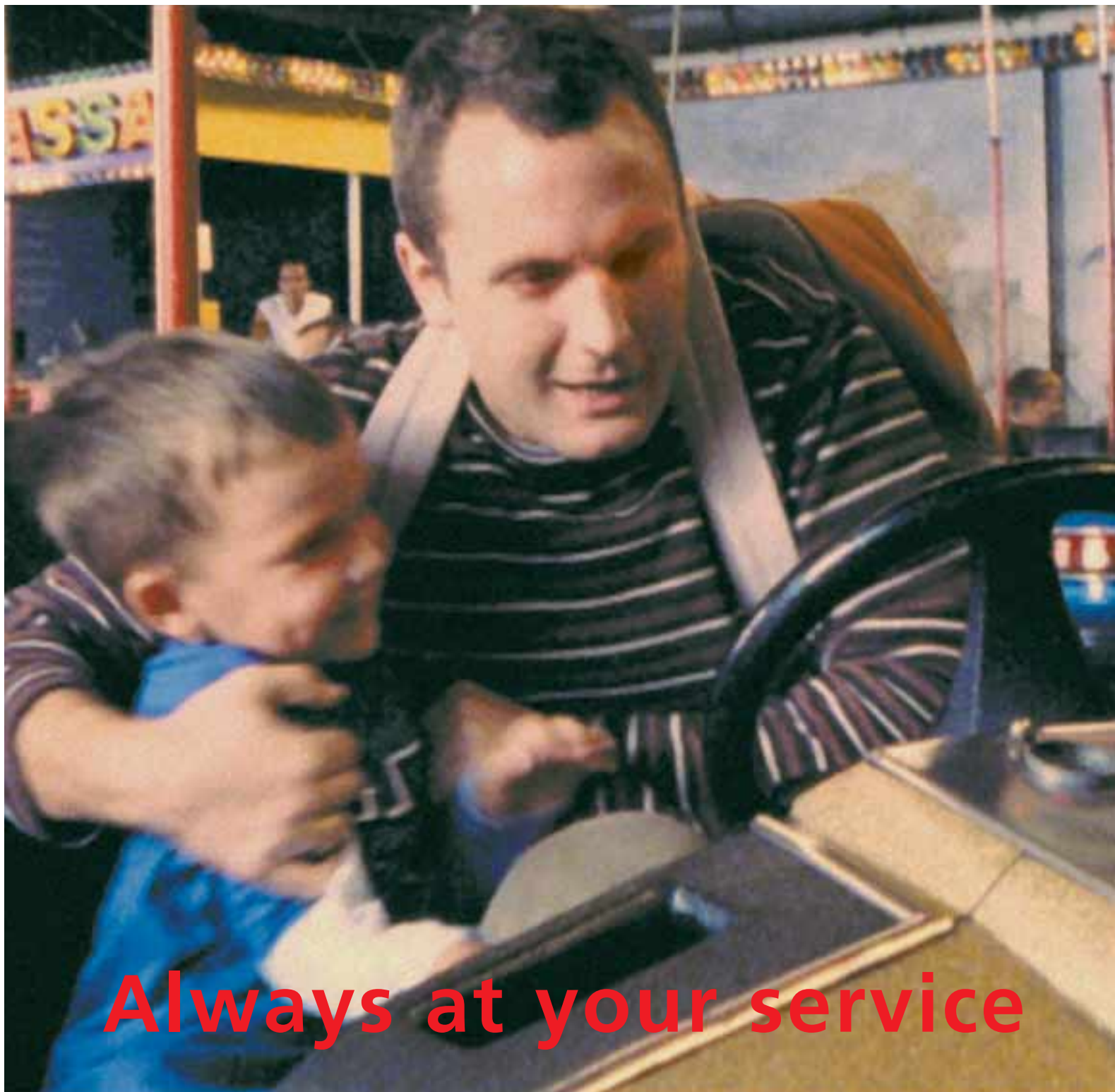


Energie
vernünftig
nutzen

EVN

**Annual Report
2002/03**



Always at your service

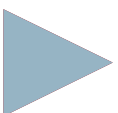


Always at your service – this is the punch line of a TV commercial with which EVN is currently advertising its services portfolio and, above all, drawing attention to its basic business approach. Our claim actually goes far beyond being available to our customers “at all times” or “around the clock”. For irrespective of whether a reliable supply of electricity, gas, heating, water and telecommunications, the generation of environment-friendly electricity and heat from renewable energy sources, or complete individual support at EVN’s 26 customer centres is involved, EVN is quite literally always at your service.

As a multi-service utility with an extensive, competitively priced range of products and services on a one-stop shop basis, EVN guarantees the supply of public and infrastructure services in both Lower Austria and beyond. This sense of certainty is also communicated in the TV commercial.

Images and sequences from the commercial were the inspiration for the illustrations contained in this Annual Report. The Austrian artist and graphic designer, Alexander Rendi, has thus continued his already traditional, creative interpretations of current EVN advertising. As is the case with EVN activities, the main focus is on people, i.e. customers.

View Spot: www.investor.evn.at



Key figures

		2002/03	2001/02	2000/01	1999/00	1998/99
Sales						
Electricity						
Electricity sales volumes	GWh	9,656	8,624	7,773	8,826	6,193
Electricity revenues	EUR m	608.1	556.5	549.2	592.3	558.7
Gas¹⁾						
Gas consumption	m m ³	1,406	2,317	1,589	1,609	1,616
Gas sales volumes	m m ³	1,072	1,895	1,322	1,336	1,381
Gas revenues	EUR m	304.1	417.2	343.8	254.9	256.7
Heating						
Heating sales volumes	GWh	877	786	721	712	671
Heating revenues	EUR m	42.0	36.5	34.1	26.8	24.3
Water²⁾						
Water sales volumes	m m ³	26	24	23	24	22
Water revenues	EUR m	21.4	18.7	17.7	17.5	16
Income statement						
Sales revenues	EUR m	1,082.1	1,113.9	1,014.7	948.1	902.4
EBITDA	EUR m	227.5	250.0	243.8	255.3	236.4
EBITDA margin	%	21.0	22.4	24.0	26.9	26.2
Operating result (EBIT)	EUR m	102.5	127.9	121.0	119.4	113.6
EBIT margin	%	9.5	11.5	11.9	12.6	12.6
Result before tax	EUR m	145.4	137.6	126.3	127.4	-301.1
Net result	EUR m	102.6	89.5	87.8	94.5	-187.0
Earnings/share	EUR	2.73	2.39	2.56	2.78	-5.50 ³⁾
Balance sheet						
Balance sheet total	EUR m	2,993.8	2,803.9	2,498.6	2,215.0	2,125.0
Equity	EUR m	1,137.5	1,041.1	1,013.0	849.9	797.6
Equity ratio	%	38.0	37.1	40.5	38.4	37.5
Net debt	EUR m	347.0	441.9	342.1	269.2	277.3
Gearing	%	30.5	42.4	33.8	31.7	34.8
Cash flow and investments						
Cash flow from operations	EUR m	213.2	263.9	190.1	207.0	289.1
Investments in tangible assets	EUR m	228.0	161.7	157.7	177.3	212.2
Employees						
Number of employees	Average	2,317	2,199	2,204	2,221	2,276
EBIT/employee	TEUR	44.3	58.2	54.9	53.7	49.9
Value added						
Capital employed	EUR m	2,206.9	2,066.2	1,802.8	1,626.6	1,569.4
Return on equity (ROE)	%	9.4	8.7	9.4	11.3	7.7 ⁴⁾
Return on capital employed (ROCE)	%	6.2	6.1	6.4	7.5	6.0 ⁴⁾
Dividend/share	EUR	0.75 ⁵⁾	0.70	0.70	0.73	0.73 ³⁾

¹⁾ From January 1, 2003, excluding gas key account sales and gas trading due to the transfer to EconGas

²⁾ Take-over and consolidation of evn wasser from July 1, 2001; retrospective presentation for the respective periods from October to September

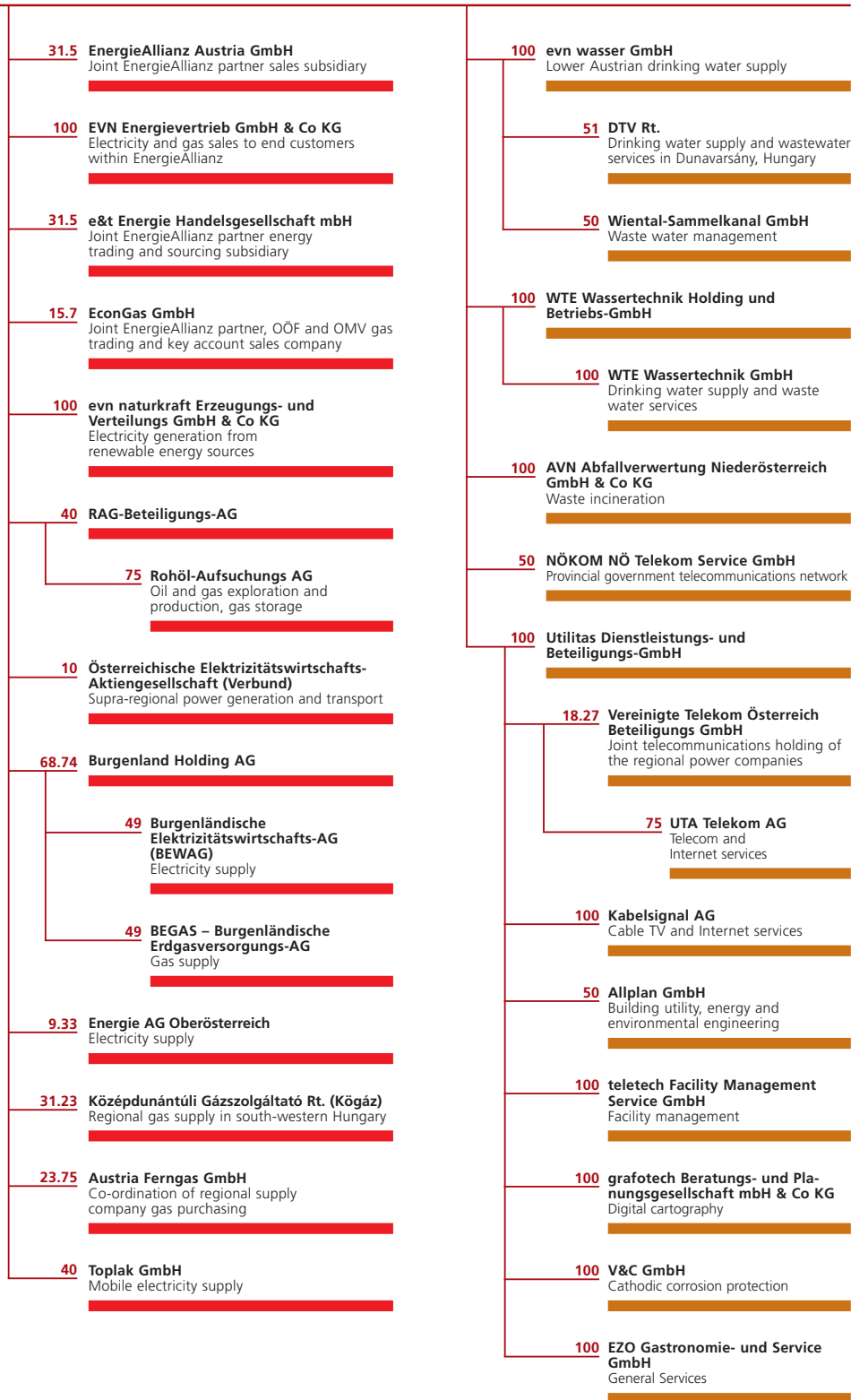
³⁾ Adjusted for the 1:3 share split as per June 23, 2000

⁴⁾ Excluding exceptional measures due to electricity market deregulation

⁵⁾ Proposal to the Annual General Meeting

The EVN Group

EVN AG subsidiaries



■ Energy business
 ■ Other infrastructure and supplementary services

As per October, 2003
 The main operative companies and Group holding companies are shown. Interests in %.

2002/03 at a glance

- ▶ Electricity, heating and water sales volumes higher than in the preceding year.
- ▶ Gas sales lower due to a change in sales structure.
- ▶ EBIT down on the preceding year.
- ▶ Net result improved.
- ▶ EconGas successfully active in the market since the beginning of 2003.
- ▶ "Austrian electricity solution" gets the green light from the EU Commission.
- ▶ Waste incineration plant goes into operation.
- ▶ WTE purchase brings a quantum leap in the water business segment.

	2002/03	2001/02	Change
	EUR m	EUR m	%
Sales revenues	1,082.1	1,113.9	-2.9
EBITDA	227.5	250.0	-9.0
EBIT	102.5	127.9	-19.8
Net result	102.6	89.5	+14.6
	EUR	EUR	
Earnings/share (EPS)	2.73	2.39	+14.2
Dividend/share	0.75 ¹⁾	0.70	+7.1

¹⁾ Proposal to the AGM

EVN: a leading supplier of energy, water and infrastructure services

EVN is an Austrian energy and services company, which provides its customers, who are mainly located in Lower Austria, the country's largest federal province, with electricity, gas, heat, water and related services on a one-stop shop basis using highly modern infrastructure.

The company is also aware of its responsibilities to the environment. Consequently, in recent years it has stepped up investment in the use of renewable energy sources such as water, wind power and biomass.

Another priority is high efficiency. To ensure further dynamic growth as a multi-service utility, EVN offers environment-friendly, competitively priced products, following a strategy that not only involves the expansion of its core business, but also targeted diversification into related business areas, e.g. waste incineration.

In an increasingly competitive market environment, EVN has also turned to partnerships with other energy companies in the electricity and gas areas. As a result, during recent years, the company has successfully established a competitive international position in the fields of energy trading and sales.

EVN is committed to a policy of maximum transparency and increased shareholder value and strives to ensure long-term success.

Contents

Key Figures	front flap
The EVN Group	front flap
Highlights 2002/03	1
Company Profile	2
Stability and Growth	
Foreword	4
Corporate Bodies	6
Corporate Governance	8
Strategy	9
The EVN Share	14
Human Resources	19
Research & Development	22
Risk Management	23
The 2002/03 Financial Year	
Management Report	
Legal framework	27
General economic and energy sector environment	29
Overall business development	31
Outlook	38
The Individual Business Areas	
Electricity	40
Gas	43
Heating	45
Water	47
Waste incineration	50
Supplementary services	51
Investments in Energy Companies	54
Consolidated Financial Statements according to IFRS	56
Balance sheet	58
Income statement	59
Cash flow statement	60
Changes in equity	61
EVN Group investments	62
Notes	64
Auditors' Report	85
Report of the Supervisory Board	86

Stability and Growth

Ladies and gentlemen,

“Stability and growth” was the motto of EVN’s second Capital Markets Day held at the beginning of September 2003, which provided financial analysts and investors with a detailed insight into the company and, above all, EVN’s strategic position in the new European competitive structure. Stability and growth are the cornerstones on which our future is built and form the foundation for continuing, dynamic and successful development.

Results 2002/03

This development is confirmed by EVN’s solid performance during the 2002/03 financial year. However, there was a decline in the operating result due to a change in the gas sales structure relating to the “Austrian solution”, the considerable burden caused by increased energy purchasing prices and cuts in network tariffs in the electricity and gas sectors. Nevertheless, these negative factors were counterbalanced by a marked improvement in the financial result. All in all, EVN’s net result was 14.6% up on that of the previous year. Against this background, the dividend for the 2002/03 financial year is to be raised to EUR 0.75.

Radical changes in the EU – market liberalisation and expansion to the East

The liberalisation of the European electricity and gas industries, as well as the impending EU expansion to the east, also mean radical change for EVN. The enlargement of the European economic zone will bring a lasting alteration to Austria’s position, as the country will find itself in the middle of the European region with the strongest growth rates and should benefit from the inherent dynamism in this enlarged economic area. This should in particular apply to EVN, whose supply area directly borders on the new member states.

Numerous opportunities, but also risks

These fundamental changes pose numerous challenges to EVN, the largest of which is the necessity of adjusting to the altered competitive situation. Other questions range from the long-term security and quality of supply and the guarantee of sufficient generation capacity, to the attainment of the critical size needed for the deregulated European market. At the same time, responses to the economic consequences resulting from unbundling, implementation of the Kyoto targets and future CO₂ emission trading have to be defined.

Moreover, apart from access to new customers, market liberalisation has opened up other attractive new possibilities. Following the initial deregulation phase and the formation of pan-European market participants, there are indications that a period of consolidation and restructuring has begun. This will also provide EVN and its partners with interesting opportunities.



Clear strategy: strong positioning as a multi-service utility

Against this backdrop, EVN is looking for sustained growth in its core energy business, as well as national and international expansion in new business areas with high growth potential. Moreover, in order to achieve success in the growing European market, we have redefined and decisively strengthened our market position.

As in preceding years, the focus during the past financial year was on our efforts towards achieving the consolidation of the Austrian electricity and gas markets. The objective of EVN and its partners is to jointly seize the opportunities offered by the opening up of the markets in an enlarged Europe through the formation of companies, which will be of sufficient size to compete internationally.

Parallel to the consolidation of our common market position, we succeeded in making decisive progress in our water and waste incineration business areas.

Waste incineration plant goes into operation

The waste incineration plant built by our fully owned subsidiary AVN, which is one of the most modern of its type in Europe, will go into full operation as scheduled at the beginning of 2004. This will make a major contribution to the ability of Lower Austria to adhere to the new legal regulations concerning waste treatment, which will take effect next January. Simultaneously, waste incineration has opened up a new business area for EVN, which offers stable revenues and good growth prospects. The know-how obtained will be employed for further projects in this area, which means that in future waste management will be of growing significance in our portfolio.

Expansion of water business

In the water market, we decisively strengthened our position through the acquisition of the German company, WTE Wassertechnik GmbH. The WTE Group plans, builds, finances and operates municipal and industrial water and wastewater plants and with this combination has been successful in the CEE market for many years. The company is therefore ideally equipped to profit from the anticipated economic and market growth in the region.

Through this acquisition, EVN has acquired numerous, promising business opportunities related to the restructuring of the municipal water sector in both Austria and internationally. Following the takeover of evn wasser in 2001, the second largest Austrian water supplier, which focuses on drinking water, we have now sharpened up our profile as a complete supplier for the entire water sector. This is because the competences of evn wasser and WTE are complementary in an ideal manner. Due to the need for extensive investment in the drinking and wastewater sectors, we anticipate sizeable growth opportunities in the years to come.

These are exemplified by the fact that WTE has not only already completed two wastewater treatment plants in Moscow, but with a ground-breaking ceremony carried out by the mayor, Jurij Lushkow, in mid-October 2003, has now commenced a further extremely interesting project with the construction of a drinking water supply plant for one million Muscovites.

A focus on renewable energy

For the production of electricity and heat, EVN seeks to use renewable energy and the very latest generating technologies to the maximum extent possible. Indeed, a flexible mix of alternative energy, hydropower and heat, forms the mainstay of our secure supply systems.

The period under review again witnessed the commissioning of numerous new wind power and biomass-fired power plants. As in the preceding year, detailed information concerning these activities, as well as other company initiatives relating to sustainability, can be found in the Sustainability Report, which accompanies this Annual Report.

Supply and legal security

One particularly sensitive aspect of liberalisation is security of supply, which during recent months has become a highly topical matter. The electricity shortages and temporary power cuts in some European countries, as well as the largest power failures in the history of the USA and Italy, underline the importance of a functioning power supply system like that in Austria.

Recent developments have shown that a reliable, high-quality energy supply in Europe is dependent on a sensitive balance between market regulations, sourcing conditions, technical network demands and capital market requirements. This demonstrates that any consideration of the liberalised market may not focus merely on short-term cost and price reductions, but also, and above all, consider the long-term guarantee of supply and quality to the benefit of our customers and shareholders. The very flexible mix available in Austria's lineborne energy industry and the high levels of both supply security and quality are certain to establish benchmarks for the future.

A reliable legal framework also plays an important role in this regard. The experiences of recent years show that continuous change is not ideal for the provision of a secure basis for decision-making in an industry, which traditionally has extremely long-term investment cycles.

Outlook

The results for the 2002/03 financial year confirm the probity of our strategy of achieving continued success in free competition as a strongly positioned multi-service utility with a solid financial structure that can offer customers an extensive and attractive range of products and services. We will continue to co-operate in the consolidation of the Austrian energy industry and look for additional growth in our new business areas. In the interests of our shareholders, customers and employees, in future we will do everything to maintain this strategy, in order to actively exploit the opportunities offered to us and our partner companies by EU expansion to the East.



Rudolf Gruber
Chairman of the Executive Board

Maria Enzersdorf,
November 2003

Corporate Bodies

Executive Board



Herbert Pöttschacher

Member of the Board

Born 1949, degree in surveying, development and environmental planning. Member of the EVN Board since July 1995. Herbert Pöttschacher has executive responsibility for power station engineering, general administration and internal auditing.

Rudolf Gruber

Chairman

Born 1933, doctor of law. EVN Chairman since January 1968 (1968 – 1987 NEWAG and NIOGAS). Rudolf Gruber has executive responsibility for energy business, business administration, Group communications and investor relations, human resources and legal matters.

Peter Layr

Member of the Board

Born 1953, doctor of technical sciences. Joined EVN in 1978 as an engineer, member of the board since October 1999. Peter Layr has executive responsibility for network engineering, technical operations, engineering and environmental controlling.

Supervisory Board

Chairman

Theodor Zeh

Vice-Chairpersons

Stefan Schenker

Traude Dierdorf

Members

Walter Aigner

Edgar Führer

Norbert Griesmayr

Gottfried Holzer

Reinhard Jordan

Helmut Krünes

Robert Lehner

Franz Madl

Wolfgang Peterl

Gerhard Posset

Leopold Richentzky

Michaela Steinacker

Employee representatives

Franz Hemm

Otto Krupka

Rudolf Rauch

Friedrich Jelinek

Leopold Rösel

Peter Ruis

Günter Stadler

Manfred Weinrichter

Environmental Advisory Committee

Siegfried Ludwig
(Chairman)

Wolfgang Berger

Reinhard Dayer

Wolfgang Frank

Rudolf Friewald

Helmut Frisch

Albert Hackl

Walter Hatak

Ernst Höger

Oswald Jahn

Herbert Kaufmann

Heinz Kaupa

Helmut Kroiss

Hermann Kührtreiber

Günther Leichtfried

Herbert Peninger

Adolf Stricker

Paul Weiß

Heinz Zipper

Employee representatives

Leopold Buchner

Franz Ziegelwagner

Corporate Governance

EVN introduces its own corporate governance code to ensure complete transparency

Clear, easily understood regulations

Good corporate governance is part of EVN's corporate approach and in September 2003 the company introduced its own separate code. As a result, for the first time shareholders, management and employees have access to a manual, which offers a clearly structured and easily understandable presentation of the management and control procedures in place at EVN. Unlike the Austrian Corporate Governance Code, which due to the diversity of the companies involved must offer room for manoeuvre in many areas, the EVN Corporate Governance Code clearly regulates all the areas addressed. At the same time, a corporate governance officer has been appointed, with the task of checking compliance with the code and reporting the resultant findings to the Supervisory Board.

Balanced relationship between management and control

EVN regards corporate governance as being the sum of all the basic principles concerning shareholder interests, which focus on transparency and a balanced relationship between management and control, while preserving the ability of the uppermost levels of company management to take decisions and act efficiently. In line with the Austrian Corporate Governance Code, EVN has combined those principles, which are best suited to the optimisation of responsible corporate management and control, that is geared to creating a long-term rise in value. The code should serve as a guide to shareholders and the general public during their investment decisions and secure EVN's competitiveness in the international capital markets.

Sustainability aspects included

In this regard, EVN goes beyond purely managerial aspects and sees the term good corporate governance as also meaning the securing of corporate success, a protective approach to natural resources and responsibility towards employees and society. In the Sustainability Report, which accompanies this document, EVN provides detailed and transparent information concerning initiatives in line with the concept of sustainability-oriented corporate management.

The Code of Corporate Governance of EVN is available on the investor relations homepage at **www.investor.evn.at/CorporateGovernance**.

The development of the corporate governance standard of the capital markets is continually monitored. This allows the EVN Corporate Governance Code to be adjusted on the basis of the company's own experience and that of third parties, in order to best achieve the desired objectives.

