

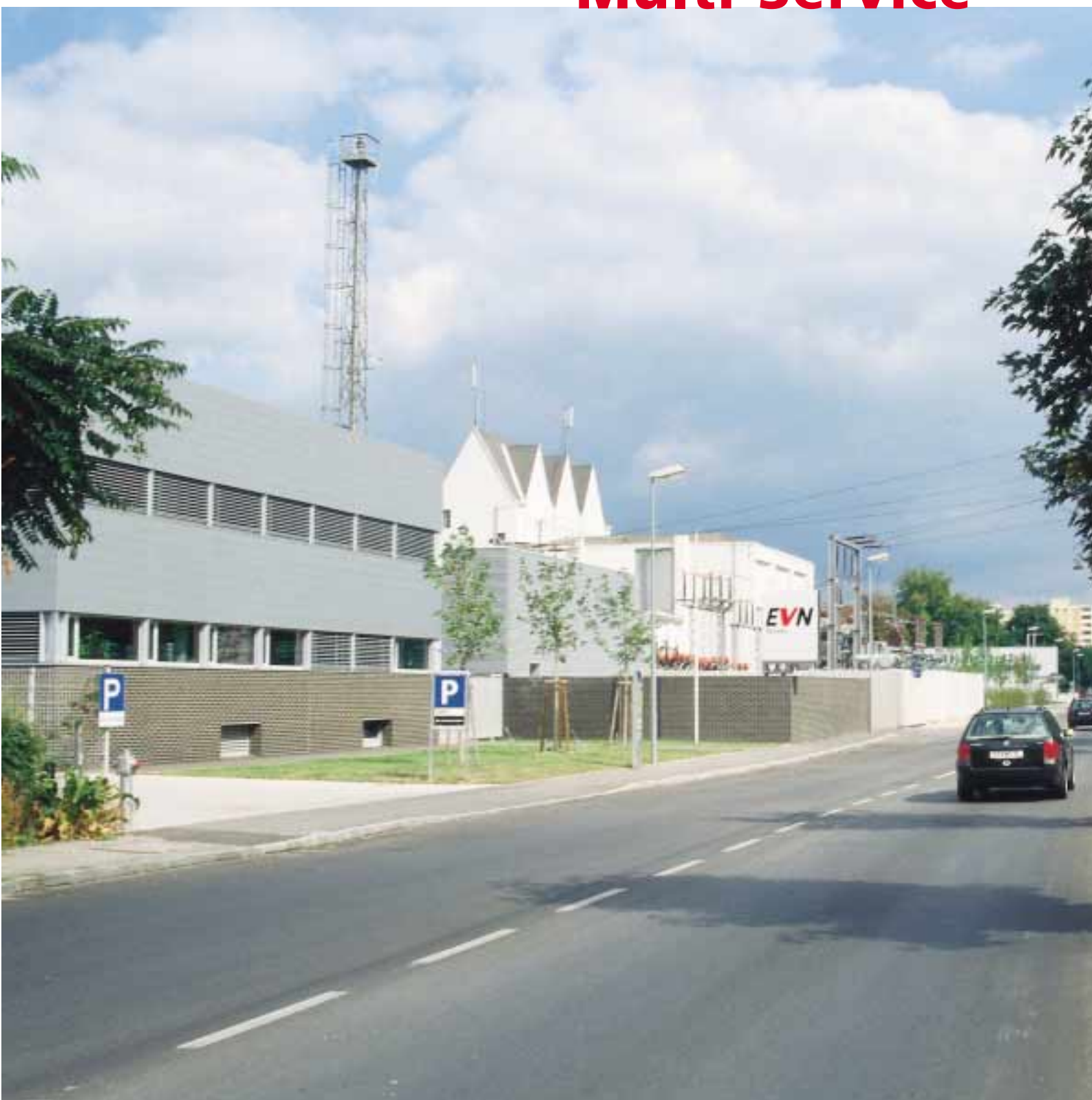
*Energie  
vernünftig  
nutzen*

**EVN**

## Letter to Shareholders 3<sup>rd</sup> Quarter 2000/01

(October 1, 2000 – June 30, 2001)

# Multi-Service



## At a glance

- Increase in revenues and results despite unfavourable conditions for the energy industry
- Energie AG Oberösterreich joins EnergieAllianz, market leadership further consolidated
- Capital increase for NÖSIWAG take-over concluded, entry into the water market completed
- AVN commences construction work on waste incineration plant

