

# **EVN Presentation**

**HSBC, Austrian Companies Conference**

**London, June 16, 2009**



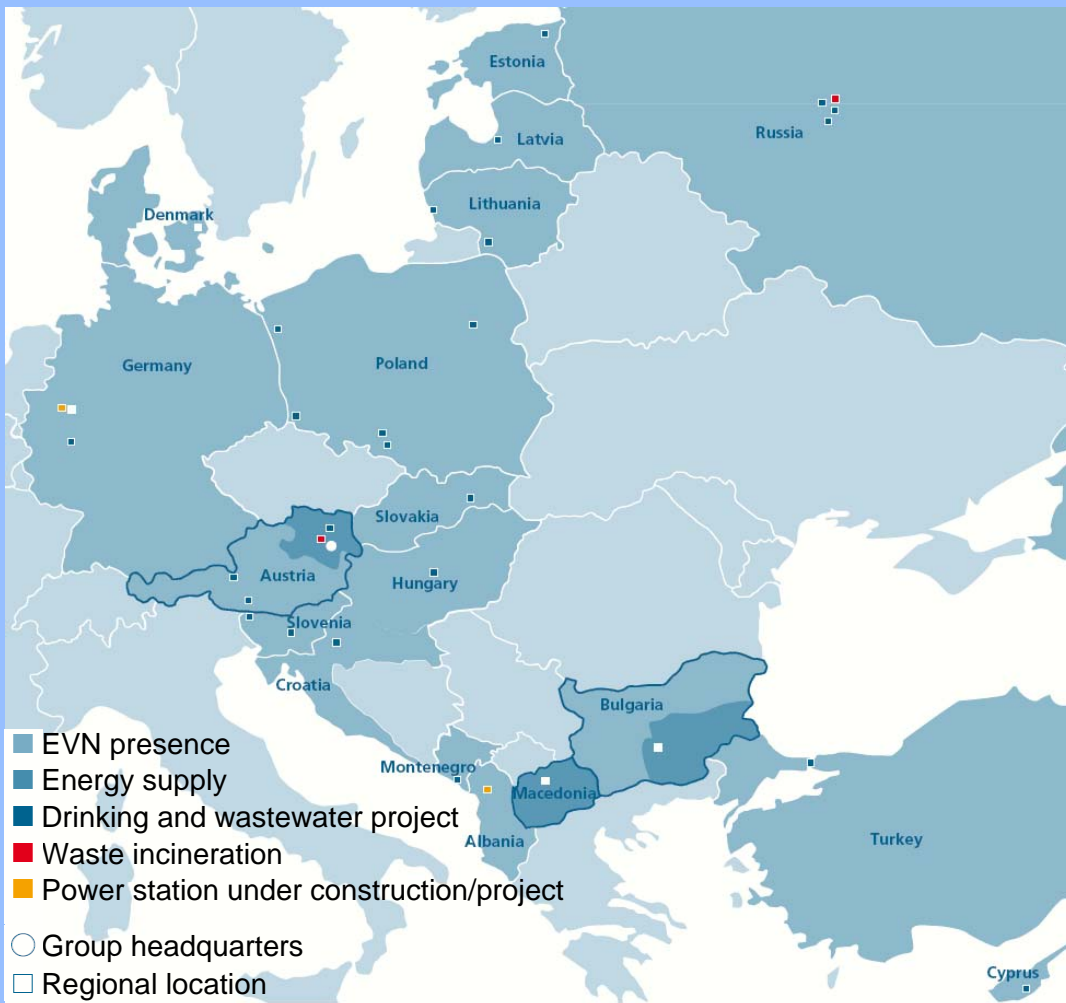
# Agenda

- > **EVN's strategy**
- > **Growth perspectives**
- > **Results for the 1<sup>st</sup> half-year 2008/09**

## Company profile – fact sheet 2007/08

<b>EVN</b>	EVN is a leading integrated energy and environmental service group serving customer in Lower Austria and Central and Eastern Europe
<b>Business areas</b>	Electricity, gas, heating, water, waste incineration
<b>Countries</b>	Austria, Albania, Bulgaria, Croatia, Cyprus, Denmark, Estonia, Germany, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Russia, Slovakia, Slovenia, Turkey
<b>Employees</b>	9,342 (–2.0%) thereof ~ 75% in abroad
<b>Revenue</b>	2,397.0 EUR m (+7.3%)
<b>EBITDA</b>	362.3 EUR m (+3.3%)
<b>EBIT</b>	166.6 EUR m (–15.6%)
<b>Net results</b>	186.9 EUR m (–17.7%)
<b>Credit Rating</b>	Moody's: A1, stable Standard & Poor's: A–, negative (since March 2009)

