Energie vernünftig nutzen

EVN

Sustainability Report 2005/06

Respecting values

Intensification of EVN's **CSR management** – swift **integration of the new subsidiaries in Bulgaria and Macedonia** – focus on **creating a common corporate culture** – **significant energy and infrastructure project** for the Lower Austrian central region – considerable **investments in renewable energy** – wind power generating capacity **more than doubled**

EVN corporate policy statement

The company

We are an energy and infrastructure services group based in the federal province of Lower Austria. We co-operate with both national and international partners and also carry out assignments via affiliated companies.

We intend to fulfil customer expectations and needs through our range of products and services in the energy, water, waste incineration and infrastructure services areas. As a result, we also contribute to the general quality of life.

We compete in the market as a quality supplier.

Our customers

Customer satisfaction is our top priority. Therefore, we deliver high-quality products and prompt service in a customer-friendly manner.

Our business range primarily involves the supply of electricity, natural gas, heat and water, as well as the treatment of wastewater and waste. Apart from these activities, we also provide numerous related services.

Our competence and infrastructure furnish us with opportunities for the expansion of our range of activities into additional, related areas of business and the supply of our services in new markets.

Together with our customers, we realise the basic principle of "Using energy wisely". Consequently, we offer extensive consulting and customised solutions.

Our shareholders

We have an obligation to provide our owners with sustained corporate success.

This not only includes the generation of adequate earnings and the payment of appropriate dividends, but also the focused further development of our business.

We aim for an open and long-term relationship with both our Austrian and international shareholders. To this end, we endeavour to achieve transparency through a comprehensive flow of information.

Our employees

Our claim with regard to the excellent quality of our products and services requires responsible, well informed and highly qualified employees, who are prepared to provide outstanding performance even under demanding circumstances.

High levels of personal initiative, mutual respect and team spirit contribute to sustained corporate success. Employee health care, safety, training and further training represent a company priority.

Our conduct and commitment play a major role in shaping the company's public image.

Our responsibilities

We are answerable to our customers, owners and employees. Therefore, economic prudence and sustainability constitute the business principles governing every aspect of company activity.

We have a responsibility to society. The intelligent use of energy and renewable energy sources, as well as a careful approach to nature, represent the benchmarks for our activities. The highest possible energy efficiency and innovative environmental protection systems are our goal.

We have a responsibility towards the general public. Accordingly, we feel obliged to pursue a policy of transparency, open communications and active corporate governance.

EVN meets its social responsibilities by opposing every form of discrimination in the workplace and day-to-day business.

We contribute to the sciences, arts and culture in a manner appropriate to our company.

Through the implementation of this corporate policy, we fulfil our claim to competence, "Using energy wisely."

EVN environmental policy statement

Minimisation of environmental impact
EVN seeks to minimise the environmental impact of its activities and strives to make an important contribution to the maintenance of the general ecological balance.

Sustainable development
We feel an obligation to the principle of sustainability and adopt a responsible approach to the resources entrusted to us. Our aim is to secure the long-term quality of the environment for future generations. We endeavour to balance ecological, economic and social objectives.

Improved environmental performance
EVN ensures compliance with all statutory requirements through the use of the very latest technology.

In addition, the company is committed to constant improvements in the standard of its environmental performance. Accordingly, plants causing emissions are accredited according to EMAS and ISO 14001 and subjected to annual external audits.

State-of-the-art environmental engineering
All of EVN's energy generation plants are of state-of-the-art design. In this connection, the environmental upgrading of existing capacity and installation of new plants at established locations are of special importance. At the same time, the company endeavours to husband resources through the highest possible efficiency levels and further the development of innovative, environmental protection technologies.

Resource conservation and climate protection
EVN employs a flexible generation mix comprised of energy from water, heat and renewable sources. Resource conservation constitutes a yardstick for our activities and therefore, the use of renewable fuels is an established feature in our strategies. Through increased efficiency, the utilisation of alternative energy sources and waste treatment, we make a valuable contribution to the climate protection targets of the EU, the Austrian Republic and the federal province of Lower Austria.

Landscape conservation
In the course of its energy transmission activities, EVN pays close attention to landscape conservation. Local network cabling projects and optimum line routing are two examples of this policy.

Waste management
The flows of material within our company are carefully monitored and controlled, facilitating waste prevention, recycling and correct disposal, in that order. The company also applies ecological criteria when selecting its material and equipment suppliers, and waste disposal contractors.

Energy consulting
Efficient, customer-oriented energy consulting is a matter of key importance to EVN. In addition to economic considerations, this also involves ecological aspects. Energy saving is one of the core principles of EVN consulting.

Workforce motivation
The comprehensive range of tasks for an ecologically oriented company is so wide, that only well-informed and motivated employees can accomplish it. Therefore, EVN regards staff training and identification with the company's ecological policy as a major priority.

"The youth of today is our tomorrow. Therefore, we take our responsibilities for the coming generation very seriously and place a special focus on the training of qualified apprentices. At present, EVN has 86 apprentices in a diversity of areas. They represent both a long-term source of skilled labour for our company and a clear affirmation of our commitment to shared responsibility."

Burkhard Hofer, the Speaker of the EVN Executive Board, in conversation with electrical installation engineering apprentices.


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EVN

Company profile

We are a leading Austrian energy and environmental services group with headquarters in Lower Austria, the nation's largest federal province. The EVN Group provides its customers with electricity, gas, heating, water, waste incineration and related services by means of a highly advanced infrastructure.

As a growth-oriented company, EVN is also endeavouring to share in the dynamic growth potential of the Central and Eastern European markets. The focus of our interest is primarily South East Europe, which offers diverse opportunities to expand our business operations. Within the framework of the privatisation process for the electricity industry, we have succeeded in establishing a solid foothold in the region. Through our majority shareholding in two Bulgarian electricity supply companies, we now provide power to approximately one-third of all electricity customers in Bulgaria. In Macedonia, we recently acquired the national electricity distribution company. As a consequence of these acquisitions, we have been able to significantly increase the number of our electricity customers in a period of only two years, from around 800,000 to the current level of close to three million.

As a provider of environmental services, we also strive to take advantage of the dynamic growth potential in the entire Central and Eastern European business region. Through fully owned subsidiaries, we are now successfully operating in Austria, as well as in ten CEE markets in the fields of water, wastewater treatment and thermal waste incineration. Our primary focus is to serve as a partner to communities and companies, offering state-of-the-art solutions, which are professionally developed and implemented, in order to meet all water supply, wastewater treatment and waste management challenges.

Our priority is to create sustainable value and achieve long-term value enhancement in the interests of the customers, shareholders and employees, by exploiting the synergies among the different business areas of the EVN Group, both in Austria and other markets.

Highlights 2005/06

- Intensification of EVN's CSR management activities.
- EVN stakeholder survey provides a reorientation of the content of the Sustainability Report.
- Significant energy and infrastructure project in the central area of Lower Austria, involving investments of EUR 180m in renewable energy.
- Wind power capacity more than doubled.
- Major expansion in heat generation using biomass.
- The biomass-fired Bad Vöslau district heating plant wins the Eco-Management Climate Prize 2006.
- Integration of the new subsidiaries in Bulgaria and Macedonia.
- Focus on a common corporate culture.
- Targeted furtherance of managerial staff and trainee managers.
- EVN placed third in Austria's list of most responsible companies for 2006.
- EVN is placed sixth among Europe's 500 fastest growing companies.
- The 2004/05 EVN Sustainability Report attains sixth place in the Austrian Sustainability Reporting Awards.

Key indicators 2005/06

		2005/06	2004/05	+/– %
Economy				
Sales revenue	EURm	2,071.6	1,609.5	+28.7
Operating result (EBIT)	EURm	184.4	131.0	+40.7
Group net result	EURm	221.9	144.4	+53.7
Ecology				
Electricity production from wind power plants	GWh	111.8	63.5	+76.1
Electricity production from hydropower plants	GWh	775.7	803.0	–3.4
Heat generation using biomass	GWh	252.1	183.2	+37.6
Employees				
Employees	Total	9,973	6,654	+49.9
Expenditure on training and further training	EURm	2.1	1.1	+90.9
Days lost due to industrial accidents	Total	562	401	+40.1

www.responsibility.evn.at

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Scope of the report

The period under review covered by this Sustainability Report relates to the EVN AG 2005/06 financial year (October 1–September 30, 2006). The report includes the scope of consolidation of the EVN Group, which apart from EVN AG as the parent company, consists of 43 fully consolidated enterprises and four companies consolidated at equity (please see the EVN Annual Report 2005/06). If, in individual cases, all these companies are not included, this is stated separately in the report.

The liberalisation of the European electricity and gas markets foresaw an unbundling of the network sector from the other energy supply functions. During the realisation of this goal, in the past financial year, EVN spun off its entire electricity and gas network sector, including personnel, plants, network operations, operational management, technical services and maintenance in the form of EVN Netz GmbH. With the exception of the sub-section, "EVN as the water advocate", the "sustainable energy distribution" section of "The general public and media", relates exclusively to EVN Netz GmbH.

Editorial closing date: November 23, 2006

Respecting values – acting responsibly

Dear Reader,

As a sustainability-oriented supplier of energy and environmental services, the EVN Group is committed to seeing economic, social and ecological factors as an entity. We regard stable and economically successful Group development as a basic prerequisite for the fulfilment of the expectations of our customers and owners, as well as the provision of employment.

The central challenges currently facing EVN consist of a conservationist approach to resources and the reduction in the emissions relating to the supply of energy. The company is already making a major contribution in this connection, both with regard to the efficient use of energy and the increased employment of renewable fuels.

As an important company in our supply areas, we also fulfil our social obligations. With our products and services we secure and enhance the quality of life of our customers. We regard our employees as important know-how carriers, who determine long-term corporate success. At the same time, we are willing to discuss the social questions and problems relating to our environment and develop solutions on the basis of consensus.

We have made good progress with regard to the newly designed Corporate Social Responsibility (CSR) management system introduced at the beginning of the past financial year. In order to intensify our efforts in the CSR area, a separate organisation has been established, which apart from the definition of relevant topics and points of emphasis and the preparation of appropriate measures, has the primary task of strengthening the anchorage of the sustainability concept throughout the Group.

This year, we have adopted a new approach to the structure and the focal points of the content of the Sustainability Report. In order to respond in a more targeted manner to the interests and information requirements of our readers, during the preparation of the report, we completed a survey among interested groups. One of the key themes for virtually all those questioned was the area of renewable and alternative energies. In addition, the stakeholders showed acute interest in EVN's future perspectives in the areas of ecology and social matters. Accordingly, these topics have been allocated special attention in this year's report, which as opposed to its predecessors, is structured according to stakeholder groups.

In order to achieve actuality, we have focused on the most important results achieved by EVN during the past financial year from the sustainability viewpoint. Without doubt these include the increased employment of renewable energy sources, the swift integration of our new subsidiaries in Bulgaria, the successful launch of appropriate measures in Macedonia, where EVN purchased the national power supplier, ESM AD, in April 2006, and intensive efforts aimed at the creation of a common corporate and management culture throughout the Group. Measures, which following the considerable growth of recent years, represent prerequisites for the securing of the sustained success of the Group.

During the past year, we were also able to achieve a number of successes in co-operation with partners. One of the highlights in this connection was undoubtedly the award of the Lower Austrian Eco-Management Climate Prize for the biomass-fired heating plant built jointly with the municipal borough of Bad Vöslau. Numerous interesting projects are currently in the realisation phase in the biomass, drinking water, wastewater and waste incineration sectors and underline the attractiveness of the EVN Group as a partner for local government on both a national and international level. This fact is further evidenced by two

From l. to r. Herbert Pöttschacher, Burkhard Hofer, Peter Layr

major projects in Moscow, consisting of a drinking water treatment plant and a waste incineration facility.

In May 2006, we made public a scheme of far-reaching significance to our domestic market in Lower Austria. This undertaking, which has the Dürnrohr power station and waste incineration plant as its starting point, will involve five individual projects and investment of up to EUR 180m in the coming three years. The scheme will incorporate the building of a large-scale biomass plant, the environment-friendly supply of biomass and coal by water using the nearby Danube, the augmentation of the district heating supply to the Sankt Pölten area through heat bleeding in the Dürnrohr power station, the supply of process steam from the power station to a neighbouring industrial company and the enlargement of the waste incineration plant.

We will achieve numerous positive effects through this package, ranging from an increase in own production and thus our independence, to an improvement in energy efficiency and the expanded use of the share of renewable energy sources in our own electricity production to a level of 33% by 2010. Naturally enough, this will result in a considerable reduction in CO_2. At the same time, we will further consolidate our position in our domestic Lower Austrian market and thus underline our responsibility for our core supply area.

We regard the numerous awards presented to EVN during 2006 as confirmation of our endeavours in the sustainability area. Following a no.1 CSR "responsible company" ranking in 2005, in September 2006, we were rated third among Austria's 100 largest companies. Furthermore, in November 2006, the 2004/05 EVN Sustainability Report came in sixth in the Austrian Sustainability Reporting Award (ASRA) of the Chamber of Fiduciaries. The enormous expansion in the EVN Group workforce was also the object of international recognition in the period under review. In the annual rankings of companies with exceptional employment growth in the past three years, which are drawn up by Europe's 500 in conjunction with KPMG and Microsoft, EVN was the best placed Austrian company for the 2004/05 financial year, coming in sixth among enterprises from 28 European countries.

Respecting values – acting responsibly. The motto for this year's Sustainability Report points the way ahead for our future activities. In years to come, EVN will continue to make every effort to achieve a balance among the interests of all the company's stakeholders. Long-term success can only be secured by responsible action, which is therefore sustainable in the best sense of the word.

Burkhard Hofer

Peter Layr

Herbert Pöttschacher

Maria Enzersdorf,
November 2006

Company and strategy

Vision and goals

As an independent, listed supplier of energy and infrastructural services, located in Lower Austria, the EVN Group has the strategic objective of obtaining and then retaining a leading, long-term position in selected CEE markets.

In this connection, Corporate Social Responsibility forms a major aspect of EVN's corporate approach. For EVN this means an active commitment to ongoing improvement and the balanced consideration of the economic, social and ecological development of the entire Group. Accordingly, in September 2005, EVN joined the UN Global Compact. Beginning in Lower Austria, which is EVN's traditional supply area, the company is seeking to anchor the principles of sustainability-oriented management throughout the Group. The final goal is a uniform strategy of sustainability for the entire company.

All in all, the EVN Group sees its responsibilities as comprising the following:

- The supply of its **customers** with top quality performance at competitive prices.
- The provision of its **employees** with attractive working conditions and an appropriate share in company success.
- The furnishing of **shareholders** with sustainable value added on their capital investment.
- A fair approach to **partners** and **suppliers.**
- The maintenance of an active dialogue with the **public,** an open attitude to social discourse and the making of an appropriate contribution within the company's areas of activity.
- In addition, EVN accepts an obligation to minimise the effects of its activities upon the **environment.**

EVN's guiding principles in this connection are:

- Security of supply.
- A responsible approach to resources.
- The creation of modern infrastructure.
- The systematic supply of quality.

The consideration of these principles in all company activities, from the sourcing of raw materials and energy generation, to customer services and investment decisions, forms the foundation for the desired sustainable and successful development of the EVN Group.

Strategy

As early as 2000, EVN began to expand its portfolio, comprised of the supply of electricity, gas and heating to Lower Austria, to include related business areas on both a domestic and international level. In the intervening years, this policy has been systematically pursued through a series of acquisitions, expansionary steps and projects.

Today, the EVN Group is successfully active as a customer-oriented supplier of energy and environmental services in 13 countries. In addition to the integrated supply of electricity, gas and heating, the portfolio now incorporates the supply of water, wastewater treatment, waste incineration and other infrastructural services, all of which represent business areas with dynamic growth perspectives.

Within its strategic framework, the EVN Group has the following focal points:

- Strengthening of the corporate profile as an **energy and environmental services supplier.**
- **International expansion** in growth regions, above all Eastern Europe.
- Increased flexibility and **independence in the electricity and heat generation areas.**
- Further expansion of the new **water, wastewater and waste incineration** business areas.
- Enhanced earnings capacity derived from **targeted financial investments** in the energy and infrastructure sector.
- Consolidation of the competitive position through **alliances.**

Among other aspects, the concrete realisation of these focal points involves:

- Maximum increases in the efficiency of existing generation capacity.
- Expanded use of renewable energy sources.
- The creation of additional power station capacity.
- The optimisation of existing distribution networks.
- The installation of new electricity, gas, heating and water distribution networks, as well as telecommunications networks.
- The completion of drinking water and wastewater treatment plants and waste incineration facilities.
- An extensive range of energy consulting services.
- Comprehensive employee training and further training initiatives.
- The swift integration of the new subsidiaries in Bulgaria and Macedonia.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) describes responsible entrepreneurial behaviour, which goes beyond the actual business activity of a company. CSR is defined as the social responsibility of enterprises to implement sustainability into their dealings, which means corporate management that takes economic, ecological and social factors into balanced account.

Corporate Social Responsibility management and organisation

EVN has long been committed to the objective of sustainable corporate management. Indeed, an advisory body was founded in November 1991, to assist with environmental matters. This subsequently became the Environmental and Social Responsibility Advisory Committee, which advises EVN upon important sustainable management issues in the ecological and social areas and their effects in economic, energy industry and corporate strategy terms, as well as considering national and international developments. The members of the Environmental and Social Responsibility Advisory Committee are listed at the end of the report (please see page 62).

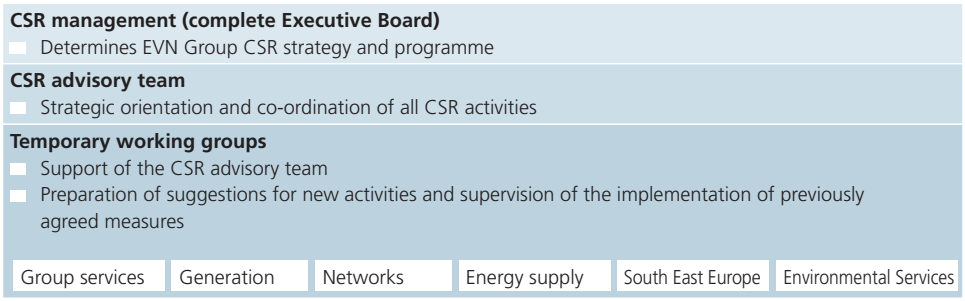
In order to accommodate a greater degree of sustainability in corporate activities, since October 2005, the EVN Group has had its own Corporate Social Responsibility (CSR) management. EVN thus underlines its responsibility to take into account all the relevant framework factors relating to long-term, balanced development.

Corporate Social Responsibility (CSR) organisation

CSR management, which was initiated at the beginning of October 2005, is directly responsible to the Executive Board. It determines CSR strategy and the corresponding programme of measures for the entire Group. A separate CSR team has been appointed to administer the co-ordination of CSR activities within the Group, which include the drawing up of basic principles and measures, their communication and implementation and the preparation of resolutions connected to CSR topics. This team consists of representatives from the Corporate Communications, Human Resources, Investor Relations and Environmental Controlling/Safety Department.

