EVN

Full Report 2016/17

Lasting Values.

Stability in changing times.
As illustrated in the many forms of advertising used by EVN and its predecessor companies.

Catalogue

Additional information on the items in the exhibition can be found beginning on page 213 of this report.

Key figures

		2016/17	2015/16	+/– %	2014/15
Sales volumes					
Electricity generation volumes	GWh	6,059	5,866	3.3	4,882
thereof from renewable energy	GWh	2,093	2,026	3.3	2,106
Electricity sales volumes to end customers	GWh	18,544	18,292	1.4	19,263
Natural gas sales volumes to end customers	GWh	5,744	5,134	11.9	5,241
Heat sales volumes to end customers	GWh	2,293	2,082	10.1	2,038
Consolidated statement of operations					
Revenue	EURm	2,215.6	2,046.6	8.3	2,135.8
EBITDA	EURm	721.6	604.4	19.4	583.2
EBITDA margin[1]	%	32.6	29.5	3.0	27.3
Results from operating activities (EBIT)	EURm	346.9	260.4	33.2	268.2
EBIT margin[1]	%	15.7	12.7	2.9	12.6
Result before income tax	EURm	325.5	198.9	63.7	207.9
Group net result	EURm	251.0	156.4	60.4	148.1
Consolidated statement of financial position					
Balance sheet total	EURm	6,454.9	6,556.5	–1.6	6,501.2
Equity	EURm	3,150.1	2,770.7	13.7	2,590.1
Equity ratio[1]	%	48.8	42.3	6.5	39.8
Financial net debt	EURm	849.9	1,121.5	–24.2	1,230.9
Net debt	EURm	1,213.2	1,523.3	–20.4	1,601.3
Gearing[1]	%	38.5	55.0	–16.5	61.8
Return on equity (ROE)[1]	%	9.2	6.8	2.4	7.3
Consolidated cash flow and investments					
Net cash flow from operating activities	EURm	508.9	463.0	9.9	478.3
Investments[2]	EURm	303.8	315.4	–3.7	322.7
Net debt coverage (FFO)[1]	%	48.7	37.3	11.4	37.2
Interest cover (FFO)	x	10.1	8.5	18.5	7.4
Value added					
Net operating profit after tax (NOPAT)	EURm	425.7	327.4	30.0	341.0
Capital employed[3]	EURm	4,173.5	4,290.7	–2.7	4,523.1
Operating return on capital employed (OpROCE)[1]	%	10.2	7.6	2.6	7.5
Weighted average cost of capital (WACC)[1]	%	6.3	6.5	–0.2	6.5
Economic value added (EVA®)[4]	EURm	164.8	48.5	–	47.0
Share					
Earnings	EUR	1.41	0.88	60.4	0.83
Dividend	EUR	0.44 + 0.03[5]	0.42	11.9	0.42
Dividend yield[1]	%	3.6	4.0	–0.4	4.3
Share performance					
Share price at 30 September	EUR	13.22	10.56	25.2	9.85
Highest price	EUR	13.40	10.60	26.4	10.56
Lowest price	EUR	10.47	9.65	8.5	9.50
Market capitalisation at 30 September	EURm	2,377.0	1,899.0	25.2	1,773.0
Credit rating					
Moody's		A2, stable	A3, stable		A3, stable
Standard & Poor's		A–, stable	BBB+, stable		BBB+, stable

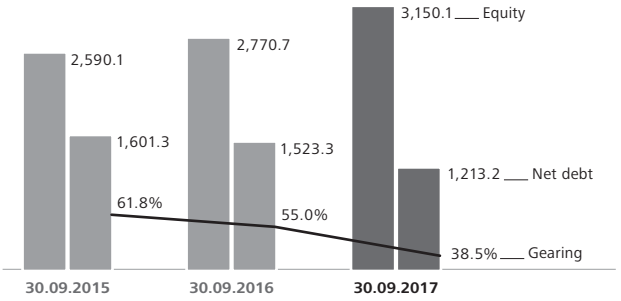
1) Changes reported in percentage points
2) In intangible assets and property, plant and equipment
3) Average adjusted capital employed
4) As defined by Stern Stewart & Co.
5) One-time bonus dividend of EUR 0.03 per share; proposal to the Annual General Meeting

		2016/17	2015/16	2014/15
Employees				
Number of employees	Ø	6,840	6,830	6,973
thereof Austria	Ø	2,368	2,350	2,378
thereof abroad	Ø	4,472	4,480	4,595
Employee fluctuation	%	2.6	2.4	2.2
Proportion of women	%	23.3	22.6	21.9
Training hours per employee	hrs.	31.3	27.2	30.7
Number of occupational accidents		88	89	87
Environment				
Direct greenhouse gas emissions (Scope 1)	t	2,802,582	3,065,819	2,396,633
Specific greenhouse gas emissions (Scope 1)	kg/MWh	321.83	367.57	334.31
Hazardous wast and residual materials[1)]	t	11,744	13,128	11,246
Water consumption (drinking and process water)	m³	2,378,077	2,236,440	2,365,495

1) Without building residues and power plant by-products

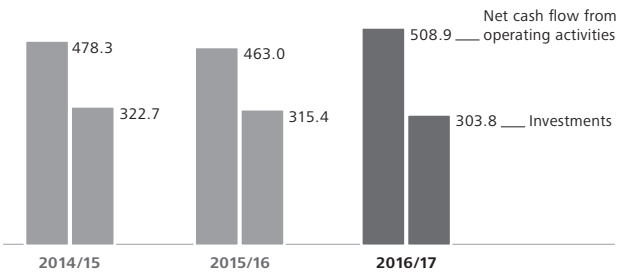
Equity, net debt and gearing

EURm and %



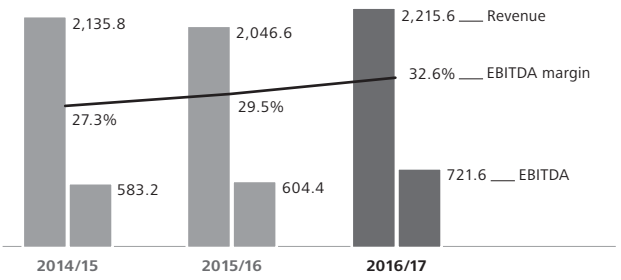
Cash flow and investments

EURm



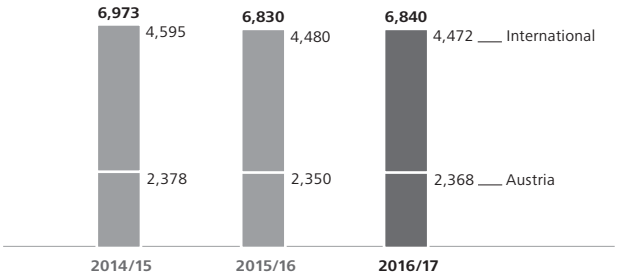
Revenue, EBITDA and EBITDA margin

EURm and %



Employees by region

Annual average



Lasting Values.

Since its founding as Niederösterreichische Elektrizitätswirtschafts-Aktiengesellschaft (NEWAG) in 1922, EVN has been committed to a set of basic values.

They have hardly changed in these many decades and, to a certain extent, form the company's DNA. Customer closeness, supply security, sustainability, social responsibility, and future orientation are among the most important of these core concerns. Over the years, they have not only been reflected in numerous strategic actions, individual decisions and investments by EVN. These values have also influenced the company's communications and interaction with its various stakeholders and have been a recurring theme in advertising, annual reports, brochures and trade fair appearances by EVN and its predecessor companies.

The company archive holds the proof: EVN has remained true to its basic values for nearly one hundred years. And has always understood how to reinterpret and develop these values in an environment that has undergone repeated dramatic changes. For the benefit of customers, shareholders, society, the environment, employees and many more.

The following pages show selected objects from an exhibition under the title "Lasting Values. Stability in changing times. As illustrated in the many forms of advertising used by EVN and its predecessor companies." at the EVN headquarters in Maria Enzersdorf.

Editorial

Dear Shareholders,
Ladies and Gentlemen,

Based on the solid position we hold in our home market of Lower Austria and our core markets of Bulgaria and Macedonia, we are responsible for providing sustainable energy and drinking water supplies to approximately 4.6 million customers. In this way, we make a decisive contribution to the quality of life and economic prosperity in these regions. Supply security plays a central role in all our activities – today as well as in the future.

One of our major priorities is to create and maintain an equitable balance between the interests of all our stakeholders. Their concerns form the guiding principle for our corporate strategy, which – based on our corporate values and clear objectives – is closely connected with the EVN materiality matrix. As a member of the UN Global Compact, we are also committed to compliance with the global principles of ethical business behaviour and, through our sustainability measures, make a tangible contribution to meeting the United Nation's 17 Sustainable Development Goals.

Protecting the interests of our stakeholders has always been an integral part of our corporate DNA, a focus that is underscored by the EVN archive. This was impressively demonstrated in recent months by the preparations for an exhibit of the historical advertising and communication media at our headquarters. On the following pages, we want to give you an opportunity to take a virtual tour of the exhibit and wish you an interesting visit in the world of EVN's "Lasting Values".

Reliability is also signalised by the results for the past 2016/17 financial year – which we see not only as confirmation of our previous course, but also as a mission for the future. These solid operating cash flows make it possible for us to continue meeting the high responsibility towards our stakeholders.

In keeping with our claim to pursue a stable dividend policy, we also want to send a positive signal to our shareholders. We will therefore make a proposal to the 89th Annual General Meeting to distribute a dividend of EUR 0.44 plus a one-time bonus dividend of EUR 0.03 per share for the 2016/17 financial year. This bonus dividend is intended to reflect the fact that the improvement in Group net result was also based on exceptional circumstances during the past financial year, for example the unusually high seasonal temperatures and other positive framework conditions.

Stefan Szyszkowitz
Spokesman of the Executive Board

Franz Mittermayer
Member of the Executive Board

Contents

Intro

About this report

Non-financial information

Corporate governance

Management report

Segment reporting

Consolidated financial statements

Service

Highlights 2016 / 17

Positive environment

- → Unusually high, temperature-related demand for energy
- → Increase in energy, network and water distribution volumes
- → Higher use of the thermal power plants to ensure network stability

Extensive investments

- → Focus on network infrastructure, renewable generation and drinking water supplies in Lower Austria

Strengthening of the capital structure

- → Net debt declines to EUR 1,213.2m

Clarification of important legal issues

- → Arbitration decision reduces acquisition costs for the Walsum 10 power plant project
- → Positive non-recurring effect through agreement with the state-owned Bulgarian electricity company NEK

Higher dividend

→ Recommendation to the 89th Annual General Meeting: EUR 0.44 plus a bonus dividend of EUR 0.03 per share

Windpower: dynamic expansion

→ 500 MW as medium-term target (subject to appropriate framework conditions)

Improvement in revenue and earnings

→ Revenue: EUR 2,215.6m
→ EBIT: EUR 346.9m
→ Group net result: EUR 251.0m

„ … with stability and continuity into a successful future …“

An interview with the members of EVN's Executive Board, Franz Mittermayer and Stefan Szyszkowitz

Mr. Szyszkowitz and Mr. Mittermayer, this year's full report is entitled "Lasting Values" and is meant to signalise stability and continuity. As the new Executive Board team, what is your association with these beliefs?

Szyszkowitz: Continuity has a long tradition at EVN. Ever since its beginnings, our company has been committed to a set of basic values which are a recurring theme in all our major decisions and strategic steps. Of course, they also represent an integral part of our daily operations. This is clearly demonstrated by the advertisements and other documents that were recently collected for an internal exhibit which now forms the basis for the design of this report. They make this stability tangible and emphasise its importance for all our business activities – yesterday, just the same as today and tomorrow. Franz Mittermayer and I, as the new Executive Board team, see it as our mission to lead EVN into a successful future, exactly in the sense of this stability and continuity.

Mittermayer: EVN's successful positioning in the energy and environmental services business – in Lower Austria as well as in the international arena – is the result of a clear strategy and a focus on values that guide and, at the same time, motivate our employees. With this solid foundation as a starting point, I welcome the opportunity to help shape the future development of EVN in my new role.

Briefly looking back: The 2016/17 financial year was out of the ordinary in many respects.

Szyszkowitz: Absolutely. The most obvious aspect was the unusually cold weather – temperatures were much lower during last winter, both in comparison with the previous year and in relation to the long term average. The summer months were also significantly warmer, above all in South Eastern Europe. That had a positive effect on our energy and network distribution volumes, but also created enormous challenges for the networks and their stability. And also showed just how fragile the European system really is, especially through the sharp rise in the demand for electricity across Europe that was caused by inspections, and the related downtime, in French power plants. But it also means we must be on the right course with our substantial investments in our networks. Despite the sound development of volumes during the past year, there are two points we should not overlook: First, weather-related effects are impossible to plan and, second, the current network volume effects will be offset in the coming years by the reference period comparison that is part of the regulatory calculation.

> „Long term reliability for our customers and shareholders.“
>
> Stefan Szyszkowitz

Key word "network security": Your thermal power plants have been used to support network stability for years. Will this continue?

Mittermayer: It may sound like a contradiction, but thermal power plants make the system conversion towards renewable energy possible. Because the volatile production from windparks and photovoltaic plans frequently creates a short-term situation where electricity

Franz Mittermayer, Stefan Szyszkowitz

is needed to stabilise the networks and balance out supply and demand. Until electricity from renewable sources can be stored in larger quantities, thermal power plants are an indispensable bridge technology. Our plants were in operation nearly every second day during the past financial year. And, for the first time, our entire thermal capacity in Lower Austria – meaning 1,090 MWh in total – is under contract to southern Germany for the winter half-year 2017/18.

In 2013 EVN launched an investment programme for Lower Austria with a volume of approximately EUR 1bn. This programme has now been completed. What are your investment plans for the future?

Szyszkowitz: Our investment strategy is also based on continuity: We plan to invest approximately EUR 400m in each of the coming financial years, whereby roughly three-fourths of this amount will be directed to strengthening our stable, regulated activities in Lower Austria. The main focal points are, once again, the networks, renewable generation and drinking water.

And what about the expansion of the windpower portfolio?

Mittermayer: We are working continuously on the construction of new plants and, in doing so, underscore our commitment to meet the global targets for the reduction of greenhouse gas emissions. We commissioned the 10 MW windpark in Oberwaltersdorf last October, and the Sommerein windpark with an additional 33 MW is scheduled to be commissioned in spring 2018. Construction here is proceeding as planned. These projects will raise our windpower generation capacity from the current level of 269 MW to more than 300 MW in 2017/18. Over the medium term, we want to expand this capacity to the 500 MW threshold through the realisation of further projects in Lower Austria that have already been approved by the municipal authorities. However, this assumes favourable legal framework conditions.

Electricity networks will become intelligent in the 21st century. What does that mean for the network business?

Szyszkowitz: This trend will also bring about changes for EVN, but we see these changes as an opportunity. We want to steadily increase the comfort level for our customers, and intelligent networks will help us do just that. At the same time, the electricity that, for all intents and purposes, comes out of the socket must remain a guaranteed service for our customers. The offering of new digital services and products is dependent not only on intelligent network management, but also on technical network properties like stable voltage and sufficient output that is available at short notice. That is why we are committed to protecting supply security and, in particular, supply quality.

Mittermayer: Quality is, of course, the key principle for the introduction of smart meters. We intend to only install sufficiently tested meters and software systems that meet the strict legal requirements in Austria, above all for data

security. And of course, each of our customers can decide on the installation and range of functions for an intelligent smart meter.

What opportunities and risks will e-mobility create for EVN?

Szyszkowitz: Over the medium to longer term, we expect an increase in the number of vehicles with alternative drive forms, in particular e-cars, and are working intensively on the necessary preparations. Solutions for the management of the charging infrastructure are a special focal point of our activities. We set up a basic network of electro-charging stations throughout Lower Austria as a quick first step and are continuously expanding the charging infrastructure in our supply area together with companies, municipalities, regional initiatives and private persons. In addition, the EVN electricity charging card gives our customers access to the largest and most extensive e-mobility charging network in Austria.

What other future issues are on your agenda?

Mittermayer: On the one hand, we are addressing new technology trends in our sector and, on the other hand, we are intensively working to identify the changes in our customers' demand profile at an early stage in order to develop the right innovative products and services. The focus, however, is always on the benefits for our customers.

Let me give you a concrete example: At our Prottes transformer station, we are currently working on a research project with a large 2.2 MW storage battery directly next to one of our major windparks. This research project is evaluating alternatives for network stabilisation and investigating ways to improve the feed-in of electricity generated at decentralised locations.

What are your focal points for South Eastern Europe?