		2000/01 Quarters 1–3		+/-
Volumes sold	Electricity	GWh	4,964 <sup>1)</sup>	+ 4.6 %
	Gas	m. m <sup>3</sup>	1,096	– 5.0 %
	Heating	GWh	653	+ 5.8 %
		ATS m	<i>EUR m</i>	
Sales revenues		11,370	<i>826.3</i>	+ 9.5 %
Operating result (EBIT)		2,048	<i>148.9</i>	+ 9.2 %
Result before tax		2,153	<i>156.5</i>	+ 4.7 %

<sup>1)</sup> Excludes electricity trading and sales to other electricity companies

## EVN in figures

		2000/01 Q. 1–3	1999/00 Q. 1–3	1999/00	1998/99
<b>Electricity</b>					
Electricity sales	GWh	6,239 <sup>1)</sup>	6,794 <sup>1)</sup>	8,826 <sup>1)</sup>	6,193
Electricity revenues	ATS m <i>EUR m</i>	6,076 <i>441.6</i>	6,320 <i>459.3</i>	8,151 <i>592.3</i>	7,688 <i>558.7</i>
<b>Gas</b>					
Gas consumption	m. m <sup>3</sup>	1,356	1,403	1,609	1,616
Gas sales	m. m <sup>3</sup>	1,096	1,154	1,336	1,381
Gas revenues	ATS m <i>EUR m</i>	4,077 <i>296.3</i>	3,072 <i>223.2</i>	3,507 <i>254.9</i>	3,532 <i>256.7</i>
<b>Heating</b>					
Heating sales	GWh	653	618	712	671
Heating revenues	ATS m <i>EUR m</i>	419 <i>30.4</i>	314 <i>22.9</i>	369 <i>27.0</i>	334 <i>24.3</i>
<b>Company as a whole</b>					
Sales revenues	ATS m <i>EUR m</i>	11,370 <i>826.3</i>	10,386 <i>754.7</i>	13,046 <i>948.1</i>	12,418 <i>902.4</i>
Employees	Average	2,153	2,190	2,221	2,276
Balance sheet total	ATS m <i>EUR m</i>	32,389 <i>2,353.8</i>	30,478 <sup>2)</sup> <i>2,215.0</i>	30,478 <i>2,215.0</i>	29,241 <i>2,125.0</i>
Shareholders' equity	ATS m <i>EUR m</i>	13,065 <i>949.5</i>	11,695 <sup>2)</sup> <i>849.9</i>	11,695 <i>849.9</i>	10,976 <i>797.6</i>
Cash flow from the result	ATS m <i>EUR m</i>	3,003 <i>218.2</i>	3,623 <i>263.3</i>	3,556 <i>258.4</i>	3,591 <i>261.0</i>
Result before tax	ATS m <i>EUR m</i>	2,153 <i>156.5</i>	2,056 <i>149.4</i>	1,754 <i>127.4</i>	–4,143 <i>–301.1</i>

<sup>1)</sup> Includes electricity trading and sales to other electricity companies  
<sup>2)</sup> As at September 30, 2000

## Business development in detail

The first three quarters of the 2000/01 EVN financial year were characterised by the following, partially contradictory, general factors:

- Temperatures that were clearly up on those of the comparable period of the preceding year and also above the long-term average.
- The slow-down in economic growth, which had been evident for some time, continued.
- Gas purchasing prices remained at an extremely high level.
- The cuts in electricity prices and the increases in the gas sales price began to take full effect.

The unusually high temperatures during the period under review had a particularly restrictive effect on EVN energy sales. In the first half of 2000/01, the heating degree total, which is used as an indicator for temperature-related energy demand, was 2.1 % below that of the preceding year and 11.2 % lower than the long-term average. However, despite these unfavourable conditions, EVN was nonetheless able to achieve further improvements in results due to cost savings and the enlarged scope of its business activities.

### Increase in energy revenues despite unfavourable temperatures

EVN electricity sales volumes in the first three quarters of 2000/01 were 8.2 % down on the figure for the preceding year. Apart from sales losses due to the warm temperatures, this decline was primarily due to the outsourcing of electricity trading to e&t, the joint EnergieAllianz subsidiary with responsibility in this area.

