

Energie
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EVN

Letter to Shareholders 1st Half-Year 2000/01

(October 1, 2000 – March 31, 2001)

Multi-Service



At a glance

- Improved revenues and pre-tax result despite a temperature-related drop in volumes sold.
- Continuing cost pressure due to extremely high gas purchasing prices.
- “Optima”, “Optimizer” and “Switch”, the first joint EnergieAllianz products.
- Entry into the water business.
- EVN Powerline – successful field test.

			2000/01 1 st half		+/-
Volumes sold	Electricity	GWh	3,440 ¹⁾		+ 2.6
	Gas	m. m ³	869		-9.1
	Heating	GWh	521		-2.9
			ATS m	<i>EUR m</i>	
Sales revenues			8,563	622.3	+9.7
Operating result (EBIT)			1,799	130.7	-3.6
Result before tax			1,885	137.0	+5.9

¹⁾ Excludes electricity trading and sales to other electricity companies.

Key figures in ATS*

		2000/01 1 st half	1999/00 1 st half	1999/00	1998/99
Electricity					
Electricity sales	GWh	4,623 ¹⁾	4,757 ¹⁾	8,826 ¹⁾	6,193
Electricity revenues	ATS m	4,413	4,494	8,151	7,688
Gas					
Gas consumption	m. m ³	1,098	1,189	1,609	1,616
Gas sales	m. m ³	869	956	1,336	1,381
Gas revenues	ATS m	3,340	2,571	3,507	3,532
Heating					
Heating sales	GWh	521	533	712	671
Heating revenues	ATS m	326	262	369	334
Company as a whole					
Sales revenues	ATS m	8,563	7,808	13,046	12,418
Employees	Average	2,162	2,204	2,221	2,276
Balance sheet total	ATS m	32,699	30,478 ²⁾	30,478	29,241
Shareholders' equity	ATS m	12,575	11,695 ²⁾	11,695	10,976
Cash flow from the result	ATS m	2,764	3,098	3,556	3,591
Result before tax	ATS m	1,885	1,779	1,754	-4,143

¹⁾ Includes electricity trading and sales to other electricity companies.
²⁾ As at September 30, 2000.

* Key figures in EUR on the inside of the back cover



Dear Shareholder,

Despite a weather-related fall in volumes sold, EVN managed to achieve increases in both revenues and pre-tax result during the first half of 2000/01. Sales revenues rose by a total of 9.7 %, and the result before tax was 5.9 % above that of the previous year. However, in view of the sizeable burdens caused by increased expenditure on energy sourcing, the operating result (EBIT) was marginally below that for the same period of last year.

Market leader EnergieAllianz ready for electricity market deregulation

Apart from EVN, EnergieAllianz includes Wien Energie, Linz AG, BEGAS and BEWAG, the last two companies having joined at the beginning of February 2001. Together, the EnergieAllianz partners have an operating area that is roughly the size of Belgium and serve some 59 % of Austria's electricity customers, as well as 85 % of gas and 59 % of district heating customers. Consequently, EnergieAllianz has established itself as the clear Austrian market leader.

In view of the complete deregulation of the Austrian electricity market on October 1, 2001, the first newly developed joint products were launched. The aim is to strengthen customer loyalty, while simultaneously exploiting the synergies created by broadly based co-operation.

For example, with "Optima", EVN, Wien Energie and Linz AG have created an attractive product for private customers, which not only incorporates the supply of electricity, but also additional services (such as insurance against power failures).

e&s Energievertriebs und -service GmbH, the joint EnergieAllianz sales subsidiary, also offers an interesting package offer for large customers under the name "Optimizer". This again consists of both power supply and services and is targeted on the creation of tailor-made solutions for individual customers.

Furthermore, under the name "Switch", an e&s subsidiary has been founded, which is specially intended for flexible electricity customers. As of October 1, 2001, Switch will be making a standardised energy offer at reasonable prices available to customers throughout Austria who have already decided to opt for power supply without additional services.

Thus, EnergieAllianz can already furnish numerous products across the complete offer range, from the quality to the discount segment.

Merger of EnergieAllianz electricity and gas business

In addition, work is proceeding at full speed on a further strengthening of EnergieAllianz, with the goal of a gradual merger of the entire electricity and gas business of the five partners. An application to the authorities is to be made within the next few weeks and a resolution concerning the precise form of the merger should be ready before the summer. Consequently, implementation is scheduled to commence prior to October 1.

