

An aerial photograph of a large concrete dam with a reservoir behind it. The dam is situated in a lush, green forested area. The reservoir is a deep blue color, and the surrounding landscape is a mix of dense green trees and some residential buildings. The sky is clear and blue.

EVN

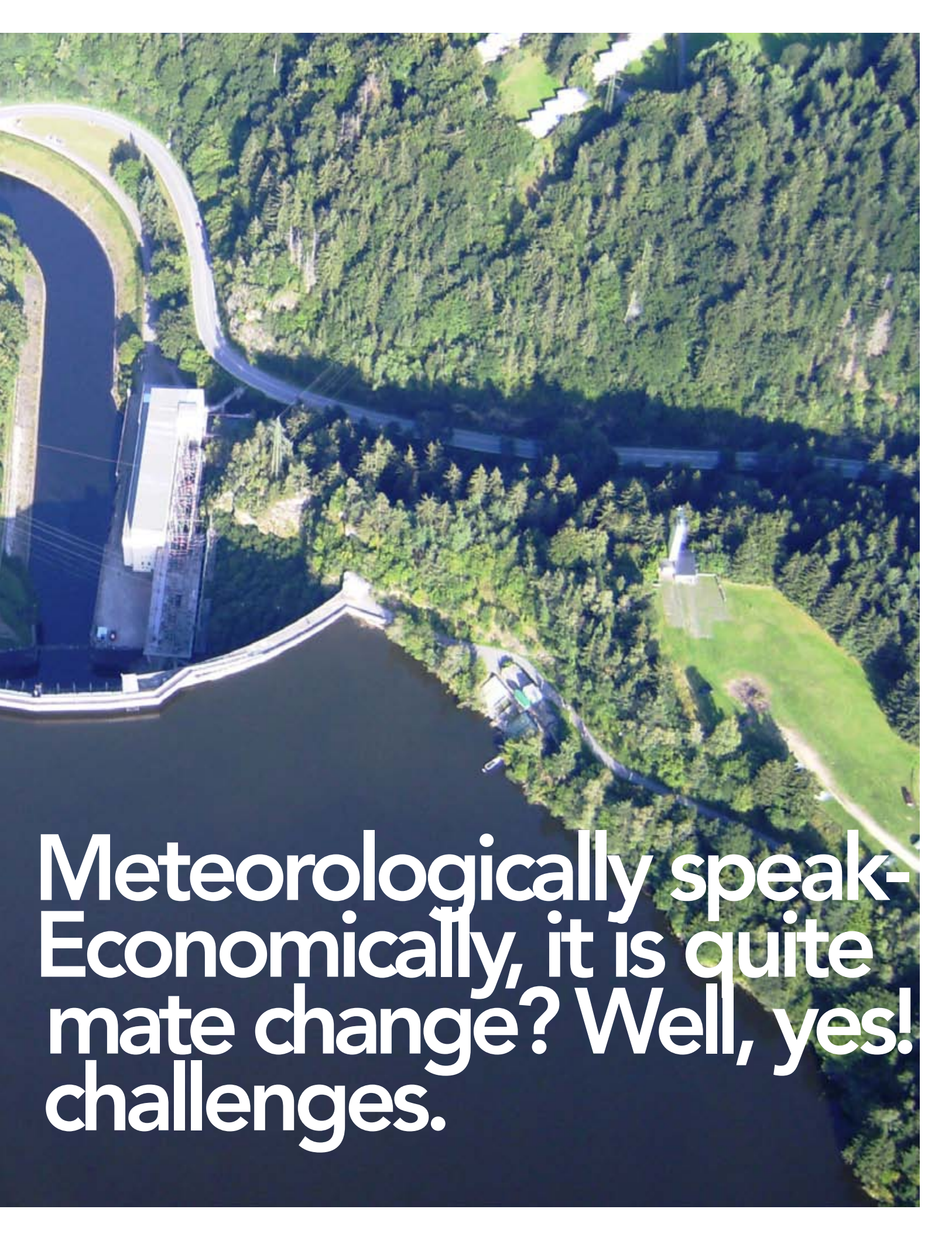
Full/
Report
2009/10

Welcome to Climate Change

New challenges. New perspectives.



The climate is changing.
ing, it is getting warmer.
stormy. Welcome to cli
EVN is accepting these



**Meteorologically speak-
Economically, it is quite
mate change? Well, yes!
challenges.**

06 **EVN in short.**
Rooted in Lower Austria, successful in Europe –
an overview of the latest EVN projects and figures.

10 **Equipped for the future.**
The members of the EVN Executive Board, Burkhard Hofer, Peter Layr and Herbert Pöttschacher speak about current challenges and the new EVN Strategy 2020.

18 **EVN on the capital market.**
The most important data, facts and developments pertaining to the EVN share.

20 **Facts and figures.**
For the first time, EVN presents facts and figures as still life photography.

24 **The change is enormous.**
Prof. Nebojsa Nakicenovic, one of the world's leading energy economists, on change and challenges.

28 **The showcase project Dürrohr.**
Electricity is generated, waste ecologically treated and numerous households also supplied with district heat. An investment in EVN's core market, which pays off for everyone!

38 **The climate protection dilemma.**
Prof. Mojib Latif on global warming, solutions and scenarios if no way out can be found.



42

Hydropower for South East Europe.

Three EVN projects on the Devoll and Drin rivers in Albania and the Gorna Arda River in Bulgaria are arising, all with a common goal: the sustainable improvement in supplying entire regions with renewable energy.

48

Change as an opportunity.

EVN is becoming more international. The Group HR Day highlights opportunities for employees.

56

Electricity and gas – safely and securely!

EVN ensures a reliable supply of gas in Lower Austria with the new "Südschiene" (southern section of trans-regional pipeline).

62

Diversity of life.

The specific ways EVN stands up for maintaining biodiversity.

66

EVN Powerteam 2010.

36 five-person teams from 33 Lower Austrian municipalities compete to win the title of "EVN Powerteam 2010".

72

Clear water for Istanbul.

Istanbul's quality of life is improving thanks to the large Ataköy wastewater purification plant constructed by EVN.

78

The Wachau region is e-mobile.

EVN launched an e-mobility project in the Wachau in 2010. Everyone can comfortably bike through the UNESCO World Heritage Site in an ecologically compatible manner. A pilot project with enormous potential!

06 Editorial

37 News in brief from Lower Austria

46 News from EVN's foreign markets

54 Employee news

60 Security of energy supplies: the projects

65 Biodiversity newsflash

70 Social and societal involvement

76 News from the Environmental Services segment

82 Innovation news

83 Editorial information

Editorial

Ladies and Gentlemen!

For years the sustainability aspects of our business operations has been dear to EVN's heart. The demands placed on sustainability reporting are continually growing, and call for new, innovative approaches. With this "Full Report" we are breaking



new ground. Under the motto "Welcome to change" we will not only describe various aspects of climate protection which are so important to us. Change begins in our own minds, and requires the ongoing extension of our own horizon. For this reason, we attach considerable importance to the extensive further education and professional development of all our employees.

Acting holistically also means not forgetting the weakest among us in our society and assuming corporate social responsibility towards all our stakeholders. A healthy, long-term corporate development is only possible if we achieve a balance between environmental, social and economic success.