Strategy

Always at your service. Forward



Strategy

Multi-service utility

One-stop energy, water and infrastructure services

In the course of the implementation of its multi-service utility concept, during recent years EVN has completed the transition from being purely an energy company to a customer-oriented provider of public services. Apart from the integrated supply of electricity, gas and heat, the company has also been able to establish additional activities in core business related areas such as water, waste incineration and telecommunications, which possess dynamic growth potential. In the medium-term, the water and waste treatment areas should account for up to one-third of total EVN Group sales revenues and thus secure the future earnings power of the Group.

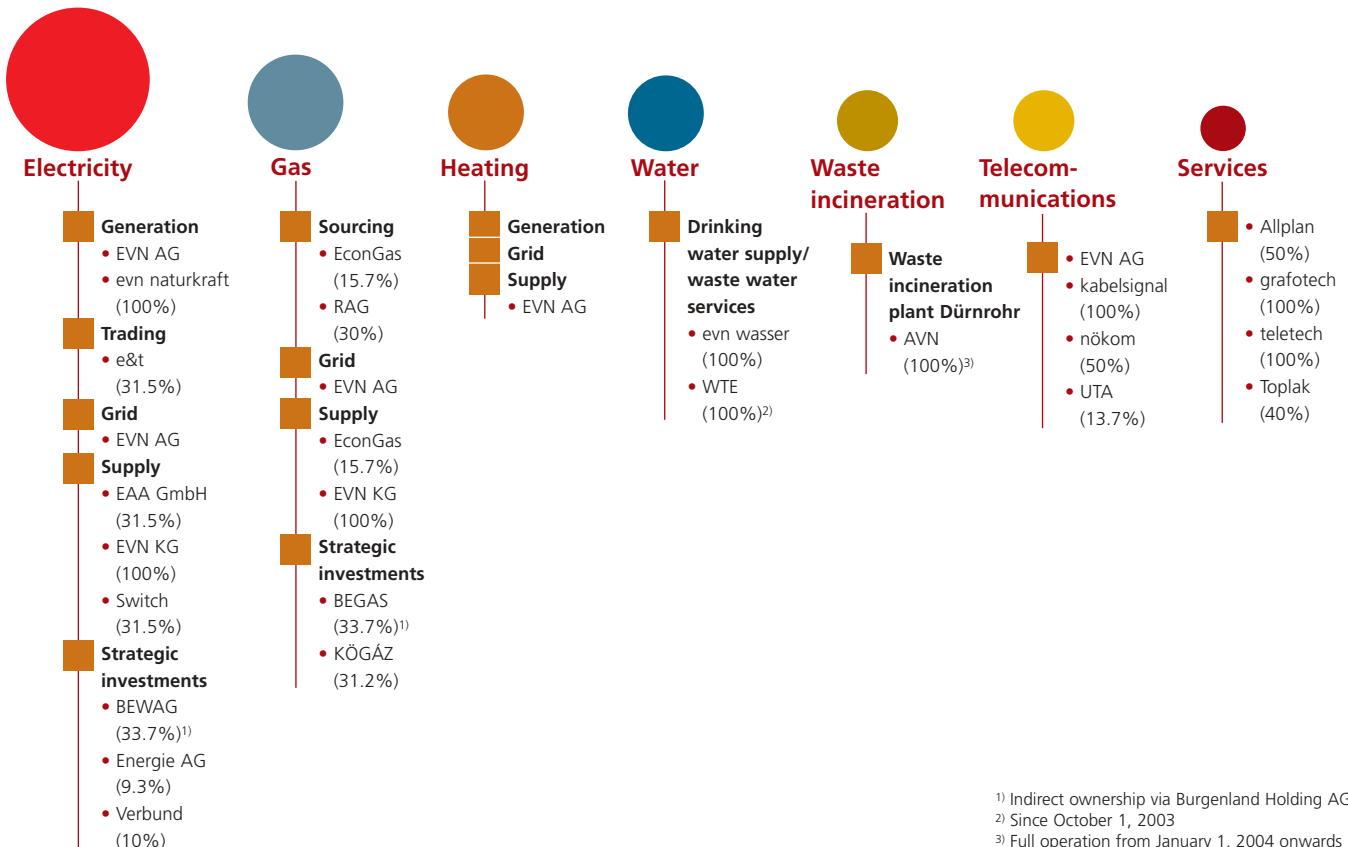
Horizontal and vertical integration

Integrated energy services with cost and customer advantages

Horizontal and vertical integration in the electricity, gas, heating and water areas, where the EVN Group covers the entire value added chain from production to the supply of end customers, provides the company with cost advantages and EVN customers with a chance to obtain a complete range of energy, water and infrastructure services on a one-stop shop basis.

Apart from the umbrella brand "EVN", the criteria for success in this regard include a local presence, individual support and reliable around-the-clock fault repair service. In order to secure optimum service standards in all customer segments, a general differentiation is made between individual customer groups and their specific needs and interests.

EVN Group / Business area activities



¹⁾ Indirect ownership via Burgenland Holding AG

²⁾ Since October 1, 2003

³⁾ Full operation from January 1, 2004 onwards

Optimised performance and efficiency

Supply autonomy

Increasing price volatility and temporary power shortages on the European continent highlight the importance of possessing flexible, in-house generation capacity. Therefore, in years to come, EVN will continue to focus on the ongoing optimisation of the output and efficiency of its production facilities. At the same time, continuing power station automation will lead to an improvement in plant reliability.

High-quality network infrastructure for electricity, gas, heat, water and telecommunications

High standard of distribution

Apart from the provision of sufficient quantities of electrical power at competitive prices, reliable distribution is a decisive factor in a secure, high-quality electricity supply. This is especially the case with regard to transmission, where customers must depend on their regional network operator.

As an operator of electricity, gas, heat, water and telecommunications networks, during recent years EVN has invested in high-quality, sustainable infrastructure and has thus created the basis for a functional supply system. However, as is the case with generation plant investment, a long-term, organised legal framework is required in order to maintain the high standards, that EVN seeks to fulfil.

EnergieAllianz and "Austrian solutions" for electricity and gas

Strong position in a liberalised European energy market

Against the background of the deregulation of the European electricity and gas markets, EVN has sought to enhance its corporate competitiveness through new partnerships. Together with other regional suppliers, which are united in the EnergieAllianz founded in 2000, and traditional, national wholesale suppliers such as Verbundgesellschaft and OMV, "Austrian solutions" have been created for the electricity and gas sectors.

Numerous advantages from partnerships

Both concepts envisage the merger of major sections of the energy businesses of the partners involved. In future, joint companies will be responsible for sourcing, trading and key account management. Numerous advantages will be gained from these partnerships, extending from economies of scale and secure access to environment-friendly electricity from Austrian hydropower, to the sharing of the risks involved in take-or-pay agreements relating to gas supply.

While EconGas, the joint subsidiary in the gas sector, has already started to operate, operations in the electricity field are expected to commence in 2004, following the implementation of the stipulations laid down by the EU Commission for the approval of the partnership.



Gas sourcing, storage, trading and key accounts

• **EconGas**

In the gas area, EconGas GmbH has been operating successfully since January 1, 2003 as a central hub for sourcing, storage, trading and key account sales. This concentration of partner company activities means that for the first time, a combination of wholesaling and distribution has been achieved in the Austrian energy industry. EconGas is 50% owned by the EnergieAllianz partners and Oberösterreichische Ferngas (OÖF) on the one hand and OMV on the other. EVN has a 15.7% holding.

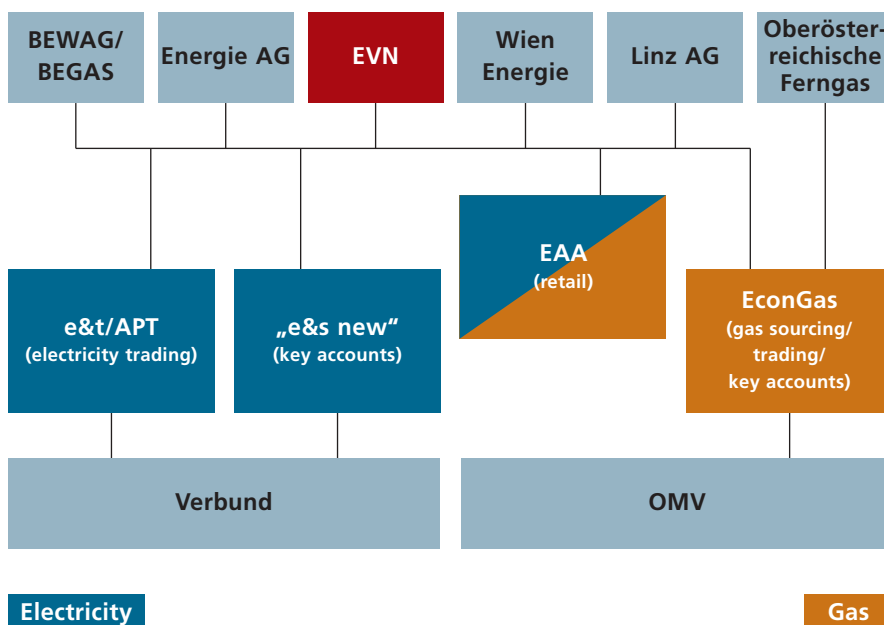
With a gas volume of 6 bn m³ and sales revenues of around EUR 1.1 bn in its first business year (April 1, 2002 – March 31, 2003), EconGas numbers among the top 20 companies in Europe and is pursuing a clear growth strategy. Its core activity consists of the direct sale of natural gas to Austrian and other European business customers with annual demand in excess of 500,000 m³. The second EconGas focal point is the development of its trading business on the international markets. The first on-line auction of natural gas in Europe, which took place in July 2003 and involved 250 m m³, marked the entry of EconGas into a new and decisive phase in the liberalisation of the Austrian gas market. In addition, the company also fulfilled its commitment to support the formation of a liquid natural gas market. On the basis of this pioneering achievement, during the coming years, EconGas intends to expand the Baumgarten natural gas hub into a trading centre and thus consolidate its position in the international market.

Electricity trading

• **APT**

In the electricity sector, Austrian Power Trading AG (APT) is intended to sell the entire production of the partners and thus participate in the international market. The Verbundgesellschaft will own a two-thirds stake in the company, the EnergieAllianz, one-third. EVN will receive a 10.5% holding. Apart from economies of scale, with a planned annual trading volume of approximately 100,000 GWh, APT has the potential opportunity to become one of Europe's top ten electricity trading houses. APT's yearly sales will total around EUR 3 bn. In the course of the "Austrian electricity solution", e&t, which was previously responsible for the electricity trading activities of the EnergieAllianz partners, will be merged with APT.

"Austrian solutions for electricity and gas"



Key account electricity sales

- **“e&s new”**

“e&s new” will be responsible for electricity sales to key accounts with an annual requirement in excess of 4 GWh. The EnergieAllianz will own a two-thirds stake in the company, the Verbundgesellschaft, one-third. EVN will receive a 21% holding. Once in full operation, “e&s new” will have annual sales of around 8,000 GWh. Thanks to its size, “e&s new” has the opportunity to serve customers beyond Austria’s borders.

Retail sales

The supply to other customers, comprising private households and commercial companies, will continue under the “EVN” umbrella brand. In order to also exploit economies of scale and synergies in this area, EnergieAllianz partner retailing has been concentrated in EnergieAllianz Austria GmbH (EAA). Operative customer supply is now the responsibility of the joint sales subsidiaries of EAA and the regional partner companies. In EVN’s case, this is EVN Energievertrieb GmbH & Co KG.

New business areas – further development of water and waste activities

Apart from further expansion in its core energy business, expansion in the supplementary areas of water and waste incineration represents an important aspect of EVN’s strategy.

WTE takeover

- **Penetration of the complete value added chain in the water business area**

With the takeover of the WTE Group, EVN has decisively strengthened its position in the water market and has thus sharpened up its profile as a complete supplier for the entire water business sector. EVN can now act as a partner to local government and offer comprehensive services in the area of drinking water supply and wastewater treatment both in Austria and internationally. The restructuring of the municipal water sector, awaited in the wake of the EU water directive, will also open up additional perspectives for EVN in the water sector.

Utilisation of AVN know-how

- **Waste incineration**

Following the successful building and start-up of AVN’s waste incineration plant adjacent to EVN’s Dürnrrohr thermal power station, the know-how thus acquired, as well as the technology and the sophisticated logistics concept, will now be used for other projects. In view of the existing legal framework in Europe, waste incineration represents a growth market with large capacity requirements.



The EVN Share

Always at your service. Forward



The EVN Share

Varied international stock exchange pattern

The EVN share suffers falls in both price and turnover

During the period between October 2002 and September 2003, the international stock markets continued to be affected by the depressed economic situation and uncertainties relating to both the Iraq war and the SARS crisis. Therefore, the markets initially showed considerable volatility. However, following a slump in the first quarter of 2003, the most important indices have steadily improved since mid-March 2003 and exceeded the levels of September 2002. Between the beginning of October 2002 and the end of September 2003, the Dow Jones Index demonstrated growth of 18.2% while the DAX rose by 13.7%.

The ATX was again able to clearly buck the international trend and, following a brief period of weakness at the beginning of the period under review, rose continually. Overall, the index showed a 27.8% increase in value during EVN's 2002/03 business year.

The Dow Jones Euro Stoxx Utilities showed far less dynamism. Apart from a sharp fall during February and March 2003, during the period under review the index only rose by a total of 1.1%. In the same period, the EVN share lost 15.4% of its value and its turnover on the Vienna Stock Exchange declined from EUR 334.4 m to EUR 106.6 m. The over-the-counter sales (OTC sales) figures for Prime Market companies, which were published for the first time by the Vienna Stock Exchange and the Austrian Financial Market Authority, showed sales of EVN shares totalling EUR 200.2 m. This corresponds with a 65.3% share of overall EVN share turnover.

FTSE4Good and Ethibel

EVN share represented in two sustainability indices

EVN is represented in the FTSE4Good and Ethibel sustainability indices. These indices comprise companies, which meet recognised, international standards relating to responsibility for the environment and stakeholders (shareholders, employees, customers, and society). Thus, the indices serve as a benchmark for ecologically and ethically oriented investors, whose numbers have risen steadily in recent years. For EVN, inclusion in these indices is a clear confirmation of the management's commitment to the sustained economic, ecological and social development of the company.

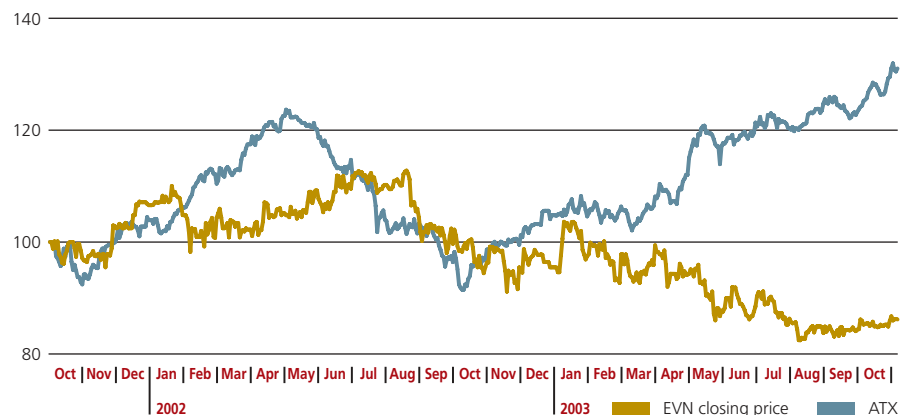
Index weighting of the EVN share

September 30, 2003

ATX (Austrian Traded Index)	2.39%
ATX Prime	2.11%
WBI (Vienna Stock Exchange Index)	3.58%

EVN share price and ATX (Austrian Traded Index) – relative development

Base: October 1, 2001



The EVN share

Basic information

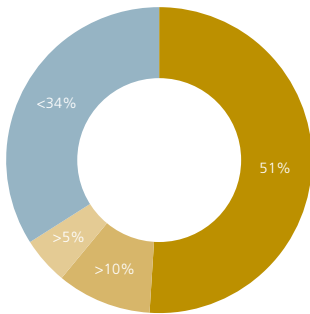
Share capital	EUR 91,072,392.62 37,581,455 non-par value shares
ISIN security code number	AT0000741053
Tickers	EVNV.VI (Reuters); EVNE AV (Bloomberg); AT; EVN (Dow Jones); EVNVY (ADR)
Stock exchange listings	Vienna; Frankfurt; Munich
ADR programme; depositary	Sponsored level one ADR programme (5 ADR = 1 share); Bank of New York
Ratings	AA- (Standard & Poor's); Aa3 (Moody's)

Performance

		2002/03	2001/02	2000/01
Share price at the end of September	EUR	36.22	43.98	42.08
Highest price	EUR	44.50	48.43	43.98
Lowest price	EUR	35.40	41.00	27.25
Value of shares traded¹⁾	EUR m	106.6	334.4	488.8
Share of total turnover¹⁾	%	0.6	2.8	3.0
Market capitalisation at the end of September	EUR m	1,361	1,653	1,581

¹⁾ Vienna Stock Exchange

Ownership structure



■ Province of Lower Austria
■ EnBW
■ Raiffeisenlandesbank Oberösterreich
■ Free float

As per November 2003

Ownership structure

Various changes took place in the ownership structure of EVN during the past financial year. On the basis of constitutional law requirements, the province of Lower Austria is the majority shareholder with around 51% of company stock. In addition, EnBW Energie Baden-Württemberg AG owns more than 10%, while Raiffeisenlandesbank Oberösterreich holds over 5%. The remaining shares make up the free float. Around 0.3% of stock is held by the EVN work force.

Fair return for shareholders**Stable dividend policy**

The EVN dividend policy is based on sustained, continuous development. It takes into account long-term growth prospects, EVN's future investment and financing requirements, and an appropriate return for company shareholders.

In view of the increase in the net result, the Board will propose an increase in the dividend per share for the 2002/03 financial year from EUR 0.70 to EUR 0.75 to the Annual General Meeting. This corresponds with a payout ratio of 27.5%.

Credit ratings unchanged**Ratings**

The stable spread of EVN issues on the secondary market and the unchanged ratings from Moody's (Aa3) and Standard & Poor's (AA-) indicate that with regard to its credit worthiness, EVN continues to number among the leading European energy supply companies.

Financial calendar 2003/04

75th AGM	
EVN FORUM, Maria Enzersdorf	January 23, 2004
Ex-dividend day	January 28, 2004
Dividend payment	January 30, 2004
Result Q. 1, 2003/04¹⁾	February 25, 2004
Result HY 1, 2003/04¹⁾	May 26, 2004
Result Q. 1-3, 2003/04¹⁾	August 25, 2004
Annual results press conference 2003/04¹⁾	December 14, 2004

¹⁾ Provisional



Investor relations

Deregulation of the European energy markets has meant radical changes for EVN and its shareholders, which extend from altered preconditions for business to shifts in the shareholder structure.

EVN Capital Markets Day

In view of these circumstances, during the 2002/03 financial year, EVN undertook a number of initiatives in the investor relations area. In September 2003, a Capital Markets Day was held at the EVN FORUM for Austrian and international financial analysts and institutional investors. This provided the participants with a detailed insight into the company's operations, the changing Group structure and EVN's new business areas. In addition to the half-yearly presentation of results in Vienna and London, during the period under review, EVN also completed road shows in Europe and the USA and made presentations at a number of financial conferences.

Extensive research coverage

At present, EVN is covered by Bank Austria Creditanstalt (Vienna), CDC IXIS Securities (Paris), Erste Bank (Vienna), Merrill Lynch (London), Morgan Stanley (London) and RCB Raiffeisen Centro Bank (Vienna).

Active communications with EVN's retail investors continued in the period under review, and included a special private shareholder meeting and presence at an investment trade fair. Furthermore, EVN participated actively in the promotion of Vienna as a financial centre within the framework of the Austrian Capital Market Committee.

Investor relations homepage redesigned

Share information at a click

In order to meet the needs of the financial community for readily accessible and detailed information on the Internet in full, the EVN investor relations homepage has been redesigned and the range of services and information available considerably expanded.

Besides the customised services for individual shareholders in the "MyShare" section, the features of the new website include e-mail services for press releases and the EVN share price, the daily communication of the EVN share price via SMS, or a share price calculator, which shareholders can use at any time to obtain information concerning the performance of their investment.

More detailed information is available at www.investor.evn.at/infoservice.asp.



Human Resources

Always at your service. Forward



Human Resources

Well-trained and motivated employees

Human capital as a vital success factor

Particularly in a liberalised market, well-educated, service-oriented and motivated employees constitute a major prerequisite for sustained, successful corporate development.

Human resources management principles

In the course of its efforts to be an attractive and fair employer, EVN sees itself obliged to adhere to a number of fundamental principles:

- **Equal treatment and opportunities**

For EVN, equal treatment and opportunities for its entire work force are a matter of course.

- **Employee protection**

Statutory safety regulations are supplemented by a detailed internal organisational instruction manual and a "Safety Handbook", which are specially tailored to the working conditions in the energy industry (electricity, natural gas, heat, water, network and power station operation).

- **Transparency**

The supply of the work force with current and comprehensive information concerning ongoing company development is one of the most important communications assignments within EVN.

Flexitime model without core time

Flexible working hours

EVN offers its work force a flexitime model without core time, i.e. without a fixed period of obligatory attendance, in order to further enhance the already high levels of personal responsibility, general efficiency and customer service within the company.

Two or more qualifications encouraged

Competence enhancement

To realise the "One Face to the Customer" concept, a single employee must be able to provide comprehensive information regarding all of EVN's energy and services activities and be capable of working in any of these areas. For these reasons, EVN encourages its work force to acquire two or more professional qualifications. Accordingly, 39 EVN employees concluded additional training as electricity, gas or heating fitters during the past financial year.

With expenditure of around EUR 1.1 m (seminar charges, trainers, e-learning), EVN spent slightly more on further training during the 2002/03 financial year than in the comparable period of 2001/02.



Growth of 5.4%

Employee numbers

During the 2002/03 financial year, the average Group work force increased by 5.4%, or by 118 people, from 2,199 to 2,317. The main reasons for this increase were the completion of recruitment for the AVN waste incineration plant as well as the extensions to the scope of consolidation. At present, EVN is training 54 apprentices.

Average number of employees¹⁾

	2002/03	2001/02	2000/01	1999/00
EVN AG	1,966	1,997	2,041	2,135
Other business areas	351	202	163	89
EVN Group total	2,317	2,199	2,204	2,221
Thereof apprentices	54	31	11	15

¹⁾ Full-time basis

Details of EVN's activities in the interests of its employees are contained in the EVN Sustainability Report 2002/03, which is published with this Annual Report. Should you not have received this report, it can be ordered at any time via www.investor.evn.at.



Research & Development

Numerous, EU-funded projects

During the 2002/03 financial year, EVN again took part in a number of research projects, which also received EU funding. Up to 15 employees worked a total of about five man-years on the various projects in the period under report.

Increased efficiency and reduced use of primary energy

Focus on clean, safe and efficient hard coal firing

In co-operation with international partners, research took place at the Dürnrrohr power station into possible increases in efficiency as well as reductions in the use of primary energy during the generation process derived from the use of the now operational steam link with AVN's waste incineration plant. Other research took place into the safe use of coal, e.g. through the prevention of mill explosions and the self-ignition of hard coal.

Use of alternative fuels

During the past two years, EVN has also carried out tests at the Dürnrrohr power station involving the use of alternative fuels. On the basis of the information gained, future research is also to take place with regard to the indirect firing of secondary fuels (grains, sewage sludge, etc.). The major advantage of these substances lies in their CO₂ neutrality, which means that they can be employed for power generation without adding to the greenhouse effect.

Successful pilot plant operation

Electricity from biomass

During the period under review, an interesting project for the generation of electricity from biomass entered a decisive phase with the commencement of pilot operation. Within the "Renewable Energy Network Austria" (reNet Austria), EVN and partners from the scientific and plant building areas have completed a pilot plant in Civitas Nova, a suburb of Wiener Neustadt. The plant generates wood gas from forest chip-pings, which is then employed by a gas engine for electricity production. The next objective is to demonstrate stable, continuous running for commercial applications.