Nonetheless, EVN electricity volumes sold to end customers rose by 4.6 %. For although sales to domestic customers fell by 0.3 % as a consequence of the temperatures, sales to industrial customers went up by 11.1 % due to access to a new clientele outside the EVN network supply area.

In accordance with this downward sales trend, but less pronounced, electricity revenues fell by 3.9 % over the previous year. Apart from the reduced sales and trading volume, this development was the result of the price cut that took effect on March 1, 2000 in view of impending full market liberalisation, together with a reduction in average revenues from industrial customers.

Due to the reduction in the total volumes sold, at 6,521 GWh, EVN electricity sourcing was 7.7 % down on the comparable period of 1999/00. Internal generation was up by one percentage point, amounting to 2,073 GWh, or 31.8 % of total sourcing, while electricity purchases fell to 4,448 GWh, or 68.2 % of total sourcing.

### Gas sales volumes depressed, high purchasing prices passed on

EVN gas sales volumes in the third quarter of 2000/01 were again down on those of the same period of the preceding year, however the fall of 5.0 % for the first nine months of the financial year was less than that after the first half-year.

The main reason for the 2.8 % drop in local network sales volumes was the above-average temperature level, which could not be compensated for by the acquisition of new customers. In view of the relatively large volume of one-off deliveries in the previous year, sales to industrial customers were 7.2 % down. Moreover, as a consequence of the high gas price, sales to other power stations came to a virtual halt.

By contrast, gas revenues were 32.7 % up on the figure for the preceding year as a result of the three-phase price increases, by means of which, EVN passed on a large part of the dramatic rise in purchasing prices to the customer.

In the first nine months of the 2000/01 financial year, EVN sourced a total of 1,303 m. m<sup>3</sup> of natural gas (1999/00: 1,217 m. m<sup>3</sup>).

Volumes sold	2000/01 Q. 1-3	1999/00 Q. 1-3	+/-	
			absolute	%
<b>Electricity (GWh)</b>				
Domestic customers	2,678	2,687	-8	-0.3
Industrial customers	2,285	2,057	228	11.1
<b>Electricity sales to end customers</b>	<b>4,964</b>	<b>4,744</b>	<b>220</b>	<b>4.6</b>
Electricity trading and sales to other electricity companies	1,275	2,050	-775	-37.8
<b>Electricity volumes sold</b>	<b>6,239</b>	<b>6,794</b>	<b>-555</b>	<b>-8.2</b>
<b>Gas (m. m<sup>3</sup>)</b>				
Local networks	550	566	-16	-2.8
Industry and external power stations	546	588	-42	-7.2
<b>Gas volumes sold</b>	<b>1,096</b>	<b>1,154</b>	<b>-58</b>	<b>-5.0</b>
Company plants and internal consumption	260	249	11	4.4
<b>Gas consumption</b>	<b>1,356</b>	<b>1,403</b>	<b>-47</b>	<b>-3.3</b>
<b>Heating (GWh)</b>				
Domestic customers	214	189	25	13.2
Industrial customers	439	428	11	2.5
<b>Heating volumes sold</b>	<b>653</b>	<b>618</b>	<b>36</b>	<b>5.8</b>

## Heating sales and revenues up

In the heating business, the unfavourably warm temperatures during the period under review were more than counterbalanced by an increase in the number of appliances. Sales volumes rose by a total of 5.8 %. Due to price adjustments, which were initiated in order to also pass on the rise in energy purchasing prices in this business area, revenues in the first three quarters rose sharply and were 33.1 % up on those of the previous year.

### Sales revenues up by 9.5 % over last year

Irrespective of the downturn in the electricity sector, EVN was able to achieve 8.9 % growth in energy revenues due to a marked increase in its gas and heating revenues during the period under review.

Other operating revenues were also markedly higher, demonstrating a rise of 17.4 %. This rise reflects an increase in the scope of consolidation, higher telecommunications revenues and revenues relating to chain customers. As a result, the fall in revenues from customer orders in the heating sector, which had been unusually high in the preceding year, was largely compensated for.

In total, sales revenues for the first three quarters were 9.5 % above the figure for 1999/00.

Despite a drop in own work capitalised due to an increase in the billing of services to non-consolidated investments, there was also a considerable increase of 52.5 % in the combined item of changes in inventory, own work capitalised and other operating income.