For both EVN and its partner companies within the EnergieAllianz, this merger represents a massive consolidation of their position in the liberalised electricity and gas market. The achievable benefits of scale and the resulting value added will also provide EVN shareholders with considerable advantages, particularly as the listed EVN company will continue to exist in an unaltered form.

EnergieAllianz strengthens its distribution structure

In order to secure proximity to existing and future customers in western Austria, EnergieAllianz recently opened a sales office in Linz, which is to assume responsibility for the support of commercial and industrial customers.

An important addition to the offer range of EnergieAllianz, up to now primarily relating to line-bound supply, was made through the taking of a majority holding in Toplak GmbH. This company has established itself both nationally and internationally as an excellent supplier of mobile energy generation equipment and other services, in particular for the event sector, and will continue to serve interesting major events such as Formula 1 races.

Powerline – internet out of the socket

Regional field testing of the use of power lines for internet services, which has been running for almost a year, proved so successful that in the meantime, testing has been extended to include five urban centres. It is anticipated that EVN will be able to offer Powerline to its customers as soon as autumn 2001.

Entry into the water business

EVN has succeeded in taking an important step towards its planned entry into the water business. On May 3, the AGM resolution from January 12, 2001, concerning an increase in EVN capital for the take-over of NÖSIWAG was entered into the company register. I assume that we should now be able to complete the capital increase before the summer. We will provide you with detailed information in due time.

The take-over of NÖSIWAG has set the stage for EVN's entry into the water market, a move that will enable EVN to strengthen its image as a reasonably priced operator of modern infrastructure in Lower Austria and to again expand its range as a multi-service utility supplier. Entry into the regional wastewater business will also be of major importance for the future of NÖSIWAG. Both EVN and its shareholders will benefit from the resulting synergy effects.

Rudolf Gruber
Chairman of the Executive Board

Maria Enzersdorf,
May 2001

Business development in detail

The first half-year of the 2000/01 EVN financial year was characterised by the following general factors:

- Temperatures that were clearly up on those of the comparable period of the preceding year and also above the long-term average.
- A slow-down in economic growth.
- A continuation of extremely high gas purchasing prices.
- Sales price cuts for electricity and sales price increases for gas and heating.

In particular, the unusually high temperatures during the period under review had a restrictive effect on EVN energy sales. In the first half of 2000/01, the heating degree sum, which is used as an indicator for temperature-related energy demand, was 8.6 % below that of the preceding year and 12.6 % lower than the long-term average. However, despite these difficult conditions, EVN was nonetheless able to achieve a respectable result.

General information concerning interim reporting in accordance with IAS

The EVN interim report was prepared in accordance with the principles of the International Accounting Standards (IAS). The same accounting and valuation methods were used as those employed in the consolidated financial statements as at September 30, 2000. The scope of consolidation remained unchanged. The new IAS 34 concerning interim reports was taken into full consideration.

The period under review incorporates the first half-year of the 2000/01 financial year (October 1, 2000 – March 31, 2001) and for the purposes of comparison, the data published for the first half of the 1999/00 financial year (October 1, 1999 – March 31, 2000) is employed.

Increase in energy revenues despite temperature-related drop in volumes sold

The EVN electricity sales volume decreased by 2.8 % during the first half of 2000/01. Apart from the negative influence of the weather, this decline was primarily due to the outsourcing of electricity trading to e&t, the joint Energie-Allianz subsidiary responsible for energy trading and sourcing.

Nonetheless, sales to end customers rose by 2.7 %. While sales to domestic customers fell by 1.8 % as a consequence of the warm weather, sales to industrial customers went up by 8.9 % due to increasing sales outside the EVN network supply area.

In accordance with the sales trend, electricity revenues fell slightly over the previous year by 1.8 %. Apart from the downturn in sales to domestic customers and the reduction in the trading volume as compared with the first half of 1999/00, the main reasons for this decline were the price cut that took effect on March 1, 2000, which was undertaken in view of impending full market liberalisation, together with a reduction in average earnings from industrial customers.

EVN electricity sourcing during the period under review was 4.1 % down on the comparable period of 1999/00. At 1,725 GWh, internal generation constituted 35.8 % of total sourcing, which was lower than the comparable figure for the preceding year (2,015 GWh or 40.1 % of total sourcing). Conversely, electricity purchases increased over the previous year (3,007 GWh or 59.9 %) to 3,094 GWh and represented 64.2 % of total sourcing.