Risk Management

Always at your service. Forward



Risk Management

Strategic risk controlling across the Group

Risk management organisation

Legal frameworks, fluctuations in the purchase prices for energy and other raw materials, as well as the competitive environment in which they operate all influence the business development of utility companies. In order to accommodate the changes in the energy industry derived from deregulation, EVN has gradually introduced financial and energy business risk controlling, which has now been expanded to include strategic risk controlling across the Group.

A separate staff unit has been formed to deal with risk controlling. In addition, an integrated reporting and control system has been installed to assist with the rapid identification, evaluation and control of strategic and operative risks and opportunities.

Integrated planning and control system

In the interest of a long-term increase in corporate value, EVN is employing a multi-phase, integrated planning and control system, which measures and controls business success on a regular basis with the help of given targets. Deviations from the planned values in actual development are identified and analysed periodically and the appropriate counter-measures are then taken. The Supervisory Board is also integrated into this process by means of regular reporting.

Parallel to these control systems, EVN also has an internal auditing department. This undertakes regular checks on business processes and organisational sequences with regard to their correctness, security and efficiency.

Risk categories

The main risks involved in the business of EVN and its Group companies:

Sales, sourcing and price risks

• Market risks

For EVN, the increasing intensity of competition in the liberalised energy markets is primarily linked to sales, sourcing and price risks. EVN reduces these risks through the use and enlargement of its own production plant capacity, trading activities and active portfolio and risk management.

EVN counteracts sales risks through partnerships, the development of new products and services, as well as the acquisition of both national and international acquisitions. Another major element in EVN's risk policy is the enlargement of its product and services range in core business related areas. Intensified marketing activities also serve to generate loyalty among existing customers and assist the enlargement of the customer base.

Political and legal risks

• Energy industry and network risks

Industry-related risks result mainly from changes in political and legal structures to which EVN and other energy suppliers are continually subject.

As a consequence of the legal unbundling of the transmission networks in the electricity and gas sectors sanctioned by the European Union, as well as the increasing pressure on network tariffs and falling revenues, economic disadvantages and a subsequent decline in accepted security of supply and quality standards is anticipated.

Performance and operating risks

- **Performance and operating risks**

EVN operates state-of-the-art plants for the production and distribution of energy and it is their complete reliability that forms the main prerequisite for company business activities. Accordingly, the company counteracts operational and break-down risks by means of stringent maintenance and quality controls, as well as regular maintenance checks and servicing. EVN also limits possible damage through insurance protection. As far as possible, threats to the IT network are excluded by modern security systems.

Foreign currency and interest management on a Group basis

- **Financial management risks**

Comprehensive guidelines, rules and limits have been defined for the EVN Treasury Management. In order to limit risks derived from shifts in exchange and interest rates, foreign currency and interest management is organised on a Group basis. Derivative financial instruments are also employed. Limits exist for this type of transaction and adherence is constantly monitored. In order to minimise the partner risk, this business is only conducted via banks with first class credit ratings.

Immediately after conclusion, all financial transactions are registered in a risk management system. This allows a daily overview of all the main risk indicators. EVN's financial risk situation is assessed on the basis of the value at risk indicator.

General risk

At present, EVN does not see any risks that could endanger the existence of the company. The functional capacity and the procedures of the risk management system are scrutinised by internal auditing and the Group auditors.



The 2002/03 Financial Year

Always at your service. Forward



Management Report

Legal framework

New EU directives for electricity and gas

The single market guidelines for electricity and natural gas were revised with effect from June 26, 2003. The main aspects of the new guidelines are:

- The member states are obliged to completely open their electricity and gas markets by July 1, 2007, at the latest.
- For vertically integrated energy companies, a legal unbundling of the network area with regard to legal form, organisation and power of decision has been stipulated.
- "Regulated network access" is the only permitted system and "negotiated access" practiced in some member states is to be abolished.
- The obligatory creation of regulative authorities is required.
- The regulations for the guarantee of security of supply and environmental protection are tightened.

The Austrian electricity market was deregulated entirely in October 2001 and the gas market followed in October 2002. Network access was regulated from the outset and regulative authorities already exist in the shape of E-Control GmbH and the E-Control Commission. During the realisation of unbundling, special attention will have to be paid to the maintenance of the security and quality of supply, the prevention of any disadvantages to network customers and, in particular, to the preservation of the synergies derived from historical, organic integration.



Unobjective and large tariff cuts prescribed

New network tariffs

The E-Control Commission has established new network tariffs per decree for EVN's gas business (as per October 1, 2002 and June 1, 2003) and for the electricity business (as per November 1, 2003). From EVN's viewpoint this large reduction in network tariffs lacked objectivity and a factual basis. Therefore, the company has challenged both decrees in the constitutional court.

A frequently announced incentive-based regulation model for electricity and gas network tariffs, which also includes a productivity comparison (benchmark system), will allegedly be introduced in the coming calendar year. However, in view of the fact that the parameters of this system of tariffs are yet to be defined, the effects cannot be precisely estimated at present. For EVN, which despite unfavourable topographical preconditions is the Austrian cost leader, such an incentive-based regulation model could prove to be generally advantageous.

Trading with CO₂ emission certificates from 2005

CO₂ directive

In the summer of 2003, the EU approved the so-called CO₂ directive, which envisages the introduction of trading in CO₂ emission certificates. The next step is for the distribution of emission rights to be regulated at national level by March 2004. Trans-European emission rights trading is due to commence in 2005. Within the terms of the Kyoto protocol for the reduction of greenhouse gas emissions, the EU undertook to complete an 8% cut. Moreover, within the terms of "EU burden sharing", Austria committed itself to achieving the highly ambitious target of a 13% cut in 1990 emission levels by 2012, which will have an effect on both generation costs and the market prices for electricity.

Waste treatment becomes obligatory

Landfill legislation

On January 1, 2004, the Austrian Landfill Decree and amendments to the Water Rights and Hazardous Waste Decontamination Act will come into effect. In line with these new regulations, throughout Austria, waste with a carbon content of more than 5 mass per cent or a calorific value of over 6,000 kJ/kg, is subject to obligatory treatment prior to deposition.



General economic and energy sector environment

Subdued economic climate continues

The business development of EVN and its subsidiaries in the business customer segment of the energy market is highly dependent on general economic conditions.

**Economic growth in EU during 2003
again below level of preceding year**

- **2002/03: continued weakness in the economies of the industrialised nations and stagnation in Germany**

The hopes for a rapid recovery in the international economy during the period under review were disappointed. In 2002, economic growth in the euro zone amounted to 0.8% in real terms (USA: +2.4%) and according to current forecasts will probably be even lower in 2003 at 0.5% (USA: +2.6%). Above all, Austria is affected by the poor state of the economy in Germany, which is by far its most important trading partner. In 2002, Austria registered growth of just over 1%, which may well fall to around 0.7% in 2003.

**Marked improvement expected in
2004**

- **Economic hopes focused on 2004**

Economists anticipate a marked improvement in the economic situation in the industrialised nations during 2004. Subject to the precondition that no new, international political crisis occurs, the euro zone could achieve growth of 1.5%–2%. On the basis of continued robustness in the CEE economies and high domestic demand, it would appear that real growth of 1%–2% is realistic for Austria.



General influences on the energy sector

Naturally, EVN's business activities are subject to the general influences affecting the energy sector. Climatic conditions and the demand for heating are major factors in this regard. At the same time, river water levels are also of relevance, as they have an impact on the possibilities for the generation of hydropower (hydraulic capacity) and hence the cost situation with regard to electricity sourcing. In addition, primary energy prices, which are largely determined by the price of crude oil, also play a crucial role in business success.

The 2002/03 financial year was characterised by the following main factors:

Much lower temperatures than in the preceding year

- During the period under review, temperatures were slightly higher than the long-term average but nonetheless clearly below the level of the preceding year. Measured in terms of the heating degree total, which represents the energy industry's standard indicator for temperature-related heating demand, it was 11.3% colder than in the 2001/02 financial year. This development had a generally positive effect on EVN sales.

Electricity and gas prices at high levels

- The high costs of energy sourcing continued to have a negative impact on EVN's results. The main reasons for this trend were the increase in sourcing prices for electricity and primary energy, as well as additional expenses for eco-electricity and balancing energy.

In the case of electricity, the heat and lengthy drought of the summer months were major factors in a rise in market prices. Because of the fall in hydraulic capacity, hydropower generation fell sharply, while at the same time, numerous power plants across Europe had to shut down due to a shortage of cooling water. Thanks to its flexible generation possibilities, EVN was able to react to this bottleneck situation with a marked increase in the use of its thermal power stations during the summer months.

The price of gas purchases also remained at a high level due to the cost of crude oil.

Competitive pressure due to market deregulation

- As expected, the complete deregulation of the Austrian gas market on October 1, 2002, led to the arrival of additional market players and increased competitive pressure. Tough competition meant that the pressure on margins was also maintained in the electricity sector.



Overall business development

Consolidated financial statements according to IFRS

The 2002/03 consolidated financial statements have been prepared in accordance with the principles of the International Financial Reporting Standards (IFRS, previously International Accounting Standards or IAS). In line with § 245a of the Austrian Commercial Code, these financial statements replace the consolidated financial statements pursuant to Austrian accounting regulations.

The scope of consolidation was expanded during the year under review to include EVN Energievertrieb GmbH, EZO Gastronomie- und Servicegesellschaft m.b.H., WTE Wassertechnik Holding und Betriebs-GmbH and ZSV Beteiligungs GmbH. Korneuburg Gas Vertriebs- und Verteilungs GmbH, which was fully consolidated during last year, has now been merged with EVN AG.

The consolidated financial statements prepared by EnergieAllianz Austria GmbH are included on a pro rata basis. The EVN AG holding in this sub-group consisting of EnergieAllianz Austria GmbH, Switch Energievertriebsgesellschaft m.b.H. and Naturkraft Energievertriebsgesellschaft m.b.H., amounts to 31.5%. EVN Energievertrieb GmbH & Co KG, in which EnergieAllianz Austria GmbH acts as a general partner and EVN AG has a limited partner's share of 100%, was included in full on a pro rata basis.

Consequently, including EVN AG, the parent company, the scope of consolidation currently consists of sixteen fully consolidated companies and four pro rata consolidated companies.

In addition, eleven associated companies are consolidated at equity.

Sales revenues slightly down due to changes in the sales structure

Gas business restructuring pushes down total energy revenues

EVN sales revenues in the 2002/03 financial year amounted to EUR 1,082.1 m, which was 2.9% down on the EUR 1,113.9 m of the preceding year. The main reason for this decline was the loss of the revenues from the gas key account and trading business areas due to their transfer to EconGas.

Electricity revenues: +9.3%

Electricity revenues rose by 9.3% in the past financial year to EUR 608.1 m (previous year: EUR 556.5 m). Revenues from trading business rose markedly, as EVN's entire electricity production is now marketed via e&t, the joint EnergieAllianz electricity trading subsidiary. Electricity revenues from end customers in the EVN network area declined. This was primarily due to intensified competition and the network tariff reduction ordered by the E-Control Commission. The entry of Energie AG Oberösterreich to the EnergieAllianz also led to a fall in revenues from outside EVN's network area.



Gas revenues: -27.1 %

Natural gas revenues during the period under report amounted to EUR 304.1 m, which was 27.1% below the EUR 417.2 m of the preceding year. However, it must be noted that any comparison is of very limited validity due to the transfer of key account and trading business to EconGas and the extensive one-off business completed during the previous year. By contrast, there was an increase in sales revenues from the retail sector, which has remained within EVN. This rise was due in particular to the cold weather during the second quarter of the financial year, as well as the steady growth in the number of customer connections. Here, too, the network tariff reduction imposed by the regulator had a negative effect on EVN sales revenues.

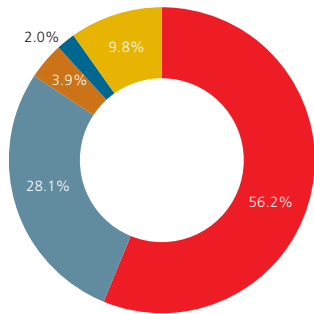
Heating revenues: +15.2 %

There was a notable rise in heating revenues of 15.2% to EUR 42.0 m (previous year: EUR 36.5 m). This increase was primarily the result of continued network enlargement, as well as the favourable temperature pattern throughout the 2002/03 financial year.

Water revenues: +14.4 %

The generally negative trend with regard to energy revenues was partially compensated for by an increase in revenues from other areas. As a consequence of the extraordinarily hot summer, water revenues were up by 14.4% to EUR 21.4 m (previous year: EUR 18.7 m). The revenues from other services also rose, as did those from waste incineration, the latter being included for the first time in the period under review. In total, other sales revenues rose by 25.3% to EUR 106.5 m (previous year: EUR 85.0 m).

Sales revenues by business area



- Electricity
- Gas
- Heating
- Water
- Other

Earnings from changes in inventory, work performed and capitalised and other operating income fell by EUR 16.9 m, or 24.1%, over the preceding year to EUR 53.2 m (previous year: EUR 70.1 m). The fall in other operating income was due to a reduction in provision write-backs and value adjustments.

Energy purchasing prices put pressure on results

During the period under review, the sharp increase in market prices for primary energy and electricity purchases placed a considerable burden on EVN earnings. Conversely, in spite of an increase in external services in connection with maintenance and the installation of customer appliances, the cost of materials and services was down by 5.7% as compared to the previous year. The main reason for this fall was the outsourcing of gas key account and trading business to EconGas.



Increase of 5.6%

Personnel expenses up slightly

During the period under review, EVN's personnel expenses rose by 5.6% to EUR 190.1 m (previous year: EUR 180.1 m). In addition to the expansion in the scope of consolidation and an increase in the collective wage agreements, this rise can be traced to increased provisions for severance payments and pensions. The expansion of the scope of consolidation resulted in a 5.4% increase in the average size of the EVN Group work force to 2,317.

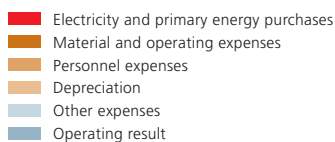
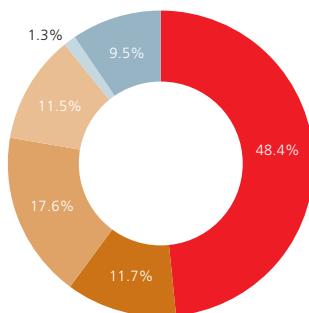
Value adjustments to the electricity and gas networks due to tariff reductions

Higher depreciation

Depreciation rose by 2.4% to EUR 125.0 m during the period under review (previous year: EUR 122.1 m). Against the background of the reduction in network tariffs sanctioned by the E-Control Commission exceptional value adjustments had to be made to the electricity and gas networks. Primarily, these value adjustments were necessitated due to the fact that an impairment test according to the IFRS showed that the new network tariffs provided insufficient capital cost cover. Conversely, the marked increase in electricity prices allowed an appreciation of EVN's thermal power stations and the company's procurement rights relating to the Verbund Group's Danube power stations. These measures counterbalanced the exceptional depreciation in the network sector. Scheduled depreciation increased due to the continued investment in and the completion of the AVN waste incineration plant.

Other operating expenses rose by EUR 2.8 m, or 4.3%, to EUR 67.7 m (previous year: EUR 64.9 m). This was largely due to an increase in offsetting with non-consolidated Group companies.

Cost/earnings structure



Income statement

	2002/03	2001/02	Change	
	EUR m	EUR m	EUR m	%
Electricity revenues	608.1	556.5	51.6	9.3
Gas revenues	304.1	417.2	-113.1	-27.1
Heating revenues	42.0	36.5	5.6	15.2
Water revenues	21.4	18.7	2.7	14.4
Other revenues	106.5	85.0	21.5	25.3
Sales revenues	1,082.1	1,113.9	-31.8	-2.9
Changes in inventories, work performed and capitalised and other operating income	53.2	70.1	-16.9	-24.1
Cost of materials and services	-650.0	-689.1	39.1	5.7
Personnel expenses	-190.1	-180.1	-10.0	-5.6
Depreciation	-125.0	-122.1	-2.9	-2.4
Other operating expenses	-67.7	-64.9	-2.8	-4.3
Operating result	102.5	127.9	-25.3	-19.8
Financial result	42.8	9.7	33.1	-
Profit before tax	145.4	137.6	7.8	5.7
Taxes on profit	-41.8	-47.0	5.3	11.2
Minority interests	-1.0	-1.0	-	2.8
Net result	102.6	89.5	13.1	14.6

EBIT: -19.8 %

Operating result well down on that of the preceding year

As a result of the structural changes in gas business caused by outsourcing to Econ-Gas, unfavourable energy purchasing prices and the reduction in electricity and gas network tariffs, the operating result (EBIT) for the 2002/03 financial year fell by 19.8% to EUR 102.5 m. The exceptional measures completed in the period under review had corresponding effects on the distribution of the operating result among the individual segments. EBIT in the electricity segment was influenced by the appreciation on power plants and the depreciation on networks. EBIT in the gas segment was affected negatively by network depreciation. Against this background, electricity contributed EUR 111.4 m to EBIT, natural gas minus EUR 6.1 m. Heating and other areas provided minus EUR 2.8 m.

Significant improvement in the financial result

By contrast, there was a significant improvement in the financial result for 2002/03, which at EUR 42.8 m, was EUR 33.1 m higher than the EUR 9.7 m of the preceding year.

Result from investments shows positive trend

In the result from investments, the share in results of the companies consolidated at equity remained constant, while the result from other investments, which last year was negatively affected by valuation measures, rose considerably.

Higher result from interest

The result from interest also improved due to lower interest rate levels and the increase in EVN's net liquidity. The other financial result was positively affected by the development of the euro exchange rate, particularly against the Japanese yen, which resulted in earnings from the valuation of foreign currency bonds. In addition, EVN used the favourable currency and interest rate situation for derivative transactions and for the gradual full hedging of the interest and currency risks related to its foreign currency bonds. Based on these measures, a considerable reduction in the volatility of EVN's financial results can be expected for the years to come.

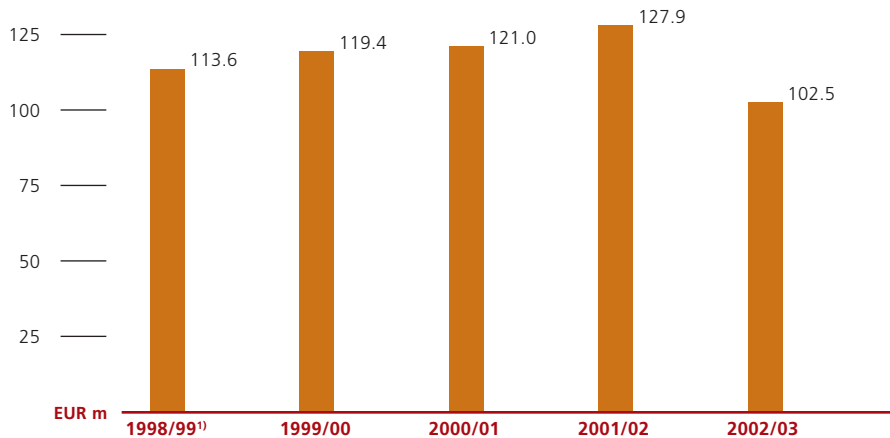
Net result at the level of the preceding year

Against this background, the result before tax for the financial year 2002/03 amounts to EUR 145.4 m, which was EUR 7.8 m, or 5.7%, above the EUR 137.6 m of the preceding year. Following the deduction of taxes on profit and minority interests, at EUR 102.6 m, the net profit was EUR 13.1 m, or 14.6%, up on the previous year (EUR 89.5 m).

ROE: 9.4%
ROCE: 6.2%

The result achieved during the 2002/03 financial year corresponds with a Return on Equity (ROE) of 9.4% (previous year: 8.7%) and a Return on Capital Employed (ROCE) of 6.2% (previous year: 6.1%).

Operating result (EBIT)



¹⁾ Before exceptional measures

Balance sheet total up by 6.8%

Balance sheet structure remains solid

EVN's activities continue to be based on a very solid balance sheet structure. All in all, the consolidated balance sheet total of the EVN Group increased relative to the last balance sheet date by EUR 189.9 m, or 6.8%, to EUR 2,993.8 m (previous year: EUR 2,803.9 m).

Fixed assets rose by 1.5% to EUR 2,381.3 m (previous year: EUR 2,345.8 m) due to the marked increase in investments in tangible assets, which counterbalanced the sale of shares in ATEL.

Current assets increase

The increase in current assets by EUR 154.4 m, or 33.7%, to EUR 612.5 m (previous year: EUR 458.1 m) was primarily reflected by a steep rise in cash and current deposits. Group inventory declined considerably, as due to the transfer of gas trading and key account business to EconGas, EVN no longer possesses its own natural gas stocks. By contrast, there was an increase in trade accounts receivable.

Against this background, the share of fixed assets in total assets fell from 83.7% as at September 30, 2002, to 79.5% as at September 30, 2003. Conversely, the share of current assets increased from 16.3% to 20.5%.

On the equity and liabilities side, long-term liabilities remained largely constant, rising by EUR 62.3 m or 4.6% to EUR 1,413.5 m (previous year: EUR 1,351.3 m). The taking of long-term loans for AVN and evn naturkraft investment projects was largely compensated for by the write-back of long-term provisions. Current liabilities on the balance sheet date stood at EUR 420.1 m, which was EUR 32.2 m or 8.3% higher than the EUR 387.9 m of the preceding year.

Equity ratio rises to 38.0%

As a consequence of the net result and result-neutral value adjustments according to IAS 39, equity was raised by EUR 96.4 m, or 9.3%, to EUR 1,137.5 m (previous year: EUR 1,041.1 m). Accordingly, despite the increase in the balance sheet total, the equity ratio of 38.0% was higher than the 37.1% of the preceding year.

Balance sheet structure



Cash flow and corporate financing

In view of the lower operating result and the increased share of non-cash earnings, the cash flow from the result was well down on the level of the preceding year at EUR 215.8 m. The sharp increase in short-term receivables was largely compensated for through the decrease in inventory, the increase in current liabilities and higher payments for taxes on profit. All in all, operative cash flow declined to EUR 213.2 m.

By contrast, the sale of stock in ATEL, which counteracted the rise in investments in tangible assets, resulted in an increase in the cash flow from investment activities. However, a comparison with the figure for the preceding year is only partly meaningful due to the purchase of shares in Energie AG Oberösterreich during the 2001/02 financial year.

The cash flow from financing activities during the period under review amounted to minus EUR 7.9 m. In the preceding year, this figure had been far higher due to the issue of a EUR 300 m bond.

Total cash flow: EUR 84.9 m

All in all, there was positive cash flow in 2002/03 of EUR 84.9 m, which led to an increase in liquidity to EUR 230.6 m (previous year: EUR 143.4 m).

Cash flow statement

	2002/03	2001/02
	EUR m	EUR m
Profit before tax	145.4	137.6
Non-cash items	70.4	150.1
Cash flow from the result	215.8	287.7
Changes in short- and long-term balance sheet items	14.3	-11.6
Payments for taxes on profits	-16.9	-12.1
Cash flow from operating activities	213.2	263.9
Cash flow from investment activities	-120.4	-297.5
Cash flow from financing activities	-7.9	257.8
Total cash flow	84.9	224.3
Cash and cash equivalents at beginning of period	143.4	-80.9
Changes in the scope of consolidation	2.4	-
Cash and cash equivalents at end of period	230.6	143.4



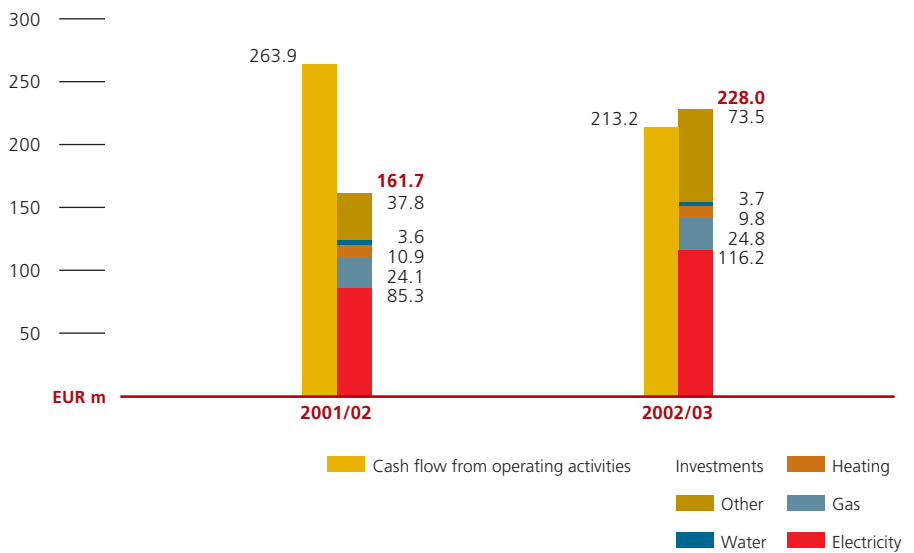
Total investment of EUR 228.0 m

In the course of the 2002/03 financial year, EVN invested a total of EUR 228.0 m in tangible assets and thus raised its level of investment relative to the preceding year from EUR 161.7 m by EUR 66.3 m, or 41.0%. Of the investments, EUR 116.2 m related to the electricity sector (previous year: EUR 85.3 m), EUR 24.8 m to natural gas (previous year: EUR 24.1 m), EUR 9.8 m to the heating business (previous year: EUR 10.9 m) and EUR 3.7 m to the water segment (previous year: EUR 3.6 m). A further EUR 73.5 m (previous year: EUR 37.8 m) was spent on assets for other business areas.