## High energy price burden continues

Primary energy sourcing costs remained well above the level of the preceding year. The predominant factor in this regard was the above-average gas price. At the same time, despite a drop in quantity, expenditure on externally generated electricity also increased, which can also be traced to higher purchasing prices. All in all, energy supply related expenditure was 23.1 % above the level of the preceding year.

The cost of materials and services went up by 25.0 % over the previous year. Apart from the enlargement in the scope of consolidation, this increase was primarily the result of expenses derived from the support of chain customers.

## Work force numbers and personnel expenditure down again

In the first three quarters of the 2000/01 financial year, the EVN Group employed an average of 2,153 people. Despite expansion to the scope of consolidation, the work force was again cut by 37 persons and was 1.7 % down on the corresponding figure for the previous year. This fall, and lower provisions following the partial settlement of pension claims, provided the basis for a reduction in personnel expenditure of 9.7 % in the period under review.

### Depreciation continues to fall

Depreciation was 16.3 % down over the previous year, due mostly to the extraordinary depreciation undertaken in previous years, which was not followed by similar measures during the period under review. By contrast, other operating expenses, which mainly related to consulting and advertising, rose by 18.3 %.

Profit and loss account (IAS)	2000/01	1999/00	2000/01	1999/00	+/-
	Q. 1-3	Q. 1-3	Q. 1-3	Q. 1-3	
	ATS m		EUR m		%
Electricity revenues	6,076	6,320	441.6	459.3	-3.9
Gas revenues	4,077	3,072	296.3	223.2	32.7
Heating revenues	419	314	30.4	22.9	33.1
<b>Energy revenues</b>	<b>10,572</b>	<b>9,706</b>	<b>768.3</b>	<b>705.4</b>	<b>8.9</b>
Other operating revenues	797	679	57.9	49.4	17.4
<b>Sales revenues</b>	<b>11,370</b>	<b>10,386</b>	<b>826.3</b>	<b>754.7</b>	<b>9.5</b>
Changes in inventory, own work capitalised and other operating income	432	283	31.4	20.6	52.5
Electricity purchases and primary energy	-5,848	-4,752	-425.0	-345.3	-23.1
Cost of materials and services	-806	-645	-58.6	-46.8	-25.0
Personnel expenses	-1,752	-1,940	-127.3	-141.0	9.7
Depreciation	-906	-1,082	-65.8	-78.6	16.3
Other operating expenses	-442	-374	-32.1	-27.2	-18.3
<b>Operating result (EBIT)</b>	<b>2,048</b>	<b>1,877</b>	<b>148.9</b>	<b>136.4</b>	<b>9.2</b>
Financial result	105	179	7.6	13.0	-41.4
<b>Result before tax</b>	<b>2,153</b>	<b>2,056</b>	<b>156.5</b>	<b>149.4</b>	<b>4.7</b>

## Profit before tax up by 4.7 % over the previous year

The operating result for the first three quarters of the 2000/01 financial year was 9.2 % up on the same figure for the previous year at ATS 2,048 m (EUR 148.9 m). EVN has thus succeeded in clearly compensating for increased expenditure on energy purchasing, materials, operating and other expenses by means of increased revenues and a reduction in depreciation and personnel costs.

Despite a marked improvement in the value of foreign currency bonds on the balance sheet date, the financial result shows a fall of 41.4 %. However, the comparable result for the preceding year was unusually high due to revenues from the sale of max.mobil shares.

Consequently, although general conditions were unfavourable for the energy industry, the profit before tax for the first three quarters was 4.7 % above the comparable figure of the preceding year at ATS 2,153 m (EUR 156.5 m).

## Stable balance sheet structure

The EVN balance sheet as at June 30, 2001, showed no fundamental structural changes over the last balance sheet date (September 30, 2000). Adjustments only took place in the area of current assets, which rose by 41.7 %, due mainly to an increase in short-term receivables and partially to an increase in securities. At the same time, short-term liabilities went up by 16.3 % due to the taking of short-term loans.

On the basis of the result achieved, which is partly counterbalanced by the payment of dividends for the 1999/00 financial year and the outflow of capital for the purchase of own shares, equity rose by 11.7 % to ATS 13,065 m (EUR 949.5 m).