Volumes sold	2000/01	1999/00	+/-	
	1st half	1st half	absolute	%
Electricity (GWh)				
Domestic customers	1,920	1,955	-35	-1.8
Industrial customers	1,520	1,396	125	8.9
Electricity sales to end customers	3,440	3,351	89	2.7
Electricity trading and sales to other electricity companies	1,183	1,406	-223	-15.9
Electricity volumes sold	4,623	4,757	-134	-2.8
Gas (m. m³)				
Local networks	463	503	-40	-7.9
Industry and external power stations	406	453	-48	-10.5
Gas volumes sold	869	956	-87	-9.1
Company plants and internal consumption	229	232	-3	-1.3
Gas consumption	1,098	1,189	-91	-7.6
Heating (GWh)				
Domestic customers	179	177	2	1.0
Industrial customers	343	356	-14	-3.9
Heating volumes sold	521	533	-12	-2.3

Gas sales volumes down

Gas sales development continued to be depressed. Although as compared with the first quarter, decreases were somewhat reduced, EVN was nonetheless forced to accept a reduction of 9.1 % in half-year sales, which was mostly due to the warm weather. Within this figure, local network sales dropped by 7.9 %, and largely as a result of the relatively high level of one-off sales in the previous year, sales to industrial customers fell by 10.5 %. Moreover, in view of the high gas price, sales to other power stations came to a virtual halt.

Despite these setbacks, gas revenues were raised by 29.9 % during the period under review, due to the partial passing on to customers of the high gas purchase price in the form of sales price increases.

In the first half of the 2000/01 financial year, EVN sourced a total of 969 m. m³ of natural gas (1999/00: 845 m. m³).

Heating business also down

The unfavourably warm temperatures also caused a 2.3 % fall in sales volumes in the heating area during the period under review, although this was clearly compensated for by the increased sales prices derived from the rise in primary energy sourcing costs. All in all, revenues rose by 24.5 %.

Sales revenues up by 9.7 %

Despite the downturn in the electricity sector, EVN was able to achieve a marked increase in its energy revenues during the period under review due to the rise in gas and heating revenues.

However, although the scope of consolidation was enlarged and telecommunications revenues as well as revenues relating to chain customers were raised, other sales revenues only showed a marginal rise of 0.5 % since revenues from customer installations in the heating sector had been unusually high in the preceding year.

In total, sales revenues for the first half-year were 9.7 % above the figure for 1999/00.

Expenditure on energy sourcing again shows a disproportionate increase

As in the first quarter, positive sales developments were offset by a marked increase in primary energy sourcing costs. The predominant factor in this regard was the exceptionally high level of expenditure on gas caused by high sourcing prices. At the same time, expenditure on externally generated electricity also rose as a result of an increase in the volume procured and, to a lesser extent, to a slight rise in price over the preceding year. All in all, energy supply related expenditure was 29.6 % above the level of the preceding year.

The cost of materials and services went up by 26.9 % over the previous year, primarily as a result of expenditure relating to chain customers, but also as a consequence of the enlargement in the scope of consolidation.

Profit and loss account (IAS)	2000/01 1st half	1999/00 1st half	2000/01 1st half	1999/00 1st half	+/-
	ATS m		EUR m		%
Electricity revenues	4,413	4,494	320.7	326.6	-1.8
Gas revenues	3,340	2,571	242.8	186.9	29.9
Heating revenues	326	262	23.7	19.0	24.5
Energy revenues	8,080	7,328	587.2	532.5	10.3
Other operating revenues	483	481	35.1	34.9	0.5
Sales revenues	8,563	7,808	622.3	567.5	9.7
Changes in inventory, own work capitalised and other operating income	283	207	20.6	15.1	36.6
Electricity purchases and primary energy	-4,520	-3,487	-328.5	-253.4	-29.6
Cost of materials and services	-544	-429	-39.5	-31.1	-26.9
Personnel expenses	-1,110	-1,303	-80.6	-94.7	14.8
Depreciation	-604	-724	-43.9	-52.6	16.6
Other operating expenses	-271	-207	-19.7	-15.1	-30.6
Operating result (EBIT)	1,799	1,866	130.7	135.6	-3.6
Financial result	86	-87	6.2	-6.3	198.3
Result before tax	1,885	1,779	137.0	129.3	5.9
Income tax	-560	-571	-40.7	-41.5	1.8
Minority interests	-3	1	-0.2	0.0	-
Net result for the 1st half-year	1,321	1,209	96.0	87.9	9.3
	ATS		EUR		%
Earnings per share	39.3	35.4	2.86	2.57	10.2

Work force numbers and personnel expenditure continue to fall

In the first half of the 2000/01 financial year, the EVN Group employed an average of 2,162 people. Despite expansion to the scope of consolidation, the work force was again cut by 42 persons and was 1.9 % down on the corresponding figure for the previous year. This reduction, and lower provisions following the partial settlement of pension claims, led to a reduction in personnel expenditure of 14.8 %.