Plant investment and adaption of the networks to the deregulated market

The main reason for the increase in the volume of investment was the enlargement of wind parks and district heating systems, the completion of AVN's waste incineration plant and modernisation at Korneuburg power station. In addition, expansion to transport and distribution networks continued as part of their adaptation to the requirements of the liberalised electricity and gas markets.

Cash flow and investments



Outlook

Pressure on margins remains

The 2002/03 financial year was characterised by difficult general conditions. The energy industry was negatively affected by rising purchasing prices, while network business suffered from the cuts in tariffs imposed by the E-Control Commission, which necessitated exceptional depreciation in both the electricity and gas sectors. The complete deregulation of the gas market at the beginning of the 2002/03 financial year and the tough competition in the electricity market led to additional pressure on margins.

Consolidation of the Austrian electricity and gas market

EVN counteracted these developments through intensive involvement in the consolidation of the Austrian electricity and gas market. For example, EconGas, a subsidiary of the EnergieAllianz partners, OÖF and OMV, has been operative since January 1, 2003. However, this restructuring led to a shift in sales revenues, as the new company assumed the entire gas key account and trading activities of the partners.

During the past year, the EU Commission gave the green light for the "Austrian electricity solution", which represented a major breakthrough in this area. In the short-term, the implementation of the "electricity solution" will demand extensive restructuring of company organisation and procedures that will have a corresponding, negative impact on results. However, in the medium- and long-term, we expect the linkage of our electricity and gas businesses with those of our partners to lead to considerable synergies and economies of scale.

Diversification into the waste and water sectors

In this regard, EVN continues to pursue a two-pronged strategy, which not only incorporates growing partnerships in core business areas, but also diversification of the company's portfolio into related business segments. A significant move in this direction was the completion of the AVN waste incineration plant in Dürnröhr. With the commencement of full-scale operations in the coming financial year, we also anticipate constant contributions to our results. Moreover, successful entry into the water business in 2001 has now received a fresh boost with the purchase of the WTE Group as per October 1, 2003. Shortly after this takeover, the considerable potential in this segment was demonstrated by the ground-breaking ceremony for a major drinking water plant in Moscow.

Solid balance sheet and financing policy

This expansion of our activities is possible due to EVN's solid balance sheet and financial policies. During the past year in particular, the favourable interest and exchange rate situation was used for the introduction of measures that will considerably reduce the volatility of the financial result in future years.

On the basis of the consolidation of the Austrian electricity and gas market and the successful further development of the multi-service utility concept, EVN can anticipate improved results in the years to come. An increase in revenues from the water and waste incineration areas can be expected and in the medium-term, these should provide up to one-third of total EVN Group sales. Growth can also be expected in the Group's international markets.



The Individual Business Areas

Always at your service. Forward



Electricity

Using its own power stations, EVN has optimised its electricity sourcing and guarantees high levels of supply security. Apart from three thermal power stations at Dürnrohr, Theiss and Korneuburg, the EVN Group operates five storage power stations and 60 small-scale, run-of-river hydropower plants, as well as three wind parks. EVN also sources electricity from the Danube power stations of Melk, Greifenstein and Freudenau. In addition, around 284 external small-scale hydropower plants and some 100 private wind power plants belonging to other operators produce electricity, which is fed into the EVN network.

The EVN network in Lower Austria has some 1,360 km of high-voltage and around 45,000 km of medium- and low-voltage lines. EVN has approximately 760,000 electricity customer accounts.

New sales structure due to market consolidation

Since October 1, 2002, all EVN electricity sales are handled by EVN Energievertrieb GmbH & Co KG, which was founded as part of the EnergieAllianz. In addition, e&t, the joint EnergieAllianz trading company, deals with all electricity trading activities. The fact that EVN's own electricity production is now marketed by e&t results in corresponding external sales revenues.

Electricity sales volumes show an upward trend

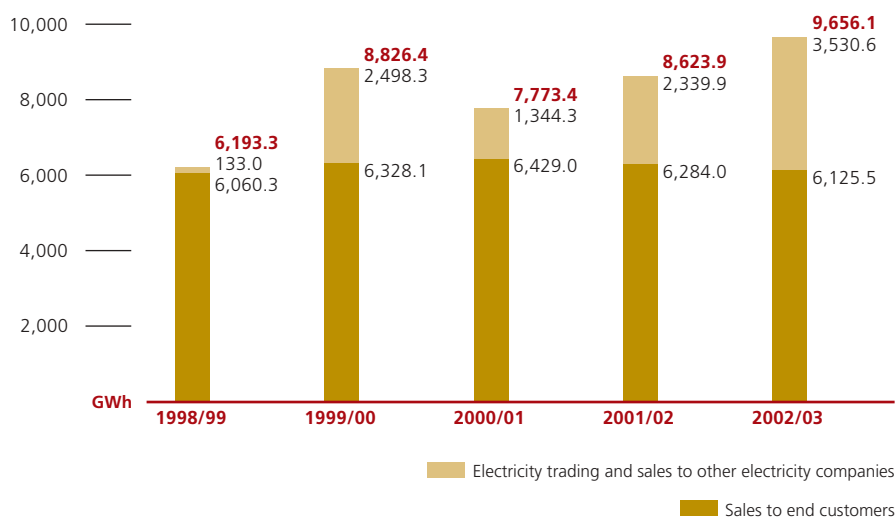
Against the background of the changes made during the 2002/03 financial year, the total volume of EVN electricity sales, including trading and sales to other electricity companies, rose by 12.0% to 9,656.1 GWh.

Electricity sales volumes

	2002/03	2001/02	Change	
	GWh	GWh	GWh	%
Sales to end customers	6,125.5	6,284.0	-158.6	-2.5
Electricity trading and sales to other electricity companies	3,530.6 ¹⁾	2,339.9	1,190.7	50.9
Total electricity sales	9,656.1	8,623.9	1,032.1	12.0

¹⁾ Marketing of EVN's internal production via e&t

Electricity sales volumes



End customer and "out of area" sales down slightly

Electricity sales to end customers fell by a total of 2.5%. Apart from the complete deregulation of the electricity market, which in particular led to changes in customer structure in the business and key account sectors, this decline was due to the reallocation of a number of customers to the electricity trading and wholesale segment. Furthermore, the entry of Energie AG Oberösterreich to the EnergieAllianz and the related expansion of Allianz territory resulted in a drop in "out of area" sales of 1.7%.

Electricity trading clearly up

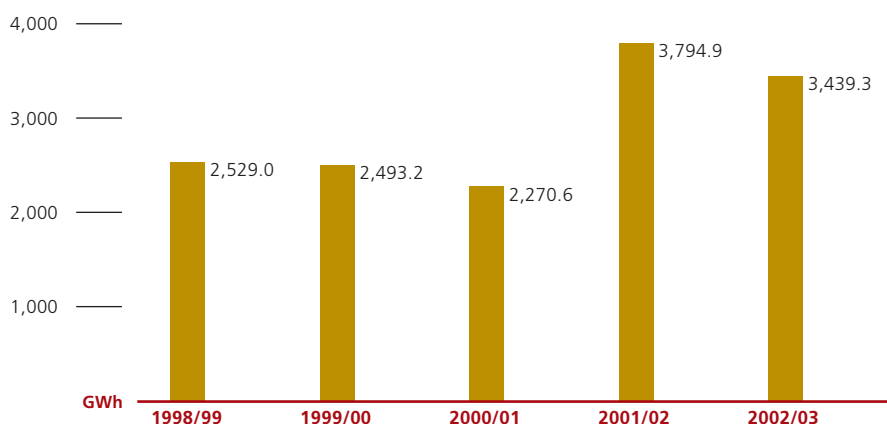
By contrast, electricity trading and sales to other electricity companies rose by 50.9% over the preceding year due mainly to the marketing of internal production by e&t.

Internal production reduced

Electricity generation

During the period under review, EVN's electricity output declined by 9.4% from the above-average level of the preceding year to 3,439.3 GWh. This fall was primarily due to the cutback in generation at the company's thermal power stations in the face of increased primary energy prices. In addition, hydroelectric power production was also lower due to the lack of hydraulic capacity during the past summer. However, the past financial year witnessed the first sizeable contributions to power generation from evn naturkraft's wind power stations.

Electricity generation



Investments in innovative power station engineering and network expansion

During 2002/03, EVN invested a total of EUR 116.2 m in the electricity sector, in order to strengthen its position with regard to power production and distribution.

Integration of AVN waste heat into Dürnrrohr power station production

Among the most important individual projects was the integration of the heat from AVN's waste incineration plant into the production process of the Dürnrrohr power station, which was completed with the start-up of the link in mid-September 2003. The steam supplied can either be used for power generation in the power station's large turbine or in the newly installed "summer turbine".

New gas turbine at Korneuburg power station

Another investment in the power station sector was caused by the replacement of the gas turbine at Korneuburg power station due to mechanical damage. The output of the new turbine, which went into operation in September 2003, is around 20% higher than that of its predecessor and it also offers a far higher level of efficiency.

Network expansion and consolidation

Parallel to these investments in the power station sector, EVN was also meeting the rising demands of the liberalised electricity market through the enlargement and strengthening of its high-voltage network, particularly with regard to network stability, the growing transport requirements and the wind farm boom. Here, the focus was on the new installation or enlargement of substations and high-voltage lines. EVN also continued its programme for the stabilisation of supply quality with the laying of underground medium- and low-voltage cables. Apart from the economic and technical aspects, this provides major advantages with regard to the preservation of both townscapes and the countryside.

Electricity generation from renewable energy sources

evn naturkraft – the EVN Group’s eco-electricity supplier

evn naturkraft, a fully owned EVN subsidiary, combines all EVN Group activities in the area of electricity generation from renewable energy sources. The company operates small-scale hydropower plants, wind power and photovoltaic plants.

During the period under review, evn naturkraft owned 62 small-scale hydropower plants, comprised of 60 run-of-river and two storage plants, as well as three wind parks in Gänserndorf, Neusiedl/Zaya and Prellenkirchen. Own production in these plants amounted to 177 GWh during the 2002/03 financial year.

In order to further expand its electricity generation from renewable sources, evn naturkraft is currently involved in a number of projects and is thus making an important contribution to the achievement of Austria’s greenhouse gas reduction targets. The main focus is on the completion of the new “Dorfmühle” small-scale hydropower plant on the River Ybbs, the planning (jointly with Verbund-Austrian Hydro Power and Wienstrom) of the Nussdorf Weir small-scale hydropower plant, which is located at the upper end of the Vienna Danube Canal, and the expansion of power generation using wind energy.

Outlook

Despite the continuing sluggishness in the economy, a further, continuous increase in electricity demand can be expected in Lower Austria. EVN intends to profit from this trend as both a network operator and as an electricity supplier. Moreover, the new legal framework in the area of electricity generation using renewable energy sources provides interesting prospects for the EVN Group.

Electricity demand increases steadily

Rising wholesale prices

The European wholesale prices for electricity are still rising steeply, which in the final analysis, will have an effect on the sales price structure. The consequences of CO₂ emission trading, which commences in 2005, cannot yet be predicted but an influence on prices must be anticipated.

Changes to the sales and reporting structure

The transfer during the coming year of the electricity key account business within the framework of the “Austrian electricity solution” will produce a structural shift in electricity business and related reporting.

The cuts in network tariffs imposed by the regulator will lead to a slowing of EVN investment in the electricity sector.

Gas

The number of customers connected to the EVN natural gas network rose to over 259,000 in the period under review and the total of Lower Austrian municipalities receiving supplies of natural gas from EVN went up to 499.

During the period under report, the EVN pipeline network was expanded by approximately 340 km to a total length of over 9,900 km. Of this figure, 8,000 km consist of high-pressure and 1,900 km of medium- and low-pressure pipelines.

In order to safeguard security of supply, there are various possibilities for natural gas storage in Austria. Apart from OMV facilities, Rohöl-Aufsuchungs-AG (RAG), in which EVN has an indirect interest of 30%, has a natural gas storage capacity of around 500 m m³.

Since January 1, 2003, all EVN gas sourcing is carried out via EconGas (see below).

EconGas operative since January 1, 2003

Market consolidation leads to new sales structure

There have also been changes to the EVN sales structure in the gas segment. Since January 1, 2003, all key account and trading business is handled by EconGas, the joint EnergieAllianz partner, OÖF and OMV subsidiary, which is consolidated at equity in the EVN consolidated financial statements. Up to now, EconGas has fulfilled all the expectations placed on it as a leading player in the liberalised Central European natural gas market.

Sales to domestic and commercial customers have remained with EVN and since October 1, 2002, have been handled by EVN Energievertrieb GmbH & Co KG. However, there was a corresponding reduction in EVN natural gas sales and the related revenues.

Fall of 43.5% due mainly to structural changes

Gas sales volumes down

In view of these developments, total EVN sales to end customers were down by 43.5% on the level of the preceding year. Apart from the transfer of key account and trading business to EconGas, this comparative decline was mainly the result of the unusually high sales volume of the preceding year, in which one-off business played a major role. Accordingly, gas trading and sales to external power stations fell by a total of 72.1%.

Increased sales to domestic and commercial customers

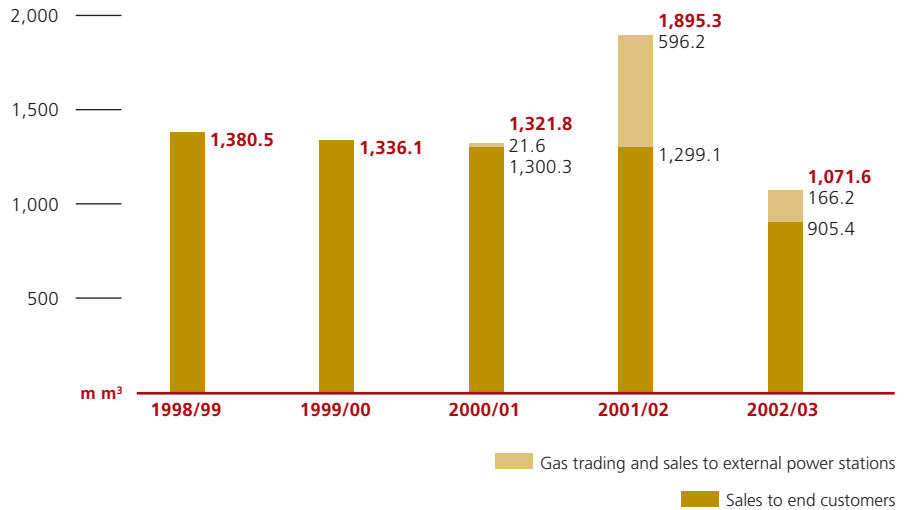
By contrast, the cold weather, the purchase of the Korneuburg municipal gas utility and constant network expansion led to a marked increase in the domestic and commercial customer segment. However, on balance sales to end customers declined by 30.3%.

Gas sales volumes and consumption

	2002/03	2001/02	Change	
	m m ³	m m ³	m m ³	%
Sales to end customers ¹⁾	905.4	1,299.1	-393.7	-30.3
Gas trading and sales to external power stations ¹⁾	166.2	596.2	-430.0	-72.1
Total natural gas sales volumes	1,071.6	1,895.3	-823.7	-43.5
Company plants and internal consumption	334.4	421.7	-87.3	-20.7
Total natural gas consumption	1,405.9	2,317.0	-911.1	-39.3

¹⁾ From January 1, 2003, excluding gas key account sales and gas trading due to the transfer to EconGas

Gas sales volumes



Enlargement and tightening of the local supply system

Investments – increase in customer numbers and the transport capacity of the high-pressure network

During 2002/03, EVN invested a total of EUR 24.8 m in the gas sector. An important investment focus was on the enlargement and tightening up of the local supply system. Due to a high level of investment, the number of customers served by the EVN natural gas network rose by around 11,000 in the period under review.

Enhanced security of supply

Laa/Thaya measurement and transfer station – connection to the international gas network

An important EVN project in connection with the improved security of supply in the gas sector was realised during the 2002/03 financial year with the completion of a measurement and transfer station at Laa/Thaya. The task of the new facility is to measure the natural gas obtained at differing pressure levels from OMV and the southern Moravian gas supplier, JMP, and to feed the gas into the EVN distribution network. For this purpose, EVN completed an approximately 1.8 km high-pressure pipeline on Austrian territory.

Tightening of existing network, contracting

Outlook

The significantly lower network tariffs set per decree by the regulator mean that the installation of new natural gas networks can no longer continue at the previous level of intensity. This could lead to a levelling off of investment in the short term and detrimental effects on security of supply in the medium- to long-term.

Therefore, in future EVN will concentrate increasingly on the tightening up of the existing network and the extension of its value added chain through contracting in the customer application area. Moreover, against the background of complete market deregulation, a further increase in competition is anticipated.



Heating

EVN laid the foundation stone for the heating business area more than 40 years ago with the Mödling district heating plant and from the mid-1980s onwards this area has witnessed especially dynamic expansion.

EVN heating supply is largely based on natural gas. However, since 1993, EVN has turned increasingly to biomass for heat generation and is currently Austria's largest supplier of heat from this source.

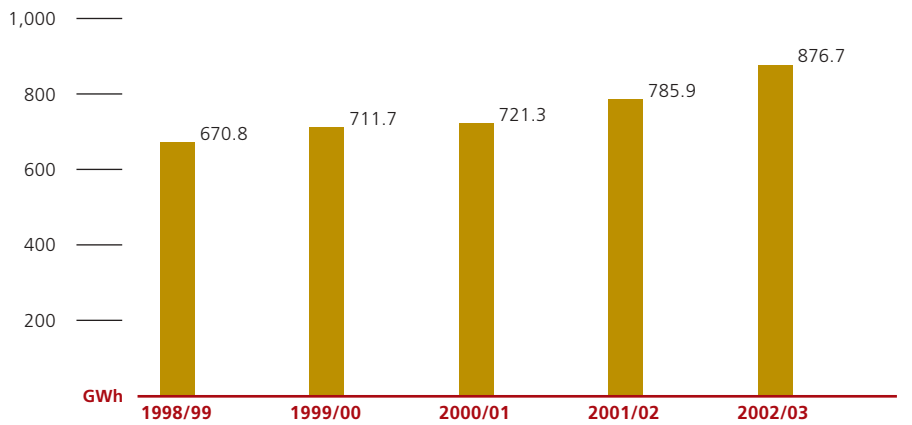
During the past financial year, the number of heating plants supplied by EVN rose by around 3,000 to about 28,000.

Heating sales volumes continue to rise
Increase of 11.6% The cold weather in the 2002/03 financial year, particularly during the second quarter, and the continuing expansion of the customer base, led to an 11.6% increase in EVN heating sales volumes over the previous year.

Heating sales volumes

	2002/03	2001/02	Change	
	GWh	GWh	GWh	%
Total heating sales volumes	876.7	785.9	90.8	11.6

Heating sales volumes



The Individual Business Areas
Heating



Investments

The continuing strong expansion of EVN's heating business during the 2002/03 financial year was reflected by correspondingly high levels of investment amounting to EUR 9.8 m.

83 new local heating facilities

As a result of close co-operation with suppliers of local heating to residential complexes, a further increase in already high annual growth rates was achieved. During the past financial year, 83 new facilities were put into operation.

Two new biomass-fired heating plants

The year under review also saw a continuation of intensive investment in the area of heat generation from biomass and in September 2003, two new biomass-fired district heating plants were put into operation in the Waldviertel together with agricultural co-operatives. In the urban municipalities of Waidhofen/Thaya and Zwettl, where EVN opened up its thirtieth biomass plant, numerous public buildings, commercial companies and private households are now supplied with environment-friendly district heating.

Successful electricity generation using biomass

The "Civitas Nova" biomass-fired cogeneration plant in Wiener Neustadt

In co-operation with partners, EVN completed an advanced pilot plant in Civitas Nova, a suburb of Wiener Neustadt. Within the framework of the "reNet – Energy from Biomass" industrial competence network, a biomass-fired cogeneration power plant, which apart from heat also supplies electricity from this renewable energy source, has been built on the site of an existing EVN district heating plant. Test operations, which started in February 2003, have successfully demonstrated the functionality of this new type of plant with which EVN will make a further valuable contribution to fossil fuel savings and the prevention of CO₂ emissions.

High growth rates maintained

Outlook

EVN has registered increasing demand for its heating service, particularly in the commercial segment. Moreover, the continuing efforts aimed at cutting CO₂ emissions through the increased use of renewable energy sources raise the expectation that the heating business will continue to experience high growth rates, especially in combination with electricity generation from biomass.



Water

During the past two financial years, water has developed into an important EVN Group business segment. The take-over of evn wasser in 2001 enabled EVN to clearly expand its public services portfolio and thus further strengthen its profile as a multi-service utility. This purchase also opened the way to the exploitation of considerable synergy potential. Moreover, EVN passed a further milestone in the development of its water business through the acquisition of WTE (see below), which is active in both the drinking water and wastewater treatment areas.

Supply of 552 municipalities in Lower Austria

evn wasser currently acts as a supra-regional drinking water supplier to around 467,000 people in Lower Austria, a figure representing roughly one-third of the province's population. The company has 16 supply areas and 75 reservoirs, with a storage volume of 197,000 m³, as well as a 1,410 km supply network. During the past year, the number of customers and municipalities supplied by evn wasser again increased. 552 municipalities are now evn wasser customers.

300 hectares of well conservation land in Lower Austria with some 85 wells secure the high quality standard of the water supplied by evn wasser, which via water rights has access to a volume of around 2,300 l per second.

Water sales up by 8.8%

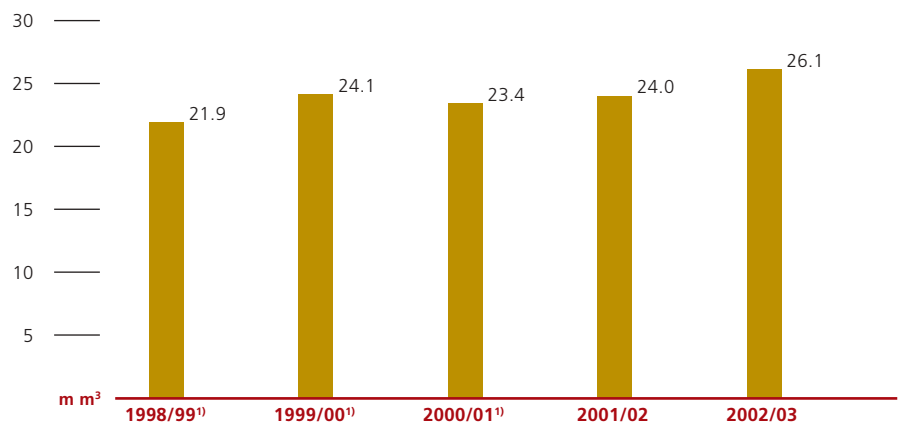
Strong sales volume growth

2002/03 was an unusually good business year for water supply. In particular, the high temperatures between June and August 2003 led to an 8.8% rise in water sales volumes. Moreover, even if this special situation is discounted, the long-term sales trend has been steadily upward.

Water sales volumes

	2002/03	2001/02	Change	
	m m ³	m m ³	m m ³	%
Total water sales volumes	26.1	24.0	2.1	8.8

Water sales volumes



¹⁾ Retrospective presentation for the periods October–September

Expansion of direct supply to end customers

Investments

During the period under review, a total of around EUR 3.7 m was invested in the water business. The focus was on the installation of a variety of new transport systems, supply lines and reservoirs, the connection of additional municipalities, the direct supply of end customers, measures relating to the coverage of demand and initial spending in the wastewater sector.