We look forward to your suggestions, and wish you exciting reading!

CEO Dr. Burkhard Hofer
Spokesman of the Executive Board

In the publication "EVN Figures, Data, Facts 2009/10" you will find the Corporate Governance Report, the Financial Report and facts on sustainability in accordance with the guidelines of the Global Reporting Initiative (GRI). If a copy is not availability to you, you can request one at www.investor.evn.at.

EVN in short

Rooted in Lower Austria, successful in Europe – an overview of the latest EVN projects at a glance.

Energy and environmental services from a single source

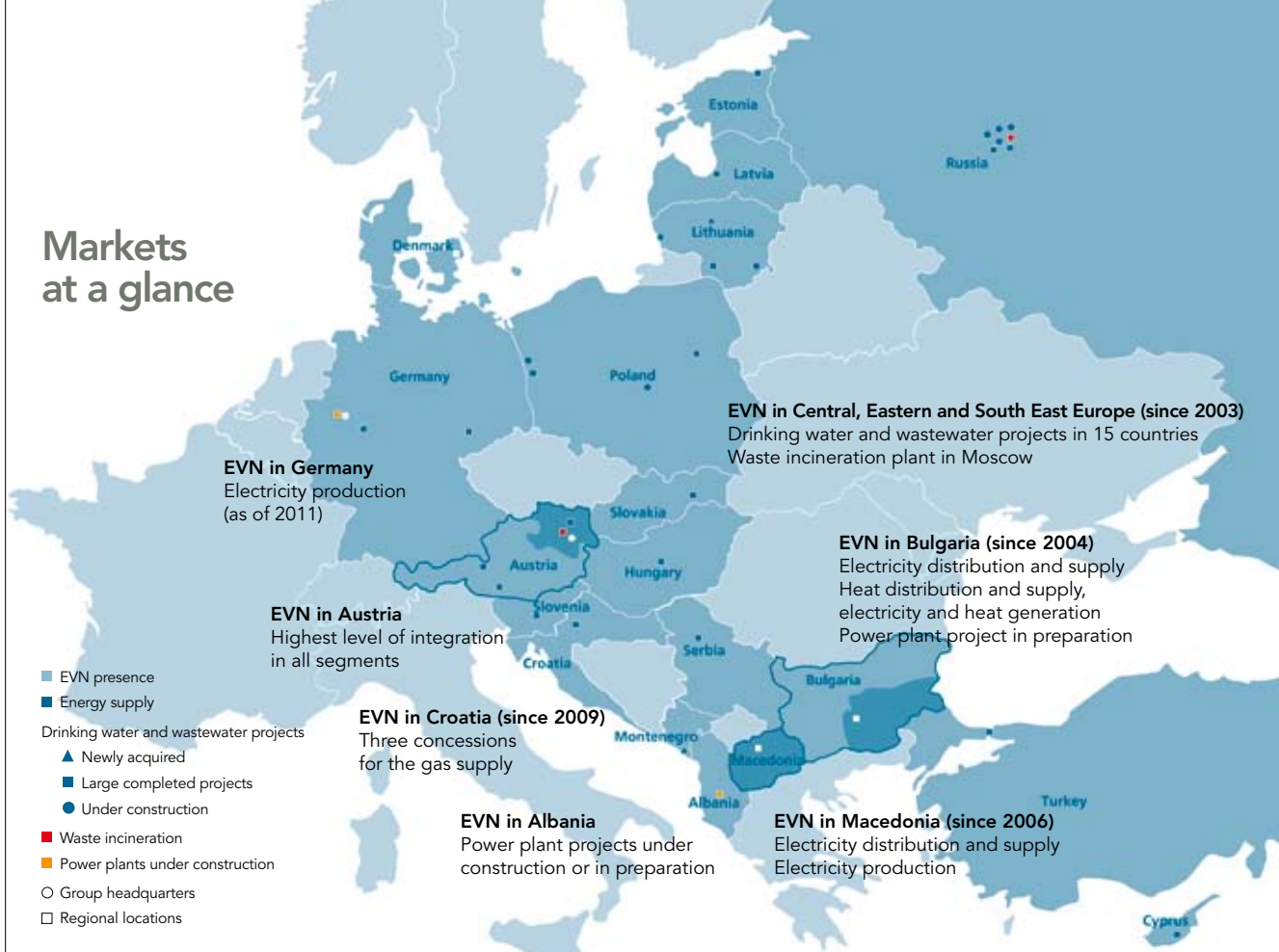
EVN business segments. As an international, publicly listed energy and environmental services company based in Lower Austria, the country's largest federal province, we fulfill the primary daily needs of our customers. On the basis of a state-of-the-art infrastructure, we offer our customers electricity, gas, heat, water, waste incineration and related services from a single supplier. With this reliable and top quality product and service offering, we safeguard and improve the quality of life of our more than 3.6m energy customers with respect to their energy supply. Moreover, EVN has gained extensive expertise in the planning and construction of water supply, wastewater treatment, desalination, waste incineration and waste incineration plants over the last 20 years on the basis of 82 environmental projects carried out in its markets.

All in all, EVN operates in 19 countries. The reliability and security of the energy supply, the prudent use of natural resources, the creation of a modern infrastructure and the highest quality demands are the focal points of all our activities. Taking account

Generation	Power generation from thermal production capacities and renewable energy (hydropower, solar power and photovoltaics)
Network Infrastructure Austria	Operation of regional electricity and natural gas networks as well as cable TV and telecommunication networks
Energy Trade and Supply	Trade and sourcing of electricity and primary energy sources, sales to wholesalers and end customers, heat generation and sale
Energy Supply South East Europe	Operation of electricity networks, electricity sales to end customers, heat generation and sale, gas networks
Environmental Services	Drinking water, wastewater treatment and waste incineration
Strategic Investments and Other	RAG, BEGAS, BEWAG, VERBUND AG and central Group functions

of the stipulations contained in IFRS 8 "Business Segments", which must be applied as of the 2009/10 financial year, the identification of operating segments is exclusively based on the internal organizational and reporting structure. Thus from a regional point of view, the Energy segment encompasses EVN's business activities in Austria and Germany as well as in South East Europe with Bulgaria, Macedonia, Albania and Croatia, and from a functional perspective, the energy value chain of the energy business (generation, distribution and supply). The Environmental Services segment encompasses the business areas of drinking water, wastewater treatment and waste incineration in 15 countries.

Markets at a glance



Up, up and away

+6.9% EBIT to Euro 187.3m

+0.9%

Revenue to Euro 2,752.1m

Financial result to Euro 83.6m **+64.5%**

+16.3% **+11.6%**

Group profit for the period to Euro 207.0m

EBITDA to Euro 416.6m

Massive investments

Security of supply. EVN invested EUR 394.0m in the 2009/10 financial year, focusing on expanding and modernizing networks in Lower Austria, in particular the gas network featuring the southern section of the trans-regional gas pipeline. EVN is also continuing to massively invest in upgrading distribution networks and electricity metre technology in South East Europe.



