

# IAS consolidated financial statements

1996/97

EVN Energie-Versorgung  
Niederösterreich  
Aktiengesellschaft

## **IAS consolidated financial statements**

### **Change in reporting to International Accounting Standards (IAS)**

For the first time, EVN's financial statements have been prepared as consolidated financial statements in accordance with the principles of the International Accounting Standards. In adopting this form of reporting, EVN has prepared accounts for its shareholders and the general public that are in line with internationally accepted accounting principles.

The financial statements in accordance with Austrian accounting regulations (company and consolidated financial statements of EVN) have been prepared separately. They have also been published in compliance with the law and can be requested from EVN at any time.

Both sets of financial statements – the consolidated financial statements in accordance with IAS and the financial statements under Austrian commercial law – have been audited and given an unqualified audit certificate by KPMG Austria Wirtschaftsprüfungs-Gesellschaft m.b.H.

To an ever increasing extent, companies around the world are preparing their financial statements on the basis of internationally comparable criteria. As one of Austria's leading publicly quoted companies, EVN has decided to adopt the principles of the International Accounting Standards for the presentation of its financial statements because we are convinced that this form of financial reporting will become established as the international norm. In future, all information about the Group will therefore be presented in accordance with IAS.

The traditional presentation of financial results in the form of a balance sheet, profit and loss account and notes is now supplemented by a more detailed cash flow statement and more extensive explanations designed to give a deeper insight into the assets, financial position and profitability of the Group.

The main differences between accounting to IAS and accounting to Austrian regulations with respect to the consolidated financial statements of EVN relate to:

- The consideration and valuation of fixed assets (adaptation of useful life and capitalization of leased assets)
- Methods of calculating pension, severance pay and other staff provisions
- Consideration of certain other provisions
- Consideration of deferred taxes
- Valuation of financial assets and liabilities (mark-to-market valuation)

In order to facilitate comparison with previous years' figures, the financial statements for the financial year 1995/96 and the balance sheet as of 31 August 1995 have also been converted to IAS. The previous year's figures therefore relate to EVN's company accounts for the financial year 1995/96 prepared to IAS, particularly since the group criteria were established only during the course of the financial year 1996/97. Thus the preparation of consolidated financial statements for EVN only became necessary for the financial year 1996/97. Issues from previous periods have also been treated according to IAS regulations.

# Balance sheet

	Note	31.8.1997 ATS tsd.	31.8.1996 <sup>1)</sup> ATS tsd.
<b>Assets</b>			
<b>Long-term assets</b>			
Tangible assets	(12)	18,400,912	17,810,395
Intangible assets	(12)	1,883,525	2,063,770
Investments	(13)	2,914,877	1,356,072
Other long-term assets	(14)	1,921,379	1,990,930
		<b>25,120,693</b>	<b>23,221,166</b>
<b>Short-term assets</b>			
Inventories	(15)	1,056,375	805,308
Short-term receivables and other short-term assets	(16)	1,497,774	1,571,406
Cash and short-term deposits	(17)	1,995,984	3,361,325
		<b>4,550,133</b>	<b>5,738,039</b>
<b>Total assets</b>		<b>29,670,826</b>	<b>28,959,205</b>
<b>Liabilities and shareholders' equity</b>			
<b>Shareholders' equity</b>			
	(18)		
Stock capital	(19)	1,140,000	1,140,000
Capital reserves	(20)	1,165,531	1,165,531
Profit reserves	(21)	10,531,567	9,760,305
Net group income	(18)	343,719	287,558
		<b>13,180,816</b>	<b>12,353,395</b>
<b>Minority interests</b>	(22)	<b>446,581</b>	<b>–</b>
<b>Long-term liabilities</b>			
Long-term financial liabilities	(23)	849,200	769,840
Long-term provisions	(24)	7,906,474	9,648,439
Customer contributions for grid investment	(25)	2,061,915	1,999,822
Other long-term liabilities	(26)	247,944	161,470
		<b>11,065,533</b>	<b>12,579,570</b>
<b>Short-term liabilities</b>			
Short-term financial liabilities	(27)	1,606,333	915,410
Trade accounts payable	(28)	968,537	951,159
Short-term provisions	(29)	1,101,745	1,438,092
Other short-term liabilities	(30)	1,301,281	721,580
		<b>4,977,896</b>	<b>4,026,240</b>
<b>Total liabilities and shareholders' equity</b>		<b>29,670,826</b>	<b>28,959,205</b>

<sup>1)</sup> Due to the fact that consolidated financial statements were first prepared for the financial year 1996/97, the comparative figures for the previous year are based on the company accounts for EVN for the financial year 1995/96 in accordance with IAS.

# Profit and loss account

	<b>Note</b>	<b>1996/97</b> ATS tsd.	<b>1995/96<sup>1)</sup></b> ATS tsd.
<b>Sales revenues</b>	(31)	<b>11,842,250</b>	<b>11,907,137</b>
Changes in work in process and production capitalized	(32)	175,170	138,400
Other operating income	(33)	613,006	326,079
Cost of materials and services	(34)	-6,187,054	-5,823,410
Personnel expenses	(35)	-2,472,269	-2,989,003
Depreciation of tangible and intangible assets	(36)	-1,720,440	-1,884,427
Other operating expenses	(37)	-836,492	-397,793
<b>Operating result (EBIT)</b>	(38)	<b>1,414,171</b>	<b>1,276,984</b>
Financial result	(39)	148,133	484,457
<b>Profit before tax</b>	(40)	<b>1,562,304</b>	<b>1,761,441</b>
Taxes on profit	(41)	-375,879	-420,638
<b>Profit after tax</b>		<b>1,186,426</b>	<b>1,340,803</b>
<b>Allocation of profit</b>			
Profit after tax		1,186,426	1,340,803
Minority interests	(42)	-2,460	-
Allocation to profit reserves		-840,247	-1,053,245
<b>Net group income</b>		<b>343,719</b>	<b>287,558</b>
		S	S
<b>Earnings per share</b>	(50)	<b>104</b>	<b>118</b>

<sup>1)</sup> Due to the fact that consolidated financial statements were first prepared for the financial year 1996/97, the comparative figures for the previous year are based on the company accounts for EVN for the financial year 1995/96 in accordance with IAS.

# Cash flow statement

	1996/97 ATS tsd.	1995/96 <sup>1)</sup> ATS tsd.
<b>Profit before tax</b>	<b>1,562,304</b>	<b>1,761,441</b>
+ depreciation/– writing-up of long-term assets	2,015,317	1,905,316
– writing-back of customer contributions for grid investment	–189,818	–181,648
– gains/+ losses from foreign currency valuations	79,360	–83,360
– gains/+ losses from the disposal of long-term assets	–61,351	–68,185
– increase/+ decrease in short-term inventories and short-term receivables	–177,434	–205,100
+ increase/– decrease in provisions	65,003	532,554
+ increase/– decrease in trade accounts payable and other liabilities	683,554	275,898
– payments of taxes on profit	–734,927	–128,573
<b>Cash flow from operating activities</b>	<b>3,242,008</b>	<b>3,808,342</b>
+ proceeds from disposal of tangible and intangible assets	99,021	186,279
+ proceeds from disposal of financial assets and other financial investments	328,011	242,774
– payments for additions to tangible and intangible assets	–2,237,684	–2,125,742
– payments for additions to financial assets and other financial investments	–1,739,567	–1,433,258
<b>Cash flow from investment activities</b>	<b>–3,550,219</b>	<b>–3,129,947</b>
– previous year's dividends	–285,000	–218,500
+ increase/– decrease in short-term financial liabilities	774,332	–22,673
– increase/+ decrease in securities	1,560,458	–66,951
– compensation of pension entitlements	–1,463,052	–
<b>Cash flow from financing activities</b>	<b>586,737</b>	<b>–308,123</b>
<b>Total cash flow</b>	<b>278,526</b>	<b>370,271</b>
<b>Change in funds</b>	(see note 43)	
Liquid funds at beginning of period	349,370	–20,901
Liquid funds at end of period	627,896	349,370

<sup>1)</sup> Due to the fact that consolidated financial statements were first prepared for the financial year 1996/97, the comparative figures for the previous year are based on the company accounts for EVN for the financial year 1995/96 in accordance with IAS.