Coverage of the entire value added chain

Water business expansion

EVN's water business strategy is targeted on the enlargement of the range of company activities to cover the entire value added chain. This involves phased entry into the direct supply of end customers and regional wastewater business, as well as expansion into neighbouring countries. Apart from the take-over of WTE (see below), additional successes were achieved in all areas during the past financial year:

Model infrastructure project

- Following the initial steps taken during the preceding year towards direct end customer supply, in the period under review evn wasser was able to assume the supply of drinking water for part of the municipality of Litschau. At the same time, this area was also connected to EVN's gas supply network with the result that customers can now take advantage of the EVN Group's multi-service utility offer. The infrastructure concept implemented in this case is intended to serve as a model for further projects throughout Lower Austria.

Several projects in the wastewater sector

- Following the purchase of a 50% holding in Wiental-Sammelkanal GmbH during the 2001/02 financial year, in the period under review evn wasser was able to achieve further successes in the wastewater sector. In summer 2003, work started on the construction of a wastewater treatment plant for the municipality of Ludweis-Aigen in the Waldviertel. Another project involves the building and operation of a wastewater treatment plant for the municipalities of Großmugl and Niederhollabrunn in the southern Weinviertel. Both projects incorporate the simultaneous improvement of the energy infrastructure, as well as the introduction of the EVN street lighting service.

DTV Rt. shows positive performance

- Since the autumn of 2001, evn wasser has had a majority holding in the Hungarian concessionary enterprise, DTV Rt., which was jointly founded with the local company Resonátor Kft. and six local authorities from the Dunavarsány region. DTV Rt. deals with the wastewater from the six partner municipalities, as well as supplying drinking water to four. DTV Rt. has been operative since January 2002 and up to now both company development and the co-operation with the other partner companies have proved to be highly satisfactory. Besides negotiations concerning the connection of two additional municipalities to the existing facilities, DTV Rt. is currently negotiating water supply and wastewater handling contracts in six other Hungarian municipalities.



Leading European water services supplier

Purchase of WTE Wassertechnik GmbH

In October 2003, EVN decisively strengthened its position in the water market through the purchase of WTE Wassertechnik GmbH. Founded in 1984, WTE designs, builds, finances and operates municipal and industrial water and wastewater plants and with this range has been successful in the European market. At present, WTE operates 69 sewage plants for some 8.5 million people and has operations in both Austria and ten other EU and CEE countries. As a specialist in the medium-sized project niche (up to 1 million inhabitants) and a partner to local governments, WTE is well established in Austria, Germany and the markets of the future in Central and Eastern Europe.

Expanded supply of drinking water to end customers, increased wastewater presence

Outlook

In the years to come, the EVN Group intends to expand on its entry into the end customer drinking water supply segment. Above all, efforts will focus on those areas where EVN already supplies electricity and gas.

The purchase of WTE means that EVN has not only entered the wastewater business sector on a broad front, but that access has also been obtained to the dynamic growth markets of Central and Eastern Europe.



Waste incineration

The new waste incineration business segment constitutes an ideal supplement to EVN energy generation. The origin of EVN's activities in this sector is the close technical correlation between waste incineration and the energy conversion process in thermal power stations.

Europe's largest and most modern waste incineration plant

With this in view, AVN, a fully owned EVN subsidiary, was entrusted with the planning, construction and subsequent operation of a waste incineration plant immediately adjacent to EVN's coal/gas-fired Dürnrrohr power station. With an annual handling capacity of 300,000 t, which includes household, commercial and industrial waste, the Dürnrrohr plant represents Europe's largest and most modern waste incineration facility. Project financing provided the investment of EUR 145 m needed for the plant.

During the period under review, AVN was able to make decisive progress in the realisation of the project.

Full operation from January 2004

Start-up of the Dürnrrohr waste incineration plant

Building work on the Dürnrrohr waste incineration plant began in mid-July 2001. Commissioning commenced as scheduled from January 2003 onwards and was successfully completed in the summer of 2003. This will allow the plant to become operational as scheduled on January 1, 2004, in time for the implementation of the new Austrian Landfill Decree and amendments to the Water Rights and Hazardous Waste Decontamination Acts. This legislation stipulates that throughout Austria waste must be treated prior to deposition. The long-term contracts with the Lower Austrian waste management associations also come into effect on January 1, 2004.

Use of waste heat for electricity production

Integrated energy system with the Dürnrrohr power station

The linkage between the AVN waste incineration plant and the neighbouring Dürnrrohr power station is functioning very well. This unique design involves the use of steam from waste incineration for electricity production in the power station, thus allowing considerable fuel savings and emission reductions.

Positive contribution to results from 2004

Outlook

As a result of the contractually secured use of capacity from January 1, 2004 onwards, AVN will already deliver a positive contribution to results in its first year of operation. Accordingly, the waste treatment business segment is set to play a valuable role in the sustainable development of EVN's results.

Supplementary services

Telephony, data transmission, cable TV, Internet

Telecommunications

Since the mid-1990s, EVN has been involved in the areas of telephony, data transmission, cable television and Internet, both directly and indirectly, via subsidiaries. These activities are based on EVN's sophisticated communications infrastructure, which as in many other energy companies, is highly developed.

Broadband offer

- **kabelsignal**

The kabelsignal Group, consisting of Kabelsignal AG, which is fully owned by EVN, and its 95% subsidiary, Kabelsignal St. Pölten GmbH, as well as a number of smaller, local cable TV stations, is the largest cable TV company in Lower Austria and is regarded as a pioneer in the field of broadband Internet. The first glass fibre cables were laid in 1992 and the company initiated its commercial Internet service activities in 1997.

Numerous new networks

During the past financial year, kabelsignal started work on the installation of new networks in the municipalities of Altlenzbach, Berndorf, Gramatneusiedl, Maria Lanzendorf, Mistelbach, Leopoldsdorf, Spillern and Wöllersdorf. In addition, existing networks were taken over from local network operators in Bruck/Leitha, Melk and Pöggstall. Upgrading to state-of-the-art technology in Melk has largely been completed and should be completed in the other two acquired networks during 2004.

kabelsignal now has more than 62,000 cable TV customers and serves some 17,000 Internet customers.

Telecommunications network of the Lower Austrian provincial administration

- **nökom**

For a number of years, EVN has been successfully operating the telecommunications network of the Lower Austrian provincial administration ("NÖWAN") via its 50% interest in NÖKOM NÖ Telekom Service GmbH, which is also 50% owned by the Province of Lower Austria. This network guarantees state-of-the-art voice and data communications between the Lower Austrian government, local government offices and their branches.

Order for a data highway throughout the province

nökom was able to achieve a notable success in June 2003, as following a pan-European tendering process with tough international competition, the company won a bid for the construction of a broadband data network for the Province of Lower Austria. Particularly, for companies in the structurally weak regions of Lower Austria, the creation of this efficient "wavenet" data highway will provide important technological impulses and thus remove various competitive disadvantages.



**520,000 telephone and
330,000 Internet customers**

**Unbundling brings access to the
“last mile”**

Attractive new customers

- **UTA**

EVN has a 13.7% interest in UTA Telekom AG (UTA). This stake is held indirectly via Vereinigte Telekom Österreich Beteiligungs GmbH (VTÖB), the joint telecom holding of the Austrian regional electricity companies. All in all, VTÖB now controls 75% minus one share of UTA stock. The remaining shares are held by the Raiffeisen Group, which increased its holding from 9% to 25% plus one share during the period under review.

Against the backdrop of sustained consolidation in the Austrian telecommunications market and a generally difficult economic situation, during the period under review, UTA, the second largest national telecommunications provider, was able to further consolidate its position as a comprehensive supplier of telephony, Internet, telecommunications and e-business services in the SME sector. At present, UTA has around 520,000 telephone and 330,000 Internet customers.

In September 2003, the green light was given for an unbundling of commercial and private customers across Austria. As a consequence, UTA will have direct access to the so-called “last mile”, i.e. end customer connections, and consumers throughout the country will be able to cover their telecommunications needs directly through UTA without involving the former monopolist.

Facility Management / Consulting & Engineering

In line with customer needs, since the mid-1990s EVN has expanded its range of services to include building services and facility management. Accordingly, EVN not only supplies energy, but also assumes responsibility for its further distribution and use by the customer. In addition, EVN’s consulting services also contain a number of fee-related advisory packages.

- **teletech**

Despite enormous price pressure, teletech Facility Management Service GmbH, which is indirectly 100% owned by EVN, was able to consolidate its position as a competent partner for comprehensive facility management and again attract numerous customers during the period under review. In the facility management consulting sector, teletech was able to win several new contracts. In order that in future teletech can provide its services outside Vienna and Lower Austria, a review of the possibilities for a co-operative entry into neighbouring markets is currently under way.



Digital cartography

- **grafotech**

EVN has been successfully offering the production of digital maps and GIS (Geographical Information Systems) via its 100% subsidiary GrafoTech Beratungs- und Planungs GmbH since 1990.

Simulation program for effects of flooding

Apart from these core sectors, during the period under review, grafotech has developed a simulation program, which will be used to calculate the effects of flood disasters using hydraulic, meteorological and geodetic data. These simulations provide local government, companies and private citizens with valuable information on which to base planning decisions.

“Geodata server”

In addition, in teamwork with hard- and software suppliers, grafotech is developing a model for a “geodata server”, which will allow GIS users to call up complex data from the Internet and then combine it with local data. In order to position itself as the technological leader in the geographic information sector, grafotech also plans to develop an additional business area on the basis of new laser scanner technology.

Apart from EVN Group companies, grafotech’s customers primarily consist of local authorities and municipal associations.

Mobile electricity supply

- **Toplak**

In order to strengthen their capabilities in the mobile electricity supply sector, in July 2001 EVN and Wienstrom GmbH joined forces to acquire an equally shared 80% holding in the Lower Austrian company, Toplak GmbH. In recent years Toplak has established an excellent national and international reputation as a supplier of comprehensive mobile power generation equipment and services for the event sector. Therefore, the company was able to successfully defend its market position despite stiff competition from other countries and a difficult economic situation. Apart from serving international Formula 1 racing, a contract was signed with the organisers for the mobile supply of electricity to the World Rallying Championships.

In addition, the company succeeded in expanding its activities in the industrial customer segment through the signing of long-term service and delivery contracts with a number of respected customers.

Supply of Formula 1 and the World Rallying Championships



Investments in Energy Companies

- **Burgenland Holding AG / BEWAG and BEGAS**

EVN has a 68.74% holding in the Burgenland Holding AG. In turn, Burgenland Holding owns 49% of the shares of both Burgenländische Elektrizitätswirtschafts-AG (BEWAG) and Burgenländische Erdgasversorgungs-AG (BEGAS). BEWAG supplies around 140,000 customers in Burgenland with electricity, and BEGAS some 40,000 with gas.

Strengthened competitive position

Like EVN, both BEWAG and BEGAS were able to strengthen their competitive position through integration into the EnergieAllianz and related participation in the "Austrian solutions" for the electricity and gas sectors.

EnergieAllianz and "Austrian electricity solution" partner

- **Energie AG Oberösterreich**

In April 2002 EVN, Wien Energie and Linz AG jointly acquired a share of 25% plus one share in Energie AG Oberösterreich. EVN has a stake of around 9.3%. Furthermore, in a parallel move, Energie AG joined EnergieAllianz and today is also a partner in the "Austrian electricity solution".

The Energie AG supply area borders directly on that of EVN to the west and the company is active in the same business areas. Apart from supplying energy and all related services, it also covers the fields of waste, water and telecommunications.

Strategic investment supports Austrian market consolidation

- **Verbundgesellschaft**

EVN has a stake of about 10% in Verbundgesellschaft, the largest Austrian hydropower producer and the operator of the country's supra-regional high-voltage network. This strategic investment played an important role during the preparation of the "Austrian electricity solution". In the 2002 financial year, Verbundgesellschaft had sales revenues of EUR 2,072 m and an electricity sales volume of around 71,000 GWh, of which some 40% were national and approximately 60% international.

- **Rohöl-Aufsuchungs-AG**

EVN has an unchanged 30% indirect shareholding in Rohöl-Aufsuchungs-AG (RAG), Austria's second largest oil and natural gas production and gas storage company.

RAG benefits from market deregulation

During 2002, the period of relevance to EVN's 2002/03 business year, RAG was able to continue its positive development. This was achieved against the background of major changes caused by the complete deregulation of the Austrian gas market on October 1, 2002. For RAG, this new situation has meant the emergence of fresh opportunities based on its role as a storage company and as a supplier of balancing energy.

- **KÖGÁZ**

EVN continues to own a joint holding with E.ON Hungaria of around 62% in the south-western Hungarian gas supply company, KÖGÁZ (Középdunántúli Gázszolgáltató Rt.).

KÖGÁZ supplies some 270,000 end customers

KÖGÁZ, which was founded in 1950, supplies natural gas to around 270,000 customers in the Hungarian departments of Zala, Somogy and Veszprém. The company has a network with a length of around 8,000 km to which a total of 445 municipalities are connected. In 2002, the period of relevance to EVN reporting, KÖGÁZ, which was privatised in 1995, sold 785 m³ of gas.

The planned deregulation of the Hungarian gas market which will result in the opening up of the key account segment is now scheduled for January 1, 2004.



Consolidated Financial Statements according to IFRS

Everyone runs out of energy at one time or another.
EVN is always at your service.



Reporting according to International Financial Reporting Standards

These EVN financial statements for the financial year 2002/03 have been prepared as consolidated financial statements in accordance with the principles of the International Accounting Standards Board (IASB) including the interpretation of the International Financial Reporting Interpretations Committee (IFRIC, previously: Standing Interpretations Committee or SIC).

Pursuant to Austrian business regulations (§ 245a Austrian Commercial Code/HGB), these financial statements legally replace consolidated financial statements and a management report in line with national accounting directives. The fully consolidated companies included in the consolidated financial statements are subject to uniform accounting and valuation principles.

Differences between the IFRS and Austrian accounting regulations

The IFRS and HGB accounting regulations are partially subject to differing basic principles. While accounting pursuant to the HGB focuses on the concept of prudence and the protection of creditors, IFRS accounting lays greater emphasis on the provision of information of relevance to investor decisions.

• Balance sheet structure

In line with IFRS, the balance sheet is structured in accordance with dates of maturity. Deferred items are reallocated to the other receivables and other liabilities.

• Tangible and intangible assets

From the HGB point of view, the periods of depreciation and useful life are characterised by the prudence concept. The IFRS stipulate a continual examination of actual useful life, which is the reason for the tendency towards longer useful life periods in the course of IFRS accounting. In order to establish a potential up- or downside revaluation, an impairment test must be completed in accordance with IAS 36.

• Inventories

Inventory adjustments due to a drop in the market price are only completed when carrying values are not covered by the sales price.

• Financial instruments

In accordance with IAS 39, financial instruments are defined as contracts, which are reported by one company as a financial asset and by the other partner as a debt. On the assets side, the original financial instruments consist of financial assets, receivables and liquid funds, on the equity and liabilities side, liabilities. Swaps, options, futures and structured products also number among the derivative financial instruments. The IFRS divides the financial instruments into four categories.

Long-term investments are included in the investments available for sale category. Valuation takes place at market values and in line with IAS 39, value changes are reported under equity as profit neutral. Short-term investments are included in the trading instruments category. Valuation takes place at market values, however changes in value are reported as profit or loss. By contrast to the Austrian accounting regulations, the lower of cost or market principle is not applied.

According to IAS 39, swaps are regarded as trading investments. They are reported under other receivables or as a debt. Valuation takes place at market values, changes in value are reported as profit. Under the Austrian accounting regulations only swap-related interest deferrals and pre-paid expenses are booked. Provisions are formed for negative market values. Positive market values from profits not taken are not reported.

• Receivables and liabilities

Receivables are divided into those with a period to maturity of up to one year and those with a period of longer than one year.

Liabilities are divided into those with a period to maturity of up to one year, of one to five years and longer than five years.

• Foreign currency liabilities

Valuation takes place in accordance with the reporting date without taking historical costs into account. Therefore, every exchange rate fluctuation is immediately recognised as a profit or loss.

• Personnel provisions

Personnel provisions (provisions for pensions and similar obligations, severance payments and long-service bonuses) are made according to the projected unit credit method. The interest rate is calculated according to the current long-term interest rate in the capital markets at the balance sheet date. Future increases in remuneration up to the expected date of retirement are also accounted for. Therefore, the provision increases more rapidly during the accrual phase than is the case when the premium level method stipulated under Austrian commercial law is applied.

• Deferred taxation

The taxation effect of the temporary differences between the balance sheet according to Austrian tax law and the IFRS balance sheet is shown by the reporting of asset and liability side deferred taxes. Deferred tax assets are created for taxation losses where the probability of realisation of the tax advantage exists. By contrast, Austrian tax law offers a capitalisation option for asset side tax deferrals, which does not include loss carry-forwards.

• Other provisions

Pursuant to the IFRS, the reporting of provisions is based on differing criteria relating to the fundamental payment obligation and the likelihood of it being paid. According to IFRS, the reported value must assume the highest level of probability and not, as under Austrian law, the value established according to the concept of commercial prudence. A fund outflow probability of over 50% is assumed as a criterion in this connection. Expenditure provisions are required under Austrian law, but excluded by the IFRS.

• Supplementary reporting obligation

The IFRS demand more detailed disclosures in the notes concerning the items contained in the balance sheet, income statement, cash flow statement and changes in equity, in order to ensure that the financial statements present a true and fair view of the company. In addition, further information must be provided concerning special business segments, associated companies and derivative financial instruments, which is not required under Austrian commercial law.

Balance sheet

	Note ¹⁾	30.9.2003 TEUR	30.9.2002 TEUR
Assets			
Fixed assets			
Tangible assets	▶ 13	1,590,313.7	1,486,575.8
Intangible assets	▶ 14	69,693.2	67,767.2
Associated companies at equity	▶ 15	198,224.7	190,826.3
Other investments	▶ 16	418,489.3	507,692.7
Other fixed assets	▶ 17	104,566.7	92,916.4
		2,381,287.5	2,345,778.4
Current assets			
Inventories	▶ 18	20,609.8	78,830.9
Receivables and other current assets	▶ 19	289,458.5	198,210.3
Cash and current deposits	▶ 20	302,445.9	181,102.0
		612,514.2	458,143.2
Total assets		2,993,801.7	2,803,921.6
Equity and liabilities			
Equity			
Share capital	▶ 21	91,072.4	91,072.4
Capital reserves	▶ 22	186,789.5	186,789.5
Retained earnings	▶ 23	875,723.4	798,176.2
Valuation reserve according to IAS 39	▶ 24	-15,459.7	-34,922.4
Currency translation differences	▶ 25	-633.7	-
Own shares	▶ 26	-	-
		1,137,491.8	1,041,115.6
Minority interests	▶ 27	22,669.8	23,613.1
Long-term liabilities			
Long-term debt	▶ 28	733,990.2	680,007.1
Deferred tax	▶ 29	68,156.8	36,555.8
Long-term provisions	▶ 30	395,997.2	429,286.1
Deferred income from customer payments for network construction	▶ 31	177,338.5	169,246.0
Other long-term liabilities	▶ 32	38,064.9	36,166.9
		1,413,547.6	1,351,261.8
Current liabilities			
Short-term loans	▶ 33	6,634.7	14,614.6
Taxes payable	▶ 34	97,119.1	65,247.6
Trade accounts payable	▶ 35	89,606.0	94,939.2
Current provisions	▶ 36	128,237.5	123,664.8
Other current liabilities	▶ 37	98,495.2	89,464.8
		420,092.5	387,931.0
Total equity and liabilities		2,993,801.7	2,803,921.6

¹⁾ The notes are an integrated part of the financial statements.

Income statement

	Note ¹⁾	2002/03 TEUR	2001/02 TEUR
Sales revenues	▶38	1,082,094.2	1,113,885.7
Changes in inventories and work performed and capitalised	▶39	18,612.74	18,512.40
Other operating income	▶40	34,602.71	51,604.84
Cost of materials and services	▶41	-650,036.7	-689,086.9
Personnel expenses	▶42	-190,071.0	-180,068.5
Depreciation	▶43	-124,979.7	-122,098.8
Other operating expenses	▶44	-67,690.6	-64,873.2
Operating result (EBIT)	▶45	102,531.5	127,875.6
Result from associated companies at equity	▶46	16,115.2	17,048.3
Result from other investments	▶47	-1,495.5	-21,399.6
Interest and other financial result	▶48	28,223.5	14,054.6
Financial result		42,843.3	9,703.3
Result before tax	▶49	145,374.8	137,578.9
Taxes on profit	▶50	-41,785.5	-47,042.7
Minority interests	▶51	-1,018.0	-1,047.4
Net result	▶52	102,571.2	89,488.7
Earnings per share in EUR	▶53	2.73	2.39
Dividend per share in EUR		0.75 ²⁾	0.70

¹⁾ The notes are an integrated part of the financial statements.

²⁾ Proposal to the Annual General Meeting

Cash flow statement

	2002/03	2001/02
	TEUR	TEUR
Result before tax	145,374.8	137,578.9
+ depreciation/– writing up of fixed assets	130,402.4	118,301.7
– write-back of deferred income from customer payments for network construction	–13,670.7	–12,413.6
– gains/+ losses from foreign currency valuations	–6,502.0	6,224.1
– gains/+ losses from the disposal of fixed assets from investment activities	–6,403.6	2,676.1
+ increase/– decrease in long-term provisions	–33,386.5	35,298.0
Cash flow from the result	215,814.3	287,665.2
– increase/+ decrease in short-term inventories and short-term receivables	–24,246.8	18,962.3
+ increase/– decrease in short-term provisions	3,689.6	24,063.3
+ increase/– decrease in trade accounts payable and other liabilities	34,845.4	–54,670.2
– payments for taxes on profits	–16,923.9	–12,103.1
Cash flow from operating activities	213,178.6	263,917.6
+ proceeds from the disposal of tangible and intangible assets	16,852.6	1,410.1
– payments for additions to tangible and intangible assets	–218,713.2	–163,359.0
+ proceeds from additions to /– payments from disposals of the financial assets and other financial investments	81,436.8	–135,533.4
Cash flow from investment activities	–120,423.8	–297,482.4
– dividend for the preceding year	–26,307.0	–26,307.0
+ increase/– decrease in financial liabilities	62,870.1	284,203.5
– increase/+ decrease in securities	–44,452.8	862.4
– payments for pension rights	–	–924.4
Cash flow from financing activities	–7,889.8	257,834.5
Total cash flow	84,865.1	224,269.7
Changes in cash and cash equivalents¹⁾		
Cash and cash equivalents at the beginning of the period	143,360.9	–80,908.7
Changes in the scope of consolidation	2,391.0	–
Cash and cash equivalents at the end of the period	230,617.0	143,360.9
Total cash flow	84,865.1	224,269.7

¹⁾ See note ►54

Changes in equity

TEUR	Share capital	Capital reserves	Retained earnings	Valuation reserve according to IAS 39	Currency translation differences	Own shares	Total
Balance as at 30.9.2001	91,072.4	186,789.5	758,224.8	-	-	-23,039.4	1,013,047.2
Change due to initial application of IAS 39	-	-	-52,426.4	-5,680.4	-	-	-58,106.7
Dividends 2000/01	-	-	-26,307.0	-	-	-	-26,307.0
Net result 2001/02	-	-	89,488.7	-	-	-	89,488.7
Own share sales	-	-	10,245.6	-	-	23,039.4	33,285.0
Profit-neutral changes to the value of financial instruments	-	-	-	-29,242.0	-	-	-29,242.0
Other changes in equity	-	-	18,950.6	-	-	-	18,950.6
Balance as at 30.9.2002	91,072.4	186,789.5	798,176.2	-34,922.4	-	-	1,041,115.6
Dividends 2001/02	-	-	-26,307.0	-	-	-	-26,307.0
Net result 2002/03	-	-	102,571.2 ¹⁾	-	-	-	102,571.2
Profit-neutral changes to the value of financial instruments	-	-	-	19,462.7	-	-	19,462.7
Currency translation	-	-	-	-	-633.7	-	-633.7
Changes in the scope of consolidation	-	-	1,283.0	-	-	-	1,283.0
Balance as at 30.9.2003	91,072.4	186,789.5	875,723.4	-15,459.7	-633.7	-	1,137,491.8

¹⁾ A proposal will be made to the Annual General Meeting that a dividend of EUR 0.75 per share be distributed from the net result.