All in all, the balance sheet total was up by 6.3 % on that from September 30, 2000, at ATS 32.4 bn (EUR 2.4 bn).

## Outlook

As far as forecasts for the 2000/01 financial year are concerned, without doubt, development during the first three quarters of the year constitutes a solid foundation for a satisfactory overall result. However, conclusions concerning the year as a whole based on the results from partial periods are only valid to a limited extent. In particular, due to the seasonality in the energy industry, the summer quarter is generally the weakest with regard to earnings. Moreover, the unfavourable temperature trend and the continuation of high energy prices represent further burdens. Nonetheless, due to continued cost savings and the acquisition of new customers and business areas, EVN should be able to match its result of the previous year.

Consolidated balance sheet (IAS)	30.6.	30.9.	30.6.	30.9.	+/-
	2001	2000	2001	2000	
	ATS m		EUR m		%
<b>Assets</b>					
Fixed assets	27,925	27,329	2,029.4	1,986.1	2.2
Current assets	4,463	3,150	324.4	228.9	41.7
<b>Total assets</b>	<b>32,389</b>	<b>30,478</b>	<b>2,353.8</b>	<b>2,215.0</b>	<b>6.3</b>
<b>Liabilities and shareholders' equity</b>					
Shareholders' equity	13,065	11,695	949.5	849.9	11.7
Minority interests	324	326	23.6	23.7	-0.5
Long-term liabilities	14,333	14,445	1,041.6	1,049.8	-0.8
Current liabilities	4,666	4,013	339.1	291.6	16.3
<b>Total liabilities and shareholders' equity</b>	<b>32,389</b>	<b>30,478</b>	<b>2,353.8</b>	<b>2,215.0</b>	<b>6.3</b>

## EVN in the capital markets

The performance on the international stock exchanges continued to be low-key during the third quarter. Accordingly, in the course of the EVN 2000/01 business year up to now there have been falls on all the main stock markets.

However, the Vienna Stock Exchange deviated from this global trend in a positive manner with a 3.44 % rise in the ATX during the period from September 2000 until the end of June 2001.

At the same time, the EVN share increased in value by 20.94 %, which was once again better than the sector index, the Dow Jones Euro Stoxx Utilities, which fell by 2.79 % between September 2000 and June 2001.

At EUR 337 m, the EVN share accounted for 2.69 % of total turnover on the Vienna Stock Exchange. EVN remained in mid-table with regard to the number of ÖTOB contractual transactions.

In the course of the share buy-back programme, which terminated on July 14, 2001, a total of 723,552 shares were repurchased, which represented 2.12 % of share capital (prior to the completion of the share capital increase agreed for the NÖSIWAG take-over described below).

As at June 30, 2001, the number of ADRs (American Depositary Receipts) issued on EVN shares totalled 630,225. This means that US investors held 126,045 EVN shares, or 0.37 % of share capital (prior to the capital increase), in the form of ADRs.

## Capital increase successfully concluded

The increase in EVN share capital approved at the AGM on January 12, 2001, was successfully completed. By the end of the subscription period on July 16, 2001, a total of 3,381,455 shares had been taken up at a price of EUR 33 each. 1,761,765 shares went to the Province of Lower Austria, which in return, brought two-thirds of its shares in NÖSIWAG into EVN as a contribution in kind. 1,619,690 shares were issued against cash.

All in all, the increase in share capital involved a transaction volume of around EUR 112 m (ATS 1,535 bn). EVN share capital now amounts to EUR 91,072,392.62, divided into a total of 37,581,455 shares.

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

### EVN share price and ATX (Austrian Traded Index) Relative performance

(Basis: October 1, 1999)



The EVN share		2000/01 Q. 1-3	1999/00 Q. 1-3	1998/99 Q. 1-3
Price at closing date	EUR	36.90	39.00	47.27
Highest price	EUR	40.05	50.00	49.75
Lowest price	EUR	27.25	35.57	35.25
Value of shares traded <sup>1)</sup>	EUR m	337	726	1,126
Share of total turnover <sup>1)</sup>	%	2.69	5.47	6.37
Market capitalisation at closing date	EUR m	1,262	1,334	1,617

<sup>1)</sup> Vienna Stock Exchange



## Dear Shareholder,

During the first three quarters of the 2000/01 financial year, EVN again succeeded in improving both revenues and results. EVN sales revenues in the first nine months of 2000/01 were 9.5 % up on the figure for the previous year, and the EBIT also rose by 9.2 %. It is especially positive that EVN was able to counteract the negative temperature effects and cost pressure with regard to energy purchasing by means of continued cost savings, and above all, by the acquisition of additional customers and business areas.

