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

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

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

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

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

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

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

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

2007
Fourth place among the **Austrian Sustainability Reporting Awards (ASRA)** in the large company Sustainability Report category.

2008
2nd place in Austrian Sustainability Reporting Awards (ASRA) in the "Integrated Reports" category.

2008
Raising of **CSR awareness levels throughout the company** by means of several workshops and innovation workshops.

2008
Branch winner and 3rd place in the Austrian **"Responsible Company"** CSR rating.

2008
Award of the **TRIGOS Prize 2008** in the "Ecology" category.

2008
Foundation of the **EVN Social Fund.**

2008
Award of the Austrian Environmental Seal **for the "natural electricity" product of Naturkraft Energievertriebsgesellschaft m.b.H.**

2008
Reporting according to GRI with extensive inclusion of the indicators for energy supply companies.

2008
First completion of the **"Great Place to Work®"** employee survey in Lower Austria.

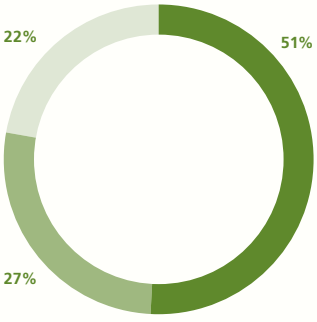
Markets and customer orientation

As an energy company, for a number of years EVN has had to assert itself in the liberalized Austrian market and in addition, account for corresponding stipulations in Bulgaria and Macedonia. In this environment, the main task is to establish a balance between security of supply and customer requirements, an ecological corporate orientation and cost efficiency.

Comprehensive performance range

EVN is a vertically and horizontally integrated energy and environmental services enterprise with a portfolio that extends from electricity, gas and heat supply, to water supply, wastewater treatment and waste incineration. The Group serves over three million customers in eighteen countries. In Lower Austria, EVN has some 801,000 electricity network, 287,000 gas network and 39,000 district heating customers and provides 481,500 inhabitants with drinking water, of which 41,500 are served directly. In Bulgaria, EVN supplies one third of the national market, or some 1.6 million people, with electricity, as well as around 40,000 customers with heating. Since its entry into the Macedonian electricity market in April 2006, EVN has been supplying 720,000 customers with power.

Gas price structure as at 30.9.2008 in Lower Austria[1)]



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

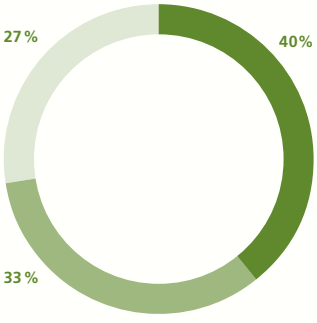
1) Assumption: household with annual consumption of 20,000 kWh, including "FreiTag", the EVN energy bonus, with which retail customers can receive energy free of charge for up to one month per year.

Legal framework and operative orientation

2001 and 2002 saw the liberalization of the Austrian electricity and gas markets. In order to comply with the mandatory unbundling demanded under company law, with effect from October 1, 2005, EVN transferred its entire electricity and gas networks to EVN Netz GmbH. Moreover, first the electricity network and now also the gas network are subject to state surveillance in the form of an incentive regulation model. The sourcing, trading and sale of electricity and gas take place within the framework of the EnergieAllianz, a joint EVN, BEGAS, BEWAG and Wien Energie undertaking. All EVN gas sourcing and trading activities are handled by EconGas, a joint wholesaling company of the EnergieAllianz Austria partners active in the natural gas sector, together with Linz AG, EBV Beteiligungsverwaltung GmbH and OMV.

Bulgaria is currently in the initial phase of market liberalization, while the Macedonian electricity market is still largely regulated. Detailed information concerning the organizational orientation of EVN and its legal environment can be found on page 5 and page 40 of the Annual Report.

Electricity price structure as at 30.9.2008 in Lower Austria[1)]



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

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

Competitive situation and price policy

Price policy in Austria is influenced by wholesale price trends, which in turn are dependent upon the price curve of the primary energy carriers, oil and natural gas, and CO_2 certificates.

The Bulgarian electricity market has been entirely liberalized since July 1, 2007, but is characterized by a shortage of volumes and long-term supply contracts. Due to the single buyer model in Macedonia, the EVN subsidiary, EVN Macedonia AD is forced to cover its requirements for the supply of end customers with electricity from a national energy pool. A regulator predetermines electricity and network prices.

During the 2007/08 financial year price increases were discernible in both countries. Nonetheless, due to the general economic differences, the price for electricity only amounted to roughly half that prevailing in Western Europe. Further information concerning energy industry conditions is available in the Annual Report on page 40.

Solutions based on partnership for payment arrears

In order that unpaid energy invoices do not cause small subsequent costs or interruptions to supply, EVN offers individual support in the case of payment problems and possibilities for payments in instalments. Particularly in Bulgaria and Macedonia, EVN is confronted with fluctuating payment morale and abilities. EVN faces this challenge with open customer dialogue, based on a variety of communication levels, as well as individual payment agreements. However, in spite of this careful and social approach, in the case of long-term arrears, EVN sees no alternative to a suspension of supply.

Security of supply is the top priority

EVN regards the provision of a full coverage supply of its energy and environmental services as its number one goal and most important obligation to customers. EVN makes every effort to guarantee smooth and secure supply and maintains repair services for the whole of its networks, in order to ensure the rapid restoration of supply in emergencies. Owing to a flexible energy mix consisting of thermal power stations supplemented by a growing volume of renewable energy, with its current network structure, in international terms Austria numbers among the states with the fewest power failures and these can be mainly traced to weather damage to overhead lines. The Lower Austrian topography means that many local lines are subject to a higher level of external influences such as storms, frost and lightning than in other regions. Nonetheless, the number of power failures in Lower Austria corresponds with the national average.

Extensive investment programme in Bulgaria and Macedonia

By contrast, the technical supply challenges in Bulgaria and Macedonia are far more diverse and for this reason, since its market entry EVN has launched an extensive investment programme for the upgrading of network and meter quality. During the creation of an infrastructure that intelligently serves supply, all investments are scrutinized with regard to their economic viability. In the 2007/08 financial year, EUR 153.2 million were spent on investment and maintenance projects in South-eastern Europe. This outlay was aimed at an improvement in the quality of the electricity network and hence increases in both the security of supply and plant safety. For example, in 2007 the technical losses incurred in the Bulgarian electricity network were reduced by 1.3 percentage points to 14.4 per cent.

One regional focus of this investment activity is formed by supply areas in which temporary energy supply cuts were unavoidable due to a lack of payment morale. The installation of new meters and meter boards and the implementation of a modern system for remote reading have facilitated individual readings and remote controlled switching on and off. This means that a differentiated approach to cases of payment arrears has been attained. EVN is also seeking to make an indirect contribution to a stabilization of social conditions in these supply areas and is holding discussions with other utility supply companies such as waterworks in order to achieve a co-ordinated approach and an exchange of experience.

Invoice transparency

EVN makes every effort to continually improve the diversity of the information on offer. In Austria there are numerous statutory regulations that govern the transparent design of invoices for electricity and gas supplies. Should EVN customers have questions regarding their bills, EVN's consulting and services systems are on hand to assist. Moreover, during the year under review, a project group started work on the preparation of further measures aimed at further optimizing invoice transparency and thus raising customer satisfaction levels.

Meter and network modernization

Ecologically-conscious distribution network expansion

Investment continued in the improvement and expansion of the Macedonian power distribution network, involving 117.6 km of low-voltage lines, 208.6 km of medium-voltage lines and 108 transformer stations in 2007. In addition, three substations were modified and three new stations built. At the same time, a full coverage exchange of old meters was initiated. Since EVN's entry into the Macedonian market, the number and duration of power cuts has fallen by 25 per cent and more than 100,000 meters have already been replaced. Information concerning the modernization of EVN Macedonia's hydropower plants is available on page 46.

Success factor customer satisfaction

EVN sees itself as a services company in a literal sense. The slogan "Always at your service" describes this approach to customers in a nutshell. Customer satisfaction is both the company's top priority and the basis for corporate success. One objective is a continual improvement in service and consulting performance, especially among those employees who are in daily contact with customers. Important reference points in this connection are provided by the annual customer satisfaction analyses completed in Lower Austria. The last of these surveys again showed a very high level of satisfaction. Identified improvement potential, wishes and suggestions are registered by a quality circle, which ensures the implementation of concrete measures and solutions.

On December 14, 2007 the prizewinners in the Quality Improvement Program (QUIP) 2007, a quality competition held throughout EVN, were honoured in the EVN FORUM. This festive occasion marked the conclusion of the eighth round of this competition, which is targeted on a continuous improvement in consulting and service quality.

An important aspect of EVN's consultative activities is formed by the intelligent use and saving of energy. Detailed information is provided from page 46 onwards.

Stefan Szyszkowitz, Strategic business unit South East Europe

"Where should we begin and what should and can be our priorities for sustainable corporate management in the initial integration phase? These questions have concerned us since the beginning of our activities in Bulgaria and Macedonia. The general need to catch up in the transformation societies of South-eastern Europe was and is enormous, but the speed of development extremely high. With the support of EVN Group experts we have already made major progress with regard to customers, employees, the environment and overall organization. National and international legal statutes and the relevant Group directives provide benchmarks, but in fact it is the comprehension of the workforce of the significance of the topic of sustainability, which makes the difference and frequently ensures the success of our efforts. A culture of "looking instead of looking away" and "alteration instead of resignation" is necessary and this is our objective. In these countries, our company frequently constitutes an "island culture" and whilst we are proud of this exemplary role, we constantly have to live up to the related standards. We thus mirror the general trend and make an important contribution to the advancement of these nations."

Expansion of customer advice services in Bulgaria and Macedonia

An important milestone en route to the enhancement of customer support in Bulgaria and Macedonia was passed with the opening of modern Customer Relations Centers, which are available to deal with all types of customer enquiries on a round-the-clock basis. The Macedonian Center employs two languages in order to ensure easier access to customer consulting for the Albanian minority. Moreover, a marked improvement in the intensity of customer support and service in Macedonia was also initiated through the regional reorientation of the country's 19 customer centres. Open days were held for the first time at two customer centres in Macedonia and due to the lively response, repeats are planned for the spring of 2009. In addition, the year under review saw image campaigns in both countries, as well as the launch of an initial campaign in Bulgaria with a focus on energy saving.

The year under report also saw the completion of an initial representative survey in Bulgaria involving 8,500 customers. The results were measured on a 6-point scale and with a rating of 4.7 indicated a high level of customer satisfaction. In co-operation with the city authorities, an energy efficiency office has been opened in Plovdiv, which via a range of information, is intended to raise awareness levels among the population concerning the careful use of energy.

A representative survey was conducted in Macedonia during September 2008 among 1,000 customers. The results showed that just two and a half years after its entry into the market, EVN Macedonia already enjoys high recognition levels. On a 4-point scale, customer satisfaction stood at 3.3. In comparison with other infrastructure suppliers such as suppliers of telecommunications, water and waste disposal services, this was the top rating.

Modern Customer Relations Center for competent client consulting

Customer surveys reflect high satisfaction levels

Social commitment

EVN is well aware of its responsibilities to a diversity of stakeholder groups and in this context goes beyond its core operative business activities to launch numerous initiatives aimed at enhancing the quality of life of the people living in its supply area.

Traditionally, the furtherance of children and young people forms a focal point of EVN's endeavours relating to the fulfilment of its social responsibilities. Finance is employed in the most targeted manner possible and the Social Fund founded during the year under report will provide further consolidation of this approach. The following is a selection of company sponsored projects and initiatives and a fuller presentation can be found on the EVN website under www.responsibility.evn.at.

In view of the diverse areas in which EVN's responsibilities to its employees are manifested, these matters are dealt with in a separate section of this report, commencing on page 53.

Social responsibility

In order to optimize existing sponsoring activities EVN has founded a Social Fund with an annual endowment of EUR 100,000 and an expert committee to help run it. This will focus on the sustained support of youth institutions in Lower Austria and held its constitutive meeting at the end of September 2008. The experts, consisting of Gabriela Peterschofsky-Orange, Helga Preitschopf, Harald Wieser and Elisabeth Baum-Breuer under the chairmanship of the Caritas Austria director, Michael Landau, will pass on unanimous recommendations to the EVN Executive Board concerning the distribution of funds. Working sessions of the committee are to be held twice yearly.

EVN Social Fund expert committee

Michael Landau (2nd from left) on the occasion of the constitutive meeting:

"Companies bear a social responsibility, especially to the people of the regions where they are active. I am delighted by the fact that with the creation of its new Social Fund, EVN intends to focus on young people in difficult living situations. I am pleased to offer my experience with regard to the sustainability of this scheme."

Education and youth support

EVN regards the support of children and young people as a central aspect of its social responsibility and its activities in this area extend from a kindergarten service for the very young, to teaching materials for schools and sports sponsorship.

Joulius the rabbit provides energy information in a manner suitable for children

The EVN Activities Box for Lower Austrian kindergartens

Since its launch in autumn 2007, EVN's "Joulius energy bundle" activities box has been introduced at 950 Lower Austrian kindergartens. It contains games, handicraft instructions, a picture book, a wooden puzzle and a music CD and is intended to teach children about the intelligent use of energy by means of play. Regular additions and focal points for the box are planned, as exemplified by a radio play and painting book on the topic of "The safe use of energy." A further initiative was started during the year under report with a tour of Lower Austria's kindergartens by Joulius the "energy rabbit". He entertained the children with an amusing and instructive theatrical performance, which dealt with the topic of energy in a manner suitable for infants.

EVN Energy Saving Master Course

The Energy Saving Master Course with Joulius offers interactive play stations on the topic of energy saving. It was specially created for event purposes and was first used at the EVN Cup, where it animated around 400 highly enthusiastic children to save energy.

EVN School service

EVN Macedonia school service

The EVN school service provides schools with free teaching aids, CD ROMs, experiment cases and a model heat pump and in 2007/08 over 20,000 such packages were dispatched. Each year, the EVN school advisors hold over 800 presentations on the topic of energy and energy saving and numerous school classes visit EVN locations in the course of excursions. In October 2007, an EVN school service was launched in Macedonia, which has already been used by ninety schools and has been met with a positive response. The aim is the communication of the correct and intelligent use of electricity. More information concerning the school service in Lower Austria is available under www.young.evn.at and for Macedonia under www.kids.evn.com.mk. The concept for a school service in Bulgaria is complete and pilot projects should commence in the middle of the school year.

In Lower Austria and, to an increasing extent, Bulgaria and Macedonia, EVN demonstrates its sense of responsibility with regard to children and young people through a range of initiatives, which extends from infotainment to the support of sports events. All of which adds up to heightened imagination.

Jumble sale and power plant information day for technical college students

In June 2008 over 270 students and teachers from several Lower Austrian higher technical colleges visited a jumble sale and power station information day in Dürnrohr. They were not only able to gain an insight into the modifications being made to the power station's control technology, but also take any pieces of the obsolete system with them from a jumble sale. The functional aspects of the hard coal fired power station were explained in the course of guided tours and as an audit was in progress, it was additionally possible for the visitors to see the low-pressure steam turbine. The companies contributing to the station modifications also presented the technologies involved.

Engineering college students view the open low-pressure steam turbine

Sports sponsorship

EVN supports sporting and health initiatives

EVN is the main sponsor of the EVN Junior Cup and thus promotes football in Lower Austria, especially at youth level. The main U12 and U13 groups are supported along with a competition for girls. This year's prize presentation will take place in December 2008.

In addition, EVN also sponsors the Lower Austrian Skiing Association, the Hypo Niederösterreich women's handball team and the Ladies Golf Open, held in September 2008 in Föhrenwald. The fitness of the EVN workforce is promoted by donations to the EVN Culture and Sports Club.

This year also saw the initial support of the Prevention Prize 08, which is presented by the Lower Austrian government. The aim of the prize is to honour initiatives in the preventive health care sector and to both raise levels of public awareness and motivation with regard to this topic.

Cultural and science sponsoring

EVN maintains a number of partnerships with universities and colleges of applied sciences in Austria, and during the year under review, extended this involvement to Bulgaria and Macedonia. These co-operations partly serve the funding of research projects and partly the support of students during the transition to the world of work by means of traineeships or assistance with scientific work. In April 2008, the ECO NET practice company fair was supported in Macedonia. Topic-related prizes like those from EVN Wasser constitute a further expression of EVN's commitment to the sciences.

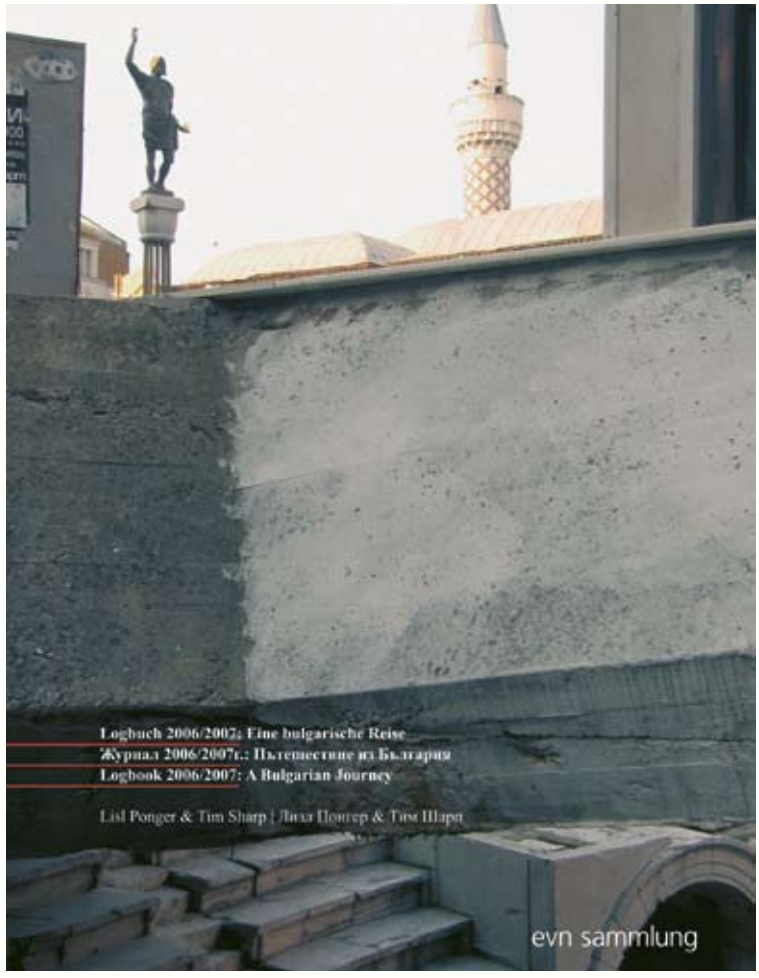
Regional cultural events such as the Grafenegg Music Festival and the Fairytale Summer in the Palace of Poysbrunn are the object of targeted sponsorship.