Depreciation down considerably

Depreciation was also well down over the previous year, falling by 16.6 %. This was mostly due to the extraordinary depreciation undertaken during preceding years, which was not counterbalanced by similar measures during the period under review. By contrast, other operating expenses, which mainly related to consulting and advertising, rose by 30.6 %.

Profit before tax up by 5.9 % over the previous year

The rise in expenses during the period under review could not be entirely accounted for by increased sales revenues. Therefore, the operating result (EBIT) for the first six months of the 2000/01 financial year was 3.6 % down on the same figure for the previous year at ATS 1,799 m (EUR 130.7 m).

Conversely, the financial result was clearly up on the preceding year, mainly due to the downward development of the yen exchange rate and the related revenues derived from the evaluation of the EVN yen bond as at the balance sheet date.

As a result, the profit before tax for the first half-year was 5.9 % above the comparable figure of the preceding year at ATS 1,885 m (EUR 137.0 m). Following the deduction of income tax and minority interests, a half-year result of ATS 1,321 m (EUR 96.0 m) remains, which is 9.3 % up on the comparable figure of the preceding year.

Balance sheet structure remains stable

At the end of the first half-year, the fixed asset items in the EVN balance sheet structure showed only minor changes to those of the last balance sheet date (September 30, 2000). However, current assets went up by 61.3 %, following an increase in short-term receivables and securities. Short-term liabilities rose by 32.0 % due to the taking of short-term loans.

All in all, the balance sheet total was up by 7.3 % at ATS 32.7 bn (EUR 2.4 bn). Following the taking into account of the dividends for the 1999/00 financial year, as well as the purchase of own shares, due to the result achieved, shareholders' equity rose in the first half-year by a total of 7.5 % to ATS 12,575 m (EUR 913.9 m).

Consolidated balance sheet (IAS)	31.3. 2001	30.9. 2000	31.3. 2001	30.9. 2000	+/-
	ATS m		EUR m		%
Assets					
Fixed assets	27,617	27,329	2,007.0	1,986.1	1.1
Current assets	5,082	3,150	369.3	228.9	61.3
Total assets	32,699	30,478	2,376.3	2,215.0	7.3
Liabilities and shareholders' equity					
Shareholders' equity	12,575	11,695	913.9	849.9	7.5
Minority interests	325	326	23.6	23.7	-0.3
Long-term liabilities	14,501	14,445	1,053.8	1,049.8	0.4
Current liabilities	5,297	4,013	385.0	291.6	32.0
Total liabilities and shareholders' equity	32,699	30,478	2,376.3	2,215.0	7.3

Changes in shareholders' equity (IAS)	2000/01 1st half	1999/00 1st half	2000/01 1st half	1999/00 1st half
	ATS m		EUR m	
Balance as at October 1	11,695	10,976	849.9	797.6
Consolidated result	1,321	1,209	96.0	87.9
Dividends	-336	-342	-24.4	-24.9
Share buy-back and other changes	-105	-145	-7.6	-10.5
Balance as at March 31	12,575	11,698	913.9	850.1

Company financing

The reduction in the cash flow from the result in combination with a virtually unchanged result before tax is mainly due to the lower non-cash expenditure in the period under review.

In addition, the cash flow from operating activities was burdened by the increase in short-term loans as well as higher tax payments.

The cash flow from investment activities amounted to ATS 802 m (EUR 58.3 m), which due to the lower investment volume was around a quarter down on the comparable figure for the previous year. The cash flow from financing activities was influenced mainly by payment of the dividend for the past financial year and the taking of short-term loans.

Outlook

The continuation of the unfavourable gas purchasing price trend caused EVN to pass on the majority of the resulting increase in costs to the customer in the form of three price adjustments. Despite this fact, the operating result is still negatively affected by the higher expense of primary energy sourcing, a tendency exacerbated by the extremely unfavourable weather conditions during the period under report, which will influence EVN's financial year as a whole.

In addition, the imminent complete opening of the electricity market on October 1, 2001, will necessitate further measures aimed at securing customer loyalty.