Energy for Lower Austria

Climate protection, in concrete terms. In recent years EVN has invested more than EUR 200m to implement its Energy Concept for the Lower Austrian Central Region, thus making a significant contribution to climate protection. In 2009, a new steam turbine was put into operation at the Dürnrrohr power plant. The steam produced by the power station and waste incineration facility is not only used to generate electricity but also district heat for the provincial capital of St. Pölten. Moreover, efficiency was further optimized on the basis of a new control technology. A turbular conveyor belt with a length of 3.2 kilometres designed to transport coal from the Danube river bank to the Dürnrrohr power plant was put into operation in 2010. As a result, about half of the energy sources required by the power station as well as the residual products which arise will be delivered or transported away by waterway, thus considerably minimizing the volume of lorry traffic.



More energy from renewable sources

Focus on wind, water and the sun. EVN is focusing on renewable energy sources in its efforts to expand its own power generation capacities. The long-term goal is to achieve a power generation mix featuring 50% from renewable. Up to EUR 200m were invested in the construction of new wind power plants in Lower Austria alone. Capacities are also being continually expanded in South East Europe. EVN in cooperation with VERBUND AG is currently building the Ashta run-of-river power station on the Drin River in Northern Albania. In 2012 the Hydromatrix power station with a capacity surpassing 50 MW is expected to come on stream. The total investment volume amounts to about EUR 200m. Feasibility studies are currently being carried out for three storage power plants on the Devoll River in Albania. Moreover, storage power plants are also being constructed in several phases on the Arda River in Bulgaria, with a total capacity of up to 170 MW. Following the beginning of construction work on the Kavarna Wind Park, a photovoltaic facility came on stream in Blatets, Bulgaria in May 2010. With a capacity of about 0.8 MW, it is the most powerful of photovoltaic installation operated by EVN.

High service standards

Prize for dedicated employees.

EVN attaches particular importance to ensuring the satisfaction of more than 3.6m energy customers. In 2009, the EVN Service Star award was granted to employees for the first time in recognition of their extraordinarily dedicated work.



Water and waste – a job for professionals

Projects in Lower Austria – and internationally. Through its subsidiaries EVN carries out the planning, financing, construction and operation of drinking water and wastewater purification plants as well as waste incineration facilities throughout Europe. Thus it makes a major contribution to improving people's quality of life. For example, EVN has been operating a waste incineration plant in Moscow in 2007. In the 2009/10 financial year, EVN was awarded a contract to build another waste incineration plant in the Russian capital. EVN was contracted to implement a second environmental project on the island of Cyprus i.e. a wastewater plant for 10,000 customers. In the 2009/10 financial year, various wastewater treatment plants constructed by EVN commenced operations e.g. in Stettin, Poland, the Turkish metropolis of Istanbul and in Tulln, Lower Austria, amongst others. Further details can be found starting on page 72. At the beginning of 2010 the third line of the waste incineration plant in Dürnröhr was put into operation. The additional capacity of 200,000t annually will enable electricity for 170,000 households as well as district heat for the Municipality of Zwentendorf and two thirds of the required district heat for the provincial capital of St. Pölten to be generated from the delivered waste in an ecologically compatible manner.

Social commitment

Social Fund. The social commitment of EVN focuses on promoting children and youth. Numerous projects are supported by the EVN Social Fund, featuring an annual endowment of EUR 100,000. EVN also provides support to local institutions in Bulgaria and Macedonia.



EVN Academy

Further education. The success of EVN is based on the commitment and know-how of its 8,536 employees. The company invested EUR 2.7m in its further education and professional development efforts. The offering is being continually revised, and ranges from trainings on occupational safety, language and IT courses to management development programmes.

Accidents in the year under review

EVN deeply regrets the fact that it has to report a total of 17 deaths in the 2009/10 financial year (three employees, 14 deaths of customers, abutting owners or the general public). In Lower Austria, one employee from EVN's area headquarters in Scheibbs was killed in a major car accident. In Bulgaria, one employee died from his serious injuries incurred by carrying out repair work on a damaged power line. Another employee in Bulgaria had a deadly accident on his way home from work. Five people died as the result of a gas explosion in St. Pölten during the year under review. A combination of coincidental occurrences supposedly led to this accident. The underlying cause was apparently a short circuit in a 20 kV underground cable, which in turn damaged a household gas supply line. The clarification of the incident has not yet been completed by the responsible authorities. Within the context of its liability without fault in connection with the natural gas explosion, EVN has already covered most of the costs for the physical and property damage which arose. A further deadly electricity accident occurred in Austria. In both cases, the surviving dependents also receive compensation from the "Gas and Electricity Accident Insurance of EVN for its Optima Customers". Five people lost their lives in South East Europe trying to steal cables and three other people lost their lives through no fault of their own. EVN sincerely regrets all of these occurrences, and is carrying out all the measures at its disposal to prevent such accidents from happening again in the future.



Well-equipped for the future


The members of the EVN Executive Board, Burkhard Hofer, Peter Layr and Herbert Pötttschacher, talk about current challenges and ambitious future projects.

— For the first time, EVN is publishing a combined annual and sustainability report for the 2009/10 financial year. What is the reason for this?

HOFER: For us sustainability is an integral part of our day-to-day business operations. This was once again confirmed in the 2009/10 financial year with respect to the further development of our corporate strategy. As a utility company, we have to think on a long-term basis, and in our role as an environmental services company we are by definition closely aligned with various aspects of sustainability. Our aim is to even more strongly integrate these considerations in all our business activities. The reorientation of our reporting approach also reflects this attitude in the way we communicate to external stakeholders.

LAYR: Moreover, it must be mentioned that the external demands on our reporting are steadily increasing, whether this involves the annual financial statements or indicators of the Global Reporting Initiative. This information, which is sometimes very detailed, is not always of interest to all readers. For this reason, we considered a solution which, from our point of view, more effectively addresses the needs of the different target groups. This magazine reflects our desire to appeal to a broader target group, whereas the reporting section is designed to continue our tradition of comprehensive and transparent reporting. The approach we are taking does more than just mirror our philosophy to develop the most efficient solutions possible without offering the same thing to everyone. In fact, we aim to provide what each stakeholder needs in the best possible quality and in the most individualized and target group-oriented manner we can achieve.



A photograph of three men in business suits standing on a balcony in an office building. The man on the left is wearing a grey tweed jacket and glasses. The man in the middle is wearing a dark grey suit. The man on the right is wearing a dark blue suit. They are standing in front of a window with horizontal blinds. The background wall is made of wood panels. A metal railing is in the foreground.

Herbert Pöttschacher,
Burkhard Hofer, Peter Layr (from l. to r.)

**"In 2020 I see EVN growing further
but also being more profitable.
We will harvest the fruits of our current
investments in the years to come."**

Burkhard Hofer



— Different aspects of change are treated in the magazine.
How flexible and versatile is EVN? How has the company changed in the past years?

HOFER: Just a few years ago we were still a regional energy supplier for Lower Austria, offering electricity, gas and heat. In the meantime, EVN has emerged as a leading internationally operating company, both in the energy as well as in the environmental services sectors. Everyone involved has clearly perceived how EVN has been transformed.