Among others, EVN supports the following cultural events:

– European Group Theater – youth theatre company
– The "Indians – the original inhabitants of North America" exhibition at the palace of Schallaburg
– "Volkskultur Niederösterreich" – we wear Lower Austria on our sleeve
– Lower Austrian "Kulturwirtschaft"
– The Grafenegg Music Festival
– The Fairytale Summer in the Palace of Poysbrunn

evn collection

With the evn collection founded in 1995, EVN assumes a mediatory role between the company, its stakeholder groups and contemporary art. The selection of the works is not subject to any limitations with regard to content, which offers the possibility for the linkage of topics of social or artistic relevance with questions of importance to the company. The latter understands art as constituting an exchange of ideas and a stimulus and will facilitate communications. Existing artworks are purchased and others are commissioned, in order to express a thematic connection with EVN, or demonstrate external aspects as an expression of inner perspectives. A current example of such commissions in the DVD project, "Logbook 2006/07: The Bulgarian Journey" from Lisl Ponger and Tim Sharp. The DVD is not a classic guidebook, but rather describes the intensive confrontation of the artists with Bulgaria at differing levels. Additional information concerning the evn collection is available on the website under www.evn-sammlung.at.



"The Bulgarian Journey" from Lisl Ponger and Tim Sharp

EVN and human rights

EVN is to be found in a number of ethic funds, not least due to its unambiguous commitment to the upholding of human rights. The Federation des Droits de l´Homme (FIDH) SICAV fund and indexes such FTSE4Good, Ethibel and VÖNIX all make stringent demands upon their listed companies. EVN meets these requirements and also within the framework of their expansion, works systematically as a good corporate citizen to achieve an exemplary role among business partners, suppliers, customers and market partners.

Accordingly, with its entry to the Russian market, EVN has not only dealt with challenges of an economic and ecological nature, but also at a social level. The same applies to Albania, where EVN plans to build a hydropower plant in conjunction with Verbundgesellschaft and was rated the best bidder during tendering for three further hydropower projects. Here, too, EVN will continue to systematically disseminate its high standards as required by the ten principles of the UN Global Contact.

EVN supports UN Global Compact

Principle 1	EVN supports and observes the protection of international human rights.
Principle 2	EVN ensures that it is not an accessory to breaches of human rights.
Principle 3	EVN preserves the right to assembly and the effective recognition of the right to collective negotiations.
Principle 4	EVN supports the abolition of all forms of forced labour.
Principle 5	EVN supports the abolition of child labour.
Principle 6	EVN supports the abolition of discrimination with regard to job recruitment and employment.
Principle 7	EVN supports a preventive approach to environmental problems.
Principle 8	EVN takes many national and international initiatives, in order to generate a greater sense of responsibility with regard to the environment.
Principle 9	EVN supports the development and spread of environment-friendly technologies.
Principle 10	EVN actively opposes all forms of corruption.

With its increasing internationalization, EVN has also stepped up its efforts regarding the raising of awareness levels concerning the significance of human rights. A code of behaviour and the related Group and organizational directives are currently in preparation.

Ecological responsibility

As an energy supply company, the main emphasis of EVN's environmental protection agenda is on climate protection, which is based on the systematic reduction of CO_2 emissions, increased energy efficiency and the development of renewable energy sources. Activities and measures in this connection are summarized in this report from page 36 onwards. However, EVN's environmental consciousness extends far beyond efforts that are partly dictated by energy policy considerations. Accordingly, several projects for the preservation of biodiversity have been realized, ecological compensation areas created and both environmental management systems and Group-wide environmental controlling introduced. Moreover, with the establishment of the operative Environmental Services segment, an ecologically valuable contribution has been made in the water supply, wastewater treatment and waste incineration business areas.

EVN's environmental consciousness extends far beyond energy policy related efforts

The establishment of EU standards in Bulgaria and Macedonia

The installation of efficient environmental management systems in line with EU standards plays an important role in the integration of the Bulgarian and Macedonian subsidiaries. With the support of EVN experts, responsible employees have received coaching on the topics of waste management and CO_2 emissions and the implementation of a waste management system has commenced. Internal directives for the correct handling of waste and liquids constituting a water hazard have been implemented. As a consequence of Bulgarian membership of the EU and Macedonia's candidate status, regulations relating to PCBs have been introduced in both countries. Sample measurements for PCB were already carried out in Bulgaria during 2006 and 2007 and it could be demonstrated that the existing EVN plants are PCB-free. In Macedonia a PCB project was launched in the autumn of 2008 in conjunction with the UNIDO's Global Environment Facility. This project will serve the creation of state PCB monitoring and is being jointly sponsored by UNIDO, disposal companies and EVN.

Know-how transfer from Lower Austria to South-eastern Europe

Polychlorinated biphenyls (PCB)

Polychlorinated biphenyls number among the chlorinated hydrocarbons. As a result of its stability, beginning in 1929 it was used in its pure form as a pale yellow, virtually odourless liquid as an ingredient in transformer oil, condenser insulating agents and hydraulic oil. The toxicity of PCB was first recognized in the 1960s and it became evident that unless handled correctly, this congener could enter the food chain and in the case of long-term ingestion, trigger numerous, serious illnesses. In 1978, the use of PCB in open systems was forbidden and a total ban followed in 1993. At that time, in line with Austrian law, EVN initiated the immediate examination of questionable charges from transformers, condensers and switchgear and removed any severely contaminated equipment. Nonetheless, every transformer taken out of network service by EVN is still examined closely for traces of PCB and dealt with professionally in an environmentally compatible manner by an experienced disposal company.

TEZ Plovdiv district heating plant in Bulgaria

Evaluation of operational environmental costs

In order to systematically register operational environmental costs and thus establish transparency and cost accuracy, a project has been launched that follows the suggestions of the international guidance document "Environmental Management Accounting" of the International Federation of Accountants (IFAC). The aim is to achieve a just allocation to cost centres in line with the causal principle, consistent evaluation and internal benchmarking of individual environmental key indicators and locations. EVN is thereby seeking to create the preconditions to meet the increasing information requirements of stakeholders such as shareholders, rating agencies, Statistik Austria and Global Reporting Initiative (GRI). A period of three years has been allocated for this project.

Active dialogue with stakeholders

EVN in constant dialogue with environmental organizations and other NGOs

As a result of its operative orientation and sensitive points of contact in many areas, EVN seeks an active dialogue with various stakeholder groups and takes very seriously both wishes and critical concerns relating to the expansion of networks and production facilities. In addition to mandatory environmental impact assessment, as a supplementary measure the population of the surrounding districts is integrated into such projects at an early point in time with the aim of achieving the smoothest and best possible reconciliation of any conflicting interests. In this connection, dialogue and teamwork with environmental organizations and other NGOs is of special significance. Therefore, EVN seeks to obtain positive energy from natural friction and is in constant dialogue with local and regional citizens groups, as well as Greenpeace and Global 2000. This is exemplified by the constructive discussions held with Greenpeace International on the site of the unused nuclear power plant in Zwentendorf in summer 2008. Equally positive was the exchange of views held with the "Pro Ybbs" initiative regarding the refurbishing project at the Schütt hydropower plant.

Organizational memberships and support

EVN belongs to numerous organizations, associations and pressure groups of branch relevance. In addition, EVN is actively involved in research initiatives and organizations seeking to promulgate the concept of sustainability.

Selection of memberships

VEÖ	Association of Austrian Electricity Companies
OVE	Austrian Electrotechnical Association
ÖWAV	Austrian Water and Waste Management Association
ÖVGW	Austrian Association for Gas and Water
UNGC	UN Global Compact
respACT	Austrian Business Council for Sustainable Development
ÖGUT	Austrian Society for Environment and Technology
AEA	Austrian Energy Agency
FGW	Austrian Natural Gas and District Heat Association
VGB	PowerTech e.V.
BBKE	Bulgarian Branch Chamber of the Energetics
ATDB	Association of District Heating Companies in Bulgaria
ZEMAK	Association of Energy Department Engineers of Macedonia
MABA	Macedonian Austrian Business Association
	Global Compact Macedonia
FIC	Foreign Investors Council

AVN in dialogue with the public

Comprehensive communications and ongoing integration

In the initial planning phase prior to the construction of a waste incineration plant by the EVN subsidiary AVN at the Zwentendorf/Dürnrohr location, which went on-line at the beginning of 2004, the general public was involved in the design, environmental impact assessment and building process and subsequently plant operation, by means of a comprehensive communications policy. Information measures ranged from numerous public meetings and visits to similar waste incineration plants both in Austria and other countries, to the "Citizens Info" newspaper, which was distributed to some 10,000 households in Zwentendorf and the eight surrounding districts and which today continues to ensure a steady flow of information. A citizens committee consisting of members of the district council and representatives of the local population was formed to look after public interests and still retains this function. The public was also provided with an opportunity to obtain information concerning the current installation of Line 3 in the course of various events and since 2004, the tours of the plant, which are available to interested persons from both Austria and other states.

The fishing paradise of the "Friends of the Ybbs" south of Waidhofen

Since the beginning of 2008, the "Friends of the Ybbs" fishing club has been operating a 6.6 km-long stretch of river for EVN and the Waidhofen/Ybbs urban district council to the south of Waidhofen. This river section offers a rich diversity of species and is ideal for fly-fishing. Christoph Friesenegger, an EVN employee, "The Ybbs is a wonderful river and in our reserve, we wish to gently improve the living conditions for both fish and small creatures. We are looking to fish in harmony with nature."

Mayor Wolfgang Mair and Fritz Zemanek from evn naturkraft can reflect on a successful angling season.

Project for the examination of the effects of the EU Water Framework Directive on the design of the Kamp reservoirs

Securing the ecological potential of waters

On the River Kamp, evn naturkraft operates three hydropower plants on stretches of water, which according to the classification contained in the EU Water Framework Directive, represent heavily modified water bodies. The EU Directive requires the investigation, evaluation and realization of practical measures, which will secure the good ecological potential of such waters. At the end of 2007, a pilot project was launched jointly by the Lower Austrian government, the Austrian Ministry of the Environment, evn naturkraft and EVN with the aim of providing a reference evaluation scale for heavily modified water bodies, using the Kamp reservoirs as a basis. This allows the early development and proposal of measures, the realization of which would meet the demands of all stakeholders (energy industry, the Lower Austrian government, the Ministry of the Environment, fishing organisations and tourism branch) and the existing ecosystems to the greatest possible extent. Following a survey of the current situation, which has already been completed, an evaluation scheme and possible scenarios for improvement are to be drawn up by the middle of 2009. In addition, in a study targeted on an assessment of the effects of the EU Directive, water and fish-ecology tests are being completed on various waters in Lower Austria, in teamwork with the Vienna University of Natural Resources and Applied Life Sciences. The intention is to employ the results as a basis for adapting the minimum flow rate of draw off stretches and the retrofitting of fish migration aids. Some 83 per cent of evn naturkraft's hydropower plants are of draw off design and in principle are therefore affected by the regulations contained in the EU Water Framework Directive.

Ecological planning and realization of wind power plants

During the selection of locations for wind power plants, expert opinions are elicited even prior to the planning of the authorization process and extensive risk analyses are completed concerning the potential effects on people, fauna and the environment. The related surveys take at least a year and existing studies are also considered. Furthermore, the construction of wind farms is subject to ecological construction supervision.

Continuous emission monitoring at Theiss power station

Replacement of emission monitoring systems

Continuous emission monitoring is mandatory for plants with fuel power in excess of 10 MW. Such systems have been in operation at EVN's three caloric power stations and its larger district heating plants for many years. The emission measurement devices record the levels of relevant flue gas pollutants and this data is transferred to a central computing unit, where it is collated, evaluated and stored. During the year under report, the measuring systems were replaced in order to bring monitoring up to the state-of-the-art.

Reduction of NO_x emissions at the Dürnrohr power station

Within the framework of an EU directive, which has been implemented through maximum emission volume legislation, Austria has undertaken to cut its NO_x emissions to a maximum of 103 kt/a by 2010, which means a need for national reductions of 25 kt/a. In the period from 1985–2004, NO_x emissions from electricity and district heating plants in Austria were slashed by 53 per cent, even though thermal electricity generation doubled during the

same period. In August 2008, a voluntary agreement was reached between the Association of Austrian Electricity Companies and the Austrian Ministries of the Environment and Economics and Labour regarding a reduction in the emissions from certain generation plants. Under the term of this agreement, from 2010 EVN has undertaken to voluntarily lower the average annual NO_x concentration at the Dürnrohr power station to a level 25 per cent below that of the statutory limit.

Responsible network planning and construction

Owing to the diverse requirements involved, the environmentally compatible design of infrastructure projects constitutes a major challenge. In the course of the environmental impact assessment for the completion of the 380 kV Etzersdorf-Theiss high-voltage line with a length of 16.7 km, 222 stipulations were formulated (including forestry-ecological construction supervision, as well as the provision of 17.5 ha of compensation areas). It is seen as given that along the high-voltage lines, ecological islands are provided for numerous species of flora and fauna, which offer a retreat and propagation area.

Selection of EVN projects for the protection of biodiversity

- Game ladders on the Kehrbach
- Protected areas for great bustards
- Provision of nesting walls for bee-eaters in wind farms
- Co-operation with the Austrian Friends of the Hedgehog
- Cleaning of waters by the removal of debris at power stations
- Participation in the ecological game reserve scheme of the Lower Austrian Hunting Association for the promotion of hedge replanting
- Initiative for the protection of migrating birds landing on overland lines in teamwork with the Bulgarian Association for the Protection of Birds
- Over 750 nests on more than 100 platforms for white storks on electricity pylons in Bulgaria since the beginning of 2008

Further information is available under www.responsibility.evn.at.

The construction of new gas pipelines also takes place subject to the strict observation of ecological requirements. Low-pressure, natural gas pipelines are almost exclusively laid under roads, while high-pressure pipelines mainly run below agricultural land. Should an area of great natural value, such as the Natura 2000 preserve be affected, the route of the pipeline and measures for the minimization of the effects on the natural habitat are determined in conjunction with the responsible authorities.

Surveying and digital line documentation

In order to take the crossing of zones meriting protection into simpler account and where possible, to avoid them entirely, basic data of environmental relevance is fed into EVN's geographic information system (GIS), which can be accessed by the entire workforce. In the surveying area, the use of satellite information systems represents the state-of-the-art and in order to improve precision still further, EVN operates a full-coverage GPS reference network throughout Lower Austria. This is based on twelve permanent GPS reference stations and two stations operated in co-operation with Energie AG Oberösterreich. These are used for the calculation of corrective values for positioning and are offered to internal users and external customers. As a result, 3D positional determination with centimetre-accuracy is possible in real time.

Surveying with satellite information systems for precise position determination

Environmental Services segment

Since the 1990s, EVN has been systematically developing the Environmental Services segment as a second strategic area. In addition to the regional supply of drinking water by EVN Wasser, national and international water supply and wastewater treatment plant projects are completed by the subsidiary WTE. The subsidiaries AVN and MSZ 3 are responsible for waste incineration.

EVN Wasser

At the end of September 2008 some 481,500 inhabitants, or around a third of the Lower Austrian population, in 634 districts were being supplied with drinking water, 41,500 directly. Customers can rely on EVN Wasser's high standards, 94 wells, two springs and a 1,922 km supply network, which guarantee security of supply and constant drinking water quality. During the year under review, a more than 30 km-long water pipeline running from the Tulln area to Bisamberg was completed and now supplies the roughly 40,000 inhabitants of the "Rußbachtal" area with low-nitrate, soft water. In March 2008, the Mollersdorf well field, consisting of four vertical wells, went into operation. At the Neuaigen junction, this feeds up to 250l/sec of water into the EVN Wasser supply network. In the "Sewer System and Wastewater Plant" Business Area, the Großmugl-Niederhollabrunn wastewater plant, which is designed for 5,000 p.e., went online. In addition, EVN Wasser also assumed the handling of wastewater in the Ludweis-Aigen District. Further information concerning EVN Wasser is available under www.responsibility.evn.at.

Opening of the Großmugl-Niederhollabrunn wastewater treatment plant

WTE

To date, WTE has completed over 80 drinking water and wastewater treatment plants

WTE Wassertechnik GmbH plans, builds, finances and operates drinking water and wastewater treatment plants for towns and cities, local authorities and industrial companies and has already completed more than 80 plants for over ten million people. These activities are exemplified by the Anthoupolis wastewater treatment plant in Nicosia, the capital of Cyprus. This plant was ceremonially opened in June 2008 by the president of Cyprus in the presence of high-ranking representatives from the worlds of politics and business. WTE will also be responsible for the operational management of this plant during the coming ten years.

In addition to contracts in Poland, Lithuania and Turkey, during the year under review an outstanding project commenced in Moscow, involving the substitution of chlorine gas by sodium hypochlorite in the water sterilization process. WTE is building a sodium hypochlorite production plant, which incorporates a convincing process technology concept that offers high levels of stability and availability in combination with low energy consumption. The project is being completed as a BOOT (Build-Own-Operate-Transfer)

Franz Mittermayer, Strategic business unit Environment

"Clean drinking water and the disposal of wastewater and waste number among basic human needs. In recent years, EVN has been able to position itself as a competent supplier in this responsible, Environmental Services segment. In 2004, the Zwentendorf/Dürnrohr waste incineration plant became operational in what was a major step towards ecological waste treatment in Lower Austria and at present, plant capacity is being virtually doubled through the installation of Line 3. In 2001, entry to the Lower Austrian drinking water supply market was attained with the purchase of NÖSIWAG and a further milestone was passed in 2003 with the acquisition of WTE, an international player in the drinking water supply and wastewater treatment sector. Today, in addition to Austria, EVN is active in the environmental sector in thirteen CEE states and projects are currently under completion in countries such as Poland, Lithuania, Montenegro, Turkey and Russia. We are thus making an important contribution to the preservation of regional quality of life and we are highly conscious of our related responsibilities. At the same time, this awareness provides our motivation for customized, ecologically optimized solutions."

"Our involvement in the environmental sector provides advanced infrastructure as a basis of the development of a modern society."

model and not only includes the design and construction of the plant, but also the financing of the entire investment volume of EUR 175 million and ten years of operational management.

Moreover, in May 2008 work started on the construction of seawater desalination plant at Budva in Montenegro and the phased start-up process has been in progress since this summer.

In addition to the existing accreditations of the WTE Group in line with quality management standards (ISO 9001), the company production facilities in Zagreb have also obtained DIN ISO 14001:2005 (environmental management) certification.

AVN – technology and competence in the service of the environment

With its name, AVN (Abfallverwertung Niederösterreich GmbH) defines its business area as being waste incineration, which not only focuses on the ecological treatment of waste, but also the saving of fossil fuels during the generation of electricity and district heating. In addition to waste incineration at Zwentendorf/Dürnrohr in Lower Austria, EVN has successfully established a position in international project business. This is exemplified by the MSZ 3 waste incineration plant in Moscow, which went into full operation at the end of 2007. A power-heat cogeneration plant connected to the district heating network allows the processing of 360,000 t of waste annually into electricity and district heating for 40,000 Moscow households.

In Dürnrohr, electricity is already being generated for over 100,000 households using energy from waste and work is continuing on Line 3.

The waste incineration plant in Zwentendorf/Dürnrohr, which commenced full operation at the beginning of 2004, currently disposes over annual capacity of 300,000 t and thermal output of 120 MW. 90 per cent of waste deliveries take place by rail and the emission limits stipulated by the Lower Austrian government were not only adhered to in 2007/08 but considerably undercut. The steam emanating from waste incineration is conducted into the adjacent Dürnrohr thermal power station where it is used for the generation of electricity and heat. Waste has the heating value of brown coal and every kilogram provides around 10 MJ of energy. Accordingly, its employment facilitates a reduction in fossil fuel consumption amounting to 50,000 t of hard coal and 10 million m^3 of natural gas per year.