Szyszkowitz: Since our market entry in South Eastern Europe slightly more than ten years ago, we have made a sustainable contribution to the long-term improvement of the local supply infrastructure – and also to economic development in Bulgaria and Macedonia – with our investments. Quality and supply security are also important for us in these markets. Our investments were, and still are, concentrated on the reduction of network losses – an unavoidable requirement for positive operating results – as well as the improvement of network efficiency and reliability. The non-organic expansion of the energy business in this region is still not an issue for EVN, in other words, we are not planning any acquisitions or new major projects.

Mr. Mittermayer, water also has opportunities for EVN.

Mittermayer: That is absolutely right and is true for ongoing supplies as well as the international project business. Drinking water supplies in Lower Austria are one of our focal points for the next ten years. Prosperity and comfort requirements as well as demographic and climatic changes are creating numerous challenges in this area, which we can easily master because of our decade-long experience in the supply business. In the interest of supply security, we are concentrating on supra-regional networks where we connect existing wells and well fields with high-performance ring pipelines and also develop new wells. Another investment priority is the continuous improvement of quality through the construction of natural filter plants which reduce the lime content of the water by natural means. We are currently constructing the fourth plant of this type southeast of Vienna.

"Our focus for future issues is always on the benefits for our customers."

Franz Mittermayer

In the international context, our contribution often begins one level earlier when we use our planning and operating expertise to deliver specially designed solutions for the construction of drinking water supply and wastewater treatment plants in regions with pent-up demand or high population growth.

Mr. Szyszkowitz, two brief questions in conclusion: What makes EVN attractive for investors, and what are your plans for the future?

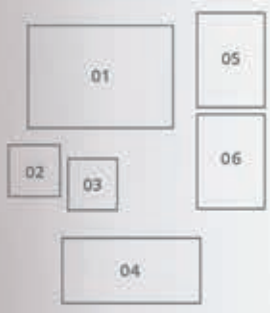
Szyszkowitz: EVN basically offers its owners the same thing as its customers: long-term reliability – because we are a stable and predictable player on the capital market. This is a result of our sustainable dividend policy as well as our profitability and stable capital structure – which, by the way, also form the basis for dependable supplies and services for our customers. Another important element is the investment strength created by our stable cash flows and healthy balance sheet. The further improvement of our external ratings during the 2016/17 financial year was also well received by the market.

Looking to the future, our focus will remain on continuity and stability – in keeping with the motto of this full report. We are very well positioned and will continue to follow our strategy with its concentration on regulated and stable activities. Our integrated business model helps us to identify and optimally utilise all opportunities along the value chain. Supply security, customer closeness, sustainability, a forward-looking orientation and social responsibility will, as in the past, be our guiding principles. In the future, they will also help us to offer our customers, owners and, not least, our employees what they have appreciated for decades: lasting values.

Thank you for your time.

Supply security

Electricity comes from the socket – but only when a lot of people work behind the scenes with drive and commitment.



Customer confidence as the most valuable asset

What may seem obvious to all of us, is by no means the case. The "electricity that comes from the socket" is, in fact, dependent on a broad bundle of measures and activities – from the creation of an adequate infrastructure for generation, transmission and distribution to future-oriented planning and procurement combined with continuous monitoring and controls as well as reserve capacity, storage facilities and troubleshooting. The same is true for natural gas, heat and drinking water – meaning for EVN's entire product portfolio in all of its markets. The central promise to customers – reliable supplies in high quality around the clock – is connected with a high level of responsibility. Because for customers, continuous supplies are indeed supposed to be just a natural fact.

Focus on sustainable investments

Ever since its founding, EVN and its predecessor companies have made continuous investments in infrastructure. These wide-ranging activities include the development of the Kamp power plant chain immediately after World War II, the full electrification of Lower Austria by 1963, the expansion of the cross-regional and local natural gas network starting in 1954, completion of the so-called "Süd- und Westschiene" natural gas transport pipeline in 2014, securing sufficient storage capacity for natural gas stocks, the construction of biomass heating plants and local and district heating networks as well as ring pipelines, pumping stations and filter plants for drinking water supplies. Extensive funds have flowed – and are still flowing – into the protection of supply security and quality, in Lower Austria and also in Bulgaria, Macedonia and Croatia. EVN invested roughly one billion euros alone from 2013 to 2017 in order to remain the same reliable partner for its customers in Lower Austria that it has been for more than 90 years.

01 Drive, poster, Netz NÖ, 2016

02 NIOGAS 1982, annual report, NIOGAS, 1983

03 Natural gas – today and tomorrow, folder, NIOGAS, 1965

04 Just as sure as the summer, poster, EVN, 2001

05 Ottenstein – the Lower Austrian Kaprun, poster, Elektrogemeinschaft NÖ, about 1960

06 Natural gas is the way of the future, brochure, NIOGAS, 1965


TATENDRANG
NÖ Netz
Wir investieren in eine sichere Energieversorgung
LICHT WÄRME KRAFT
der Heimat Wohlstand schafft
gas
kommt auf uns zu
NIOGAS
1982
HEUTE UND MORGEN
GAS
NIOGAS
EVN
So sicher wie der Sommer.

Customer closeness

Service, service, service – EVN has followed this principle and remained close to its customers for decades.

Comfort and quality of life

No matter whether electricity (since 1922), natural gas (since 1954), heat (since 1962) or drinking water (since 2001) is involved – ever since its founding, EVN has made it possible for customers to enjoy a carefree and comfortable everyday life with a growing range of products and services. In Austria, just the same as in Bulgaria, Macedonia and Croatia. That goes far beyond "only" reliable supplies of energy or water and also includes competent, individual full-service assistance – for private customers as well as commercial and industrial companies. For EVN, a traditionally important objective has been to meet all of its customers' needs and concerns.

Saving both money and resources

From the very beginning, EVN's energy advising has been based on creating a reasonable balance between customers' personal budgets and the efficient use of resources. Thermal insulation and environmentally friendly hydropower were promoted, while EVN also set an early trend with proactive energy advising and practice-oriented household counselling at trade fairs and exhibits. New technologies formed another focal point – for example, through campaigns to replace older household appliances or the EVN bonus points, which were introduced in 2015 to reward energy-saving purchases. The most important goal was, and still is, the reasonable use of energy. An extensive network of customer service centres – which, in Lower Austria, was recently expanded to include seven EVN service centres as comfortable one-stop shops – provides fast and easy access to EVN's wide-ranging services and advising in all markets. Specialised technical expertise is a basic principle here, as is an open ear for customers. For that reason, customers' needs and satisfaction levels are regularly surveyed and also candidly discussed by the Customer Advisory Boards.

01 Let's talk about natural gas, brochure, NIOGAS/ÖVGW (Österreichische Vereinigung für das Gas- und Wasserfach), 1973

02 Planning for the future – with electricity and natural gas, documentary photo from the NEWAG and NIOGAS exhibition stand, Wiener Neustadt, 1966

03 Thermal insulation and indoor climate, folder, NEWAG and NIOGAS, 1978

04 Collectibles, poster, EVN, 2015

05 Well planned, poster, EVN, 2015

06 Some like it hot, poster/advertisement, EVN, 2001

07 Service. Service. Service., poster/advertisement, EVN, 2001


WÄRMESCHUTZ
UND
RAUMKLIMA
behaglich wohnen
wirtschaftlich heizen
NEWAG-NIOGAS
ERDGAS
im Gespräch
NIOGAS
SAMMLERWERT
Wer sammelt, spart doppelt!
EVN
GUTGEPLANT
Ganz einfach Ihr
Sanierprojekt starten!
EVN
EVN
Service. Service. Service.
EVN

Sustainability

Sustainable business operations are nothing new for EVN. For decades, the company has taken responsibility for people and the environment.

High-quality, continuous performance

Sustainability per se is a basic principle for an energy and environmental services provider that is responsible for daily supplies to millions of people. Because only a company that is technically and commercially focused on continuous, high-quality performance can meet these obligations reliably. From the very beginning, EVN has therefore worked to place its generation and distribution plants – and also its corporate management – on a solid, long-term foundation. At the same time, it has always motivated its customers to use modern methods and equipment and to use energy efficiently and effectively. EVN's energy advising was founded in 1977 to bundle these initiatives in an innovative way. In 1988 the claim "Energie vernünftig nutzen" (using energy efficiently) became a fixed part of the EVN media presence.

Responsibility for future generations

EVN also made resource conservation an important focal point of its activities at an early stage and placed particular emphasis on an area that has a decisive influence on today's energy supplies: CO_2 reduction and climate protection. The use of renewable energy carriers is an important part of EVN's current generation portfolio and is being expanded continuously. The current medium-term goal, assuming the right framework conditions, calls for 500 MW of generation capacity from wind power. All EVN plants are certified according to strict environmental standards like EMAS, and environmental and social impact assessments are frequently included in the planning for new facilities. EVN also offers its customers a wide-ranging portfolio of energy-efficient products and services together with advising, which includes renewable technologies like heat pumps and photovoltaic equipment.

01 My electricity, poster, EVN, 2016

02 A fresh wind, poster, EVN, 2017

03 Housekeeping made easier by refrigerators and freezers, advertisement, NEWAG, about 1975

04 His dream: more clean energy from every piece of coal, advertisement, EVN, 2008

05 People of Lower Austria – protect our valuable forests and use electrical appliances, poster, Elektrogemeinschaft NÖ, about 1960

06 Our water, our chance, advertisement, EVN, 2001

07 Natural gas + electricity. Clean air, healthy living space, brochure, NEWAG and NIOGAS, about 1975


MEINSTROM
EVN


verwendet
Elektrogeräte


FRISCHERWIND
EVN


NEWAG


EVN

Future orientation

Looking forward – that has always been one of EVN's basic principles. In both the technical and the economic areas.

Forward-looking actions

EVN and its predecessor companies have always had a clear vision and remained flexible and open to new ideas. A finely-tuned feeling for trends and developments has placed the company in a position to act with foresight and actively adapt to changes in its environment without changing its DNA. This steady look forward has proven to be successful time and time again – especially in view of the long investment cycles in the energy business. Whether the issues involved technological innovations (for example: In 1986 the Dürnrohr power plant was the first facility of its kind in Europe to be equipped with Japanese flue gas cleaning technology), political upheavals or social transformations, EVN has always been quick to recognise the signs of the times.

Innovative spirit and flexibility

The early conversion from city gas to natural gas beginning in the 1950s, the development of the Südstadt near Vienna as a model urban project, the expansion of the portfolio offering to include heat, drinking water and environmental services, the utilisation of investment opportunities in South Eastern Europe after the fall of the Iron Curtain in 1989, the transformation from an energy supplier to an energy service provider and, finally, to an energy manager – all these milestones underscore EVN's innovative spirit and flexibility. And this continuous progress has never stopped: The company has steadily developed renewable energy sources for many years and is now one of the largest wind-power producers in Austria. Moreover, joint projects with universities and research institutes help EVN remain on the cutting edge of technology. This goal is also supported by the EVN Trend Monitor – a Group-wide innovation platform that promotes the targeted exchange of information, strengthens employees' knowledge base and serves as an inspiration for the development of new ideas and business models.

01 Princess made the decision for eco-electricity, advertisement, EVN, 2002

02 IBM magnetic tape machines, NEWAG and NIOGAS headquarters, documentary photo, Maria Enzersdorf, 1965

03 Long-distance runners, poster, EVN, 2012

04 NIOGAS – a good deal, folder, NIOGAS, 1967

05 Strong winds. Caution: bundled energy, poster, EVN, 2001

06 Not every EVN power plant looks like a power plant, poster, EVN, 2009

07 Long lines have a future, advertisement/small poster, EVN, 1992


EVN


NIOGAS
ein GUTER TAUSCH


EVN
STURMBÖ


Nicht jedes EVN Kraftwerk sieht aus wie ein Kraftwerk.
EVN
www.evn.at


DAUERLÄUFER
EVN


EVN

Responsibility for society

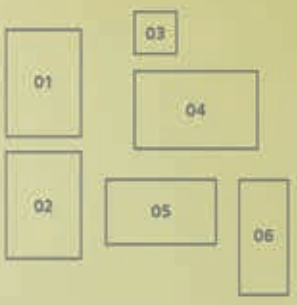
EVN is one of the most important companies and employers in each of its supply areas. That explains why its responsibility ranges far beyond its home borders

Broad range of initiatives

The central responsibility of an energy and environmental services provider is, of course, to provide high-quality, safe and reliable supplies and services to all customers and to guarantee protection in the event of crises and emergencies. This includes the continuous expansion of generation capacity and networks together with the regular updating of the product and service portfolio. But that is not enough: Companies of this size and importance must also address a wide variety of social concerns and, in this way, meet their widespread responsibility. For EVN, this has always been a matter of course – a belief that is demonstrated by numerous initiatives which range from assistance in emergency situations to information programmes, educational activities and cultural accents like the evn art collection which was started in 1995.

Social assistance and education

EVN's activities in the social area are directed, above all, to fighting energy poverty through directed support and energy-saving advising for low-income households. The EVN Social Fund follows this same objective. In addition, joint projects are carried out with protected workshops, and EVN provides direct support for employees who do volunteer work. Children and young people are an important part of activities in this area, and the EVN school service with its wide range of learning materials, lectures and excursion opportunities represents an important focal point. EVN also works closely together with universities, not least to increase the interest in technical professions – particularly among women.



01 Heat for everyone, brochure, NEWAG, about 1980

02 Caution! Life-threatening danger, poster, NEWAG, about 1950

03 District heating, brochure, VEÖ (Verband der Elektrizitätswerke Österreichs), about 1970

04 Untitled, sculpture from Christmas decorations, Marepe, an artist from Santo Antônio de Jesus, Bahia, Brazil, 2003 (evn collection)

05 Our song, poster, EVN, 2013

06 It's all energy!, folder, EVN school service, 2014


WÄRME
FÜR
UNS
ALLE
NEWAG


fern
wärme


Achtung!
LEBENSGEFAHR
Fällt Bäume
in der Nähe der
elektrischen Leitungen
NEWAG Niederösterreichische Elektrizitätswerke AG.


UNSERSONG
EVN


EVN
Alles Energie!

EVN – energy company and environmental services provider

EVN's activities cover the energy and the environmental services business. The headquarters of this international Group are located in Lower Austria, the largest Austrian province in terms of area. In total, EVN is currently active in eleven countries.

Revenue of EUR 2.2bn

→ 52.8% in Austria
→ 43.1% in South Eastern Europe
→ 4.1% in Central and Eastern Europe

2,395 MW of power generation capacity

→ 1,771 MW (73.9%) thermal generation
→ 624 MW (26.1%) renewable generation

155,468 km of networks in the energy business

→ 140,620 km for electricity
→ 13,994 km for natural gas
→ 854 km for heat

4.6m customers in network operations

→ 3,403,500 electricity
→ 294,100 natural gas
→ 88,700 district heating
→ 567,300 drinking water (thereof 107,600 directly)
→ 246,400 cable TV and telecommunications