# EVN Group investments

## 1. Direct investments by EVN = 20 % as of 31 August 1997

Company, registered offices	Interest %	Currency	Shareholders' equity		Balance sheet date	Type of consolidation <sup>1)</sup>
			ATS tsd./ HUF tsd.	Last year's result ATS tsd./ HUF tsd.		
Austria Ferngas Ges.m.b.H., Vienna	23.75	S	66,162	2,803	31.12.96	N
AVN Abfallverwertung Niederösterreich Planungsgesellschaft m.b.H., Maria Enzersdorf	50.00	S	8,315	-5,107	31.12.96	N
AWB Abfall-Wirtschaft-Beteiligungs-Ges.m.b.H., Maria Enzersdorf	100.00	S	13,265	-14,191	31.08.97	N
Burgenland Holding AG, Eisenstadt	50.74	S	957,412	48,966	31.03.97	F
Elektrizitätswerke Gußwerk Ges.m.b.H., Maria Enzersdorf	100.00	S	379	-44	30.06.97	N
Elektrizitätswerke Gußwerk Ges.m.b.H. & Co. KG, Maria Enzersdorf	100.00	S	47,264	1,447	31.12.96	N
EVN-Pensionskasse AG, Maria Enzersdorf	100.00	S	3,003	138	31.12.96	N
IN-ER Erömü Kft., Nagykanizsa (Hungary)	70.00	HUF	34,925	-4,770	31.12.96	N
KÖGÁZ Középdunántúli Gázszolgáltató Rt., Nagykanizsa (Hungary)	25.00	HUF	13,169,433	-190,212	31.12.96	E
NÖKOM NÖ Telekom Service Ges.m.b.H., Maria Enzersdorf	50.00	S	1,965	-35	31.12.96	N
RAG-Beteiligungs-AG, Maria Enzersdorf	40.00	S	573,590	84,510	30.06.97	E
Utilitas Dienstleistungs- und Beteiligungs-Ges.m.b.H., Maria Enzersdorf	100.00	S	89,043	10,087	31.08.97	N

<sup>1)</sup>F . . . fully consolidated company (subsidiary)

E . . . equity consolidated company (associated company)

N . . . not consolidated

## 2. Indirect investments by EVN = 20 % as of 31 August 1997

Company, registered offices (parent company)	Interest	Currency	Share- holders' equity	Last year's result	Balance sheet date	Type of con- solida- tion <sup>1)</sup>
	%		ATS tsd.	ATS tsd.		
AKI Beteiligungsges.m.b.H., Maria Enzersdorf (Utilitas)	100.00	S	416	8	31.12.96	N
Allplan Ges.m.b.H., Vienna (Utilitas)	50.00	S	6,203	-573	31.12.96	N
AWB-Con Abfall-Wirtschaft-Beteiligungs Ges.m.b.H., Maria Enzersdorf (AWB)	50.00	S	28,912	-29,968	31.08.97	N
Burgenländische Elektrizitätswirtschafts- AG (BEWAG), Eisenstadt (Burgenland Holding)	49.00	S	972,604	75,389	31.03.97	E
BEGAS-Burgenländische Erdgas- versorgungs-AG, Eisenstadt (Burgenland Holding)	48.10	S	309,819	37,663	31.03.97	E
EZO Hotel- und Restaurant- Betriebsges.m.b.H., Maria Enzersdorf (Utilitas)	100.00	S	1,434	150	31.08.97	N
GrafoTech Beratungs- und Planungs- ges.m.b.H., Maria Enzersdorf (Utilitas)	100.00	S	10,594	8,092	31.08.97	N
Ing. Vögl & Cschötz Ges.m.b.H., Vienna (Utilitas)	100.00	S	2,323	1,160	31.12.96	N
SEV-Software-Entwicklungs- und Vertriebsges.m.b.H., Maria Enzersdorf (Utilitas)	50.00	S	1,799	135	31.08.97	N

<sup>1)</sup>F . . . fully consolidated company (subsidiary)  
E . . . equity consolidated company (associated company)  
N . . . not consolidated

# Notes

## General

The consolidated financial statements for the financial year 1996/97 have been drawn up in accordance with the International Accounting Standards (IAS) effective for the financial year. The stipulations of the International Accounting Standards relating to "income taxes" and "earnings per share", which come into effect on 1 January 1998, have already been taken into consideration. The changes contained in the Exposure Draft (ED) dealing with "employee benefits" have also been applied.

Furthermore, these consolidated financial statements have been drawn up in accordance with the going-concern principle. The presentation and grouping of individual items in the balance sheet, the profit and loss account and the cash flow statement are based on the principle of materiality. For the sake of clarity, most figures are given in thousand Austrian schillings (ATS tsd.). There may be some slight mathematical differences due to the rounding up or down of individual items and percentages.

The accounting and valuation of the consolidated financial statements are based on uniform criteria.

## Principles of consolidation

### (1) Scope of consolidation

EVN itself and Burgenland Holding AG are fully consolidated in the consolidated financial statements, while Burgenländische Elektrizitätswirtschafts-AG (BEWAG), BEGAS-Burgenländische Erdgasversorgungs-AG, RAG-Beteiligungs-AG (RBG) and Középdunántúli Gázszolgáltató Rt. (KÖGÁZ) have been included using equity consolidation as of the date of acquisition.

In accordance with the principle of materiality, an investment need not be shown as subsidiary or as an associated company if that interest is not of significant importance. This appraisal is based on the balance sheet total, total fixed assets, percentage of shareholders' equity and customer sales revenues of each company in proportion to the group totals. The companies included in the consolidation on the basis of these criteria account for more than 97 % of each of these totals. A total of ten subsidiary companies were not consolidated in view of their insignificance to the assets, financial position and profitability of the Group.

### (2) Consolidation method

Capital consolidation is carried out using the book value method. The cost of the shares acquired is offset against the proportional book value of the subsidiary's equity acquired as of the date of acquisition. Any surplus is shown as goodwill and subjected to straight-line depreciation over a period of 15 years in accordance with its useful life. Consolidation did not produce any deficit amounts.

Any parts of such differences that had an effect on results before 1 September 1995 were taken into consideration by a corresponding reduction in the profit reserves as of 1 September 1995.

Intra-group receivables and liabilities, expenses and earnings and intermediate results are eliminated provided they are not insignificant.

### (3) Currency translation

The financial statements of foreign subsidiaries are translated on the basis of the functional currency principle. Translation of the items of the balance sheet is carried out at the average rate of exchange on the balance sheet date. The items of the profit and loss account of foreign companies included in the consolidation is carried out at the average rates of exchange for the period. Differences arising from the currency translation of equity held are posted against profit reserves without any effect on the result.