EVN already generates electricity for more than 100,000 Lower Austrian households from the energy content of the waste. Information concerning the enlargement of Zwentendorf/Dürnrohr with Line 3 is contained on page 40.

Research and development

Direction and objectives

Involvement in numerous national and international R&D projects

In order to meet the current ecological challenges relating to the production of electricity from fossil fuels and open up alternative forms of energy generation, EVN is involved in numerous national and international R&D projects. In Austria, EVN already plays a leading role as far as the high efficiency and minimum environmental footprint of power plants are concerned. During the year under review, around EUR 1 million was invested in R&D projects, which were also partially funded by grants.

Climate protection and security of supply as an R&D challenge

Increase in plant efficiency and a cut in CO_2 emissions

In view of the steady rise in energy consumption, which in Europe amounts to around 2 per cent annually (Source: E-Control) and ecological considerations, the future of energy supply is linked to major challenges. The EU has set itself the target of reducing CO_2 emissions by at least 20 per cent as compared to the 1990 level by the year 2020 and by 30 per cent should a follow-up agreement to Kyoto be reached. Therefore, in addition to technological improvements aimed at greater plant efficiency, R&D activities in this sector are focused on cutting CO_2 emissions. EVN is participating in numerous national and international research projects in this area.

Improvements in efficiency as the most important CO_2 reduction measure

The first and most important measure for a reduction in CO_2 emissions is the improvement of efficiency levels, which can be achieved through an increase in steam temperature and pressure. Within the framework of the COMTES research project, new materials for use with a live steam temperature of 700°C are being examined in a test plant at Scholven/Gelsenkirchen, Germany. Moreover, in a planning study (PP 700) power stations using this new technology are being simulated, calculated and designed. EVN is also involved in the Austrian Fenco Initiative (AFI), a working group, which among other activities administers and finances a fund for research projects related to the environment-friendly use of fossil fuels.

In addition to technological research projects for the reduction of CO_2 emissions, EVN is demonstrating great imagination with regard to the increased efficiency of its production capacity. This is exemplified by a fully integrated energy concept for the central zone of Lower Austria, which will facilitate major CO_2 savings.

En route to the low-CO_2 power plant

CO_2 is released during the combustion of fuels with carbon content such as coal, natural gas and biomass. Testing aimed at reducing CO_2 emissions is currently focused on Carbon Capture & Storage (CCS) technology and EVN is the technology leader in Austria. CCS involves the separation of the CO_2 derived from the energy generation process, its liquefication and final storage or utilization. Around the world, three approaches are being pursued in this connection consisting of: (i) Separation after burning (post-combustion), (ii) Separation prior to burning (pre-combustion) and (iii) Burning in oxygen ("oxyfuel"). However, at present none of these technologies is suitable for commercial use in power plants.

EVN is the Austrian leader in the carbon capture & storage technology field

EVN is co-operating with other energy generation companies and leading universities on the solution of these issues. A study regarding the possibilities for the conversion of the Dürnrohr power station into an oxyfuel plant, or its retrofitting with a CO_2 scrubbing system, is being completed with the Vienna University of Technology and the universities of Hamburg-Harburg and Stuttgart. Initial results indicate that the implementation of the technologies available at present would lead to a considerable loss of efficiency and therefore attempts are now being made to minimize these disadvantages through appropriate measures. In order to test the results of the study, a test plant for CO_2 removal will be installed at the Dürnrohr power plant.

Cooperations with energy supply companies and universities

EVN is also involved in the pre-engineering at a pilot plant of the Swedish energy group, Vattenfall, at the Schwarze Pumpe power station near Cottbus in Germany where the world's first 30 MW oxyfuel pilot plant went into operation in September 2008. This combusts powdered coal with pure oxygen and the resulting CO_2 is liquefied with the aim of future storage. A "CCS Task Force" has been established with the Japanese energy supplier, J-Power, which holds regular working meetings, plant visits and exchanges of experience regarding this technology.

Another important contribution to the expansion of EVN's international network was the "International 11th IEA GHG – Post Combustion CO_2 Capture Workshops of the International Energy Agency (IEA), which was held at company headquarters in Maria Enzersdorf on May 20–21, 2008 and was attended by around 110 experts.

Around 110 international experts came to the International Energy Agency CCS workshop in Maria Enzersdorf

Slag bunker at the AVN waste incineration plant

New technologies at AVN

AVN's waste incineration plant represents the state-of-the-art. The mandatory requirements relating to such plants with regard to emission limits, surveillance and measurement, residue analysis and wastewater are the strictest applied to any industrial capacity. However, although AVN adheres to all this stipulations in exemplary fashion, operational experience continually pinpoints possibilities for optimization. The following projects have been initiated:

- As a result of the installation of an additional secondary air blower and additional air jets, breaches of pollutant CO_2 emission limits during plant restarting following an audit were avoided.
- The biogenous content of waste can be constantly calculated on the basis of the characteristics of the waste, theoretical balance equations and plant measurement data. The advantage of this entirely new measurement method is that not only a momentary picture is obtained, but rather seasonal fluctuations and changes in waste composition can be registered.

Alternative drive technologies

Presentation of research results at the energy symposium

Within the scope of the Austrian Federal Ministry for Transport, Innovation and Technology's strategic lead project, "Clean Energy Pathways 2020", a two-year research project is in progress, which focuses on new drive technologies using clean fuels such as natural and biogas under practical conditions. The results of this research were presented at an energy symposium held at the EVN Cup 2008.

Awards ceremony on World Water Day

Young Research.WATER 2008

In co-operation with the Lower Austrian government, EVN Wasser holds the annual "Young Research. Water" research competition. The presentation of the prizes to the winners in the schools and universities/colleges of applied sciences categories took place at the Lower Austrian government buildings on World Water Day. Each category was endowed with prize money of EUR 4,500. Further information and the invitation to participate in the 2009 research prize can be found under www.evnwasser.at.

A reliable energy supplier in Lower Austria and South-eastern Europe

As a fully integrated, energy services company, EVN covers the entire value added chain. This orientation is mirrored clearly by the structure of the company's Energy segment, which is divided into the Generation, Networks, Energy Procurement and Supply business units. The products electricity and gas are allocated to the individual value added phases. In addition to the full-coverage supply of Lower Austria, since 2005 some 1.6 million customers in Bulgaria have been supplied with electricity and following the takeover of TEZ Plovdiv in the year under report, in addition to 39,000 customers in Lower Austria, around 40,000 Bulgarian customers are also being provided with heat. Approximately 720,000 customers are supplied with electricity in Macedonia, which together with Bulgaria forms the South East Europe business unit.

Transparent proof of electricity origins

In Lower Austria, EVN electricity trading with regard to the marketing of both in-house produced electricity, as well as the sourcing of the additional volumes required for customer supply, is carried out by e&t Energie Handelsgesellschaft mbH, a joint subsidiary of the EnergieAllianz Austria partners. Nonetheless, as before the ongoing support and consulting of network customers in Lower Austria remains the responsibility of the 26 EVN customer centres.

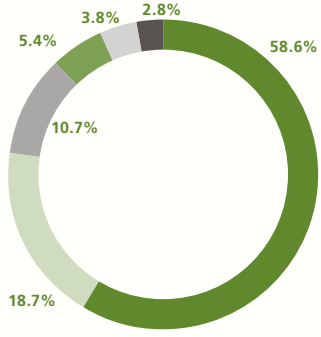
Within the framework of the EnergieAllianz Austria GmbH, EVN Energievertrieb GmbH & Co KG (EVN KG) is responsible for the sale of electricity and gas sales to end customers. In this capacity, since October 2001, it has also fulfilled the mandatory obligation to show the origin of the electricity sold on the invoice presented to the consumer. The KPMG Austria GmbH auditing company monitors this electricity designation system. The environmental footprint derived from the entire primary energy mix of EVN KG 2006/07 amounted to 188.8 g/kWh of CO_2 emissions and 0 g/kWh of radioactive waste. In 2007, the European composition of electricity (UCTE mix) demonstrated CO_2 emissions of 455.84 g/kWh and radioactive waste of 0.000786 g/kWh (source: E-Control).

With "NaturStrom", Naturkraft Energievertriebsgesellschaft m.b.H., an EnergieAllianz Austria GmbH subsidiary, offers a product that due to the exclusive use of renewable energy sources does not cause CO_2 emissions or radioactive waste. As a consequence, in March 2008, Josef Pröll, the responsible federal minister, awarded the company the Austrian Environmental Seal. The receipt of such an award demands adherence to strict environmental criteria, which is subjected to annual confirmation by independent auditors. At present, only three suppliers in Austria possess this strict quality seal in the "Green Electricity" category. During the UEFA EURO 2008™ football championships, all seven matches at the Ernst Happel Stadium were "powered" with "green energy" from Naturkraft Energievertriebsgesellschaft m.b.H.

Electricity sourcing in Bulgaria and Macedonia

The Bulgarian electricity market has been deregulated, but the amounts of power available on the market are small and long-term supply agreements exist. In Macedonia, under the terms of an existing single buyer model, the energy company EVN Macedonia is obliged to purchase the electricity it requires for end customers from the respective national transmission network operators, or directly from state producers, who are responsible for national electricity sourcing, imports and exports. Accordingly, the current possibilities for the exertion of an active influence on the choice of primary energy are extremely limited.

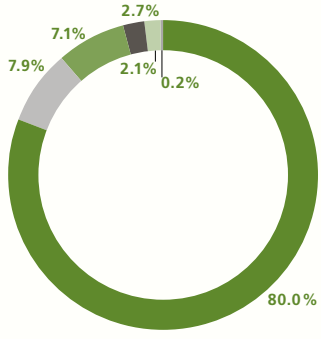
Composition of electricity from EVN KG in terms of primary energy sources 2006/07



- Hydropower[1] 58.6%
- Natural gas 18.7%
- Coal 10.7%
- Solid or liquid biomass 5.4%
- Wind and solar energy 3.8%
- Other (electricity generation from AVN waste incineration, oil and its byproducts, biogas, landfill and sewage gas, geothermal energy 2.8%

1) Small-scale hydropower plants account for 4.4% of generation.

Composition of electricity from Naturkraft Energievertriebsgesellschaft m.b.H. in terms of primary energy sources 2006/07



- Hydropower (exclusively from small-scale plants) 80.0%
- Wind power 7.9%
- Solid or liquid biomass 7.1%
- Natural gas 2.7%
- Solar energy 2.1%
- Landfill and sewage gas 0.1% and geothermal energy 0.1%

EVN electricity and heating generation plants in Lower Austria

As at: 30.9.2008

EVN energy generation capacity

EVN disposes over **electricity** generating capacity of around 1,800 MW. In addition to the three thermal power stations in Dürnrohr (coal/gas), Theiss (gas/oil) and Korneuburg (gas), the eco-power subsidiary evn naturkraft Erzeugungs- und Verteilungs GmbH operates five storage and 63 run-of- river hydropower plants, as well as 63 wind power units in seven wind farms. In addition to its own power stations, EVN also has electricity sourcing rights for the Melk, Greifenstein and Freudenau power stations on the Danube and a one-third interest in the Nussdorf power plant in Vienna. In Macedonia, eleven hydropower plants with a capacity of 46.5 MW, of which seven are currently leased for the purpose of revitalization, are owned by the EVN Macedonia AD subsidiary. In Plovdiv, EVN Bulgaria Toplofikatsia EAD (TEZ Plovdiv) disposes over a district heating plant with an electricity generating capacity of 85 MW.

Electricity generating capacity of EVN power stations as at September 30, 2008 — in MW

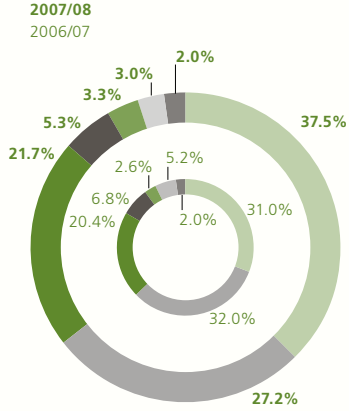
Thermal[1)]	1,466
Hydro[2)]	233
Wind	120
Biomass	10
Total	**1,829**

1) Including cogeneration and power-heat combined cycle plants in Austria and Bulgaria
2) Including sourcing rights relating to the Danube power plants in Austria and small-scale hydropower plants in Macedonia

Heat is obtained from EVN's own district, local heating and cogeneration plants. These plants are operated with natural, bio- and liquid gas, as well as biomass. Cogeneration plants function according to the combined power and heat principle, which allows the use of the waste heat produced during electricity generation and thus raises plant energy efficiency through higher overall effectiveness. In addition, the highest possible volumes of heat are bled from EVN's thermal power stations.

All **gas** sourcing and trading is handled by EconGas, a joint venture of the EnergieAllianz Austria partners active in the natural gas sector, together with Linz AG, EGBV Beteiligungsverwaltung GmbH and OMV. With the spin-off of this phase of the value added chain, a competitive unit has been created, which attains sourcing advantages due to the combined volumes involved. Security of supply is guaranteed by means of long-term delivery agreements and high levels of storage capacity. EVN also intends to further expand the use of biogas as a supplement to natural gas (detailed information on page 44).

EVN electricity generation by primary energy sources



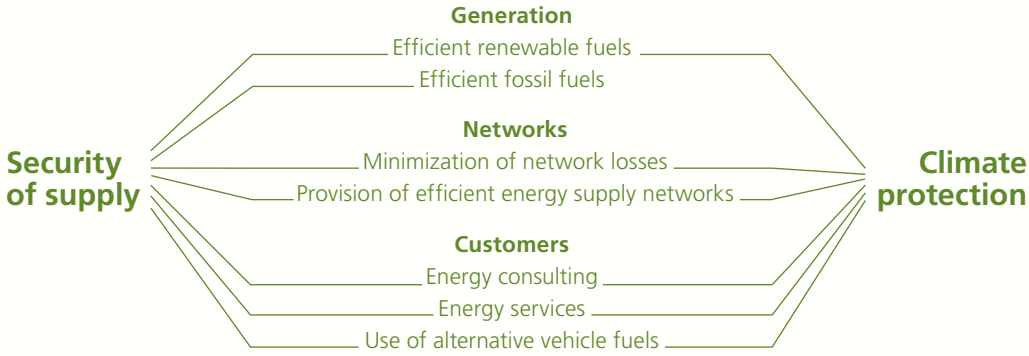
- Natural gas[1)] 37.5% (31.0%)
- Coal 27.2% (32.0%)
- Hydropower[2)] 21.7% (20.4%)
- Wind power 5.3% (6.8%)
- Other renewable energies 3.3% (2.6%)
- Other (waste incineration) 3.0% (5.2%)
- Biomass 2.0% (2.0%)

1) Thereof 2007/08 60,856 MWh of own production in Bulgaria (district heating plant)
2) Thereof 2007/08 18,387 MWh of own production in Macedonia (hydropower plants)

In order to ensure security of supply, EVN looks to a balanced mixture of production capacity and the intensified use of renewable energy sources, which by 2010 should constitute roughly one-third of power generation capacity.

Future energy industry challenges

The continuing increase in energy demand in combination with shrinking resources and the need for climate protection confront EVN with strategic issues that require entrepreneurial far-sightedness and an extremely sensitive approach. The greatest challenges are formed by the guarantee of security of supply in tandem with the necessity for an active contribution to a reduction in consumption and climate protection. The following table presents an overview of the related demands and objectives:



Climate protection

EVN contribution to climate protection

EVN's contribution derives from differing initiatives and strategic approaches, which add up to the following:

- The promotion of renewable energy sources such as water, wind, solar power, biomass and biogas for the supply of heat, electricity and gas.
- Increased energy efficiency with regard to the company's own production plants and networks.
- R&D in the CCS technology field.
- Customer information and consulting aimed at reducing energy demand.
- Regional value added through the use of domestic fuel resources such as biomass and biogas.
- Active expansion of the use of alternative fuels such as Compressed Natural Gas (CNG) and biogas.
- The enhancement of sensitivity levels amongst the general public and the workforce through educational and information events.
- Measures within the company, e.g. the "greening" of the sourcing process.

In this connection, EVN must take numerous EU and national regulations into account. The most important of these are subsequently presented, in order to facilitate their classification and evaluation with regard to the following outlines of EVN's contributions to climatic protection.

EU Emission Trading Directive

A 20% reduction in CO_2 emissions within the EU by 2020

This directive, agreed in 2003, defines a scheme for the trading of greenhouse gas emission certificates within the EU, which foresees national allocation plans and individual trading periods, and thus a reduction in relevant emissions. Indeed, the EU states have undertaken to cut their CO_2 emissions by at least 20 per cent by 2020 and, in the case of a follow-up agreement to Kyoto, by 30 per cent as compared to 1990. As a result of the Austrian National Allocation Plan I (2005-2007), EVN was allocated certificates for annual emissions amounting to 1.45 million tonnes of CO_2. The Allocation Plan II for the period 2008–2012

envisages a volume of 1.58 million tonnes. In the coming years, EVN anticipates that annual purchases of certificates of around 500,000–800,000t will be necessary. From 2013, it is planned that the energy industry must bid for all electricity production certificates.

EVN is using the opportunities offered by the support of Joint Implementation (JI) and Clean Development Mechanism (CDM) projects, which realize reduction measures in other countries for the obtainment of emission certificates for its own plants. A further contribution to climate protection in the coming years should emanate from CDM projects in Albania, where the possibilities for generating Certified Emission Reduction certificates from hydropower projects are currently being examined. Participations in JI and CDM projects for wind parks and hydropower plants, e.g. in India, Egypt, China and Brazil have already been initiated by means of suitable climate protection funds.

The promotion of renewable energy sources

Increase in the share of renewable energy to 20% by 2020

In a directive, the EU prescribes an increase in the share of renewable energy in total consumption from the 2005 level of 6 per cent to 20 per cent by 2020. A target of 34 per cent has been defined for Austria and one of 16 per cent for Bulgaria. The level of bio-fuels used for end energy consumption in the transport sector should also be raised to 10 per cent by 2020. EVN sees itself as being subject to an obligation with regard to these targets and is making a notable contribution to their achievement by Austria through targeted investments in the expanded employment of renewable energy.