LAYR: In this regard, it is important that we keep in mind that change always involves two aspects, the internal and the external side of things. Internally, this relates to our own further develop-

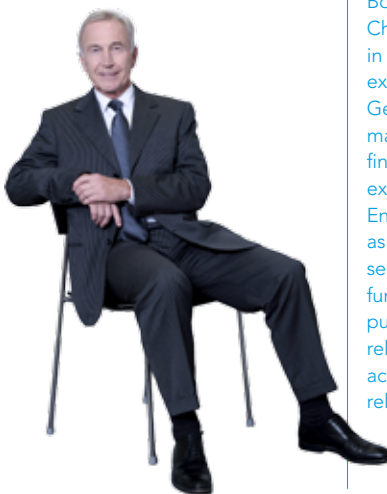
ment. But at the same time we have to confront the changes and the transformations taking place in the environment in which we operate. Here the underlying conditions have significantly changed, in particular the importance attached to renewable energies and also in the environmental services business. In turn, this has accelerated the process of change at EVN.

PÖTTSCACHER: In short, we have undergone a metamorphosis from a regional provider to an internationally operating company with business in 19 countries. This is a decisive change, but has not affected our intrinsic values. Fairness and responsibility are anchored in the corporate strategy of EVN. This is sustainability in the true sense of the word.



The members of EVN's Executive Board optimistically look ahead to the future.

CEO Burkhard Hofer



■ Born 1944, Doctor of Law. Joined EVN in 1980. Member and Spokesman of the EVN Executive Board since March 2005. Named Chairman of the Executive Board in May 2008. His term of office expires at the end of the Annual General Meeting resolving upon matters pertaining to the 2011/12 financial year. Burkhard Hofer has executive responsibility for the Environmental Services as well as the Energy Trade and Supply segments, along with the Group functions procurement and purchasing, controlling, customer relations, finance, Group accounting (incl. investor relations), general administration and corporate affairs, information and communications and human resources.

Member of the Executive Board Peter Layr

■ Born 1953. Doctor of Technical Sciences. Joined EVN in 1978. Member of the EVN Executive Board since October 1999. His term of offices expires on September 30, 2014. Peter Layr has executive responsibility for the Network Infrastructure Austria and South East Europe segments, as well as for data processing, environmental controlling and safety.



Member of the Executive Board Herbert Pötttschacher

■ Born 1949. Degree in Surveying, Regional and Environmental Planning. Member of the EVN Supervisory Board from 1991 to 1995, and of the EVN Executive Board since July 1995. His term of office expires on June 30, 2013. Herbert Pötttschacher has executive responsibility for the Generation segment, as well as for internal auditing, administration and construction.



— What have been the consequences of EVN's internationalisation?

HOFER: This internationalisation process has been clearly reflected in our work force. The number of employees has more than tripled since the 2003/04 financial year. Of the 9,000 people employed by EVN, more than two-thirds work outside of Austria. A new situation has arisen, featuring intercultural diversity, which has also posed a series of new challenges. For this reason, an important goal of our human resources management is to take advantage of the opportunities related to this diversity, as well as to promote knowledge exchange and overcome language barriers and cultural differences.

“We are currently working on very significant projects in Lower Austria focusing on medium-sized and small hydropower plants, but new wind parks are also being planned.”

Peter Layr

We are on the right path, but will have to continue working on creating a shared corporate culture.

LAYR: A further aspect in this connection is the trend towards the higher qualifications of employees, both with respect to a broader expertise as well as a more in-depth specialised know-how. We support the advancement of our employees whenever we can with our comprehensive further education and professional development offering.

PÖTTSCHACHER: Despite our business operations abroad, we remain strongly rooted in our domestic market of Lower Austria. This is demonstrated by the orientation of our corporate strategy.

—— Looking back at the 2009/10 financial year, how would you summarise developments?

HOFER: Despite several negative effects, in particular in the power generation segment, we could still achieve really good results. The Group net profit for the period of EUR 207.0m is 16.3% above the prior-year level. The main external factor impacting a utility company happens to be the weather. We had a very cold winter, which affected energy consumption. The situation was quite favourable for us in terms of energy procurement. The growth projects in the heating segment, in particular the district heating pipeline to St. Pölten, had a positive impact. At the same time, we were very economical in our expenditures, and successfully implemented two programmes to raise efficiency in the company.

PÖTTSCHACHER: In evaluating business development, one should not forget to mention that the previous year's results were shaped by the economic crisis. The crisis did not affect EVN's energy sales as much as our energy sourcing business and our financial results.

LAYR: On balance, our success is based on a combination of consolidation and selective growth. On the one hand, we have succeeded in keeping our operating costs under control. On the other hand, we have made the right investments.

—— What were these “right” investments in the 2009/10 financial year?

PÖTTSCHACHER: Five projects which we were able to conclude during the year under review were the right ones, because they are of fundamental importance to Lower Austria's energy supply. For one thing, I am talking about the completion of the district heating pipeline to St. Pölten as well as the third waste incineration line and the new steam turbine, the “Energy Utilisation Centre 2” in Dürnrohr. Furthermore, we also finished work on the tubular conveyor belt which will transport about half of

the required fuels from the Danube to the power plant site, and thus considerably reduce lorry traffic. Finally, we successfully concluded test series on the biomass pyrolysis pilot plant.

Now we are carrying out tests to energetically utilise the sludge, in order to expand our portfolio of waste disposal services.

LAYR: We are currently working on very significant projects in Lower Austria focusing on medium-sized and small hydropower plants. The work on the Schütt facility and the expansion in Ybbs are progressing speedily, and should be completed next year. New wind parks are being planned in Lower Austria. The necessary licenses have already been granted, and construction will begin in 2010. The new wind power plants will come on stream in 2011.

HOFER: EVN's large gas pipeline projects i.e. the “southern” and “western” sections of the trans-regional gas transmission pipeline designed to ensure the secure supply of gas to our customers as well as to our power plant sites are of enormous importance. The first stages of the southern section, the longest gas pipeline project in our corporate history featuring a length of 120 kilometres, have already been finished. But we are also massively investing in our drinking water services, for example building a connecting line between the Waldviertel and Weinviertel regions of Austria to improve the supply of high quality drinking water.

—— Which investment projects is EVN currently implementing abroad?

PÖTTSCHACHER: At present, we are working on several projects which are in different phases of completion. The Ashta power plant in Albania, a joint project with VERBUND AG is currently under construction and is scheduled to commence operations in 2012. We are pursuing a second hydropower project in Albania which has reached the final planning phase. The feasibility studies are expected to be completed by the end of this year. The third hydropower project, Gorna Arda in Bulgaria, was already planned several years ago and is currently being adapted by us to reflect present-day conditions. The advantage of this project is that it is in Bulgaria and thus in the region which we supply with electricity.

—— How is EVN financing these projects?

HOFER: EVN has a very clearly defined financing strategy based on the use of our free cash flow as well as highly diversified financing on capital markets. In addition, we are not financing the above-mentioned projects ourselves, but together with our

“Even if we do live to experience the conversion from fossil fuels to renewable energies over the next decades, we will not be able to completely do without primary energy sources such as hard coal.”

Herbert Pötschacher



Burkhard Hofer, Spokesman of the Executive Board and CEO of EVN

respective partners or consortiums. In this regard, we make sure that the financial stability of EVN and our positive ratings are not threatened. The latest capital increase which we successfully implemented in November 2010 demonstrated that EVN has a good reputation on capital markets.

— What are the key cornerstones of the Strategy 2020 which you developed during the year under review?

