

Report of the Supervisory Board

Ladies and gentlemen!

The 2010/11 financial year of the EVN Group was characterised by a difficult market and energy sector environment. Uncertainties on the international financial and capital markets, the phasing out of nuclear power in Germany and the transformation taking place in Europe's energy policy led to a high level of volatility and negative price developments for primary energy sources. Against the backdrop of these developments in the European energy and environmental business, EVN's business strategy was subject to a comprehensive evaluation. The revised EVN strategy aims at a greater consolidation, a stronger focus on the domestic market and selective growth.

The Supervisory Board actively monitored and supported EVN's strategic steps as part of its designated responsibilities. It convened six times for plenary meetings during the period under review, fulfilling the tasks and duties incumbent upon it in accordance with legal regulations and the Articles of Incorporation. The average rate of attendance of the Supervisory Board members was 90%. One Supervisory Board meeting was held as a retreat, where the rights and duties of the Supervisory Board of a public limited company were discussed along with current developments in the European energy and environmental business and the strategic orientation of the EVN Group.

The Executive Board reports provided the Supervisory Board with regular, timely and comprehensive information about all relevant aspects of the Group's business development and the risk situation as well as the development of key Group subsidiaries. Thus the Supervisory Board was able to continually supervise and support the Executive Board's management activities. The advisory and control functions exercised by the Supervisory Board within the framework of open discussions with the Executive Board did not lead to any objections. Suggestions made by the Supervisory Board were taken up by the Executive Board.

Capital increase and investments

Among the main decisions made by the Supervisory Board during the 2010/11 financial year was the capital increase, which was carried out in October 2010 on the basis of the resolution passed by the Annual General Meeting on January 21st, 2010. The capital increase has strengthened the capital structure of the company and ensured the implementation of long-term investment projects. In addition to approving the Group budget, it is important to note the implementation of the road map to end any unresolved issues in Macedonia as the prerequisite for a positive development of EVN Macedonia AD. Furthermore, the Supervisory Board gave its stamp of approval to interim financing required to adapt the steam boiler of the black coal-fired power plant in Duisburg-Walsum. The strategic orientation of the company in the field of power generation was taken into account on the basis of its acquisition of a 26% stake in VERBUND-Innkraftwerke GmbH together with WIEN ENERGIE GmbH as well as the realisation of a biomass and wind park project (Steyr biomass power plant and the Wulkatal West wind park). In the environmental services business the Supervisory Board approved drinking water treatment and wastewater disposal projects.

New composition of the Supervisory Board, the Advisory Committee for Environment and Social Responsibility and the Executive Board

The terms of office of all 13 members of the Supervisory Board elected by the Annual General Meeting expired at the end of the Annual General Meeting held on January 20th, 2011. For this reason, the Annual General Meeting reduced the number of members elected to the Supervisory Board by the Annual General Meeting to ten, and elected ten individuals to the Supervisory Board in accordance with the Articles of Association for the longest period of time permitted by the Stock Corporation Act, thus until the Annual General Meeting resolving upon the discharge for the 2014/15 financial year. Thus the number of employee representatives also decreased, namely to five members of the Supervisory Board.

At the constituent meeting of the Supervisory Board, the Chairman and two Deputy Chairmen were elected pursuant to the stipulations of the Articles of Association. Burkhard Hofer, previously member and Spokesman of the Executive Board, was elected as Chairman of the Supervisory Board in line with Rule 55 of the Austrian Corporate Governance Code. Stefan Schenker was re-elected to the first Deputy Chairman of the Supervisory Board as well to the Chairman of the Audit committee. Willi Stiwicek was elected to the second Deputy Chairman of the Supervisory Board.

Pursuant to the requirements contained in the Austrian Corporate Governance Code and the Internal Rules of Procedure for the Supervisory Board, the Supervisory Board established an Audit committee, a Personnel committee which simultaneously serves as a remuneration and nomination Committee as well as a Working committee. The Supervisory Board appointed the members of the Advisory Committee for Environment and Social Responsibility for a term of office lasting from 2011 to 2015.