Whenever required, temporary working groups assist this permanent body in specific matters, in order to ensure that all the relevant areas in the Group are involved. The task of the working groups is to prepare proposed measures and then supervise the implementation of the activities agreed.

Corporate Social Responsibility (CSR) management structure



CSR management promotes the structured, Group-wide implementation of EVN's sustainability strategy.

Numerous CSR working groups

During the 2005/06 financial year, temporary working groups were established on the basis of the new Group structure in co-ordination with the affected units. The working groups all have differing assignments. For example, one of them is preparing a Code of Conduct and a joint sustainability programme for the entire EVN Group. These endeavours will be accompanied by an intensification of efforts aimed at raising internal and external awareness levels regarding the topic of sustainability. Furthermore, work is to continue on the implementation of both an internal environmental reporting system throughout the Group and environmental risk controlling. The "sustainable sourcing" working group also commenced its activities during the past financial year (for details please see page 35). The subsidiaries in Bulgaria and Macedonia are currently mainly concerned with cultural and personnel integration, as well as linkage with the EVN environmental management system (see page 45 ff.). In order to raise the professionalism of its social sector sponsoring, EVN plans to introduce a company social fund within the scope of CSR activities (see page 27).

Positive progress

All the working groups have already provided interesting, interim results. In particular, positive progress has been made with regard to the targets defined in the preceding year:

- The processes required for the securing of **sustainable sourcing** were initiated in ten product areas (see page 35).
- Following the completion of important phases, the **integration** of both subsidiaries in Bulgaria is already well advanced, while in Macedonia the appropriate processes were started immediately after the takeover of ESM AD (see page 45).
- During the past year a fundamental study was prepared relating to the **analysis of the balance between ecological, economic and social aspects** within EVN and this will now serve as a guideline for the determination of CSR management focal points.
- The **expanded use of renewable energy sources** made constant progress (see page 15 ff.)

Sustainability workshop

In order to lend even greater depth to the sustainability process and involve a larger number of employees, a "sustainability workshop" is planned for January 2007. Employees from every area of the Group are to participate in this two-day event with the aim of enhancing their basic understanding of the concept of a sustainable business approach and increasing their know-how for its implementation.

Moreover, following a general assessment of EVN's CSR activities within their social context, a detailed analysis and discussion of the actual CSR process employed is also planned. Apart from a detailed study of the situation at EVN, examples of implementation at other companies will also be considered.

The results of the workshop, which should it prove successful, will be repeated with other employees, will provide valuable input for the activities of the CSR management and the working groups.

Integrated management system

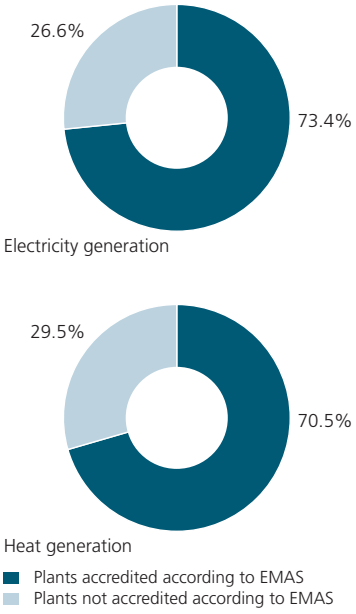
In order to further develop its existing management system, EVN is currently working on the concept of an integrated management system (IMS). Some ten years of practical experience with an environmental management system based on EMAS and ISO 14001 have shown that it makes sense to implement other existing systems. Concentration into a complete system forms an excellent basis for simplification, the use of synergies and the prevention of overlaps.

Within IMS, the demands relating to quality, economy, environmental protection, work safety, legal matters and security should be combined to form a unified system and all the related measures be planned and implemented in a standardised structure. As opposed to the employment of individual, isolated management systems, the use of synergies and the concentration of resources facilitates leaner and more efficient management.

In an initial step, during the past financial year EVN extended the environmental audit to include the areas of work safety, fire protection and CO_2 in line with the Austrian Emission Certificate Act. As a result, existing synergies in every area could be efficiently utilised for the first time.

As is the case with EMAS and ISO 14001, the nucleus of the IMS is formed by the continuous improvement process. This ensures that key indicators and environmental impact are pinpointed and analysed, strengths and weaknesses are defined and potential scope for improvement is both identified and exploited.

Share of EMAS accredited plants in electricity and heat generation



Internationalisation

As a growth-oriented company, EVN is endeavouring to participate in the dynamic economic development taking place in the CEE states and therefore, during recent years has markedly expanded its activities in the region. Starting from the platform provided by energy supply in Austria, not only has access to the Bulgarian and Macedonian energy markets been achieved, but via its subsidiaries WTE and AVN, EVN is also enjoying success in a total of ten countries with numerous projects in the fields of water supply, wastewater treatment and waste incineration. Today, some 70% of Group customers and around 77% of the workforce are already to be found outside Austria. Moreover, approximately 34% of consolidated sales revenue derives from these new markets. This spread of business activities means a sustainable consolidation of the corporate base and thus long-term company success.

Due to differing legal, economic and social requirements, in the course of the implementation of its internationalisation strategy EVN is confronted by a diversity of new challenges. In addition to the establishment of a common corporate and management culture, topics of central importance include the securing of uniformly high supply and service standards and the improved earnings capacity of the newly acquired companies. The commitment of EVN to sustainability as a benchmark for business activities also applies to the countries of South East Europe.

Development of a common corporate culture

Differing cultures, languages and alphabets underline the significance of the development of a common corporate culture on the basis of uniform Group principles. Accordingly, at present, training, internships and expert exchanges, etc. are being employed in the creation of a culture of responsibility and management, which will serve as a shared bond that transcends business areas and national frontiers. The general benchmark employed for this purpose, which has already been implemented in Lower Austria, is the claim to be "Always at your service". This applies to both customers and all other stakeholders in the company.

Various initiatives for security of supply and customer service

The current long-term goal is the transfer of the standards prevailing in the domestic Lower Austrian market to all Group companies. In view of the major need for investment, sustainability from sourcing to disposal is a vital task during the reorientation of the companies affected. Accordingly, in Bulgaria and Macedonia, EVN is presently working on reductions in network losses to a level that complies with European standards. The related package of measures incorporates the exchange and relocation of meters, as well as investments in maintenance and network expansion aimed at loss minimisation. EVN's medium-term aim is to cut the technical network losses in Bulgaria and Macedonia to the average European level of around 10%. Both customers and the environment will profit from these efforts.

"Perspective 2007" – optimisation in Bulgaria

The "Perspective 2007" programme launched by EVN in Bulgaria is intended to enhance the standard of customer services and the competitiveness of the Bulgarian subsidiaries. Among the concrete measures involved are the establishment of 39 customer centres throughout the entire supply area, the creation of standardised and clear company structures and the preparation of the company for imminent market liberalisation. A contribution to improved customer service is to be provided by uniform complaint management, joint service standards and the setting up of a call centre. A training and further training offensive has also been launched with the aim of further strengthening the competence and service orientation of the workforce. Another important goal of "Perspective 2007" is a socially acceptable reduction in the size of the workforce, in order to secure EVN's long-term future in Bulgaria (please see page 45 ff.).

"The active involvement of stakeholders is a major factor in sustainable corporate development. EVN has taken an initial step in sustainability reporting with the stakeholder survey and has thus created a platform for an ongoing stakeholder dialogue."

Monika Cerny, consultant, Austrian Institute for Sustainable Development

Stakeholders and issues

In the interests of the most detailed and informative reporting possible concerning sustainability for all stakeholders, during the run-up to the preparation of this Sustainability Report, EVN commissioned a comprehensive survey among the various stakeholder groups.

Stakeholders

Individuals or groups are designated as stakeholders when they validate their interest in a company. Apart from the owners, stakeholders include employees, customers, suppliers, the capital markets, states, environmental organisations and the general public.

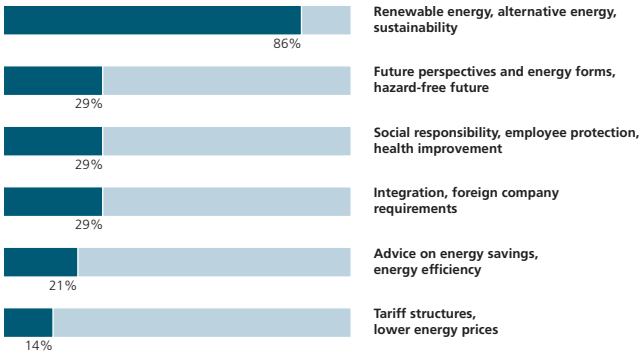
In order to facilitate an analysis of the multifaceted aspects of corporate sustainability, within the scope of the preparation of the Sustainability Report, the Austrian Institute for Sustainable Development (ÖIN) determined the interests, questions and concerns of the individual stakeholders. To this end, persons were selected from the following stakeholder groups and then questioned by experts from the ÖIN:

- EVN Group employees
- Customers
- Suppliers
- Financial institutions
- Owners/shareholders
- Lobbies
- The general public/media
- Authorities

The survey commenced with the posing of general questions concerning EVN and sustainability. Only then were impressions, expectations and the potential for sustainable development at EVN and with regard to the Sustainability Report established.

The following diagram clearly shows the topics of greatest relevance to the stakeholders:

Topics of greatest relevance as revealed by the EVN stakeholder survey



Source: EVN stakeholder survey, July 2006

For virtually all those questioned, the area of renewable and alternative energies represented a core concern. Apart from this topic, stakeholder interest focused mainly on EVN's future perspectives in the areas of ecology and social matters.

This report is based on the conclusions of the survey. The content largely conforms with the interests of the individual stakeholders. Against this background, as opposed to its predecessors, this report is structured according to the individual stakeholder groups. It is EVN's intention to thus better address the needs of its stakeholders with regard to information.

The general public and media

As an energy and infrastructure supplier, which is very much in both the public and medial eye, EVN regards the maintenance of an active dialogue with the public and a willingness to enter into social discourse and to make an appropriate contribution within the corporate environment as part of its responsibilities. Accordingly, EVN relies on positive, open and transparent information for all the affected stakeholder groups. One major aspect is formed by the topic, "future energy supply", for which a major demand for information exists, as demonstrated by the EVN stakeholder survey. EVN sees a close connection with its obligation to minimise the environmental impact derived from its activities. In addition, the company also meets its social obligations through a diversity of initiatives, also contributing equally to the areas of education, the arts and culture.

Active dialogue and transparent information for all stakeholder groups

EVN attaches special value to the most comprehensive external and internal communications possible. Accordingly, at regular intervals it seeks discussions with NGOs, with which it holds open and intensive dialogues concerning various factual topics, ranging from environmental protection to the future energy supply. EVN also maintains close links to the media via regular press conferences, ongoing individual contacts and press trips. Political decision-makers are integrated into the information process and in the educational area, for many years, EVN has maintained intensive co-operation with the schools in Lower Austria, in the course of which the company has provided numerous presentations and wide-ranging teaching materials.

EVN publishes a company journal and a newsletter for the information of its workforce and in addition, holds regular information events. A journal and newsletter are also issued to EVN customers, who have further extensive possibilities for information and dialogue via trade fairs, individual consultation, customer surveys and EVN complaint management. For its shareholders and other target groups within the financial community, EVN issues extensive financial reports and shareholders' letters, attends regular road shows and retail shareholder meetings and offers an extensive portfolio of online information. Private citizens are informed about EVN developments and projects in the course of a variety of events. Such activities even extend to the creation of a citizens' advisory committee by the fully owned EVN subsidiary, AVN, during the completion of the Dürnrohr waste incineration plant.

Exchange of experience with other EMAS companies

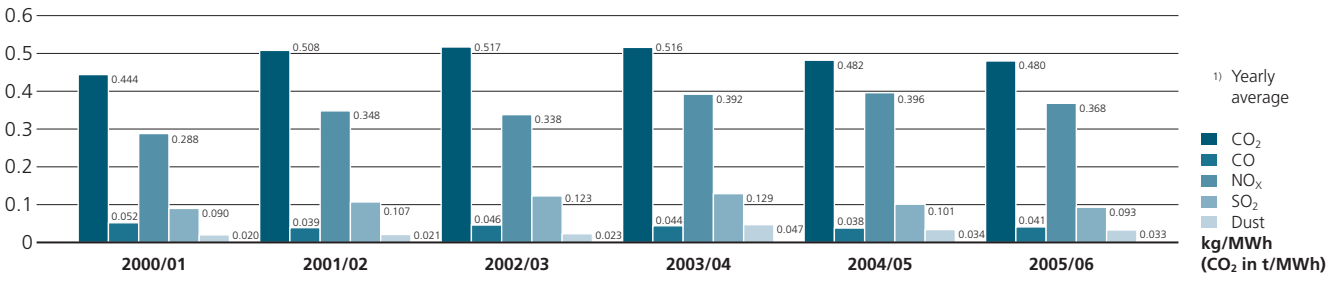
In order to continually receive fresh impulses in the environmental protection area, as one of Austria's first EMAS companies, EVN endeavours to maintain an ongoing dialogue with other EMAS accredited companies and the Austrian Ministry of the Environment. For this reason, the company plays an active role in the twice-yearly exchange of information organised by the Austrian Ministry of the Environment. In the past year, such meetings were held at Österreichische Banknoten- und Sicherheitsdruck GmbH (Austrian Banknote and Security Printing Company Ltd.) and the paint manufacturer, Rembrandtin. The meetings were attended by the environmental co-ordinators from EVN's companies, as well as representatives from the Group's Environmental Controlling unit. Apart from numerous presentations on topics such as changes in environmental law, the preparation of environmental programmes and their development into an integrated management system, above all these events provide an opportunity for the discussion of differing implementation strategies regarding environmental and EMAS issues. In the coming year, EVN will also host such a meeting.

Climate protection and emission reductions in electricity and heat generation

In the interests of its customers, EVN attaches great value to the maintenance of a secure and sustainable supply of electricity and heat. Of special significance in this connection is the consideration of climate protection, which is currently one of the most important environmental topics. Indeed, EVN sees a reduction in CO_2 emissions as being a particular challenge.

Despite the increased use of renewable domestic resources, especially with regard to biomass, wind and hydropower, at present the increasing demand for electricity and heat cannot be met from these sources. Among other factors this is due to the plant dimensions that are practicable in this segment, the availability of fuels and economic limitations. Therefore, during a certain transitional period, gas and coal must remain in use for the generation of energy.

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



Allocation of emission certificates for the period 2008–2010

Austria and thus EVN, are currently in the CO_2 certificate allocation phase for the second trading period, which extends from 2008–2012. As opposed to the initial period, this time the allocation is taking place in accordance with a benchmark approach. In line with this model, highly efficient plants are to be rewarded with an increased allocation. Therefore, for EVN, the systematic maximisation of efficiency and emission minimisation in its existing power heating plants is an absolute priority.

Measures for CO_2 reduction

EVN is currently involved in the implementation of a series of measures aimed at a marked reduction in CO_2 emissions. For example, work has just started at the Dürnrohr power station on the completion of an upstream plant, which will reduce coal consumption by 20% through the use of biomass. In addition, the increased employment of waste heat from the power stations for heating purposes in surrounding industrial companies and households represents a further contribution to an improvement in the degree of fuel utilisation. The new biomass-fired combined cycle heat and power plants in Mödling and Baden have replaced gas-fired boilers and thus contribute to a reduction in CO_2 emissions.

CO_2 emission certificates from JI/CDM projects

As part of its purchasing strategy for the CO_2 emission certificates required for operation, EVN is also supporting various measures in other countries by means of JI (Joint Implementation) and CDM projects (Clean Development Mechanism). This is because EVN can obtain emission credits for its own plants through the implementation of climate protection projects in other states. EVN also anticipates potential for reductions in CO_2 emissions from future electricity and heat generation projects planned by its subsidiaries in Bulgaria and Macedonia. The involvement in JI and CDM projects for wind farms and hydropower plants, e.g. in India, Egypt, China and Bolivia has already been initiated through the appropriate climate protection funds.

EVN proposes an Austrian climate protection fund

During the preparations for the second national allocation plan, EVN was actively involved in moves aimed at achieving Austria's climate protection target. The company proposed the creation of a climate protection fund, which would provide financial support for the implementation of concrete CO_2 reduction measures in domestic companies. Up to now, the fund has not come into being due to legal issues relating to emission trading. However, EVN's suggestion is to be pursued further.

Fine dust

Particles with a diameter of less than 10 µm are classified as fine dust (PM10). Particles of this size are able to pass through the larynx and penetrate deep into the lungs. A recent evaluation by the World Health Organisation (WHO) has shown that an increase in fine dust impact can cause respiratory and heart-circulation system problems. This may result in a significant fall in life expectancy.

Reduction in fine dust emissions

Austria is also confronted by the problem of fine dust, which is affecting the whole of Europe. In the period from 1990–2004, annual fine dust emissions increased by 1% to 46,700 t and in the conurbations in particular, under special weather conditions during the winter months, some regional limits are regularly exceeded.

According to calculations from the Federal Environment Office based on data from 2004, apart from industry with a share of 35%, road traffic is one of the main sources of fine dust with around 20%. A further 22% derive from domestic fires and the pollutant transports from neighbouring countries also play a significant role. Only some 3% of total fine dust emissions relate to energy supply.

Nonetheless, EVN sees a special focus on fine dust as being part of its responsibilities. Therefore, EVN production capacity is constantly maintained at the state-of-the-art and in particular, is fitted with highly effective dedusting filters. Cyclone, electric or textile filters are employed depending on plant size and type and the fuel involved. As a result, the prescribed limits can be maintained and even clearly undercut.

A further contribution by EVN to an improvement in atmospheric conditions is provided by the ongoing expansion of its line-borne energy supply capacity, which above all, involves district heating and natural gas. The related reduction in the numbers of household fires not only prevents considerable emissions of fine dust, but also the creation of nitrous oxides and other atmospheric pollutants.

EVN objectives regarding the sustained securing of the energy supply

- Security of supply in general and in crises situations
- Increased use of domestic resources
- Climate protection through CO_2 reductions
- Greater energy efficiency
- Independence in the electricity and heat supply areas
- Creation of modern infrastructure

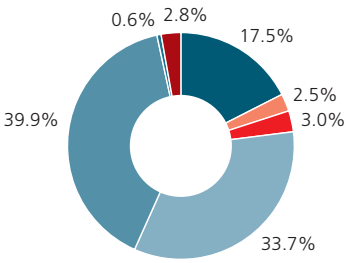
Future energy supply – renewable energies

Sharp increases in demand, restricted production capacity, climate change and rising oil and gas prices represent just some of the reasons why in particular, EVN is faced by major challenges in the energy sector. Thus, in order to be able to offer a sustainable and secure supply of energy in the long-term, EVN is increasingly seeking independence in the generation area and the greatest possible use of renewable energies. Company concepts and plans in this area play a central role in EVN's ongoing dialogues with NGOs, customers and the general public and are therefore subsequently shown in overview.