6,840 employees

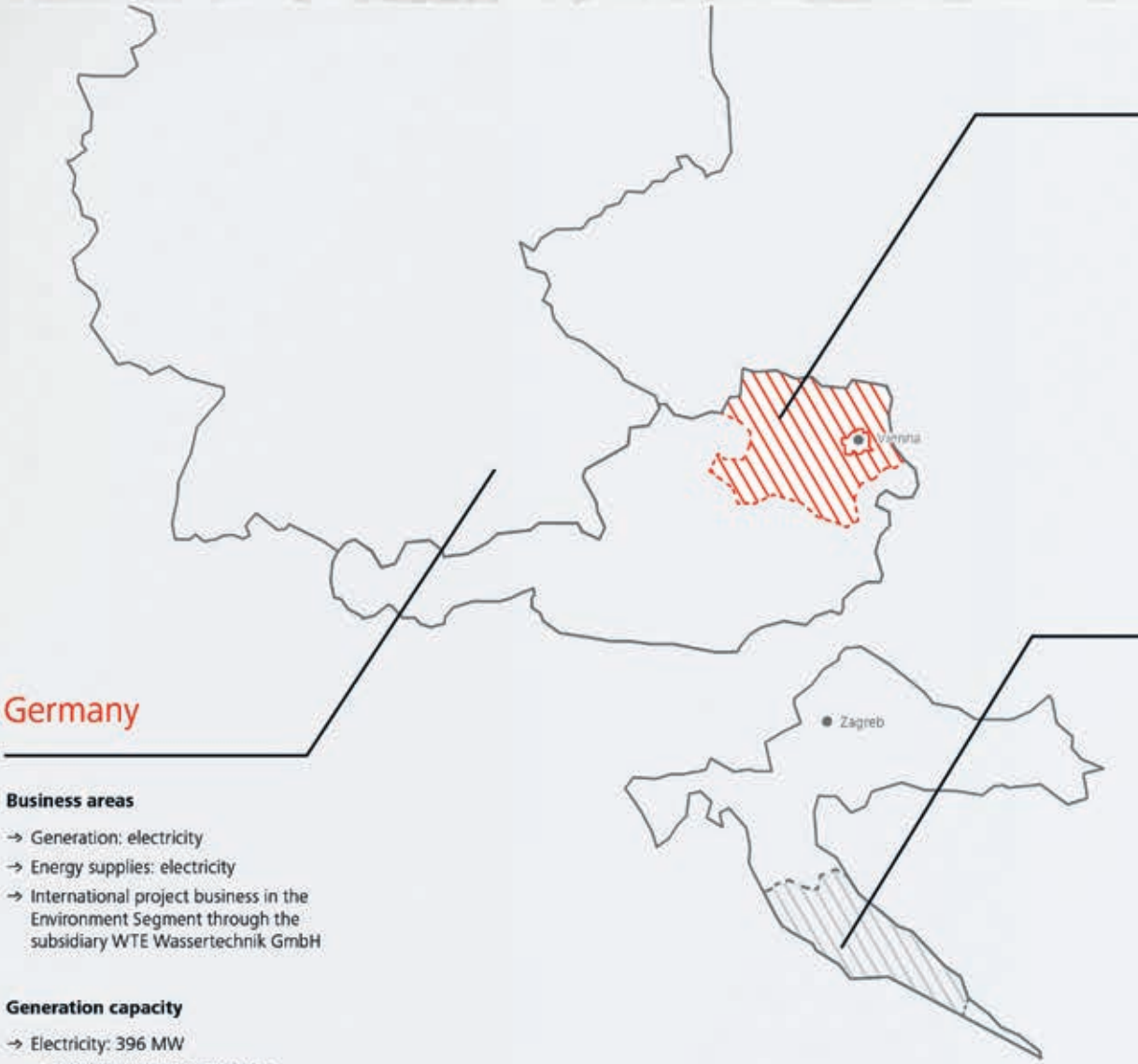
→ 2,368 in Austria
→ 2,204 in Bulgaria
→ 1,929 in Macedonia
→ 233 in Germany
→ 106 in other countries

41,399 GWh of network sales volumes

→ 22,622 GWh electricity
→ 18,777 GWh natural gas

26,581 GWh energy sales

→ 18,544 GWh electricity
→ 5,744 GWh natural gas
→ 2,293 GWh heat



Germany

Business areas

- Generation: electricity
- Energy supplies: electricity
- International project business in the Environment Segment through the subsidiary WTE Wassertechnik GmbH

Generation capacity

- Electricity: 396 MW
  - 41 MW purchasing rights for hydropower (13.0%-investment in Verbund Innkraftwerke GmbH)
  - 355 MW hard coal (49.0%-investment in Walsum 10 power plant)

Albania

Generation capacity

- Electricity:
  - 26 MW hydropower (49.99%-investment in Ashta run-of-river power plant)

Austria

Business areas

- → Generation: electricity and heat
- → Network operations: electricity, natural gas, heat, cable TV and telecommunications
- → Energy supplies: electricity, natural gas and heat
- → Drinking water supplies
- → Thermal waste utilisation
- → Storage of natural gas as well as exploration of oil and natural gas by Rohöl-Aufsuchungs Aktiengesellschaft

Number of customers

Approximately 2.0m electricity, natural gas, heat, drinking water and cable TV and telecommunications customers

Generation capacity

- → Electricity: 1,775 MW
  - – 109 MW hydropower
  - – 82 MW purchasing rights for hydropower
  - – 253 MW windpower
  - – 18 MW biomass
  - – 2 MWp photovoltaics
  - – 379 MW hard coal
  - – 932 MW natural gas
- → Heat: 66 district heating systems

Croatia

Business areas

- → Network operations: natural gas
- → Energy supplies: natural gas
- → Wastewater disposal plant Zagreb

Bulgaria

Business areas

- → Generation: electricity and heat
- → Network operations: electricity and heat
- → Energy supplies: electricity and heat

Number of customers

Approximately 1.8m electricity and heat customers

Generation capacity

- → Electricity: 124 MW
  - – 16 MW windpower
  - – 3 MWp photovoltaics
  - – 105 MW natural gas

Macedonia

Business areas

- → Generation: electricity
- → Network operations: electricity
- → Energy supplies: electricity

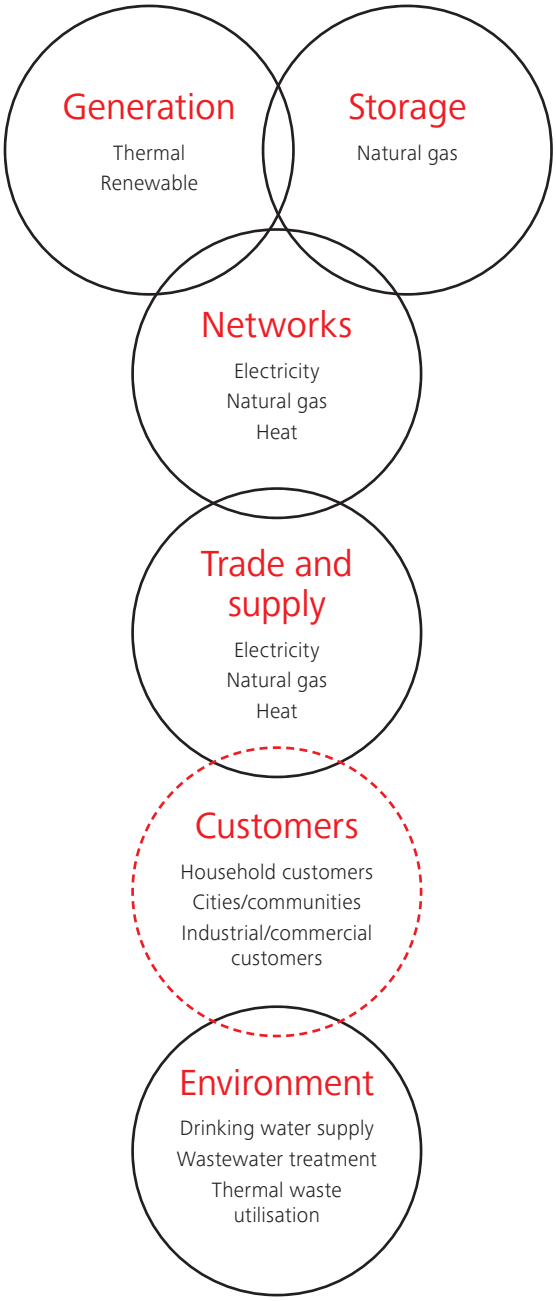
Number of customers

Approximately 0.8m electricity customers

Generation capacity

- → Electricity:
  - – 48 MW hydropower

EVN's energy and environmental services business



Operating business areas

In the energy business, EVN follows an integrated business model that covers the entire value chain in this area. The related activities include energy generation, the operation of energy distribution networks and the delivery of energy to end customers. EVN is active in the areas of electricity, natural gas and heat – with different focal points in the individual markets.

Activities in the environmental services business include drinking water supplies and waste incineration (operation of a thermal waste utilisation plant in Zwentendorf/Dürnrohr with an annual capacity of 500,000 t) in Lower Austria. EVN is also positioned in the international projects business through its German subsidiary WTE Wassertechnik GmbH. This company provides a wide range of project-related services which include the planning, construction, financing and operation of energy-efficient, resource-conserving and ecologically optimised plants for drinking water supplies, wastewater disposal and thermal waste utilisation.

International project business for environmental services (as of 30 September 2017)

- → Seven wastewater disposal projects under construction in Croatia, Macedonia, Poland and the Czech Republic
- → Ongoing operation of three drinking water supply plants in Germany and Montenegro
- → Ongoing operation of 20 wastewater disposal plants in Germany, Croatia, Montenegro, Slovenia and Cyprus
- → Ongoing operation of a thermal waste utilisation plant in Russia (Moscow: annual capacity 360,000 t)

Extension of the value chain through investments

The investments in Verbund AG and Burgenland Holding AG, which, in turn, holds 49.0% of Energie Burgenland AG, allow EVN to benefit from the companies' concentration on renewable electricity generation from water and wind. Rohöl-Aufsuchungs Aktiengesellschaft, in turn, provides valuable support for EVN through its focus on the natural gas storage business in Austria.

GRI indicators: Activities, brands, products, and services (102-2); Location of operations (102-4); Markets served (102-6); Scale of the organisation (102-7); Total length of transmission and distribution lines

A clearly focused strategy

Based on its corporate values and clear goals, EVN follows a strategy that is focused on the materiality matrix and, consequently, directly addresses consistently the interests of its stakeholders.

Corporate values and standards of behaviour

Our vision

As an energy and environmental services provider, EVN meets the daily needs of its customers and makes a sustainable contribution to their quality of life by delivering reliable, high-quality services. We want to provide our customers with the customary supply security, not only at the present time but also in the future. In doing so, top priority is given to actions that protect the environment and climate because that is the only way to ensure sustainable economic success over the long run.

Our mission

The realisation of our vision includes respect for the needs of all our stakeholders.

For our customers, we offer competitive prices and highest-quality products and services. For our shareholders, we aim to achieve a sustainable increase in value. For our employees, we create attractive working conditions. With our stakeholders, we maintain an active dialogue, and our business relations with suppliers are based on a cooperative partnership. That allows us to achieve and maintain high social acceptance.

Environmental and climate protection play a central role in all our activities. We rely on outstanding know-how, a high level of efficiency, state-of-the-art infrastructure and a constant drive to innovate to ensure the responsible use of natural resources and the continuous reduction of CO_2 emissions. This forms the basis for sustainable performance in the provision of electricity, natural gas, heating, drinking water, wastewater treatment and waste utilisation services.

EVN has expanded its business activities from Lower Austria into Central and South Eastern Europe. Our objective is to also realise sustainable success in these new markets based on the application of our proven principles and values.

Our principles and values

In addition to the vision and mission, a number of other binding documents define the framework for EVN's behaviour and actions:

- The EVN Code of Conduct: see page 47, 55 and 73f
- EVN's environmental policy statement: see page 39
- EVN's integrity clause for suppliers: see page 59
- GRI indicator: Values, principles, standards, and norms of behaviour (102-16)

Sustainability in the corporate strategy

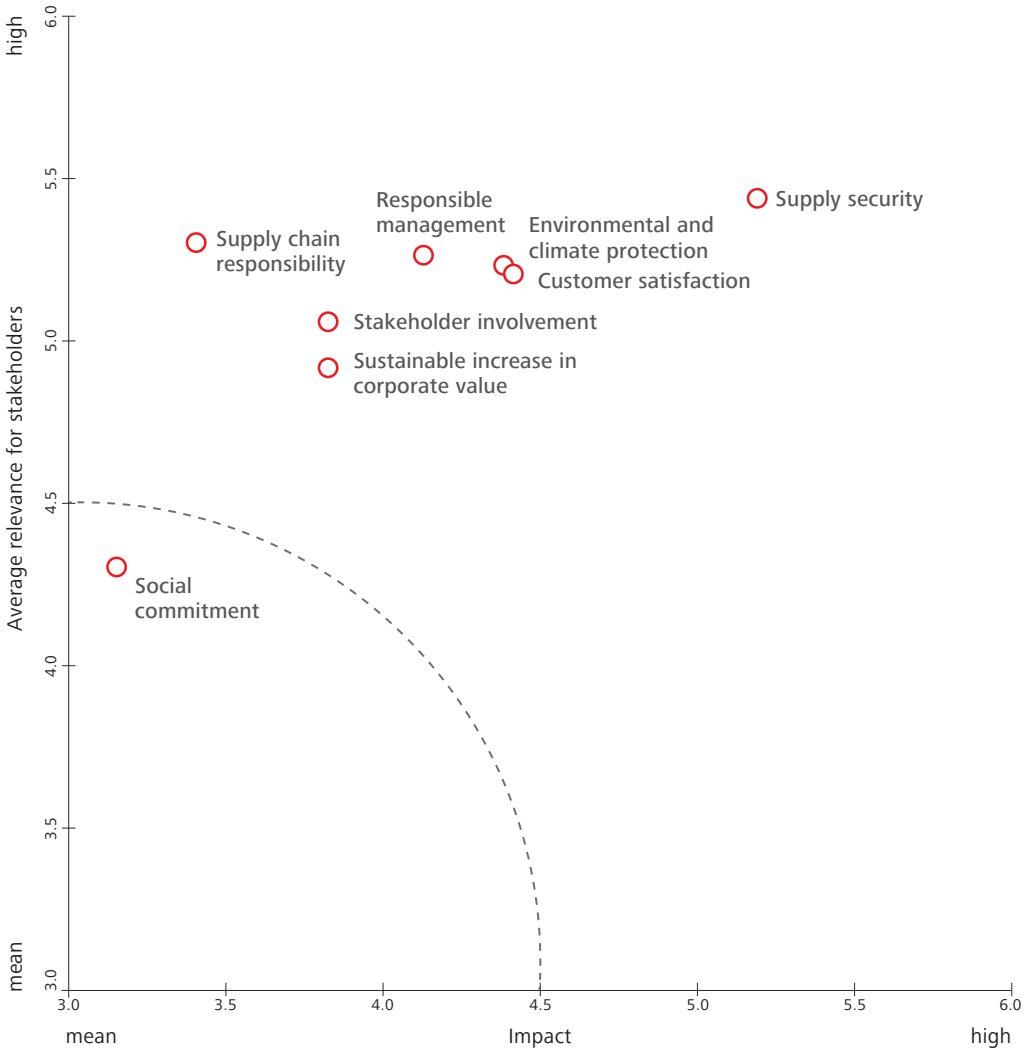
The Executive Board, in close cooperation with the Supervisory Board, is responsible for the continuous development of EVN's corporate strategy and company values. The process is supported by steering committees and working groups that are established for specific topics. A CSR steering committee was installed to deal with issues related to sustainability. It comprises key managers from various areas of the company, including the Executive Board, and therefore reflects European best practice standards. This broad base allows for the targeted management of CSR issues and continuous coordination with the corporate strategy and operating segments' goals.

EVN's strategic focus is closely aligned with the interests of its internal and external stakeholders and also reflects the social, ecological and economic effects of the company's activities. The harmonisation of the corporate strategy and stakeholder interests is based on the EVN materiality matrix. This systematic presentation of the most important sustainability issues was revised and updated following a stakeholder survey in 2016/17.

The resulting changes are summarised in the following section:

Area of activity "new"	Description	Area of activity "old"
Supply security	… stands for reliable supplies, also in crisis situations. The key factors in the energy area include a proactive procurement strategy, a flexible generation mix with sufficient reserve and storage capacity as well as the technical quality of the networks.	Supply security
Customer satisfaction	… stands for products and services that are transparent and meet individual needs, for high service quality, for target group-oriented communications and for support for our customers in the efficient use of energy.	Focus on customers
Sustainable increase in corporate value	… stands for entrepreneurial actions that are focused, among others, on continuous adjustments to reflect our dynamic environment through targeted innovations, a value-oriented investment strategy and the stable development of dividends.	Sustainable increase in corporate value
Responsible management	… stands for ethical, legally correct behaviour and the forward-looking development of the business model with a focus on digitalisation and innovative energy services. Also important is the acceptance of our responsibility as an employer in order to ensure sustainable human resources development in a constantly changing working environment.	Responsible employer Corruption prevention One EVN
Environmental and climate protection	… stands for the system conversion towards climate-neutral generation with energy storage for balancing purposes. Until this status is achieved, the thermal power plants will take on a bridge function to protect supply security. Efficiency improvements and innovation initiatives make an important contribution in all areas – because our products and services should generally be as environmentally friendly as possible.	Environmental protection and resource conservation Sustainable energy generation and climate protection
Stakeholder involvement	… stands for a proactive dialogue with our stakeholder groups and the responsible handling of their concerns, e. g. through the involvement of neighbouring residents in the expansion and operation of our plants.	Stakeholder dialogue
Supply chain responsibility	… stands for anchoring social and ecological aspects in procurement and tenders as well as ensuring compliance with human rights by our suppliers.	Supply chain responsibility Human rights
Social commitment	… stands for the acceptance of responsibility for people in challenging life situations, above all for children and young people. The focus is also on measures to fight energy poverty as well as the EVN art collection, EVN archive and EVN Social Fund.	Social commitment

EVN materiality matrix



EVN identified the social, ecological and economic effects of its business activities ("impact") in connection with the individual areas of activity during a workshop with external and internal experts. At the same time, an online stakeholder survey was conducted to collect the opinions of various interest groups. This structured survey process, which is scheduled to be repeated at three-year intervals, allows EVN to focus on the issues that have the highest importance for its stakeholders and high economic, ecological or social impact. Reporting is concentrated on the areas of activity that reflect the major issues.