Second Amendment to the Austrian Eco-electricity Act

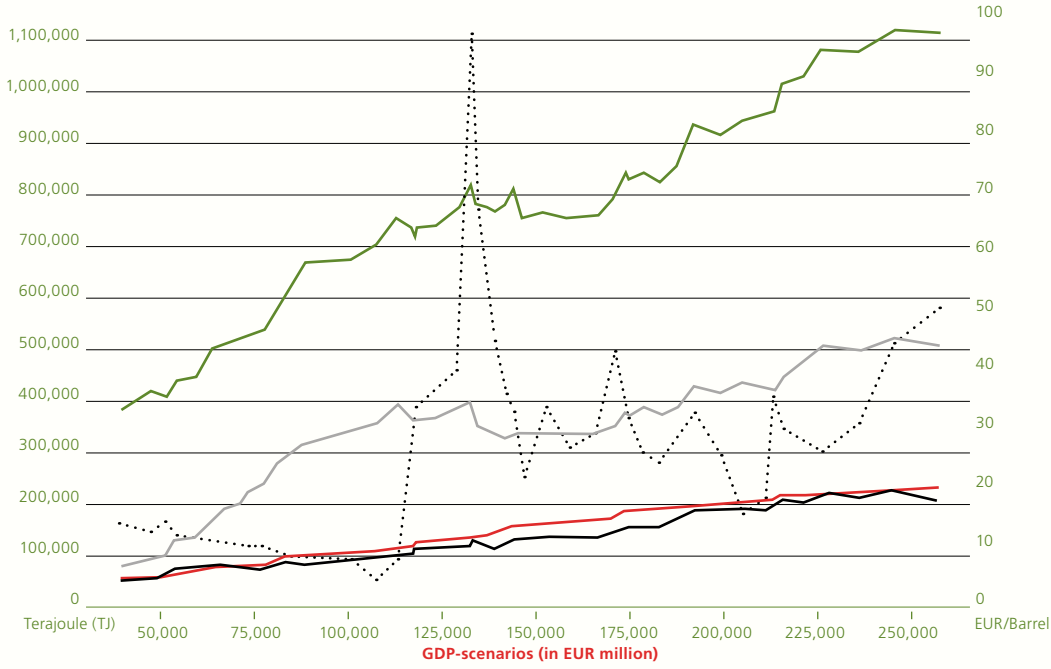
This amendment, which was agreed by the Austrian parliament in July 2008, will take effect at the beginning of 2009 following approval or non-interdiction by the European Union. Major changes are planned regarding the amount and type of support and the required prerequisites. The share of eco-electricity in the power supply should be increased to 15 per cent by 2015. Production from wind power is to be raised by 700 MW or 1,500 GWh/a, from hydropower by 700 MW or 3,500 GWh/a (thereof 350 MW or 1,750 GWh/a from small- and medium-scale power plants) and from biomass from proven available supplies of raw materials by 100 MW or 600 GWh/a.

Increased energy efficiency

20% reduction in primary energy consumption by 2020

In 2006, the European energy efficiency action plan was agreed, which by 2020 foresees a reduction in primary energy consumption as compared to the reference scenario by 20 per cent. This target is spread over generation, distribution and end consumption. In order to minimize end consumption, guidelines have been formulated not only for the increased efficiency of products and buildings, but also for final energy efficiency and energy services. The EU directive has the objective of raising the levels of energy efficiency in the member states through the expansion of the range of energy services on offer. The intention is to enhance end customer efficiency by 9 per cent by 2016. In addition to the member states, which are obliged to undertake implementation, energy supply companies have also been urged to support their customers with regard to energy saving. The related measures under consideration include moves aimed at keeping end energy demand levels constant or reducing them by means of methods such as low-energy lamps, as well as steps towards the improvement of energy efficiency in buildings, heating and utilities systems, and the employment of more efficient end devices. The authorities must create incentives in this regard and support the development of a functional energy services market. EVN is participating in the preparation of the related implementation guidelines in Austria and sees this as confirmation of the probity of its approach to date with its emphasis on energy consulting and services. Indeed, the company is using the current discussion as an opportunity for an examination of its services portfolio with an eye to expansion.

Energy demand curve in comparison with the development scenarios of Austrian gross domestic product (GDP)[1)]



... Oil prices in 2007 (EUR/Barrel) Oil (TJ) Electricity (TJ) Gas (TJ) Total end energy consumption (TJ)
Source: STATISTICs AUSTRIA, BP

Energy demand trend

Price trend has a massive impact on demand

An analysis of energy demand during the past decade illustrates its elasticity. For example, in spite of an increase in economic performance, the rapid rise of the oil price in the 1970s and 1980s resulted in a stabilization of end energy consumption. A lower price level at the end of the 1980s led to a reversal of this trend with end energy consumption rising in proportion to economic performance. However, the price pressure of recent years has again led to a reversal, although at a high economic level. All in all, the increase in oil prices over the past 40 years has resulted in end consumer energy savings of around 30 per cent.

These fluctuations in energy demand make clear that the initial reaction to an increase takes the form of an immediate shift in habits such as a switch to public transport or a reduction in room temperatures during the heating period. Once these short-term measures have been exhausted, fundamental alterations to demand occur in the shape of a long-term adjustment curve based on technological change and measures such as the insulation of residential buildings.

In ratio to economic performance, end electricity consumption demonstrates no major trend interruptions, but has shown a slight levelling off in recent years. One reason for the general proportionality between electricity and economic performance lies in the high value of electrical energy, as it provides the means for savings from other energy sources. For example, large volumes of conventional heat energy are conserved through the use of minimum amounts of electricity for heat pumps or controlled building

ventilation. Up to the beginning of the 1990s, gas consumption rose because many private households switched to this energy source. However, due to intensified thermal renovation measures and the greatly improved heat insulation of new buildings, as compared to the rise in economic performance of recent years, the share of gas in total energy consumption has dipped slightly.

Georg Reitter
Strategic business unit Energy Procurement and Supply

"In spite of diverse efforts, it can be assumed that energy consumption will continue to rise in the coming years. And against the background of climate protection objectives, the satisfaction of this growing demand represents a major challenge to the energy industry.

However, through entrepreneurial vision and a raising of customer consciousness regarding efficient energy use, it will be possible to attain a high-quality, secure and crisis-resistant supply to customers. Not least, the provision of energy and services to our customers must continue to remain affordable."

"The supply of energy must be affordable for customers"

The aim is an increase in own production coverage from 40–60%

Increase in energy generation capacity

During the 2007/08 financial year, EVN was able to cover some 20.8 per cent of its total sales volume of 19,372 GWh from own generation and electricity sourcing rights (2006/07: 19.1 per cent). Owing to the fact that in Bulgaria and Macedonia virtually no own production capacity of note exists, the figure for Austria increased from 55.9 per cent in the preceding year to 60.9 per cent. EVN has set itself the medium-term target of raising the level of coverage of total sales from own production within the Group to 40–60 per cent with the aim of reducing the dependency on external developments. In order to master the related challenges in the best possible manner, EVN is pursuing numerous strategic approaches and projects:

- An increase in the share of renewable energy in the total volume produced to a third by 2010
- Implementation of the energy concept for the central zone of Lower Austria
- Realisation of national and international power plant projects
- A continuous increase in the efficiency of existing plants and their revitalization

The following represents an overview of the most important projects.

Energy concept for the central zone of Lower Austria

In the coming years, EVN is to implement an extensive energy and climate protection concept, centred on the Dürnrohr power station location, which is divided into a number of projects involving investments in excess of EUR 200 million. In addition to increases in capacity, this spending will result in a reduction in CO_2 emissions and the substitution of coal.

Start-up of Line 3 in autumn 2009

Line 3 of the waste incineration plant

Following a one-year environmental impact assessment, on October 1, 2007 the foundation stone was laid for Line 3 and hence the enlargement of the Dürnrohr/Zwentendorf waste incineration plant. The construction work for the boiler, flue gas cleaning, bunkers and pre-bunkers has already been completed. The preparatory steel construction work for the installation of the boiler and flue gas cleaning system is also on schedule, as is the extension of the rail track for transport purposes. The commissioning of the new line in the autumn of 2009 will raise annual plant capacity from 300,000 t to around 500,000 t of waste. The energy obtained through incineration is already employed for electricity and heat generation in line with the waste to energy principle.

St. Pölten district heating supply

EVN is to complete a 31 km district heating line to St. Pölten by the 2009/10 heating season and thus supply around two-thirds of the town's district heating requirements from Dürnrohr/Zwentendorf. Three sources of heat are to be used, consisting of the waste incineration plant, the Dürnrohr heating power plant and in future, following successful trial operation, the biomass pyrolysis test plant. The use of Line 3 in the waste incineration plant will necessitate the installation of a new steam turbine, which is scheduled to go into operation in the summer of 2009. The utilization of waste heat from EVN's plants will save some 21 m m^3 of natural gas, which to date have been used for district heating in St. Pölten, as well as preventing over 40,000 t of CO_2 emissions per year. Special insulation in the transport line will ensure minimized heat losses. For the realization of this project, the town of St. Pölten has spun off its district heating activities from the St. Pöltener Stadtwerke to form a separate company, in which EVN has acquired a 49 per cent participation.

Biomass pyrolysis test plant

This test plant is being used to examine the possibilities for using biogas as an alternative source of energy for the operation of the power station in Dürnrohr. Biogas is being obtained in a peak load power plant through the pyrolysis of agricultural biomass such as cereal and maize straw in a rotary furnace. The nucleus of the plant is formed by a degasser, which heats the biomass to 450°–650°C (pyrolysis) in a vacuum. The biogas obtained in this manner can be combusted in the power station boiler and depending on the type, the resultant pyrolysis coke can either be used as a biological fertilizer for agricultural purposes or as fuel in a thermal plant. In June 2008, pyrolysis gas was produced for the first time and should the tests prove successful, a pilot plant will be built, which will reach around one-third of the capacity of a full-scale plant. During full operation, 190,000 t of biomass will be used and around 100,000 households supplied with eco-electricity.

Belt transport system

For the transport of fuel from the environment-friendly waterway, a roughly 4km-long encapsulated, overground conveyor belt system will be built from the Danube to the Dürnrohr power station. This bridges the distance between the port and the power station. Based on the assumption that 50 per cent of fuel is transported by boat and then carried from the Danube to the power station by means of a transport belt, savings of 100,000 t of CO_2 are possible.

Supply of around 100,000 households with eco-electricity from biomass (in full operation)

National and international power plant projects

Efficient and low-emission hard coal fired power plant in Duisburg-Walsum, Germany

In November 2006, work started on the completion of Europe's most modern hard coal fired power plant in Duisburg-Walsum, Germany, within the framework of a joint project with Evonik Steag GmbH, Essen. EVN has a 49 per cent holding in this project, which involves investment of over EUR 800 million. Through the use of the latest technologies, such as a nitrogen oxide reduction system, electrofilters for dust removal, flue gas desulphurization systems and higher steam temperatures and pressure, the CO_2 emissions from this power plant will be some 35 per cent lower than the average for power plants in the EU. The aim is efficiency of 46 per cent (detailed and visualized information concerning the technology employed is available under www.steag.de/steagde/film/kwe/vpp-overview.html).

Europe's most modern hard coal fired power station in Duisburg-Walsum (Germany)

During the year under review, apart from standard construction work, which focused primarily on the completion of the 181m-high cooling tower, installation activities concentrated on the boiler (steel construction work, steam generator piping and parts of the flue gas cleaning system) and the coaling plant. The completion of the turbine and the generator by Hitachi in Japan was concluded and supply via the roughly 25,000km ocean route took place in August 2008. Plant start-up is scheduled for 2010 and with this 790 MW power plant, EVN will achieve a marked increase in and further diversification of its production capacity.

Adolf Aumüller, Strategic business unit Generation

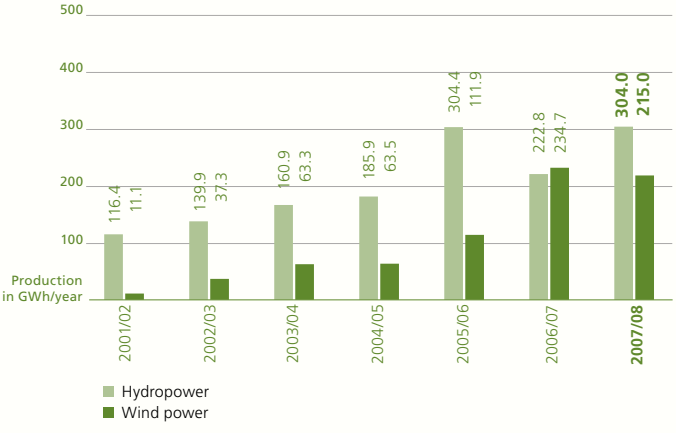
"The optimum and flexible orientation of energy generation capacity demanded by growing demand and limited resources not only requires creativity and technological know-how, but also a calculable framework, which permits economically justifiable investments. EVN has already largely exploited the possibilities for increasing the efficiency of its existing capacity such as small-scale hydropower plants and thermal generation. In addition, renewable energy sources have their limits, no least due to statutory requirements such as water rights and environmental planning. Against this background, we have deliberately created a diversified investment policy incorporating wind and hydropower, biomass and photovoltaics on the one hand and major projects such as a the completion of a highly efficient, hard coal fired power station at Duisburg-Walsum, Germany, on the other. In the current circumstances, we will be unable to renounce fossil fuels in the medium-term without endangering the security of supply. However, we can minimize the related environmental impact through the use of the latest technology and this represents company policy, which applies across the board."

"Security of supply demands diverse energy sources"

Expansion of renewable energy sources

In addition to the objective of making a significant contribution to the implementation of the new Eco-electricity Act, EVN regards a systematic increase in its use of renewable energy sources such as wind, hydropower, biomass and photovoltaics as a climate-neutral possibility for raising its generation capacity. EVN intends to step up the share of these energy sources in its overall production in Lower Austria to around a third by 2010.

evn naturkraft production trend[1)]



1) Since the 2005/06 financial year, including the power plants on the River Kamp

evn naturkraft

The fully-owned subsidiary, evn naturkraft, is responsible for EVN's sustainable electricity production from hydro- and wind power and photovoltaics. With total output of 226 MW, it can already furnish approximately 146,000 households with environment-friendly electricity from these sources. The company operates 68 hydropower plants, sixty in Lower Austria and eight in Styria, whereby the electricity requirements of around 76,000 households can be covered. In addition, the company has a one-third participation in the Nussdorf power plant in Vienna. 66 of the 68 hydropower plants are small-scale in design (capacity <10 MW). evn naturkraft operates 63 windmills in seven wind farms, which on average generate 240 GWh of eco-electricity annually for the supply of 70,000 households. At present, several wind power projects in Lower Austria are in the assessment phase, whereby the amendment to the Austrian Eco-electricity Act has had a negative influence on these plans. In addition, evn naturkraft also continuously evaluates the possibilities for entry into the Central and South-eastern European markets.

In August 2008, an evn naturkraft photovoltaic system with a capacity of 4.5 kW was put into operation in the new kindergarten in the market district of Zwentendorf. This system will feed around 4,500 kWh annually into the EVN network. Moreover, other photovoltaic projects are currently in the development phase, especially in Italy and Bulgaria.

Hydropower plant projects in Albania

In 2007, EVN provided the Albanian government with feasibility studies regarding the construction of three peak load pumped storage power plants on the River Devoll with a capacity of around 320 MW and yearly output of 1,000 GWh. In January 2008, EVN emerged as the best bidder from the subsequent tendering process and the negotiations concerning a licence agreement are soon to be approved by the Albanian government and parliament.

Parallel to this project, the intention is to form a partnership with Verbundgesellschaft for the building of a hydropower plant on the River Drin.

Biomass as a domestic alternative

EVN has been using the renewable fuel biomass, which in overall terms is CO_2-neutral, since 1993. Two-thirds of the municipal district heating supplied by EVN already derives from solid biomass (e.g. chippings and sawmill residues), while the remainder emanates from waste heat, natural, bio- and liquid gas.

EVN Wärme GmbH operates 44 heating plants with biomass and with yearly consumption of around one million piled cubic metres is Austria's largest producer of heat from this energy source. Biomass-fired plant capacity is continually being expanded and is facilitating a steady reduction in CO_2 emissions. Since the autumn of 2008, the Climate Alliance districts of Ternitz, Neunkirchen and Wimpassing are being supplied with natural heat. Biomass consisting of over 60,000 piled cubic metres of wood chips derived from the region is being used to furnish a total of 4,500 households with natural heat and thus prevent roughly 14,000 t of CO_2 emissions annually.

63 wind power units in seven wind farms

Other current projects include:
- The Mittleres Schwarzatal biomass project for 4,500 households (CO_2 savings of 14,000 t).
- A natural heat partnership with the municipal district of Amstetten for the realization of district heating projects in various parts of the town during the coming years.
- A biomass-fired heating plant in Maria Gugging for a new postgraduate university, which for the first time will employ a flue gas steam filter system and wet scrubbing for extremely environment-friendly operation. Start-up is scheduled for March 2009.

EVN wins the "TRIGOS", an award for companies with responsibility, in the Ecology / large companies categories

The award was won by the "Regional use of biomass in standardized local heating modules" project, which was realized for the first time in Korneuburg. In teamwork with internal experts and external partners, a modular plant was developed, which due to a high degree of standardization, allows a short construction period and ergonomic, ecological plant management. Components such as fireproof, reinforced concrete modules (which are also used for prefabricated garages) and transport systems for fuel feeding are employed, which have already become established in the market due to other applications. In this way, available know-how found a new area of employment and the existing, functional concept for the generation of local heating from biomass was significantly further developed. Rights to this system have also been registered with the patent offices in a number of European countries.

Use of alternative vehicle fuels

Increase in the use of alternative fuels in the EU to 20% by 2020

EU transport policy foresees an increase in the share of alternative fuels in overall consumption to 20 per cent by 2020. Half of this rise (10 per cent of total consumption) should be achieved through the use of natural gas and biomethane. In Austria alone, this means that the numbers of gas-driven cars should rise from the current level of around 3,700 to 50,000 by 2010. The related potential for emission reductions is enormous, for as compared to petrol, natural gas causes 80 per cent less CO and 20 per cent less CO_2, thus creating a 20 per cent cut in greenhouse gas potential and a 40 per cent cut in ozone formation potential. In comparison with diesel, the reduction in greenhouse gas potential amounts to 10 per cent and that for ozone formation potential to 80 per cent. Moreover, practically no particle emissions (soot) occur.

Opening of additional CNG filling stations

In order to make an active contribution to the use of this potential for improvement, at the beginning of October 2008, within the scope of the EnergieAllianz, together with Wien Energie and BEGAS, EVN founded Erdgas Mobil GmbH, which is intended to promote the use of natural gas as a fuel in the form of CNG (compressed natural gas). CNG is natural gas that can be dried and compressed for space-saving storage. At the end of September 2008, EVN had four public and two private CNG filling stations. Another seven public filling stations will be opened with partners in the period up to the summer of 2009. Moreover, wherever applications and the range of vehicles available allow, EVN will convert its own fleet to natural gas cars in a multiphase process. During the year under review, 16 additional natural gas powered vehicles were purchased and these will be used primarily during installation and maintenance operations.

16 additional natural gas powered vehicles in the EVN fleet

Parallel to these activities, EVN is co-operating with a number of companies and universities at the Bruck/Leitha Energy Park in a project for the production of biogas and its upgrading to natural gas quality (= biomethane). Biogas is a mix largely composed of methane and carbon dioxide, which results from organic material that has been subjected to oxygen-free fermentation. The purity of biogas is to be raised using a newly developed membrane technology, in order to permit its use as "bio-CNG fuel." The concept developed and proven in Bruck, is intended for implementation at other locations in Lower Austria.

Herbert Stava, Chairman, Bruck/Leitha Energy Park

"The Bruck/Leitha Energy Park has been co-operating with EVN for several years and together with other companies from the domestic energy industry and university bodies has built a biogas plant for the technically and economically viable upgrading of large volumes of biogas.

The quality of biogas, which derives from renewable raw materials and food industry waste corresponds with that of natural gas and in ideal cases is even better. Austria's largest biogas plant has been in full operation since the end of October 2007 and the gas is fed into the EVN network. The teamwork with a large company like EVN is exciting and target-oriented, as in the course of this project the entire biogas value added chain, from generation to use in vehicles is being examined. I also see the next step involving TÜV accreditation of the biogas treatment plant in a positive light."