HOFER: The most important point is the fundamental reorientation of our power generation capabilities. Following completion of the hard coal-fired power plant in Duisburg-Walsum, Germany, planned for mid-2011 in which we have a 49% stake, we want to exclusively focus on efforts on renewable energy projects. The current projects in Lower Austria and abroad have already been mentioned. All in all, we want to ensure a 50:50 ratio between electricity generated from renewable energy sources and thermal power generation by the year 2020. At the same time, we are working on achieving our goal of increasing the coverage ratio from EVN's own production facilities from 40% at the present time to 60% of our sales volumes.

— How does the hard coal-fired power plant in Duisburg-Walsum fit in with EVN's sustainability strategy?

PÖTTSCHACHER: At first glance, the project would seem to be

inconsistent with our sustainability targets. However, even if do live to experience the conversion from fossil fuels to renewable energies over the next few decades, we will not be able to completely do without primary energy sources such as hard coal. We cannot simply flick a switch and expect the change from fossil to renewable energy to take place from one day to the next without endangering the security and reliability of our energy supply. Ensuring sufficient energy supplies in the future must also be part of our sustainability strategy. The hard coal-fired Duisburg-Walsum power plant ranks among the most technologically advanced of its kind in all of Europe and features an efficiency level of 46%, considerably higher than the average. At the same time, this project enables us to further diversify our power generation capacities.

— EVN is helping its customers to save energy. Isn't this at variance with the business model of an energy provider?

HOFER: On the one hand, we are striving to retain the loyalty of our customers by providing sound consulting services on all energy-related issues. On the other hand, we are aware of our long-term responsibility as an energy provider. This responsibility not only demands that we do our best to ensure a secure supply of energy, but also that we strive to ensure the efficient use of energy, both at our own facilities as well as by >

The cornerstones of EVN's Strategy 2020

■ Expansion of power generation capacities with a strong focus on renewable energy sources

– The share of renewable energy sources should be increased to 50% by 2020, and the Group-wide own level of efficiency from 40% to 60%.

– The focus in Lower Austria will be on expanding hydropower and building new wind parks.
– Several hydropower plant projects outside of Austria are in the planning stage. The Ashta power station in Albania, which is being implemented in cooperation with VERBUND AG, is scheduled

to come on stream in 2012. Three storage power stations are planned on the Devoll River in Albania. In Bulgaria storage power stations with a total output of up to 170 MW are to be constructed on the Arda River in several expansion phases. Feasibility studies for these projects are currently being carried out.

our customers. Irrespective of this fact, the prudent and thrifty use of natural resources is the order of the day in the light of the limited resources at mankind's disposal.

LAYR: The efficient energy use on the part of our customers also contributes to flatten peak demand and thus improve capacity utilization at our own power generation facilities. This will also lead to positive economic effects for EVN in the form of lower costs per generated or transported kilowatt hour.

— Which new business areas will emerge for EVN as a result of this development?

HOFER: There are manifold possibilities. We have been offering several products and services for quite a long time, whereas others are in the development phase. Examples include the renovation service, the solar power plant, but also others such as the lighting service or thermographies and "blower door tests", which measure the wind tightness of a house. We are

also planning to develop concepts for the energy-efficient operation of commercial facilities. In all these cases, the important thing is to be able to offer our customers the best and most efficient energy solution possible.

— Is EVN also pursuing research projects which go above and beyond what you have mentioned?

PÖTTSCHACHER: Of course, we are particularly active in pursuing the development of smart grids, to give one example. The issue involves finding ways to intelligently combine individual aspects of the energy supply with each other, in order to reduce the level of overall investments which are required, and to feed decentrally produced renewable energy into the power grid. This is an exciting topic which we are intensively focusing on.

— How important is e-mobility for EVN?

HOFER: We are doing extensive work in this field in cooperation

Herbert Pötschacher, Member of the EVN Executive Board



■ **Additional focus placed on the Environmental Services business**

– Demand in the Environmental Services segment remains at a high level. At present, the total contract volume amounts to about EUR 1.2 billion. As a result of the high level of orders, the share of EVN's total

results contributed by the Environmental Services segment should rise to one third on a medium-term basis.

■ **Maintaining market leadership in its core market of Lower Austria**

■ **Safeguarding EVN's financial stability**

with our partners. Our approach is to exploit existing possibilities. For this reason, we are focusing on single-track two-wheeled vehicles for the time being. The popularity of electric bicycles and scooters continues unabatedly, and our concept of a Danube bike path in the Wachau region was very well received. In the initial phase, we want to offer electromobility where it is feasible and makes sense.

LAYR: We are also planning to expand our services enabling tanking with renewable energy. Our main challenge is to make a functioning infrastructure available allowing for quick recharging. For this reason, we are investing considerable amounts in the Lower Austrian network in order to be fit – for smart grids but for e-mobility as well.

— **How would you assess the future and the growth potential of the Environmental Services segment?**

HOFER: Strategically speaking, the Environmental Services seg-

Peter Layr, Member of the EVN Executive Board



ment is highly important to EVN and continues to be a growth sector. The need and demand for technologically advanced facilities to supply drinking water or purify waste water remains strong and unbroken, particularly in Eastern and South East Europe. In the reporting year, we acquired several new projects, and we now boast an order volume of about EUR 1.2 billion as of September 2010. On a medium-term basis, the Environmental Services segment should contribute one third of EVN's total results.

PÖTTSCACHER: From my point of view it is important to note that we offer special financing and operating models for these projects which are designed to minimize our overall risk and at the same time ensure a long-term earnings contribution. The longstanding experience and excellent reputation of EVN are really paying off in the true sense of the word.

— **What is the current status of EVN's efforts to integrate its subsidiaries in Bulgaria and Macedonia?**

LAYR: The integration process is proceeding on schedule. We have completed the restructuring in Bulgaria, and we are now in the optimization phase. The restructuring in Macedonia has not yet been concluded but should be finished next year. I am very gratified to report that the tensions characterizing our relationship with the Macedonia Government are easing. We have jointly defined a roadmap in order to finally overcome the outstanding issues. Accordingly, we optimistically look ahead to the future.

— **How does the expansion of the gas network in three Croatian municipalities fit into EVN's overall strategy?**

LAYR: We are constructing a new gas network for Zadar, Sibeni-Knin and Split. Up until now, people are primarily heating with electricity, and in this sense gas is not available. For EVN, gas comprises a precisely calculable network operating business with regulated tariffs that we have a very good command of. Further potential exists in several urban areas in Dalmatia, where gas could be supplied under very profitable conditions.

PÖTTSCACHER: It is also part and parcel of our strategy to expand the service portfolio offered in Lower Austria to foreign markets, in particular in the energy business. One example is the supply of heat, which we are now promoting in Bulgaria on the basis of our constructing a cogeneration facility in Plovdiv. This fits in with our other activities quite well, and enables synergies to be exploited with respect to the supply of electricity and heat.

— **A final question. How do you envision EVN to be like in the year 2020?**

HOFER: I see EVN growing further, but also being more profitable. We will harvest the fruits of our current investments in the years to come. This also applies to our investments in South East Europe. In particular, we expect good earning possibilities in the Environmental Services segment.