For details on stakeholder management, see page 60ff

GRI indicators: Key impacts, risks, and opportunities (102-15); Delegating authority (102-19); Executive-level responsibility for economic, environmental, and social topics (102-20); Role of highest governance body in setting purpose, values, and strategy (102-26); Key topics and concerns raised (102-44); List of material topics (102-47); Explanation of the material topic and its boundary (103-1)

Overview of the core strategies

EVN's core strategies create a bridge between the areas of activity in the materiality matrix and the sector environment in the energy and environmental services business. They also integrate current trends which, from today's perspective, will have a decisive influence on EVN's activities and its success over the medium and long term.

Integrated business model as a solid basis

Sector environment and trends

Energy transformation leads to distortions on the international energy markets

Reorientation of business models by a number of energy providers (above all in Germany)

Our strategy

Diversification along the entire value chain

Stable and regulated activities form a solid backbone

4

Expansion and improvement of our network infrastructure

Sector environment and trends

Strain on networks due to the transport of rising and volatile feed-in from renewable generation

Our strategy

Focus on supply security and quality

Continuous and future-oriented expansion of facilities in the regulated network segment

1 3

Further expansion of our wind-power capacity in Lower Austria

Sector environment and trends

Global targets for the reduction of greenhouse gas emissions

European and Austrian climate policy with clear commitment to system conversion towards renewable generation

Our strategy

Increase in windpower capacity from the current level of 269 MW to approximately 500 MW (contingent on the right framework conditions) over the medium term

1 3 4

Marketing of our thermal power plants for network stabilisation

Sector environment and trends

High demand for the cross-regional exchange of services and management of shortages to balance out the increasing feed-in volumes from renewable generation and protect network stability

Our strategy

Framework contracts to provide reserve capacity for network transmission operators

Flexible feed-in of thermal generation to manage shortages

Commitment to thermal power plants as a bridge technology

1 4

Areas of activity

1 Supply security 2 Customer satisfaction 3 Environmental and climate protection 4 Sustainable increase in corporate value
5 Responsible management

Strong base in end customer business

Sector environment and trends

Increasing competition in the end customer market

Rising demand for digitalisation and smart technologies

Our strategy

Competent partner to our customers for supply, individual advising and products and services to support energy efficiency

Customer closeness for fast solution of concerns and needs

Expansion of digital product and service offering

2 5

Optimisation of our activities in South Eastern Europe

Sector environment and trends

Energy supply in South Eastern Europe between challenging framework conditions and future potential

Our strategy

Commitment to supply security and quality, also in South Eastern Europe

Focus on measures to reduce network losses and improve the collection rate

Efficiency improvements in the operating business

1 4 5

Increased focus on environmental services and drinking water supplies in Lower Austria

Sector environment and trends

Increase in water consumption due to demographic changes (urbanisation) and growing number of weather-related peak periods

Rising quality demands on water supplies (e. g. hardness of the water)

Need for environmentally friendly treatment methods for increasing volumes of waste caused by population growth

Our strategy

Increase in pumping station capacity to improve performance and expansion of cross-regional pipeline networks

Construction of natural filter plants to reduce the hardness of the water by natural means

Development of new drinking water sources

Use of know-how in thermal waste utilisation from the operation of a state-of-the-art waste incineration plant in Zwentendorf/Dürnrohr

1 4

Diversification through selected projects in the international environmental services business

Sector environment and trends

Specific regional characteristics and general conditions require individual solutions for municipal water supplies and wastewater disposal

Our strategy

Concentration of our solution expertise on selected projects in municipalities and countries with strong credit standings

Creation of added value for our customers as the basis for our economic success

4 5

EVN on the capital market

EVN works to strengthen the long-term confidence in its share and bonds with active communications, target group-oriented information for all capital market participants and a reliable dividend policy. These efforts are further supported by ratings in the good investment grade range.

Investor relations

EVN's capital market activities are based on a commitment to providing timely, transparent, understandable and substantial information. Investor relations activities are focused, in particular, on systematic and active communications with all capital market participants. These communications include quarterly telephone conferences in connection with the publication of results as well as regular meetings with analysts and investors at international road shows and investor conferences. EVN believes in tailoring its communication media to the different needs of the various stakeholder groups and gives special attention to sustainability-oriented investors and their information requirements. In this way, the Executive Board and the investor relations team work to continuously improve the awareness of and understanding for EVN and strengthen the long-term confidence in the EVN share.

EVN emphasises the following core points in its equity story to analysts and investors:

- → High proportion of regulated and stable activities
- → Stable home market in Lower Austria
- → Integrated business model
- → Solid business development and capital structure
- → Attractive dividends

Numerous international banks publish regular analyses on EVN which cover the development of business and recommendations for the price potential of the share.

Also see www.investor.evn.at

EVN share		2016/17	2015/16	2014/15
Share price at 30 September	EUR	13.22	10.56	9.85
Highest price	EUR	13.40	10.60	10.56
Lowest price	EUR	10.47	9.65	9.50
Price performance	%	25.2	7.1	–2.7
Total shareholder return	%	29.2	11.4	1.5
Performance ATX	%	37.9	7.9	1.2
Performance Dow Jones Euro Stoxx Utilities	%	13.5	1.2	–15.7
Value of shares traded[1)]	EURm	97.9	65.8	79.2
Average daily turnover[1)]	Shares	33,921	26,031	31,598
Market capitalisation at 30 September	EURm	2,377	1,899	1,773
Weighting ATX prime	%	0.81	0.93	0.97
Earnings per share[2)]	EUR	1.41	0.88	0.83
Dividend per share	EUR	0.44 + 0.03[3)]	0.42	0.42
Price/earnings per share	X	9.4	12.0	11.8
Dividend yield	%	3.6	4.0	4.3

1) Vienna Stock Exchange, single counting
2) Shares outstanding at 30 September
3) One-time bonus dividend of EUR 0.03 per share; proposal to the Annual General Meeting

The EVN share

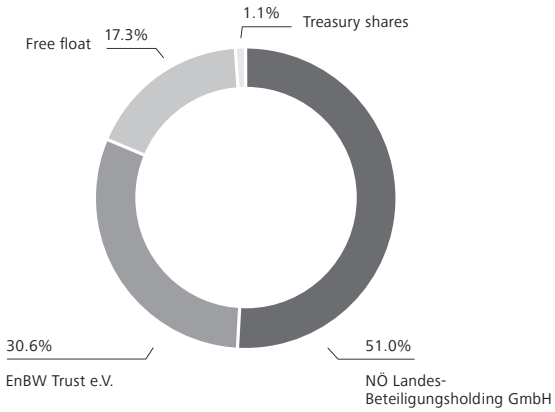
Market environment and performance

All major international stock indexes recorded positive development during the period from October 2016 to September 2017, with the Vienna Stock Exchange generating particularly strong growth. The US benchmark index Dow Jones and the German benchmark index DAX rose by slightly more than 22%, while Vienna's benchmark index ATX was a sound 37.9% higher. The EVN share increased by 25.2% during this same period and clearly outperformed the DJ Euro Stoxx Utilities (+13.5%), the relevant industry index. The average daily turnover in EVN shares equalled 33,921 in 2016/17 (single counting). That represents an annual trading volume of EUR 97.9m (single counting) for EVN's shares on the Vienna Stock Exchange and 0.31% of the total trading volume.

Strategy for the use of financial resources and dividend

EVN's strategy for the use of its financial resources includes establishing a balance between its investment projects and attractive dividends for shareholders. This strategy is reflected in a targeted pay-out ratio equalling approximately 40% of Group net result over the long term. The Executive Board will make a recommendation to the 89th Annual General Meeting on 18 January 2018, which calls for a dividend of EUR 0.44, as well as a one-time bonus dividend of EUR 0.03, per eligible share for the 2016/17 financial year.

Shareholder structure



Also see page 94

GRI indicator: Nature of ownership and legal form (102-5)

Share buyback programme

The Executive Board is currently not utilising the share buyback programme which was authorised by the 87th Annual General Meeting on 21 January 2016 for a period of 30 months.

Also see page 94

External ratings for the debt capital market

The diversification of its financing instruments and partners is a key component of EVN's financing strategy. Good business relations with regional, international and multilateral banks are therefore particularly important, as is flexible access to national and international investors over the debt capital market. An important factor in this respect is formed by the external evaluations issued by the independent rating agencies Moody's and Standard & Poor's.

Both agencies raised their ratings for EVN in April 2017:
- → Moody's: from A3 to A2, outlook stable
- → Standard & Poor's: from BBB+ to A–, outlook stable

Consequently, EVN continues to meet its goal to maintain a rating in the good investment grade range.

Reliable supplies around the clock

EVN's central promise to its customers is to always provide sufficient, top quality energy and drinking water whenever it is needed. In order to keep this promise, EVN has implemented a broad range of measures.

One of EVN's top priorities is to provide its customers with high-quality electricity, natural gas, heat and water at all times. This focus is reflected in the importance given to the term "supply security" in the Group's strategy, corporate values and materiality matrix. The Group's business activities illustrate this promise to customers in many ways:

- Network infrastructure in continuous operation forms the basis for supplies to customers and – at a higher level – for the smooth functioning of society and the economy. EVN's investments are therefore focused directly on the creation and expansion of efficient and effective infrastructure in all of its supply areas.
- Investments to protect and improve the technical properties of the network also protect the quality of supplies.
- The steady expansion of renewable generation capacity, in particular windpower, improves the coverage ratio and steadily strengthens the independence of energy procurement.
- The availability of company-owned storage power plants supports the emission-free optimisation of generation based on the demand for electricity and also allows for the rapid restoration of network operations in the event of a power outage.
- EVN's thermal power plants, with their high availability and reliability, play an important role as reserve capacity for network stabilisation and the management of shortages in light of the rising but volatile feed-in of electricity from renewable sources. The EVN natural gas power plants will be used as "bridge technology" to protect supply security until the completion of the system conversion to marketable, efficient large storage facilities for the surplus production of renewable electricity.
- The proactive procurement and storage of energy and primary energy carriers safeguard power plant operations. That ensures the unlimited availability of thermal electricity production, also during longer cold weather periods, to supply customers with electricity and protect network stability.
- In order to guarantee reliable supplies of natural gas for its customers, EVN stockpiles large volumes of natural gas in storage facilities that are leased on a long-term basis. That ensures uninterrupted supplies in periods with temperature-related higher consumption and also covers possible shortages at the European level (e. g. due to political crises). EVN's investment in RAG – which is active in natural gas production and storage – has high strategic importance in this context.
- EVN Wärme, Austria's largest natural heat supplier, invests continuously in the maintenance and new construction of its biomass heating plants and the expansion of its district heating networks. That protects supply security and also keeps a promise to customers: to provide reliable and comfortable supplies of renewable energy from domestic, CO_2-neutral biomass.
- High-performance networks and technical infrastructure also form the basis for continuously high-quality, reliable solutions in the area of telecommunications, internet and cable TV services by the EVN Group.
- With the installation of an area-wide basic supply network of e-charging stations in Lower Austria, EVN made an early and decisive contribution to the spread of e-mobility in its home market. The continuous expansion of the charging infrastructure in the public, but also increasingly in the private sector has been accompanied by numerous initiatives in the dynamic growth of e-mobility from the perspective of an energy supplier. Included here are joint roaming projects and other services related to charging as well as the development of new control technologies for flexible charging during the evening and night hours.
- Innovation, research and development projects for energy storage and demand-optimised network management also strengthen supply security.

The importance of the thermal power plants to protect network stability

The system transformation towards renewable electricity generation has triggered a change in the traditional understanding of the energy industry. Electricity from renewable energy carriers enjoys priority for feed-in into the networks. The massive expansion of renewable generation – in Central Europe, above all windpower both onshore and offshore, as well as photovoltaic production – has therefore led to surplus capacity on a regional basis in recent years. This situation, in turn, has also been reflected in a decline in the forward and spot market prices for base load and peak load electricity, which has placed the profitability of the thermal power plants under increased pressure.

However, water flows, wind and sunshine cannot be planned. That makes the feed-in volumes from renewable generation highly volatile and creates enormous challenges for the stability of the electricity networks. A further complicating factor is the insufficient capacity available in Central Europe to transport the electricity from the north with its enormous windpower generation capacity to the south with its particularly high-demand industrial and population centres. In addition, there are still no marketable technologies for the large-volume storage of surplus electricity from renewable generation.

In this challenging environment, EVN's thermal power plants in Lower Austria – the Theiss and Korneuburg gas-fired power plants and the Dürnrohr hard coal-fired power plant – play a particularly important role. They not only serve as a key element for protecting supply security in EVN's home market but, due to their central locations, also provide fast and flexible support around the clock for the cross-regional exchange of services. Their contribution to network stabilisation therefore extends far into the Central European network.

EVN's two gas-fired power plants have been under contract to provide reserve capacity for the German transmission network throughout the winter half-year since 2010/11 – with the coal-fired plant in Dürnrohr also supplying reserve capacity on a case-by-case basis. These power plants have been increasingly called on to provide so-called balancing energy or to manage shortages and were in use every second day on average in 2016/17. For the first time, nearly all of EVN's 1,090 MW thermal generation capacity in Lower Austria is under contract to provide reserve capacity for southern Germany during the winter half-year 2017/18.

In order to be prepared for the increasing use of these thermal power plants, EVN relies on the proactive procurement and stockpiling of the required primary energy carriers. This includes hard coal deposits directly at the Dürnrohr power plant as well as extensive natural gas storage facilities. The importance of these measures becomes increasingly visible, in particular during longer cold weather periods: Even during the unusually severe winter in 2016/17, EVN was able to ensure the operation of its thermal power plants to protect network stability at all times and provide continuous supplies of natural gas for its customers.

A blackout covering the whole of Austria has – fortunately – been only a theoretical crisis scenario to date. However, EVN is also very well prepared for this type of crisis. The "black start capability" of the gas-fired power plant in Theiss, together with the pump storage power plant in Ottenstein, can support the independent restoration of network operations without external electricity supplies.

→ The continuous increase in pump and pipeline capacity, above all through the consolidation of cross-regional pipeline networks, ensures reliable supplies of high-quality drinking water.

For information on the procurement of energy and primary energy carriers, also see page 57f

For information on innovation, research and development projects, also see page 86f

Efficiency of networks and power plants

Network losses

The direct comparison of network losses is not possible due to the differences between the customer and network structures in EVN's various supply areas. In Austria, network losses are stable at a comparably low level of roughly 4%. The steady high investments by EVN in the network infrastructure are based, above all, on the dynamic expansion of renewable generation capacity (in particular,

EVN power generation capacities	30.09.2017		30.09.2016		30.09.2015	
	MW	%	MW	%	MW	%
Renewable energy	624	26.1	618	25.9	600	25.3
thereof hydropower[1)]	306	12.8	306	12.8	306	12.9
thereof windpower	269	11.2	268	11.2	250	10.5
thereof photovoltaics	5	0.2	5	0.2	5	0.2
thereof biomass	18	0.8	13	0.5	13	0.5
thereof other renewables[2)]	26	1.1	26	1.1	26	1.1
Thermal energy[3)]	1,771	73.9	1,771	74.1	1,771	74.7
thereof natural gas	1,037	43.3	1,037	43.4	1,037	43.8
thereof hard coal	734	30.6	734	30.7	734	30.9
Total	2,395	100.0	2,389	100.0	2,371	100.0

1) Includes purchasing rights from the Danube hydropower plants in Melk, Greifenstein and Freudenau and from investments in the hydropower plants Nussdorf in Vienna and Ashta in Albania as well as in Verbund Innkraftwerke
2) Includes two sludge-fired combined heat and power plants in Moscow
3) Includes co-generation and combined heat and power plants in Austria and Bulgaria; capacity data (net output) according to participation interests

△ GRI indicator: Installed capacity

for windpower), continuous population growth and EVN's high standards for supply security and quality. The investment programme in Bulgaria and Macedonia is concentrated on the further reduction of network losses and the resulting continuous improvement of efficiency. Since market entry, network losses have been reduced from 20% in 2004/05 to a recent level of 8.3% in Bulgaria and from 25% in 2005/06 to 14.3% in Macedonia.

Electricity disruptions[1)]

The mean supply interruption – which was calculated according to the System Average Interruption Frequency Index (SAIFI) – equalled 0.94 for the 2016 calendar year (previous year: 0.71). A SAIFI value of 0.94 means EVN's customers experienced less than one power failure per year. The average annualised duration of unplanned power interruptions, as calculated according to the System Average Interruption Duration Index (SAIDI), equalled 18.48 minutes in the 2016 calendar year (previous year: 25.70 minutes), which is lower than the Austrian average of 24.22 minutes (previous year: 27.18 minutes). Information is not provided on the SAIDI and SAIFI at EVN's locations in South Eastern Europe because a clear database is not available for the necessary calculations.