## Accounting and valuation methods

### (4) Tangible and intangible assets

Tangible assets are shown at cost of acquisition or production, reduced by scheduled depreciation. Production costs include direct costs of materials and manufacture and reasonable portions of the materials and manufacture overheads. General administrative costs and interest on borrowed capital are not capitalized. Intangible assets are treated like tangible assets unless subject to the separate regulations governing goodwill.

Assets are depreciated from the time of commissioning. Depreciation is carried out over the expected useful life of the asset. In the case of assets commissioned during the first half of the financial year, depreciation is for a whole financial year; otherwise depreciation is carried out for half a year only. The economic and technical useful life of tangible assets is taken into consideration in determining their expected useful life.

Extraordinary depreciation is made for if a reduction in the value of an asset is expected to be lasting. If extraordinary depreciation is no longer justified, the value of the asset is restored to acquisition cost at most. Maintenance work is shown as an expense unless it changes the nature of the asset involved.

Third-party contributions are allocated to the underlying assets, carried as liabilities and written back in line with the scheduled depreciation of the assets in question.

#### Expected useful life

	Years
Buildings	25 – 50
Transmission lines and pipelines	15 – 50
Machinery, mechanical and electrical installations	10 – 33
Meters	16 – 40
Tools and equipment	4 – 25
Rights	4 – 40
Goodwill	15

### (5) Leased and rented property, plant and equipment

Leases and rental agreements under which all risks and rewards are transferred to the Group and which are associated with utilization of assets are treated as finance leases. The assets for which such leases and rental agreements are concluded are recognized at the current value of the capitalized lease or rent payments at the time of acquisition and depreciated over their useful life. The present value of the liabilities arising from the outstanding lease or rent payments as of the balance sheet date corresponds to the assets carried in this manner.

All other leases and rental agreements are treated as operating leases.

### (6) Financial assets

Investments in subsidiaries not included in the consolidation are shown at the cost of acquisition on the basis of the general principles for the valuation of financial assets. In principle, associated companies are valued in the consolidated financial statements on the basis of the equity method. Valuation may also be made at the cost of acquisition in the case of companies of minor importance. Permanent diminutions in value are depreciated accordingly.

Investments in companies that do not qualify as either subsidiaries or associated companies are shown as other investments and valued at cost of acquisition less any extraordinary depreciation.

Bonds and other fixed-interest securities, shares and other interests and lendings permanently used for operative purposes are recognized at cost of acquisition, less depreciation in the event of permanent diminutions in value. If the

reasons that led to such depreciation are no longer applicable, an appropriate write-up is made up to the cost of acquisition. Interest-free or low-interest lendings are discounted accordingly.

#### **(7) Inventories**

The valuation of inventories is made at the lower of cost of acquisition or manufacture or current cost. If necessary, diminutions in value are made in the case of low turnover of inventories. No diminution in value is made on inventories if the book values are reflected in the net realizable values.

#### **(8) Receivables**

Trade accounts receivable and other short-term receivables are shown at the cost of acquisition, if necessary reduced by valuation adjustments. Foreign currency receivables are shown at the rate of exchange on the balance sheet date.

#### **(9) Cash and short-term deposits**

Short-term deposits (cash in hand, securities, cash on bank accounts) are aggregated under the item cash and short-term deposits and valued at current rates.

#### **(10) Liabilities**

Liabilities are shown at the higher of cost of acquisition or amount of repayment. Foreign currency liabilities are valued at the rate of exchange on the balance sheet date. The costs of raising money are capitalized and depreciated over the relevant term.

This item also includes customer contributions for grid investment received. These are carried as long-term liabilities and written back over 20years.

Provisions for pensions and similar obligations, severance payments and anniversary bonuses are set up in anticipation of Exposure Draft 54. The valuation of provisions is made using the projected unit credit method, a present value approach based on expected entitlements. The anticipated benefit payments are accrued over the active working life of employees until they reach retirement age. Future salary increases are taken into account. The amounts of the provisions as of the date of the financial statements are calculated by an actuary in the form of an actuarial report.

Deferred taxes are calculated using the liability method at the rate of tax to be expected at the balance sheet date should such differences be realized.

Other provisions are set up in the amount of contingent liabilities, with disclosure of the most probable obligations.

#### **(11) Currency translation**

Assets and debts in foreign currencies are translated at the average rate of exchange applicable on the balance sheet date, or in the case of hedged transactions at the forward exchange rate. Write-ups and write-downs result in corresponding income or expense.

## Notes to the balance sheet

### Assets

#### Long-term assets

The net value of tangible and intangible assets increased by ATS 410,272 thousand or 2.1 % to ATS 20,284,436 thousand. The net value is the residual book value resulting from use of an asset, in other words, the cost of acquisition less accumulated depreciation.

There are no significant limitations on the use of assets.

#### (12) Tangible and intangible assets

Investment in tangible assets totalled ATS 2,120,576 thousand in the financial year 1996/97 (previous year: ATS2,093,571 thousand). The largest additions were accounted for by the expansion of the electricity network, the construction of gas transport and distribution pipelines and by investments in heat generating plant and pipelines.

The amount of ATS 111,129 thousand is shown in the balance sheet as the present value of payment obligations for leased and rented plant and equipment (previous year: ATS 101,158 thousand). These obligations arise from the utilization of the gas and heating networks and heating plants. The associated lease and rental liabilities are shown under long-term liabilities (see note 26).

The item advance payments made and plant under construction includes the amount of ATS 1,178,363 thousand as of balance sheet date for plant under construction (previous year: ATS 807,768 thousand). The increase is largely attributable to the extensive modernization of Theiss power station.

#### Tangible and intangible assets

ATS tsd.	Land and buildings	Transmission lines and pipelines	Machinery, mechanical and electrical installations	Meters	Other plant, tools and equipment	Advance payments made and plant under construction	Intangible assets	Total
<b>Gross value</b>								
<b>31 August 1996</b>	<b>4,595,486</b>	<b>15,789,688</b>	<b>12,232,243</b>	<b>1,416,282</b>	<b>1,948,508</b>	<b>1,004,916</b>	<b>3,257,198</b>	<b>40,244,321</b>
Additions	138,347	609,385	297,348	77,186	176,112	822,197	47,806	2,168,382
Disposals	-40,134	-50,317	-82,784	-14,687	-97,159	-5,012	-	-290,094
Transfers	113,732	234,432	225,193	-602	-95,328	-505,729	28,303	-
<b>Gross value</b>								
<b>31 August 1997</b>	<b>4,807,431</b>	<b>16,583,187</b>	<b>12,671,999</b>	<b>1,478,178</b>	<b>1,932,133</b>	<b>1,316,372</b>	<b>3,333,307</b>	<b>42,122,609</b>
<b>Net value</b>								
<b>31 August 1996</b>	<b>2,261,769</b>	<b>9,102,301</b>	<b>4,154,492</b>	<b>714,496</b>	<b>572,421</b>	<b>1,004,916</b>	<b>2,063,770</b>	<b>19,874,164</b>
Depreciation 1996/97	-135,856	-554,952	-550,763	-56,430	-166,085	-	-256,354	-1,720,440
Disposals	-15,497	-5,942	-5,232	-3,612	-2,375	-5,012	-	-37,670
Transfers	113,729	234,328	115,064	-500	14,805	-505,729	28,303	-
<b>Net value</b>								
<b>31 August 1997</b>	<b>2,362,492</b>	<b>9,385,119</b>	<b>4,010,909</b>	<b>731,140</b>	<b>594,879</b>	<b>1,316,372</b>	<b>1,883,525</b>	<b>20,284,436</b>

Intangible assets include electricity procurement rights, transportation rights on natural gas pipelines, and in particular software licences. Depreciation totalling ATS 256,354 thousand (previous year: ATS 506,563 thousand) includes extraordinary depreciation of ATS 187,000 thousand (previous year: ATS 450,000 thousand) relating to the electricity procurement right for Freudenau Danube power station. This charge was again necessitated by the changed economic circumstances in the financial year 1996/97.