On balance, I see EVN with an unchanged portfolio, but in a different dimension. _____

EVN on the capital market

The shares of EVN AG have been listed on the Vienna Stock Exchange since November 1989. The EVN share has performed well despite all the turbulences affecting international capital markets since then. Investors who subscribed to EVN shares 20 years ago can be pleased with a return on their Investment of 355%. The Total Shareholder Return has totalled 8.86% annually, including the annual dividends.

Continuing dividends

In using the financial resources at its disposal, EVN strives to achieve a balance between growth investments and attractive dividends. In recent years, the dividend payout ratio has been between 25% and 35% of the Group net profit. The Executive Board will propose to the Annual General Meeting on January 20, 2011 to pay a dividend of EUR 0.40 per share. The shares issued within the context of the 2010 capital increase are also entitled to dividends.



The EVN share

		2009/10	2008/09
Share price on 30.9.	EUR	11.45	13.68
Highest price	EUR	13.75	16.00
Lowest price	EUR	10.61	10.11
Value of shares traded ¹⁾	mEUR	197	209
Average daily turnover ¹⁾	Shares	63,724	69,031
Market capitalisation on 30.9.	mEUR	1,872	2,237
Earnings/share ³⁾	EUR	1.27	1.09
Dividend/share ³⁾	EUR	0.40 ²⁾	0.37
Cash flow/share ³⁾⁴⁾	EUR	2.87	2.73
Book value per share ³⁾	EUR	18.56	19.18
Price/earnings	X	9.0	12.5
Price/cash flow ⁴⁾	X	4.0	5.0
Price/book value	X	0.7	0.8
Dividend yield	%	3.5	2.7

1) Vienna Stock Exchange, counted once 2) Proposal to the Annual General Meeting
3) Outstanding shares as at September 30, 2010 4) Gross cash flow

EVN – A sustainable investment

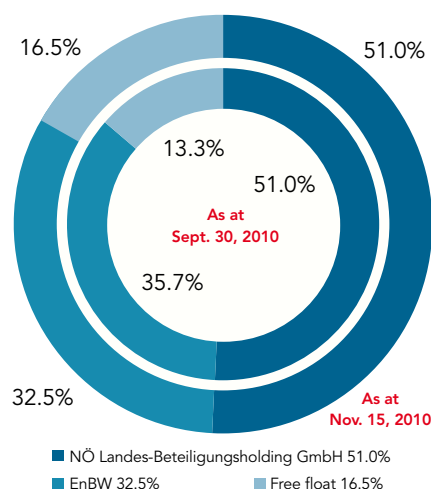
EVN has been represented in the FTSE4Good Index since 2002 and in the Ethibel Sustainability Index Group (ESI) since 2005, as well as in VÖNIX, an Austrian sustainability index.

Capital increase in October 2010

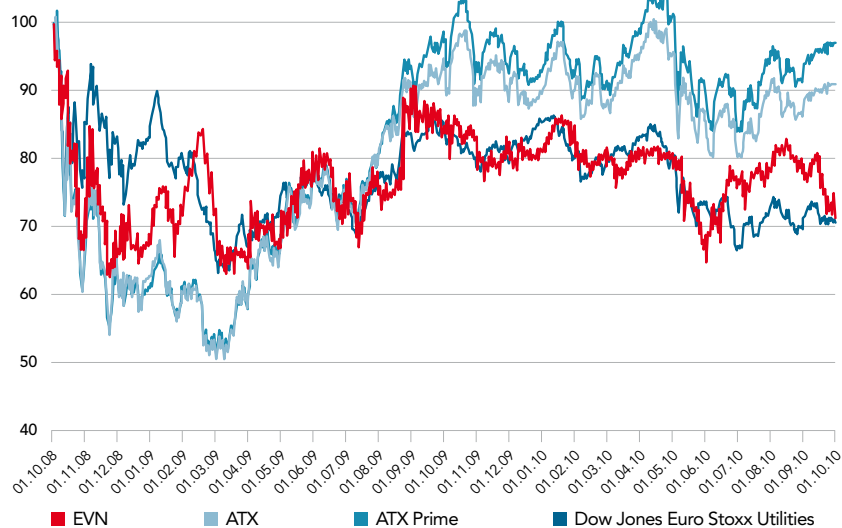
EVN implemented a capital increase in October and November 2010. Originally, a partial pullout of Energie Baden-Württemberg AG (EnBW) was planned.

After EnBW decided against this, EVN succeeded in placing a capital increase amounting to 10% of its share capital at a price of EUR 11.00 per share within just a few days. Due to constitutional regulations, the Province of Lower Austria continues to be the majority owner of EVN, holding 51% of the shares via NÖ Landes-Beteiligungsholding GmbH. The stake held by EnBW has been diluted to 32.5%. The remaining shares are in free float. The EVN will use the net proceeds of approximately EUR 173m to strengthen its balance sheet structure, invest in renewable energy projects in Lower Austria and expand hydropower energy capacities in Austria and neighboring countries.

Shareholder structure



Share price development of the EVN share



Share price development of the EVN share: A relative comparison

In the 2009/10 financial year, most international capital markets recovered from the massive collapse in stock prices of the previous year related to the global economic and financial crisis. The DAX, the most important German index, posted a 12% rise in value, compared to a decline of close to 2.2% for the Euro Stoxx 50. The benchmark index of the Vienna Stock Exchange, the ATX index, closed at 2,542 points at the end of September 2010, or 1.4% below the prior-year level. The EVN share closed trading at EUR 11.45 at the end of the year under review, a decrease of 16.3% year-on-year, and thus developed identically to the DJ Euro Stoxx Utilities sector index, which is relevant to EVN. As at September 30, 2010, the market capitalisation of EVN amounted to EUR 1.872 bn. Average daily turnover of EVN shares weakened somewhat from the previous year, and totalled 63,724 shares (counted once). Accordingly, the value of EVN shares traded on the Vienna Stock Exchange was EUR 197m (counted once). Thus the EVN share accounted for 0.52% of the total value of shares traded on the Vienna Stock Exchange. The weighting of the EVN share in the ATX index was 1.05% at the end of September 2010.

Financial calendar

82 nd Annual General Meeting	January 20, 2011
Ex-dividend day	January 25, 2011
Dividend payment	January 28, 2011
Results Q. 1 2010/11	February 24, 2011
Results HY. 1 2010/11	May 26, 2011
Results Q. 1–3 2010/11	August 25, 2011
Annual results 2010/11	December 15, 2011

EVN bonds

EVN issued several bonds in previous years as part of its broad-based financing strategy. On balance, the market value of these outstanding bonds at the balance sheet date of September 30, 2010 was EUR 902.5m, and the average effective nominal interest rate was 4.3%. Detailed information on EVN's bond programme is available on the EVN Website at www.evn.at/Investoren/Anleihen.aspx.

Active investor relations

EVN maintains an active and regular dialogue with existing and potential investors as well as analysts through numerous investor relations activities. The basic principles underlying EVN's investor relations work are simultaneous, open and comprehensive communications with all capital market participants, a high degree of transparency and pro-active reporting. Numerous opportunities were exploited in the 2009/10 financial year to provide information about the business development and strategy of EVN within the context of press conferences, conference calls, roadshows and international conferences focusing on the utility sector. The investor relations team of EVN is available at any time to respond to your inquiries.