"The quality of biogas corresponds with that of natural gas and in ideal cases is even better"

EVN Cup 2008 with world record attempt

At the end of August 2008, the 17th EVN Cup was held at the Wachauring in Melk. The EVN Cup is the largest infotainment event in the German-speaking region on the topic of alternative mobility. This year's theme was "Alternative drives in competition" and during the event, EVN offered its guests an opportunity to experience alternative mobility (information, test drives). At the same time, great importance was allocated to road accident prevention and visitors were able to complete a free driving safety training session.

As part of the EVN Cup, the second International Car and Energy Symposium was held jointly with the ÖAMTC Academy and Vienna University of Technology. 250 attendees from both Austria and other countries were provided with presentations on the topics of mobility, climate and alternative drives, as well as an exhibition with CNG, hybrid and electric cars and motorcycles.

An attempt to establish a new world record was used to demonstrate the progress made with regard to the practical use of alternative fuels. During an alternative driven vehicle parade, a chain of cars with road certificates was formed, which consisted entirely of vehicles powered by alternative fuels such as bio-diesel, bio-alcohol, biogas, bio-oil, biomass, biomethane, natural gas (CNG), electricity and hydrogen. Whether or not this was the longest ever parade of vehicles driven by alternative fuels has yet to be confirmed by the Guinness Book of World Records.

EVN Cup 2008 under the motto, "Alternative drives in competition"

Enhanced energy efficiency

In order to make an active contribution to the national and EU targets with regard to a reduction in energy consumption described from page 36 onwards, EVN is pursuing a diversity of approaches, which are subsequently summarized:

Generation	Networks	End users
Increased hydropower plant efficiency	Minimization of network losses, especially in South-eastern Europe	Energy consulting
Increased thermal power plant efficiency	Use of low-loss transformers	Energy services
Construction of highly efficient new capacity		Use of alternative vehicle fuels
Use of waste heat from (industrial) processes		Operational energy efficiency

Refurbishing of the Schütt power plant in Lower Austria

Following a planning and approval process lasting several years, which had the aim of achieving the most environment-friendly completion possible, the authorization required for the refurbishing of the Schütt power plant in Waidhofen/Ybbs was granted in summer 2008. The existing weir is to be replaced by a modern power plant with two new turbines, a weir flap, a bottom outlet and a organism migration aid. Plant performance is to be raised from 180 KW at present, to around 2,000 KW and thus allow the supply of 2,500 households with eco-electricity. Refurbishing is scheduled to commence in 2009 and start-up is planned for the end of 2010. An investment budget of some EUR 9 million has been established.

In order to ensure the thrifty use of energy in its own sphere of influence, during the year under review energy performance certificates were prepared for a number of EVN buildings in Lower Austria. These showed potential for improvement, which now has to be speedily implemented. Selected projects for raising the energy efficiency of production plants will be subsequently established, along with a diverse range of consultative and other services intended to assist customers with a reduction of their energy needs.

Efficiency enhancement of existing plants

In addition to ongoing maintenance and repairs aimed at ensuring smooth operational management, EVN systematically examines its production plants with the goal of identifying possibilities for the achievement of greater efficiency by means of new technologies or process optimization. For example, during recent years the generation capacity of fifteen small-scale hydropower plants was enhanced through technical and operational optimization measures. In the case of existing draw-off power plants, alterations to the type and amounts of water used due to the installation of larger turbines or increased fall heights, are subject to official authorization. In addition, water ecology improvements, in the form of greater residual flows from the weirs and organism migration aids, are prescribed. Such stipulations limit the actually realizable potential for increased generation capacity using renewable energy. EVN has exhausted much of the revitalization potential available in Lower Austria as exemplified by the work on the Kollmitzgraben power plant in 2007. Refurbishing of the "Zwettl am Kamp" and "Schütt an der Ybbs" power plants is planned for 2009/10.

EVN Macedonia owns eleven small-scale, hydropower plants and through their revitalization the company is strengthening national generation capacity and investing in renewable, environment-friendly electricity. Five of the eleven plants have already been refurbished and work on the remaining six will be completed by the end of 2009. For example, during the period under report, the capacity of Pena, the oldest hydropower plant in Macedonia, was raised from 2.5 to 3.3 MW. Matka, which is the second largest EVN power plant in Macedonia, is to be comprehensively enlarged by the end of 2008.

Theiss district heating storage plant

The Theiss regional heat storage plant provides a further example of efficient energy use. The heat produced at the Theiss power station during electricity generation is used for the direct supply of 5,000 households in the Krems area with district heating by means of a 12 km pipeline. Up to now, during power station standstills, natural gas was employed for heat production in the plant's own boiler. However, this production gap has now been closed through the interim storage of previously unused heat from flue gases in a converted, specially insulated tank located directly on the power station site, which was formerly used for heavy oil. The tank offers sufficient room for 50,000 m^3 of water. The heat storage capacity of the tank amounts to 2 million kWh, whereby a single filling is sufficient to cover the annual heating requirements of 300 households. This project facilitates the saving of some 4,000 t of CO_2 annually and provides a considerable increase in the energy efficiency of the Theiss power station.

Comprehensive customer consulting for increased energy efficiency

As an energy supply company, EVN feels an obligation to support its customers during the improvement of their energy balance. For many years the company has prided itself on a role as a competent discussion partner and disposes over a wide range of services and information in this connection. The aim is to achieve reduced energy consumption without any loss of comfort by customers.

Targeted energy saving measures

In the final analysis, energy solutions are only successful when they are optimized from both a technical and economic perspective and are also ecologically acceptable. Lower energy consumption not only reduces environmental impact, but also cuts energy bills. Therefore, in order to provide its customers with energy use that offers maximum resource conservation, EVN offers comprehensive services in the energy saving advice area, as well as individual problem solutions. The following is a related overview:

Energy consulting for households

- Energy consulting hotline
- Free, initial energy consulting
- Building and energy technology consulting
- Heat pumps
- Consulting for the intelligent use of heating and hot water preparation
- Calculations for energy performance certificates
- Air-tightness measurements
- Building thermography

Energy consulting for commercial/industrial companies

- Business Energy Check
- Energy monitor
- Calculations for energy performance certificates
- Plant and building thermography

Energy consulting for local authorities

- District energy check
- Calculations for energy performance certificates
- Building thermography

Selected services are subsequently presented. For further information and practical, quickly implemented and individual tips, EVN energy advisors are available at Customer Centres, or can be reached by telephone via the Austrian consulting hotline 0800 800 333 or energieberatung@evn.at.

Thermography and air-tightness measurement

Especially in the case of older buildings, heat losses can be considerable. Thermography, a measuring process that converts the invisible thermal radiation from a property into a visual image, is used to pinpoint leaks. This means that aspects such as the quality of existing heat insulation, heat bridges and leakages can be identified at a glance.

Differential pressure measurement ("blower door") is a method for the detection of air leaks in building shells. Underpressure is generated using a large blower and on the basis of the resultant airflow volume, the air-tightness of the building adjudged. Both of the methods described serve building quality controls and, in the case of targeted repairs, can save energy.

EVN promotes electricity from photovoltaic systems

A collector area of 30–45 m² is largely sufficient to cover the average electricity requirements of a single-family home. The electricity thus obtained can be employed for own use and be fed into the general network as solar power. Together with a number of local authorities, the Lower Austrian government, is currently offering grants for photovoltaic plants in private households. Since January 1, 2008, EVN has provided supplementary funding of EUR 100 (per kilowatt of installed output) and accepts the surplus electricity for a period of ten years at a guaranteed value feed tariff. This promotion is running in co-operation with selected EVN PowerPartners.

EVN Lighting Service

Together with local partners, EVN currently provides the planning, financing, installation, refurbishing and maintenance of street and floodlighting systems for over 85 district authorities. The aim is an optimization of the energy household in tandem with increased energy efficiency.

Thermography pinpoints heat losses

Sustainability Quiz 2006/07

In the report for the preceding year, readers were invited to demonstrate their knowledge and take part in a prize competition. The prizes consisted of three energy efficiency class A devices. In the autumn of 2008, the winners were selected from around 200 entries and subsequently contacted.

The prize-winning, energy-efficient Rehau company

In the past, the Rehau plant in Neulengbach heating system was based on heavy heating oil and the boiler house was connected to the plant halls and office building by a roughly 140m-long, overground line. In the summer of 2006, a new natural gas fuelled boiler room was installed directly on the company site and the old system disassembled. Rehau integrated a heat recovery system into the existing compressed air system and the waste heat from the compressors is employed for the heating of the office building. This and other measures resulted in annual energy savings of 408,000 kWh and thus a cost reduction of around 30 per cent, which means that investment cost amortization will be achieved in around eleven years. EVN Wärme GmbH completed the new heating control system in a contracting process and the company is also responsible for ongoing support. Within the scope of the klima:aktiv scheme, the use of compressor heat was awarded a prize for energy efficiency.

ClimatePartner

The exclusive sales for "ClimatePartners" in Austria is the EVN affiliate, Allplan GmbH. This offers its customers possibilities for the climate protective, or even climate-neutral design of their activities. The opportunities in this connection are diverse:

- Climate-neutral events, trade fairs
- Climate-neutral building construction and utilization
- Climate-neutral products
- Climate-neutral travel
- Climate-neutral shopping and living

Detailed information is available under www.allplan.at.

As a representative for all other cooks, Florian K. in Wiener Neustadt only uses pots with tightly fitting lids, which saves him up to EUR 30 per year.

"Everyday heroes" – EVN campaign in summer 2008

"We're working on it!" was the slogan of an advertising campaign that took place in Lower Austria during the period under review. EVN saw this as meaning both an assignment and promise to Lower Austria to support innovative, alternative energy generation solutions and thus an efficient energy future. Within the framework of this campaign, during July and August 2008, the topic of energy saving was addressed and made tangible. As representatives for Lower Austria, four energy savers were quite literally provided with monuments. These heroic statues showed clearly how energy can be saved during everyday life by simple measures. The statues were located in four selected town and districts in well-frequented public places. The campaign launch was provided by the EVN Climate Festival for the whole family and visitors used the occasion to obtain information from the EVN Energy Advisors, while at the same time, the Lower Austrian population was requested to send their original climate protection ideas to EVN. The winners and hence true "everyday heroes" received their awards during the EVN CUP in Melk. The best ideas were collated in the EVN Heroes Book, which is available under www.evn.at.

EVN also took part in the "Climate Action Day", which was held on June 5, 2008 at the initiative of the Lower Austrian Environment Secretary, Josef Plank. Guided tours through three plants demonstrated EVN's flexible energy mix and its contribution to climate protection.

EVN Energy Offensive for commercial customers

Since the spring of 2008, EVN and Bartberg Consultancy have been working jointly on the EVN Energy Offensive in Lower Austria. The Bartberg Institute carried out a telephone survey of EVN's commercial customers with electricity consumption of 20,000 – 100,000 kWh regarding energy consumption, efficiency and security of supply.

Support for commercial customers to improve their energy balances

In the case of further interest, a visit by a Bartberg advisor was arranged, in order that the idea of an energy efficiency cluster could be presented. Lower Austrian companies met regularly in order to discuss energy efficiency and savings and to facilitate an exchange of ideas. To date, this approach has convinced 280 companies and these have received invitations to a total of five events at which the cluster model was explained. In future, EVN will no longer be playing an active role in this scheme, but energy advisors will continue to be available as contact partners.

Activities for increased energy efficiency in Bulgaria

Campaigns and prize competitions aimed at raising awareness levels with regard to energy saving were launched in Bulgaria. In addition, the newly opened Customer Relations Centre is on hand with valuable tips. In Plovdiv, in co-operation with the city authorities, EVN has established an Energy Efficiency Office, which should further enhance public consciousness in relation to a thrifty approach to energy use. A solar thermal system has been installed at Plovdiv's largest kindergarten for the supply of heat and hot water. This is the first system of its type in the city and apart from CO_2 savings, will also contribute to a reduction in the kindergarten's energy costs.

Energy saving advertising campaign in Bulgaria

The securing of network quality

In the energy sector, EVN maintains an electricity network with a length of more than 127,300 km, a gas network with around 13,300 km and a heat network extending over 500 km. Network maintenance and ongoing investments in expansion form the basic prerequisites for guaranteed security of supply. In total, during the 2007/08 financial year, EUR 135 million were spent in the electricity and gas network sector in Lower Austria alone for these purposes.

"How will network infrastructure quality and hence the security of supply develop within the current regulatory framework?"

Robert Essbüchl
Strategic business unit Networks

"The quality of EVN's network infrastructure constitutes an important guarantee for ensuring security of supply to our customers. Prerequisites in this context are ongoing investments in system renewal and expansion. The existing regulation models offer insufficient encouragement to invest. Therefore, in spite of benchmark leadership EVN has been compelled to slash its investment volume as compared to previous years. The two major South and West long-distance lines represent exceptions in this regard, as due to their supra-regional importance, they have a separate budget. Naturally, we seek to fulfil environmental protection stipulations to the best of our ability, but even within a regulated framework the related share of total construction costs must also be definable. In order to prevent negative effects on the network and thus supply quality, such aspects must be included in the design of the regulative model."

For example, in Lower Austria work continued at speed on the construction of the 380 kV substation in Theiss and on the 380 kV line to the Etzersdorf switching station. A number of substations and 110 kV lines were brought up to the state-of-the-art and work continued on the cabling programme for lines in the medium- and low-voltage network.

Removal of transport bottlenecks through network enlargement

In mid-2007, the E-Control Commission approved the 2007 long-term planning for the East Control Zone, which includes all the Austrian federal provinces with the exception of Tyrol and Vorarlberg, up to the gas year 2030. As a result of the long-term plans prepared by the regional zone management company AGGM (Austrian Gas Grid Management) and the conclusion of a number of multilateral agreements, supra-regional network expansion was secured in Lower Austria (EVN Netz GmbH and OMV Gas GmbH) and Styria (Gasnetz Steiermark GmbH). In the coming years, EVN Netz GmbH will thus strengthen its high-pressure systems in a southerly and westerly direction and this network expansion will alleviate transport bottlenecks in southern Austria. At the same time, long-distance network consolidation will facilitate full capacity operations at EVN's power plants. Due to the already extensive degree of area supply coverage, in the medium- and low-pressure areas only the few remaining individual connections to urban areas remain outstanding.

Major investments in South-eastern Europe

Investments were made in Bulgaria in network quality and meter technology, while during the year under review, investments in the Macedonian electricity network continued as planned. In addition to expansion of the network on various voltage levels, the focus is on the completion of transformer and substations. (further information is available under "Markets and Customers" from page 14 onwards).

Ongoing investments in the EVN line network

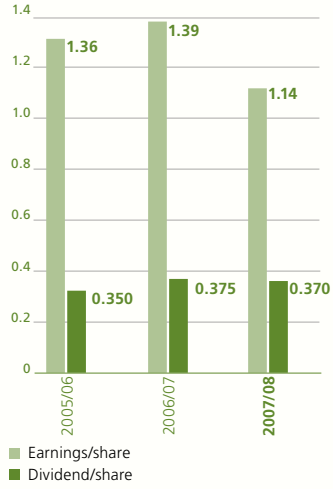
Economic background

For EVN as a listed company, the most important economic objective is a sustained increase in corporate value. With the process of internationalization launched in preceding years and the establishment of the Environmental Services segment, important steps have been taken towards regional and segmental diversification and this orientation is evident in sales generation during the 2007/08 financial year. Of total sales amounting to EUR 2,397.0 million, 36.5 per cent (2006/07: 37.3 per cent) were obtained outside Austria in the markets of South-eastern, Central and Eastern Europe.

The pattern of EVN's operating result in the energy segment is largely dependent upon weather influences and energy sourcing prices. Moreover, in the environmental sector, clearing fluctuations caused by large-scale projects also have to be accounted for. In total, during the 2007/08 financial year, EVN attained EBITDA of EUR 362.3 million, even though the energy sector market was extremely challenging and the major projects of the preceding year in the Environmental Services segment were not entirely compensated by follow-ups. As a consequence of a fall in the financial result and tax expenses totalling EUR 5.6 million, a consolidated result for the financial year of EUR 186.9 million remains for the year under report, following EUR 227.0 million in 2006/07.

EVN's balance sheet structure with an equity ratio of 48.3 per cent (2006/07: 48.1 per cent) can be described as stable and at 35.3 per cent, gearing as the ratio between net debt and equity was markedly lower than the branch average.

Earnings and dividend per share in EUR[1)]



1) Values 2005/06 and 2006/07 adjusted for share splitting in a 1:4 ratio.

A value-oriented investment strategy

EVN uses Economic Value Added® and the return on capital employed (ROCE) for the assessment of the value development of its operative business. On this basis, all investment decisions are measured in relation to their effects on sustained value contributions. Cash flow is not only employed to the benefit of shareholders, but also investments for additional value added. During the 2007/08 financial year, a total of EUR 415.6 million was invested and EVN is facing the challenges in its markets with ongoing and planned projects for increased production capacity in the central zone of Lower Austria and South-eastern Europe, and the intensified use of renewable energy sources. In addition, efforts aimed at raising efficiency and cutting costs should secure continuing earnings development in the years to come.

For the assessment of value added development and profitability

Overall economic position of EVN

EVN's business activities produce direct and indirect macroeconomic effects and contributions. The most important of these are subsequently summarized, whereby a description of the multiplication effects for the economy at large has been omitted.

- **Public sector** EVN contributes income tax of EUR 5.6 million as a contribution to the fulfilment of public tasks. EVN does not receive financial support from the public purse. Where individual, material laws foresee possibilities for the claiming of grants, as exemplified by the Eco-electricity Act, EVN ascertains if the proper prerequisites exist and where appropriate, applies for the funding available.
- **Employer** During the year under report average workforce numbers totalled 9,342 including 78 apprentices. Personnel expenses amounted to EUR 304.4 million (some 12.7 per cent of sales).
- **Investor** EUR 415.6 million, which was 49.7 per cent more than in the preceding year, was spent on the expansion of network infrastructures and production capacity both in Austria and other countries.
- **Customer** EUR 1,657.6 million, 9.7 per cent more than last year, was spent on materials and services (primarily energy sources and maintenance).

Sustainability orientation for sourcing

Sourcing procedures subject to statutory regulation

The Lower Austrian government has a 51 per cent interest and thus a majority holding in EVN AG via Niederösterreichische Landesbeteiligungsholding GmbH. For this reason, most of EVN's subsidiaries belong to the essential supply sector or public sector customer group and are therefore subject to both the Austrian federal law on tendering and Lower Austrian tendering control legislation. Through total adherence to these legal statutes, EVN guarantees its suppliers adherence to basic freedoms within the EU and the ban on discrimination.

Gradual implementation of CSR criteria in a project lasting several years

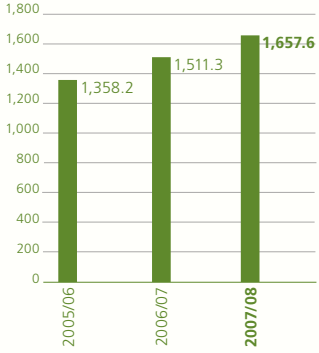
Should the value of an order exceed a defined materiality limit, an operational directive prescribes that the related procedures are to be handled by the central Group Sourcing and Purchasing Department. The responsible specialist department then carries out an evaluation as to whether a product or a service corresponds with the given qualitative and ecological criteria. On the basis of its expertise, the department determines which products are to be used and establishes this in detailed documentation and technical descriptions that contain quality criteria and environmental, work safety and security aspects.