### (13) Investments

The item investments comprises on the one hand interests in subsidiaries not fully consolidated in accordance with the principle of materiality, and on the other investments in associated companies and other interests.

The surplus arising from full consolidation of Burgenland Holding AG was allocated to the latter's investments. The resulting goodwill is therefore contained in the associated companies BEWAG and BEGAS, which were included in the consolidated financial statements using the equity method.

The additions to investments total ATS2,525,635 thousand, attributable mainly to the investment in Burgenland Holding AG (BEWAG and BEGAS) and to the acquisition of shares in Österreichische Elektrizitätswirtschafts AG (Verbundgesellschaft). Other amounts relate to the Group's interests in IN-ER Erömü Kft, Utilitas, AVN and NÖKOM.

Extraordinary depreciation was made to the valuation of investments in AWB and KÖGÁZ during the financial year 1996/97.

#### Investments

ATS tsd.	Investments in subsidiaries	Other investments	Total
<b>Gross value 31 August 1996</b>	<b>85,520</b>	<b>1,282,987</b>	<b>1,368,507</b>
Additions incl. transfers	831,809	1,693,826	2,525,635
Consolidation	-745,009	–	-745,009
<b>Gross value 31 August 1997</b>	<b>172,320</b>	<b>2,976,813</b>	<b>3,149,133</b>
<b>Net value 31 August 1996</b>	<b>85,520</b>	<b>1,270,552</b>	<b>1,356,072</b>
Equity adjustment and depreciation 1996/97	-15,558	-206,263	-221,820
<b>Net value 31 August 1997</b>	<b>156,762</b>	<b>2,758,115</b>	<b>2,914,877</b>

Other investments include shares with a stock exchange value as of the balance sheet date of ATS 1,360,093 thousand. The Group's other investments are not stock exchange listed companies, so that it is not possible to make an estimation of their market value.

Further information about unconsolidated subsidiaries and associated companies can be found in the schedule of investments (see pages 49 and 50).

### (14) Other long-term assets

The majority of the Group's securities serve to provide the cover required by Austrian taxation law for provisions for severance payments, pensions and similar obligations.

The additions to lendings relate mainly to the granting of a subordinated loan to UTA Telekom AG. The associated depreciation results from the discounting of this loan.

Long-term inventories relate to oil supplies for the generation of electricity and heat.

Other long-term assets consist mainly of receivables due from the Lower Austrian natural gas association for the financing of customer loan schemes totalling ATS132,583 thousand (previous year: ATS138,046 thousand).

#### Other long-term assets

ATS tsd.	Securities	Lendings	Long-term inventories	Other long-term assets	Total
<b>Gross value 31 August 1996</b>	<b>1,862,808</b>	<b>20,140</b>	<b>141,709</b>	<b>178,484</b>	<b>2,203,140</b>
Additions	264,042	67,475	–	–	331,517
Disposals	–353,321	–4,894	–34,411	–18,847	–411,473
<b>Gross value 31 August 1997</b>	<b>1,773,528</b>	<b>82,721</b>	<b>107,297</b>	<b>159,637</b>	<b>2,123,184</b>
<b>Net value 31 August 1996</b>	<b>1,667,667</b>	<b>19,818</b>	<b>133,410</b>	<b>170,034</b>	<b>1,990,930</b>
Depreciation 1996/97	–49,248	–23,808	–	–	–73,056
Disposals	–277,931	–4,833	–32,851	–12,396	–328,011
<b>Net value 31 August 1997</b>	<b>1,604,530</b>	<b>58,652</b>	<b>100,559</b>	<b>157,638</b>	<b>1,921,379</b>

#### Short-term assets

##### (15) Inventories

This item is comprised of short-term inventories. Primary energy inventories consist of supplies of gas and coal, while other inventories contain unfinished products, goods, services not yet invoiced and advance payments made. The increase in the value of primary energy inventories is attributable to the rise in gas reserves.

The value of inventories consumed is calculated on the basis of a weighted average cost method. Services not yet invoiced are shown at cost of production.

##### (16) Short-term receivables and other current assets

Trade accounts receivable decreased by ATS 137,596 thousand compared to the previous year. Of this amount, ATS422,796 thousand was attributable to the electricity sector (previous year: ATS387,671 thousand), ATS47,124 thousand to the gas and heating sector (previous year: ATS 237,260 thousand) and ATS 150,907 thousand to other trade accounts receivable (previous year: ATS 129,446 thousand). Valuation adjustments totalling ATS 38,858 thousand (previous year: ATS 34,812 thousand) were made to gross receivables.

Receivables from employees comprise accruals from salary accounting.

Receivables from financial instruments relate chiefly to deferred interest.

Receivables from subsidiaries are made up of ATS 101 thousand (previous year: ATS 124 thousand) in trade accounts receivable, ATS 78 thousand (previous year: ATS 480 thousand) in advance payments made and ATS 21,485 thousand in other receivables (previous year: ATS 25,056 thousand). Receivables from other group companies can be broken down into ATS 1,014 thousand (previous year: ATS 774 thousand) in trade accounts receivable and ATS33,600 thousand (previous year: ATS0 thousand) in other receivables.

Receivables with a residual term of more than one year relate to trade accounts receivable in the amount of ATS9,532

thousand (previous year: ATS13,337 thousand).

Other receivables and assets also include shares in EVN with a book value of ATS1,018 thousand (previous year: ATS55 thousand).

#### **Inventories**

ATS tsd.	<b>31.8.1997</b>	<b>31.8.1996</b>
Primary energy	997,202	745,710
Raw materials	55,888	50,956
Other	3,284	8,642
<b>Total</b>	<b>1,056,375</b>	<b>805,308</b>

#### **Short-term receivables and other short-term assets**

ATS tsd.	<b>31.8.1997</b>	<b>31.8.1996</b>
Trade accounts receivable	581,969	719,565
Receivables from employees	162,898	174,558
Receivables from financial instruments	494,971	423,397
Receivables from subsidiaries	21,665	25,660
Receivables from other group companies	34,614	774
Other receivables and assets	201,657	227,452
<b>Total</b>	<b>1,497,774</b>	<b>1,571,406</b>

#### **(17) Cash and short-term deposits**

Cash in hand and at banks are an element of the liquid funds shown in the cash flow statement (see note 43).

Short-term securities are used for the temporary investment of free liquid funds. 25 % of this item is made up of fixed-interest securities (previous year: 52 %), 34 % by shares in investment funds (previous year: 16 %) and 41 % by shares (previous year: 32 %).

## Liabilities and shareholders' equity

### Shareholders' equity

#### (18) Changes in shareholders' equity

An amount of ATS 840,247 thousand was allocated to the profit reserves. The Executive Board will propose to the Annual General Meeting a dividend payment of ATS 342,000 thousand from the net group income of ATS343,719 thousand (equivalent to a dividend of ATS25 plus an anniversary bonus of ATS5 per share).