1) Source: Energie Control-Austria, breakdown and disruption statistics for 2015 and 2016.

△ GRI indicators: Efficiency of long-distance lines and distribution networks; Frequency and duration of power failures

Availability of EVN's power plants

Uninterrupted operations and the technical safety of EVN's power plants represent key requirements for ensuring reliable electricity supplies. Regular inspection and maintenance procedures, which involve planned and coordinated downtime, are carried out to maintain this essential status. EVN's gas-fired power plants in Korneuburg and Theiss maintained full availability in 2016/17, with the exception of scheduled inspections and marginal unplanned downtime (0.9%–1.0%). The unscheduled downtime at the Dürnrohr coal-fired power plant equalled 1.2% in 2016/17, while the Walsum 10 coal-fired power plant recorded unscheduled downtime of 25.6% due to a special inspection. EVN's windparks were in service 94.1% of the time in 2016/17, whereby the decline from the prior year level of 96.4% was caused by the unusually cold winter and the resulting strong icing. The windpark statistics do not differentiate between scheduled and unscheduled downtime.

△ GRI indicator: Average availability of power plants

Energy storage facilities as the key to the energy transformation

The steady increase in electricity generation from renewable energy sources has created substantial challenges for the electricity networks and their interaction with the existing generation infrastructure. The main problem is the strong fluctuation in production that results from the natural volatility in wind, sunshine and water flows. Since these fluctuations must be equalised in the interest of network stability, storage technologies are becoming increasingly important. EVN is therefore pursuing various innovation initiatives in this area and hopes to gain important insight, above all, from a research project on large storage batteries that is currently in progress together with the Technical University in Vienna and AIT Austrian Institute of Technology. The focal point of this project is a lithium-ion large storage battery operated by Netz NÖ with a performance of approximately 2.5 MW and a capacity of 2.2 MWh, which was commissioned at EVN's Prottes windpark in November 2017.

The advantage of a battery is that it can react much more quickly than a conventional power plant to changes in the network load. This helps, for example, to stabilise network frequency and offset voltage fluctuations. EVN's experts and their research partners will now carry out various trials and tests up through February 2019 to specifically determine how the use of a large storage battery can help to improve network stability and protect the high quality of electricity in spite of the rising feed-in from renewable generation. Since the storage battery under testing in Prottes also has so-called "black start capability", trials will also take place in this direction.

Partner for satisfied customers

EVN strives to maintain a fair and professional partnership with its customers. Its product portfolio ranges from energy and drinking water supplies to individual advising and extensive, professional services.

Close to the customer through a regional presence and personal advising

Customers represent the focal point of all activities for EVN. This conviction is reflected in the concentration given by all services and advising to the highest professionalism and maximum customer closeness. An extensive network of customer centres throughout the entire supply area as well as easy accessibility mainly via e-mail and the EVN service telephone form a key basis for the related activities. In order to ensure optimal supply security, the customer centres can also be reached at any time of the day or night to report supply interruptions. In addition, seven centrally located service centres in selected Lower Austrian cities bundle the full range of EVN services and products comfortably under a single roof. Included here, in particular, are:

- Services related to electricity, natural gas and water (invoice and tariff information, registration and cancellation etc.)
- Energy advising
- Energy efficiency products
- Energy services
- EVN Bonus World
- Cable TV and telecommunication services

For information on energy efficiency services, also see page 41f

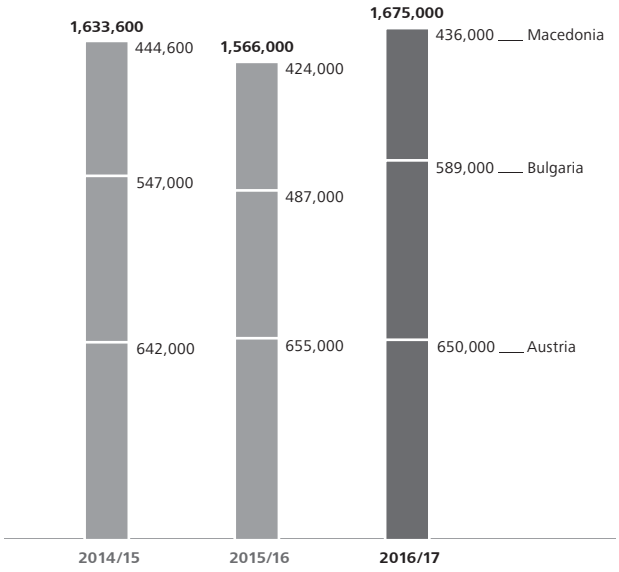
Customer Advisory Board

The EVN Customer Advisory Board is another important instrument to support EVN's efforts on behalf of its customers. It not only provides an opportunity for close contact with representative customer segments, but also allows the company to react on a timely basis to current trends, issues and concerns. The information provided by the 24 Customer Advisory Board members has played a decisive role in the design of EVN's services, products and communication measures for many years. In February 2017 the EVN Customer Advisory Board in Lower Austria was constituted for the fourth time, as planned, for a two-year term.

Also see www.evn.at/Customer-Advisory-Board

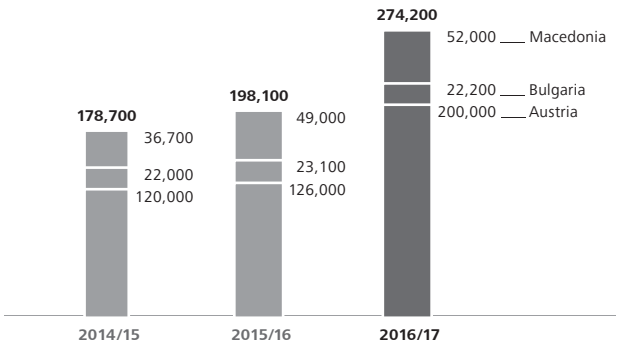
Telephone enquiries to the customer service

Amount (rounded)



E-mail enquiries to the customer service

Amount (rounded)



The EVN Customer Advisory Board in Bulgaria was elected for the third time in 2017. Two meetings have been held each year at different locations in the supply area since the start of the initiative, where the members discussed information, criticism and ideas with EVN's representatives. Specific recommendations were also developed for the improvement of products and services.

Energy price reductions

The electricity and natural gas working prices for households were reduced by an average of 5% as of 1 October 2016 within the framework of EnergieAllianz. This reduction passes on the procurement advantages from the development of prices on the primary energy markets to household customers.

Initiatives to combat energy poverty

EVN cooperates with regional interest groups and social aid organisations to combat energy poverty and supports projects that provide specially designed support for low-income households. For example: The "households at risk of poverty" project involves courses held by EVN experts for Caritas social counsellors, which cover energy-saving measures, energy saving opportunities and possible subsidies (e. g. heating cost subsidies). These "train the trainer" courses equip the social counsellors with the necessary know-how to conduct independent advising on energy savings for people threatened by poverty. EVN also supports the social counsellors with consulting tools (e.g. guidelines and checklists) and technical aids (e. g. energy measurement instruments). These measures are rounded off with further training by EVN and joint on-site consulting. The results of this project are the cost savings realised by the low-income households as a result of energy-saving measures.

Customer satisfaction

EVN defines customer satisfaction through products and services that meet individual needs and are transparently invoiced, through high service quality, target group-oriented communications and assistance for customers in the efficient use of energy. Especially in the area of customer service, EVN wants to distinguish itself from the competition and, in doing so, strengthen its success. This includes, not least, prompt responses to inquiries. The performance and activities of the employees in customer-related business areas therefore again formed the focal point of the international Customer Service Week which was held at the beginning of October 2017 and where EVN participated in Austria, Bulgaria, Macedonia and Croatia.

Customer satisfaction is analysed regularly on the basis of systematic customer surveys as a means of supporting continuous improvement. The data and long-term trends show the general developments in customer satisfaction and permit the analysis of relevant business transactions. The results provide valuable information on opportunities for improvement, which are discussed with the involved departments to define approaches for future measures.

Austria

In 2016 roughly 5,000 household customers in Lower Austria were surveyed to determine their satisfaction with EVN. The overall satisfaction was rated at an average of 1.73 (on a five-step scale ranging from 1 = very satisfied to 5 = not satisfied at all), which topped the 1.78 recorded in the previous year. In comparison with other service providers, EVN ranks clearly above mobile communications and internet companies and slightly higher than banks and insurance firms.

The individual factors in the overall picture point to an improved perception of EVN's price-performance ratio. Satisfaction with supply security – the central argument for the selection of a provider – remains at a very high level. Excellent telephone service for customers is one of EVN's additional strengths; the satisfaction rating for this factor has been very high for many years and increased further in 2016/17.

The Customer Loyalty Index, which is calculated by EVN on a monthly basis, measures customer loyalty based on various indicators. The goals of this strategic monitoring instrument are to recognise changes in customer loyalty, identify the causes and react quickly with suitable measures. This monitoring indicated particularly strong loyalty among customers with a detailed knowledge of EVN's supplementary services.

EVN's customer service has been certified according to the EN 15838 standard for European call centres since 2010. This guideline defines uniform requirements for the service quality of customer contact centres, whereby the focus is placed on customer satisfaction with four components: personnel, organisation, process and technology. The quality seal is awarded for a period of six years, and EVN applied for re-certification in 2016. The necessary audit lasted several days and was completed, as expected, with a top ranking by EVN's customer service together with all hotlines, e-mail management and the decentralised EVN service centre. This audit also included the first-time certification of the kabelplus service for private customers.

Bulgaria and Macedonia
The "EVN next to you" programme was continued in Bulgaria during 2016/17 with the organisation of further meetings between representatives of EVN Bulgaria and its customers in their home cities and villages to discuss basic concerns and problems in the respective regions. Customer satisfaction surveys were also continued in Macedonia and included 5,803 interviews (previous year: 4,751) and 1,548 mystery shopping tests (previous year: 1,521). These surveys are directed, above all, to analysing internal processes and also evaluating customer contacts and staff responses to customer inquiries. The survey results and additional internal quality analyses flow directly into improvement and optimisation programmes.

△ GRI indicators: Approach to stakeholder engagement (102-43); Key topics and concerns raised (102-44)

Product responsibility

Similar to the corporate policy statement and the environmental policy statement, the principles of product responsibility represent an integral part of EVN's central mission statements. This underscores their key importance in the Group's value hierarchy. In the energy business, EVN offers a broad range of products in all customer segments. Tariffs with fixed or variable energy prices are available as well as the – externally certified – delivery of electricity from 100% renewable sources or hybrid alternatives with a high share of electricity from renewable sources combined with electricity from conventional generation. Supply security also plays an important role in EVN's product offering. EVN relies on the broad diversification of primary energy carriers: For example, sources in the area of renewable energy can include hydropower, which is traditionally strong on the Austrian market, as well as windpower, solar power, biomass or biogas.

○ Also see www.responsibility.evn.at

Product and service labelling
EVN's customer invoices in Austria include information on the geographical origin of the electricity delivered, its composition by primary energy carrier and the environmental impact of its generation (CO_2 emissions and radioactive waste) in accordance with electricity labelling regulations. In 2016 the electricity delivered by EVN KG to end customers was responsible for 192.67 g/kWh of CO_2 emissions (previous year: 201.76 g/kWh). EVN has been committed for many years to an energy mix that excludes nuclear-generated electricity and, consequently, EVN's distribution company did not deliver any electricity from this source during the reporting year or previous years. Independent of the electricity labelling requirements, EVN has not included any grey electricity in its mix for many years. As in the previous year, all guarantees of origin come from Austria. The comparative data for the 2017 calendar year will only be available after the editorial deadline for this full report.

In Bulgaria, the regulatory authority defines the electricity mix for energy sales to customers in the regulated market segments. The Bulgarian sales company therefore has no influence over the electricity mix. In Macedonia, EVN's distribution company is legally required to purchase the electricity for customers in the regulated market segments from the state-owned electricity company ELEM. This company also has no influence over the composition of the delivered electricity. ELEM reports the shares of renewable and non-renewable electricity, but the sales company is not required to make these types of disclosures.

○ Also see www.evn.at/Herkunft (available in German only)

□ For information on energy procurement, also see page 57f

△ GRI indicators: Precautionary principle or approach (102-11); Requirements for product and service information and labeling (417-1)

Customer health and safety
EVN's high level of responsibility along the entire value chain minimises any potential risks associated with the impact of the company's products on health and safety. Quality management plays an important role in this process through its focus on the definition of and reliable compliance with high standards for the (further) development of the product portfolio, innovation, research and development activities as well as processes for the certification, manufacture, production, distribution, marketing, sales promotion, use, maintenance, disposal and recycling of products. All categories of products and services are continuously monitored with respect to customer satisfaction, health and safety based on comprehensive quality assurance procedures.

△ GRI indicator: Assessment of the health and safety impacts of product and service categories (416-1)

Responsibility for the environment and climate

Careful interaction with natural resources and an active contribution to climate protection have high priority for EVN. It is no coincidence that one of the areas of activity in EVN's materiality matrix – "environmental and climate protection" – is directed exactly to these issues.

Achieving and maintaining comprehensive and reliable coverage with its products and services is EVN's most important obligation to customers. At the same time, the company is well aware of its high responsibility as a major market player to also play an active role in climate protection. Activities in this area are therefore focused on the system conversion towards climate-neutral generation with energy storage facilities for balancing purposes. EVN invests continuously in equipment to utilise renewable energy carriers (wind and water power, photovoltaic and biomass) and supports their integration in the existing energy system. In this transition phase, one central strategic goal remains constant: the continuous expansion of the network infrastructure in Lower Austria. It creates the necessary foundation for EVN to support the energy transformation and to protect supply security and quality over the long term. EVN's thermal power plants have taken on an important bridge function in this process, while efficiency improvement measures and innovations make key contributions in all areas.

Environmental management at EVN

The staff department for environmental protection and sustainability, which reports directly to the Executive Board, is responsible for recording and analysing the ecological impact of the company's activities with regard to the use of resources, energy and water consumption, emissions, biodiversity, transport, wastewater and waste. Based on its analyses, the department supports the operating units in preventing or minimising their effects on the environment. It therefore plays a central role in the management of sustainability issues at EVN, above all issues related to the "environmental and climate protection" area of activity.

EVN's environmental management system – which, as an integrated management system, also includes occupational safety standards – is certified according to ISO 14001 and EMAS (Eco-Management and Audit Scheme). These certifications cover all thermal power plants in Lower Austria, the thermal waste utilisation plant in Zwentendorf/Dürnrohr and more than 50 heat generation plants. An integrated quality and environmental management system was also implemented in Bulgaria and Macedonia, whereby the Bulgarian system meets the requirements of ISO 9001:2008, ISO 14001:2004 and BS OHSAS 18001:20017.

The fundamental goals and values for these areas are defined in EVN's environmental policy statement. It includes, for example, standards for minimising environmental impact, resource conservation through the use of state-of-the-art environmental engineering and the continuous improvement of environmental performance.

Also see www.evn.at/environmental-policy-statement

In addition, the 28 members of the Advisory Committee for Environmental and Social Responsibility counsel the Executive Board on environmental and sustainability issues. The main topics of the meetings in 2016/17 were the energy transformation in Austria and corporate social responsibility (CSR) with an international comparison of trends, opportunities and challenges.

Also see www.evn.at/Environmental-council

EVN collects data on the amount of environmental protection expenditures and investments for all fully consolidated and relevant subsidiaries in Austria in cases where the total costs exceed EUR 10,000 during a reporting period. This data collection is based on the International Environmental Cost Accounting Guideline issued by the International Federation of Accountants. Environmental costs are defined as the monetised, internal costs of the impact of business activities on the environment and, in particular, the costs of damage prevention and repair. The environmental costs of the analysed business areas amounted to EUR 74.6m in 2016/17 (previous year: EUR 80.3m). Included here are the expenses for damage repairs and damage prevention (expenses for environmental management or flue gas cleaning). Environment-related income (scrap metal sales, waste-generated steam) totalled EUR 19.0m in 2016/17 (previous year: EUR 20.9m).

Emissions

Direct and indirect greenhouse gas emissions

The direct and indirect greenhouse gas emissions reported in this chapter are calculated according to the rules and factors defined in the EU Emission Trading Guideline for the individual countries and cover all CO_2 emissions. The calculation is based on the primary energy carriers used and the given emission factors. The allocation of emissions to the individual categories (scopes) follows the recommendations issued by the Greenhouse Gas Protocol (GHG Protocol) of the World Resource Institute (WRI).

The absolute volume of direct greenhouse gas emissions (Scope 1) fell by 8.6% year-on-year to 2,802,582 t CO_2 in 2016/17. The decline is attributable to lower production volumes from the Walsum 10 power plant.