In a multi-phase project, specialist departments are currently being assessed with regard to the CSR conformity of their tender specifications, purchasing and sourcing descriptions. A revision of the tendering specifications for earthmoving and construction work with regard to the general and special legal framework is also in progress, while the audit form used for external services is being expanded to included CSR criteria. These have already been implemented for the sourcing of advertising, work clothing, foods and computing equipment. This means that for example the suppliers of work clothing must provide proof of the certification of their production facilities, in order to exclude the possibility of the use of child labour or breaches of human rights. In the case of foods, attention is paid to seasonality, regional origin and fair trade sources.

Transparent ordering in Bulgaria and Macedonia

The sourcing activities of the subsidiaries in Bulgaria and Macedonia take place independently with the support of Group headquarters in line with a directive based on an Austrian model. Here, too, the medium-term aim is to introduce practices in line with defined CSR criteria. In the years following integration, the task in both countries was to fundamentally reorientate purchasing practices and where technical standards allow, use the market synergies available. The awareness levels of employees with regard to the necessity for a transparent order allocation system have been successfully heightened and this has been supported by the introduction of the dual control principle for sourcing decisions. A new mission statement was drawn up for purchasing staff and was then presented and implemented in the course of a workshop. It is also planned to introduce a code of conduct for suppliers in the coming financial year, which will take the form of purchasing conditions and be an integral part of every order. This should ensure that basic CSR values are realized in South-east Europe's sourcing markets.

Cost of materials and services in EUR m



Employees

EVN sees the qualifications and commitment of its 9,342 employees as constituting a stable basis for corporate success. Accordingly, the company is more than ready to invest in ongoing schooling and further training, safety measures and the implementation of modern managerial instruments.

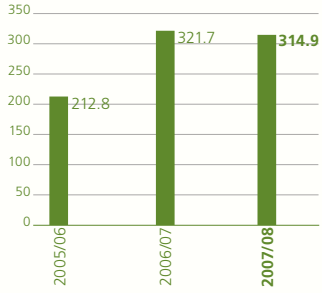
Employee qualifications and motivation as a success factor

Know-how as a success factor

Ongoing schooling and further training

With total expenditure of around EUR 2.9 million, EUR 314.9 per employee was spent on further training measures. The marginal fall of 2.1 per cent as compared to the preceding year can be explained by the expiry of focal point activities in the management development sector in Austria and similar events in Bulgaria and Macedonia. The average time spent at further training events amounted to some 11.4 hours, which when extrapolated for the EVN Group, adds up to 105,765 training hours, or 13,308 days. In addition to computer training and specialist seminars, a further focus of the further training programme lay on behavioural coaching, aimed at further enhancing social skills with regard to customers and fellow employees.

Average training budget per employee in EUR



During the determination of educational needs, since 2005 Group education officers have acted as an interface between employees, their superiors and Human Resources. The officers co-ordinate all internal and external qualification measures within their respective areas.

Education officers co-ordinate further training activities

In order to ease entry to the company for new recruits, they are assisted by an experienced employee within the framework of a mentoring system. This facilitates the rapid understanding and utilization of procedures and working requirements, and enables new employees to become quickly acquainted with the company's corporate culture.

PEP – Personal Effectiveness Programme

Since 2005, starting with EVN Netz GmbH, practice-oriented training programmes have been held for both employees and managers. The aim is the improvement and fine-tuning of personal working techniques in order to generate increased job satisfaction, efficiency and effectiveness in the office workplace.

Improved personal working methods through PEP

Through a wealth of tips and tricks for the office, PEP leads to greater "order" in every sense and hence greater satisfaction levels among all those involved. Employees, the company itself and customers all profit when every action is correct, data is quickly found and concerns can be dealt with in minimum time.

To date, around 1,100 employees have been trained in Lower Austria and further programmes are planned for the current financial year. A continuous improvement programme (CIP) also serves to provide the long-term stabilization of the improvements attained.

International know-how transfers

Further training focus in the work safety and sourcing areas

During the past financial year, the integration of the Bulgarian and Macedonian subsidiaries was systematically pursued in a process in which the development of a common corporate structure based on uniform Group principles plays a significant role. As in Lower Austria, the "Always at your service" claim is again the number one priority. Therefore, in order to secure high educational standards, two local training facilities have been founded in the shape of the EVN Bulgaria Academy and the EVN Macedonia Academy and their range of instruction is continually being expanded with the support of personnel from Lower Austria. The work safety and sourcing areas form the initial focal points of the academies. In Bulgaria, customer-oriented communications, behavioural seminars and specialist training have also met with a positive response. Moreover, Customer Center managers have attended employee management seminars and communication training.

In Macedonia, employees lacking full technical qualifications are being offered the chance to receive thorough training as electrical fitters via an adult education programme. Seventeen employees have already seized this opportunity. In addition to these points of emphasis, linguistic training in English and German, and computing courses, are offered at company headquarters and the range of training is to be gradually expanded further.

In September 2008, 22 apprentices commenced electrical fitter training at EVN Netz GmbH.

Commercial Group Forum and Energy Group Forum

As a supplement to the Group Day held in the 2006/07 financial year, during the period under review events were held for both the commercial and energy areas with the aim of achieving further integration and an exchange of ideas. The meetings were attended by employees from the commercial and energy departments at all the Group's subsidiaries and in future, will be held on a yearly basis, in order to supplement their professional aspects with a strengthening of teamwork.

"Careers with apprenticeships" at EVN

In order to cover the need for qualified specialists from its own resources and as an expression of its sense of responsibility, EVN traditionally allocates major priority to apprentice training. In September 2008, 22 apprentices were able to commence training as electrical fitters at EVN Netz GmbH, which meant that at the end of the 2007/08 financial year, a total of 74 young people were receiving a thorough professional training at EVN Netz GmbH. In addition to the dual educational system, consisting of vocational school and work at the company, the educational range is rounded off by supplementary courses and seminars. In order to promote interdisciplinary qualifications, EVN also supports double and multiple qualifications, such as gas and heat engineer apprenticeships. All in all, over 600 employees, who constitute more than 40 per cent of the EVN Netz GmbH workforce, possess several qualifications.

EVN regards the fact that, following the end of their training, the overwhelming majority of apprentices choose to remain at the company, as confirmation of its performance-oriented corporate culture. Of the roughly 130 apprentices, trained at EVN since September 1, 1999, over 90 per cent have been taken into full employment. Integration following the end of the apprenticeship takes place in a mixed age group team under the surveillance of "young fitter mentors", who assist the young employees with the implementation of their know-how in day-to-day working. The fact that a career with an apprenticeship is actually possible at EVN is evidenced by numerous managers both in Austria and other countries, who started their employment at EVN as apprentices and following extra occupational training, now hold leading positions.

Youth councillors

With the appointment of youth councillors, apprentices will also be given a voice in the Works Council. The intention is that the concerns of the apprentices are heard at Works Council level. In autumn an event was held for the youth councillors during which, among other issues, they received instruction on labour legislation topics.

"EVN offers its apprentices the possibility for training in several professions. Through motivation, commitment and prudence, apprentices not only have access to extensive areas of activity, but also interesting career opportunities within the company."

Othmar Strasser started his apprenticeship as an electrical worker in the newly built training workshops in 1965 (third from the right in the photo above). Since then, his professional career has been characterized by continuous learning and related success. As a result of his additional qualifications, which include a master's certificate in electrical engineering, graduation from night school at a higher technical college for electrical engineering and a certificate in case/sanitation engineering, Othmar Strasser has progressed from working as a fitter and being an area specialist, to his current post as head of the EVN Customer Center in Melk.

The historical photo was provided by the EVN archive, which stores company information that can be provided for publications, exhibitions and research purposes. For more information please contact Georg Rigele under evn.archiv@evn.at.

Managerial employee furtherance and development

Start of management training in Bulgaria and Macedonia

In view of increasing company internationalization and an environment characterized by growing competition, the furtherance of key and managerial employees is a special EVN priority. In spring 2006, comprehensive managerial staff training commenced, which is planned for a period of two years and involves around 140 employees. Within the scope of this programme, trainees undergo a total of nine training days, aimed at enhancing their managerial skills, social competence and powers of employee motivation. In Bulgaria and Macedonia, a comparable, two-module programme has been launched, which has been attended by 147 departmental and 116 Customer Center managers. In 2009, this programme is to be extended to include other management levels.

Training for key employees

A further cornerstone of EVN's further training strategy is formed by the furtherance of trainee managers, experts and project managers. The aim is prepare selected employees for the medium-term assumption of managerial and expert assignments and the use of internal career opportunities. Some 130 employees took advantage of this training offer in both the past and current years. In addition, EVN also supports qualifications such as MBA programmes.

At the beginning of July 2008, a trainee programme was initiated in Macedonia, which provides eleven university graduates with a way in to professional life. Within 18 months, the trainees pass through seven departments, from Sales to Network Engineering, and thus become acquainted with both the professional complexity and multifarious development possibilities inherent to EVN.

Feedback and objective agreement discussions as motivation

Since the 2007/08 personal feedback and objective agreement discussions have been held between the managers from the top three management tiers in Bulgaria. On these occasions, employees not only receive a response concerning their work to date, but also future professional and personal targets are planned and the possibilities for further development discussed.

Demographic change

Measures to support older employees

One important factor in EVN's employee strategy is formed by consideration of the age structure and its related future challenges. At present, EVN employees have an average age of around 43, which will rise further due to an increase in the statutory retirement age. Against this background, EVN attaches special importance to further training for older employees and also offers the possibility for age-related, part-time working. By the end of 2007/08, 72 employees had taken advantage of this scheme.

In order to counteract the demographic change in the workforce and as a response to the fact that almost two-thirds of employees are over forty, in recent years EVN has raised its apprentice numbers. Experienced apprentice trainers and specialists work closely with the youngsters in mixed age group teams, which ensures the transfer of expertise to the next generation.

Voluntary social benefits in Lower Austria

One-week paternity leave for fathers

Full additional social benefits such as supplementary health insurance and a pension fund are available on an equal basis to all personnel belonging to the employers paying contributions (EVN AG and EVN Netz GmbH), irrespective of age, gender and the extent of employment.

In addition, employees and their families can holiday in selected locations at favourable conditions. Moreover, the employees in Maria Enzersdorf also have the highly popular opportunity of obtaining vouchers from the Works Council, which allow cheaper shopping at Austrian chain stores.

Last, but not least, since the summer of 2008, all family fathers at EVN AG and EVN Netz GmbH can claim a week's paternity leave following the birth of a child.

"Youth with a Future" in Bulgaria

In the summer of 2008, 39 students with an interest in a career in the energy sector took part in the "Youth with a Future" trainee programme in Bulgaria.

Human resources marketing

For many years, EVN has used co-operations with universities and colleges of applied science, to exploit the possibilities offered in Austria at career information fairs, in order to establish a positioning as an attractive employer. During the 2007/08 financial year, the company also took part in comparable events at the Sofia University of Technology and the technical careers fair in Skopje.

In Austria, among other institutions, EVN supports both the Vienna and Graz Universities of Technology. Every year, numerous students complete practical training at the company, or co-operate with EVN or one of its subsidiaries with regard to their academic work. In the year under report, teamwork was launched with the University of Plovdiv and each year, over 200 trainees are offered temporary vacation employment, in order to furnish them with practical insights into the diverse world of work at EVN, while simultaneously building bridges to potential employees of the future.

Work safety and health

EVN's corporate culture and sustainability strategy is also lent expression by a comprehensive occupational medicine management system. Employee performance and motivation are promoted and health consciousness actively enhanced. For the intensification and consolidation of initiatives in the health field, a binding internal directive has been drawn up via which EVN undertakes an obligation to complete extensive health support measures.

In this connection, the extended preventive medicine examination, which incorporates comprehensive consulting regarding personal habits and risk parameters, is worthy of special mention. During the 2007/08 financial year some 130 examinations of this type were completed by employees from EVN AG and Netz GmbH. Advice and psychological consulting are available to employees subject to psychological stress and extreme situations. Moreover, a diversity of fitness and sports programmes are sponsored, particularly with regard to the EVN Culture and Sports Club (KSV). The range of these employee activities, which have a long tradition, extends from curling, football, tennis, gymnastics, running and chess, to sailing, fishing and swimming. Flying, golf, bodywork, fitness room training, spinal gymnastics, diving, table tennis, walking and winter sports are also part of the KSV programme, which enjoys enthusiastic employee support.

First aid programme implemented

In recent months, over 70 employees in Lower Austria received first aid training during regular courses, which are available to the entire workforce. Moreover, in the 2007/08 financial year, a first aid programme, aimed at enlarging helper capacity in this area was also implemented at company headquarters. The related processes and information procedures were clearly defined with the assistance of the company physician and the first aid team, and the range of equipment enlarged. In Bulgaria and Macedonia, some 800 and 1,200 employees respectively were trained as first aid helpers.

Enhanced work safety in Bulgaria and Macedonia

During the integration of the subsidiaries in Bulgaria and Macedonia, apart from standardization and the upgrading of protective equipment, a major focal point is constituted by the raising of consciousness levels with regard to the personal approach of employees to work safety. An extensive purchasing programme for protective equipment has been launched, which involves the phased, but rapid, introduction of 0.4 kV and 20 kV earthing and short circuit sets, 20 kV insulation rods, 20 kV voltage testers and insulated tools. At the same time, business directives for safe working have been drawn up, which also incorporate national statutes. Personnel training for working with current, forms another point of emphasis and up to the end of September, around 570 employees have received training at the EVN Bulgaria Academy, while in Macedonia, training will commence during the 2009 financial year. The creation of a training ground and a work safety educational path are also planned for Macedonia, where as compared to 2006, a 70 per cent reduction in accident levels was achieved in 2007.

Constant improvements in work safety

Extensive activities from preventive medicals to sport

Training of employees as first aid helpers

Employee safety is the no.1 priority

Work safety awards

Work Safety Oscar 2007

On February 8, 2008, once again all the Lower Austrian units with an accident rate of below one (less than one accident per 100 employees) during the past year were honoured. In this way, EVN recognizes the commitment shown by its personnel with regard to working accident prevention and also underlines the importance of every initiative in this area. During the award ceremony, Peter Layr from the Executive Board stressed both the outstanding performance of the employees present and the fact that good and efficient work planning also has a favourable influence on accident figures.

Equal opportunities and the work-life balance

EVN has undertaken to implement the principles of the International Labour Organisation (ILO) and the UN Global Compact. In addition, EVN is expressly committed to the joint declaration issued in June 2003 by Eurelectric and EPSU/EMCEF concerning equal opportunity and diversity.

Measures to improve the compatibility between professional and family life in Lower Austria:

- Flexitime without core time
- Part-time working
- Flexible working following parental leave
- The "Dad Week"
- Open Days
- Culture and Sports Club (KSV)

The furtherance of the compatibility of professional and family life is an expression of a responsible approach to the workforce and is also important from a company policy perspective. EVN AG and Netz GmbH endeavour to meet individual employee needs through flexible working hours, part-time models and the support of employees during part-time, parental leave. For example, in addition to statutory parental leave, the possibility exists for prolonged child care up to the age of three with guaranteed job reinstatement. Moreover, in order to ease the return to work, contact is maintained with employees throughout the parental leave period. As an alternative to full parental leave, parents can also choose to work part-time and thus adjust working hours to their personal needs. This model is also suitable for the recommencing work after parental leave. As a result of these individually designed solutions, more than 80 per cent of parents return to employment following such periods of leave and between 1998 and 2008, only eight employees left the company due to related circumstances.

Flexible working models

EVN first introduced a flexitime model for its employees in Lower Austria as early as 1999. Basically, this was a sliding time scheme, which allowed the free design of working hours by all employees, except where this is excluded due to operational requirements (e.g. shift working). The introduction of flexitime models plays an especially important role with regard to the professional furtherance of women. After co-ordination, the number of working hours is established and in addition, depending on company needs, a return from part-time to full-time working at the request of the employee is also possible.

Integration of people with special needs

EVN regards the integration of persons with special needs into professional daily life on an equal footing, not only as a social obligation, but also a contribution to the raising of awareness levels among the entire workforce with regard to the needs of the handicapped. During the 2007/08 financial year, EVN AG and EVN Netz GmbH employed a total of 60 persons with special needs, who represented 3 per cent of their respective workforces. Furthermore, EVN allocated orders worth over EUR 300,000 to sheltered workshops and thus made a further contribution to the employment of the handicapped.

Employee job satisfaction – (even) better as a team

88% of employees confirm great job satisfaction

As part of its efforts aimed at maintaining a constant and also critical employee dialogue, this year EVN in Lower Austria took part in the respected "Great Place to Work®" survey, which reviews job quality from an employee perspective.

EVN was ranked 33rd among the 60 participating companies and in the overall ratings, 88 per cent of employees said they were extremely satisfied with their jobs. The vast majority were proud of their work, the team and the company in general.

Nonetheless, as compared to the top 25 employers, there is clear potential for improvement with regard to credibility, respect and fairness. Therefore, as a next step, workshops will be held in all organizational units, in order to jointly define improvement potential and implementation measures.

Ongoing employee dialogue

Ongoing employee involvement

The EVN executive management regards to the constant involvement and information of the workforce with regard to strategic decisions and operative developments as an important means of encouraging identification with the company. The information flow is secured by a regularly published employee journal, information via the Intranet and up to the minute news bulletins.

Important corporate decisions are reached transparently in line with the EVN management mission statement, on the basis of the relevant mandatory stipulations and with the involvement of employee representatives. This applies equally to strategic decisions and changes and adjustments in the personnel sector. The maxim, "Conviction before compulsion" prevails in all matters relating to the social partnership within the company. Works councils not only exist within EVN AG, but also all the large Group companies. All in all, over 90 per cent of the workforce are represented by works council delegates or trades unions and protected with regard to collective wage agreements, pay scales and statutory minimum wages.

The works councils are represented both on the Supervisory Board and in the Advisory Board for the Environment and Social Responsibility. In order to further the integration of the subsidiaries in South-eastern Europe, a European Works Council has been created, which is primarily intended as a platform for communications and mutual understanding. Elections to this body took place on September 12, 2007 and it now contains three representatives from both Austria and Bulgaria and one from Macedonia. In the meantime one presidium meeting has been held, along with conferences with the Executive Board in Sofia and in Macedonia.

Conference of the European Works Council in Skopje on October 24, 2008

Outlook

In the course of a CSR workshop, the CSR network officers from all areas of the company drew up a new list of objectives. In addition, the CSR advisory team continually gathers ideas for inclusion in the programme of CSR measures. The subsequent programme was presented to the Board and approved. At least one measure was established for each target and a responsible person appointed for completion. Where necessary, working groups were formed in order to ensure that objectives are attained. The working groups report their results to the CSR advisory team.

Many of the targets reported in the last Sustainability Report were attained in the course of the year under review. This report contains detailed information concerning activities and the fulfilled objectives. An overview of the programme of measures and the implemented targets and measures is available on the Internet under www.responsibility.evn.at.