Other changes in the profit reserves are due to the consideration of currency differences arising from the consolidation of KÖGÁZ and the consolidation for the first time of the share capital of Burgenland Holding AG.

#### (19) Share capital

The company's share capital amounts to ATS 1,140,000 thousand and is made up of 11,400,000 ordinary bearer shares with a par value of ATS 100 each. The capital is fully paid in and remained unchanged compared to the previous year.

The 67th Annual General Meeting on 12December 1995 approved a change to the company statutes authorizing the Executive Board to increase EVN's share capital by a nominal amount of up to ATS 110,000 thousand within the next five years by issuing new shares for contributions (approved capital).

#### Cash and short-term deposits

ATS tsd.	<b>31.8.1997</b>	<b>31.8.1996</b>
Cash in hand	1,080	1,401
Cash at banks	630,112	434,674
Short-term securities	1,364,792	2,925,250
<b>Total</b>	<b>1,995,984</b>	<b>3,361,325</b>

#### Changes in shareholders' equity

ATS tsd.	Share capital	Capital reserves	Profit reserves	Net group income	Minority interests	Total
<b>Position as of 31 August 1996</b>	<b>1,140,000</b>	<b>1,165,531</b>	<b>9,760,305</b>	<b>287,558</b>	<b>–</b>	<b>12,353,395</b>
Dividend payment 1995/96	–	–	–	–285,000	–	–285,000
Profit carried forward 1995/96	–	–	2,558	–2,558	–	–
Profit after tax 1996/97	–	–	840,247	343,719	2,460	1,186,426
Other changes in shareholders' equity	–	–	–71,544	–	–2,460	–74,004
<b>Position as of 31 August 1997</b>	<b>1,140,000</b>	<b>1,165,531</b>	<b>10,531,567</b>	<b>343,719</b>	<b>–</b>	<b>13,180,816</b>

Under the 1987 amendment to the 2nd Nationalization Act, 49 % of the company was privatized in the financial year 1989/90, and has since been officially listed on the Vienna Stock Exchange. The shares are also listed in Munich and Frankfurt, and are quoted on SEAQ International, London. In the USA, EVN shares are available through a "sponsored level one American Depository Receipt (ADR) program".

## (20) Capital reserves

As was the case the previous year, the capital reserves include premiums in the amount of ATS 363,750 thousand from capital increases (committed capital reserves under Austrian company law) and from the merger in 1986 of NEWAG Niederösterreichische Elektrizitätswerke Aktiengesellschaft with NIOGAS Niederösterreichische Gaswirtschafts-Aktiengesellschaft to form NEWAG-NIOGAS Aktiengesellschaft, now EVN. This resulted in a merger surplus of ATS 801,781 thousand (free capital reserves under Austrian company law).

## (21) Profit reserves

Apart from differences arising from currency translations, the profit reserves contain changes in the valuation of associated companies that occurred between the acquisition of the shares and the time they were first included in the consolidated financial statements. This relates to depreciation made before 1 September 1995 of a consolidation surplus arising from the inclusion of associated companies.

The profit reserves also include the untaxed reserves formed in the individual financial statements in accordance with Austrian taxation law after deduction of deferred taxes.

## (22) Minority interests

This item comprises minority interests in the equity capital of the fully consolidated company Burgenland Holding AG.

## Long-term liabilities

### (23) Long-term financial liabilities

This item is comprised entirely of a private placement issued in Euro Yen with a term of 20 years and an original schilling value of ATS 904,000 thousand.

The placement is valued with the rate of exchange at the balance sheet date (mark-to-market). The change in the rate of exchange as of 31 August 1997 increased the value of this item by an amount of ATS 79,360 thousand (previous year: diminution in value of ATS 83,360 thousand). These changes affected the result and are aggregated in the financial result (see note 39).

The effective average interest charge for the bond as of 31 August 1997 was 4.6% (previous year: 4.4 %) with respect to its term to date.

## Long-term financial liabilities

	Nominal interest rate	Term	Nominal	Book value as of 31.8.1997 ATS tsd.	Book value as of 31.8.1996 ATS tsd.
JPY bond	5.2 %	1994–2014	JPY 8 bn.	849,200	769,840

## (24) Long-term provisions

### • Provision for pensions

Under an agreement with the staff council, EVN is obliged to pay employees who joined the company before 31 December 1989 a pension allowance from the time they retire. In principle the amount of this allowance is derived from the length of service and the amount of salary at the time of retirement. Over and above this, EVN, and in most cases the employees, too, pay contributions to EVN-Pensionskasse AG. The resulting entitlements are credited entirely against the pension allowance. Consequently obligations towards pensioners and those entitled to future pension payments are largely covered by the provision for pensions and supplemented by EVN-Pensionskasse AG.

For employees who joined the company after 1 January 1990, a contribution based pension scheme was created in place of the company pension allowance. This scheme is financed by EVN-Pensionskasse AG. The resulting pension payments are generally based on the amount of each individual's salary.

The amount of the provision for pensions as of the balance sheet date and as of the balance sheet date the previous year was calculated on the basis of an actuarial report using the projected unit credit method. The following parameters were used for this calculation:

- interest rate of 6.0 % p.a.
- salary increases of 2.5 % p.a.
- pension increases of 2.0 % p.a.

In principle the pension provision is projected until such time as the accumulated actuarial gains and losses exceed the present value of pension obligations (projected benefit obligation– PBO) as of the balance sheet date by more than 10 % (corridor regulation in accordance with ED 54). The pension reserve exceeded the PBO value by 10 % as of 31 August 1997.

In the fourth quarter of the financial year 1996/97 all current employees and pensioners were offered a lump-sum payment in lieu of their pension entitlements. Some 47 % of those entitled to a pension took advantage of this payment, which resulted in the decrease in the pension provision shown due to the using-up and partial writing-back of this provision (see note 33). Total lump-sum payments in connection with the pension compensation amounted to ATS1,463,052 thousand.

#### Long-term provisions

ATS tsd.	<b>31.8.1997</b>	<b>31.8.1996</b>
Provision for pensions	4,416,694	6,454,255
Provision for pension-type obligations	274,417	271,054
Provision for severance payments	845,956	810,377
Provision for deferred taxes	1,347,106	1,176,000
Other long-term provisions	1,022,301	936,753
<b>Total</b>	<b>7,906,474</b>	<b>9,648,439</b>

#### Provision for pensions

ATS tsd.	<b>1996/97</b>	<b>1995/96</b>
<b>Present value of pension entitlements (PBO) as of 1 September</b>	<b>6,552,076</b>	<b>6,383,044</b>
+ service costs	128,454	129,908
+ interest paid	320,871	391,951
– pension payments	–1,776,713	–306,539
– actuarial gain/+ loss	–1,209,512	–46,288
<b>Present value of pension entitlements (PBO) as of 31 August</b>	<b>4,015,176</b>	<b>6,552,076</b>
<b>Provision for pensions</b>	<b>4,416,694</b>	<b>6,454,255</b>

- Provision for pension-type payments

This provision relates to the electricity and gas supply entitlements of current employees, retired employees and dependents. The agreement underlying this provision was terminated for employees joining the company after 1 April 1993. The amount of this provision is calculated actuarially using the same parameters as for the provision for

pensions.

- **Provision for severance payments**

Severance payments are one-off payments that must be made under labour legislation when employees are dismissed or when they reach retirement. The amount of such payments is based on the number of years of service and the amount of an individual's salary. The provision for severance payments is formed in accordance with actuarial principles. Valuation of the provision is made using the same parameters as for the provision for pensions.