## Capital increase for NÖSIWAG take-over concluded

The capital increase approved by the AGM on January 12, 2001, in the course of which NÖSIWAG, Austria's second largest water supply company, was taken over, proved a major success. In view of the current stock market situation, the largest possible exercise of the subscription rights can be regarded as highly successful and a confirmation of the sustained interest in the EVN share.

## Entry into the water business, also in Hungary

With the take-over of NÖSIWAG, now "evn wasser" ("evn water"), EVN has further strengthened its image as a cost-efficient operator of state-of-the-art infrastructure in Lower Austria. Moreover, the company's attractive range as a multi-service utility is to be complemented by its entry into drinking water supply and the regional wastewater business.

While in future, Lower Austria will continue to be the focal point for "evn wasser" activities, it is intended to employ company know-how for projects in neighbouring markets as well. Accordingly, an "evn wasser" affiliate recently received an operating licence for the drinking water supply and wastewater disposal of six municipalities near Dunavarsány, a region with strong economic and population growth located to the south-west of Budapest. EVN is co-operating on this project with the local company which in recent years installed the infrastructure. The network is now to be jointly operated and expanded.

## Construction work for waste incineration plant commences

A further milestone has been reached by EVN and its fully owned subsidiary, AVN Abfallverwertung Niederösterreich GmbH, on the way to their targeted entry into waste incineration. Construction work commenced on the planned plant in July 2001.

The Lower Austrian municipality of Zwentendorf, in the immediate vicinity of the Dürnrrohr coal-fired power station, will soon be the site of Austria's largest and most modern waste incineration plant with an annual handling capacity of 300,000 tons. The plant will be completed before new Austrian landfill legislation comes into effect, which stipulates the treatment of residual waste from 2004 onwards. The use of plant capacity has already been secured to a large extent.

## EAG strengthens the position of EnergieAllianz as the Austrian market leader

In July, a breakthrough was achieved in the long-term negotiations concerning a strategic partner for Energie AG Oberösterreich (EAG). Subject to the relevant approval, the EnergieAllianz partner companies are to acquire a 25 % plus one share stake in EAG. The purchase price for this holding will amount to ATS 6.015 bn (EUR 437.14 m), of which some ATS 2.25 bn (EUR 163.52 m) will be borne by EVN. At the same time, EAG will join EnergieAllianz as a partner.

This decision represents a major step towards a further consolidation of the Austrian energy market.

## Joint EnergieAllianz activities

Parallel to this expansion, the EnergieAllianz partner companies are preparing for October 1, 2001, the date of complete electricity market deregulation.

In future, two management companies will administer the energy business of the EnergieAllianz partners. Apart from e&t, which is responsible for the energy purchasing and trading of the EnergieAllianz companies, the new EnergieAllianz Austria Energievertriebs GesmbH (EAA – formerly e&s) will handle all sales activities. EVN will have a 31.5 % holding in each of the companies. EAA will number among Europe's largest energy suppliers, with 2.8 million customers and 4 million customer contracts.

In turn, EAA will establish regional companies who are responsible for customer support in their respective sales areas. Particularly during the historic phase of market liberalisation, this structure allows for the best possible use of both the regional roots of the partners and the effects of scale provided by the EnergieAllianz. At the same time, it also ensures that profits derived from regional activities will be directly allocated to the appropriate partner.

## Optimistic outlook

The probity of EVN's long-term diversification strategy has been clearly confirmed by successful entry into both the water and waste treatment business areas. In addition to its traditional activities in the energy sector, EVN has extended its portfolio with attractive areas closely related to the core energy business. In this way, EVN today offers its customers a comprehensive range of public services, tailored to meet specific needs. As a result, even in a scenario of increasing competition, EVN will retain a solid market position with interesting growth perspectives.