Status	Objective	Measures	Milestones/Deadline
General targets			
Ongoing	Binding code of behaviour for the entire EVN Group	Co-ordination of the finished draft with the specialist departments	Sep 09
Ongoing	Reporting according to GRI	Interpretation and increased proof of indicators from the GRI Electric Utility Sector Supplement	Sep 09
Ongoing	Sustainability controlling	Implementation of the measures proposed by Internal Auditing (determination of benchmarks, preparation of a risk matrix and ex-post CSR measure controls, planned-actual comparison of the CSR budget)	Sep 10
Social dimension			
Ongoing	Raising of awareness levels within the Group	Training of the CSR network officers during workshops, presentation to the management team and Customer Centre managers, training for the waste managers	Sep 09
NEW	Interpretation and raising of awareness levels with regard to the significance of human rights to the Group	Internal sensitization through expert presentations and training	Sep 09
Ongoing	Constant dialogue with all stakeholders	Concretization and discussion of the already finished stakeholder concept	Sep 09
Ongoing	Improvement in employee job satisfaction and identification with the company	Realization of the insights derived from the „Great Place to Work®" survey	Sep 09
		Introduction of feedback discussions	Sep 10
NEW	Enhanced safety during the use of electrical power	Instruction in kindergartens and schools in Lower Austria, enlargement of the existing school service in Macedonia, pilot school service projects in Bulgaria	Ongoing
NEW	Use of gender-neutral language	Implementation of gender-neutral formulations in external and internal written communications	Ongoing
Economic dimension			
Ongoing	Sourcing according to criteria in line with CSR	Evaluation of tender specifications in the construction sector, the general purchasing conditions and the special statutory frameworks according to CSR criteria	Dec 08

Status	Objective	Measures	Milestones/Deadline
Ongoing	Supplier evaluation according to CSR criteria	Selection of companies according to best practice, extension of the sourcing criteria in order to improve technical quality and safety	March 09
Ongoing	Enlargement of economic viability models to include quantifiable sustainability aspects	Enquiries in the specialist department and formation of a working group	Sep 09
Ongoing	CSR company platform and exchange within the framework of external CSR events	Support of co-operation with other sustainability-oriented companies and external communications	Sep 10
NEW	Collation of all environmental costs in the Group by means of a fair source-based allocation to cost centres	Evaluation of operational environmental costs pursuant to the international guidance document "Environmental Management Accounting" of the International Federation of Accountants (IFAC)	Dec 10

Ecological dimension

Ongoing	General mobility management	Promotion of the use of natural gas powered vehicles, as well as other alternative drives, building of seven gas filling stations via Erdgas Mobil GmbH	Sep 09
Ongoing	Efficient operational mobility management	Ecologization and avoidance of commuting, the assessment of alternative drives for company vehicles, encouragement of video conferences	Sep 09
Ongoing	Optimization of the use of resources in the workplace	Modification of the WC systems (equipping with water-saving armatures and motion sensors), reduction in paper use through simple filing and increased electronic filing Determination of the current situation for the evaluation of further measures	Ongoing Sep 09
NEW	Emission savings with regard to EVN publications and events	Climate-neutral AGM and printing of the Annual, Sustainability and Quarterly Reports	Ongoing
Ongoing	Energy-efficient construction	Pioneering role with regard to energy-efficient buildings through the completion of a Customer Center in Primorsky, Bulgaria (start of construction: Oct 2009)	Sep 12
Ongoing	Raising of awareness levels among customers and employees with regard to the conscious use of energy	Information through energy saving campaigns, brochures and tips on the homepages in Bulgaria and Macedonia	Sep 09
NEW	Bird protection in Bulgaria and Macedonia	Securing of stork nests to prevent electric shocks (joint project with Bulgarian bird protection organizations already in progress; project in Macedonia to commence at the end of 2008)	Ongoing
NEW	Operational environmental protection in Bulgaria and Macedonia	Creation of an environmental auditing documentation system in Bulgaria Creation of an environmental auditing documentation system in Macedonia	Dec 09 June 10
NEW (EMAS-target)	Reduction of CO_2 emissions from local heating plants	Conversion of five local heating plants from oil to gas and the modification of an oil-fired local heating plant to district heat in the Korneuburg and St. Pölten areas	Sep 09
NEW (EMAS-target)	District heating network optimization	Minimization of district heating network losses by checks on the leak warning system in Waidhofen/Ybbs and Gföhl	Sep 09

Facts & Figures

In line with a policy of providing transparent information to its stakeholders, EVN has drawn up those fact and figures, which are important to a comprehensive overview of its business activities, and in particular clarify developments in the ecological and social spheres.

The following published collation of the most significant facts and figures is oriented primarily towards the guidelines of the Global Reporting Initiative (GRI). Many of the indicators have already been referred to in the text, while others, particularly statistics, will be dealt with subsequently. A detailed index of the GRI indicators, together with the numbers of the pages on which the respective indicator is discussed, can be found on the back cover flap.

The registration of key indicators of relevance to the GRI is continually being expanded and work is continuing on further developments aimed at comprehensive environmental reporting, especially among the subsidiaries.

Key economic indicators[1)]

EC div – business performance

Key operative indicators/sales trend

		2007/08	2006/07	2005/06	2004/05	2003/04
Electricity sales volumes	GWh	19,372	18,043	15,641	11,342	6,164
Gas sales volumes	GWh	6,759	5,603	7,580	7,035	7,319
Heating sales volumes[2)]	GWh	1,362	911	1,067	1,033	967

1) Financial year from October 1 to September 30; financial indicators according to IFRS
2) From January 1, 2008 including heating sales in Bulgaria (TEZ Plovdiv)

Key financial indicators

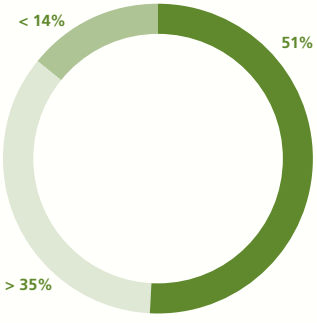
		2007/08	2006/07	2005/06	2004/05	2003/04
Revenue	EUR m	2,397.0	2,233.1	2,071.6	1,609.5	1,207.3
EBITDA	EUR m	362.3	350.7	397.4	335.2	297.6
Results from operating activities (EBIT)	EUR m	166.6	197.3	184.4	131.0	114.6
Profit before income tax	EUR m	235.5	287.4	304.9	186.2	135.9
Group net profit	EUR m	186.9	227.0	221.9	144.4	117.4
Return on equity (ROE)	%	7.4	9.0	10.6	8.2	8.7
Equity ratio	%	48.3	48.1	47.1	48.2	41.7

Key share indicators[1)]

		2007/08	2006/07	2005/06	2004/05	2003/04
Earnings per share	EUR	1.14	1.39	1.36	0.88	0.77
Dividend per share	EUR	0.370[2)]	0.375	0.350	0.288	0.238
Share price at the end of September	EUR	14.99	22.63	20.90	18.75	10.38

1) Proposal to the AGM
2) Previous years´ values adjusted for share splitting in a 1:4 ratio.

Shareholder structure

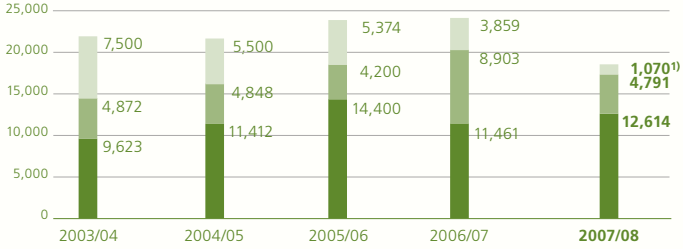


NÖ Landesbeteiligungsholding GmbH 51%
EnBW > 35%
Free float < 14%

Network lengths – energy

		2007/08
Electricity	km	127,294
Gas	km	13,250
Heating	km	540

EVN Info Centre visitor numbers



AVN waste incineration plant
Ottenstein power station
Theiss power station

1) Owing to full operation during the enlargement of the waste incineration plant and the construction site, only a limited number of visitors could be received.

Key ecological indicators

EN1, EN2 – materials

Primary energy consumption of EVN power stations and district heating plants[1)]

		2007/08
Fossil fuels[2)]	Terajoule	24,703
Biomass	Terajoule	2,033

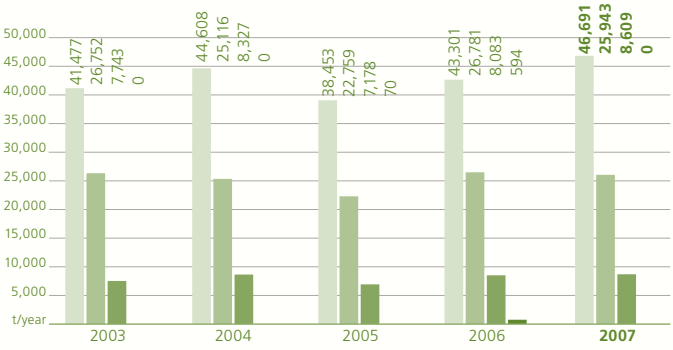
1) Excluding Bulgaria
2) Natural gas, hard coal, heating oil

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

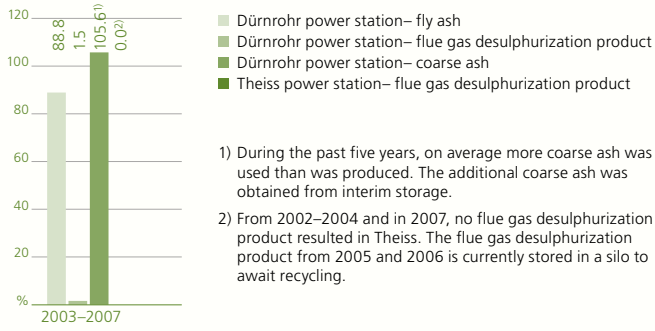
		2007/08
Power cable	km	1,420
Gas pipes	km	168
Heat pipes	km	16

For technical reasons, few recycling materials are used for the main components.

Ash and flue gas desulphurization product volumes



Average utilization levels 2003–2007



1) During the past five years, on average more coarse ash was used than was produced. The additional coarse ash was obtained from interim storage.
2) From 2002–2004 and in 2007, no flue gas desulphurization product resulted in Theiss. The flue gas desulphurization product from 2005 and 2006 is currently stored in a silo to await recycling.

EN div – water/wastewater

EN8 Withdrawal of water in Lower Austria 2007/08

Location		Drinking water volume	Source	Process water volume	Source
Power stations	m³/year	22,149	Primary municipal suppliers	1,078,201	Primary ground water
District heating plants	m³/year	99,605	Municipal suppliers	48,161	Primary municipal suppliers
Head office and customer centres	m³/year	42,255	Municipal suppliers	33,894	Primary ground water

EN9 Water sources affected by water withdrawals

As a rule, EVN plants receive water from municipal suppliers and ground water wells. The cooling water throughput of the Danube power stations amounted to 324,34 m m³ in 2007/08 and at 0.53% was less than 5% of the average annual volume of the Danube. The average annual volume of the Danube at the Korneuburg measuring station[1)] (M St.No. 207241): 61,022 m m³.

1) Source: Austrian Hydrographic Annual 2005, Federal Ministry of Agriculture, Forestry, Environment and Water Management.

EN10 Recycled and reused water

In the power stations, wastewater is used as process water to the greatest possible extent.

EN21 Total wastewater discharges[2)]

When the type or volume of a wastewater flow differs from normal domestic wastewater and where a sewer connection exists, EVN has concluded a contract with the treatment plant operators in accordance with the indirect discharge directive. This contract contains detailed stipulations concerning the permitted wastewater volumes, the main contents and the required wastewater analyses, etc. Direct discharges into a recipient are regulated by numerous wastewater emission directives and for the majority of its direct discharges, EVN disposes over additional official authorizations, which prescribe the circumstances under which wastewater may be discharged into the recipient. EVN subjects the wastewater flows to regular checks by external, accredited auditors.

2) In Austria

EN25 Waters affected by wastewater discharges and surface run-off

A large part of the wastewater is cleaned in treatment plants prior to discharge into the recipient. Wastewater flows with minimal pollutant levels are discharged from the power stations into the Danube. However, this does not result in any material negative influences.

WTE

Wastewater plant totals		2007
Population equivalent numbers	Number	2,127,028
Wastewater	m³	184,983,957
Sewage sludge	t_{ds} 1)	26,446
Mean sludge recycling		
Agriculture	%	10
Composting	%	4
Incineration	%	3
Landfill 2)	%	82
Recultivation	%	1
Mean cleaning performance 3)		
COD 4)	%	94
BOD_5 5)	%	98
N_{total} 6)	%	75
P_{total} 7)	%	79

1) Dry substance in tonnes
2) The landfill in Zagreb is only temporary as the sewage sludge is soon to be transported to a planned sludge incineration plant. Disposal takes place in Russia by the customer.
3) The biological cleaning phase and sludge digestion at the Zagreb wastewater plant has been gradually put into operation.
4) Chemical oxygen demand
5) Biochemical oxygen demand
6) Total nitrogen
7) Total phosphorus

EVN Wasser

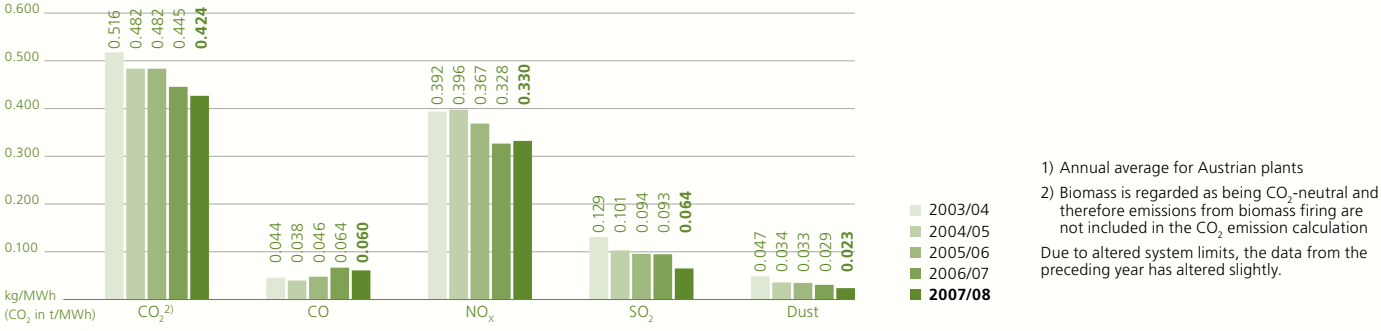
Drinking water		2007/08
Transport and distribution pipelines	km	1,922
Persons supplied	Number	481,500
Drinking water sourced	m m³	24.7
Pipeline system losses	%	2–3.5

Wastewater 2007/08		Plants <10.000 p.e.	Plants <100.000 p.e.
Wastewater volume	m³/year	123,370	1,106,315
Total sewage sludge volume	t_{ds} 1)/year	20	341
Mean cleaning performance			
COD 2)	%	96	
BOD_5 3)	%	98	
N_{total} 4)	%	89	
P_{total} 5)	%	95	

1) Dry substance in tonnes
2) Chemical oxygen demand
3) Biochemical oxygen demand
4) Total nitrogen
5) Total phosphorus

EN16–EN20 – emissions

Specific emissions from EVN thermal power stations and district heating plants 1)



1) Annual average for Austrian plants
2) Biomass is regarded as being CO_2-neutral and therefore emissions from biomass firing are not included in the CO_2 emission calculation

Due to altered system limits, the data from the preceding year has altered slightly.

Specific emission trend

With the exception of NO_x, as compared to the previous year an improvement was achieved with regard to all the pollutants contained in specific emissions. The positive trend of recent years was thus largely maintained. The increase in specific NO_x emissions can be traced primarily to control system modifications at the Dürnrohr power station and the related testing and pilot operation. During these operating periods, no electricity was generated, which had a negative effect on specific emissions. In addition, the increased utilization of two gas turbines at the

Theiss power station resulted in a rise on NO_x emissions. The decline in specific CO_2 emissions can be traced to the following factors:
- Higher natural gas share at the Dürnrohr power station
- Increased heat generation using steam from the AVN waste incineration plant in Zwentendorf
- Start-up of the district heat storage facility at the Theiss power station in December 2007

The reduction in other pollutants was due primarily to the low-pollutant fuel mix in the power stations.

Average, specific CO_2 emissions in Bulgaria (TEZ Plovdiv)
The specific CO_2 emissions from the TEZ Plovdiv district heating supply company in 2007 amounted to 0.2439 t/MWh. A comparison with the CO_2 emission values from Austrian plants shows that the Bulgarian figures are clearly lower. This is due to differing calculation algorithms, as the factors applied to Bulgarian capacity are far more favourable than those permitted in Austria.

AVN

Atmospheric emissions		2007/08
Dust	g/t waste	6
CO	g/t waste	43
CO_2 1)	kg/t waste	560
NO_X	g/t waste	250
SO_2	g/t waste	4
HCl 2)	g/t waste	0
C_{total}	g/t waste	5
Hg 3)	g/t waste	0.05

Energy balance		2007/08
Input		
Waste	t	296,326
Natural gas (auxiliary firing)	m³	404,830
Output		
Waste	t	96,513
thereof hazardous	t	10,060
thereof non-hazardous	t	86,453
Steam from AVN for energy use	t	982,155

1) Excl. CO_2 from the biogenic part of the waste from the 2007/08 financial year
2) Hydrogen chloride 3) Mercury

For EVN, waste constitutes a source of energy. In its Zwentendorf/Dürnrohr incineration plant, AVN uses waste for the generation of electricity and heat and thus contributes to a reduction in the consumption of fossil fuel resources. One kilogram of waste contains around 10 MJ of energy and this can be used to generate electricity for over 100,000 households.

Other relevant greenhouse gas emissions and emissions of ozone-degrading substances
Methane emissions can occur due to leakages during the supply of natural gas and EVN makes every effort to minimize such leaks and faults. EVN only uses ozone-degrading substances for special applications in closed cycles. Therefore, the emissions of these substances are immaterial.

The CO_2 emissions from electricity and heat production amount to a 99.5% share of all the greenhouse gas emissions caused by EVN. CO_2 emissions emanating from the vehicle fleet, business trips and building energy consumption are therefore not reported separately. EVN undertakes numerous measures in order to improve both operational energy efficiency (from page 45) and reduce emissions on the production and customer side. These initiatives are presented in the "Future challenges" section (from page 36) and form a focal point of EVN's activities.

SF_6 1) volumes in closed switchgear and transformer stations		2007	2006
Austria	kg	1,390	1,085
Bulgaria	kg	676	480
Macedonia	kg	360	401

1) Sulphur hexafluoride

EN22–EN24 – waste

Waste volumes[1)]

		2007/08[2)]	2006/07	2005/06	2004/05	2003/04
Hazardous waste	t	837	483	322	274	253
Non-hazardous waste	t	13,181	7,378	5,004	5,768	5,272

Exports of hazardous waste[3)]

		2007/08	2006/07
Hazardous waste	kg	0	63,337[4)]

3) EVN AG, EVN Netz GmbH, EVN Bulgaria, EVN Macedonia
4) Electrical equipment containing PCB to Germany for complete recycling.