Sustainable supply due to high own generation levels and a flexible generation mix

Both the flexibility and autonomy of electricity and heat generation must be raised in order to guarantee a sustainable energy supply. Therefore, EVN has the long-term objective of covering 40%–60% of Group electricity sourcing requirements from own production. The own production share in the new Bulgarian and Macedonian markets is also to be raised by the construction, purchase and modernisation of power generation capacity. In this connection, a responsible approach to the environment and the greatest possible conservation of resources are just as important to EVN as an increase in energy efficiency.

EVN electricity generation 2005/06 by primary energy source



1) Incl. electricity generation in Macedonia

With regard to electricity generation, EVN has long relied on regionally available resources in a flexible generation mix composed of alternative energy, hydropower and thermal power plants. The intensified use of renewable energy sources is playing an increasingly important role in this connection. In Austria, the intention is to raise the share of power derived from renewable fuels in EVN's electricity output to around 33% by 2010. A highly promising approach to the issue of increased efficiency is provided by the targeted use of waste heat in the industrial and municipal sectors, which ensures improved fuel utilisation levels. During the 2005/06 financial year, EVN generated a total of 4,556 GWh of electricity.

EVN power generation capacity[1)]

	MW
Thermal power[2)]	1,382
Hydropower	185
Wind power	116
Biomass	10
Total	**1,693**

1) As at September 30, 2006
2) Incl. cogeneration and combined cycle heat and power plants.

Development of more efficient, minimum emission coal-fired power stations

Unlimited supplies of fossil fuels will not be available to coming generations and therefore alternative power generation methods must be sought. However, the technologies already available, such as hydro-, wind and solar power, cannot offer a secure and comprehensive energy supply. Therefore, in order to bridge the period until alternative technologies achieve full technical maturity, and to cover the steady rise in electricity demand, it is necessary to continue to build conventional power generation plants. One of the possibilities in this regard is provided by coal-fired power stations, as this raw material is still available worldwide in sufficient quantities. In order to minimise the unavoidable emissions from such power stations, EVN is playing an active role in R&D related to the creation of more efficient technologies for coal-fired power stations, which will slash pollutant emissions. The primary goal is to achieve a reduction in emissions through a further increase in technically feasible efficiency levels.

Together with the German company STEAG, EVN is now about to build such a power station in Duisburg-Walsum, Germany. With an output of 790 MW and net efficiency level of over 46%, this will be the most modern and, above all, the most efficient hard coal fired power station in the country. This is underlined by the fact that on average, other coal-fired power stations in the EU25 only achieve efficiency levels of 34%. In addition, the new power station is to be fitted with a highly effective flue gas cleaning installation, consisting of state-of-the-art desulphurisation, catalytic converters for the removal of nitrogen oxides and electro-filters for dedusting.

Biomass as a renewable energy source

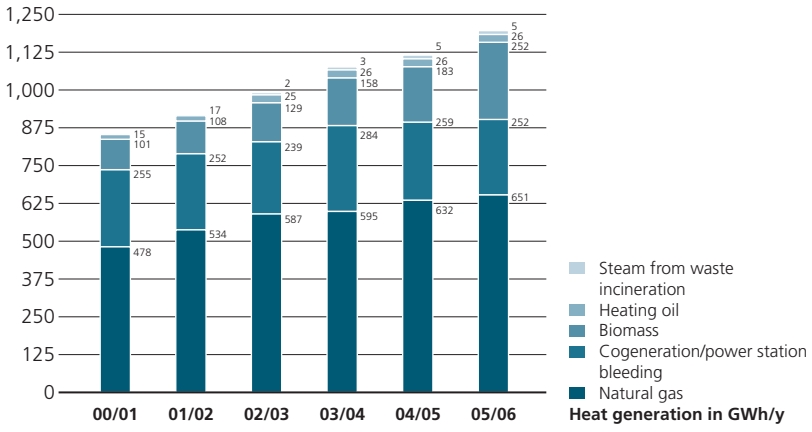
For many years, EVN has pursued the targeted expansion of its district heating supply capacity and currently operates heating networks with a length of 322 km. This not only provides customers with a range of advantages, but also creates a tangible reduction in environmental impact. For apart from the replacement of a large number of individual firing systems (domestic fires) and a corresponding cut in emissions, above all the supply of district heating facilitates the widespread use of renewable energy sources such as biomass and biogas.

The new Duisburg-Walsum power station will be a model example of modern, low-emission energy generation.

For this reason, in the heat generation area EVN primarily employs biomass, which is an organic and therefore CO_2-neutral source of energy. Biomass is also being increasingly utilised for electricity generation. The company currently operates over 40 biomass-fired heating plants and with annual consumption of around 900,000 piled cubic metres is Austria's largest producer of heat from biomass. 60% of the municipal district heating supplied by EVN already derives from biomass, 35% from natural gas and the remainder from oil, liquid gas and coal.

EVN largely relies on professional solutions created in teamwork with partners from the local agricultural or wood processing industries. In this manner, valuable forestry chippings and sawmill by-products are put to intelligent use and considerable volumes of CO_2 emissions are avoided.

EVN heat generation



Heat generation in GWh/y

During the 2005/06 financial year, EVN opened new biomass-fired, district heating power plants in Baden and Mödling.

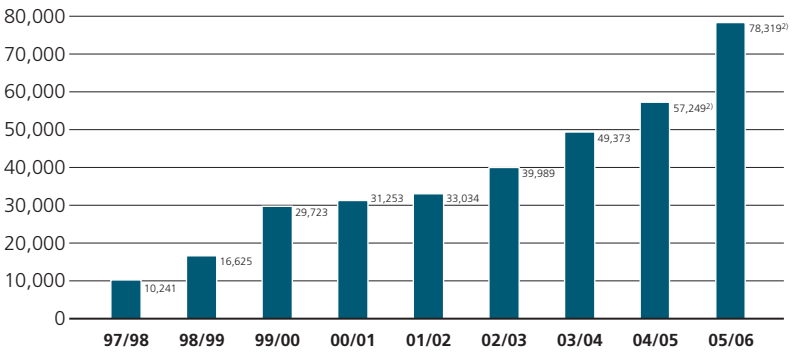
Eco-electricity and district heating for the towns of Mödling and Baden

Since June 2006, EVN has been using two new biomass-fired, district heating power plants, which employ wood chippings as a fuel, to generate electricity and district heating for 20,000 households in both Mödling and Baden. The two plants have biomass-fired boilers with heat output of 26.5 MW and can also generate 5 MW of electricity each. The use of organic biomass facilitates considerable CO_2 savings in Mödling and Baden, the investment for the plants having totalled EUR 40m.

Installation of a large-scale, biomass-fired plant

EVN is continually initiating new projects in the area of biomass utilisation. One of these involves the planned erection of a large-scale, biomass-fired plant at the Dürnrohr power station as part of a comprehensive infrastructure project (please see page 23). The intention is to utilise the plant for the generation of high-quality biogas using straw, energy plants and grain. The plant will require around 190,000 t of biomass annually, which will be partially supplied in an environment-friendly manner using Danube shipping. The biogas obtained from pyrolysis is to be employed in the neighbouring Dürnrohr power station for the generation of eco-electricity. Work commenced on the first stage of the plant in October 2006, which in its final version should dispose over thermal output of 120 MW. From mid-2011, the intention is to supply some 100,000 households with eco-electricity.

CO_2 emission savings due to the use of biomass[1)]



1) In comparison with the theoretical use of extra light heating oil in households.
2) Since the 2004/05 financial year, including local biomass-fired heating.

Eco-heat for Ternitz and Neunkirchen

EVN is to start work on the realisation of a further, significant biomass project at the beginning of 2007. The Climate Alliance municipalities of Ternitz and Neunkirchen are to receive eco-heat from what will be one of Austria's largest, municipal district heating plants, which is to be fired using wood chippings. Supplies to Ternitz are planned to go online in autumn 2007 and to Neunkirchen in autumn 2008. 60,000 piled cubic metres of chippings from the region are to be employed to supply a total of 4,000 households with eco-heating and thus prevent approximately 12,000 t of CO_2 emissions annually. The district heating network will have a length of 16 km and the investment involved amount to EUR 13m.

Considerable volumes of CO_2 emissions can be prevented through the use of organic fuels such as straw and wood.

Biogas from biogenous waste and "renewables"
EVN also intends to make greater use of biogas as an alternative fuel. Once suitably treated, biogas can be employed in the same manner as natural gas, but offers additional advantages such as CO_2-neutrality and the fact that due to a diversity of domestic sources, there is no reliance on imports.

During the past financial year in particular, EVN has stepped up its activities relating to the further development of the possibilities for the utilisation of biogas. At present, it is acting as one of the main partners in the "Biogas treatment and network integration" project, which is running in Bruck/Leitha. Together with other companies and institutions, which include the Vienna University of Technology, Wien Energie and OMV, work is continuing on the conversion of biogas into bio-methane for subsequent feeding into the public gas network. For this purpose, an extra treatment module is to be added to the existing biogas plant in Bruck/Leitha (partner of the local "Energie Park"), in order to guarantee gas in the quality needed for the network. From 2007, this treatment plant will convert around 180 m³/h of biogas into approximately 100 m³/h bio-methane, which corresponds with the heating energy requirement of around 400 family homes.

Biogas

Biogas is obtained from the oxygen-free fermentation of organic materials. So-called renewables can be used for this purpose, e.g. silo maize, biogenous waste (kitchen and food residues), or municipal waste from bio-bins. The resulting biogas is currently used in the cogeneration of power and heat. In future, it will be cleaned and upgraded in a treatment plant and then utilised as a fuel, for heating purposes or in electricity generation. This opens up a wide range of (additional) applications for biomass.

Natural gas as an alternative vehicle fuel
It is a proven fact that the utilisation of natural gas as a fuel provides a significant reduction in the pollutant emissions derived from road traffic. EVN has been involved with this topic for many years and employs environment-friendly, gas-powered vehicles in its own transport pool. At present, the company has 17 natural gas fuelled vehicles, which have amassed a total of more than 1.1m low-emission kilometres. EVN has also built some natural gas filling stations, which are open to both its own vehicles and those of external users. Furthermore, in order to increase the use of natural gas vehicles, EVN now plans to open additional natural gas filling stations in Lower Austrian urban areas such as the region around Sankt Pölten, Krems or Wiener Neustadt.

Burkhard Hofer, Speaker of the EVN Executive Board, and Josef Plank, a member of the Lower Austrian provincial government, fill up a natural gas fuelled car.

In Austria, evn naturkraft plays a pioneering role in the use of renewable energy.

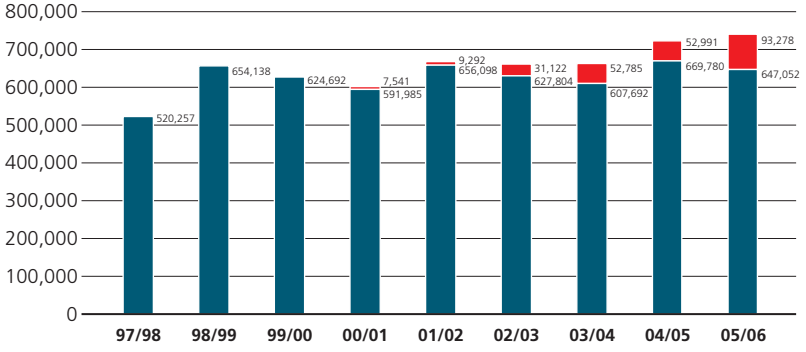
evn naturkraft – water and wind as alternative energy sources

Within the EVN Group, evn naturkraft, a fully owned EVN subsidiary, is responsible for sustainable electricity generation from hydro- and wind power. With total generation capacity of 222 MW, the company is already able to supply some 150,000 households with environment-friendly electricity. evn naturkraft operates 67 hydropower plants, of which 59 are located in Lower Austria and eight in Styria. These plants are capable of meeting the electricity needs of around 70,000 households. Moreover, in order to increase its generating capacity, evn naturkraft continually undertakes new construction and modernisation projects. In line with the objectives of Austrian eco-electricity legislation, existing small-scale hydropower plants are refurbished and historic water utilisation locations are thus provided with a new and meaningful purpose.

Wind power is the second source of evn naturkraft electricity generation. From an environmental perspective this offers enormous advantages, being practically pollutant-free and conserving the limited reserves of raw materials. Wind is a renewable resource and is therefore available on a lasting basis. However, a slight disadvantage is inherent in the fact that plant generation depends on wind strength and therefore output fluctuates. As a consequence, wind power can only ever be part of an overall energy mix.

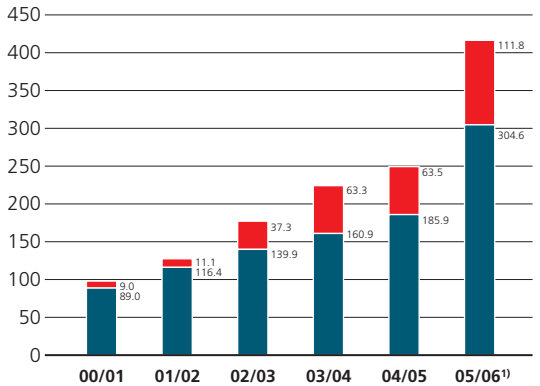
As from June 2006, evn naturkraft has operated seven wind farms, which can generate a total of about 240 GWh of eco-electricity annually. Indeed, since the beginning of 2006, evn naturkraft has been able to more than double its wind power generation capacity, raising it by 72 MW to 116 MW. This corresponds with the needs of approximately 76,000 Lower Austrian households. All in all, some EUR 85m has been invested in the new wind power plants and evn naturkraft has become one of Austria's largest wind power producers.

CO_2 emission savings due to the use of hydro- and wind power[1)]



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

evn naturkraft production development



1) Since the 2005/06 financial year, including the power plants on the River Kamp (123.8 GWh transmissions).

European Water Directive
In 2000, the European Water Directive was issued in order to create a framework for Community measures in the water policy sector. This directive provides the legal structure for water policy within the EU and also has the purpose of guiding water policy towards more sustainable and environmentally compatible water utilisation.

For evn naturkraft, the inclusion of ecological measures in the planning of new hydropower plants is a matter of course and equally, ecological improvements are also undertaken during the refurbishing of existing capacity. Accordingly, evn naturkraft always seeks a dialogue with lobby groups, e.g. the representatives of authorities and scientists, in order that problems and concerns are discussed openly and that reasonable, general ecological measures can be agreed on a joint basis.

However, the Water Directive has also created a negative spin-off in the shape of production losses from existing capacity. According to a study by the Lower Austrian government from 2004, in Lower Austria's hydropower plants, these losses can be estimated as amounting to approximately 16.5%. evn naturkraft has calculated that its average generation losses total up to 20%, as 83% of its production derives from power plants on artificial waterways. Therefore, the company seeks to raise performance by means of technical improvements and thus compensate for the losses.

The Dorfmühle, Jubiläumswerk and Schwellöd hydropower plants on the River Ybbs have already been subjected to updates. Moreover, during the past financial year:

- The Erlauf power plant was equipped with an innovative residual water turbine, which is able to utilise the residual water demanded by the EU Water Directive for electricity generation.
- The Kollmitzgraben power plant received a fish ladder and work started on a general update.
- A modern fish ladder was installed at the Salzahammer power plant.

At present, a project for the update of the Schütt power plant is in the planning phase. Once this has been completed all the evn naturkraft power plants on the River Ybbs will meet the requirements of the Water Directive.

EVN makes an important contribution to sustainable water use through the refurbishing of hydropower plants.

Comprehensive energy and infrastructure project planned for Lower Austria
In May 2006, EVN made public a project of far-reaching significance to its domestic market in Lower Austria. The scheme, which has the power station and waste incineration plant in Dürnrohr as its starting-point, incorporates five individual projects, in which EVN intends to invest a total of some EUR 180m in the coming three years:

- The **completion of a large-scale, biomass-fired plant,** which will generate biogas for use in the power station process using straw, wood, energy plants and grain.
- The creation of the prerequisites for the **environment-friendly supply** of biomass and coal by ship using the adjacent Danube waterway.
- The expansion of the **district heating supply for the Sankt Pölten area** through heat bleeding at the Dürnrohr power station and the building of a 29 km supply line.
- The **supply of process steam** from the power station to the Agrana company's bio-ethanol plant in the neighbouring borough of Pischelsdorf.
- The **enlargement of waste incineration capacity** from its current level of around 300,000 t/y to approximately 500,000 t/y. This will correspond to an increase in heat output from the current level of 120 MW to 210 MW.

EVN will achieve a number of positive effects through the realisation of this project, as the increase in its generating capacity and hence the share of supply provided by in-company generation will not only improve the security of supply and resilience to crises, but also strengthen its independence in the electricity and heat generation sectors. The improvement in energy efficiency thus achieved will play a tangible role in this connection. At the same time, the share of renewable fuels in overall energy capacity will be raised considerably, which along with greater equilibrium in the primary energy mix and an increased use of domestic resources, will provide a considerable reduction in CO_2 emissions. The replacement of coal consumption of around 125,000 t/y will prevent some 370,000 t of CO_2 emissions.

The creation of the modern infrastructure required for these purposes will also further strengthen EVN's position in its domestic market in Lower Austria and simultaneously underlines its sense of responsibility for its traditional supply area.

The power station and the waste incineration plant in Dürnrohr form the starting-point of a comprehensive energy and infrastructure project.

Sustainable energy distribution

One of the most imposing challenges facing EVN is the securing of a sustainable energy supply, which as a look at other countries confirms, is not necessarily a matter of course. Accordingly, EVN not only attaches major significance to the ongoing, further optimisation of its power generation, but also to the safe and reliable distribution of line-bound energy sources (electricity, natural gas and district heating). The company makes regular investments in its networks, in order to maintain them at the state-of-the-art, optimise their transmission capacity and thus minimise failures and network losses.