- **Provision for deferred taxes**

The provision for deferred taxes is based on a taxation rate of 34% applicable on the balance sheet date. Differences between amounts given in the tax balance sheet and the consolidated balance sheet only contain deferred taxes if they are attributable to temporary differences. It is assumed that differences likely to remain (permanent differences) will be considered as tax relevant. Tax benefits – most of them resulting from staff provisions – and tax liabilities – resulting from special depreciation and changes in the valuation of various balance sheet items – are offset against one another and the difference of ATS 1,347,106 thousand shown in the balance sheet under

long-term provisions (previous year: ATS1,176,000 thousand). Income tax liabilities not yet realized as of the balance sheet date are aggregated as provisions for taxation under short-term provisions.

- **Other long-term provisions**

This item includes provisions for financing relating to Freudenu power station in the amount of ATS355,645 thousand (previous year: ATS676,858 thousand) and for environmental and site sanitation risks amounting to ATS115,000 thousand (previous year: ATS115,000 thousand). The latter provision was formed for possible obligations arising from possession of former industrial sites. The obligations for anniversary bonuses in the amount of ATS 146,321 thousand (previous year: ATS 139,948 thousand) were calculated using the same parameters as for the provision for pensions.

A provision of ATS400,000 thousand was also established for a cooperation agreement which EVN has entered into under the terms of a long-term contract to ensure synergies in procurement and marketing.

### **Provision for severance payments**

ATS tsd.	<b>1996/97</b>	<b>1995/96</b>
<b>Present value of severance pay obligations (PBO) as of 1 September</b>	<b>810,377</b>	<b>759,451</b>
+ service costs	35,623	33,871
+ interest paid	50,759	48,111
– severance payments made	–50,228	–67,478
– actuarial gain /+ loss	–575	36,422
<b>Present value of severance pay obligations (PBO) as of 31 August</b>	<b>845,956</b>	<b>810,377</b>
<b>Provision for severance payments</b>	<b>845,956</b>	<b>810,377</b>

### **(25) Customer contributions for grid investment**

These are payments made by customers against investments already made in the grid network. They represent a correction to the cost of acquisition of these assets, and are written-back linearly over 20 years.

### **(26) Other long-term liabilities**

Other long-term liabilities include an amount of ATS 111,129 thousand (previous year: ATS 101,158 thousand) for

lease liabilities in connection with the utilization of gas and heating networks and heating stations, and an amount of ATS 32,839 thousand (previous year: ATS28,720 thousand) for investment grants, which are written back in line with the useful life of the underlying assets, and accrued premiums from a currency swap in the amount of ATS78,426 thousand.

## Short-term liabilities

### (27) Short-term financial liabilities

Short-term financial liabilities consist almost entirely of roll-over borrowings from banks totalling ATS 1,603,007 thousand (previous year: ATS 828,706 thousand). These comprise CHF cash advances with terms of up to six months and an ATS fixed-rate credit including the underlying accrued interest. Current account liabilities are also shown in the amount of ATS 3,295 thousand (previous year: ATS 86,704 thousand).

### (28) Trade accounts payable

Trade accounts payable are shown at the higher of nominal value or repayment amount. As in the previous year, the total amount is due within a year.

Trade accounts payable also include liabilities to subsidiaries in the amount of ATS 37,093 thousand (previous year: ATS42,807 thousand). The liabilities to other group companies total ATS 2,833 thousand (previous year: ATS 2,281 thousand).

### (29) Short-term provisions

The provisions for taxation result from the difference between prepayments and actual requirements for corporation tax. The provision for staff entitlements comprises special payments not yet due, untaken leave and restructuring measures. Other provisions relate chiefly to financing costs and value credits for customers.

### (30) Other short-term liabilities

The liabilities arising from taxation are from value-added tax accounting, energy tax accounting, salary accounting and those due to corporation tax prepayments. The liabilities in connection with social security are to employees and the health insurance fund.

Liabilities to other group companies in the amount of ATS 147,774 thousand result from current intra-group accounting (previous year: ATS 28,420 thousand).

Most of the advance payments received come from customers for electricity, gas and heating supplies and for grid connection fees.

Other short-term liabilities are comprised largely of accrued option revenues and interest expenses.

## Short-term provisions

ATS tsd.	<b>31.8.1997</b>	<b>31.8.1996</b>
Provisions for taxation	78,103	595,794
Staff entitlements	643,328	563,670
Goods and services not yet invoiced	218,017	167,001
Other provisions	162,297	111,626
<b>Total</b>	<b>1,101,745</b>	<b>1,438,092</b>

**Other short-term liabilities**

ATS tsd.	<b>31.8.1997</b>	<b>31.8.1996</b>
Liabilities from taxation	709,829	350,005
#Liabilities for social security	201,277	142,570
L#iabilities to subsidiaries	10,029	5,023
Liabilities to other group companies	148,292	28,449
Advance payments received	26,324	86,811
Other liabilities	205,531	108,722
<b>Total</b>	<b>1,301,281</b>	<b>721,580</b>

## Notes to the profit and loss account

### (31) Sales revenues

The development of energy revenues is outlined in the Management Report (see page 11 et seq.). Other sales revenues result mainly from gas transport fees and customer orders for grid connections.

### (32) Changes in work in process and production capitalized

This item represents the change in customer and workshop orders compared to the previous year. Work in process comprises materials overheads and staff hours charged. Apart from employment costs, the charging rates also include overheads.

### (33) Other operating income

Gains due to the writing-back of provisions in the financial year 1996/97 are derived mainly from the partial writing-back of the provision for pensions as a result of the payment of pension compensation (see note 24). Other operating income consists largely of claim payments.

#### Sales revenues

ATS tsd.	1996/97	1995/96
Electricity revenues	7,667,708	7,662,015
Gas revenues	3,513,691	3,634,355
Heating revenues	267,807	205,805
Other operating revenues	393,043	404,963
<b>Total</b>	<b>11,842,250</b>	<b>11,907,137</b>

#### Changes in work in process and production capitalized

ATS tsd.	1996/97	1995/96
Work in process	-3,042	-25,935
Production capitalized	178,213	164,334
<b>Total</b>	<b>175,170</b>	<b>138,400</b>

#### Other operating income

ATS tsd.	1996/97	1995/96
Gains from writing-back of provisions	286,778	13,400
Gains from writing-back of contributions for grid investment	189,818	181,648
Gains from the disposal of and writing-up of fixed assets and intangible assets	61,351	68,185
Other operating income	75,059	62,845
<b>Total</b>	<b>613,006</b>	<b>326,079</b>

### **(34) Cost of materials and services**

The costs for electricity purchases and primary energy increased by 6.7 % due to the increased supplies drawn from Verbundgesellschaft, the national grid company, and higher gas purchase prices.

### **(35) Personnel expenses**

Total personnel expenses declined by ATS516,735 thousand or 17.3% compared to the previous year. This was due to the absence of an allocation to the provision for pensions following the compensation of pension entitlements in the fourth quarter of the financial year 1996/97 (see note 24). The increasing cost of salaries despite the falling number of employees is due to the salary increase under the collective agreement.

### **(36) Depreciation of tangible assets and intangible assets**

Depreciation of tangible assets and intangible assets fell by ATS163,986 thousand or 8.7% compared to the previous year, and includes extraordinary depreciation of ATS195,664 thousand (previous year: ATS474,072 thousand). This related principally to the electricity procurement right for the Freudenu Danube power station.