# EVN currently active in 18 CEE countries



## Highlights

### Energy supply

- > About 1 m electricity, gas and heating customers in Lower Austria
- > 1.6 m electricity, 40,000 heating customers in Bulgaria
- > 720,000 electricity customers in Macedonia

### Electricity generation

- > 1,829 MW generation capacity (gas, coal, hydro, wind and biomass)
- > Construction of a coal-fired power plant of 790 MW in Duisburg-Walsum, Germany

### Networks

- > 127,294 km electricity networks, 13,250 km gas pipelines and 540 km heating networks

### Environmental services

- > Waste incineration plants of 300,000 tons p.a. in Lower Austria, 360,000 tons p.a. in Moscow
- > More than 80 drinking and waste water plants for more than 10 m people in Europe
- > 0.5 m drinking water customers in Lower Austria

## EVN's strategy – Multi-service utility

- > „Two-pillar“ strategy – focus on the Energy and Environmental Services segments
- > Organic growth with a regional focus on Central and Eastern Europe
- > Clear-cut orientation to fulfil capital market requirements, transparency, strong financials and a solid dividend policy
- > Sustainability at the basis for the company's activities

# Focus on Energy and Environmental Services

## Traditional EVN core activities ...

### > Energy

> Generation

> Networks

> Supply

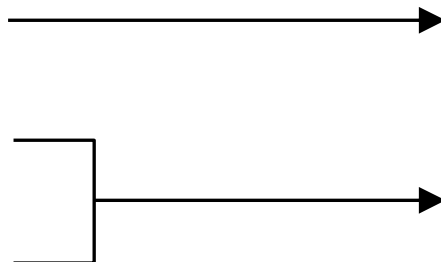
## ... complemented by related infrastructure and environmental services