Responsible network planning and installation

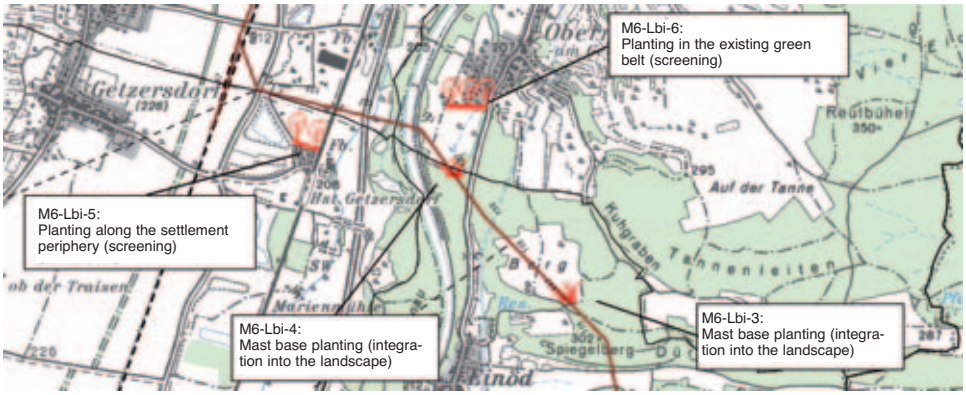
Out of a sense of awareness that line construction is always linked to an impact on the natural habitat, from the planning phase onwards, EVN undertakes every effort to minimise the negative effects, although logically enough, without ignoring the demands made by security of supply. This means that in spite of all the efforts made, a degree of impact cannot always be avoided.

During routing selection, care is taken that, wherever possible, zones worthy of conservation are not crossed and that ecological criteria are thus fulfilled. In particular, EVN takes the interests of property owners along the line route into special consideration and relies on open dialogue in order to integrate justified concerns into the planning process from the outset. Sufficient laying depth also ensures that agricultural use remains possible and in addition, for preference, lines are laid along existing corridors, whereby future settlement patterns are taken into account. The line installation process itself also accommodates sensitive periods of the year relating to agriculture, fauna and flora.

Whenever possible, all the work on line networks, whether this involves new construction work or repairs, is completed in a disruption-free manner. In general, projects are divided into short sections in order to ensure rapid completion and minimise the disruptions caused by dust and noise, vibrations due to drilling and digging, and traffic hold-ups. Furthermore, EVN seeks to co-ordinate its activities with other companies completing excavation work, as well as with organisations responsible for road maintenance and repair. Following the completion of the construction work, the pipeline routes are extensively recultivated, in order to ensure that the landscape remains intact to the greatest possible extent.

Example: environmental compatibility assessment (ECA) for the 380 kV Etzersdorf–Theiss line

One example of the accommodation of the factors of sustainability and the early clarification of the effects upon the environment, people, flora and fauna, is provided by EVN's "Etzersdorf–Theiss 380 kV line" project. Following the confirmation by experts of the necessity for the 16.7 km line, an ECA process was immediately initiated. Several line routes were



As the adjacent illustration from the catalogue of measures for the planned 380 kV line demonstrates, the river bank vegetation along the route is to be traversed at the narrowest point available in order to minimise the impact on this significant, ecological habitat. The line route was determined in a manner that largely keeps it out of the view of the local population by topographic means or tree planting. However, where the planned route nonetheless is in proximity to settlements, the effects on the neighbours are to be reduced by means of planting aimed at providing natural screening. Mast base planting is also planned at various points in order to improve the visual integration of the masts into the landscape.

considered until a configuration was established that accommodated the various sustainability concerns.

The basis for route selection was provided by an extensive area analysis, which in addition to technical criteria, also incorporated the needs of settlement and landscape protection, and was targeted on the greatest possible conservation of natural resources (habitats, ground water, landscape). EVN will commence work on the 380 kV line and the related peripherals in 2007 and completion is currently scheduled for 2008. The construction will be subject to ecological controls, which will ensure that all the nature conservation stipulations are met.

Environmental compatibility assessment (ECA) in line with the 2000 Austrian Environmental Compatibility Assessement Act

The environmental compatibility declaration, which is part of the ECA process, serves the comprehensive documentation of environmental impact and the measures taken to prevent or ameliorate it:

- Presentation of several project alternatives and the reasons for the selection of the submitted project version.
- Detailed analysis of the anticipated environmental impact.
- The preparation of measures suitable for the avoidance or reduction of the main negative effects of the project upon the environment.

Windmills as an ornithological hazard

Experts describe the collisions of birds with objects as "bird-strikes". Birds are frequently unable to recognise obstacles created by humans and therefore contacts are inevitable. Electricity lines and windmill rotors constitute a potential hazard for both birds, especially birds of prey, and bats. In order to keep such collisions to a minimum, EVN largely waives the right to build wind farms in areas with large bird populations.

Active conservation of species and landscapes

Precisely during the construction of overland lines and wind power plants, EVN attaches major value to the protection of the landscape. Electricity from wind power is regarded as environment-friendly, but wind farms can also have negative effects. EVN is conscious of this fact and therefore adopts the appropriate measures.

Fundamentally, the planning of wind farms takes place in accordance with the zoning plan, in order to prevent a proliferation of individual projects and the related disruption of the landscape. Moreover, during project planning, the positioning of the windmills is subjected to thorough examination, as an inadequate distance from housing and an unfavourable relationship to the sun can create irritating shadows. Apart from shadows, the noise problem also plays an important role in the location selection process. In addition to adherence to the given limits, an appropriate distance to housing must be maintained. EVN adheres to the prescribed limits through the deliberate provision of generous spaces.

In general, when completing wind farms, EVN works closely with the nature conservation authorities and the affected local authorities.

The bee-eater is a medium-sized bird for which EVN installed a "wall" during the construction of the Kettlasbrunn wind farm as a special conservation measure. The "wall" consists of a steep embankment, which should serve as a breeding ground for this rare species.

Left. Collisions with power lines represent the most frequent cause of the death of great bustards in Austria. In this situation, EVN is helping by putting lines underground or marking them using bird warning flags.
Right. evn wasser administers 90 wells in its supply area. In addition to the appropriate limitations and bans on use and cultivation, sufficiently dimensioned protective zones are an essential prerequisite for the guaranteed and sustainable protection of the ground water.

Great bustard protection project

In February 2006, EVN launched a special species protection project for the great bustard in teamwork with the Austrian Great Bustard Protection Society. The hazards to this bird, which has become virtually extinct, relating to collisions with overhead line cables, are to be reduced with the aim of facilitating a recovery in the great bustard population in Austria.

In the coming years, EVN is to install a total of some 29 km of medium-voltage lines in the western "Weinviertel" and will thus create large areas that are free of overhead cables. In addition, around 22 km of 110 kV lines are to be marked with bird warning flags, which will greatly increase the visibility of the power lines.

The implementation of these measures, which should be completed by the end of 2008, has already commenced. EVN alone will invest EUR 2.4m in this project, the remainder of the total costs of EUR 5.8m is to be financed by the EU.

EVN as the "water advocate"

Since 2001, EVN has also been active in the drinking water supply area via its fully owned subsidiary, evn wasser. A central objective in this regard is the long-term securing of the supply in Lower Austria in both a quantitative and qualitative regard. High levels of economy constitute a major prerequisite for the continued supply of customers at reasonable prices and the sustainable retention of a high quality standard. As a "water advocate", EVN consciously exercises a responsible and environmentally compatible approach to this valuable resource.

Accordingly, all evn wasser services are subject to an ongoing improvement process. This not only covers employee training, but also the technical standard of plant, which is the object of regular investment. At the same time, evn wasser is constantly looking to open up new springs and well areas.

In total, evn wasser administers protected well areas amounting to 303 ha. As the first class quality of the water can only be ensured by means of extensive controls, its chemical and microbiological parameters are subjected to routine testing at 394 points on at least four occasions annually. In the 2005/06 financial year, this provided more than 37,000 detailed values. Moreover, where wells are potentially endangered, additional controls are applied, which give a timely warning of any possible risks. The municipal boroughs supplied by evn wasser are provided with the most important parameters on a quarterly basis and private customers receive annual written notification. Furthermore, the test results are available online at any time.

Acceptance of social responsibility

As a supplier of energy and environmental services, EVN is firmly rooted in its supply regions and through the secure provision of infrastructure plays an important role in regional economic development. Therefore, in its areas of regional activity, EVN also assumes active social responsibility.

This responsibility extends from the charity area, which includes activities such as aid to the victims of the floods in the summer of 2006 and the planned creation of a company social fund, to the education and training of children and young people, a field in which EVN has been working for many years. The involvement in education focuses mainly on teaching for children and the young in the areas of energy safety and the environment, the allocation of scholarships and the support of sport for children and young people.

Art and culture are also an EVN concern. Accordingly, with the help of an advisory committee, the company sponsors international contemporary artists and seeks both an active internal and external discourse leading to an open-minded confrontation with the issues of today and tomorrow.

Establishment of a social fund planned

In order to enhance the professionalism of its sponsoring activities in the social area, the EVN Group is planning to create its own social fund. As in the case of the evn collection, where an artistic committee provides advice, a small circle of selected experts in the social field should serve EVN in a consultative capacity. Naturally, the focus of this commitment will be on the company's supply area. Following the completion of current preparations, the fund is scheduled to commence its activities in the course of the 2006/07 financial year.

Flood victim aid 2006

In April and June 2006, EVN lived up its responsibilities towards its supply areas and customers through the rapid granting of aid to the victims of flooding on the Lower Austrian March and Thaya rivers. Important assistance took the form of the interest- and charge-free extension of outstanding bills and the free restoration of household connections and the installation of meters. All in all, EVN employed a sum of over EUR 150,000 for flood victim assistance in 2006.

Partnership with Lower Austrian schools and kindergartens

The furtherance of children and young people is a traditional focal point of EVN's regional involvement. The company regards this as being an important investment in the future with high value added for society in general.

Even among the very young, EVN deliberately supports the creation of sustainable and environmentally-conscious thinking.



Therefore, over many years, EVN has provided an extensive range of presentations concerning energy for Lower Austrian schools, as well as highly popular teaching materials. Indeed, EVN's teaching aids are valued throughout Europe and in the majority of Lower Austrian schools constitute an indispensable part of general studies and physics teaching relating to energy.

The past school year again saw around 700 presentations about energy and energy supply by the EVN school advisors, who are energy experts with special, pedagogic training. In addition, over 25,000 school students were able to acquaint themselves with the basic principles of the supply of energy and its intelligent employment.

Due to the fact that responsible education cannot begin early enough, EVN is also working intensively on the design of an energy materials box for kindergartens, which is seen as a supplement to its range of teaching aids for schools. This will be made available to all kindergartens in Lower Austria from September 2007 onwards.

Learning for today and tomorrow through a diversity of co-operative projects in the educational field

In the final analysis, learning involves the active consideration of various topics. Therefore, a new co-operation has been launched, which links EVN with the Fachhochschule Krems and has led to the creation of the "Young Uni" project. This is intended to arouse enthusiasm among the ten- to fourteen-year-olds for the fascinating world of science and research.

EVN also continues to finance the Lower Austrian primary school competition, "Learning with a Future", the "Media 06" school newspaper competition and the "RIZ Youth Prize" ideas competition. In addition, EVN also allocates two scholarships for the "MSc programme – renewable energy in Central and Eastern Europe", which is the first university course in Austria to deal with forward-looking energy generation. This course, which is offered jointly by the Vienna University of Technology and the Bruck/Leitha Energy Park, provides students with an extensive knowledge of the efficient use of renewable energy.

EVN supports the "PIPO 2007" project (named after its mascots "Ping" and "Pong"), which has been launched by the private educational initiative "Learning with a Future". The PIPO project encourages children to select, prepare and present a project. Especially innovative Lower Austrian primary schools are then awarded prizes.

"The New World, a type of locus amoenus" in the park of the Monastery of Melk. The longer-term future of this work, which was designed for the Mozart Year 2006 by the conceptual artist, Christian Philipp Müller, will now be secured by the evn collection.

Art & Culture – the evn collection

EVN also lives up to its responsibilities through the targeted support of contemporary artists. Following the 10th birthday of the evn collection during the past financial year, the collection having been founded in 1995, 2005/06 was used primarily for research and the design of further projects. These activities included preparations for two initiatives, both of which demonstrate special forms of sustainability, albeit in completely differing forms:

- Within the framework of the Mozart Year 2006, the Swiss artist **Christian Philipp Müller,** who is resident in New York, was commissioned by „kunst im öffentlichen raum niederösterreich" to design the project, **"The New World, a type of locus amoenus"** as an installation for the Baroque basin in the park of the Monastery of Melk. In May 2006, a second basin containing flowers was added to the original, which continues to supply the historic park with water right up to the present day. The selection of the plants, for which the artist referred to a historical repertoire, accentuated agricultural-cultural considerations. The concepts of the "paradise garden", the "hortus conclusus", and the "locus amoenus", the "delightful place", were both involved. With the help of the evn collection, the existence of the work is to be secured beyond the originally planned period of six months.

- Another artistic approach to the topic of sustainability is shown by a project undertaken by the Vienna-based artist, **Lisl Ponger.** She carried out filmic and photographic research in the EVN supply area in Bulgaria. The resulting images of the country, which is currently in a phase of radical social and economic change, will be captured for the evn collection in the form of a DVD, which will be produced in 2007.

Detailed information concerning the evn collection is available under **www.evn-sammlung.at.**

Customers

In total, EVN serves over three million households, industrial companies, commercial customers, local authorities and other energy supply companies in 13 countries. Apart from the domestic market in Lower Austria, which contains around a million customers, the EVN clientele derives largely from Bulgaria with 1.5 million and Macedonia with 700,000 customers.

The development and maintenance of long-term relationships with existing and potential customers are important EVN objectives. A special EVN concern is the intelligent employment of resources, which not only corresponds with environmentally-conscious energy management, but also provides customer advantages, as the careful use of energy cuts the bills of the customers.

EVN therefore offers a diversity of energy saving services, and customer expectations and needs also receive top priority in other areas. This is because with its energy and infrastructure services, EVN provides people with a high quality of life. Indeed, first class performance at competitive prices is the company goal. In order to achieve this aim, customer satisfaction analyses and employee training courses are undertaken on a regular basis.

Targeted energy saving measures

In the final analysis, energy solutions are only successful if they are both technically and economically optimised and are meaningful from a sustainability and ecological perspective. A reduction in consumption not only safeguards the environment, but also eases the energy bill. In order to enable customers to achieve energy use that provides the greatest possible resource conservation, EVN offers comprehensive, consulting services in the energy saving field and individual problem solutions. Together with its customers EVN thus realises its objective of "using energy wisely". The services on offer include:

Household energy services

- Free, initial energy advice
- Construction and energy engineering consulting
- Heat pumps
- Heat recovery ventilation
- Condensing gas furnace technology
- Solar energy-based water heating systems
- District heating from biomass
- Natural gas
- Ice storage cooling units
- Energy certificate calculations
- Completion of air leakage measurements
- Thermography

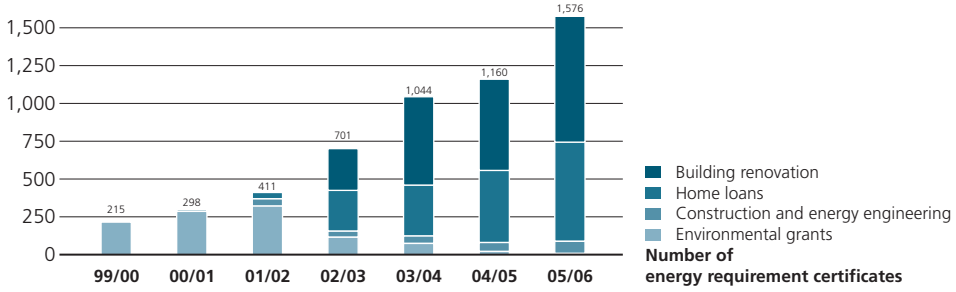
Municipal energy services

- Energy contracting
- Lighting service
- Energy concepts

Energy (saving) advice from EVN

EVN regards the conservation of limited resources as an important responsibility to both the environment and its customers. Together with the latter, energy consultations help to find methods at differing levels of using energy in a conscious and cost-saving manner. The multifaceted energy consulting range from EVN has evoked an extremely positive response and apart from several thousand free consultations in the EVN customer centres and at trade fairs, around 1,600 energy certificates are provided annually for both new and renovated properties.

Energy requirement certificates issued



Over the years, the number of energy consultations for domestic customers has steadily increased.

Here, too, the motto, "EVN is always at your service" applies. In addition to the experts, who provide customers with individual advice at EVN's 26 customer centres, the company also provides an extensive on-line consulting range. Among other features, this includes an energy requirement calculator, a wealth of useful energy saving tips and specific household consulting.

A new EVN homepage feature, the "champion energy saver"

By means of the "champion energy saver", any user can simply:

- Obtain an initial estimate of the energy savings potential in his or her household.
- Establish the related renovation requirement.

In the first nine months of 2006, over 11,000 consumers did just that.

Plant contracting within the framework of the EVN local and district heating service
Particularly in the case of large objects requiring sizeable amounts of energy, heat supply sector management is vital from both an economic and ecological standpoint. With its so-called plant contracting, EVN offers an individual solution for the optimisation of the supply of heating to large buildings. This solution links the (environmental) benefits derived from a professionally designed, implemented and operated plant with an attractive financing concept, which in many cases constitutes the primary reason for the feasibility of a project.

The service, which is targeted especially on developers and companies, encompasses the complete responsibility for concrete local or district heating supply plants, from the planning to completion and from installation and financing to operational management. After start-up, the share of the installation costs pre-financed by EVN is invoiced from the customer in the form of a subsequent cost contribution or via the energy price.

Since 1987, EVN has taken some 1,600 plants into its local and district heating service and another 150 are added every year. The range of customers extends from residential building developers and object management organisations, to plants belonging to the Austrian and Lower Austrian governments and leading industrial companies.

Hospitals represent partners with especially strict demands in the heating supply sector. At present, EVN supplies 16 Lower Austrian hospitals of which 13 have been converted to district heating during the past ten years. The heat involved is largely generated in modern biomass-fired district heating plants, forestry chippings from the respective area being used almost exclusively as a fuel.

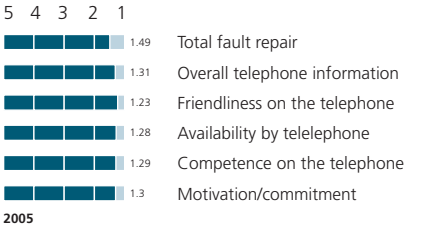
A focus on customer service and satisfaction

Especially in times of energy market liberalisation, customer service and a sales orientation constitute a major competitive factor in sustainable corporate success. Therefore, EVN offers far more than just a reliable, reasonably priced and environmentally compatible supply of energy and environmental services. In fact, it stands for targeted quality and a systematic services orientation. For, as in many other branches, it is insufficient to merely supply the product (electricity, gas, heat and water) at the designated time and in the agreed form. It is for this reason that customer advantages and the securing of customer wellbeing constitute a central element in EVN Group strategy. In particular, optimum quality should be reflected in the services area. In order to live up to this requirement, EVN has created a diversity of service products and processes for its customers, which also differentiate it from the competition.

Ongoing optimisation through regular image and customer satisfaction surveys
In order to meet the expectations and needs of its customers in the best possible manner, EVN has been carrying out regular image analyses since 1981 and customer satisfaction surveys since 1998. The results are extremely positive and underpin the company's mission statement. In Lower Austria, the company has not only been able to achieve 100% customer awareness, but above all, was adjudged to be "especially sympathetic" by 79% of those questioned. The studies clearly show that in addition to its former role as a producer and supplier, in recent years EVN has attained a clear positioning as a customer-oriented services provider. As a consequence, EVN is seen as a progressive, trustworthy and responsible company.