Following the resignation of the Spokesman of the Executive Board, who retired as of January 20th 2011, the Supervisory Board redefined the allocation of responsibility within the Executive Board. Stefan Szyszkowitz, was appointed to the Executive Board and Peter Layr was named to serve as the new Spokesman of the Executive Board.

The Supervisory Board would like to express its thanks to the members of the Advisory Committee for Environment and Social Responsibility who have retired for their long work in the corporate bodies of the company, and in particular Rudolf Gruber, who successfully served on the Executive Board and Supervisory Board of EVN for a period of 43 years.

Austrian Corporate Governance Code, Committees of the Supervisory Board

As a publicly traded company, EVN is committed to adhering to the Austrian Corporate Governance Code. The Supervisory Board strives to consistently abide by the stipulations of the code pertaining to the Supervisory Board. In this regard all rules relating to the cooperation of the Supervisory Board with the Executive Board as well as to the Supervisory Board itself are complied with, with the exception of one deviation which is correspondingly justified.

Pursuant to the Austrian Corporate Governance Code, the Supervisory Board dealt with the efficiency of its organisation and the way it works. Key measures implemented by the Supervisory Board included the reduction in the number of members serving on the Audit committee from eight to six, and the allocation of the remuneration to be paid to the Supervisory Board as determined by the Annual General Meeting on January 20th, 2011. The Personnel committee of the Supervisory Board, convened for six meetings during the 2010/11 financial year, dealing with issues pertaining to the relationship of the company to the members of the Executive Board. The Working committee held five meetings in the course of the reporting period, focusing on the capital increase and a solution to the defective steam boiler of the black coal-fired power plant in Walsum-Duisburg.

The Audit committee of the Supervisory Board held two meetings during the 2010/11 financial year. It primarily dealt with the results for the first half-year 2010/11, including the outlook for the rest of the financial year, prepared the resolution approving the consolidated financial statements and made a proposal for appointing the certified public accountants to audit the annual accounts. Furthermore, the Audit committee discussed current developments in the business segments, and in particular discussed the situation in South Eastern Europe, the implementation of the road map in Macedonia, developments at EVN Bulgaria Toplofikatsia EAD, Plovdiv, the status of the black coal-fired power plant in Duisburg-Walsum, the participation of EVN in VERBUND-Innkraftwerke GmbH and the planned financing model for environmental projects. It also dealt in detail with the effectiveness of the internal controlling, auditing and risk management systems.

Annual financial statements and consolidated financial statements

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna appointed as EVN's certified public accountants for the 2010/11 financial year, starting October 1st, 2010 and ending on September 30th, 2011, examined the annual accounts of EVN AG on September 30th, 2011, which were prepared in accordance with Austrian accounting regulations, as well as the Management Report submitted by the Executive Board and the Corporate governance report. KPMG presented a written audit report, and issued an unqualified opinion. Following detailed scrutiny and discussions in the audit committee and the entire body, the Supervisory Board approved the financial statements and the consolidated financial statements on September 30th, 2011 submitted by the Executive Board, the related Management Report, Corporate governance report and the proposals for the distribution of profits. The financial statements on September 30th, 2011 are thereby approved, pursuant to § 125 Section 2 of the Austrian Stock Corporation Act. These statements were prepared pursuant to International Financial Reporting Standards (IFRS) and audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, which issued an unqualified opinion. The Supervisory Board approved the consolidated financial statements, the Consolidated Notes and the Management Report.

In closing, the Supervisory Board wishes to express its sincere gratitude to the Executive Board and all employees of the EVN Group for their endeavours, hard work and commitment during the 2010/11 financial year. Particular thanks are extended to the shareholders, customers and partners of the EVN for their confidence in the company.

Maria Enzersdorf, December 14th, 2011
On behalf of the Supervisory Board



Burkhard Hofer