Contact: Investor Relations,
Klára Székffy
Phone: +43 2236 200-12745
Fax: +43 2236 200-82745
investor.relations@evn.at
Service phone for investors:
0800 800 200 (in Austria)

External credit ratings

EVN AG is regularly rated by the two leading international credit agencies, Moody's and Standard & Poors. In the year under review, the Standard & Poor's rating remained unchanged at "negative". Moody's gave EVN an A3, "stable" rating in September 2010. EVN continues to have a very good credit rating in comparison to other companies in the European energy sector.

Images of success

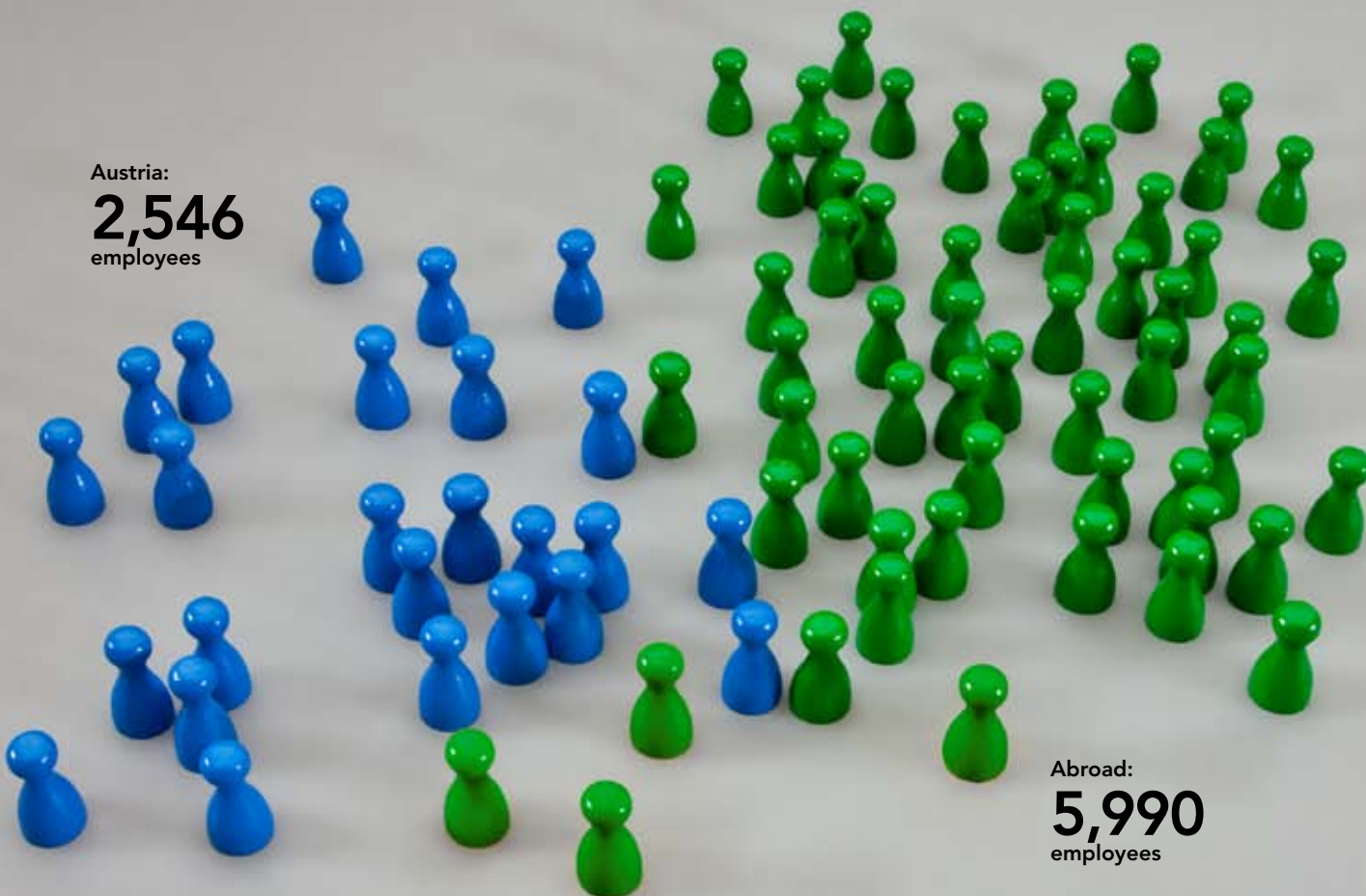
EVN remains successful, also in times of change. But take a good look for yourself!

A strong team in 19 countries!

On average, EVN employed a workforce of 8,536 people in the 2009/10 financial year, primarily in Austria, Bulgaria and Macedonia. The focal point of all efforts promoting intercultural exchange is to create a common corporate culture and values without neglecting regional differences. Transnational project teams have already been overcoming key challenges for years, enabling the valuable internal transfer of know-how. The professional training and further education of employees is offered in the EVN academies on a regional basis, involving total investments of about EUR 2.7m in 2009/10. In addition to cooperating with universities of applied sciences and universities to ensure a sufficient future supply of skilled employees and executives, apprenticeship training also has a long tradition at EVN. On average, 64 apprentices were working for EVN in Lower Austria in the 2009/10 financial year.

Austria:

2,546
employees



Abroad:

5,990
employees



Balanced energy mix at EVN – Expansion of renewable energy sources

EVN has defined an ambitious goal of increasing the share of its total power general capacity attributed to renewable energy sources to 50% by the year 2020. In the 2009/10 financial year, EVN's total electricity production amounted to 3.7 TWh, of which approximately 36% comprised renewable energy. The focus was on hydropower and wind power, but increasing importance is also being attached to biomass and photovoltaics. In particular, the implementation of new wind power facilities is planned on EVN's domestic market of Lower Austria. The Weinviertel region and the Lower Austrian Central Region are especially suited for such projects due to their topographical conditions.

Several hydropower projects are being pursued outside of Austria. The Ashta project is being realised on the Drin River in Albania in cooperation with VERBUND AG, and will be completed by 2012. Additional projects in Albania and Bulgaria are currently being evaluated.



Strategic
Investments and
Other Business:
EUR
91.4m

Generation:
EUR
118.6m

Energy Supply
South East Europe:
EUR
862.2m

Environmental
Services:
EUR
285.4m

Network
Infrastructure
Austria:
EUR
488.9m

Energy Trade
and Supply:
EUR
1,187.2m

Stable revenue

Despite lower contributions from the Energy Trade and Supply and Energy Supply South East Europe segments, EVN generated total revenue of EUR 2,752.1m (after consolidation), thus slightly surpassing the previous year's figure. The development of the Environmental Services segment was particularly gratifying. Thanks to the completion of the third waste incineration line in Dürnrrohr and the higher volume in the project business, segment revenue rose 15.4% to EUR 285.4m. Revenue of EVN's largest segment, Energy Trade and Supply, was at about the same level as in the prior year, at EUR 1,187.2m. In contrast, the Network Infrastructure Austria segment profited from volume increases in the electricity and gas networks as well as higher gas network tariffs. Accordingly, a revenue increase of 4.5% to EUR 488.9m could be achieved. The Strategic Investments and Other Business segment also raised revenue by 5.0% to EUR 91.4m.