Largely to counteract these developments and to strengthen its position as a multi-service utility, EVN established a basis for its entry into the water market through the planned acquisition of NÖSIWAG. At the same time, additional rationalisation measures in all EVN business areas and cost savings due to co-operation within the framework of EnergieAllianz, will provide a further consolidation of EVN's competitive position. The initial EnergieAllianz joint products, which have already been launched, constitute an important step in this direction.

Cash flow statement (IAS)	2000/01	1999/00	2000/01	1999/00
	1 st half	1 st half	1 st half	1 st half
	ATS m		EUR m	
Result before tax	1,885	1,779	137.0	129.3
Corrections for non-cash result components	879	1,319	63.9	95.8
Cash flow from the result	2,764	3,098	200.9	225.1
Changes in current and long-term balance sheet items	-2,481	-1,504	-180.3	-109.3
Income tax payments	-244	-31	-17.7	-2.3
Cash flow from operating activities	40	1,563	2.9	113.6
Cash flow from investment activities	-802	-1,062	-58.3	-77.2
Cash flow from financing activities	724	-555	52.6	-40.3
Total cash flow	-39	-54	-2.8	-3.9
Cash and cash equivalents at beginning of period	27	29	1.9	2.1
Cash and cash equivalents at end of period	-12	-25	-0.9	-1.8

Segment reporting

Segment reporting takes place in accordance with the stipulations of the International Accounting Standards (IAS). The following business segments are defined within EVN:

- **Electricity.** Electricity sourcing from internal generation, electricity purchases, electricity transmission, sales and trading.
- **Gas.** The sourcing of natural gas, transmission and distribution to end customers, including corresponding services in connection with network expansion and the connection of new customers.
- **Heating and other areas.** Services relating to local and district heating business, as well as those Group activities, which cannot be allotted to the electricity and gas segments.

Segment categorisation takes place in a manner, which permits the allocation of directly related items to the respective segments. Supplies and services between segments are allocated via in-house invoicing. Those items that cannot be directly categorised or invoiced are allotted with the help of cost allocation processes. Any remainders are distributed on a proportional basis.

Internal invoicing prices with regard to energy consumption are founded on comparable prices to industrial customers, or calculated bases.

Segment reporting (IAS)		Electricity		Gas		Heating and other business areas		Total	
		2000/01 1st half	1999/00 1st half	2000/01 1st half	1999/00 1st half	2000/01 1st half	1999/00 1st half	2000/01 1st half	1999/00 1st half
Sales revenues	ATS m EUR m	4,529 329.2	4,549 330.6	3,461 251.5	2,700 196.2	573 41.7	559 40.6	8,563 622.3	7,808 567.5
Operating result (EBIT)	ATS m EUR m	1,059 77.0	1,189 86.4	692 50.3	613 44.6	48 3.5	64 4.6	1,799 130.7	1,866 135.6

EVN in the capital markets

During the first half of the 2000/01 financial year, trading on the international stock exchanges was generally low-key. However, the Vienna Stock Exchange developed in a positive manner with a 1 % rise in the ATX. The EVN share price even showed an increase by some 8 % and thus managed to outstrip the Dow Jones Euro Stoxx Utilities sector index, which fell by around 9 % in the same period.

The EVN share of total turnover among the companies quoted on the Vienna Stock Exchange amounted to EUR 135.06 m, or 1.56 %, in the period under review. This meant that the EVN share was twelfth on the ATX. EVN remained in mid-table with regard to the number of ÖTOB contractual transactions.

As at March 30, 2001, the number of ADRs (American Depositary Receipts) issued on EVN shares totalled 644,625. This means that 128,925 EVN shares, or 0.38 % of share capital, are held by US investors in the form of ADRs.

By April 30, 2001, the share buy-back programme launched on February 3, 2000, which will run until July 14, 2001, had reached a level of 723,552 shares, which represented 2.12 % of share capital.