### > Environment

> Waste incineration

> Drinking water

> Waste water

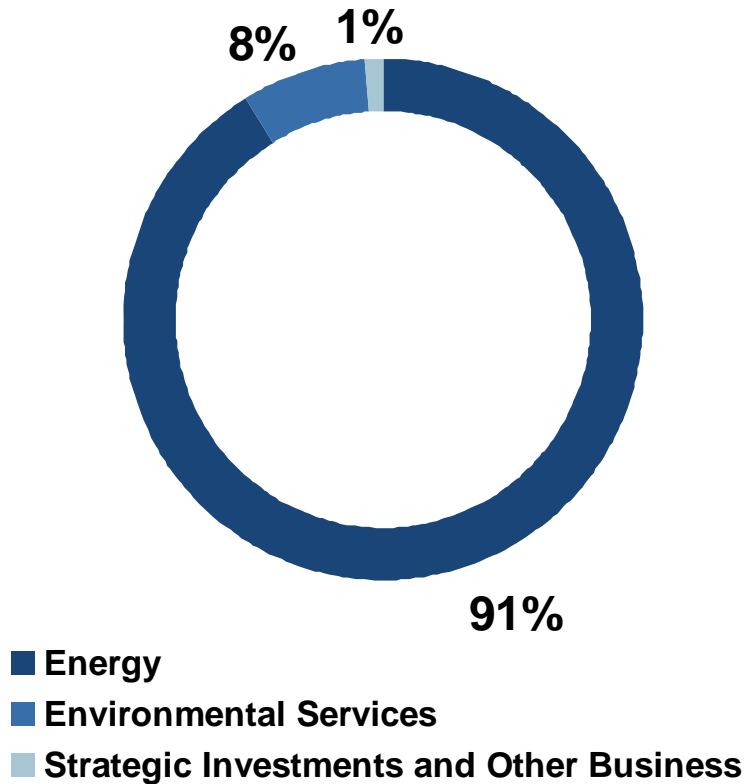


### > Benefit from strategic advantages:

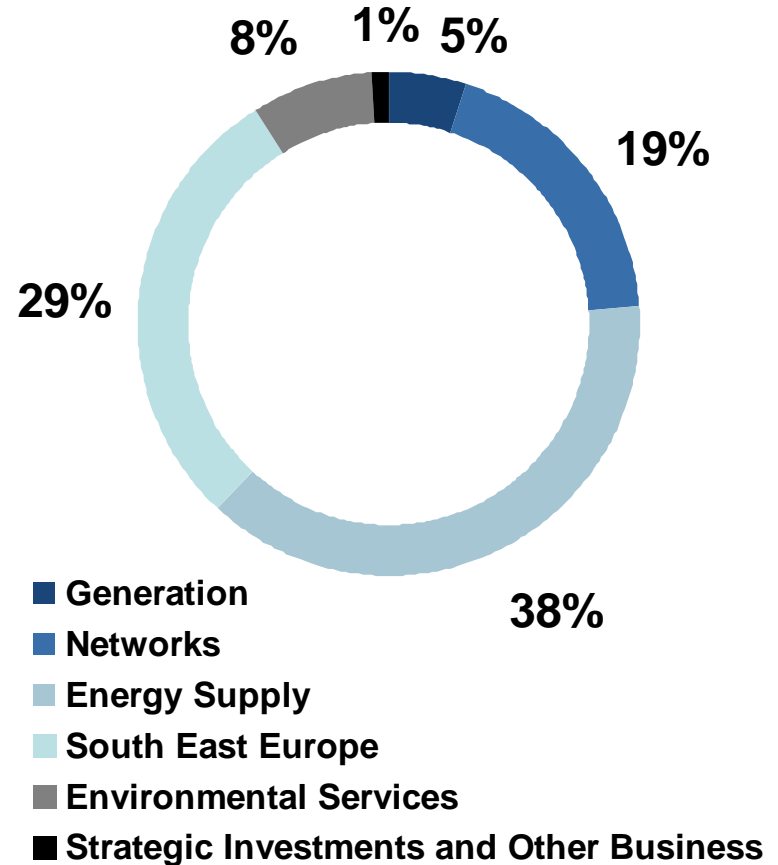
- > Common customer basis („one-stop shop“)
- > Know-how-transfer primarily in generation and networks
- > Regional synergies in operation and supply (currently mainly in Austria)
- > Benefit from administrative functions of head office for non-domestic activities
- > Optimisation of financial resources

# Diversification led to growth and risk reduction

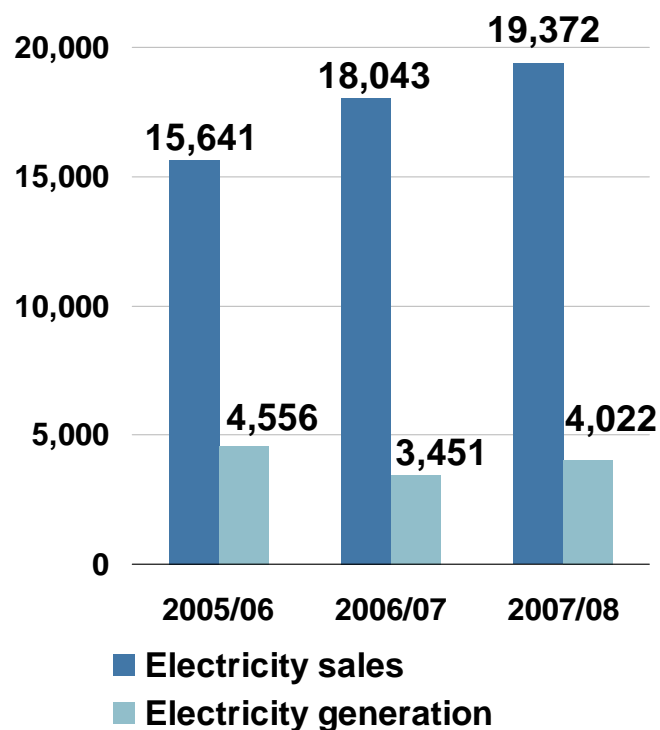
## Revenue by segments



## Revenue by business units



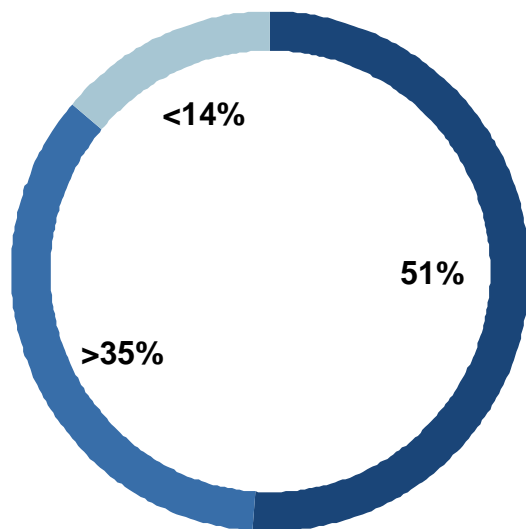
## Electricity sales and generation 2007/08 (GWh)