Numerous factors flow into this customer evaluation, the image of the company and confidence in its services playing a role, alongside the price/performance ratio and sympathy values. However, in detail, customers also evaluate the actual services employed, assessing the quality of supply, accessibility, reaction times and consultative standards. This means that the customers adjudge the company's service range and thus help to pinpoint improvement potential.

Satisfaction with telephone information in the case of faults[1)]



1) Average rating according to a school grading system

Source: EVN household customer satisfaction analysis 2005

QUIP, the "Oscar" for excellent customer service

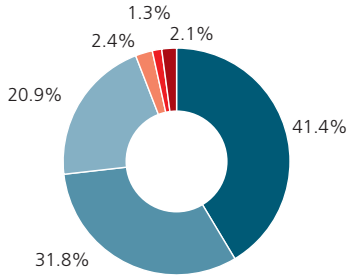
In order to secure high quality customer communications via telephone, postal, e-mail and personal contacts, for a number of years EVN has held an internal quality competition throughout the company under the designation "QUIP" (Quality Improvement Program). On the basis of defined quality criteria, selected test persons assess the handling of customer telephone and written inquiries. Complaints are taken into equal account and in addition, in the course of personal visits, the test persons investigate and evaluate the service performance of EVN customer centre staff and on company stands at energy trade fairs.

Improved service through ongoing employee training

QUIP not only serves as a motivation for individual employees, as in order to bring EVN's performance and services portfolio even more closely into line with customer expectations, the rankings are regularly employed for the drawing up of optimisation measures. Consequently, EVN offers its workforce extensive training concepts, workshops for enhanced customer communications and schooling aimed at improving their professional expert knowledge.

Left. Regular training is intended to raise service quality.
Right. The company management regularly presents the QUIP winners recognition for their customer service performance at festive events.

EVN KG[1] primary energy mix 2004/05



- Hydropower
- Natural gas
- Coal
- Wind- and solar power
- Solid or liquid biomass
- Biogas (0.36%)
  Landfill and wastewater treatment plant off-gas (0.14%)
  AVN waste incineration (1.6%)

[1] EVN Energievertrieb GmbH & Co KG, EVN KG for short, is a fully owned EVN subsidiary, which within the framework of the EnergieAllianz, is responsible for the sale of electricity and gas to end consumers.

Trust through transparency with regard to electricity prices and origins

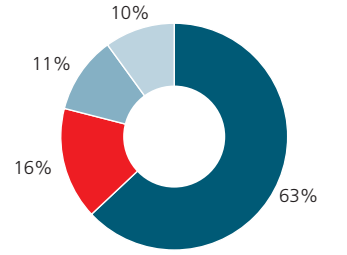
As a quality supplier, EVN finds itself in an open competition in which customer confidence plays an important role. Therefore, for EVN transparency with regard to price structures, as well as candid information concerning the origins of the electricity, constitute a matter of importance. The company thus meets the legal obligation upon all Austrian electricity producers, which has been in place since October 2001, to show the origin of the power supplied on the invoices to end consumers.

Accordingly, customers of EVN Energievertrieb GmbH & Co KG, which within the framework of the EnergieAllianz formed by EVN and other Austrian energy supply companies, is responsible for sales to commercial and domestic customers in Lower Austria, receive information on every invoice concerning the origin of the electricity supplied. This data is examined and confirmed by an independent auditor. In addition, information concerning the price structure for electricity and gas and the composition of the various price components can be obtained from the quarterly magazine, which is issued to all customers.

Electricity sourcing in Bulgaria and Macedonia

Within the framework of a single buyer model, the EVN Group's electricity supply companies in both Bulgaria and Macedonia are obliged to obtain the power that they require from the respective state-owned transmission network operators, which are also responsible for both national sourcing, imports and exports. The companies only have very limited own generation capacity, but nonetheless, it is EVN's long-term aim to create a flexible energy mix on the lines of that used in Lower Austria. Both the prices for purchases from the national suppliers and those relating to sales to end consumers are government regulated.

Natural gas sourcing in Austria 2005

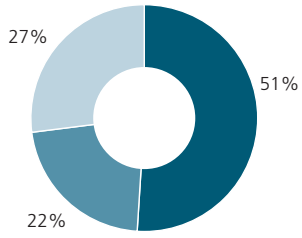


- Russia
- Austria
- Norway
- Germany

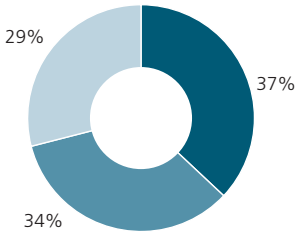
In 2005, natural gas sourcing in Austria amounted to 1.6bn m³. Over 80% of the national natural gas requirement is covered by imports, the majority of which derive from Russia. Small amounts of gas are obtained from Norway and Germany.

Source: The Natural Gas and District Heat Association

Gas price structure[1]



Electricity price structure[2]



Gas and electricity prices are determined by three main factors:

- Energy costs
- Networks
- Taxes & charges

[1] Assumption: household with annual consumption of 20,000 kWh
[2] Assumption: household with annual consumption of 3,500 kWh

Partners and suppliers

In line with its sustainability-oriented management approach, EVN attaches great value to good, long-term relationships to partners, such as authorities, local government, and suppliers. In addition to a fundamental attitude based on partnership, fair business conduct and open dialogue, above all EVN makes every effort to develop joint, innovative energy solutions in order to attain top quality and maximum resource conservation. As a result, EVN also contributes to environmental protection and the preservation of the environment for coming generations.

Supplier relations

As a company, which is under the majority ownership of the province of Lower Austria, EVN is in Austria subject to both the 2006 Austrian federal law on tendering and Lower Austrian tender control legislation. Through total adherence to these legal regulations, EVN guarantees its suppliers observance of the basic freedoms within the EU and the ban on discrimination.

Ecological purchasing criteria

More than ten years ago, EVN started work on the introduction of ecologically oriented purchasing. Ecological criteria were introduced for the purchasing of consumables such as office materials, copy paper, paints and plastic pipes. Related training was also completed in the various company departments affected.

The respective specialist departments carry out an evaluation as to whether a product or a service corresponds with the prescribed qualitative and ecological criteria. As experts, these departments determine which products are to be employed and then tabulate these decisions in the form of detailed documentation and technical descriptions, which contain both quality criteria and environmental, work safety and security aspects. The orders are then undertaken by the Procurement and Purchasing Department, which as a rule operates according to price, selecting the cheapest of the products in question. In future, this procedure will also be introduced in the Bulgarian und Macedonian subsidiaries.

Purchasing in line with CSR

As another progressive measure, during the 2005/06 financial year, EVN initiated the introduction of "purchasing in line with CSR". Parallel to the formulation of a general definition of purchasing in line with CSR, work commenced on the preparation of the appropriate purchasing criteria for selected product groups.

For this purpose, an evaluation has been carried out regarding the central purchasing procedures for advertising, work clothing, vehicles, foods, computing equipment, the main components of the gas, heating and electricity networks, as well as construction and heating power plant components.

Within the scope of a kick-off in June 2006, the representatives of the affected specialist units were informed about the importance and objectives of purchasing in line with CSR. In a subsequent step, proposed measures involving changes for the attainment of these objectives are to be developed and precisely defined. Subsequently, the CSR management will take the decision concerning concrete changes.

Authorities and local government partners

For EVN, the maximum use of the potential for reductions in CO_2 levels in Lower Austria in the interests of a long-term improvement in air quality, is a major concern. For this reason, the company co-operates closely with Lower Austria's local councils and authorities, in order to develop innovative solutions for the prevention or reduction of CO_2 emissions and to implement these as quickly and efficiently as possible. The most important current example is a project, which involves the transport of waste heat from the Dürnrohr power station to the Sankt Pölten conurbation via a heat pipeline, in order to replace heat generation from fossil fuels to the greatest possible extent.

Projects with the Lower Austrian provincial government

In a long-term co-operation with the province of Lower Austria, EVN determines the ongoing potential for the switch of heat generation plants in governmental objects to CO_2-neutral biomass firing on an ongoing basis. The objectives are:

- The furtherance of efficient energy use
- The increased employment of biomass
- A long-term move away from fossil fuels

The jointly prepared proposals contain both individual and district heating solutions, which following consultation between the experts from EVN and the Lower Austrian government, are jointly implemented. Long-term agreements with biomass suppliers secure a reliable supply of renewables from domestic sources.

This co-operation has proved highly effective, as since the beginning of 2003, 24 projects have already been successfully implemented, providing annual CO_2 emission savings of around 6,200 t. Among the completed "switch-over concepts" are the innovative energy solutions for the hospitals in Tulln, Waidhofen/Ybbs, Waidhofen/Thaya, Zwettl and Hainburg.

Projects with municipalities

EVN also offers the municipalities in Lower Austria numerous, tailor-made services for the implementation of essential infrastructure measures. The extensive EVN range not only includes the so-called "lighting service", which relates to EVN's involvement in the public lighting area, and "contracting", a model for the third party financing of energy savings measures and management, but also multifaceted consulting services regarding the topics of energy efficiency, CO_2 reductions, heating services, etc.

The EVN lighting service

Under the designation, "lighting service", EVN offers a comprehensive package for local authorities, which incorporates the planning, financing, installation, renovation, maintenance and servicing of street lighting and floodlighting systems. One objective is energy management optimisation. As a full service supplier, EVN undertakes the entire energy management within the framework of long-term, low-cost financing models. In this connection, the company works with local companies ("EVN Power-Partners", see page 40) thus securing value added and employment in the respective regions.

In the meantime, EVN has founded similar partnerships with over 50 Lower Austrian municipal boroughs. For example, during the 2005/06 financial year, EVN installed lighting systems for the sports facilities in Großweikersdorf and Schöngrabern, while the lighting on the main square in the municipal borough of Retz was completed in just two months.

Left. The main square in Retz prior to the installation of new lighting.
Right. The use of UV-reduced, halogen, metal vapour lamps means that the lighting on the main square in Retz creates an effect similar to daylight. This solution was implemented within the scope of the EVN lighting service.

Following the successful assumption of the drinking water supply of the municipal borough of Gerasdorf near Vienna with its population of over 11,000, in 2005/06 evn wasser was also able to obtain the market borough of Großmugl as a new customer for a complete range of water services. evn wasser started with the construction of a sewer network and wastewater treatment plant in Großmugl as early as September 2004. Then, in July 2006, the company was allocated responsibility for the entire drinking water supply. The refurbishing of the local network is intended to extend the life of the supply plants and minimise water losses.

EVN is also closely linked with towns, municipalities and industry in the area of **drinking water supply.** In Lower Austria, these connections are maintained by the Group's subsidiary, evn wasser, while internationally the WTE Group, which is also entirely owned by the EVN Group, provides a platform for the reliable supply of water to numerous municipalities and companies on a resource-protective basis.

As a supraregional water supplier, evn wasser possesses comprehensive know-how and by means of its municipal services offers comprehensive problem solutions in the drinking and wastewater area. Apart from easing the burden on local government budgets through joint project realisation, partner municipalities benefit in both a qualitative and quantitative regard from a 24-hour standby service, rapid repairs and secured water supply.

Major waste incineration and drinking water supply projects in Moscow
EVN seeks efficient teamwork with cities and municipal boroughs not just in Austria, but also in other countries. At present, Group companies can point to two exemplary projects for the Russian capital:

- The **waste incineration plant** currently being built by EVN on the site of an existing facility will deal with 360,000 t of waste annually, which represents around a sixth of the 2.1m tonnes of household garbage generated in Moscow every year. The plant is scheduled to go on line in autumn 2007, as the most modern of the city's three incineration plants. EVN will operate the plant until 2019, when it will become the property of the city of Moscow.

Marked increase in air quality due to the new Moscow waste incineration plant

		Values prior to rebuilding[1)]	Expected values after rebuilding	2000/76/EC directive
Fly ash, dust	mg/nm³	360	7	10
Nitrogen oxide	mg/nm³	260	50–100	200
Sulphur dioxide	mg/nm³	180	35	50
Carbon monoxide	mg/nm³	250	35	50
Organic substances	mg/nm³	–	7	10
Hydrogen chloride	mg/nm³	220	7	10
Hydrogen fluoride	mg/nm³	3	0.7	1
Heavy metals				
Cadmium, thallium	mg/nm³	0.2	0.035	0.05
Mercury	mg/nm³	0.1	0.035	0.05
Total vanadium, bismuth, cobalt, manganese, copper, arsenic, nickel, tin, lead, chrome	mg/nm³	5.0	0.35	0.5
Dioxins, furans	mg/nm³	0.11×10^{-6}	0.07×10^{-6}	0.1×10^{-6}

As a result of a sizeable cut in pollutant emissions, the new waste incineration plant will bring a considerable reduction in environmental impact to Moscow. It will thus contribute to a decisive improvement in the quality of the air in the Russian capital. The table above shows a comparison between the emissions from the old incineration plant and the new one, as well as the parameters contained in the EU waste incineration directive.

[1)] According to information from the Moscow city authorities.

- At the same time, the WTE Group, which is also a fully owned EVN subsidiary, has completed a **drinking water treatment plant** for Moscow. With a capacity of 250,000 m³/d, the plant numbers among the most ambitious water management schemes in Europe and will supply one million of the Russian capital's inhabitants with drinking water. The entire project volume amounted to EUR 190m. Due to the innovative technology employed, the high treatment quality and exemplary safety and environmental standards, the plant sets new benchmarks and will make a lasting contribution to an improvement in Moscow's drinking water. Plant start-up took place at the beginning of November 2006.

The WTE Group is a leading European supplier of services in the area of drinking water and wastewater treatment. The company plans, builds, finances and operates municipal and industrial water and wastewater installations and has established itself as partner to cities, local government and industry. WTE is currently active in Austria and ten other CEE countries and has already completed over 70 wastewater plants for around ten million people. WTE is also responsible for the management of 23 of these plants, which is otherwise transferred to the customer.

More detailed information concerning avn and WTE services and projects is available under **www.avn.at** and **www.wte.at.**

Lower Austrian Climate Prize for an innovative biomass project

During the 2005/06 financial year, EVN received gratifying recognition in the form of the award of the Eco-Management Climate Prize for its innovative biomass plant in Bad Vöslau. This prize, which was awarded by the Lower Austrian government for the first time during the past year, is targeted on Lower Austrian companies, which develop and implement unusual, innovative ideas, concepts, prototypes or products for the reduction of greenhouse gas emissions.

EVN planned and completed the prize-winning biomass plant in Bad Vöslau together with the municipal borough and the local district heating company. In combination with the additional use of sewage sludge and biogas, the plant secures the partially autonomous energy supply of the town. At the same time, the project makes an active contribution to climate protection though yearly savings of 3,200 t of CO_2.

EVN PowerPartners, a successful commitment to Lower Austrian companies
In the energy management field, EVN relies on local networking and therefore for many years has co-operated closely with Lower Austrian electrical and fitting companies. In the meantime, around 500 commercial companies have become "EVN PowerPartners". In particular they receive professional assistance from EVN regarding the design of their product and service ranges with the objective of offering joint customers top quality energy supplies and services.

During the 2005/06 financial year, EVN extended this successful concept still further. For example the teamwork in the services field was supplemented through an increase in the number of partner companies for gas safety checks. At the same time, various information events and the enlargement of the online platform ensured an improvement in service quality.

The period under review also saw an initial survey among PowerPartner companies concerning customer satisfaction, the results of which proved to be thoroughly positive. The best companies were awarded with the "EVN PowerPartner Service Prize" during the first EVN PowerPartner congress.

EVN started a new promotion with its PowerPartners in July 2006, relating to environment-friendly heat pump technology. In addition to attractive support to end customers, a comprehensive training programme was prepared together with Arsenal Research for the partner companies. The common aim is to guarantee optimum advisory quality in the heat pump sector.

Left. Electrical and fitting companies are awarded the "EVN PowerPartner Service Prize".
Right. The Speaker of the EVN Executive Board, Burkhard Hofer and Lower Austrian government member, Josef Plank, among the winners of the Lower Austrian Climate Prize 2006. EVN received an award for its innovative biomass plant in Bad Vöslau.

Employees

EVN attaches great value to good working conditions and a pleasant atmosphere within the company.

As a company oriented towards sustainability, EVN makes every effort to ensure that all its employees have a positive working environment and are able to realise their personal potential. Through a variety of measures, EVN not only fulfils its legally defined obligations as an employer, but also exerts a positive influence on the day-to-day activities of its workforce through a diversity of voluntary benefits. As far as its possibilities allow, EVN seeks to meet the needs of its personnel and also acknowledges a number of basis principles, which define its dealings with employees and the desired corporate culture.

EVN regards its workforce as being experts who in the long-term, determine company success. Therefore, EVN seeks to maintain a highly qualified and motivated team through numerous individual initiatives, which offer employees attractive working conditions, targeted training and further training possibilities, areas of activity with interesting perspectives, social benefits and a comprehensive health service as well as a high level of work safety.

Sustainable human resources strategy

EVN needs and furthers employees, who think and act in an entrepreneurial manner, show commitment and possess excellent levels of motivation and qualifications. This is because responsible, well-informed and highly qualified employees, who are willing to provide outstanding performance contribute to sustained company success. Hence EVN's endeavours to offer its staff attractive conditions and a positive and motivating working environment. The company regards itself as a fair employer that both challenges and supports its personnel. EVN lives up to its extensive responsibilities and places special emphasis on the areas of training and further training, personal development, health and work safety, as well as teamwork with the employees' representatives.

In this connection, it relies on the following basic principles:

- Equal treatment and opportunities
- Information and communications
- Social partnership within the company
- Flexible working hours
- Work-life balance

Details concerning these principles, the health programme and the social benefits provided by EVN can be found under **www.responsibility.evn.at.**

The most important human resources policy measures implemented during the past financial year, which are described in more detail in the course of this report, consisted of a training and further training offensive relating to the integration into the EVN Group of the new subsidiaries in Bulgaria and Macedonia (please see page 45 ff.). This represented part of EVN's response to market liberalisation in the energy sector and the increasing internationalisation of its business activities, which have created a range of additional challenges with regard to professionalism, social competence and corporate culture.

Human resources management: focal points in 2005/06

The ongoing expansion of the EVN Group has led to a new framework for human resources. Therefore, in face of these new tasks, during the 2005/06 financial year, human resources management undertook a number of steps aimed at supporting employees during the fulfilment of their assignments.

With their know-how, commitment and constant willingness to learn, employees with first class qualifications and high levels of motivation constitute a guarantee of sustainable corporate success. For this reason the maintenance and enhancement of high levels of employee competence constitute a focal point of EVN human resources management. Due to the training offensive, at around EUR 2.1m, company expenditure on further training (seminar fees, trainers, e-learning) in the 2005/06 financial year was markedly up on that of the comparable period of 2004/05.