EVN Group investments

1. EVN AG investments in the energy sector ≥ 20 , as at September 30, 2003

Company, registered offices	Shareholder	Interest %	Currency	Shareholders' equity TEUR, THUF	Last year's result TEUR, THUF	Balance sheet date	Method of consolidation
AUSTRIA FERNGAS Gesellschaft m.b.H., Vienna	EVN	23.75	EUR	4,341	64	31.12.2002	N
Burgenland Holding AG (BHAG), Eisenstadt	EVN	68.74	EUR	72,239	3,128	30.09.2003	F
Burgenländische Elektrizitätswirtschafts-AG (BEWAG), Eisenstadt	BHAG	49.00	EUR	144,673	15,711	31.03.2003	E
Burgenländische Erdgasversorgungs-AG (BEGAS), Eisenstadt	BHAG	49.00	EUR	44,677	1,225	30.09.2002 ¹⁾	E
e&t Energie Handelsgesellschaft m.b.H., Vienna	EVN	31.50	EUR	875	31	30.09.2003	E
ENERGIEALLIANZ Austria GmbH, Vienna	EVN	31.50	EUR	2,106	632	30.09.2003	P
Energy Balancing AG, Vienna	EVN	25.00	EUR	6	-26	31.12.2002	N
EVN Energievertrieb GmbH (EVN VT), Maria Enzersdorf	EVN	100.00	EUR	81,034	0	30.09.2003	F
EVN Energievertrieb GmbH & Co KG (EVN KG), Maria Enzersdorf	EVN	100.00	EUR	40,527	17,016	30.09.2003	P
evn naturkraft Erzeugungs- und Verteilungs GmbH, Maria Enzersdorf	EVN	100.00	EUR	49	4	31.12.2002	N
evn naturkraft Erzeugungs- und Verteilungs GmbH & Co KG, Maria Enzersdorf	EVN	100.00	EUR	13,343	4,321	30.09.2003	F
IN-ER Erömü Kft., Nagykanizsa (Hungary)	EVN	70.00	HUF	520,837	602	31.12.2002	N
Középdunántúli Gázszolgáltató Rt. (KÖGÁZ), Nagykanizsa (Hungary)	EVN	31.23	HUF	15,725,914	742,917	31.12.2002	E
Naturkraft Energievertriebsgesellschaft m.b.H., Vienna	EAA	100.00	EUR	624	-36	30.09.2003	P
RAG-Beteiligungs-AG, Maria Enzersdorf	EVN	40.00	EUR	79,176	28,760	30.06.2003	E
Switch Energievertriebsgesellschaft m.b.H., Vienna	EAA	100.00	EUR	185	62	30.09.2003	P
Toplak Gesellschaft m.b.H., Breitenfurt	EVN	40.00	EUR	504	-546	31.10.2002	E

F Fully consolidated company (subsidiary)

P Pro rata consolidated company

E Company consolidated at equity (associated company)

N Not consolidated

¹⁾ Short financial year, 1.11.2001 – 30.9.2002

2. Other major EVN AG investments in the energy sector, as at September 30, 2003

Company, registered offices	Shareholder	Interest %	Currency	Shareholders' equity TEUR	Last year's result TEUR	Balance sheet date	Method of consolidation
EconGas GmbH, Vienna	EVN	15.70	EUR	25,610	24,376	31.03.2003	E
Energie AG Oberösterreich, Linz	EVN	9.33	EUR	472,516	29,731	30.09.2002	N
Österreichische Elektrizitätswirtschafts-Aktiengesellschaft (Verbund), Vienna	EVN	10.00	EUR	1,122,420	163,002	31.12.2002	N

E Company consolidated at equity (associated company)

N Not consolidated

3. EVN AG investments in other core business related sectors $\geq 20\%$, as at September 30, 2003

Company, registered offices	Shareholder	Interest %	Currency	Shareholders' equity TEUR, THUF	Last year's result TEUR, THUF	Balance sheet date	Method of consolidation
ALLPLAN Gesellschaft m.b.H., Vienna	Utilitas	50.00	EUR	772	167	31.12.2002	E
AVN Abfallverwertung Niederösterreich Ges.m.b.H. & Co KG, Maria Enzersdorf	EVN	100.00	EUR	-4,161	-3,809	30.09.2003	F
AVN Holding GmbH, Maria Enzersdorf	EVN	100.00	EUR	41	3	30.09.2003	N
AWB Abfall-Wirtschaft-Beteiligungs Gesellschaft m.b.H., Maria Enzersdorf	EVN	100.00	EUR	10,655	-312	30.09.2003 ¹⁾	F
AWB-Con Abfall-Wirtschaft-Beteiligungs-Gesellschaft m.b.H., Maria Enzersdorf	AWB	100.00	EUR	11,819	145	30.09.2003 ¹⁾	F
Dianazentrum Realitätengesellschaft m.b.H., Vienna	teletech	75.00	EUR	10	-140	31.12.2002	N
DTV Rt., Dunavarsány (Hungary)	evn wasser	51.00	HUF	295,320	-28,586	31.12.2002	N
e&i EDV Dienstleistungsgesellschaft m.b.H., Vienna	EVN	50.00	EUR	1,816	204	30.09.2002	E
EVN-Pensionskasse Aktiengesellschaft, Maria Enzersdorf	EVN	100.00	EUR	874	7	31.12.2002	N
evn wasser GmbH, Maria Enzersdorf	EVN/Utilitas	100.00	EUR	63,325	4,304	30.09.2003	F
EZO Gastronomie- und Servicegesellschaft m.b.H., Maria Enzersdorf	Utilitas	100.00	EUR	452	83	30.09.2003	F
GrafoTech Beratungs- und Planungsgesellschaft mbH & Co KG, Maria Enzersdorf	Utilitas	100.00	EUR	988	783	30.09.2003	F
GrafoTech Holding GmbH, Maria Enzersdorf	Utilitas	100.00	EUR	33	0	30.09.2003	N
Kabelsignal AG, Maria Enzersdorf	Utilitas	100.00	EUR	8,027	2,301	30.09.2003	F
Kabelsignal St. Pölten Gesellschaft m.b.H., St. Pölten	Kabelsignal	95.00	EUR	1,707	805	30.09.2003	F
Kabelsignal Melk GmbH, Maria Enzersdorf	Kabelsignal	100.00	EUR	31	5	31.12.2002	N
Kabelsignal Bruck/Leitha, Maria Enzersdorf	Kabelsignal	100.00	EUR	-81	-8	31.12.2002	N
NÖKOM NÖ Telekom Service Gesellschaft m.b.H., Maria Enzersdorf	EVN	50.00	EUR	1,528	463	31.12.2002	E
teletech Facility Management Service GmbH, Vienna	Utilitas	100.00	EUR	699	217	30.09.2003	F
Utilitas Dienstleistungs- und Beteiligungs-GmbH, Maria Enzersdorf	EVN	100.00	EUR	27,696	1,071	30.09.2003	F
V&C Kathodischer Korrosionsschutz Gesellschaft m.b.H., Pressbaum	Utilitas	100.00	EUR	370	77	31.03.2003	E
Wiental-Sammelkanal GmbH, Untertullnerbach	evn wasser	50.00	EUR	896	-304	31.12.2002	N
WTE Wassertechnik Holding und Betriebs-GmbH (WTE HG), Maria Enzersdorf²⁾	EVN VT	100.00	EUR	81,029	-3	30.09.2003	F
ZSV Beteiligungs GmbH, Maria Enzersdorf	WTE HG	100.00	EUR	32	-1	30.09.2003	F

F Fully consolidated company (subsidiary)

E Company consolidated at equity (associated company)

N Not consolidated

¹⁾ Short financial year 1.9.2003–30.9.2003

²⁾ Formerly SLB Holding GmbH

Notes

General

EVN AG is a multi-service utility with registered offices at EVN Platz, A-2344 Maria Enzersdorf. The EVN consolidated financial statements for the 2002/03 financial year correspond with the current International Financial Reporting Standards (IFRS) and follow the interpretation of the International Financial Reporting Interpretations Committee (IFRIC, previously: Standing Interpretations Committee or SIC).

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 income statement, the cash flow statement, as well as the changes in equity, are based on the principle of materiality. Both the EVN accounts and the consolidated financial statements are prepared in euro (EUR). For the sake of clarity, all figures are given in thousands of euros (TEUR). 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

As opposed to the comparable period of 2001/02, the scope of consolidation includes EVN Energievertrieb GmbH, EZO Gastronomie- und Servicegesellschaft m.b.H., WTE Wassertechnik Holding und Betriebs-GmbH and ZSV Beteiligungs GmbH. Korneuburg Gas Vertriebs- und Verteilungs GmbH (previously: Stadtwerke Korneuburg GmbH), which last year was included in the scope of consolidation for the first time, has now been merged with EVN AG.

► 1 Changes in the scope of consolidation

	Fully consolidated	Pro rata consolidated	Consolidated at equity	Total
30.9.2001	12	–	5	17
Initial consolidation	1	–	2	3
Merger	–	–	–	–
Final consolidation	–	–	–	–
30.9.2002	13	–	7	20
Initial consolidation	4	4	4	12
Merger	–1	–	–	–1
Final consolidation	–	–	–	–
30.9.2003	16	4	11	31

As at October 1, 2002, the “Energy Business: Electricity Customers and Gas Retail Customers Division” of EVN AG was brought into EVN Energievertrieb GmbH & Co KG. ENERGIEALLIANZ Austria GmbH acts as a general partner to this company, while EVN AG is the sole limited partner. The consolidated financial statement prepared by ENERGIEALLIANZ Austria GmbH is included on a pro rata basis. EVN AG has a 31.5% holding in the sub-group financial statement, consisting of ENERGIEALLIANZ Austria GmbH, Switch Energievertriebsgesellschaft m.b.H. and Naturkraft Energievertriebsgesellschaft m.b.H., while EVN AG has a 100% holding in EVN Energievertrieb GmbH & Co KG.

Including EVN as the parent company, 16 (previous year: 13) companies are fully consolidated and four companies are consolidated pro rata.

These changes in the scope of consolidation resulted in an increase in the balance sheet total by TEUR 11,602.9.

As a result of the inclusion of ALLPLAN Gesellschaft m.b.H., EconGas GmbH, Toplak Gesellschaft m.b.H. and V&C Kathodischer Korrosionsschutz Gesellschaft m.b.H., the number of companies consolidated at equity rose to eleven (previous year: seven).

In accordance with the principle of materiality, an investment need not be shown as a subsidiary or as an associated company if it is immaterial. This appraisal is based on the company's respective balance sheet total, total fixed assets, pro rata equity and external sales revenues in proportion to Group totals. The companies consolidated on the basis of these criteria account for more than 99% of the respective totals. Nine (previous year: fourteen) subsidiaries were not consolidated in view of their immateriality 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 purchased is offset against the proportional carrying amount of the subsidiary's equity acquired as at the date of acquisition. Where attributable, any excess is allocated to the asset purchases. Non-attributable asset-side differences are classified as goodwill and subjected to straight-line depreciation in accordance with useful life. Non-attributable equity side differences were offset by goodwill on the asset side and withdrawn according to the useful life of goodwill.

Internal Group receivables and liabilities, expenses and revenues, and company results are eliminated, except when immaterial. In the case of companies in which an investment is held and a major influence on business policy can be exercised (associated companies), the pro rata proportion of the company's net profit after tax is added to the carrying value of the shares (equity method). In such situations, the sum reported for profit distribution is reduced by the pro rata amount. Intra-group profits and losses are eliminated where material.

► 3 Group currency conversion

The financial statements of foreign subsidiaries are converted on the basis of functional currency. Conversion of the balance sheet items is carried out at the mid-market exchange rate on the balance sheet date. The items in the income statements of consolidated foreign companies are converted at the average rates of exchange for the period. Differences arising from the currency conversion of pro rata equity are reported as equity without any effect on the result. In the case of a foreign company being deconsolidated, these currency differences are recognised as profits or losses.

Accounting and valuation methods

►4 Tangible and intangible assets

Tangible and intangible assets are reported at the cost of acquisition or production, less scheduled linear depreciation. Apart from direct costs, the production costs include a reasonable percentage of material and manufacturing overheads. General administrative costs and interest on borrowed capital are not capitalised.

Assets are depreciated from the time of commissioning. Straight-line depreciation is carried out over the expected useful life of the asset. In the case of assets commissioned during the first six months of the financial year, depreciation is for a whole financial year, otherwise the amount for a half-year is offset. The anticipated economic and technical life of tangible assets is taken into consideration in determining their useful life.

Exceptional depreciation is undertaken where a reduction in the value of an asset is expected to be non-temporary. In order to assess the stated value of tangible and intangible assets, an impairment test is carried out. The higher of the net sales price and the value in use, which is calculated as a cash value from the related future monetary inflows and outflows, is compared with the previously reported carrying amount. Should this result in a value below that of the previously reported carrying value, a write-down is completed. If the reasons for exceptional depreciation no longer apply, a write-up takes place, at a maximum to the scheduled, projected acquisition costs.

Maintenance work is shown as an expense unless it changes the nature of the asset involved.

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

Where unallocable, any excesses resulting from initial consolidation are reported as goodwill and then subjected to scheduled depreciation in accordance with the anticipated useful life. In addition, the remaining goodwill is examined on every balance sheet date with regard to its recoverable amount. Reductions in future use are offset as exceptional depreciation.

Due to the fundamentally longer amortisation periods for investments in the energy industry, a useful life of 15 years is allocated to the goodwill on energy sector interests.

In the case of rights to electricity procurement from external power stations reported as intangible assets (rights), a useful life of 40 years was used in accordance with the contractual period.

Reference should be made to note ►43, Depreciation, with regard to the definition of cash generating units and the calculation of the value in use.

►4 Expected useful life of tangible and intangible assets

	Years
Buildings	10 – 50
Transmission lines and pipelines	15 – 33
Machinery	10 – 33
Meters	7 – 40
Tools and equipment	4 – 25
Rights	4 – 40
Goodwill	5 – 15

►5 Leased and rented property, plant and equipment

Leases and rental agreements under which all risks and benefits are transferred to the Group, and which are associated with the utilisation of assets, are treated as finance leases. The assets, for which such leases and rental agreements are concluded, are recognised at the present value of the capitalised lease, or the rental payments at the time of acquisition, and depreciated over their useful life. The value of capitalised assets is offset against the respective cash value of the liability arising from the outstanding lease or rental charges on the balance sheet date.

The assets contained in all other lease and rental agreements are regarded as being the subject of operative leasing and are owned by the tenant or lessor. The rental charges are reported as an expense.

►6 Financial assets

Investments in subsidiaries not included in consolidation are valued at the cost of acquisition on the basis of the general principles for the valuation of financial assets. In the consolidated financial statements, associated companies are principally valued at equity. Where these companies are immaterial and market values cannot be established, valuation takes place at the cost of acquisition. Permanent reductions 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 the market value. In the case of those companies for which a reliable market value can be determined, the market value or the likely sales proceeds on the balance sheet date is reported. In line with IAS 39, the changes in value of these investments are reported under equity as profit neutral. Recognised revaluation is undertaken for probable, non-temporary reductions in value. All other investments are valued at the cost of acquisition less eventual, exceptional depreciation.

Bonds and other fixed-interest securities, shares and other interests, which are allocated to permanent operations, are reported at market value. Changes in value are generally included in equity as profit neutral. Conversely, in the event of non-temporary reductions in value, recognised revaluation is completed. Interest-free or low-interest loans are reported at the cost of acquisition or the lower cash value.

►7 Inventories

The valuation of inventories is made at the cost of acquisition or manufacture, or if lower, the market price. No write-downs are made on inventories if the book values are covered by the sale proceeds. The calculation of the use of primary energy reserves, raw materials and consumables takes place in accordance with the weighted average cost method. Where turnover is infrequent, a write-down may be undertaken.

►8 Receivables

Trade accounts receivable and other current receivables are reported at the carried cost of acquisition, and where necessary, reduced by valuation adjustments. Tax receivables are offset against tax liabilities, when they relate to the same tax authority.

►9 Cash and current deposits

Current deposits (cash in hand, cash at banks, securities) are combined under the item "cash and current deposits" and reported at current rates.

►10 Liabilities

Liabilities are reported at the carried cost of acquisition. Foreign currency liabilities are valued at the mid-market rate on the balance sheet date, or in the case of hedge accounting, at the hedged rate. Funding costs are part of the carried cost of acquisition.

This item also includes deferred income from customer payments for network construction. These are recognised as long-term liabilities and written back over the relevant period.

Provisions for pensions and similar obligations, severance payments and long-service bonuses are valued using the projected unit credit method. The awaited benefits to be paid are spread over the active working life of employees until retirement. Anticipated future increases in remuneration are taken into account. An actuary calculates the amounts of the provisions on the respective closing date of the financial statements in the form of an actuarial report.

Deferred taxes are calculated using the liability method at the tax rate to be expected on the balance sheet date when short-term differences are reversed.

Other provisions consist of the aggregate contingent liabilities, reflecting the most likely liability.

►11 Currency conversion

Assets and debts in foreign currencies (from outside the euro zone) are converted at the mid-market rate of exchange on the balance sheet date at the forward exchange rate in euros. Assets and debt denominated in the former currencies of the European Monetary Union states were converted at the rates irrevocably fixed by the European Commission. Resulting write-ups and write-downs are accounted for as income or expense.

►12 Stating of the fair value of financial instruments

The fair value of financial instruments is the amount used as a basis in business transactions between expert contractual parties, who are independent of each other. The fair value is frequently identical with the market price. Thus, the fair value is established on the basis of the market information available on the balance sheet date. In view of conflicting influences, the values reported can therefore differ from the values realised at a later date.

Notes to the balance sheet

Assets

Fixed assets

As compared with the preceding year, the net value of fixed assets increased by TEUR 35,509.1 or 1.5%, to TEUR 2,381,287.3. The net value is the residual book value, which comprises the acquisition cost less accumulated depreciation.

There are neither limitations on the rights to use, nor mortgaged assets as security for debts.

► 13 Tangible assets

The essential additions derived largely from the construction of a waste incineration plant, enlargement of wind power generation and electricity distribution capacity and investments in the building of gas transport and distribution pipelines, as well as technical infrastructure facilities. The expansion to the scope of consolidation included the assets of ENERGIEALLIANZ Austria GmbH, Switch Energievertriebsgesellschaft m.b.H. and Naturkraft Energievertriebsgesellschaft m.b.H.

The land and buildings item contains land values of TEUR 39,067.1 (previous year: TEUR 37,621.9).

The impairment tests completed in accordance with IAS 36 resulted in exceptional depreciation on the electricity and gas networks of EUR 58.7 m, which was necessary due to regulatory stipulations. Conversely, improved generation conditions derived from the increase in electricity prices led to appreciation of EUR 62.6 m on EVN's power plants.

The impairment test is described in Note ►4, Tangible and intangible assets, of the Accounting and valuation methods.

The development of depreciation in the period under review, as well as details concerning the exceptional measures are described in note ►43, Depreciation.

The item advance payments made and plant under construction includes TEUR 79,477.5 relating to plant under construction on the balance sheet date (previous year: TEUR 118,200.9). This decrease derives mainly from the completion of a waste incineration plant by AVN Abfallverwertung Niederösterreich Ges.m.b.H. & Co KG and the commissioning of wind power plants by evn naturkraft Erzeugungs- und Verteilungs GmbH & Co KG.

For leased and rented plants, the balance of the present value of the payment obligations derived from the use of heating networks and heat generation plants is reported. The carrying amount of these assets totalled TEUR 8,929.0 on the balance sheet date (previous year: TEUR 12,599.2). The related leasing and rental liabilities are recorded under other long-term liabilities.

► 13 Development of tangible assets

TEUR	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	Total
Gross value September 30, 2002	417,544.8	1,736,971.7	1,205,831.9	116,586.0	165,866.9	137,792.2	3,780,593.4
Changes in the scope of consolidation	5.7	–	–	–	131.9	–	137.6
Investments	26,389.5	45,771.4	121,206.5	2,657.5	8,845.3	23,137.1	228,007.3
Disposals	–7,692.2	–2,796.8	–22,667.4	–3,569.0	–10,497.0	1,235.1	–45,987.3
Transfers	16,185.2	26,085.9	35,137.4	155.0	2,275.7	–79,895.5	–56.2
Gross value September 30, 2003	452,433.0	1,806,032.2	1,339,508.3	115,829.5	166,622.9	82,268.9	3,962,694.9
Accumulated depreciation September 30, 2002	–289,149.3	–802,437.4	–1,001,313.3	–66,780.6	–134,034.0	–302.9	–2,294,017.6
Changes in the scope of consolidation	–0.9	–	–	–	–91.3	–	–92.2
Depreciation 2002/03	–9,374.2	–119,463.8	–38,573.3	–4,483.6	–13,683.5	–449.1	–186,027.4
Additions 2002/03	10,857.7	338.3	52,900.9	–	–	–	64,096.9
Disposals	6,357.0	2,466.7	22,346.1	2,991.7	9,502.9	–	43,664.3
Transfers	–	–	–5,146.3	–	5,141.3	–	–5.0
Accumulated depreciation September 30, 2003	–281,309.8	–919,096.3	–969,786.0	–68,272.5	–133,164.5	–752.0	–2,372,381.2
Net value September 30, 2002	128,395.4	934,534.2	204,518.5	49,805.3	31,832.9	137,489.3	1,486,575.8
Net value September 30, 2003	171,123.2	886,935.9	369,722.3	47,557.0	33,458.3	81,516.9	1,590,313.7

► 14 Intangible assets

The additions to goodwill resulting from changes in the scope of consolidation derive from the initial inclusion of EVN Energievertrieb GmbH, EZO Gastronomie- und Servicegesellschaft m.b.H., WTE Wassertechnik Holding und Betriebs-GmbH and ZSV Beteiligungs GmbH, as well as the pro rata consolidation of the ENERGIEALLIANZ Austria GmbH consolidated financial statements. The addition of TEUR 845.3 resulted from the merger of Korneuburg Gas Vertriebs- und Verteilungs GmbH with EVN AG.

The depreciation on goodwill results largely from the scheduled depreciation of Kabelsignal AG. By contrast, the carrying value of negative goodwill fell by TEUR 1,167.2 to TEUR 10,977.3, while additions from changes in the scope of consolidation amounted to TEUR 322.8.

Other intangible assets include electricity procurement rights, transportation rights on natural gas pipelines, and other rights, in particular software licences. Additions of TEUR 5,882.6 were made to the electricity purchasing rights in the course of an intangible asset impairment test.

The impairment test is described in the Accounting and Valuation Methods under note ►4, Tangible and intangible assets.

There were no intangible assets from work performed and capitalised within the Group.

► 14 Development of intangible assets

TEUR	Positive goodwill	Negative goodwill	Other intangible assets	Total
Gross value				
September 30, 2002	22,709.5	-12,666.1	254,285.1	264,328.5
Changes in the scope of consolidation	901.0	-322.8	93.0	671.2
Additions	845.3	-	3,490.2	4,335.6
Disposals	-	-	-98.4	-98.4
Transfers	-	-	56.2	56.2
Gross value				
September 30, 2003	24,455.8	-12,989.0	257,826.2	269,293.1
Accumulated depreciation				
September 30, 2002	-15,922.2	844.4	-181,483.5	-196,561.2
Changes in the scope of consolidation	-	-	-1.7	-1.7
Depreciation 2002/03	-3,960.8	-	-6,138.1	-10,098.9
Additions 2002/03	-	1,167.2 ¹⁾	5,882.6	7,049.8
Disposals	-	-	7.1	7.1
Transfers	-	-	5.0	5.0
Accumulated depreciation				
September 30, 2003	-19,883.0	2,011.6	-181,728.5	-199,599.9
Net value September 30, 2002	6,787.3	-11,821.7	72,801.6	67,767.2
Net value September 30, 2003	4,572.8	-10,977.3	76,097.7	69,693.2

¹⁾ Write-back of negative goodwill

► 15 Associated companies at equity

Investments are reported as associated companies, when a major influence is exerted on the business policy of a company, without it being a subsidiary. One refutable assumption applied is the ownership of 20–50% of voting rights. Associated companies are generally valued at equity.