- > Weather related increase of sales volumes: +7.4%
- > Adjustment of electricity production according to market prices
- > First inclusion of thermal production capacities in South-eastern Europe (District heating plant in Plovdiv)
- > Coverage ratio of the Group increased from 19.1% to 20.8%
- > Coverage ratio excl. Bulgaria and Macedonia from 55.9% to 60.9%
- > Mid-term target: increase of coverage ratio to min. 40%

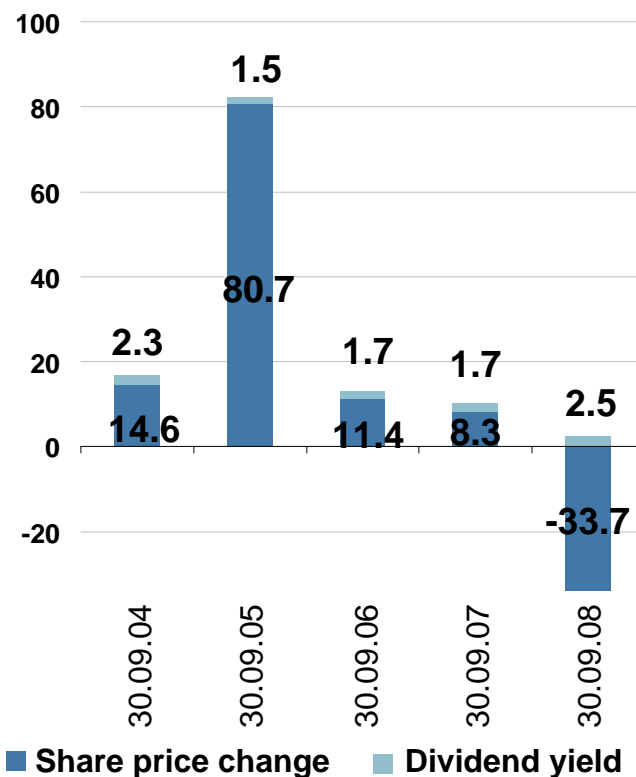
# Shareholders' structure and TSR

## Shareholders' structure



- NÖ Landesbeteiligungs Holding GmbH
- EnBW Energie Baden-Württemberg
- Free float

## Total Shareholder Return in %



TSR = 10.4 % p.a. since IPO 1989

# Agenda

- > EVN's strategy
- > **Growth perspectives**
- > Results for the 1<sup>st</sup> half-year 2008/09

## Growth areas – Electricity generation



- > Coal-fired power plant in Duisburg-Walsum
- > Capacity: 790 MW, net efficiency: > 46%
- > Investment: EUR 820m
- > Joint venture with Evonik Steag GmbH, EVN's stake: 49%
- > Ground-breaking: November 2006
- > Production: 2010

# Growth areas: Bulgaria and Macedonia



## EVN's strategy:

- > Vertical integration → increase of production capacities
- > Modernisation of grid networks
- > Active electricity trading

## > EVN assets:

- Network operator / supplier
- District heating plant in Bulgaria
- Hydro power plants in Macedonia

> **Bulgaria:** Fully liberalised electricity market starting on July 2007 → fully negotiable prices versus long-term electricity supply agreements and limited generation capacities

> **Macedonia:** Single-buyer model, some eligible customers

> **SEE region:** Electricity prices amount to only 30-50% of the Western European level

## Growth areas – Albania



### EVN's strategy:

- > Electricity production to supply EVN's 2.6 m customers in South-eastern Europe
- > Electricity sale not limited to Albania → electricity bottleneck in the whole region

- > GDP growth:
  - 2008: 6.1%
- > Bottlenecks in electricity generation
- > Electricity generation covers only two-third of the electricity sales volumes
- > Majority of the electricity production in this area: base-load
- > Current energy production represents only one-third of total hydro power potential