Nomination of training co-ordinators throughout the Group

For some years, EVN customer centres have been using training co-ordinators, who form an interface between employees, their superiors and the Group Human Resources Department with regard to all measures relating to training and further training. The task of these co-ordinators is to establish the qualification needs of the employees in their areas and to discuss with them the training stipulated by superiors, in order to subsequently inform Human Resources of the actual requirements. As this system has proved effective, in autumn 2005 it was extended to cover the Group as a whole.

Thus the co-ordinators regulate all internal and external qualification measures for their respective areas and can also communicate appropriate proposals for other Group areas to the Human Resources Department.

With its apprentice training, EVN also meets its responsibilities as a regional employer.

Apprentice training

For EVN, the training of qualified apprentices into highly skilled workers constitutes a further element in medium- and long-term personnel development. During the 2005/06 financial year, an average of 78 young people underwent training at EVN. Traditionally, this focuses on the industrial sector and above all, the electrical fitter profession. In addition, the attainment of multiple qualifications is also supported in a targeted manner. Accordingly, EVN supports additional training relating to other areas of its product portfolio such as gas and heating fitter apprenticeships. Apart from skills training, personal development seminars in the fields of customer orientation and social competence are also part of the programme.

New managerial culture and systematic management training

In the course of ongoing liberalisation in the CEE states, EVN has entered into a number of partnerships and investments. The development from a regional energy supplier into an internationally active infrastructure group has also brought decisive changes and new demands for the company management. A high degree of social competence is more important than ever in order to both challenge and enhance employee capabilities.

Against this background, a managerial mission statement was drawn up, which secures a standardised understanding of management and behaviour towards employees throughout the entire Group. The managerial mission statement offers managers a valuable orientation tool and thus forms a platform for the development of a successful management culture within EVN.

Managerial mission statement

Act in an entrepreneurial manner

- We must think and act in the market and within the company in a managerial manner that is responsible, result- and customer-oriented.
- We must use the opportunities provided by experience and know-how, as well as innovative further development.
- We share the common goal of securing sustained company success.

Act in a success- and performance-oriented manner

- We seek to implement company strategy with all our abilities.
- We create clear targets for this purpose, which give our subordinates room for manoeuvre.
- We measure staff and management success in terms of the achievement of our goals and prepare further measures on this basis.

Act in an innovative manner

- We build on the experience gathered in traditional core markets.
- We employ this experience for both our national and international business activities.
- We thus obtain innovative strength for further corporate development.

Bring about decisions

- We quickly take major decisions following discussions within the responsible units and then explain these choices.
- We act as a team in line with the principles of openness, mutual respect and loyalty to the company.
- We use established corporate strategy, the available factual information and the practicality of the chosen option, as a basis for every decision.

Select and further subordinates

- We see employee selection, support and development as a managerial responsibility.
- We understand the main criteria in this connection as being competence, personal responsibility and development potential.
- We orientate ourselves towards the demands of the market, sustainable company development and the EVN mission statement.

On the basis of the new managerial mission statement, the spring of 2006 saw the official launch of the new manager training programme. In teamwork with a leading management institute, EVN has developed a special development programme for its managerial staff. The extensive training programme takes two years and should help managers to deal with their assignments. In the 2005/06 and subsequent financial year, managers will complete an average of nine days of training within the framework of the programme.

Potential manager training scheme initiated

Apart from the development of the existing management team, the advancement of trainee managers, experts and project managers constitutes another cornerstone in EVN's training and further training strategy. The development of the management and expert potential within the Group is of special importance with regard to desired strategic growth. Therefore, during the period under review, EVN not only launched managerial training, but also an additional development programme. Within a changing environment, this is intended to prepare selected employees for the assumption of management and expert tasks in the medium-term.

Thus, on the one hand, the programme is aimed at guaranteeing the filling of key posts from internal sources and on the other, showing young employees the opportunities for promotion at any early stage. This will ensure that the reserves of managerial talent within EVN can be used at the appropriate time and in a targeted manner. The core points of the new programme are formed by personal development and the enhancement of social skills.

During the coming two years, over 150 Group employees will be participating in this key personnel training scheme.

Extensive training ensures ongoing competence development.

"In view of the developments within the EVN Group in recent years, the creation of a common corporate culture represents a central challenge in the communications area. The major lesson from our local activities is that team spirit can only be engendered by candour, transparency and mutual concern. My Eastern European language skills are also of great assistance during bridge-building in the countries where the Group has a new presence."

Claudia Tabacco, head of Corporate Communications, evn bulgaria

Integration of the Bulgarian and Macedonian subsidiaries

In January 2005, EVN took over the two South East Bulgarian power supply companies, ERP Plovdiv and ERP Stara Zagora and in April 2006, these purchases were followed by the acquisition of the Macedonian power supply company, ESM AD. As a consequence, workforce numbers rose from around 2,600 to 9,973. Some 3,800 of these employees are in Bulgaria and approximately 3,500 in Macedonia. Through this sizeable growth, EVN has taken a decisive step towards further corporate development. Moreover, the company also recognises its related responsibilities towards people, the environment and society in general.

The enormous workforce growth within the EVN Group was also the object of international recognition during the period under review. In the annual rankings of companies with exceptional employment growth in the past three years, which are drawn up by Europe's 500 in conjunction with KPMG and Microsoft, EVN was the best placed Austrian company for the 2004/05 financial year, coming in sixth among enterprises from 28 European countries.

The integration of the newly purchased subsidiaries in Bulgaria and Macedonia represents a major challenge for EVN human resource management. The improvement of the qualifications of employees in the new subsidiaries constituted a focal point of activities in the past year, although it only represented one of many measures within the framework of the integration process. In 2005/06, human resource management activities extended from the planning of personnel requirements, to the shaping of collective wage agreements and social policy.

- For example, during the past financial year, negotiations with the Bulgarian trades unions concerning a **uniform collective wage agreement** were concluded. The new agreement, which will run until February 2008, represents an important basis for human resources policy.

EVN employees from Krems, Lower Austria, in Bulgaria and Macedonia. In order to become better acquainted with the new EVN markets in South East Europe, in May 2005, the staff of EVN Krems selected Bulgaria for their annual company excursion. Apart from numerous sightseeing tours and trips to the interior of the country, naturally the programme included a visit to the headquarters of ERP Plovdiv. The guests were welcomed by their colleague from Krems, Horst Wagner, who was working in Bulgaria at the time and was able to provide insights into the power supply situation in the country. The next company excursion in June 2006, took the Krems personnel to Macedonia.

- In the course of integration, it became evident that to guarantee competitiveness, a **reduction in workforce numbers** was unavoidable. In order that the related restructuring measures, which are in the interests of the entire EVN Group, are completed in the most socially compatible manner possible, a **social plan** was prepared in a process that ran parallel to the drawing up of the collective wage agreement. This plan has established detailed guidelines for the planned redundancies at both Bulgarian companies. EVN is allocating priority to natural employee fluctuation and attractive redundancy payment models and to this end, during the first quarter of 2006, a social fund was established with the aim of avoiding the termination of employment wherever possible. The objective is to find a socially acceptable solution for all the personnel affected and by the end of 2007, it is anticipated that the total number of employees in Bulgaria will fall by around 1,000 due to natural fluctuation and the social plan. A similar process of responsible workforce reductions has also been considered for Macedonia.

- Another strategic measure within the scope of the integration of the Bulgarian subsidiaries is the optimum distribution of resources through **internal personnel transfers.** For example, from February 2007 EVN plans to group all the central departments in Plovdiv. To this end, a programme for geographical flexibility and mobility has been created. In an initial step, during the 2005/06 financial year, both the structure of the two Bulgarian companies and the organisation of all central units were matched to existing corporate structures.

- In order to generate trust and a sense of security among employees in Bulgaria and Macedonia, EVN pursues an **open information policy.** Accordingly, various measures have been implemented for the improvement of internal information and communications such as the issue of an employee journal for the Bulgarian and Macedonian subsidiaries. In an additional integration step, it is planned to further bilingual experts (German and Bulgarian) in at least every department with an eye to promoting and enhancing internal Group communications.

Improvement in employee qualifications in Bulgaria and Macedonia

Extensive training and further training measures, which are intended to standardise the differing qualification levels of the individual Group companies, play a significant role in the integration of the newly purchased subsidiaries. Here, too, the primary concern is the support of employees in the fulfilment of their assignments.

For example, during the 2005/06 financial year, the "ERP Academy" was founded in Bulgaria, which among other activities, offers language courses in English and German. In addition, the range available includes safety training for working with live voltage, management seminars and personality training.

The integration process has also already been set in motion in Macedonia. In the past financial year, management audits were held for around 500 employees from the second and third management levels. Within the scope of these measures, individual profiles were drawn up for all the participants, which were subsequently employed as a basis for the reorganisation of the company and as an important criterion for the reassignment of managerial posts. The foundation of a training academy similar to that in Bulgaria is also planned in Macedonia during the 2006/07 financial year.

For EVN, investments in improving the qualifications of new employees in Bulgaria and Macedonia represent a major contribution to the transfer of know-how to the region. Moreover, this also means that far-reaching steps have already been taken for the successful development of the local company and its workforce during the initial integration phase.

Lively works council exchanges

During the period under review, the employee representatives within the EVN Group also dealt intensively with the topic of integration. At the beginning of September 2005, members of the EVN works councils travelled to Sofia, in order to become acquainted with their Bulgarian colleagues. This first meeting provided a lively exchange of information concerning the rights and obligations, worries and concerns of the workforces in both countries. The discussions continued in April 2006, when the Bulgarian employee representatives paid a return visit to their colleagues in Austria.

Standardisation of employee protection and safety in Bulgaria

Employee protection and safety represent a major priority throughout the entire EVN Group, as numerous employees are subject to the dangers posed by electrical power, natural gas, hot water and steam. In order to guarantee optimum safety levels, EVN undertakes a range of measures aimed at accident protection and the raising of safety awareness levels. The high safety standards achieved in Austria are now to be extended to include Bulgaria and Macedonia.

Major progress was achieved in Bulgaria during the past year, the most pressing issue having been the raising of Bulgarian safety standards to European level. Accordingly, in an initial step, the entire range of protective working clothing was renewed. This allowed the introduction of improved technology for the protection of the wearers of fire-resistant clothing. In addition, important items of personal protection equipment, such as safety belts and helmets, were brought up to the state-of-the-art.

Safety officers from Austria trained Bulgarian employees in safe working with live voltage.

Moreover, in order to safeguard employees against accidents, the voltage detectors for the 20 kV systems in Bulgaria were exchanged for a device in line with EVN standards. Better tools were also purchased to ensure safe working with electricity with the aim of raising standards. In addition, all electrical fitters were given special training for working with live voltage. Safety officers from Austria held the first of these seminars with the support of the industrial medicine service in Bulgaria. Following the implementation of these new working methods, evn bulgaria is the first Bulgarian energy supply company to complete activities involving live voltage with standard Western European techniques.

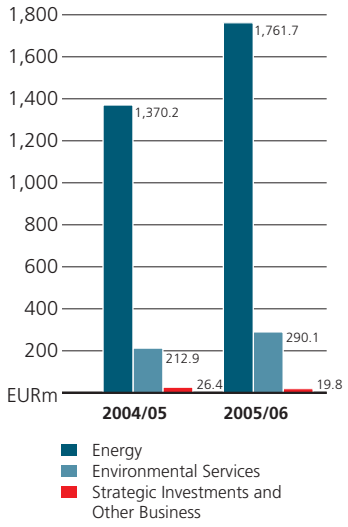
In order to raise safety levels, EVN has also undertaken renovation measures in the company buildings in Bulgaria. The checks and purchase of portable fire extinguishers were reorganised in line with the standards employed in Lower Austria. In addition, a concept has been developed that will bring the locking system on the electric plants in Bulgaria up to the Austrian standard.

Owners

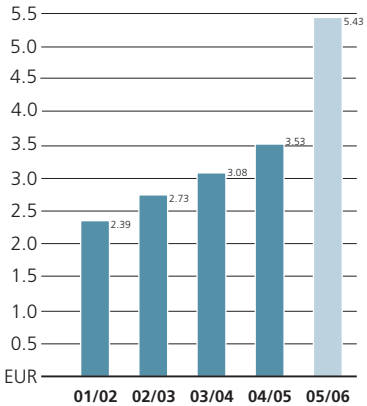
EVN recognises its responsibility to offer its shareholders sustained increases in the value of their investment. The company is convinced that the foundation for this value increase is formed by sustainability-oriented and positive operative performance. This not only benefits shareholders, but also provides advantages for all the other stakeholders, consisting of customers, partners, suppliers, employees and the general public. The result is highly successful bridge-building between shareholder- and stakeholder value.

Accordingly, the company relies on the highest standards for all its customer services, in order to maintain a solid position in the face of increasing competition by means of an attractive range and excellent service. High organisational and procedural efficiency levels, ongoing improvements, also in the capital structure, form a cornerstone for the economic success of the Group. Another major factor is represented by systematic investments in environmental protection. The aim of all these measures is the constant improvement of operative development and company stakeholder performance.

Sales revenue by segment



Earnings/share



EVN development in the 2005/06 financial year

The 2005/06 financial year was again characterised by high levels of dynamism. The main highlight was the taking of a majority interest in ESM AD Elektrostopanstvo na Makedonija, the national Macedonian power supply company, in April 2006. As a result, in the period under review, EVN decisively strengthened its presence in South East Europe. All in all, during the past financial year, the share of sales revenue from Central and Eastern Europe rose from 24.6% to approximately 33.5%. EVN's environmental business in the water, wastewater and waste incineration sectors also developed in a highly positive manner.

Sales revenue again up on the preceding year

The solid figures of the past year represent confirmation of the sustained success of EVN Group performance. On the basis of higher revenues in the areas energy and environmental services, as well as the first 12-month consolidation of the Bulgarian companies and the initial consolidation of the newly purchased Macedonian power supply company, ESM AD, consolidated sales increased by 28.7% to EUR 2,071.6m.

Suppliers

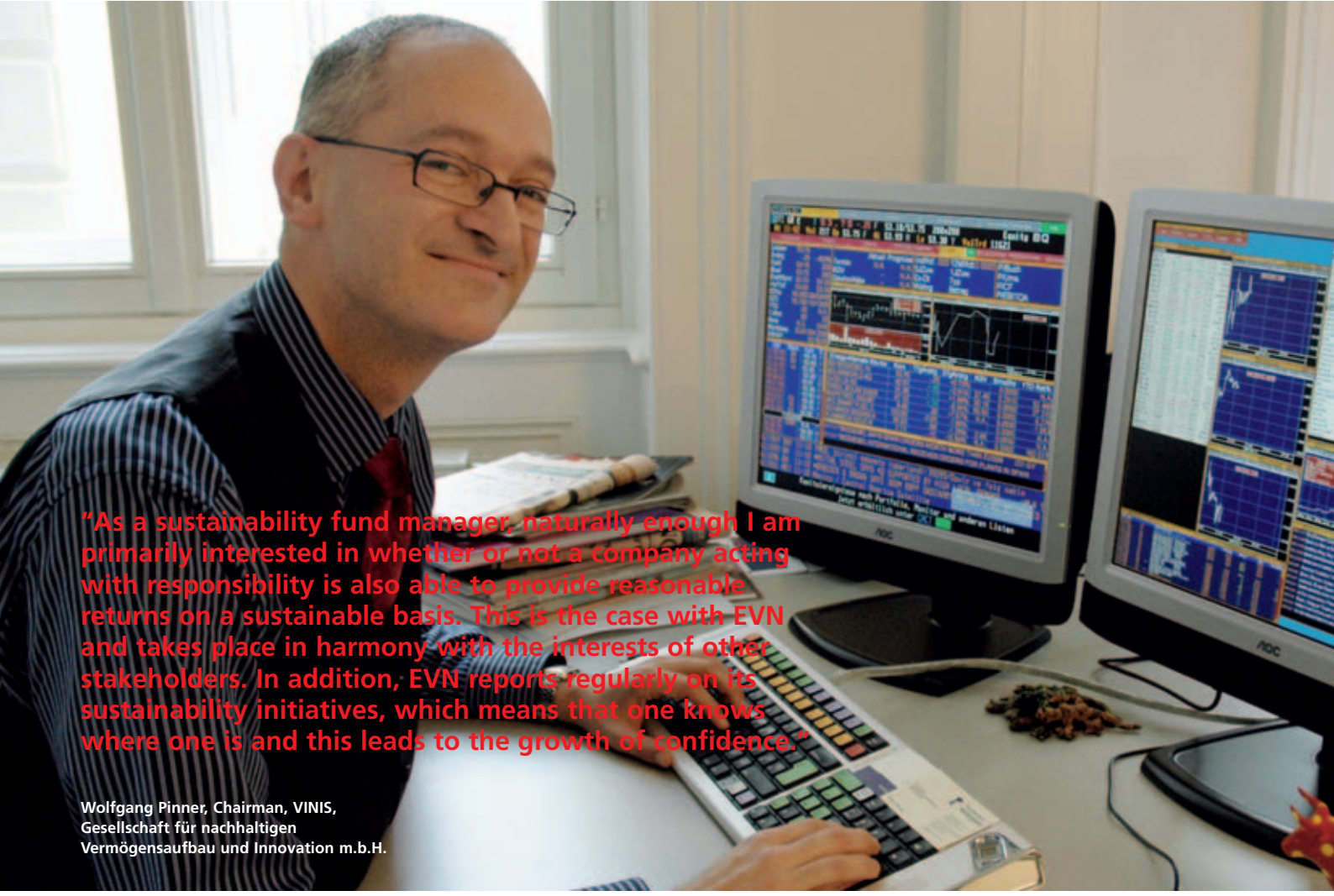
During 2005/06, EVN spent EUR 1,358.2m, or 34.3%, more on materials and services than in the preceding year. The main factors in this increase were the initial inclusion of the Macedonian subsidiary and the full-year consolidation of the Bulgarian companies, the sizeable rise in fuel and electricity prices and the growth in externally supplied services in connection with water and waste incineration projects.

Employees

While as a consequence of the takeover of the Macedonian electricity supply company, the average size of the EVN Group headcount rose by 49.9% during the 2005/06 financial year, personnel expenses only increased by 13.5% to EUR 263.6m. This was due mainly to the low wage levels in South East Europe as compared to Austria. During the period under review, EVN personnel expenses accounted for around 12.7% of sales revenue. At the beginning of the 1990s, this figure stood at some 27%.

Marked improvement in results

The operating result (EBIT) for the 2005/06 financial year was 40.7% higher than in the preceding year at EUR 184.4m. This upturn stemmed from the successful counterbalancing of the negative effects of continued increases in primary energy and electricity sourcing prices,



the costs for the purchase of CO_2 emission certificates and falling network income in Austria by means of the positive contributions of the Bulgarian subsidiaries, the high level of electricity generation and the positive developments in the water and waste incineration business areas.