### **(37) Other operating expenses**

The item other operating expenses includes the disposal of assets, legal and consulting costs, advertising expenses, telecommunications and postage, rents, insurance, office material, receivables written off and other claims and expenses for power station investments. The total of these expenses increased by around 9.6 % from ATS 397,792 thousand the previous year to ATS436,492 thousand. The item also includes the establishment of a provision for cooperation agreements in the amount of ATS 400,000.

### **(38) Operating result (EBIT)**

In comparison to the previous year, the operating result increased ATS137,188 thousand or 10.7 % from ATS1,276,984 thousand to ATS 1,414,171 thousand.

A detailed analysis of this result can be found in the Management Report (see page11 et seq.).

### **Cost of materials and services**

ATS tsd.	<b>1996/97</b>	<b>1995/96</b>
Electricity purchases and primary energy	5,280,768#	4,948,224
Other materials and services	906,285	875,186
<b>Total</b>	<b>6,187,054</b>	<b>5,823,410</b>

### **Personnel expenses**

ATS tsd.	<b>1996/97</b>	<b>1995/96</b>
Salaries (1995/96 wages and salaries)	1,793,361	1,768,907
Severance pay	221,480	224,429
Pensions	20,699	548,881
Compulsory social security contributions and payroll-related taxes	418,640	428,833
Other social expenses	18,089	17,953

<b>Total</b>	<b>2,472,269</b>	<b>2,989,003</b>
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### (39) Financial result

Interest income from long-term financial assets includes interest from investment funds where the main emphasis is on fixed-interest securities. Other interest income relates mainly to income from fixed-interest securities held as current financial assets and option revenues. Interest expenses for long-term financial liabilities relate to the JPY bond (see note23).

Interest expenses in connection with manufacturing processes are not capitalized.

Earnings from investments comprise regular dividend payments. Expenses in connection with investments are mainly due to the necessary depreciation of investments (ATS186,286 thousand) and the depreciation of the surplus from the consolidation at equity to the extent that these were not directly offset against dividend payments.

The exchange rate changes under long-term foreign currency liabilities relate to the valuation adjustment made to the JPY bond to the JPY / ATS rate of exchange on the balance sheet date.

Other financial revenues and expenses comprise revenues from the disposal of financial assets, exchange rate gains from securities held as current assets, receivables waived, interest on lendings and rate of exchange and currency losses on current-asset securities.

#### Financial result

ATS tsd.	<b>1996/97</b>	<b>1995/96</b>
Result from interest	465,579	399,124
Result from investments	-126,990	31,134
Other financial result	-190,456	54,198
<b>Total</b>	<b>148,133</b>	<b>484,457</b>

#### Result from interest

ATS tsd.	<b>1996/97</b>	<b>1995/96</b>
Interest income from long-term financial assets#	203,521	180,145
Other interest income	355,464	320,531
Interest expense for long-term financial liabilities #	-42,626	-40,740
Other interest expenses	-50,780	-60,811
<b>Total</b>	<b>465,579</b>	<b>399,124</b>

#### Result from investments

ATS tsd.	<b>1996/97</b>	<b>1995/96</b>
Earnings from investments	70,985	51,622
Expenditure for investments	-197,974	-20,488

<b>Total</b>	<b>-126,990</b>	<b>31,134</b>
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**Other financial result**

ATS tsd.	<b>1996/97</b>	<b>1995/96</b>
Exchange rate changes from long-term foreign currency liabilities	-79,360	83,360
Depreciation of long-term securities	-49,248	-24,090
Other financial revenues and expenses	-61,848	-5,072
<b>Total</b>	<b>-190,456</b>	<b>54,198</b>

**(40) Profit before tax**

The profit before tax was down compared to the previous year from ATS1,761,441 thousand to ATS1,562,304 thousand, a drop of ATS199,136 thousand or 11.3 %.

**(41) Taxes on profit**

The Group's effective income tax rate as a ratio between total tax paid and profit before tax remained unchanged at 24%.

The rate of corporation tax applicable to the parent company EVN was 34 % as of the balance sheet date. This rate of taxation was applied for calculation of deferred taxes. The difference arising from this result was allocated to the provision for deferred taxes.

There are no significant losses carried forward in the Group that would reduce taxes payable in future.

**(42) Minority interests**

The interests of third-parties in the annual results of the fully consolidated Burgenland Holding AG are shown under this item.

## Other information

### (43) Cash flow statement

The indirect method was selected for presentation of the cash flow statement. The liquid funds are equivalent to cash in hand and at banks (see note 17) less current account liabilities with banks (see note 27).

Payments of taxes on profit are shown separately in the operating sector. Dividends received, interest income and expenses are assigned to current business activities. The dividend payments are shown under financing activities.

Interest received from investment and finance activity amounted to ATS368,470 thousand (previous year: ATS377,657 thousand), interest payments from financing activities were made in the amount of ATS 56,470 thousand (previous year: ATS 60,426 thousand).

#### Taxes on profit

ATS tsd.	<b>1996/97</b>	<b>1995/96</b>
Income taxes paid	204,773	468,638
+ Writing-up/– writing-back of deferred taxes	171,106	–48,000
<b>Total</b>	<b>375,879</b>	<b>420,638</b>

#### Liquid funds

ATS tsd.	<b>31.8.1997</b>	<b>31. 8. 1996</b>
Cash in hand	1,080	1,401
Cash at banks	630,112	434,673
Current account liabilities	–3,295	–86,704
<b>Total</b>	<b>627,896</b>	<b>349,370</b>

### (44) Segment reporting

Since the Group's operating activities are largely focused on the region of Lower Austria, it is not necessary to produce a secondary segment report by geographical locations.

#### • Description of activities

The **electricity segment** encompasses the provision of electricity from the Group's own facilities and third-party sources, the transport of electricity, and the sale of electricity to published-tariff and industrial-tariff customers.

The **gas segment** encompasses the provision of gas, transport for own and third-party accounts, and the distribution of gas to the customer. It also comprises the services associated with expanding the network and connecting up new customers.

The **heating and other business segment** encompasses services in the local and district heating sector and those of the Group's activities that cannot be assigned to either the electricity or the gas segment.

#### • Segment assignment

Items that can be assigned directly due to their nature are assigned directly to the respective segment on the basis of internal pricing. Items that are not directly chargeable are assigned to segments on the basis of pricing or a set of

allocation factors. Any items that cannot be assigned either directly or indirectly are assigned in accordance with the allocation ratio of the items already assigned.

• **Inter-segment pricing**

As far as energy consumption is concerned, pricing between the segments is based on comparable prices to those for industrial-tariff customers. For the remaining items, pricing is based on costs.

**(45) Financial instruments**

The accounting and valuation principles described for the respective items are applied to receivables, shares and liabilities classified as primary financial instruments.

The majority of long-term investments are made in ATS denominated securities, while short-term investments are made in ATS, DEM or GRD securities, or in shares in investment funds that invest in hard-currency areas. Most of these investments are therefore made at fixed rates of interest, and are therefore subject to the risk of interest rate changes.

The maximum risk of loss on securities and cash investments is in line with balance sheet values and is limited by government warranties and banks of excellent financial standing. The risk on receivables is equivalent to the figures shown in the financial statements reduced by valuation adjustments.

Debts in foreign currencies as of the balance sheet date consist mainly of a long-term bond issued in JPY (see note 23) and roll-over CHF loans (see note 27).