# The River Devoll Project



- > BOOT-Concession for three large hydro power plants on the River Devoll in Albania
- > Capacity: 320 MW
- > Electricity production: 1,000 GWh p.a.
- > Investment: EUR 950m
- > 50:50% joint venture with Statkraft (Norway)
- > Flexibility and optimisation of applied technology
- > Stepwise realisation of the 3 plants
- > Free marketability of electricity generated
- > Strong commitment from authorities and governmental institutions
- > Excellent opportunities for peak energy due to flow conditions

## Growth areas – Environm. Services Segment



- > Drinking water plant in Moscow
- > Capacity: 250,000 m<sup>3</sup>/d
- > Investment: EUR 190m
- > Start of operation: September 2007
- > BOOT-model: operation until 2016

## Growth areas – Environm. Services Segment



- > Waste incineration plant in Moscow
- > Capacity: 360,000 t
- > Investment: EUR 175m
- > Start of operation: January 2008
- > BOOT-model: operation until 2019

## Growth areas – Environm. Services Segment



- > Ataköy/Istanbul: wastewater treatment plant
- > Turn-key project and 5-year operation
- > Capacity: ~ 2 m inhabitants
- > Start of operation: 2011
- > Investment: EUR 108.5m

## Strategic plans and targets

- > Energy segment
  - Integration of electricity, gas and heating in EVN's foreign business activities
  - Vertical integration along the value chain, generation
  - Leading market position in all markets
  - Organic growth and acquisitions
  
- > Environmental Services segment
  - Comprehensive services
  - New markets in the CEE region

# Agenda

- > EVN's strategy
- > Growth perspectives
- > **Results for the 1<sup>st</sup> half-year 2008/09**

## Highlights in HY. 1 2008/09

- > Positive revenue and EBIT development despite earnings decline in Energy supply
- > Lower income from investments in associates resulting from the price decline for primary energy
- > Group net profit below previous year's level
- > Successful corporate bond issues, optimisation of financial structure
- > Outlook for the current financial year confirmed
- > Ratification of concession agreement for constructing three hydropower storage plants in Albania

## Financial highlights HY. 1 2008/09

EUR m	2008/09 HY. 1	Change %	
Revenue	1,615.6	18.4	> Increase in revenue and earnings in the Energy and Environmental Services segment
EBITDA	277.3	5.8	> Higher sales volumes and higher prices to partially compensate the higher energy procurement prices in Energy segment as well as new projects in Environmental Services segment
EBIT	184.0	7.8	> EBIT above last year's level
Financial results	31.3	-49.5	> Financial results decreased significantly, as a result of lower income from investments and negative valuation effects due to the financial crisis
Group net profit	168.8	-10.0	> Decline in group net profit
Gross cash value	241.0	-13.6	> Gross cash value below last year's level due to lower profit before income tax and lower non-cash items in the financial results
EUR			
Earnings per share	1.03	-10.0	

## Energy segment

EUR m	2008/09 HY. 1	Change %
Revenue	1,503.5	17.8
EBITDA	267.9	4.7
EBIT	182.0	5.8
Financial results	-19.4	-33.6
Profit before income tax	162.6	3.2
Investments	122.7	-24.9

- > Sales volumes:
  - Electricity: +4.3%
  - Gas: +0.4%
  - Heating: +26.2%
- > Electricity generation below last year's level
- > Price adjustments for electricity and gas in Austria partially compensate for increased procurement costs
- > EBIT-improvement in Generation, Networks and South East Europe business units more than compensated for EBIT-decline in Supply
- > First full-time consolidation of the Bulgarian district heating plant TEZ Plovdiv

## Generation business unit

EUR m	2008/09 HY. 1	Change %
Revenue	71.8	7.2
EBIT	36.3	11.0
Profit before income tax	32.2	11.4
Investments	18.6	54.0

- > Higher market prices pushed up revenue despite lower volume of electricity generated
- > Lower volume of electricity generated by EVN's own power plants (-10.3%) due to
  - Falling spread between wholesale prices and primary energy prices
  - Disadvantageous water flow conditions compared to previous year
- > Successful long-term marketing strategy → EBIT: +11.0%
- > Increase and diversification of production capacities:
  - Wind park in Bulgaria under construction
  - Ratification of concession agreement in Albania
  - Start-up of a hard coal fired power plant in Duisburg-Walsum in 2010