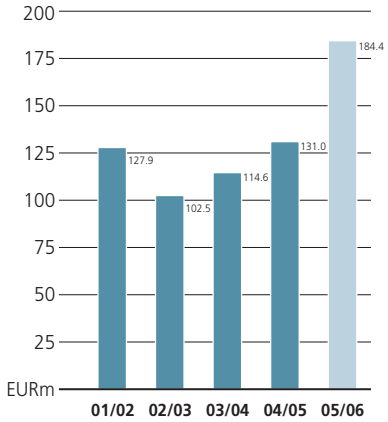
The EVN financial result for the period under review more than doubled. Consequently, the result before tax of EUR 304.9m was 63.7% above the figure for the preceding year.

Net result
Following income tax and minority interests, the Group net result stood at EUR 221.9m, EUR 77.5m, or 53.7%, above the figure of the preceding year.

Society
EVN's income tax expense for the 2005/06 financial year amounted to EUR 38.1m. In addition to numerous activities within its social environment, this represented a contribution to the company's public assignment in the interests of Austrian society.

Solid balance sheet
EVN activities continue to be based on a very solid balance sheet structure. Not least due to the initial consolidation of the newly purchased Macedonian electricity supply company, the consolidated balance sheet total of the EVN Group increased by 23.3% to EUR 5,845.8m. At the end of September, the equity ratio stood at 47.1% and gearing amounted to 33.7%, which was again well below the average in the energy sector. This clearly illustrates a steady and healthy balance sheet structure as confirmed by the ratings from Standard and Poor´s and Moody´s, which both point to a stable future.

Operating result (EBIT)



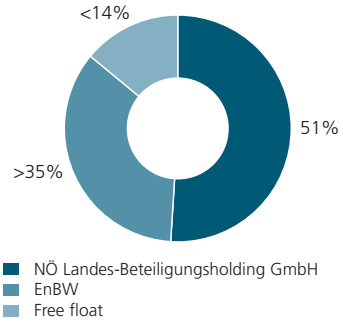
The EVN share – represented in several sustainability indices

Over the years, EVN has systematically positioned its share as an investment in sustainability, thus gaining access to the steadily growing number of investors in this segment. EVN's endeavours in line with a sustainability-oriented company management have resulted in acceptance into various sustainability indices. The latest development saw the induction of the company into the Austrian VÖNIX sustainability index in October 2005. This index unites those listed companies in Austria, which lead the way with regard to their social and ecological performance.

EVN has been part of the FTSE4Good Index since mid-March 2002 and is thus also listed on the FTSE4Good Europe and FTSE4Good Global indices. The FTSE4Good offers sustainability-oriented investors the possibility for targeted investments in companies, which meet globally recognised standards in connection with responsibilities towards the environment and stakeholders. The companies listed in the Index are subjected to regular comprehensive audits. The EVN share is also represented in the Ethibel Sustainability Index Group (ESI), which is formed by the ESI Global and ESI Europe.

EVN share price – relative development

Shareholder structure



Stable ownership structure

On the basis of constitutional regulations, the majority stockholder in EVN AG with a 51% holding is the province of Lower Austria, which administers its shares via NÖ Landes-Beteiligungsholding GmbH. Over 35% of the shares are held EnBW Energie Baden-Württemberg AG, the remaining shares being in free float.

Attractive dividends

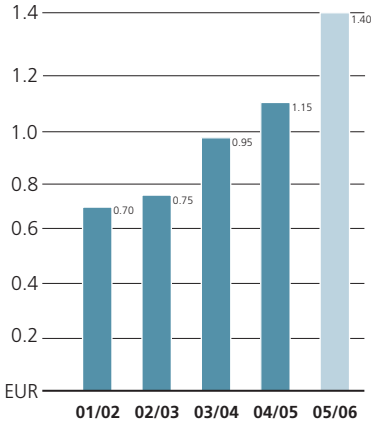
EVN dividend policy is directed towards the achievement of sustained and continuous development. It takes both long-term growth perspectives and EVN's future investment and financing requirements into account, as well as reasonable returns for company shareholders. Therefore, EVN aims at the gradual increase of its dividend.

As EVN has regularly raised its dividends in past years, for the 2005/06 financial year the Executive Board will recommend to the General Shareholders' Meeting a further increase from a dividend payment of EUR 1.15 (including a bonus dividend of EUR 0.15) in the past year to EUR 1.40 (including a bonus dividend of EUR 0.20) per share. This corresponds with a payout ratio of 25.8%.

Within the scope of the EVN retail shareholders' meeting in September 2006, investors had an opportunity to engage in a dialogue with the Executive Board and to visit the waste incineration plant and power station in Dürnrohr.

Further information from the investor relations sector is available under **www.investor.evn.at.**

Dividend/share



Corporate Governance

National and international investors expect corporate management and controls that are responsible, transparent and long-term. In meeting these requirements, EVN adheres to the Austrian Corporate Governance Code, which directs the management and control of the company towards long-term and sustainable value added and creates high levels of transparency for all stakeholders. Both the EVN Executive and Supervisory Boards have thus documented their commitment to adherence to good corporate governance.

The standards of the Austrian Corporate Governance Code are divided into three groups. The first regulation category (Legal Requirements) is obligatory for listed Austrian companies and is also fully adhered to by EVN. Moreover, there are only insignificant deviations in the R-rules segment (Recommendations). However, mainly due to the branch-related special features of the Austrian energy industry, the C-rules (Comply or Explain) of the Austrian Corporate Governance Code cannot be observed in their entirety. A presentation of these deviations, explanations and comprehensive further information on the topic of Corporate Governance is contained in the **Annual Report 2005/06** as well as on EVN's investor relations homepage under **www.investor.evn.at/CorporateGovernance.**

Investments in the future – R&D

Investments in R&D are essential in order to secure long-term company success. Over the years, EVN has actively participated in a diversity of R&D projects, both out of an awareness that successful initiatives in this area not only have a positive influence on the public image of the company, but also raise corporate value in concrete terms.

Traditionally, the topic of energy predominates, an area in which EVN has positioned itself nationally and internationally as a qualified and committed partner. Not least, the company is looking to contribute to the political decision-making process in questions relating to the sustained development of the energy sector through the preparation of concrete, innovative solution strategies. In the period under review, EVN spent a total of around EUR 600,000 on R&D.

The most important recent programmes either supported or initiated by EVN are:

- **FENCO ("Fossil Energy Coalition")** is an ERA-Net project supported by the European Commission. The project involves "The support of an integrated European and national R&D initiative for technologies that allow the use of fossil fuels in plants with minimal or no emissions." 16 partners from twelve countries, including the **Austrian Fenco Initiative (AFI)** launched by EVN, are working on this project for the enhanced acceptance of coal, which remains one of the most important global sources of energy. AFI has established, administers and finances a research fund for energy programmes in the field of environment-friendly fossil fuel utilisation.

- The **ADMONI** project, which is also a European Commission supported project, is concerned with increased steam boiler efficiency through improved monitoring capabilities. In addition to EVN, the Finnish VTT Research Institute and Fortum power supply company, the Universities of Delft in the Netherlands and Cranfield in the UK, the CERTH Research Centre in Greece and the Circe Energy Research Institute in Spain are all working on the project.

- **"Lower Austrian Energy Future 2020 – sustainable energy industry" initiative**
  EVN is a co-founder of this initiative, which is intended to serve as a network for the support of the use of renewable energy sources.

- **Environmental technology master plan**
  This platform, which is co-ordinated by the Lower Austrian government and the Federal Ministry of the Environment, is intended to secure the leading international position of Austrian environmental technology companies in the long-term. The master plan serves to combine the efforts of all the interested partners from the fields of business, industry, research and politics in a targeted manner.

- In view of the fact that the reserves of fossil fuels are limited, the **development of alternative power generation methods** is gaining in importance with regard to the coverage of future energy demand. Accordingly, EVN is focusing on the systematic expansion of its plant capacity in the renewable energy field. However, the technologies already available are unable to meet total current power needs, or even the constant increase in demand. Extensive R&D will be required until conventional fuels can be replaced by viable alternatives and EVN is involved in a number of projects in this area.

Facts & figures

EVN electricity and heating generation plants

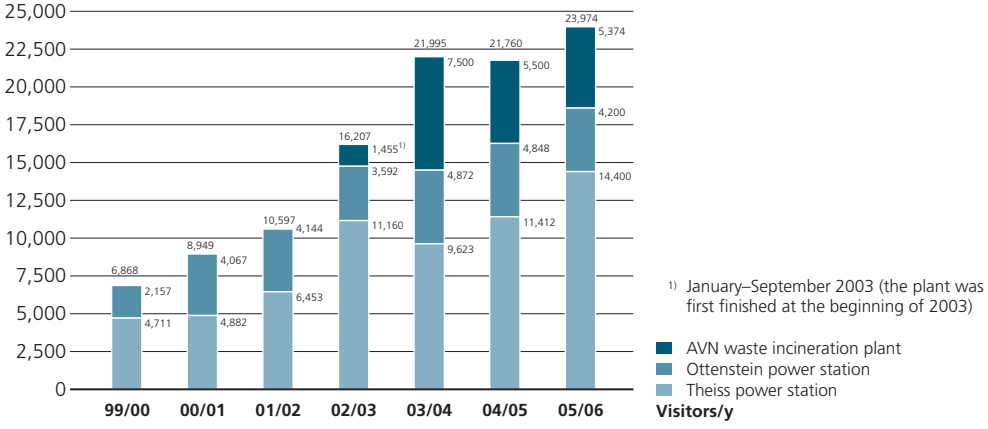
As at September 30, 2006.

Key figures economy

Key financial indicators[1]		2005/06	2004/05	2003/04	2002/03	2001/02
Electricity sales volumes to end customers	GWh	15,641	11,342	6,164	6,126	6,284
Gas sales volumes to end customers[2]	m m³	682	636	661	905	1,299
Heating sales volumes to end customers	GWh	1,067	1,033	967	877	786
Sales revenue	EURm	2,071.6	1,609.5	1,207.3	1,082.1	1,113.9
Operating result (EBIT)	EURm	184.4	131.0	114.6	102.5	127.9
Result before tax	EURm	304.9	186.2	135.9	145.4	137.6
Return on equity (ROE)	%	10.6	8.2	8.7	9.3	8.7
Equity ratio	%	47.1	48.2	41.7	38.8	38.0

[1] Financial year from October 1 – September 30, key financial indicators according to IFRS.
[2] From January 1, 2003 excluding sales to large customers and gas trading, following transfer to EconGas.

Number of visitors in the EVN Group visitor centres



[1] January–September 2003 (the plant was first finished at the beginning of 2003)

Key figures ecology

Water consumption[1]		2005/06	2004/05	2003/04	2002/03	2001/02
Power stations						
Drinking water	m³	22,962	16,133	16,739	14,790	12,974
Process water	m³	1,399,854	1,395,054	1,419,796	1,267,389	1.228,334
District heating plants						
Drinking water	m³	95,614	57,067	69,269	26,790	28,769
Process water	m³	54,310	55,229	57,134	58,066	54,849
Head office and customer centres						
Drinking water	m³	20,866	20,972	25,463	29,146	26,431
Process water	m³	30,570	23,654	32,354	31,593	31,249

[1] The data provided relates to EVN AG and EVN Netz GmbH.

Waste volumes[1)]

		2005/06	2004/05	2003/04	2002/03	2001/02
Hazardous waste	t	322	275	253	192	215
Non-hazardous waste	t	5,004	5,767	5,272	5,888	4,990

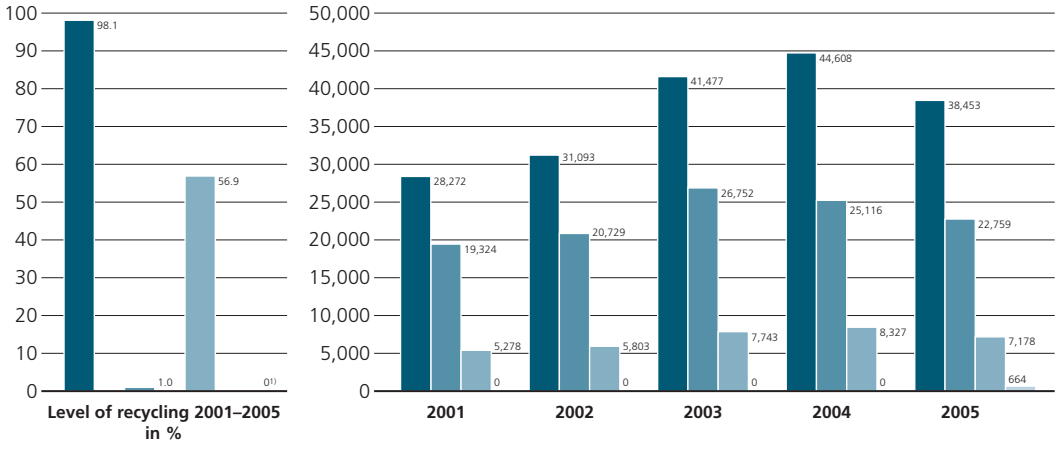
1) The data provided relates to EVN AG and EVN Netz GmbH (excluding building waste and power station by-products).

evn naturkraft eco-electricity production

		2005/06	2004/05	2003/04	2002/03	2001/02
Hydropower	GWh	304.6[1)]	185.9	160.9	139.9	116.4
Wind power	GWh	111.8	63.5	63.3	37.3	11.1

1) Since the 2005/06 financial year, including the power plants on the River Kamp (123.8 GWh transmissions).

Responsible handling of by-products from flue gas cleaning at thermal power stations



1) No desulphurisation residues were produced from 2001–2004. The residues from 2005 are currently being held in a silo for recycling purposes.

- Dürnrohr power station: fly ash
- Dürnrohr power station: desulph product
- Dürnrohr power station: bottom ash
- Theiss power station: desulph product

Heat generation[1)]

		2005/06	2004/05	2003/04	2002/03	2001/02
Heating oil	GWh	25.9	25.6	25.8	25.5	17.1
Biomass	GWh	252.1	183.2	157.7	128.9	108.0
Co-generation/power station bleeding	GWh	252.1	258.7	284.1	239.2	252.1
Natural gas	GWh	650.5	632.1	595.3	586.8	534.3
Total	GWh	**1,180.6**	**1,099.6**	**1,062.9**	**980.4**	**911.5**

1) Local and district heating production. The data provided relates to EVN AG.

Specific electricity generation and district heating plant emissions

		2005/06	2004/05	2003/04	2002/03	2001/02
CO	kg/MWh	0.041	0.038	0.044	0.046	0.039
NO_x	kg/MWh	0.368	0.396	0.392	0.338	0.348
SO_2	kg/MWh	0.093	0.101	0.129	0.123	0.107
Dust	kg/MWh	0.033	0.034	0.047	0.023	0.021
CO_2[1)]	t/MWh	0.480	0.482	0.516	0.517	0.508

1) Due to the CO_2-neutrality of biomass, emissions from biomass firing are rated as zero.

Energy networks

		Austria	Bulgaria	Macedonia	Total
Electricity					
Medium- and low-voltage	km	47,300	58,800	23,500	129,600
High-voltage	km	1,370	–	160	1,530
Gas					
Medium- and low-pressure	km	8,570	–	–	8,570
High-pressure	km	1,940	–	–	1,940
Heating	km	322	–	–	322

WTE 2005[1)]

		Austria	Germany	Slovenia	Russia	Croatia[2)]	Total
Wastewater treatment plants							
Population equiv.	Number	83,657	329,296	6,355	650,000	1,000,000	2,069,308
Wastewater	m^3	2,998,481	12,736,843	315,945	65,603,507	126,987,860	208,642,636
Sewage sludge	t_{DS}/y	820	4,141	74	3,331	–	8,367

		Austria	Germany	Slovenia	Russia[3)]	Croatia[2)]
Sewage sludge recycling						
Agriculture	%	2	37	–	–	–
Composting	%	24	50	–	–	–
Incineration	%	74	7	–	–	–
Landfill	%	–	–	100	100	–
Recultivation	%	–	6	–	–	–

		Austria	Germany	Slovenia	Russia	Croatia[2)]
Pollutant freight by country						
Inflow						
Tso[4)]	kg/y	588,354	–	–	–	–
CSB[5)]	kg/y	2,103,568	11,052,450	147,856	22,179,860	54,135,947
BSB_5[6)]	kg/y	1,234,686	4,385,491	70,502	9,566,576	20,211,882
N_{total}[7)]	kg/y	202,472	487,311	12,466	1,712,369	1,686,630
P_{total}[8)]	kg/y	26,932	118,161	2,387	433,292	475,107
Outflow						
Tso[4)]	kg/y	13,327	–	–	–	–
CSB[5)]	kg/y	84,277	602,072	8,100	1,360,016	54,135,947
BSB_5[6)]	kg/y	16,039	138,873	1,307	98,491	20,211,882
N_{total}[7)]	kg/y	11,554	9,207	2,900	12,526	1,686,630
P_{total}[8)]	kg/y	1,640	12,472	380	52,993	475,107

		Tso[4)]	CSB[5)]	BSB_5[6)]	N_{total}[7)]	P_{total}[8)]	Average
Cleaning capacity							
Austria	%	98	96	99	94	94	96
Germany	%	–	95	97	98	89	95
Croatia[9)]	%	–	0	0	0	0	0
Russia	%	–	94	99	99	88	95
Slovenia	%	–	95	98	77	84	88

1) All the data provided relates to the 2005 calendar year.
2) Exclusively mechanical cleaning, therefore no residual sludge at present.
3) Disposal is completed by the customer Mosvodo Kanal.
4) Solids
5) Chemical oxygen requirement
6) Biochemical oxygen requirement
7) Total nitrogen
8) Total phosphorus
9) The mechanical cleaning stage was completed in 2004.

evn wasser

		2005/06	2004/05	2003/04	2002/03	2001/02
Drinking water						
Transport and distribution pipelines	km	1,640	1,490	1,450	1,410	1,390
Persons supplied	Number	480,000	470,000	468,000	467,500	462,000
Drinking water volumes sourced	m m³	25.8	24.8	24.6	27.0	24.6
Pipeline system losses	%	2.5	2.1	3.6	3.7	2.9

		Plants <10,000 p.e.	Plants <100,000 p.e.
Wastewater 2005/06			
Wastewater volume	m³/y	13,390	907,755
Total sewage sludge volume	t_{DS}/y	2	174
Pollutant freight inflow			
CSB[1)]	kg/y	10,859	510,158
BSB_5[2)]	kg/y	5,677	296,836
N_{total}[3)]	kg/y	–	50,108
P_{total}[4)]	kg/y	208	7,353
Pollutant freight outflow			
Wastewater	m³/y	–	971,995
CSB[1)]	kg/y	402	15,844
BSB_5[2)]	kg/y	80	6,221
N_{total}[3)]	kg/y	–	6,415
P_{total}[4)]	kg/y	38	311
Cleaning performance			
CSB[1)]	%	96	97
BSB_5[2)]	%	99	98
N_{total}[3)]	%	–	87
P_{total}[4)]	%	82	96