The changes to the pro rata equity of TEUR 9,089.9 derive from the respective share of the result totalling TEUR 24,288.4 less distributed profits and profit neutral currency conversions.

The companies consolidated at equity are shown in the EVN Group investments table (see page 62).

► 16 Other investments

This item includes affiliated and associated companies, which due to immateriality are not consolidated, as well as investments in which EVN has a holding of less than 20%.

Other investments include shares in listed companies with a listed value on the balance sheet date of TEUR 247,307.7 (previous year: TEUR 341,001.6). The Group's other investments are in non-listed companies, so that an estimation of their market value is not possible due to insufficient marketability. The disposals relate mainly to the sale of stock in ATEL.

The changes in the scope of consolidation relate to the initial full consolidation of EVN Energievertrieb GmbH, EZO Gastronomie- und Servicegesellschaft m.b.H., WTE Wassertechnik Holding und Betriebs-GmbH and ZSV Beteiligungs GmbH, the first pro rata consolidation of the consolidated financial statements of the companies of the Energie-Allianz and the initial consolidation at equity of ALLPLAN Gesellschaft m.b.H., EconGas GmbH, Toplak Gesellschaft m.b.H. and V&C Kathodischer Korrosionsschutz Gesellschaft m.b.H.

Additions of TEUR 27,554.0 to the other investments derive from adjustments to higher market values and share prices. In line with IAS 39, these were offset against the valuation reserve.

Further information can be found in the EVN Group investments table (from page 62), as well as in the "The individual business areas" section of this report (from page 39).

► 15 Development of associated companies at equity

TEUR	Associated companies
Gross value September 30, 2002	177,951.3
Additions and transfers	323.3
Changes in the scope of consolidation	3,008.0
Disposals	–
Equity adjustments	–
Gross value September 30, 2003	181,282.6
Accumulated equity changes September 30, 2002	12,875.0
Changes in pro rata equity	9,089.9
– Depreciation 2002/03	–5,022.8
Disposals	–
Additions	–
Accumulated equity changes September 30, 2003	16,942.2
Net value September 30, 2002	190,826.3
Net value September 30, 2003	198,224.7

► 16 Development of other investments

TEUR	Investments in subsidiaries	Other investments	Total
Gross value September 30, 2002	7,667.4	583,334.3	591,001.7
Changes in the scope of Consolidation	–1,318.9	–4,688.3	–6,007.2
Additions	1,171.2	4,512.6	5,683.8
Transfers	–	–201.6	–201.6
Disposals	–29.4	–134,574.8	–134,604.1
Gross value September 30, 2002	7,490.3	448,382.2	455,872.5
Accumulated depreciation September 30, 2002	–4,867.4	–78,441.6	–83,309.1
Changes in the scope of consolidation	778.8	938.8	1,717.6
– Depreciation	–14.5	–	–14.5
+ Additions	–	27,554.0	27,554.0
Transfers	–	201.6	201.6
Disposals	–	16,467.2	16,467.2
Accumulated depreciation September 30, 2003	–4,103.2	–33,280.1	–37,383.3
Net value September 30, 2002	2,799.9	504,892.7	507,692.7
Net value September 30, 2003	3,387.1	415,102.2	418,489.3

► 17 Other fixed assets

Securities consist of shares in investment funds and mainly serve to provide the cover required by Austrian taxation law relating to provisions for severance payments, pensions and similar obligations. The net values correspond with the quoted price on the balance sheet date. Additions and disposals resulted from related asset regrouping during the financial year.

Of the loans amounting to TEUR 9,127.0 (previous year: TEUR 8,322.5), TEUR 190.6 (previous year: TEUR 407.0) have a period to maturity of less than one year.

As in the preceding year, long-term inventories relate to oil reserves for the generation of electricity and heat. A value adjustment was completed for the deposit base derived from storage.

Other long-term assets primarily consist of long-term receivables in connection with financial instruments (interest rate and currency swaps), which meet the criteria for hedge accounting according to IAS 39.

► 17 Development of other fixed assets

TEUR	Securities	Loans	Long-term inventories	Other long-term receivables	Total
Gross value September 30, 2002	85,146.8	8,331.4	3,754.5	18,074.2	115,306.8
Changes in the scope of consolidation	35.7	16.6	–	–	52.3
Additions	81,408.4	1,456.6	–	4,249.6	87,114.6
Disposals	–84,549.8	–671.4	–	–12,142.4	–97,363.6
Gross value September 30, 2003	82,041.1	9,133.1	3,754.5	10,181.4	105,110.1
Accumulated depreciation September 30, 2002	–21,860.3	–8.9	–521.1	–	–22,390.3
Depreciation 2002/03	–0.4	2.8	–	–	2.3
Disposals	21,844.6	–	–	–	21,844.6
Accumulated depreciation September 30, 2003	–16.2	–6.1	–521.1	–	–543.4
Net value September 30, 2002	63,286.5	8,322.5	3,233.3	18,074.2	92,916.4
Net value September 30, 2003	82,025.0	9,127.0	3,233.3	10,181.4	104,566.7

Current assets

►18 Inventories

Due to the outsourcing of purchasing and trading business in the gas sector to EconGas GmbH with effect from January 1, 2003, EVN no longer has its own gas reserves. The reserves of primary energy are now comprised entirely of coal. The fall in this item is due to a higher level of consumption.

Other inventories contain raw materials and supplies, other inventories and customer orders not yet invoiced.

►19 Receivables and other current assets

Trade accounts receivable generally relate to electricity, gas and heating customers. Doubtful debts are accounted for by a provision of TEUR 6,448.7 (previous year: TEUR 8,755.6).

Receivables from financial instruments relate to deferred interest.

Receivables from employees comprise accruals from wage and salary accounting.

Receivables from subsidiaries and associated companies mostly derive from intra-Group transactions relating to energy supplies, Group financing and services to non-consolidated subsidiaries.

The other receivables contain advance payments, receivables from insurance and from taxation.

►20 Cash and current deposits

Short-term securities, consisting largely of fixed-income securities and domestic shares, are used for the temporary investment of free liquid funds. This item consists entirely of securities available for sale, which are reported at the market value.

Apart from the loss of TEUR 1,686.0 (previous year: loss of TEUR 110.4) derived from disposals of securities, during the period under review a recognised upvaluation of TEUR 1,454.1 was made due to the rise in stock market prices.

The cash and current deposits at banks, as well as fixed income securities, are part of the cash and cash equivalents included in the cash flow statement.

►18 Inventories

TEUR	2002/03	2001/02
Primary energy reserves	13,111.6	62,423.8
Raw materials and supplies, consumables and other inventories	4,476.0	5,398.6
Customer orders not yet invoiced	3,022.2	11,008.5
Total	20,609.8	78,830.9

►19 Receivables and other current assets

TEUR	2002/03	2001/02
Trade accounts receivable	87,858.0	112,169.0
Receivables from financial instruments	2,926.4	7,719.6
Receivables from employees	9,174.0	9,379.4
Receivables from subsidiaries and associated companies	125,154.6	60,236.8
Other receivables and assets	64,345.5	8,705.6
Total	289,458.5	198,210.3

►20 Cash and current deposits

TEUR	2002/03	2001/02
Cash in hand	100.7	70.2
Cash at banks	100,561.0	156,905.4
Securities	201,784.2	24,126.4
Total	302,445.9	181,102.0

Equity and liabilities

Equity

►21 Share capital

EVN AG share capital of TEUR 91,072.4 consists of 37,581,455 non-par value bearer shares.

The Annual General Meeting on January 22, 1999 approved a change to the company statutes authorising the Executive Board to increase the share capital within five years following entry of the appropriate alteration into the company register, which means up to July 30, 2004, by an amount of up to TEUR 7,997.0 through the issue of new shares in exchange for cash (authorised capital).

During the 1989/90 financial year, 49% of the company was privatised under the 1987 amendment to the 2nd Nationalisation Act and since then has been officially listed on the Vienna Stock Exchange. On January 2, 2002, the EVN AG share was adopted into the Vienna Stock Exchange "Prime Market". The share has also been listed in Munich and Frankfurt since May 1991. In the USA, EVN shares have been available through a "sponsored level one American Depository Receipt (ADR) program" since December 1991.

►22 Capital reserves

The capital reserves include appropriated reserves in accordance with Austrian stock corporation law of TEUR 128,521.7 from capital increases, as well as non-appropriated reserves in accordance with Austrian stock corporation law of TEUR 58,267.7.

►23 Retained earnings

This item contains retained earnings and differences in equity due to the initial use of IAS 39 as at October 1, 2001. In addition, it also includes adjustments from the changes in the scope of consolidation and the untaxed reserves in the individual financial statements formed in accordance with Austrian taxation law following the deduction of deferred taxes, which are reported under the long-term taxation provisions.

The proposal for the distribution of profits made to the Annual General Meeting, consisting of an EUR 0.75 dividend per share, is not contained in the liabilities.

►24 Valuation reserve according to IAS 39

Profit-neutral changes to financial instruments are offset against the valuation reserve according to IAS 39 and reported separately in the changes in equity table.

As at September 30, 2002, the valuation reserve according to IAS 39 stood at minus EUR 34,922.4. In the financial year, profit-neutral changes in the value of financial instruments led to an increase of TEUR 19,462.7 in equity, which led to a valuation reserve on the balance sheet date of minus TEUR 15,459.7.

►25 Currency translation differences

This item contains differences from currency translations during consolidation and in the financial year resulted in a reduction in equity of TEUR 633.7.

►26 Own shares

On the balance sheet date no own shares were in EVN AG ownership. Therefore, on the balance sheet date, a total of 37,581,455 shares were in circulation (previous year: 37,581,455).

Minority interests

►27 Minority interests

As in the preceding year, this item comprises minority interests in the equity capital of the fully consolidated company Burgenland Holding AG, amounting to 31.26%, and 5% of Kabelsignal St. Pölten GmbH. All other fully consolidated companies are in full direct or indirect EVN ownership.

►28 Long-term debt

	Nominal interest rate %	Term	Nominal amount	Carrying amount 30.9.2003 TEUR	Carrying amount 30.9.2002 TEUR	Effective interest rate %	Fair value 30.9.2003 TEUR
JPY bond	5.20	1994–2014	JPY 8 bn	55,508.4	66,751.9	6.25	82,360.2
CHF obligation	3.25	1998–2008	CHF 200 m	134,490.2	141,263.4	2.21	135,614.1
DEM bond	5.00	1998–2008	DEM 230 m	119,419.1	141,990.2	4.28	124,041.5
EUR bond	5.25	2001–2011	EUR 280 m	290,678.9	299,751.2	3.93	295,932.0
Total bonds	–	–	–	600,096.7	649,756.8	–	637,947.9
Long-term bank loans	1.00–5.95	up to 2025	EUR 152.9 m	133,893.5	30,250.3	3.57	132,706.0
Total	–	–	–	733,990.2	680,007.1	3.82	770,653.8

Long-term liabilities

►28 Long-term debt

In addition to the JPY bond issued in 1994, this item contains the CHF obligation placed in April 1998, the DEM bond issued in August 1998 and the EUR bond issued in December 2001. All loans have final maturity. In the past financial year repurchases to a nominal amount of EUR 43.2 m were made on the DEM and the EUR bonds. The loans consist of bank loans, funded largely by interest and redemption subsidies from the Austrian Environment and Water Industry Fund.

Valuation took place at the carried cost of acquisition. Liabilities in foreign currencies were translated at the reporting date rate or the hedged rate. In accordance with IAS 39, in the case of hedging, liabilities to the amount employed in the hedge accounting were adjusted by the corresponding change in value of the hedged risk.

The result of the required balance sheet date evaluation consists of a write-down of the JPY bond recognised as income amounting to TEUR 11,251.7 (previous year: TEUR 6,629.1), a write-down of the CHF bond recognised as income of TEUR 6,773.2 (previous year: TEUR 11,774.5), a profit reducing write-up of the DEM bond of TEUR 437.0 and a write-up of the EUR bond recognised as an expense of TEUR 10,769.4.

The deferred interest expenses are contained in the other current liabilities.

The effective rate of interest for the 2002/03 financial year, which averaged 3.82% (previous year: 4.55%), represents the average interest burden relating to the average carrying amount after interest and currency hedging were taken into account. On the balance sheet date, the carrying amount weighted interest rate totalled 3.68% (previous year: 3.73%), which corresponded with a 5.9-year fixed interest period (previous year: 3.6 years).

The fair value was calculated on the basis of the market information available on the balance sheet date relating to the respective bond price and the rate of exchange.

During the 2002/03 financial year, the situation in the financial markets was exploited to carry out hedging of the interest and currency risks at a correspondingly low level.

►29 Deferred tax

The calculation of deferred tax was based on the taxation rate of 34% valid on the balance sheet date. The differences between the amounts stated in the tax balance and those contained in the consolidated balance sheet only contain deferred taxes when these constitute temporary differences. For non-temporary differences, a final taxation relevance is assumed. Deferred tax assets and deferred tax liabilities are offset, as these relate to the same tax authority.

Deferred tax assets relate to EVN's tax loss carried forward. They are capitalised to the extent in which positive taxable income can be expected in the coming years. Other tax losses carried forward within the Group of TEUR 1,799.5 (previous year: TEUR 1,259.0) were not capitalised, as their future tax relief is still uncertain.

In accordance with IAS 39, deferred tax assets totalling TEUR 7,964.1 (previous year: TEUR 15,064.1) are profit-neutral reported under retained earnings.

►29 Deferred tax

TEUR	2002/03	2001/02
Deferred tax assets		
Social capital	-46,559.5	-48,261.1
Tax loss to be carried forward	-19,731.6	-16,925.1
Financial instruments	-	-9,029.3
Other deferred tax assets	-5,301.2	-4,161.0
Deferred tax liabilities		
Fixed assets	62,359.9	57,307.5
Untaxed reserves	39,671.8	38,810.2
Financial instruments	30,046.1	-
Other deferred tax liabilities	7,671.3	18,814.7
Total	68,156.8	36,555.8

► **30 Long-term provisions**

• **Provision for pensions**

Under the terms of a company agreement, EVN is obliged to pay employees, who joined the company prior to December 31, 1989, a supplementary pension from the date on which they retire. In principle, the amount of this supplementary pension is performance-related and derives from the length of service and the amount of remuneration at the time of retirement. Over and above this, EVN, and as a rule the employees as well, pay contributions to EVN-Pensionskasse AG. The resulting entitlements count entirely as pension payments. Consequently, obligations towards retired staff and those with pension entitlements are largely covered by the provisions for pensions and supplemented by EVN-Pensionskasse AG.

For employees who joined the company after January 1, 1990, the supplementary company pension has been replaced by a contribution based pension scheme which is financed by EVN-Pensionskasse AG. The resulting pension payments are generally graduated according to individual remuneration.

A contractual pension obligation exists for some individual employees, which means that subject to certain preconditions, they are entitled to company pension payments following retirement.

The altered legislative framework, established by the Budget Accompanying Act 2003, which foresees a general increase in the retirement age, was taken into full account during the calculation of the provision for pensions. This lowered the provision due to the fact that the regulation shortens the actuarial pension period.

The amount reported for the provision for pensions on the balance sheet date was calculated on the basis of an actuarial report using the projected unit credit method and the following parameters:

- Interest rate of 4.5% p.a. (previous year: 5.5% p.a.)
- Remuneration increases of 2.25% p.a. (previous year: 2.75% p.a.)
- Pension increases of 2.0% p.a. (previous year: 2.5% p.a.)

As in the previous year, the biometric bases for calculation were established using the "AÖV 1999-P – Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler, Angestelltenbestand" Austrian pension tables. Due to the lower interest rate on the balance sheet date, the interest rate used was reduced to 4.5%.

The corridor regulation according to IFRS 19 means that accumulated actuarial gains and losses within 10% of the defined benefit obligation (DBO) value are not subject to recognition in the income statement.

On the balance sheet date, the pension reserve exceeded the DBO value by 8.0% (previous year: exceeded by 10%).

• **Provision for obligations similar to pensions**

This item relates to liabilities derived from the entitlements to the electricity and gas benefits in kind of current employees, retired employees and dependents. 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, which are compulsory under Austrian labour legislation when employees are dismissed, or on a regular basis upon attainment of retirement age. The amount of such payments relates to the number of years of service and the amount of individual remuneration. The provision for severance payments is formed in accordance with actuarial principles. Provision measurement is made using the same assumptions as for the provision for pensions, as the corridor regulation according to IAS 19 was employed for the first time.

On the balance sheet date, the provision for severance payments exceeded the DBO value by 0.6% (previous year: 0.0%).

► **30 Long-term provisions**

TEUR	2002/03	2001/02
Provision for pensions	239,239.8	240,752.8
Provision for obligations similar to pensions	16,855.9	16,906.5
Provision for severance payments	58,687.5	58,938.3
Provision for long-service bonuses	13,952.4	13,924.3
Other long-term provisions	67,261.5	98,764.3
Total	395,997.2	429,286.1

Development of the provision for pensions and similar obligations

TEUR	2002/03	2001/02
Present value of pension obligations (DBO) October 1	234,235.7	242,697.8
+ service costs	2,214.7	2,860.2
+ interest paid	13,004.8	13,505.7
– pension payments	–15,939.5	–17,697.1
– actuarial gain/+ loss	3,590.5	–7,130.9
Present value of pension obligations (DBO) September 30	237,106.2	234,235.7
Provision for pensions and similar obligations	256,095.7	257,659.3

- **Provision for long-service bonuses**

The obligations for long-service bonuses derived from collective wage and company agreements were calculated using the same parameters as for the provision for pensions.

- **Other long-term provisions**

The provision for obligations from co-operation agreements with BEGAS was raised by TEUR 2,000 to TEUR 36,700.0 (previous year: TEUR 34,700.0). A provision of TEUR 12,763.3 (previous year TEUR 9,028.0) was made for environmental and hazardous waste risks. A provision of TEUR 5,311.8 was made for the undertaking of liability of the debts of subsidiaries.

A provision of TEUR 10,701.6 was made for financial instruments.

- ▶ **31 Deferred income from customer payments for network construction**

This item is constituted by payments made by customers as part of prior investments in network construction. They represent an offset to the cost of acquisition of these assets, and are written-back according to the straight-line method over 20 years.

- ▶ **32 Other long-term liabilities**

Other long-term liabilities include TEUR 19,153.5 (previous year: TEUR 16,013.8) for lease liabilities in connection with the utilisation of heating networks and heating plants. Of this amount, TEUR 14,445.1 (previous year: TEUR 11,970.9) is due for payment in more than five years, the remainder after one year. Accrued premiums from long-term financial transactions amount to TEUR 7,223.1 (previous year: TEUR 12,958.1). In addition, other long-term liabilities contain investment grants from third parties of TEUR 10,532.8 (previous year: TEUR 5,993.3), which are written back as income in line with the useful life of the related assets. As a rule, the provision of investment grants is linked to operational management in accordance with legal requirements and individual official approval.

Development of the provision for severance payments

TEUR	2002/03	2001/02
Present value of severance payment obligations (DBO) October 1	58,938.3	57,095.7
+ changes in the scope of consolidation	96.6	–
+ service costs	2,662.6	2,548.8
+ interest paid	3,393.4	3,280.4
– severance payments	–6,391.8	–3,092.1
– actuarial gain/+ loss	–385.5	–894.6
Present value of severance payment obligations (DBO) September 30	58,313.6	58,938.3
Provision for severance payment	58,687.5	58,938.3

Development of the other long-term provisions

TEUR	Provision for long-service bonuses	Other long-term provisions	Total
Carrying amount as at October 1, 2002	13,924.3	98,764.3	112,688.5
Interest expenses	803.6	5,178.2	5,981.9
Application	–1,228.0	–54,747.7	–55,975.7
Additions	452.5	18,066.7	18,519.2
Carrying amount as at September 30, 2003	13,952.4	67,261.5	81,213.9

▶ 32 Other long-term liabilities

TEUR	2002/03	2001/02
Investment grants	10,532.8	5,993.3
Long-term leases	19,153.5	16,013.8
Long-term deferrals from financial instruments	7,223.1	12,958.1
Other long-term liabilities	1,155.5	1,201.7
Total	38,064.9	36,166.9

Periods to maturity of the other long-term liabilities

TEUR	Period to maturity as at September 30, 2003				Period to maturity as at September 30, 2002			
	Up to 1 year	Over 1 year	Over 5 years	Total	Up to 1 year	Over 1 year	Over 5 years	Total
Long-term leases	–	4,708.4	14,445.1	19,153.5	–	4,042.9	11,970.9	16,013.8
Other long-term liabilities	–	662.8	492.7	1,155.5	57.5	791.6	352.6	1,201.7
Total	–	5,371.2	14,937.8	20,309.0	57.5	4,834.5	12,323.5	17,215.6

Current liabilities

►33 Short-term loans

Current account liabilities are included in the liquidity fund of the cash flow statement.

►34 Taxes payable

Taxes payable relate both to liabilities derived from sales tax, energy tax, wage and salary contributions, as well as corporation tax prepayments not yet assessed, totalling TEUR 97,119.1 (previous year: TEUR 65,247.6).

►35 Trade accounts payable

Trade accounts payable are reported at the carried cost of acquisition value. As in the previous year, the entire amount is due within a year.

►36 Current provisions

The provision for personnel entitlements comprises special payments not yet due, outstanding leave and liabilities from restructuring. These relate to an early retirement scheme, which can be used by employees. The provision for legally binding agreements on the balance sheet date is reported to the amount of TEUR 8,983.9 (previous year: TEUR 13,073.3).

Other provisions consist mainly of liabilities from customer vouchers and consulting services, as well as provisions for impending losses from outstanding business.

►37 Other current liabilities

The liabilities arising from personnel expenses comprise liabilities to the tax authorities and severance payment obligations.

The advance payments received derived from customers for electricity, gas and heating supplies and the installation of customer equipment.

Other liabilities largely consist of deferred interest expenses, liabilities to the tax authorities and related to social security, as well as deferred liabilities from the offset of the surcharge on network tariffs.

►33 Short-term loans

TEUR	2002/03	2001/02
EUR cash loans	3,385.0	1,000.0
Bank overdrafts and other short-term loans	3,249.7	13,614.6
Total	6,634.7	14,614.6

►36 Current provisions

TEUR	2002/03	2001/02
Personnel entitlements	46,971.6	49,974.3
Short-term provision for asset additions	2,373.5	2,258.8
Services not yet invoiced and other provisions	78,892.4	71,431.7
Total	128,237.5	123,664.8

►37 Other current liabilities

TEUR	2002/03	2001/02
Liabilities relating to social security	15,820.8	14,877.4
Liabilities to subsidiaries and associated companies	29,277.0	21,172.7
Advance payments received	637.9	591.3
Other liabilities	52,759.6	52,823.4
Total	98,495.2	89,464.8

Notes to the income statement

The income statement was prepared in accordance with the total cost method.

►38 Sales revenues

The development of sales revenues is outlined in the Management Report (from page 27) and in the section "The individual business areas" (from page 39).

On January 1, 2003, "Natural Gas Key Account Business", which also includes gas trading, was outsourced to EconGas GmbH. During the 2001/02 financial year, key accounts provided sales revenues of around EUR 110 m.

Energy and water revenues in the period under review are calculated on the balance sheet date from the customer invoicing systems with the aid of statistical processes and deferred according to the amount of energy supplied during the period. Sales revenues are first realised where EVN has an entitlement to payment by the customer.

Other operating revenues largely result from the invoicing of customer orders for domestic supply and equipment, telecommunications services and offsetting with non-consolidated companies. In addition, this item also contains sales revenues from the fully consolidated companies totalling TEUR 41,960.5 (previous year: TEUR 24,556.8).

►39 Changes in inventories and work performed and capitalised

This item incorporates the change in not yet invoiced customer orders over the previous year. These relate primarily to heating plants and contracting models. Own work performed and capitalised comprises material overheads and staff hours charged. In addition to personnel costs, the clearing rates also include overheads.

►40 Other operating income

The income from the write-back of provisions can be traced to the revaluation of impending losses in connection with supply contracts.

In the preceding year the result from the disposal and addition of tangible and intangible assets also contained write-ups on intangible assets. From this report period onwards, these are reported under depreciation.

The remainder of the item mostly comprises payments for claims and rental income.