△ GRI indicators: Direct (Scope 1) GHG emissions (305-1); Energy indirect (Scope 2) GHG emissions (305-2); Other indirect (Scope 3) GHG emissions (305-3); GHG emissions intensity (305-4)

Direct GHG emissions (Scope 1)[1]		2016/17	2015/16[2]	2014/15
Austria and Germany	t CO_2	2,628,249	2,910,956	2,232,258
Bulgaria	t CO_2	172,042	152,677	162,109
Macedonia	t CO_2	2,291	2,187	2,266
Total	t CO_2	**2,802,582**	**3,065,819**	**2,396,633**
	t CO_2/GWh	**321.83**	**367.57**	**334.31**

1) EVN's direct emissions (Scope 1) include the CO_2 emissions from its own plants and facilities, which result from the use of primary energy carriers (hard coal, natural gas, heating oil) for energy generation and for its own use and transportation (fuels).
2) The prior year values were adjusted retrospectively due to changes in the calculation method based on the GHG protocol.

Indirect GHG emissions (Scope 2)[1]		2016/17	2015/16	2014/15
Austria and Germany	t CO_2	204,741	236,489	126,222
Bulgaria	t CO_2	78,951	68,656	52,782
Macedonia	t CO_2	9,527	9,346	3,933
Total	t CO_2	**293,220**	**314,491**	**182,937**
	t CO_2/GWh	**478.45**	**512.49**	**336.27**

1) Indirect emissions (Scope 2) are emissions attributed to the volumes of electricity, heat and cooling used by EVN and the emissions attributed to their production.

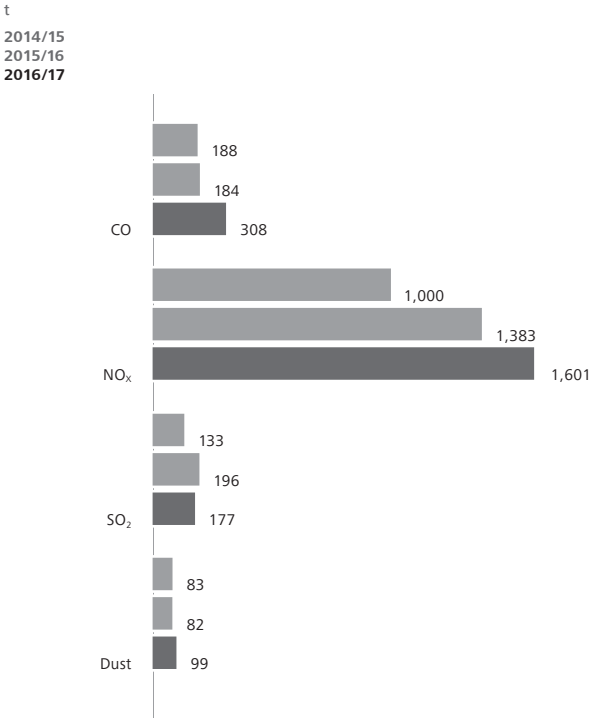
Other indirect GHG emissions (Scope 3)[1] [2]		2016/17	2015/16	2014/15
Total	t CO_2	**7,649,451**	**7,284,536**	**6,376,738**
	t CO_2/GWh	**442.79**	**455.63**	**302.53**

1) Scope 3 emissions include further indirect emissions, which arise in the supply chain (emissions from the extraction and transport of primary energy carriers) through the electricity and natural gas sold to and used by end customers and from the travel by EVN employees with public transportation.
2) The prior year values were adjusted retrospectively to reflect the initial inclusion of the upstream CO_2 effects from the primary energy carriers, which were calculated on the basis of the UNFCC factors, as well as changes in the calculation method.

Intensity of GHG emissions[1] [2]		2016/17	2015/16	2014/15
Total CO_2 emissions	t CO_2/GWh	**430.84**	**456.08**	**378.82**

1) Total specific emissions from Scope 1–3 in relation to the sales volumes of electricity and natural gas (18,544 GWh of electricity and 5,744 GWh natural gas for 2016/17).
2) The prior year values were adjusted retrospectively to reflect the initial inclusion of the upstream CO_2 effects from the primary energy carriers, which were calculated on the basis of the UNFCC factors, as well as changes in the calculation method.

Specific emissions of the EVN thermal and district heating (power) plants[1)]



1) Annual average of the plants in Austria and Bulgaria; in Macedonia, there are no emissions from electricity production.

△ GRI indicator: Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions (305-7)

Measures to reduce greenhouse gas-relevant emissions

EVN is continuously investing in projects to reduce greenhouse gas emissions. These investments underscore the strategic goal to raise the share of environmentally friendly energy generation through the further expansion of renewable generation capacity, above all from wind and biomass. EVN has set a target to raise its installed windpower capacity from the current level of 269 MW to approximately 500 MW (contingent on the right framework conditions) over the medium term.

Measure	Annual CO_2 savings
Expansion of windpower plants	
Commissioning in 2016/17	approx. 1,225 t CO_2
Planned commissioning by 2017/18	approx. 66,000 t CO_2
Expansion of biomass plants	
Commissioning in 2016/17	approx. 7,500 t CO_2

△ GRI indicator: Reduction of GHG emissions (305-5)

Environmental protection and resource conservation

Energy efficiency measures and the responsible use of energy

EVN has always placed high priority on measures to improve the energy efficiency of its operations and reduce the emissions from production, energy procurement and customer usage. As an energy supplier in Austria, EVN has also been required to implement energy savings measures for end customers at an amount equal to 0.6% of the previous year's energy sales volumes since 1 January 2015. The target for the 2016 calendar year was 56.8 GWh (previous year: 64.7 GWh). EVN not only met, but exceeded this goal with a bundle of measures.

Direct and indirect own energy consumption by primary energy sources		2016/17	2015/16	2014/15
Natural gas	MWh	5,356	6,167	7,066
Electricity	MWh	604,937	598,285	536,562
Heating	MWh	11,056	9,642	9,116
Heating oil[1)]	MWh	477	153	307
Total	MWh	621,827	614,247	553,050

1) Heating oil is used in Macedonia only.

Examples of the measures for the various customer segments (households, commercial and industrial as well as cities and municipalities) are:

- → Energy advising
- → Energy services (among others, to identify energy saving opportunities)
- → Energy efficiency products
- → Thermography
- → Replacement of boilers
- → Conversion to efficient LED street lighting in companies and in municipalities
- → Substitution of district heating from EVN Wärme for less efficient heating systems
- → Installation of photovoltaic equipment to reduce the demand for electricity from the public network
- → Support for the purchase of energy-efficient products and equipment through the EVN Bonus World

The over-fulfilment of the targets was also supported by internal energy efficiency measures such as the conversion to energy-efficient LED lighting and on-demand equipment or the installation of photovoltaic equipment to cover the electricity requirements at EVN's own locations. A number of these measures resulted from the continuous improvement process which represents an integral part of the environmental management system at EVN's generation plants.

EVN's energy intensity[1)] totalled 34.6 MWh of primary energy for each GWh of electricity sold in 2016/17 (previous year: 35.3 MWh). The use of new technologies and continuous optimisation measures, also in connection with additional voluntary targets linked to its EMAS certifications, make it possible for EVN to realise further efficiency improvements.

1) Energy intensity includes EVN's own consumption of electricity, natural gas, heat and heating oil as a percentage of the total energy sales volume.

△ GRI indicators: Energy consumption within the organisation (302-1); Energy intensity (302-3); Reduction of energy consumption (302-5)

Responsible use of resources

Materials

The materials used by EVN consist mainly of primary energy carriers such as fossil fuels, waste and biomass. Only a limited amount of recycling material is used with these components for technical reasons.

Material utilisation – energy generation[1)]		2016/17	2015/16	2014/15
Fossil fuels[2)]	Terajoule	35,781	34,910	26,483
Biomass	Terajoule	3,400	3,032	2,766
Waste[3)]	Terajoule	5,559	5,298	4,959

1) The EVN thermal power generation and heating power plants in Austria, Germany and Bulgaria and the thermal waste utilisation plant in Dürnrohr/Zwentendorf
2) Natural gas, hard coal, heating oil
3) For incineration by the themal waste utilisation plant in Dürnrohr/Zwentendorf

Material utilisation – network construction in Lower Austria[1)]		2016/17	2015/16[2)]	2014/15
Additional power lines	km	302	278	1,818
Additional natural gas pipelines	km	15	9	51
Additional heating lines	km	15	15	113

1) Includes overhead lines as well as underground cables and pipelines.
2) The difference in the final total for the pipeline networks resulted from a change in the measurement method.

Water withdrawal[1)]		2016/17	2015/16	2014/15
Drinking water (municipal suppliers)	m³	424,429	424,495	463,771
Water use (groundwater)	m³	1,953,648	1,811,945	1,901,724
Cooling water (surface waters)	m³	288,899,211	284,705,109	163,007,226

1) All plants in Lower Austria, Bulgaria and Macedonia

The energy generation and wastewater purification plants use various substances as secondary components.

△ GRI indicators: Materials used by weight or volume (301-1); Recycled input materials used (301-2)

Materials employed in energy generation and wastewater purification[1]		2016/17
Limestone	t	21,657
Ammonia	t	1,073
Ammonia water	t	1,579
Demineralised water	m³	214
Lubricating oils	t	2
Hydrochloric acid	t	188
Sodium hydroxide	t	62
Dosing media	t	9
Rock salt	t	85
Lime hydrate	t	312
Precipitants	l	1,296
Flocculating agents	l	334
Citric acid	l	2
Urea	t	15

1) At the EVN thermal power generation and heating power plants in Austria and Germany, at evn wasser and in the WTE Wassertechnik wastewater purification plants

Water

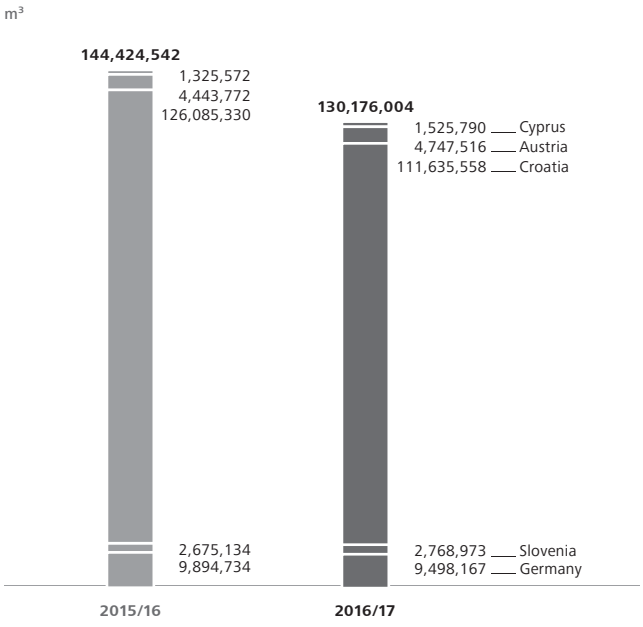
EVN's plants obtain their water from municipal providers or groundwater wells. In 2016/17, the cooling water flow rate at the thermal power stations along the Danube River totalled 285.5m m³ (previous year: 280.3m m³). This corresponds to 0.47% of the average annual volume of the Danube recorded at the Korneuburg gauge[1] (measuring point number 207241), which amounted to 60,297m m³ and remains clearly below the allowed threshold of 5%.

1) Source: "Austrian Hydrographical Annual 2014", Federal Ministry of Agriculture, Forestry, Environment and Water Management

EVN normally uses the seepage water or rainwater from its own landfills for flue gas cleaning. The seepage water basin was emptied at the end of 2015/16, and rainwater from a collecting basin and extinguishing water were used for flue gas cleaning during the reporting year. Therefore, no seepage water was recycled in 2016/17.

△ GRI indicators: Water withdrawal by source (303-1); Water sources significantly affected by withdrawal of water (303-2); Water recycled and reused (303-3)

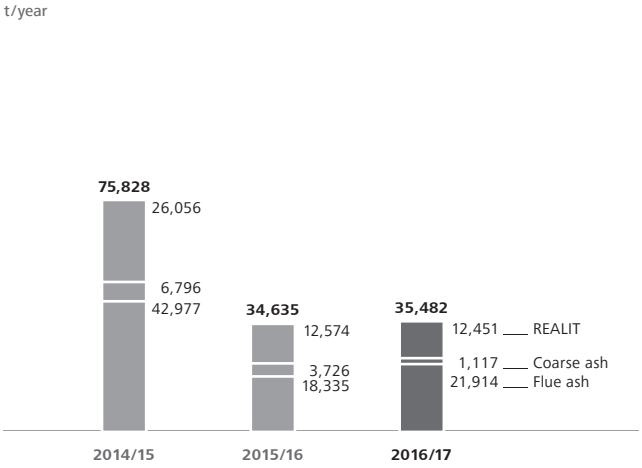
Wastewater treated



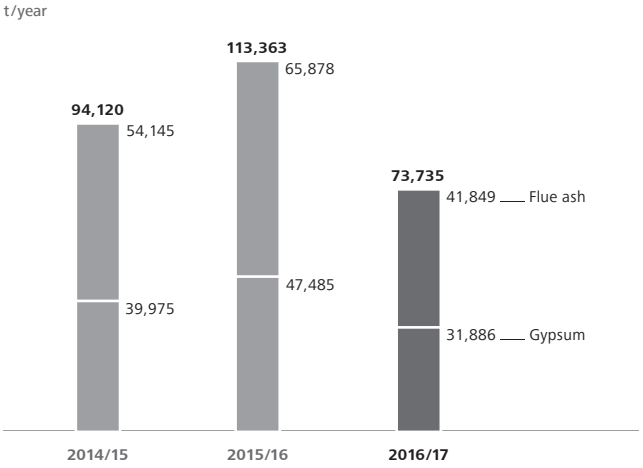
Development of waste quantities[1]		2016/17	2015/16	2014/15
Hazardous waste and residual materials	t	11,744	13,128	11,246
Non-hazardous waste and residual materials	t	168,273	164,754	166,592
Export of hazardous waste[2]				
Hazardous waste	t	0	0	0

1) With no construction residue or power plant side products
2) Oil containing PCBs from Macedonia to France for disposal

Utilised quantities of power plant by-products – Austrian power plants



Utilised quantities of power plant by-products – Walsum 10 power plant



Wastewater and waste

EVN's material and substance flows are closely monitored and controlled to avoid waste, support recycling and ensure appropriate disposal – in this order. In addition, material and equipment suppliers as well as disposal partners are selected on the basis of ecological criteria.

EVN, together with its subsidiaries evn wasser and WTE Wassertechnik, provides drinking water supplies and wastewater purification services and, in this way, plays an important role in maintaining an intact water cycle. In the area of wastewater disposal, the plants operated by WTE Wassertechnik treated roughly 130.2m m^3 of wastewater in 2016/17 with a mean purification performance of 88.3%[1)] (previous year: 88.5%; 144.4m m^3). The resulting sewage sludge is used partly for agricultural applications and compost production and partly deposited in a landfill or used to generate heat. The more than 100 wastewater treatment plants WTE Wassertechnik has planned and built since its founding purify the wastewater from approximately 16.7m people and return it to the water cycle. A further six plants are currently under construction, and the EVN Group is also responsible for operations at 26 plants.

1) Average value over the parameters for chemical oxygen requirements, biological oxygen requirements, total nitrogen and total phosphorous. The per cent value means that 90.3% of the pollutants were removed.

△ GRI indicator: Water discharge by quality and destination (306-1)

A major part of EVN's wastewater is cleaned by treatment plants before it reaches any surface water. At the power plants, quality-monitored wastewater flows that meet current environmental standards are discharged into the Danube River. This practice does not cause any relevant damage. In cases where the type or quantity of a wastewater stream differs from ordinary household wastewater and connections to a sewage system are available, EVN concludes contracts with sewage treatment plant operators based on the indirect discharge ordinance. These contracts contain

detailed provisions for the allowable amount of wastewater, the main substances it may contain and the required wastewater inspections. Direct discharges into surface water are regulated by the wastewater emission ordinance and various water-related guidelines. EVN's wastewater streams are regularly tested by accredited external institutions. Possible harmful environmental effects are minimised by strict compliance with the requirements of various public authorities for cooling water discharge temperatures.

△ GRI indicator: Water bodies affected by water discharges and/or runoff (306-5)

All hazardous and non-hazardous waste is regularly transferred to licensed disposal specialists based on framework contracts. These specialists dispose of the waste in an environmentally compatible manner consistent with the legal regulations applicable in the respective countries. No hazardous or non-hazardous waste was disposed across national borders in 2016/17.

EVN utilises all fly ash, coarse ash and REALIT (a waste product from flue gas cleaning). Roughly one-half of the biomass ash from district heat production is transferred to a disposal firm and then utilised.