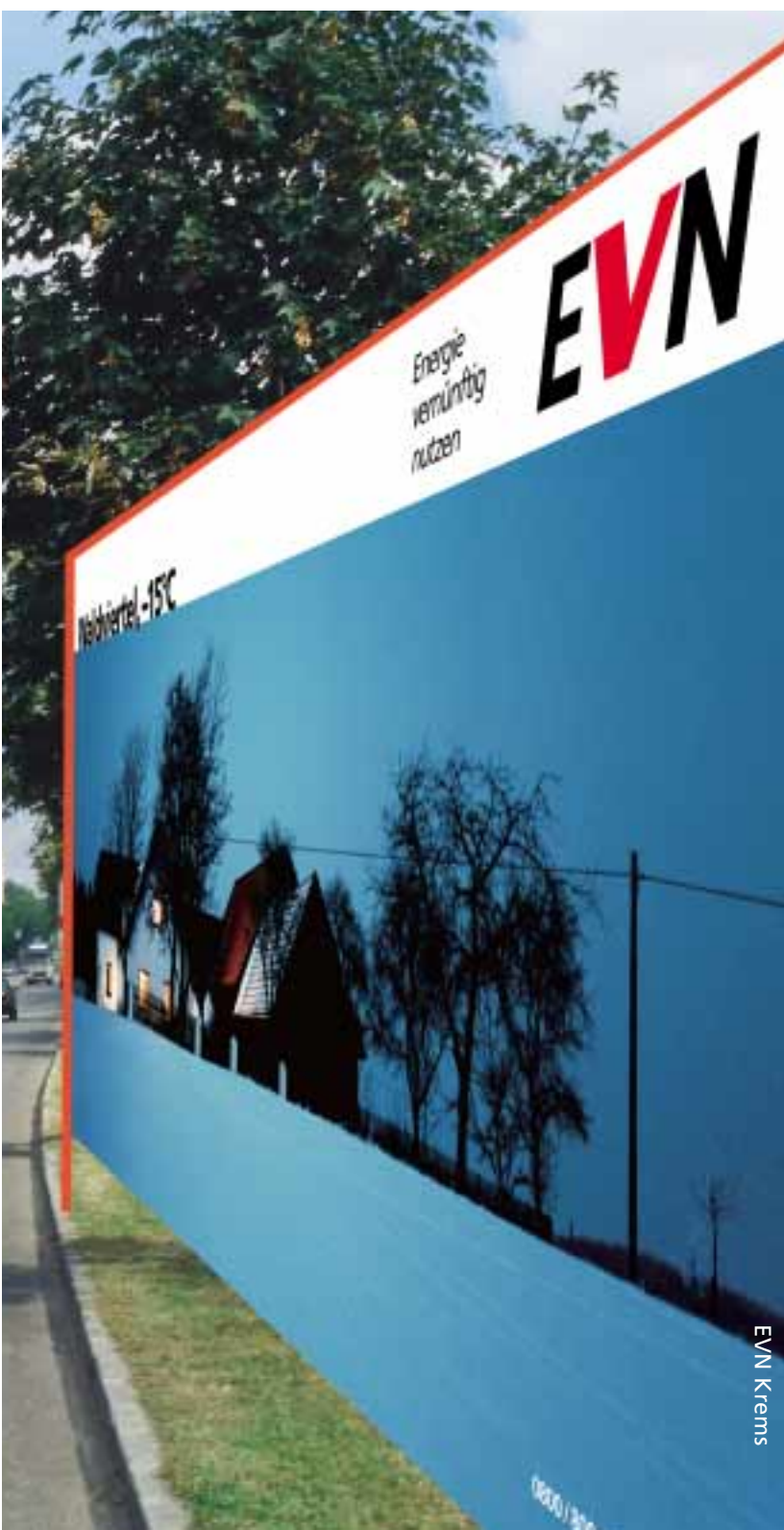
Rudolf Gruber  
Chairman of the Executive Board

Maria Enzersdorf,  
August 2001

## Financial Calendar

- 2000/01 Annual Results December 10, 2001
- 2000/01 Annual General Meeting<sup>1)</sup> January 11, 2002

1) Provisional date



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#### Further useful Web sites

**Allplan** [www.allplan.at](http://www.allplan.at)  
**EnergieAllianz** [www.energieallianz.at](http://www.energieallianz.at)  
**Energie AG Oberösterreich** [www.energieag.at](http://www.energieag.at)  
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