1) The data relates to EVN AG and EVN Netz GmbH (excluding construction residues and power station by-products)
2) Reason for the increases in 2007/08: Hazardous waste – major overhauls at the Dürnrohr and Theiss power stations Non-hazardous waste – disposal of metal waste (line removal and transformer substitution), as well as biomass ash (capacity increase)

All regularly produced hazardous and non-hazardous waste is passed on to selected disposal specialists on a contractual basis. These companies deal with the waste in accordance with Austrian law by means of recycling, incineration or deposition on a secured landfill.

Registered and suspected contaminated sites in Lower Austria[1)]

List of registered contaminated sites

Name	Branch	Type of contamination	Priority class	Situation as at September 2008
Wr. Neustadt Gasworks	Gasworks	PAH, Phenols, Cyanide	2	Soil contaminates were removed in 2008 and site decontamination will be concluded at the beginning of 2009.
Stockerau Gasworks	Gasworks	PAH, BTX, Phenols, Cyanides, Ammonium	3	Decontamination was completed in 2007 and in October 2008, the site was reported as "safe" in the atlas of contaminated sites.
Baden Gasworks	Gasworks	PAH, BTX, Phenols, Cyanide	3	Measures aimed at lowering the ground water table were improved in 2008.

List of suspected contaminated sites

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

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

Incidents of environmental relevance in Lower Austria

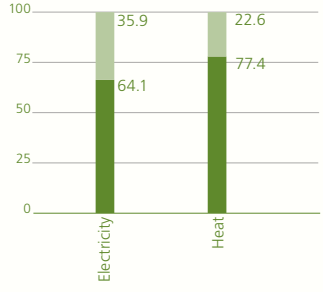
During the 2007/08 financial year, six events of environmental significance occurred in Lower Austria. EVN was not subject to any related fines.

Date	Place	Type of incident	Cause of incident	Type of pollution	Extent of environmental impact	Corrective measures
5.2.08	TST[1)] Straudorf	Transformer oil leak	Sort circuit	Soil	Very limited	Removal and disposal of 2.5 m³ of soil
8.5.08	TST[1)] Maiersdorf Ortlerhütte 1	Transformer oil leak	Interturn short circuit in 0.95 kV transformer	Soil	Limited	Removal and disposal of 7 m³ of soil
1.7.08	TST[1)] Nonndorf/ Gars-Ort	Transformer oil leak	Lightning	Soil	Very limited	Removal and disposal of 1 m³ of soil
28.6.08	Pyrolysis plant in Dürnrohr	Fire	Rotary furnace fire – pyrolysis leak in the straw feed area	Smoke	Limited	Fire service operation
4.9.08	Dürnrohr power station	Breach of SO_2 limit	Problem with new optical measurement system during test operation	Atmospheric	Limited	Optical measurement setting alteration
5.9.08	Dürnrohr power station	Breach of SO_2 limit	Problem with new optical measurement system during test operation	Atmospheric	Limited	Optical measurement setting alteration

1) Transformer station

Miscellaneous

Share of EMAS certificated plants in production[1)] in %



1) In Austria

Key employee indicators

LA div – employees

The EVN AG and EVN Netz GmbH workforces consist entirely of white-collar workers. This differentiation does not exist in Macedonia and Bulgaria. Therefore, the share of blue-collar workers within the Group amounted to 2.7 per cent.

In addition to EVN AG, all the large Group companies have Works Councils. In total, over 90 per cent of the workforce are represented by Works Council members or trades unions, and as far as their remuneration is concerned, protected by collective, tariff or statutory minimum wage agreements. No differentiation is made between men and women with regard to wages and salaries. EVN does everything possible to avoid discrimination and no cases are known.

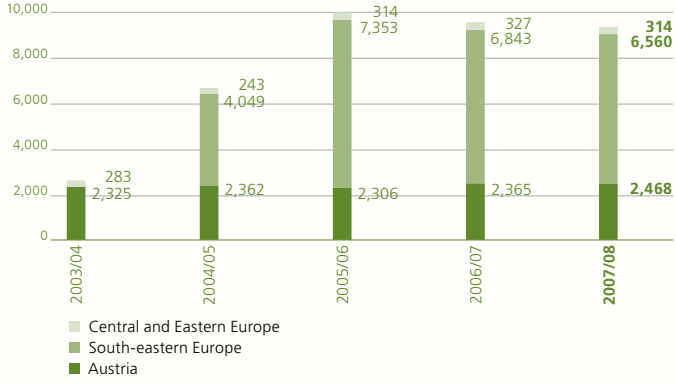
Workforce[1]		2007/08	2006/07	2005/06
Energy segment	Total	8,262	8,478	8,985
thereof Bulgaria	Total	3,520	3,418	3,803
thereof Macedonia	Total	3,041	3,425	3,550
Environmental Services Segment	Total	456	462	438
Other business areas	Total	624	595	550
EVN Group	Total	**9,342**	**9,535**	**9,973**

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

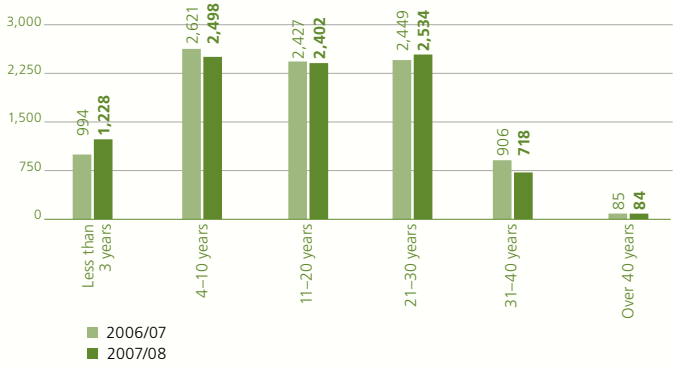
Key workforce indicators		2007/08	2006/07
Employees	Total	9,342	9,535
thereof women	%	22.4	22.1
thereof men	%	77.6	77.9
Persons with special needs	Total	146	153
Apprentices[1]	Total	78	77
Employee fluctuation[2]	%	3.9	3.3
Average length of service	Years	16.3	15.8
Average age	Years	43.3	42.4
Revenue/employee	EUR	256,583.4	234,200.3
Sick leave/employee	Total	9	10
Personnel expenses in ratio to revenue	%	12.7	12.9

1) Apprentices only in Austria due to the dual training system
2) Excluding persons leaving due to the Bulgarian and Macedonian social plans and retirements

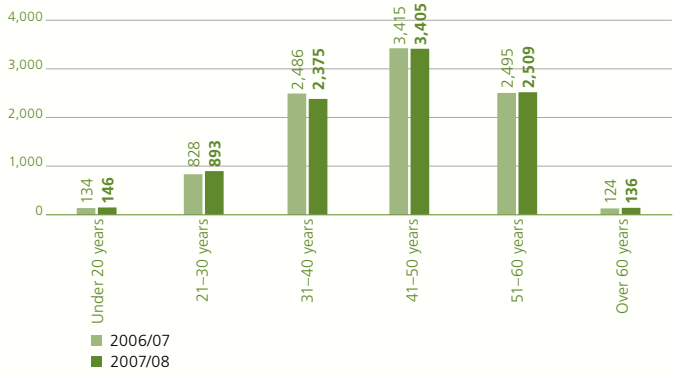
Employees by region



Employee service



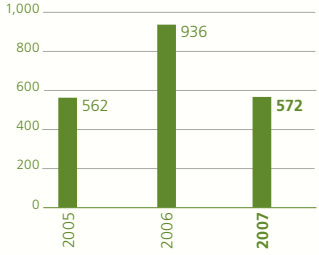
Employee age structure



LA6–8 – work safety

Industrial accidents[1)]

Working days lost



1) Minor accidents and accidents subject to report (excluding road accidents)

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

Meaningful accident statistics for the supply areas in Bulgaria and Macedonia are currently in the development phase.

The numbers of industrial accidents fell in the past year. However, in spite of the highest safety standards, EVN suffered ten serious working accidents and one fatality in Lower Austria during last year. EVN offers its personnel preventive medicine examinations and a diversity of work safety training courses. During the year under report, 12 first aid courses were held in Lower Austria, 54 in Bulgaria and 68 in Macedonia. In addition, 30 Bulgarian employees received training on the topic of "Working with current." In Austria, all employees are represented by safety officers on work safety committees, which supervise and discuss work safety programmes. It is planned that high European standards be adopted in Bulgaria and Macedonia.

Fire statistics[1)]		2007	2006	2005	2004	2003
Fires	Total	15	9	12	4	14
Damage value	TEUR	317	22	67	23	493

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

LA10 – training and further training

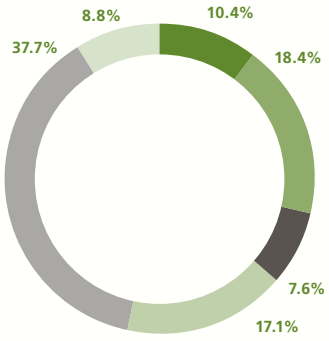
Training and further training		2007/08	2006/07	2005/06
Expenditure[1)]	EUR m	2.9	3.1	2.1
Average training budget/employee	EUR	314.9	321.7	212.8
Training hours/employee	Hours	11.4	7.9	6.7

1) Seminar fees, trainers, e-learning

HR div – human rights

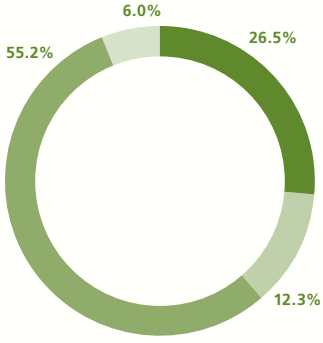
Starting with the CSR network officers, all EVN employees are to be provided with an increased level of information about the significance and scope of the human rights agenda in their respective areas via further training. Group guidelines and organizational directives in this connection are in the preparatory phase. There were no cases of discrimination during the period under report. In line with the principles of the behavioural code in preparation and the EVN mission statement any such occurrences would be subject to the strictest censure. Particularly with regard to freedom of assembly and personnel rights, EVN regards the European Works Council founded in 2006 as a pioneering platform for active employee contributions and involvement in all those countries where EVN is active. With its commitment to the UN Global Compact and human rights, EVN has undertaken to make an active contribution to the abolition of child, forced and compulsory labour. During the period under review there were no cases of child, forced and compulsory labour. Moreover, there were no breaches of the rights of neighbours or landowners on either a national or international level.

Educational structure of the Austrian companies within the EVN Group as at Sept. 30, 2008



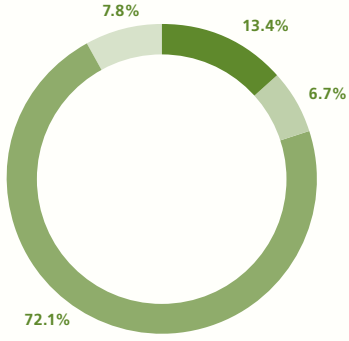
- University graduates 10.4%
- A-level graduates 18.4%
- Vocational school graduates 7.6%
- Employees with a master's certificate 17.1%
- Employees with a completed apprenticeship 37.7%
- Others 8.8%

Educational structure of the Bulgarian companies within the EVN Group as at Sept. 30, 2008



- University graduates 26.5%
- A-level graduates 12.3%
- Vocational school graduates and employees with a completed apprenticeship 55.2%
- Others 6.0%

Educational structure of the Macedonian companies within the EVN Group as at Sept. 30, 2008



- University graduates 13.4%
- A-level graduates 6.7%
- Vocational school graduates and employees with a completed apprenticeship 72.1%
- Others 7.8%

Advisory Board for the Environment and Social Responsibility

Theodor Zeh (Chairman)

Wolfgang Berger (until October 16, 2008)

Reinhard Dayer, National CEO, Naturfreunde Österreich

Rudolf Friewald, Mayor of Michelhausen

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

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

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

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

Hermann Kühtreiber, Mayor of Zwentendorf

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

Franz Maier, CEO, Austrian Environmental Umbrella Association (until July 31, 2008)

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

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

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

Klaus Schuster, EVN AG Group physician, Regional Manager, Landeskliniken-Holding for the Mostviertel Region

Matthias Stadler, Mayor of Sankt Pölten

Adolf Stricker

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

Paul Weiß, Farmer

Heinz Zimper, District head, District of Wiener Neustadt

Employee representatives

Leopold Buchner

Monika Fraißl

Leopold Rösel

Executive Board

Burkhard Hofer, Spokesman of the Executive Board and CEO

Peter Layr, Member of the Executive Board

Herbert Pöttschacher, Member of the Executive Board

Auditor's attestation

We were engaged by EVN AG to verify the financial figures contained in the Sustainability Report of EVN AG for the financial year 2007/08. Management is responsible for the preparation of the Sustainability Report.

Based on the engagement we issue the following attestation:

The financial figures included in the "Facts & Figures" and "Economic background" sections of this report derive from the audited consolidated financial statements as of 30 September 2008 and 30 September 2007 prepared in accordance with International Financial Reporting Standards. We have issued unqualified audit opinions on these consolidated financial statements. The financial figures contained in these sections are properly reflected.

We draw your attention to the fact that the financial figures should be read together with the consolidated financial statements for the financial years 2007/08 and 2006/07 and the related notes.

Vienna, November 20, 2008

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Rainer Hassler
Wirtschaftsprüfer
(Austrian Chartered Accountant)

ppa Angelika Vogler
Wirtschaftsprüferin
(Austrian Chartered Accountant)

Assurance Statement

Scope and criteria of the assurance

Lloyd's Register Quality Assurance Limited (LRQA) was commissioned by EVN to assure the corporate responsibility report for the period 2007/08 for all activities of the company in the areas of power production and distribution, heat production and supply, water purification and supply and waste incineration. From a geographical standpoint the report comprises the main activities of the subsidiaries in Austria, Bulgaria and Macedonia, as well as activities in other European countries controlled from Austria. The assurance was undertaken against the Global Reporting Initiative Sustainability Reporting Guidelines (GRI G3), 2006. Ultimately, the report remains the responsibility of and has been approved by EVN.

LRQA's approach

In order to form our conclusions we have obtained sufficient evidence that we consider necessary for us to give limited, not absolute, assurance. Therefore the assurance did not include verifying the data and information back to its original sources, with the exception of those EMAS registered sites in Austria. Our assurance approach is informed by ISAE 3000, is risk-based, samples data and information available at EVN's headquarter, interviews personnel responsible for the collation of data and information disclosed and reviews EVN's:

- materiality research, plus attending an EVN workshop to determine the material issues for 2008
- data and information management systems
- use of performance data within their business decision-making processes
- processes for setting performance indicators and for monitoring progress
- self-declaration for GRI's application level A+.

LRQA's conclusions[1] and findings

EVN has met the conditions for GRI´s A+ application level as we found nothing that would cause us to contradict this conclusion. It is also our opinion that there is nothing which would lead us to believe that:

- EVN has excluded any material aspects concerning their environmental and social performance.
- Data and information within the report is not correct.

LRQA´s recommendations

Our investigation also identified some areas which are important for improving reporting in the future but do not affect the conclusions presented above. Areas for improvement are:

- Clearer definition on which companies and parts of the EVN group are included in the report and for which areas specific statements are valid
- Inclusion of a Materiality Matrix to show to the reader what EVN considers as the material issues

November 14, 2008

On behalf of the LRQA Ltd.
Lloyd's Register EMEA Vienna, Austria
Environmental Verifier Organisation
Accreditation number: AT-V-0022

Johann Kitzweger
Lead Verifier

Harald Ketzer
Lead Verifier

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

Glossary

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

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

Austrian Sustainability Reporting Award (ASRA)
Annual awards presented by the Chamber of Fiduciaries and Co-operation Partners for the best environmental and sustainability reports produced by Austrian companies.

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

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

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

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

CNG
Compressed natural gas

CO_2 (carbon dioxide)
Chemical compound consisting of carbon and oxygen, which is largely created by the combustion of fossil fuels.

CO_2 certificate
Allocated emissions certificate, which entitles the operators of industrial plants to emit one metric ton of CO_2 or a corresponding volume of another greenhouse gas with an identical climate warming potential.

Code of conduct
Voluntary obligation to follow or avoid certain behavioural patterns and to ensure that no one achieves an advantage through the evasion of these patterns.

Cogeneration of heat and power
Additional use of process and waste heat for heating purposes, or other thermal processes for an increase in overall efficiency.

Corporate Social Responsibility (CSR)
Sustainability-oriented company management, which in line with sustainable development involves voluntary measures that go beyond the statutory obligations.

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

Economic Value Added (EVA)
Key indicator for the measurement of company wealth creation.

Eco-power
Electricity, which is produced exclusively from renewable energy sources. At present, eco-power is largely generated in small-scale hydro- and wind power plants. Small amounts are produced from biogas, biomass, photovoltaic systems, geothermal sources, landfill and sewage gas.

EMAS
European directive for environmental management systems.

Emission trading system
Within the framework of the EU emission trading system, the member states distribute CO_2 emission rights to companies. Companies whose actual CO_2 emissions exceed the volume of the assigned certificates must purchase additional emission rights.

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

FTSE4Good Index
An index that offers sustainability-oriented investors a possibility for targeted investments in companies that meet the globally accepted standards for responsible activities in line with the interests of the environment and stakeholders.

Global Environment Facility (GEF)
Global environment body founded in 1991, to account for global environment issues, supported and financed by the World Bank, the UNDP (United Nations Development Programme) and the UNEP (United Nations Environment Programme). Focal areas include climate change, biodiversity, international waters, the ozone layer, land degradation and persistent organic pollutants.

Global Reporting Initiative (GRI)
International dialogue initiative, which establishes standardised guidelines for the preparation of transparent, sustainability reports for companies, governments and NGOs.

ISO 14001
International environmental management standard, which determines requirements for related systems.

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

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

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

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

Polychlorinated biphenyl (PCB)
Toxic chlorine compounds.

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

ROCE
Return on the capital employed within a company.

Single-buyer model
In this model a single customer is allocated a monopoly and is responsible for the operation of the transmission network and the purchase and sale of electricity.

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

TÜV AUSTRIA SERVICES GMBH
Accredited supplier of technical services in the certification and calibrations fields.

UCTE – Union for the Co-ordination of Transmission of Electricity
Association of European transmission network operators. The UCTE mix establishes the European composition of electrical power and is to be shown on invoices to consumers when the volumes of electricity purchased are of unknown origin (e.g. following purchasing on an energy exchange).

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

Waste heat
Heat generated by plant and equipment, which under certain circumstances can be fed into a district heating network.

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

GRI G3 Content Index

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1	**Strategy and analysis**		
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■ fully reported
◪ partly reported
Rf report front cover
Rb report back cover
n.r. non-relevant
AR Annual Report
HP Homepage: www.responsibility.evn.at > service
1) Additional performance indicator

The EVN Sustainability Report is oriented towards the Application Level A+ requirements of the GRI G3 guideline. The table gives an overview of the GRI content and key indicators dealt with and where they are to be found. Adherence to this reporting standard and the related criteria was examined by Lloyd´s Register Quality Assurance (LRQA) and is hereby officially confirmed.

On the www.responsibility.evn.at website, you will find the GRI Index as shown here. In addition, the website also contains the indicator index for the Electric Utilities Sector Supplement. EVN is constantly expanding its range of reporting and makes every effort to respond to these indicators in full.

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