Significant earnings improvement

The business development in the 2009/10 financial year was characterised by higher sales volumes in the light of a reduction in "Electricity purchases and primary energy expenses". It was also impacted by an increase in the item "Cost of materials and services" as well as higher depreciation and amortisation. On balance, EBIT of the EVN Group improved by 6.9%, to EUR 187.3m. Supported by the higher income from investments in associates included at equity, and the improved interest result, the financial results of EVN rose 64.5%, to EUR 83.6m. The net profit after tax amounted to EUR 228.7m, or 15.5% above the prior-year level. The Group net profit of EUR 207.0m after minority interest represents a 16.3% rise from the previous year. Based on this success, the Executive Board will propose to the Annual General Meeting to distribute a dividend of EUR 0.40 per share for the 2009/10 financial year, compared to EUR 0.37 per share in 2008/09.



The change is enormous!

According to a hypothesis developed by Prof. Nebojsa Nakicenovic, one of the world's leading energy economists, our society is about to experience one of the dramatic turning points in its history. Here is the interview about upcoming challenges, opportunities and threats.

Prof. Nebojsa Nakicenovic in front of the park in Laxenburg, Lower Austria. The renowned International Institute for Applied Systems Analysis (IIASA), of which he is the Deputy Director, is located in Laxenburg Castle.

Our world is at the beginning of a far-reaching transformation, according to a thesis promulgated by the world-famous energy economist Nebojsa Nakicenovic. In an interview, he explains why the fossil fuel age must come to an end, and which challenges energy providers will face.

___ **In your work you have often emphasized the fact that we are living in a period of change. What will we really be confronted with in the years to come?**

My hypothesis is that we are about to experience a dramatic turning point in our history. Our world is at the beginning of a phenomenal transformation, which can only be compared with the change from a hunting and gathering people to a landed society. Or maybe even with the Industrial Revolution.

___ **Will the energy issue play a decisive role in this scenario?**

Yes, because global energy consumption has been growing exponentially for years. It is a law of nature that such a develop-

ment cannot continue indefinitely. Exponential periods inevitably lead to saturation. Afterwards something completely new arises. For this reason, we are not only being forced to think and act on a long-term basis but also globally for the very first time.

___ **What exactly does this mean?**

The fossil fuel age must come to an end. We cannot afford to continue working with the technologies and methods we currently have at our disposal.

___ **You are talking about global challenges...**

Yes I am. We have to divide mankind into two groups. One half of the population, or about 2.8 billion people, have not even experienced the Industrial Revolution. They cook with agricultural waste materials, wood or charcoal on an open fire, which is very inefficient and unhealthy. There is no sewage system or clean water. Two billion people do not have any access at all to modern technologies, or to electricity. >



___ **Which challenges do you think will arise because of this?**

It is our responsibility over the next 50 years to enable these close to three billion people to take part in the process of developing into a modern society. The other half of mankind, to which Austria belongs, has to make the changeover to a sustainable development path. And we have to begin immediately. For example, we are already too late dealing with climate change.

___ **What is the reason for this?**

Climate change is already taking place. Global temperatures have already risen by 0.6 to 0.7 degrees Celsius. There is little doubt that this development is largely related to our waste gas emissions. In principle the solution is quite simple: in order to stabilize global warming to a rise of only 2 degrees Celsius, we require emission benchmarks which must be adhered to, i.e. reach their maximum level worldwide immediately, in any case within this decade. We will have to reduce waste gas emissions to half the current amount in 20 years and by 80% by 2050. And we know that Austria should be at the cutting edge of this process.

___ **However, international comparisons indicate that we actually rank among the latecomers...**

This is true, namely for political reasons. Great Britain, Sweden and California are much farther ahead of us, and have even established a legal basis for their climate protection targets. This is something we have not yet accomplished.

___ **So what must be done?**

The most important catchword here is "efficiency". About 50% of the decline in waste gas emissions can be achieved by raising efficiency, in particular on the part of the end users. This is a very important point for companies such as EVN, because utility companies will have to develop new business models.

___ **Can you be more specific?**

Energy consumption in housing could be cut by 90%. If energy providers could develop a corresponding business model on this basis, the problem would be solved immediately.

___ **Do you have any other suggestions?**

One is carbon separation, capture and storage. It is not realistic to imagine that we will be able to reduce our consumption of fossil fuels to zero by 2050 and simultaneously boost the share of renewable energy to 100%. But, we still do not know if carbon separation, capture and storage will really be able to function on such a large scale.

___ **Referring to the popular catchword "renewable energies", what is your assessment of the situation?**

Around the world we lack 1,000 to 10,000 times the capacity for generating power from renewable energy sources which we currently have. That is the bad news. The good news is that the costs for renewable energies are declining. At some point in time the business with renewable energies should become lucrative. In this scenario, the costs for photovoltaics will have to decrease by a factor of ten, and wind energy by 50%.

___ **Doesn't this mean that energy will become more expensive?**

"About 50% of harmful CO₂ emissions can be avoided by increasing efficiency."

About Nebojsa Nakicenovic:



■ **TU & IIASA.** Nebojsa Nakicenovic is a full Professor of Energy Economics at the Vienna University of Technology (TU), current Deputy Director of the International Institute for Applied Systems Analysis (IIASA) and Director of the Global Energy Assessment (GEA).

■ **Work.** He is a co-publisher of the "International Journal on Technological Forecasting and Social Change", the "International Journal on Climate Policy" and the "International Journal of Energy Sector Management".

Yes this is the conclusion to be drawn. Therefore we require significant technological improvements to keep costs at a tolerable level.

___ What hopes do you have for renewable energies?

We can clearly expand the use of wind energy. I hope we will be able to achieve a major breakthrough in the field of photovoltaics, which is still very expensive at the present time. Atomic energy is not being considered in Austria because opposition is too intense. It is important that we have feasible feed-in tariffs, and clearly defined, long-term perspectives for investments. We need a credible energy policy. We registered a 40% drop in global investments in renewable energies. This should not be allowed to happen!

___ This accusation is directly aimed at utility companies...

Yes. But what can a company do which is dependent on stakeholder value? It has to act in a certain way. Otherwise the management will be replaced. And this is one of the fundamental problems facing us in this time of change. The future is uncertain, even more than just a few years ago. Our economic environment is definitely not conducive at present to promoting long-term investments.

___ Is the logical consequence a change in our economic system?

We have gone much too far with this cowboy capitalism. We have to learn to think in a long-term manner. Unfortunately we did not take advantage of the crisis to question the direction our system is moving in. We simply pumped money into the old system, and even strengthened it.

___ As an energy expert, what advice do you have for a company like EVN?

EVN should do more with respect to consulting and increasing efficiency of energy use on the part of its end customers. But how can companies post profits on the basis of this strategy? Clearly EVN will be selling less energy, for example if everyone lives in well insulated houses and apartments. The aim should be to sell less energy, but more know-how and services. But political decision-makers do not make it easy for managers at present. It is difficult to develop a corporate strategy over a period of 20 years if the overall framework has not been clearly defined. Nevertheless, it is a fact that too little is currently being invested in the energy sector. _____

EVN invited Mr. Nakicenovic to this interview to provide a well-founded external assessment of key issues in the news. His opinions do not necessarily coincide with those of EVN. In return for this interview, Prof. Nakicenovic requested an energy counseling session, which EVN was happy to do.