## Energy Supply business unit

EUR m	2008/09 HY. 1	Change %
Revenue	770.1	20.1
EBIT	71.7	-11.5
Profit before income tax	79.4	-10.2
Investments	12.6	-

- > Constant sales volumes in Lower Austria
- > Price adjustment of electricity and gas due to procurement costs increase in the previous period
- > Long-term procurement strategy: forward purchases of electricity and primary energy at historic price levels
- > EBIT decline despite of increase in revenue

## Networks business unit

EUR m	2008/09 HY. 1	Change %
Revenue	269.8	1.7
EBIT	69.4	20.4
Profit before income tax	63.0	24.6
Investments	37.6	-34.7

- > Sales volumes:
  - Electricity: +0.3%
  - Gas: -2.7%
- > Network tariffs on basis of incentive regulatory system as of January 2009:
  - Electricity: +1.0%
  - Gas: +7.0%
- > Network revenues (electricity and gas):
  - +2.7% to EUR 225.9m
- > Initial consolidation of the Burgenland-based cable network operator B.net including Dataservice
- > Increase in gross margin and decline in maintenance expenses  
→ EBIT-improvement

## South East Europe business unit

EUR m	2008/09 HY. 1	Change %
Revenue	494.5	22.2
EBIT	4.6	-
Profit before income tax	-12.0	-16.0
Investments	53.9	-42.5

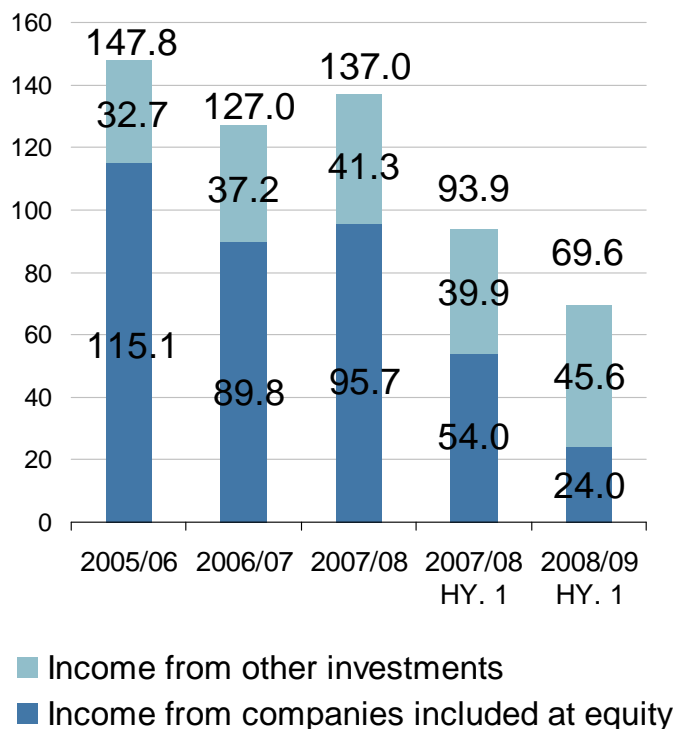
- > Electricity sales volumes:
  - Bulgaria: +1.6%
  - Macedonia: +9.7%
- > First full-time consolidation of district heating company TEZ Povdiv
- > EBIT-improvement by EUR 3.9m despite of negative effects of the unfavourable tariff rate decisions made by the Bulgarian and Macedonian regulatory authorities
- > Decrease in investments by EUR 40m to EUR 54m
  - Finalisation of meter-change program in Bulgaria
  - Revitalisation of the small hydro-power plants in Macedonia finished

## Environmental Services segment

EUR m	2008/09 HY. 1	Change %
Revenue	101.2	33.5
EBITDA	14.5	62.3
EBIT	7.4	-
Financial results	3.5	-42.0
Profit before income tax	10.9	37.8
Investments	31.7	50.5

- > New projects under construction generated higher revenue contributions
- > Increase in EBIT from EUR 1.8m to EUR 7.4m
- > Financial results burdened by lower contributions from ZOV in Zagreb, Croatia, as well as negative currency effects
- > Start-up of combined cycle heat and power plants in Kurjanovo, Moscow
- > New projects acquired in HY. 1 2008/09
  - Sludge treatment plant in Lithuania
  - Seawater desalination plant in Cyprus