EVN records all environmentally relevant incidents in a standardised reporting system that covers the plants in Austria, Germany, Bulgaria and Macedonia. There were two environmentally relevant incidents in the EVN Group during 2016/17, each of which resulted in the leakage of 40 l to 50 l of oil. Measures were implemented immediately to isolate and remove the oil and the contaminated earth.

△ GRI indicators: Waste by type and disposal method (306-2); Significant spills (306-3); Transport of hazardous waste (306-4)

Biodiversity

EVN is committed to minimising the impact of all its business activities on nature, in particular through a special focus on protecting flora and fauna and the natural habitats of animals and plants in the areas surrounding the company's plants and projects. Not only the responsible realisation of construction projects, but also the responsible operation of its plants is a matter of course. That means:

- → Minimisation of resource and land use
- → Minimisation of negative effects on the landscape
- → Minimisation of energy losses in energy generation and transmission

Due to the company's infrastructure – which consists primarily of power plants and networks – the potential impact of its business activities primarily involves habitats in the water and in the air. Hydropower plants can have an influence on biodiversity, above all because of the limited passage through rivers, while the effects of thermal power plants are related to the temperature of the cooling water released into the rivers. Windpower plants and overhead power lines can represent a danger for various types of birds or bats when they are located at the same height as their flight routes.

Approximately 26% of the area in Lower Austria[1)], approximately 4% of the area in Bulgaria[2)] and approximately 9% of the area in Macedonia[3)] are designated as protected regions. In order to minimise the influence on these regions, EVN relies on responsible network planning and construction.

1) Source: www.noe.gv.at/noe/Naturschutz/Schutzgebiete_Naturdenkmaeler.html and www.naturparke.at/naturparke/niederoesterreich; October 2017

2) Source: Executive Environment Agency Register of protected areas in Bulgaria; October 2017

3) Source: Republic of Macedonia, Ministry of environment and physical planning; Designated Areas; October 2017

EVN's properties in Austria in protected areas or adjacent to protected areas[1)]	Number	Area (ha)
Properties in protected areas (>50 m²)	679	479.4
Properties in protected landscape areas (>50 m²)	410	369.9
Properties in Natura 2000 areas (>50 m²)	523	241.6
Properties directly adjacent to protected areas	19	24.2
Total	1,631	1,115.1

1) Excluding pipeline routes; multiple answers possible

Measures to protect and restore natural habitats

In realising construction projects, EVN works to minimise the effects on biodiversity through supervision based on ecological principles. In addition, numerous initiatives and programmes have been introduced to protect the natural habitats in EVN's area of influence. These activities often take place in close cooperation with external experts from NGOs and local authorities. Current projects to protect biodiversity include, among others:

- → Underground cables as a substitute for overhead lines wherever technically and economically possible
- → Power poles in colour schemes and heights that fit in with the landscape
- → Continuous modernisation of the natural gas pipeline network
- → Cable installation through ploughing as an alternative to digging
- → Intensive restoration measures after excavation work
- → Operation of online monitoring equipment to continuously test the water quality at various levels in the Ottenstein reservoir in order to research the possible effects of return pumping operations and heavy rains on the water quality as well as algae development
- → Sponsorship for the expansion of the Buchberg conservation area to protect biodiversity (LIFE+ project for economy and nature in Lower Austria)
- → Cooperation with BirdLife Austria to insulate power poles as protection for the imperial eagle in the Laaer Basin
- → Joint project with the association for the protection of great bustards in Austria (continuation of the LIFE+ project)
- → Construction of nest platforms to protect the endangered white stork in Bulgaria and Macedonia
- → Joint project with the Green Balkans, a Bulgarian environmental protection association, to protect the lesser kestrel (EU LIFE+ Programme, LIFE11)
- → Joint project with the Bulgarian Association for Bird Protection to protect the imperial eagle (EU LIFE+ Programme)
- → Project to protect Egyptian vultures in Bulgaria and Macedonia (EU LIFE+ Programme, LIFE10)
- → Installation of fish bypasses at small-scale hydropower plants
- → Project for sustainable fisheries management along the Ybbs
- → Project to protect snakes through the use of ultrasonic devices for rodent prevention in network infrastructure plants in Macedonia

Alternative sites totalling 106.7 ha were reserved for windpower plants in Lower Austria during the reporting year (previous year: 64.3 ha). The alternative sites for pipeline routes are published in publically accessible documents on the environment and environmental impact assessments.

△ GRI indicators: Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas (304-1); Significant impacts of activities, products, and services on biodiversity (304-2); Habitats protected or restored (304-3)

Value-oriented and responsible management

EVN's self-image as a responsible energy and environmental services provider is expressed, not least, in the importance of the following strategic areas of activity in the EVN materiality matrix: "responsible management", "sustainable increase in corporate value" and "supply chain responsibility".

EVN places great importance on the ethical and legally compliant behaviour of its employees, suppliers and business partners. The Code of Conduct with its ten subject areas forms the basis for all compliance measures in the Group. As a responsible energy and environmental services company, EVN also works to continually adapt its business model to reflect the dynamic environment in which it operates. A wide variety of opportunities have opened for EVN to further improve and develop its business, not least through increasing digitalisation. A value-oriented investment strategy, targeted and innovative energy services as well as the stable development of dividends represent the central focal points. Employees also play a central role in all business activities. EVN is well aware of the high strategic importance provided by its qualified employees and, consequently, is committed to actions that underscore its position as a responsible employer. This forms the foundation for sustainable human resources development in today's continuously changing working world.

Key figures on EVN can be found on the front cover of this report and on page 79ff

Responsibility as an employer

EVN not only meets its legal obligations as an employer, but also provides numerous voluntary benefits for employees. EVN's key values – ensure, encourage and enable – represent an important element of the major instruments that define the corporate culture, e. g. the managerial mission statement and the feedback and orientation sessions (FOS). The central values of the corporate culture and the treatment of employees are defined in principles that apply throughout the entire EVN Group:

- → Equal treatment and opportunity
- → Corporate social partnership
- → Health care, occupational safety and accident prevention
- → Up-to-date and comprehensive information for employees
- → Support for employee commitment to social causes

Detailed information on EVN's key values can also be found under www.evn.at/hr-principles

GRI indicator: Values, principles, standards, and norms of behavior (102-16)

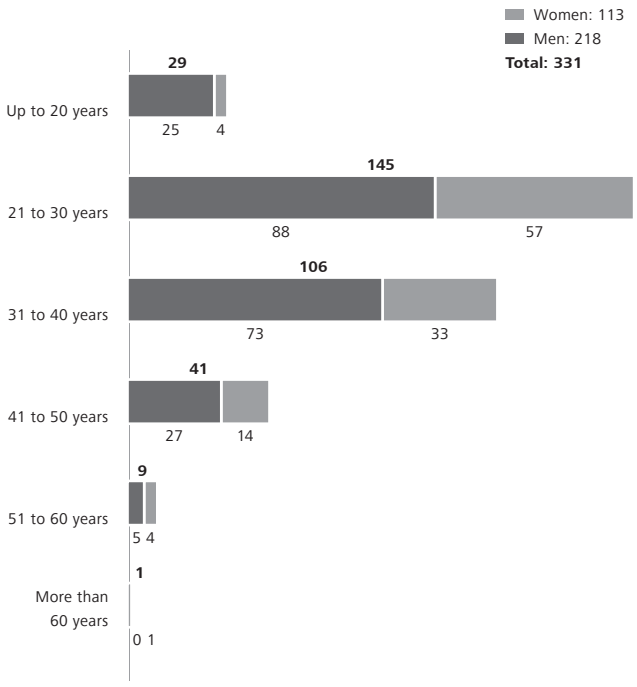
Principles of human resources management

Equal treatment and opportunity

EVN is active in a large number of countries with different working conditions. This diverse operating environment led to the company's decision to comply with the principles of the International Labour Organisation (ILO). EVN's workforce includes men and women from over 20 countries, with most of them coming from Austria, Bulgaria and Macedonia. As a member of the UN Global Compact, EVN has also confirmed its intention to act in accordance with the global principles of ethical business behaviour. Closely connected with this commitment is the challenge to eliminate all forms of discrimination based on nationality or ethnic background, gender, sexual orientation, culture, religion, age or state of health. People with the same professional and personal qualifications are given equal treatment in hiring, further training and career development, working conditions and compensation. EVN is also committed to improving the work-family balance. This is illustrated, among others, by the signing of a "charter on the new compatibility between parents and business" in May 2011.

The EVN Group had an average of 6,840 employees on full-time equivalent basis during the reporting year. As of 30 September 2017, the workforce consisted of 23.3% women and 76.7% men. A total of 113 women and 218 men joined the company during the reporting year. In order to increase the percentage of women in its workforce, EVN launched the Women@EVN programme in 2010/11. Over the medium term, EVN is working to

Total number of new employees 2016/17



increase the percentage of women to a level that mirrors the current educational levels of women in the applicable professional groups. The remuneration of all EVN employees – independent of their gender – is based on a collective bargaining agreement or on the respective responsibilities and qualifications. Accordingly, women and men at EVN receive equal compensation with the same training and activities.

△ GRI indicators: New employee hires and employee turnover (401-1); Ratio of basic salary and remuneration of women to men (405-2)

A total of 263 leased employees also worked for the EVN Group as of 30 September 2017. EVN uses personnel leasing for three reasons: first, as a preliminary step to a conventional employment relationship (integration leasing); second, for tasks and projects covering a limited time period; and third, to handle peak work periods. The remuneration of leased employees is based on the salary or wage defined by collective bargaining agreements or legal regulations for EVN employees in comparable positions. Training programmes are open to all employees, independent of their employment relationship.

△ GRI indicator: Ratios of standard entry level wage by gender compared to local minimum wage (202-1)

In keeping with its commitment to equal treatment and opportunity, EVN supports the integration of people with special needs in its workforce. Particular importance is given to the individual design of workplaces and processes (e. g. using sign-language interpreters) to facilitate the integration of these employees into everyday business operations. Additional alternatives for working hours and locations are available if required. EVN employed 129 men and women with special needs in 2016/17, representing 1.8% of the total workforce. The Group's activities in this area also extend to procurement: For example, Netz NÖ and EVN Wärme placed orders of a total value of approximately EUR 583,000 with sheltered workshops during the reporting year.

Corporate social partnership

EVN takes major business decisions in a transparent manner in agreement with the managerial mission statement and in accordance with legal regulations. Employee representatives are therefore informed of major business decisions on a regular and timely basis and integrated in the transparent decision-making processes. This approach applies to strategic decisions as well as to changes and adjustments involving employees. Similar to EVN AG, the larger companies in the EVN Group have also designated special employee representatives. The information flow to employees takes place through regularly scheduled meetings and, in the event of operational changes, reflects the legally required notification periods.

Over 90% of all EVN employees (above all in Austria, Bulgaria and Macedonia) are represented by works councils or unions, and their remuneration is protected by collective bargaining agreements, tariffs or legal minimum wage regulations. The employee representatives in Austria, Bulgaria and Macedonia regularly play an important role in collective negotiations. In addition, employee-related issues are handled in workplace, health and safety committees that include representatives of the works councils or unions. Members of the works council also serve on the Supervisory Board and the Advisory Committee for Environmental and

Social Responsibility. Apprentices have a voice in the works council through elected youth representatives. The South East European subsidiaries are members of the European works council, which holds regular meetings and serves as a platform for communication and exchange for the EVN employees in Austria, Bulgaria and Macedonia.

The remuneration scheme for over 90% of EVN's employees is based on the collective bargaining agreements that apply to the main business locations (Austria, Bulgaria, Macedonia and Germany). These collective bargaining agreements are available for review by the general public and include salary levels as well as the definition of time-dependent salary increases. The annual collective bargaining negotiations for utility companies in Austria led to salary adjustments of 1.2% to 2.1% in 2016/17.

In 2016/17 the ratio between the highest salary and the average salary at EVN equalled 7.2:1.

For information on the remuneration of the Executive Board, see page 179

GRI indicators: Annual total compensation ratio (102-38); Percentage increase in annual total compensation ratio (102-39); Minimum notice periods regarding operational changes (402-1); Collective bargaining agreements (102-41)

Health care, occupational safety and accident prevention

Occupational safety and accident prevention have high priority in all of the Group's business units. EVN places great importance on the best possible training and continuing education for employees on relevant health and safety issues. The occupational safety department established for this purpose has supplemented the applicable legal regulations with an extensive set of internal directives and guidelines that are updated on a regular basis.

Representatives of the works councils and trade unions are involved in all workplace, health and safety issues. All EVN employees and leased personnel in Austria, Bulgaria and Macedonia are represented by safety officers in working committees that monitor and discuss the workplace safety programmes. In addition, the Health@EVN programme was established to support healthcare advancement in line with the following three goals: health protection, healthier living and fitness.

GRI indicators: Workers representation in formal joint management-worker health and safety committees (403-1); Health and safety topics covered in formal agreements with trade unions (403-4)

The extensive measures implemented for healthcare and occupational safety are based on the following focal points:

→ **Occupational medical care:** EVN offers its employees extensive occupational medical care, above and beyond legal requirements. In Austria, two occupational health physicians are available to answer questions on maintaining and improving workplace health and attend to employees within the framework of labour protection laws. The many related measures include medical check-ups, vaccinations, eye and hearing tests, psychological counselling, coaching, tips on healthy nutrition and special offerings for groups of employees who are exposed to particular risks. Healthcare programmes were also implemented by the subsidiaries in Bulgaria and Macedonia to increase awareness and, in doing so, improve the health of employees. Although EVN does not operate in countries where there is an increased risk of infectious diseases, Group guidelines such as the "EVN Pandemic Prevention" are in force at all Group subsidiaries to deal with emergencies.

GRI indicator: Workers with high incidence or high risk of diseases related to their occupation (403-3)

Accident and lost days statistics	2016/17	2015/16	2014/15
Occupational accidents[1)]	88	89	87
Staff sick days[2)]	1,759	2,626	2,224
LTIF[3)]	7.4	7.8	7.6

1) Number of minor accidents and of notifiable occupational accidents (excluding commuting accidents)
2) Lost days are working days only; excluding weekends resulting from work-related accidents (excluding commuting accidents)
3) Lost Time Injury Frequency Index – Frequency of occupational accidents per one million working hours

Employee key indicators		2016/17	2015/16	2014/15
Number of employees[1]	Number	6,840	6,830	6,973
thereof women	%	23.3	22.6	21.9
Apprentices[2]	Number	62	57	55
Employee fluctuation[3]	%	2.6	2.4	2.2
Average employment period	Years	16.8	17.0	16.8
Average age	Years	44.3	44.2	44.2
Revenue per employee	EUR	323,923	299,642	306,298
Sick days per employee	Number	10	10	10
Cost of personnel in relation to revenue	%	14.3	15.3	14.7

1) On full-time equivalent (FTE) basis; annual average
2) Apprentices in Austria and Germany only due to dual education system
3) Excluding retirement

→ **Employee health and sporting activities:** In addition to the diverse offering and activities of the EVN culture and sports club, the EVN running event has become an integral part of the company's sporting world. Roughly 400 participants – employees, in some cases together with their family members and children – jog or Nordic walk around the EVN headquarters each year in September. This popular event supports a good cause: For each one-kilometre round completed during the 90-minute event, EVN donates two euros to a needy child.

→ **Prevention of occupational accidents:** All occupational accidents in the EVN Group are centrally recorded and evaluated, which supports conclusions on the safety behaviour of employees and the related accident risks. It also sets the main points of emphasis for safety training and forms the basis for intra-Group comparisons. EVN's extensive range of training programmes on health protection, occupational health and safety and fire prevention was continued during the reporting year. The permanent offering also includes initial and follow-up courses on first aid.

△ GRI indicator: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities (403-2)

Diversity of employees 2016/17		Austria	Bulgaria	Macedonia	Other countries	Total
Number of employees						
Women	%	19.9	25.8	23.3	31.9	23.3
Men	%	80.1	74.2	76.7	68.1	76.7
Type of employment[1]						
Worker	%	4.2	–	–	23.4	2.7
Employee	%	95.8	100.0	100.0	76.6	97.3
Contract type						
Part-time in total	%	11.2	0.5	7.4	9.3	6.7
Part-time women	%	8.6	0.2	5.0	8.2	4.9
Individuals with special needs	%	2.1	1.7	1.3	3.0	1.8

1) In Bulgaria and Macedonia, there is no distinction between employee and worker.