**Segment reporting**

ATS m.	Electricity		Gas		Heating and other		Total	
	1996/97	1995/96	1996/97	1995/96	1996/97	1995/96	1996/97	1995/96
External sales		7,707	7,708	3,806	3,940	329	258	11,842
	11,907							
Inter-segment sales	29	33	424	760	10	9	463	802
Operating result (EBIT)	952	525	204	766	258	-14	1,414	1,277
Profit before tax	1,165	864	294	835	103	62	1,562	1,761
Total assets	19,219	18,958	7,900	7,889	2,552	2,112	29,671	28,959
Investment in tangible assets	1,254	1,111	287	472	580	511	2,121	2,094

Derivative financial instruments are used to hedge currency and interest risks and to optimize investment strategies. Such transactions are made only with financial institutions of impeccable reputation. The market values of swaps as of the balance sheet date are determined as the payments that would become due on contract termination as of this date.

The nominal values are the totals of all the items classified as financial derivatives on the balance sheet date. Though these are equivalent to the amounts agreed between the contracting parties, this is not a measure of the risk incurred by the company through the use of derivatives. Potential risk factors include fluctuations in market prices and the credit risk of the contracting parties.

**(46) Significant events after the balance sheet date**

The basic situation of the electricity industry has been redefined by the directive for a single European electricity market that came into effect in February 1997. Discussion about the implementation of this directive into national law is now under way, and the relevant legislation is expected to be passed in 1998.

As was the case in the previous financial year, EVN still aspires to collaborate, particularly with domestic energy

utilities. In line with this objective, EVN and partners have become involved in two procedures concerning the privatization of Austrian energy supply companies.

#### (47) Other obligations and risks

EVN has entered into long-term agreements stipulating fixed quantities and prices to ensure its supplies of electricity and primary energy sources. The company's need for third-party electricity is currently largely covered by energy supply contracts with Verbundgesellschaft. Its need for natural gas is covered by gas import agreements between OMV, Austria Ferngas Ges.m.b.H. and the regional gas companies for supplies of gas from Russia and Norway. Domestic gas supplies are assured through gas supply contracts with OMV and RAG. The company has also entered into long-term agreements involving the transport and storage of natural gas and imports of coal from Poland.

#### (48) Information on business transactions with related companies

A long-term cooperation agreement involving gas services was concluded with BEGAS in the financial year 1996/97.

#### (49) Information on management and staff

The average number of employees during the financial year 1996/97 was 2,540 (previous year: 2,695).

The total emoluments of active members of the Executive Board in the financial year 1996/97 amounted to ATS 13,534 thousand (previous year: ATS 12,853 thousand), those of former members of the Executive Board and their dependents to ATS 18,528 thousand (previous year: ATS 15,404 thousand).

The governing bodies of the company are listed on page 5 of this annual report.

#### Derivative financial instruments

	Nominal value		Market value	
	31.8.1997	31.8.1996	31.8.1997	31.8.1996
<b>Currency swaps</b>				
CHF million (1 to 5 years)	42.5	42.6	0.7	- 4.7
(over 5 years)	90.0	-	-9.9	-
JPY million (over 5 years)	8,000.0	-	-2,143.4	-
<b>Currency options</b>				
CHF million (up to 1 year)	189.5	68.4	1)	1)
(1 to 5 years)	42.5	42.6	15.2	15.0
JPY million (up to 1 year)	600.0	400.0	1)	1)
<b>Interest and share options</b>				
ATS million (up to 1 year)	4,254.5	2,454.3	1)	1)

<sup>1)</sup> A suitable provision is formed for securities traded on the stock exchange and options with negative market values. Positive market values are not considered.

#### (50) Earnings per share

The company has issued 11,400,000 ordinary shares. The number of shares held by the company itself is insignificant and has no noticeable effect on the EPS calculated. Earnings per share totalled ATS 104 (previous year: ATS 118) due to the drop in the result to ATS 1,186,426 thousand (previous year: ATS 1,340,803 thousand).

EVN Energie-Versorgung  
Niederösterreich  
Aktiengesellschaft

The Executive Board

Rudolf Gruber  
(Chairman)

Alois Scheicher

Herbert Pöttschacher

## **Auditors' Report**

We have audited the accompanying consolidated financial statements of EVN Energie-Versorgung Niederösterreich Aktiengesellschaft and its subsidiaries ("EVN") consisting of the balance sheet as of 31 August 1997, the profit and loss account, the cash flow statement and the notes to the financial statements for the financial year 1996/97. These consolidated financial statements are the responsibility of the company's Executive Board. Our duty is to express an opinion based on our audit. In some cases, the audits of the group subsidiaries included in the consolidated financial statements were carried out by other auditors. To the extent that it relates to these subsidiaries, our report is based solely on the latter's opinion.

The accompanying consolidated financial statements in accordance with the International Accounting Standards (IAS) were prepared for the first time as of 31 August 1997. The comparative figures used in the preparation of the profit and loss account and the cash flow statement were derived from the individual financial statements of EVN and presented in accordance with the International Accounting Standards. We conducted our audit in accordance with the International Standards on Auditing issued by the International Federation of Accountants (IFAC). These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audit therefore includes tests on a random basis of the evidence supporting the accounts and disclosures in the financial statements. It also includes an assessment of the accounting principles and valuation methods and significant estimates made by the Executive Board as well as an opinion on the overall presentation of the financial statements. In our view, our audit offers an adequate basis for our conclusion.

In our opinion, the consolidated financial statements are presented in accordance with the International Accounting Standards in all essential matters relating to the financial position of EVN as of 31 August 1997 and to the profit and cash flow for the financial year 1996/97.

Vienna, 3 November 1997

**KPMG Austria Wirtschaftsprüfungs-  
Gesellschaft mbH**

Paul Hassler m.p.  
Johann Perthold m.p.

Austrian Chartered Accountants

## Report of the Supervisory Board

The Supervisory Board responsible for the financial year 1996/97 has been kept regularly informed at its meetings about the situation of the company and the companies of the Group through the reports given by the Executive Board, and has given the approval required for certain business transactions.

KPMG Austria Wirtschaftsprüfungs-Gesellschaft m.b.H., Vienna – appointed as auditors for the financial year 1996/97 by the 68th Annual General Meeting on 12 December 1996 – have duly audited the financial statements and the consolidated financial statements of EVN Energie-Versorgung Niederösterreich Aktiengesellschaft per 31 August 1997– prepared in accordance with Austrian accounting regulations – and the Management Report, which also refers to the Group. They have produced a written report on the results of their audit and given their unqualified approval.

The Supervisory Board has approved the financial statements and the consolidated financial statements, the Management Report, which also refers to the Group, and the proposal for the allocation of profit presented by the Executive Board. The financial statements, including the consolidated financial statements, as of 31 August 1997 have therefore been approved in accordance with § 125, para. 2 of the Companies Act.

In addition, the Supervisory Board has accepted the consolidated financial statements prepared in accordance with International Accounting Standards (IAS) for the first time for the financial year 1996/97. The latter have also been audited by KPMG Austria Wirtschaftsprüfungs-Gesellschaft m.b.H. and received their unqualified certification.

Finally, the Supervisory Board wishes to express its special gratitude to the Executive Board for its work during the financial year 1996/97. It also extends its thanks and appreciation to all employees for their work and cooperation in the interests of the company.

Maria Enzersdorf  
14 November 1997

On behalf of the Supervisory Board  
The Chairman

Siegfried Ludwig