►38 Sales revenues

TEUR	2002/03	2001/02
Electricity revenues	608,056.6	556,501.3
Gas revenues	304,085.0	417,205.7
Heating revenues	42,031.3	36,470.0
Water revenues	21,446.4	18,741.2
Other operating revenues	106,474.8	84,967.5
Total	1,082,094.2	1,113,885.7

►39 Changes in inventories and work performed and capitalised

TEUR	2002/03	2001/02
Increase or decrease in inventory	-6,127.4	6,884.7
Own work capitalised	24,740.1	11,627.7
Total	18,612.7	18,512.4

►40 Other operating income

TEUR	2002/03	2001/02
Income from the writing-back of provisions	7,150.5	19,418.2
Income from the writing-back of deferred income from customer payments for network construction	13,670.7	12,413.6
Income from the disposal of tangible and intangible assets	6,403.6	13,781.7
Other operating income	7,377.8	5,991.3
Total	34,602.7	51,604.8

►41 Cost of materials and services

Reference should be made to the Management Report (from page 27) and the "The individual business areas" section (from page 39) regarding changes in electricity purchases and fuel expenses. The reduction in the cost of electricity purchases and primary energy can be traced to the outsourcing of gas key account and trading business to EconGas GmbH. The increase in the cost of materials and services was mainly due to the expenses incurred for repairs and offsetting with non-consolidated subsidiaries.

►42 Personnel expenses

Salary costs rose due to an increase under the collective agreement and the rise in personnel numbers related to the expanded scope of consolidation.

On the one hand, the increase in pension expenses resulted from the reduction in the interest rate used for calculation to 4.5%. On the other, the exceeding of the DBO of the provision for pensions in the preceding year led to actuarial mathematical profits and thus a lower allocation.

Personnel expenses contain payments to EVN-Pensionskasse AG of TEUR 4,181.4.

►43 Depreciation

Depreciation of TEUR 196,126.4 contains scheduled depreciation of TEUR 129,704.9 and a total of TEUR 66,421.5, which largely derived from the depreciation of the electricity and gas networks due to an impairment test for Cash Generating Units (CGU) described in the Management Report and in note ►13, Tangible assets.

Depreciation was reduced as a result of additions of TEUR 71,146.7, which were primarily necessitated by impairment tests in the thermal power station area and with regard to electricity rights.

As a result total depreciation amounted to TEUR 124,979.7. Scheduled depreciation on tangible assets and intangible assets increased over the preceding year by TEUR 12,293.4 or 10.5%. This was primarily the result of increased investment in the areas of power generation and waste incineration.

All in all, this item fell by 2.4%.

One important criterion used for the qualification of a plant as a cash generating unit was the technical and economic autonomy required for the obtaining of revenues to the Group. This relates to electricity and heat generation plants, as well as electricity and gas distribution systems.

The value in use was calculated through the discount of future cash inflows and outflows originating from the continuing use of the asset. The interest rate for the discount amounting to 8.5% (previous year: 8.5%) was derived from the weighted average cost of capital. Calculation took place on the basis of a forecast referring to expected revenues, operating and maintenance costs, whereby the technical condition of the respective plants was also taken into consideration.

►44 Other operating expenses

This item includes legal fees and consulting costs, advertising expenses, telecommunications and postage, rents, insurance, office supplies, written off receivables and other claims, monetary transaction expenses and expenses on services to investments.

►45 Operating result (EBIT)

The operating result fell from the TEUR 127,875.6 of the preceding year by TEUR 25,344.0, or 19.8%, to TEUR 102,531.5.

►41 Cost of materials and services

TEUR	2002/03	2001/02
Electricity purchases and primary energy expenses	523,958.7	579,133.3
Other materials and services	126,078.0	109,953.6
Total	650,036.7	689,086.9

►42 Personnel expenses

TEUR	2002/03	2001/02
Salaries	130,101.6	126,718.7
Severance payments	8,490.4	7,204.6
Pension costs	17,598.8	13,335.8
Compulsory social security contributions and payroll-related taxes	32,524.3	31,434.9
Other social expenses	1,355.9	1,374.5
Total	190,071.0	180,068.5

►43 Depreciation

TEUR	2002/03	2001/02
Depreciation of tangible assets	121,930.6	113,238.8
Depreciation of intangible assets	3,049.1	8,860.0
Total	124,979.7	122,098.8

Financial result

►46 Result from associated companies at equity

This item consists of the result and depreciation of goodwill from BEWAG, BEGAS, RAG-Beteiligungs-AG, NÖKOM, KÖGÁZ, ALLPLAN, V&C, EconGas, Toplak, e&i and e&t.

►47 Result from other investments

Income from other investments derived mainly from the dividends from shares in Österreichische Elektrizitätswirtschafts-AG (Verbund) of TEUR 4,314.9.

While in the preceding year the result from other investments was negatively affected by valuation measures, in the 2002/03 financial year provisions were made with respect to the credit obligations of subsidiaries.

►48 Interest and other financial result

Income on interest from fixed financial assets includes interest from investment funds, the main emphasis of which is on fixed-interest securities.

Other interest income generally relates to returns on securities held as current financial assets. Interest expenses for long-term financial liabilities derive from issued bonds and long-term bank loans. The other interest expenses incorporate expenses from short-term loans.

Interest expenses associated with the financing of inventory and own work were not capitalised.

The exchange rate gains/losses from long-term foreign currency liabilities derived from the valuation adjustment of the JPY bond and the CHF obligation, as well as from the application of the stipulations contained in IAS 39 to the remaining financial instruments on the balance sheet date.

The positive foreign currency exchange rate situation derived from the strength of the euro and favourable interest rates led to corresponding income in the other financial result of TEUR 43,554.9 relating to derivative financial instruments.

►49 Result before tax

The result before tax amounts to TEUR 145,374.8 (previous year: TEUR 137,578.9).

►48 Interest and other financial result

TEUR	2002/03	2001/02
Income on interest from fixed financial assets	2,984.3	39.6
Other income on interest	8,802.8	5,324.4
Interest expenses for long-term financial liabilities	-24,392.0	-22,804.9
Other interest expenses	-6,468.5	-3,457.1
Valuation gains/losses from long-term foreign currency liabilities	6,250.9	6,522.3
Result from valuation gains/losses and disposals relating to long-term securities	-4,424.2	-2.6
Result from depreciation and disposals relating to current financial assets	1,915.3	-2,807.4
Other financial result	43,554.9	31,240.2
Total	28,223.5	14,054.6

►50 Taxes on profit

A corporation tax rate of 34% applied to the parent company EVN AG on the balance sheet date. All fully or pro rata consolidated companies are based in Austria. Consequently, an income tax rate of 34% was employed for the calculation of tax deferrals.

In ratio to the result before taxes, the effective tax burden of the Group amounted to 28.7% (preceding year: 34.2%).

The reduction in the tax rate as compared to the preceding year derived from the increase in tax free investment income. In addition, the sale of own shares was concluded in the past financial year, which resulted in no further tax burdens from this item.

As compared to the preceding year, current expenses for taxes on profits fell, as adjustments had to be made due to the fiscal calculation.

►51 Minority interests

This item includes third party interests in the annual results of the fully consolidated Burgenland Holding AG and Kabelsignal St. Pölten Gesellschaft m.b.H., amounting to TEUR 1,018.0 (previous year: TEUR 1,047.4).

►52 Net result for the year

The net result for the financial year amounts to TEUR 102,571.2 (previous year: TEUR 89,488.7).

►53 Earnings per share

The number of ordinary shares issued totalled 37,581,455. The earnings per share calculated on the basis of a net result for the year of TEUR 102,571.2 (previous year: TEUR 89,488.7), amounted to EUR 2.73 (previous year: EUR 2.39).

Other information

►54 Cash flow statement

The indirect method was selected for the presentation of the cash flow statement. The item cash and cash equivalents consists of cash in hand and at banks and fixed-income securities less bank overdrafts.

Profit tax payments of TEUR 16,923.9 are reported separately under cash flow from operating activities. Dividends received, interest income and expenses are assigned to current business activities. Cash flow from dividends received for the year totalled TEUR 20,985.3. Interest received amounted to TEUR 8,490.5 (previous year: TEUR 5,309.5), while interest payments of TEUR 16,260.1 (previous year: TEUR 13,594.2) were made.

The sale of shares in ATEL is included in the cash flow from investments.

Dividend payments to EVN AG shareholders are reported as financing activities.

►50 Taxes on profit

TEUR	2002/03	2001/02
Income tax expense	20,210.8	29,219.6
+ Recognised additions/- write-backs of deferred tax	21,574.7	17,823.1
Total	41,785.5	47,042.7

Calculation of the effective rate of tax

%	2002/03	2001/02
Income tax rate	34.0	34.0
Change in taxation due to		
- Tax free financing and investment income	-5.1	-4.0
- Proceeds from the resale of own shares	-	2.5
- Other items	-0.2	1.7
Effective tax rate	28.7	34.2

►54 Cash and cash equivalents

TEUR	2002/03	2001/02
Cash in hand	100.7	70.2
Cash at banks	100,561.0	156,905.4
Short-term securities (cash derivatives)	133,205.0	-
Bank overdrafts	-3,249.7	-13,614.6
Total	230,617.0	143,360.9

► 55 Segment reporting

Since the Group's operating activities are focused mainly on the region of Lower Austria, it is not necessary to produce a segmental report pursuant to geographical locations.

• Description of activities

The electricity segment encompasses the procurement of electricity from in-house generation and external sources, the transportation and distribution of electricity, the sale of electricity to end customers and electricity trading. The operating result contains write-downs of TEUR 31,090.7 and write-ups of TEUR 69,074.8 derived from impairment tests.

The gas segment encompasses the procurement of gas, transport for the company and third parties, and the distribution of gas to customers. It also comprises the services associated with network expansion and the connection of new customers. Due to a CGU evaluation within the scope of an impairment test, depreciation of TEUR 27,632.6 was made on the gas network.

The heating and other business areas segment encompasses services in the local and district heating sector, water supply and those Group activities that cannot be assigned to either the electricity or the gas segments. A CGU evaluation of the plants in this segment resulted in depreciation of TEUR 7,698.2 and appreciation of TEUR 904.3.

• Segment assignment principle

Items that can be assigned directly are designated to the respective segments. Services provided by one segment for another that can be directly charged, are allocated by means of intra-Group transactions. Any items that cannot be assigned directly or charged are assigned using an objective cost allocation process. Remainders are distributed in proportion to the assigned items.

• Intra-Group pricing

As far as energy consumption is concerned, pricing within the Group is based on comparable prices to those for industrial customers and thus represents applicable market prices. For the remaining items, pricing is based on costs.

► 55 Segment reporting

EUR m	Electricity		Gas		Heating and other business areas		Total	
	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02
External sales revenues	634.0	584.8	317.1	434.1	131.0	95.0	1,082.1	1,113.9
Intra-Group revenues	8.6	5.1	54.5	49.4	1.9	1.4	65.0	56.0
Depreciation	-31.8	-65.6	-63.6	-34.7	-29.5	-21.8	-125.0	-122.1
thereof:								
impairment depreciation	-31.1	-1.8	-27.6	-	-7.7	-2.9	-66.4	-4.7
impairment appreciation¹⁾	69.1	15.5	-	-	0.9	-	70.0	15.5
Operating result (EBIT)	111.4	94.1	-6.1	35.7	-2.8	-1.9	102.5	127.9
Result from associated companies at equity	4.3	3.0	11.5	14.1	0.2	-0.0	16.1	17.0
Book value of associated companies at equity	89.9	85.9	106.2	103.7	2.1	1.2	198.2	190.8
Liabilities	1,124.3	1,049.3	384.8	364.2	324.5	325.7	1,833.6	1,739.2
Total assets	1,858.6	1,827.5	618.8	647.7	516.4	328.7	2,993.8	2,803.9
Investments in tangible assets	116.2	85.3	24.8	24.1	87.0	52.3	228.0	161.7

¹⁾ In the preceding year, appreciation was reported under "other operating income".

► 56 Financial instruments

The receivables, shares and liabilities classified as primary financial instruments are reported in accordance with IAS 39. The accounting and valuation principles are described under the respective items. Purchases and sales of financial instruments were booked as per the settlement date.

Long-term investments serve the creation of the cover stock required for personnel-related provisions within the framework of externally administered investment funds.

The risk on receivables is equivalent to the figures shown in the financial statements reduced by valuation adjustments.

The long-term financial liabilities derived from issued bonds are described in detail in note ►28, Long-term debt. Current liabilities consist of euro cash bills due on a daily basis.

Derivative financial instruments are used primarily to hedge the company against liquidity, exchange rate and interest change risks. The operative goal is long-term, financial result continuity. In addition, individual, higher risk opportunities offering larger profit are occasionally exploited.

Currency risks to the company derive mainly from the JPY and CHF bonds issued. These are also hedged partly with derivative financial instruments (see also note ►28, Long-term debt). In the case of interest rate risks, a mix of fixed and variable interest financial liabilities is generally sought. Derivative financial instruments provide the short-term control of the fixed-interest period.

The favourable interest and currency exchange rates during the period under review were used for swap hedging transactions, which should lead to a considerable reduction in the volatility of future financial results.

Following conclusion, all financial instruments are immediately incorporated into a risk management system. This facilitates a daily overview of all risk indicators. In addition, a separate unit has been set up to provide on-going risk analyses based on the value-at-risk method (see also "Risk management", from page 24).

The nominal values are the not offset totals of all the items classified as financial derivatives on the balance sheet date. Though these are equivalent to the amounts agreed between the contractual 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 contractual parties. The nominal and current market values (fair value) of all derivative financial instruments are recognised.

► 56 Derivative financial instruments

	Nominal value		Market value	
	30.9.2003	30.9.2002	30.9.2003	30.9.2002
Currency swaps				
CHF million (under 5 years)	270.0	110.0 ¹⁾	5.2	-17.2
JPY million (over 5 years)	8,000.0 ²⁾	8,000.0	-695.0	-5,213.3
USD million (under 3 years/ over 5 years)	30.4	-	2.5	-
Interest rate swaps				
EUR million (under 5 years)	70.3	140.6	-0.9	-0.9
CHF million (over 5 years)	-	180.0 ²⁾	-	13.5
EUR million (over 5 years)	-	195.0 ²⁾	-	4.8
EUR million (under 3 years)	20.0	20.0	-0.6	-0.2

¹⁾ Thereof a nominal value of CHF 20.0 m used for hedging pursuant to IAS 39

²⁾ Used for hedging pursuant to IAS 39

►57 Reporting of the 4th quarter 2002/03

For clarification of the figures for the 4th quarter of 2002/03, reference should be made to the Management Report (from page 27) and the "The individual business areas" section (from page 39), as well as the individual items of the income statement contained in the notes.

►58 Significant events after the balance sheet date

With effect from October 1, 2003, EVN purchased the entire stock of WTE Wassertechnik GmbH, Essen.

New electricity network tariffs were imposed by the E-control Commission with effect from November 1, 2003. Like the anticipated reductions in gas network tariffs, these were already included in the CGU evaluation of the electricity and gas networks as per September 30, 2003 and led to corresponding depreciation in the financial year under review.

Other major events after the balance sheet date are described in the Management Report (from page 27) and the "The individual business areas" section (from page 39).

►59 Other obligations and risks

EVN has entered into long-term, fixed quantity and price agreements with e&t and EconGas to ensure its supplies of electricity and primary energy.

The gas purchasing agreements between OMV, AUSTRIA FERNGAS and the regional gas companies were transferred in their entirety to EconGas. The company has also entered into long-term agreements involving the transportation and storage of natural gas and imports of coal from Poland.

The potential risk of claims not covered by provisions relating to dangers to the environment and hazardous waste at disused industrial locations, which remain subject to investigation by the authorities, has been estimated at TEUR 10,911.0.

On the balance sheet date, an order liability of TEUR 44,919.8 existed for tangible and intangible assets.

►57 Income statement 4th quarter

	2002/03 Q4 EUR m	2001/02 Q4 EUR m	Change	
			EUR m	%
Electricity revenues	140.7	116.2	24.5	21.1
Gas revenues	19.1	58.0	-38.9	-67.1
Heating revenues	5.1	2.3	2.8	-
Water revenues	6.8	5.1	1.7	34.0
Other sales revenues	35.9	28.1	7.8	27.7
Sales revenues	207.6	209.6	-2.0	-1.0
Changes in inventories and work performed and capitalised	10.7	7.3	3.4	46.3
Other operating income	15.3	29.8	-14.4	-48.5
Cost of materials and services	-155.5	-172.1	16.5	9.6
Personnel expenses	-47.0	-38.5	-8.5	-22.2
Depreciation	-34.4	-36.2	1.8	5.1
Other operating expenses	-30.6	-29.7	-0.9	-3.2
Operating result (EBIT)	-33.9	-29.8	-4.2	-14.0
Result from associated companies at equity	10.6	11.3	-0.6	-5.6
Result from other investments	-5.4	-12.1	6.7	55.3
Interest and other financial result	2.3	26.3	-24.0	-91.1
Financial result	7.6	25.5	-17.9	-70.3
Result before tax	-26.3	-4.2	-22.1	-
Taxes on profit	9.2	4.1	5.1	-
Minority interests	-	-	-	-
Period net result	-17.1	-0.1	-17.0	-
Earnings per share in EUR	-0.46	-	-	-

In the course of participation in a lease-and-lease-back transaction involving the Freudenu power station, which is owned by Verbund-Austrian Hydro Power AG (former "Donaukraft"), EVN undertook to provide indemnification of up to TEUR 28,965.9 for certain defaults and losses.

Letters of comfort amounting to TEUR 294,876.9 were granted to trading partners for the business transactions undertaken on behalf of EVN by e&t Energie Handelsgesellschaft m.b.H., regarding in-house trading and the optimisation of electricity sourcing. Corresponding recourse claims offset these obligations.

A shareholders' agreement was concluded in connection with the Energie AG Oberösterreich share purchase contract, which contains mutual pre-emptive rights. In addition, should a corporate law linkage with Linz Strom GmbH occur, an option obligation results under which EVN must purchase Energie AG Oberösterreich shares. The option obligation is limited to the period up to 2010. As at September 30, 2003, the conditions required for the coming into force of the option right were not given.

The liabilities derived from warranties and other contractual contingent liabilities amount to a total of EUR 33.4 m (previous year: EUR 23.2 m) and largely comprise open contractual liabilities to subsidiaries and assumed liabilities for customer loans and loans for subsidiaries.

►60 Information on business transactions with related companies

Long-term agreements were concluded with the subsidiaries founded within the framework of EnergieAllianz, ENERGIEALLIANZ Austria GmbH and e&t Energie Handelsgesellschaft m.b.H. concerning the sale and sourcing of electricity.

Long-term gas supply contracts were also concluded with EconGas GmbH.

A co-operation agreement also exists with BEGAS – Burgenländische Erdgasversorgungs-AG regarding gas business related services, as well as a long-term usufruct agreement with NÖKOM NÖ Telekom Service Gesellschaft m.b.H. regarding the provision of optical fibre cables. ALLPLAN Gesellschaft m.b.H. provides planning services for the Group.

►61 Information on management and staff

The average number of Group employees during the financial year was 2,317 (previous year: 2,199). On the balance sheet date, the Group employed 2,333 people (previous year: 2,224).

The total emoluments paid to active members of the Executive Board in the financial year 2002/03 amounted to TEUR 1,208.6 (previous year: TEUR 1,041.4), those to former members of the Executive Board and their dependents to TEUR 752.4 (previous year: TEUR 740.5).

The corporate bodies are listed on pages 6 and 7 of this Annual Report.

Additional information in accordance with § 245a Austrian Commercial Code

The expenditure on severance payments and pensions for the members of the Executive Board and the senior management amounted to TEUR 2,535.9 and for the other employees to TEUR 18,288.1.

Compensation to the members of the Supervisory Board amounted to TEUR 118.7 in the year under review.

In the year under review, the members of the Environmental Advisory Committee were paid compensation amounting to TEUR 65.6.

Maria Enzersdorf,
November 18, 2003

EVN AG

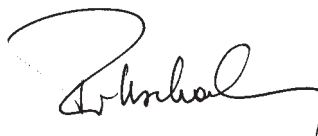
The Executive Board



Rudolf Gruber
(Chairman)



Peter Layr



Herbert Pöttschacher

Auditors' Report

To the EVN Supervisory Board

We have audited the consolidated financial statements as of September 30, 2003, prepared by EVN AG according to the stipulations of the International Financial Reporting Standards (IFRS) as approved by the International Accounting Standards Board (IASB). These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion concerning the financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing (ISA) of the IFAC. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. The audit includes the examination, on a test basis, of evidence supporting the amounts and disclosures in the Group financial statements. It also incorporates the assessment of the accounting principles used and significant estimates made by the management, as well as the evaluation of the overall Group financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material aspects, the financial position of the Group as of September 30, 2003, and of the results of its operations and cash flows for the year then ended in accordance with IFRS issued by the IASB.

Pursuant to Austrian commercial law, the Management Report and the Group's adherence to requirements for exemption from the compilation of consolidated financial statements, prepared in accordance with Austrian commercial law, must be examined.

We confirm that the Management Report complies with the consolidated financial statements and that the legal requirements are met to exempt EVN AG from the obligation to compile Group financial statements in accordance with the Austrian Commercial Code.

Vienna, November 18, 2003

KPMG Austria GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

Johann Perthold m.p.
Thomas Kozich m.p.

Chartered accountants and tax consultants

Report of the Supervisory Board

The Supervisory Board responsible for the period under review was regularly informed about the company and the Group's subsidiaries by the Executive Board at seven meetings and gave the approval required for certain business transactions.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, the auditors duly appointed for the 2002/03 financial year from October 1, 2002 – September 30, 2003, audited the financial statements and the Management Report of EVN AG as at September 30, 2003, prepared in accordance with Austrian accounting regulations. The auditors produced a written report on the results of their audit and gave their unqualified opinion.

The Supervisory Board has approved the financial statements and the consolidated financial statements as at September 30, 2003, the Management Report and the respective proposals for the distribution of profits. The financial statements as at September 30, 2003, are thereby taken as approved pursuant to § 125, Section 2 of the Austrian Corporation Act.

In addition, the Supervisory Board has accepted the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) for the 2002/03 financial year from October 1, 2002 – September 30, 2003, which were also audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and received unqualified opinion.

Due to the fact that the consolidated financial statements have been prepared according to IFRS, the company is exempt from the obligation to provide consolidated financial statements pursuant to Austrian commercial law.

In closing, the Supervisory Board wishes to express its sincere gratitude to the Executive Board for its work during the 2002/03 financial year. It also extends its thanks and recognition to all employees for their endeavours and co-operation in the interests of the company.

Maria Enzersdorf,
December 9, 2003

On behalf of the Supervisory Board



Theodor Zeh
(Chairman)

Our service to investors includes the postage of all written company information and invitations to our events for retail investors. Should you be interested, please return the reply card below.

In addition, we cordially invite you to visit our newly designed investor homepage at **www.investor.evn.at**. Here you will find a wealth of information, including press releases, EVN's current share price, our financial calendar and a request service for Letters to Shareholders and Annual Reports.

- I would like to receive detailed information about EVN. Please send me your Letters to Shareholders and future Annual Reports.
- Please send me invitations to your events for retail investors.
- I do not require further information. Please delete my name from your mailing list.



Name

Address

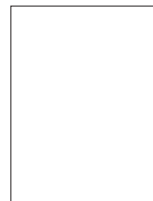
Post code

City

Country

EVN AG
Investor Relations

EVN Platz
A-2344 Maria Enzersdorf
Austria



EVN AG

Head Office

EVN Platz
A-2344 Maria Enzersdorf
Phone +43 2236 200-0
Fax +43 2236 200-2030

Investor Relations

Georg Waldner
Phone +43 2236 200-12718
Fax +43 2236 200-82718
e-mail investor.relations@evn.at

Information on the Internet

www.evn.at
www.investor.evn.at

Further websites

Allplan	www.allplan.at
Burgenland Holding	www.buho.at
EconGas	www.econgas.com
EnergieAllianz	www.energieallianz.at
evn naturkraft	www.evn-naturkraft.at
evn wasser	www.evnwasser.at
e&t	www.eundt.at
grafotech	www.grafotech.at
kabelsignal	www.kabsi.at
nökom	www.noekom.at
Austrian electricity	
solution	www.unserstrom.at
teletech	www.teletech.co.at
WTE	www.wte.at