## Income from strategic investments (EUR m)



### > Income from companies included at equity:

- Income from RAG (before minority interests) decreased from EUR 40.5m to EUR 21.9m due to oil and gas price decline
- Decline in income from BEWAG and BEGAS from EUR 3.4m to –EUR 5.9m, due to depreciation of financial assets

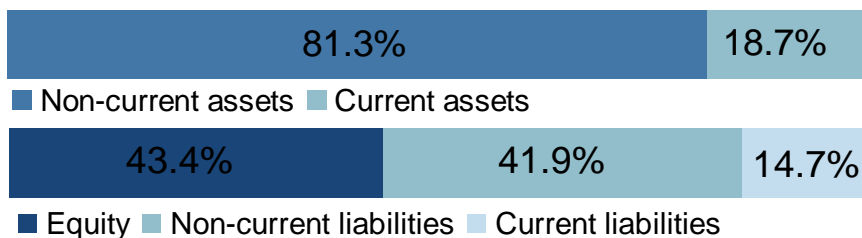
### > Income from other investments:

- Increase of dividends from Verbundgesellschaft from EUR 35.6m to EUR 42.1m (+18.2%)

# Balance sheet

EUR m	2008/09 HY. 1	Change % <sup>1)</sup>
Balance sheet total	6,511.4	-1.9
Equity	2,828.4	-11.8
Net debt	1,526.2	34.9
Equity ratio (%)	43.4	-4.9p
Gearing (%)	54.0	18.7p

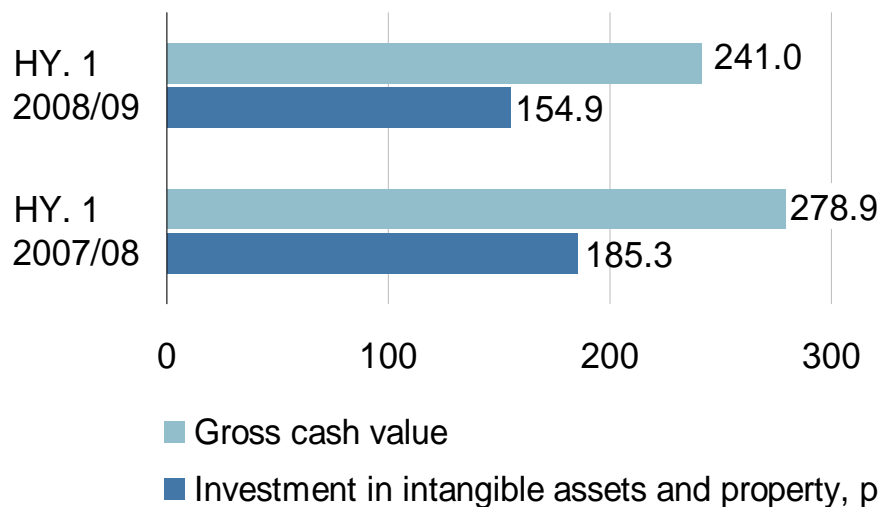
1) compared to 30.9.2008



- > Decrease of balance sheet total
  - Decrease in market value of the shareholding in Verbundgesellschaft
  - Investments below last year's level
  - Lower Group net profit
- > Increase in net debt and gearing
- > Issuing of four corporate bonds with a total volume of EUR 327.0m
- > Sufficient liquidity reserves to finance business operation development
- > Financing structure at matched maturities

# Cash Flow

EUR m	2008/09 HY. 1	Change %
Gross cash value	241.0	-13.6
Operating CF	-82.2	-
CF from investments	-145.5	14.6
CF from financing	214.8	-



- > Lower gross cash value
  - Lower profit before income tax
  - Lower non-cash items in the financial results
  - Slightly higher depreciation and amortisation
- > Decline of operating CF
  - Seasonally-related significant rise in receivables as well as inventories → higher working capital
- > CF from investment
  - Acquisition of B.net and Dataservice
  - Increase in EVN's stake in EconGas
  - Ongoing investments

## Outlook 2008/09

### Revenue

Increase in revenue of energy segment as well as Environmental Services segment despite negative effects of financial and economic crisis

### EBIT

Largely stable operating result, excluded any potential negative consequences resulting from political and regulatory risks

### Financial results

Lower profit contribution from investments due to price decline of primary energy

### Net profit

Below last year's level

### Investments

In principal, continuation of investment policy despite economic crisis

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