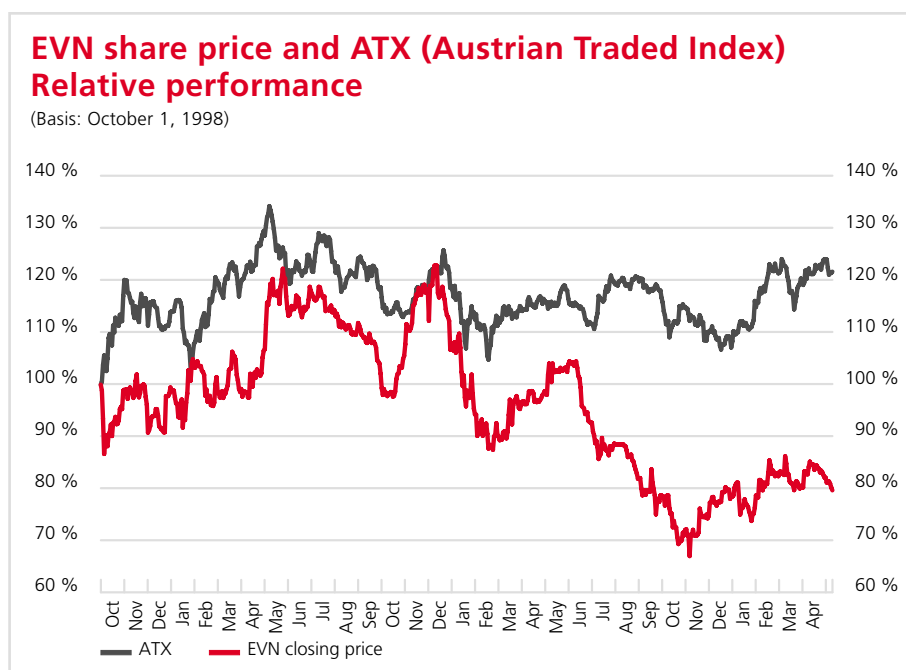
Investor Relations

During the period under review, EVN maintained its active information policy concerning all target groups in the financial community. During the first half-year, company presentations and one-to-one meetings were held in Vienna, London and Paris.

The traditional retail shareholders meeting took place on the occasion of the opening of the Lower Austrian Annual Provincial Exhibition on May 5, 2001 in Ottenstein. Around 1,000 shareholders followed EVN's invitation to this new exhibition and also received information concerning current company developments.

A considerable number of international investment banks and broking houses publish regular analyses concerning EVN:

BNP Paribas, Paris
 CA IB Investmentbank AG, Vienna
 CDC IXIS, Paris
 Credit Lyonnais, Frankfurt
 Deutsche Bank, London
 ERSTE Bank, Vienna
 Goldman Sachs, London
 Merrill Lynch, London
 Morgan Stanley Dean Witter, London
 Raiffeisen Zentralbank, Vienna
 Schroder Salomon Smith Barney, London
 UBS Warburg, London



We would like to cordially invite you to visit our investor homepage at www.evn.at. You will find a wealth of information, including press releases, the current EVN share price, our financial calendar and an ordering service for letters to shareholders and annual reports.

Information for investors		2000/01 1st half	1999/00 1st half	1998/99 1st half
Price at closing date	EUR	33.00	38.30	40.15
Highest price	EUR	35.07	50.00	43.25
Lowest price	EUR	27.25	35.57	35.25
Value of shares traded ¹⁾	EUR m	135	628	667
Share of total turnover ¹⁾	%	1.56	6.32	5.52
Market capitalisation at closing date	EUR m	1,129	1,310	1,373

¹⁾ Vienna Stock Exchange

Key figures in EUR*

		2000/01 1 st half	1999/00 1 st half	1999/00	1998/99
Electricity					
Electricity sales	GWh	4,623 ¹⁾	4,757 ¹⁾	8,826 ¹⁾	6,193
Electricity revenues	EUR m	320.7	326.6	592.3	558.7
Gas					
Gas consumption	m. m ³	1,098	1,189	1,609	1,616
Gas sales	m. m ³	869	956	1,336	1,381
Gas revenues	EUR m	242.8	186.9	254.9	256.7
Heating					
Heating sales	GWh	521	533	712	671
Heating revenues	EUR m	23.7	19.0	27.0	24.3
Company as a whole					
Sales revenues	EUR m	622.3	567.5	948.1	902.4
Employees	Average	2,162	2,204	2,221	2,276
Balance sheet total	EUR m	2,376.3	2,215.0 ²⁾	2,215.0	2,125.0
Shareholders' equity	EUR m	913.9	849.9 ²⁾	849.9	797.6
Cash flow from the result	EUR m	200.9	225.1	258.4	261.0
Result before tax	EUR m	137.0	129.3	127.4	-301.1
¹⁾ Includes electricity trading and sales to other electricity companies. ²⁾ As at September 30, 2000.					

Financial Calendar 2000/01¹⁾

- 3rd Quarter Results August 31, 2001
- 2000/01 Annual Results December 10, 2001

¹⁾ Provisional dates



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Further useful Web sites

Allplan www.allplan.at
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