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

AVN 2005/06

Atmospheric emissions

Dust	g/t waste	1.9
CO	g/t waste	64
CO_2	kg/t waste	918
NO_X	g/t waste	187
SO_2	g/t waste	24
HCl[1)]	g/t waste	0.61
C_{total}	g/t waste	3.70
Hg[2)]	g/t waste	0.02

Energy balance

Input		
Waste	t	322,123
Natural gas (ancillary firing)	m³	749,000
Output		
Waste	t	92,799
thereof hazardous	t	8,338
thereof non-hazardous	t	84,461
Supplies of steam to the Dürnrohr power station	t	940,975

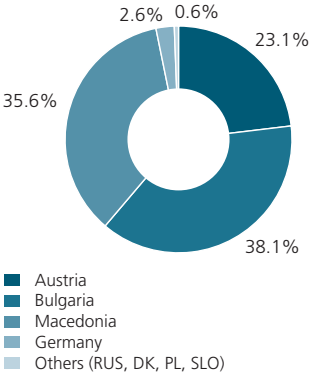
[1)] Hydrogen cloride (HCl)
[2)] Mercury (Hg)

Key figures employees

Headcount[1]		2005/06	2004/05	2003/04	2002/03	2001/02
EVN AG and EVN Netz GmbH[2]	Total	1,842	1,906	1,944	1,966	1,997
Bulgaria	Total	3,803	4,049	–	–	–
Macedonia	Total	3,551	–	–	–	–
Other business areas	Total	777	699	664	351	202
EVN Group	**Total**	**9,973**	**6,654**	**2,608**	**2,317**	**2,199**
thereof apprentices	Total	78	71	61	54	31

[1] Full-time employees (FTE) basis, yearly average
[2] Due to the unbundling of the electricity and gas network sector, division between EVN AG (463) and EVN Netz GmbH (1,379)

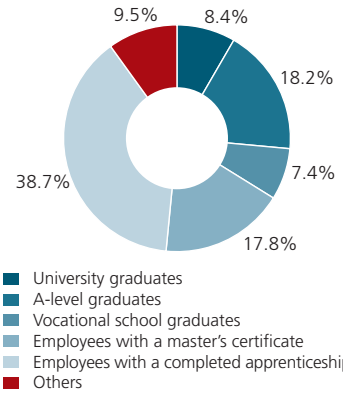
EVN Group employees by country



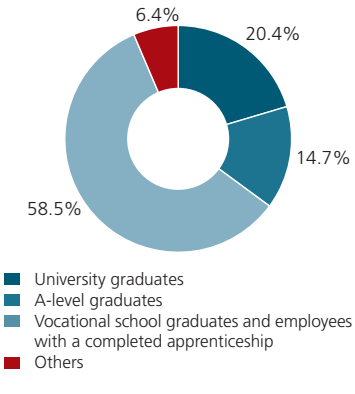
EVN Group headcount – key indicators		2005/06
Employees	Total	9,973
thereof women	%	21.9
thereof men	%	78.2
Persons with special needs	Total	221
Apprentices	Total	78
Employees fluctuation[1]	%	<3
Average length of service	Years	17
Average age	Years	44
Sales revenue/employee	EUR	207,721
Sick leave/employee	Days/year	11[2]
Personnel expenses in ratio to sales	%	12.7
Training and further training expenditure	EURm	2.1

[1] Excl. departures due to the Bulgarian social plan
[2] Excl. Macedonia

Educational structure of the Austrian companies within the EVN Group



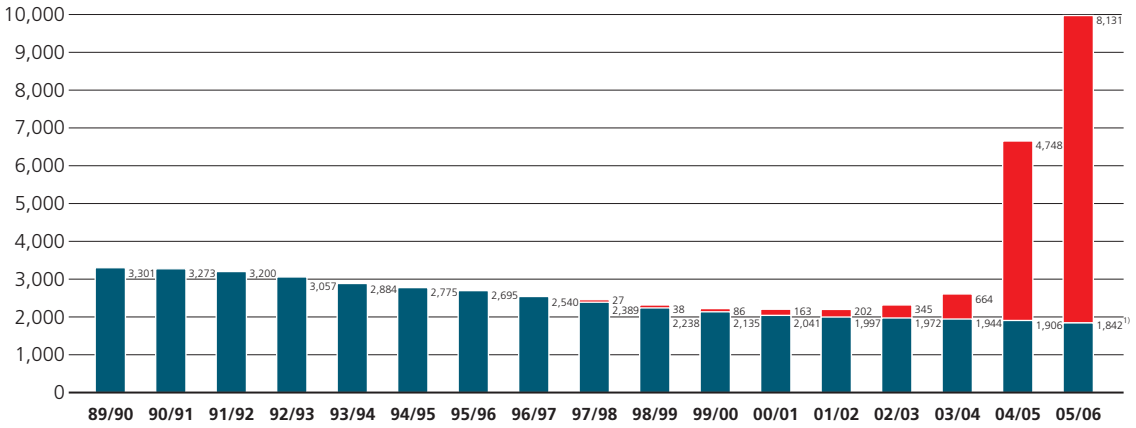
Educational structure of the Bulgarian companies within the EVN Group



Further training 2004/05		2005/06	2004/05
Expenditure[1]	EURm	2.1	1.1
Average training budget/employee	EUR	212.8	159.7
Training hours/employee	Hours	6.7	11.2

[1] Seminar fees, trainers, e-learning

Employee numbers (EVN AG, EVN Netz GmbH and EVN Group)



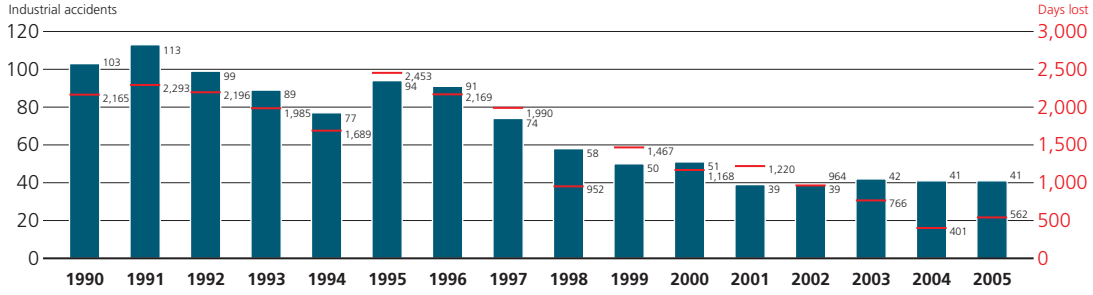
1) Due to the unbundling of the electricity and gas network sector, division between EVN AG (463) and EVN Netz GmbH (1,379).

EVN Group
EVN AG and EVN Netz GmbH

Average number of full-time employees/y

In 2005/06, the EVN Group employed an average workforce of 9,973. The main reason for the increase in this figure, which was 49.9%, or 3,319 employees higher than in the preceding year, was the acquisition of the national power supply company in Macedonia.

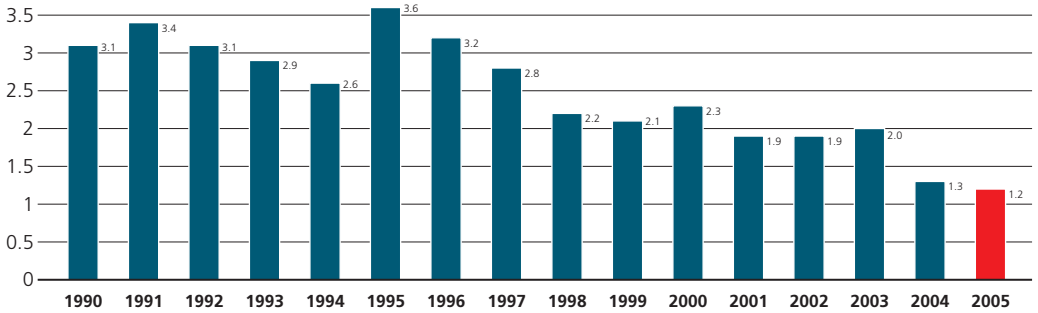
Industrial accidents trend and days lost[1)]



1) The data provided relates to EVN AG, EVN Netz GmbH AVN, evn naturkraft, evn wasser and Kabelsignal (excluding road, including minor accidents).

Days lost
Accidents subject to report: slight, quite serious, serious, fatal

Accidents in ratio to workforce numbers[1)]



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

Accidents/ 100 employees

Fire statistics[1)]

		2005	2004	2003	2002	2001
Fires	Total	12	4	14	15	3
Damage value	TEUR	67	23	493	133	50

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

Environmental programme 2005/06 – successful implementation

The 2004/05 Sustainability Report contained various highlights of the current environmental programme. During the past year, numerous projects were completed on schedule:

- **Reduction in the water losses from the Mödling district heating plant network (especially condensate from the north steam cycle)**

  Measures. Retrofitting of a strongly acid cationic exchanger for the cleaning of the condensate from part of the steam network (north steam cycle), to allow the backflow water in the network and the condensate from the north steam cycle to be utilised as feed water for steam generation.

  Realisation. At present, the backflow water from the north steam cycle cannot be used, as due to its composition, it does not meet the strict requirements that apply to feed water for steam generation. With the help of a cationic exchanger, the condensate is to be cleaned and then used as feed water. The release of the project by EVN AG has been delayed. At present, preparations are in progress and from a current perspective, the work should be completed by the autumn of 2007. The intention is to save around 6,000 m^3 of water and 600 MWh of heating energy/year.

- **Minimisation of starts and faults at the Neunkirchen and Ternitz cogeneration plants**

  Measures. Control technology programming and the installation of thermostats in the control systems of both power plants with the aim of attaining a shut-down of the plants at over 10°C (the optimum temperature to be ascertained during testing).

  Realisation. The measures at the Neunkirchen and Ternitz cogeneration plants were completed on schedule and have already proven effective. The number of starts/hour at Ternitz has been reduced by 85% and in Neunkirchen the goal of minimising starts and faults was also achieved. Moreover, further improvements are expected through the distribution of on/off thermostats.

- **Reduction in dust emissions from the de-ashing systems at the Lassee and Bruck/Leitha biomass-fired district heating plants**

  Measure. Primary air extraction from the ash transport duct.

  Realisation. Following the overhaul of the boiler at the Lassee district heating plant and modifications to the grate in the de-ashing area, no further dust problems have occurred and therefore, there was no necessity for additional conversion work. At Bruck/Leitha, the operating level of the existing biomass-fired district heating plant was somewhat reduced due to the external feeding of waste heat from a biogas plant into the district heating network. Consequently, the installation of primary air extraction from the ash transport duct was no longer required.

- **Optimisation of the firing of the no.2 biomass-fired boiler at the Mank district heating plant**

  Measure. Replacement of the fireclay refractory lining of the domed roof and the central wall in the first flue.

  Realisation. The fireclay refractory lining of the biomass boiler showed cracks and splitting on the domed roof and the central wall in the first flue. In order to optimise plant efficiency, availability and the combustion parameters, the refractory lining on both the domed roof and the middle wall was replaced. The work was concluded at the end of August 2006 and as a result, the use of the reserve boiler can continue to be kept to a minimum.

- **Retrofitting of contact water meters in the cooling water lines at all the biomass-fired plants in the Heating Group East**

  Measure. Installation of contact water meters in the cooling water lines and integration into the fault registration system.

  Realisation. Water losses caused by false starts of the emergency cooler at the Civitas Nova district heating plant have already been stopped through the installation of a contact water meter and integration into the fault registration system. In the course of control technology retrofitting, the appropriate measures are also to be implemented at the Bad Vöslau and Bruck/Leitha district heating plants.

- **Increased availability, improved fuel surveillance and reduced fault and downtimes in Unit A of the Theiss power station**

  Measure. Adaptation of the operating and surveillance system.

  Realisation. The set targets have already been achieved up to a level of 75% through modifications to the Unit A operating and surveillance system. Full realisation is planned by the end of 2007.

- **Reduced emissions, increased availability and reduced fire hazard at the Theiss power station**

  Measures. Replacement of the electrical and control technology systems on the M1 and M4 gas turbines and the substitution of the cabling.

  Realisation. Work started on the replacement of the electrical and control technology systems on the M1 and M4 gas turbines at the Theiss power station in October 2005. During the 2005/06 financial year, 50% of the projected work was completed and the control technology on the M4 gas turbine substituted. The electrical and control systems on the M1 gas turbine are to be replaced in spring 2007.

Highlights of the EVN environmental programme 2006/07

Improvement	Date
Substitution of more than 1,000 MWh of the summer load through the use of waste heat from a biogas plant at the **Mank district heating plant** by means of the installation of superordinated controls for the existing and new biogas plants. This should result in a reduction in both the use of the reserve boiler and the CO_2 emissions from the entire plant.	Autumn 2006 to September 2007
Retention of the efficiency and availability of the **Sankt Veit district heating** plant through the optimisation of the firing of the winter bio-boiler by means of the lining of the domed roof and the boiler back wall with refractories.	Autumn 2006
Conversion of an oil tank at the **Theiss power station** into a district heat store with a capacity of 60 GWh of district heat using waste heat from the flue gas. The heat is intended for the Krems and Gedersdorf district heating networks. Apart from heat storage the aim of this measure is to raise unit efficiency by 0.5 percentage points and to reduce the CO_2 and NO_x emissions from the cogeneration unit by 1%.	2007/08
Simplification of the plant documentation with regard to auditing, maintenance, work planning and budgeting in the **Heating Group East**. This is to be achieved by means of the joint logging and documentation of all aggregate and spare part types and the combination of various, separate repair and audit documents, etc., as well as the introduction of maintenance software.	Autumn 2009
Optimisation of procedural organisation and the combination of all assignment documentation through the introduction of an integrated management system in the **Heating Groups East and West.** The integrated management system will amalgamate all the requirements derived from EMAS and ISO 14001 with the regulations and procedures contained in the existing management system.	Spring 2007

Events of environmental relevance

During the 2005/06 business year, six incidents of environmental relevance occurred (EVN AG, EVN Netz GmbH, evn wasser, AVN). No environmental penalties were incurred by EVN during the 2005/06 financial year.

Date	Place	Type of incident	Cause of incident	Type of environmental impact	Extent of environmental impact	Corrective measures
December 24, 2005	Dürnrohr power station coal store	Coal fire	Self-ignition	Atmospheric	Very limited	Fire put out by plant fire brigade using a C-pipe
March 29, 2006	Dürnrohr power station 4.0 m boiler house	Flames from a switchbox	Hot shaft in a cold gas blower	Atmospheric	Very limited	Fire put out by plant fire brigade using a powder extinguisher
June 10, 2006	Dürnrohr power station machine room	Switchbox fire	Short circuit	Atmospheric	Very limited	Power distributor was electrically isolated and an anti-smoke device was actuated
July 2, 2006	Dürnrohr waste incineration plant	Bunker fire	Waste self-ignition	Atmospheric (limited smoke emission)	Very limited	Fire put out with in-house extinguishing devices
July 6, 2006	Öd Satzing transformer station	Oil leak	Crack in a cooling rib on the underside of the transformer	Soil	Limited	Removal and disposal of 4.5 m^3 of soil
July 11, 2006	Schlatten Aumühle transformer station	Fire and oil leak	Short circuit	Atmospheric/soil	Very limited	Removal and disposal of 1.5 m^3 of soil

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EVN AG Group physician

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Christa **Vladyka** (from January 12, 2006)
Mayor of Bruck/Leitha
Member of the Lower Austrian provincial parliament

Paul **Weiß**
Farmer

Heinz **Zimper**
Dictrict head, District of Wiener Neustadt

Employee representatives

Leopold **Buchner**

Monika **Fraißl**

Leopold **Rösel** (from January 12, 2006)

Statement of the environmental verifiers

Scope and criteria of verification
Lloyd's Register Quality Assurance Limited (LRQA) was commissioned by EVN to verify its Sustainability Report for the period 2005/06 for all activities of the company in the areas of power generation and distribution, heat generation 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. Verification was undertaken in accordance with ISAE 3000 (International Standard on Assurance Engagement). EVN is responsible for the preparation and release of the Sustainability Report.

LRQA's approach
Our approach to data and information verification comprised:
- The conducting of audits and interviews
- Random checks on the data provided by company head office

Moreover, the knowledge from the audits in accordance with the EMAS Directive and ISO 14001 carried out by LRQA annually in EVN's power plants and heating facilities, and in particular the verification of the corresponding environmental statements, have been taken as a basis for the verification.

Level of Assurance
The level of assurance applied in the EVN Sustainability Report was reasonable. Conclusions given in this verification were based upon the full disclosure by EVN of all relevant data and information.

LRQA's conclusions and findings
Based on LRQA's scope of work, the data and information published was found to be material, correct and complete.

Vienna, November 22, 2006

On behalf of the LRQA
LLoyd´s Register EMEA, Vienna, Austria
Environmental Verifier Organisation
Accreditation number: A-V-022

Johann Kitzweger
Lead verifier

Expires: November 2007

Verifiers' report

We were instructed by EVN AG to verify the figures contained in the EVN AG Sustainability Report for the 2005/06 financial year. The Sustainability Report itself is the responsibility of the EVN AG management.

On the basis of the assignment allocated to us, we issue the following attestation:

The financial figures contained in the "Owners" section of this report are taken from the consolidated financial statements of EVN AG as at September 30, 2006, which were prepared in accordance with International Financial Reporting Standards and received our unqualified auditors' opinion. The financial data in the aforementioned section is correctly repeated.

In addition, we would like to point out that for an understanding of the financial figures, the consolidated financial statements of EVN AG for the 2005/06 and 2004/05 financial years should be read together with the consolidated financial statements.

Vienna, November 22, 2006

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Rainer Hassler m.p.
Austrian chartered accountants

Maximilian Schreyvogl m.p.
Austrian chartered accountants

EVN AG

Head Office
EVN Platz
A-2344 Maria Enzersdorf
Phone +43 2236 200-0
Fax +43 2236 200-2030

Corporate Communications
Renate Lackner-Gass
Phone +43 2236 200-12799
Fax +43 2236 200-82799
E-mail renate.lackner-gass@evn.at

Investor Relations
Klára Székffy
Phone +43 2236 200-12745
Fax +43 2236 200-82745
E-mail investor.relations@evn.at

Human Resources Department
Karl Huber
Phone +43 2236 200-12092
Fax +43 2236 200-84714
E-mail karl.huber@evn.at

Environmental Controlling and Safety
Hans-Georg Rych
Phone +43 2236 200-12526
Fax +43 2236 200-82526
E-mail umweltcontrolling@evn.at

Information on the Internet
www.evn.at
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