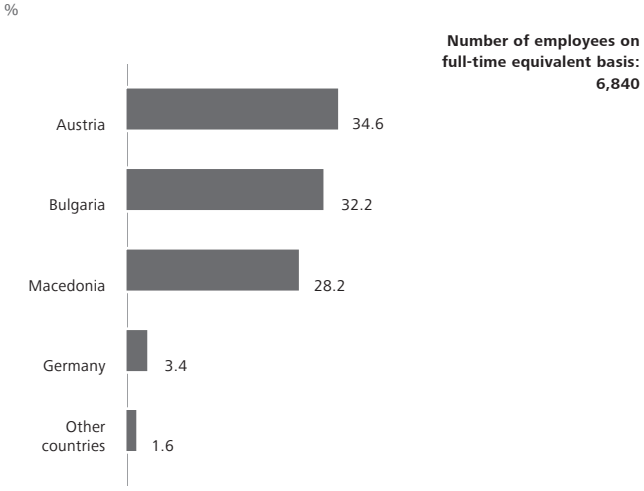
Employee fluctuation 2016/17		Austria	Bulgaria	Macedonia	Other countries	Total
Fluctuation[1)]	%	1.2	2.4	4.4	3.0	2.6
thereof women	%	0.6	1.3	1.1	0.3	0.9
thereof men	%	0.7	1.1	3.3	2.7	1.6

1) This indicator does not include transfers within the Group and retirements.

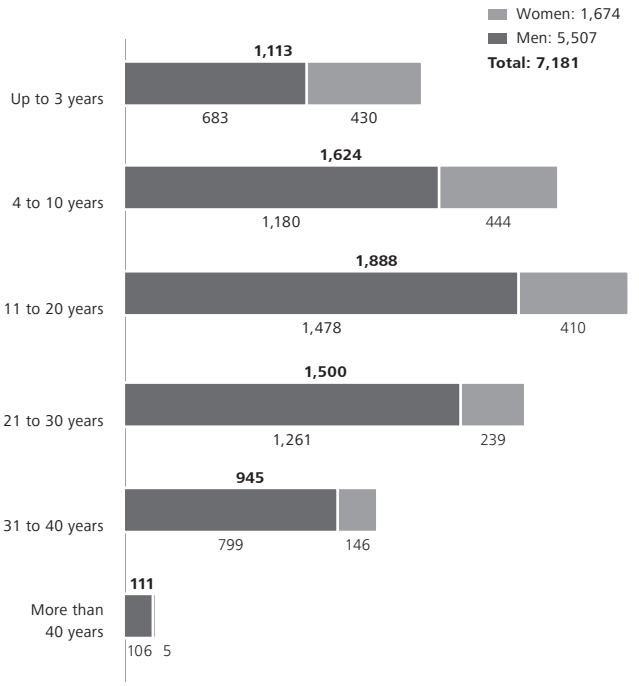
Up-to-date and comprehensive information for employees
The "EVN Intern" magazine provides employees with regular and extensive information on corporate developments. In addition, the EVN Intranet contains a broad overview of current issues on the company, energy supply and employee representatives as well as information on seminars and other training events. In order to support the preferred internal filling of positions, job advertisements are also first posted on the Intranet. These and additional measures promote the Group-wide exchange and employment of personnel. Increasing employees' satisfaction with their working environment and the related conditions is a central concern for EVN. Regular surveys are carried out to collect data for relevant indicators and suggestions for improvement.

Support for employee commitment to social causes
Many EVN employees not only work for the company, but also make valuable contributions to society through their volunteer work in organisations like the Red Cross or the local fire brigade. In total, approximately 380 EVN employees are currently active volunteers in these types of aid organisations. EVN, in its function as an employer, supports this commitment by excusing employees from work for up to half of the invested time in case of an operation.

Employees per operating location 2016/17



Employment period of employees 2016/17



△ GRI indicators: New employee hires and employee turnover (401-1); Information on employees and other workers (102-8); Diversity of governance bodies and employees (405-1)

Promotion of human resources development

EVN is well aware of the high strategic importance of its qualified workforce. The protection of this high level of expertise therefore represents a focal point for human resources management. The EVN Academy is responsible for the organisation of the training and professional development programmes in Austria, Bulgaria and Macedonia.

The most important activities and initiatives continued or initiated in the area of human resources during 2016/17 include, among others, the following:

- → Competence model
- → Management support programme
- → Anchoring of the dual training system in Bulgaria and Macedonia

For further information on the measures for and focal points of training and continuing education, see www.evn.at/hr-development/education-and-training

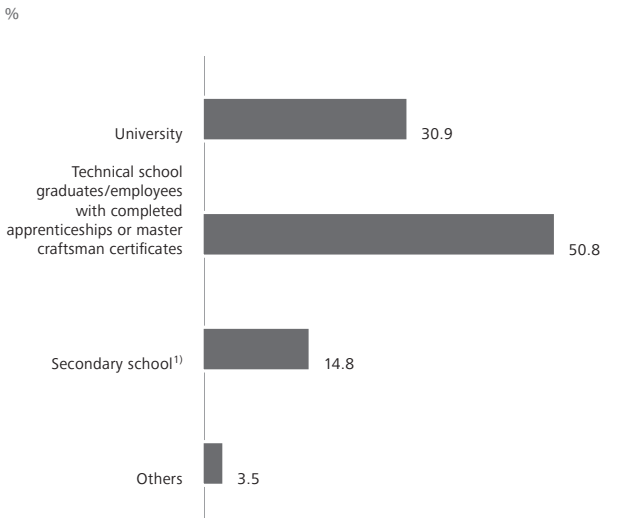
EVN invested a total of EUR 2.0m in continuous training and education during 2016/17 (previous year: EUR 1.8m), which represents EUR 288.6 (previous year: EUR 263.4) per employee. Each employee spent an average of 31.3 hours (previous year: 27.2 hours) on these programmes. The offering in Lower Austria concentrated on specialist seminars and modules to strengthen social skills. Training in Bulgaria focused on compliance during 2016/17. In Macedonia, training programmes were directed to compliance, data protection, health and security.

GRI indicator: Average hours of training per year per employee (404-1)

Securing skilled labour requirements

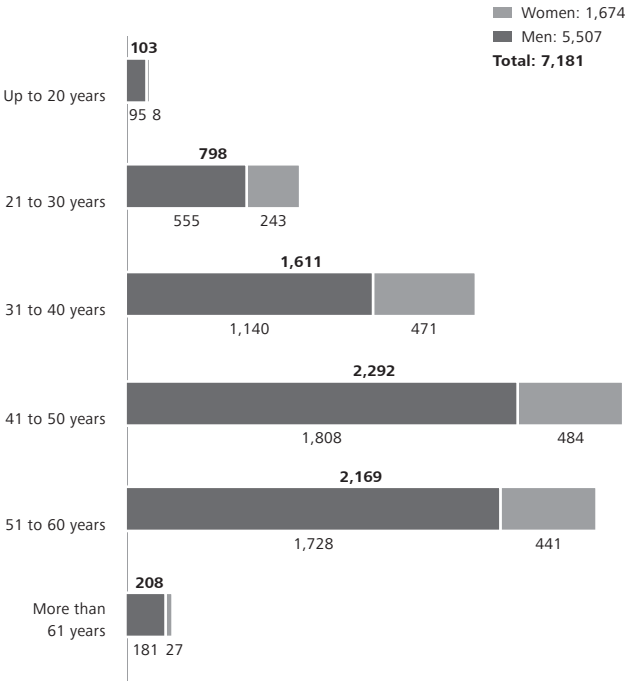
The average age of EVN employees currently equals 44 years, but is projected to rise in the near term due to the expected increase in the legal retirement age. Based on the current legal retirement age, 12.5% of EVN's employees will retire during the next five years and 26.5% in the next ten years. This calculation is based on a conservative approach, which assumes retirement at the earliest possible age. EVN is working to meet the future need for specialists and managers with specifically designed programmes and measures to support the transfer of know-how between older and younger employees.

Education structure 2016/17



1) Includes higher graduation in Macedonia because of country-specific educational structures, equivalent to secondary school graduation.

Age structure 2016/17



→ **Apprenticeship training, support for students, internships:** EVN traditionally places high value on apprentice training in Austria and Germany. The company had an average of 62 apprentices during 2016/17, including 22 who started their training to become electrical technicians on 1 September 2017. Additional classes and seminars at EVN round out the dual programme of theoretical vocational school education and practical on-the-job experience, and EVN also supports double and multiple qualifications. Most of the apprentices remain after completing their programmes, which allows EVN to cover most of its requirements for skilled technicians internally.

In order to give interested young people – above all girls – a glimpse into the workday at a utility company (e. g. as an electrical technician), EVN regularly takes part in Austrian and international apprenticeship and career information fairs. Each year the company gives more than 150 schoolchildren and students an opportunity to put their theoretical knowledge to use and gain their first practical experience in internships. EVN also has a strong commitment to cooperation with students and young professionals in Bulgaria and Macedonia: In Bulgaria, 48 students used the opportunity to gain practical experience and exchange information on information technology and electrical engineering; and in Macedonia, 69 schoolchildren and students took part in internships.

→ **Leadership development:** Leadership development is another important focal point of training and further education at the EVN Academy in Austria, Bulgaria and Macedonia. These programmes are designed to prepare selected employees to assume leadership and expert tasks over the medium-term and help them to utilise internal career opportunities. The participants are offered a specially designed, individualised management training programme. In 2016/17 57 employees took part in this programme, including 23 women.

→ **Talent management:** EVN supports the internal recruitment of managerial staff with training programmes to expand the qualifications and support the personal development of employees. One programme implemented to reach this goal is the EVN Summer University, "EVN SUN", a continuing education and networking platform for future managers which is carried out each year in cooperation with the Danube University Krems. Eight female employees and 13 male employees from the EVN Group took part in this programme during 2016/17.

Inclusion and support of regional employees

The inclusion of and support for regional employees leads to a greater understanding of the unique characteristics of the local culture as well as increased economic benefits for business activities. This belief is reflected in the fact that nearly all employees and most of the management staff (roughly 95%) in EVN's markets are natives of the respective region. Strengthening local management capacity represents an important aspect of the corporate strategy.

△ GRI indicator: Proportion of senior management hired from the local community (202-2)

Feedback and orientation sessions

Feedback and orientation sessions (FOS) are held annually in all major EVN companies and provide, among others, a framework for the definition of specific goals for each employee. This important management instrument allows for an appraisal by the employee's supervisor and structured reciprocal feedback on work performance and quality. More than 90% of the workforce are covered by the FOS concept and receive regular feedback on their performance and development plans.

△ GRI indicator: Percentage of employees receiving regular performance and career development reviews (404-3)

The social impact of change

EVN faced numerous business and social challenges in protecting its competitive position, above all during the integration of its South Eastern European subsidiaries. In order to ensure the successful development of business in South Eastern Europe over the long term, the continuous improvement of operational productivity was necessary. This, in turn, required a reduction of the workforce in these countries. Redundancy plans were developed together with the company unions to define detailed guidelines for the scheduled reductions and to make these necessary restructuring measures as socially responsible as possible. The objective was to minimise forced redundancies, whereby EVN relied on natural turnover as well as attractive severance compensation models.

In 2012/13 EVN was also confronted with major distortions on the energy markets. The high feed-in volumes of electricity from renewable energy sources led to an oversupply, which triggered a decline in electricity prices on the exchanges. The resulting negative margins between primary energy costs and electricity prices made the operation of natural gas-fired power plants unprofitable and led to a sharp drop in capacity utilisation. This development was, naturally, also coupled with unused capacity among the specially trained staff and affected roughly 200 EVN employees. EVN was, however, committed to preventing the transfer of these fluctuating market effects to its employees and implemented various measures that included additional education, retraining and internal development opportunities to offer the employees new perspectives within the company. This helped to retain valuable know-how and expertise and support its integration with new knowledge in other positions.

The new EVN Working World

The transformation of the energy system towards renewable energy and the growing liberalisation across Europe are leading to greater competition for energy providers. Moreover, new energy technologies are increasing the self-sufficiency of traditional energy customers. An important objective in these challenging times is to maintain a clear view in designing the future – and that also includes a modern form of work. The new EVN Working World developed especially for this purpose is intended to improve the bundling of available strengths, to move the company closer to customers, to expand the options for action and to make cooperation stronger and more flexible. The core elements of the EVN Working World include, among others:

- → Digital office world
- → Reduction in coordination paths
- → Flexible working world
- → Ergonomically optimised workstations

The inclusion of employees in this project, which will initially be implemented at the corporate headquarters, is a key criterion for success. To this end surveys were conducted, workshops and presentations were organised, an info-point was installed and working world coaches were engaged to optimally meet the diverse needs of employees' working procedures and methods. This intensive exchange and dialogue with all involved persons will continue throughout the entire project and implementation period.

△ GRI indicator: Programmes for upgrading employee skills and transition assistance programmes (404-2)

Working and living with EVN

Flexible working time models

EVN employees in many areas have complete freedom to define their working hours. This independence is based on a flexitime model without core times, which allows for the free organisation of working times unless otherwise required for operational reasons (e. g. shift work). The company also offers various part-time working models which play an important role, above all in supporting women.

Work-family balance, re-entry

EVN is committed to providing active support for its employees in their efforts to achieve the best possible work-family balance. This applies, not least, to employees who are considering taking advantage of legally entitled parental leave. EVN offers opportunities for parental leave that extend beyond legal entitlements and allow for time-out until the child is 36 months of age. The return to work is facilitated by contacts with EVN throughout the leave period, for example through specific information events or participation in EVN's extensive training programme which is also open to employees on parental leave. Men are also increasingly using the available models: In 2016/17, 22 men and 39 women were on parental leave. Nearly all mothers and fathers return to the company after this time. One employee left the company after the parental leave during the reporting year (previous year: no resignations after parental leave).

△ GRI indicator: Parental leave (401-3)

Another alternative to simplify re-entry after parental leave is EVN's parent-and-child office, which allows employees to bring their children to work in times of difficult childcare situations. This special office is equipped with two fully functional workstations as well as child-friendly furnishings – and provides parents as well as children with an attractive environment. For children from six to twelve years of age, the popular Holidays@EVN vacation programme was repeated for the seventh time in summer 2017. This four-week programme was organised together with the "Family Business" initiative and included a diverse programme of games and handicraft activities, excursions and a theatre workshop for the children of EVN employees.

Additional benefits

The employees in a number of EVN companies are also entitled to voluntary benefits independent of their age, gender or the scope of employment.

- **Supplementary health insurance:** EVN offers supplementary health insurance at favourable conditions as a voluntary benefit to its employees in Austria and Bulgaria. Framework agreements with insurance providers in the individual countries ensure optimal medical care for all participating employees.

- **Pension benefits:** EVN provides entitled employees with a supplement to legal pension insurance ("ASVG" pension) through a pension fund. This fund gives employees the opportunity to accumulate additional retirement benefits in the form of a private pension with the support of the company. In this way, EVN participates in securing the retirement income of its workforce. The EVN pension fund is a defined contribution scheme, in which the amount of the future pension is derived from the employer and employee contributions up to the date of retirement. EVN's contribution in 2016/17 equalled at least 2% of each eligible employee's remuneration. The company's responsibility as an employer is also illustrated by the pensions provided to its employees in Bulgaria, where voluntary pension insurance was introduced for all full-time and part-time employees.

A total of EUR 16.9m was spent on employee benefits (pension contributions, other employee benefits) in 2016/17 (previous year: EUR 16.2m), which represents 5.3% of personnel expenses (previous year: 5.2%).

GRI indicators: Defined benefit plan obligations and other retirement plans (201-3); Benefits provided to full-time employees that are not provided to temporary or part-time employees (401-2)

Ethics and integrity

The EVN Code of Conduct covers all aspects of the business related to human rights, governance, compliance, corporate ethics, the prevention of corruption, public appearance and competitive behaviour. It includes corporate principles that extend beyond legal requirements and defines behavioural guidelines for EVN's employees. Reliability, transparency, trust and quality in interactions with internal and external partners represent the central guidelines. The EVN Code of Conduct is regularly adapted to reflect current developments, above all changes in legal requirements. It is based on internal management directives and applicable national laws as well as international regulations that include the OECD guidelines and agreements, the UN Global Compact and policy statements and principles issued by the International Labour Organisation (ILO).

The Code of Conduct is published on the EVN website. It is available in German, English and the languages of the foreign subsidiaries to allow access throughout the entire Group. Interested business partners can also obtain detailed information on EVN's compliance management at any time. Since EVN requires the same strict compliance with its principles and values from suppliers and service providers, these firms are required to comply with EVN's integrity clause. Sampling procedures are used to audit the human rights performance of suppliers in their business relations with the EVN Group.

Also see www.evn.at/Code-of-conduct.aspx

For EVN's integrity clause for suppliers, see page 59

GRI indicator: Values, principles, standards, and norms of behaviour (102-16)

Organisation of compliance management

The Corporate Compliance Management Department (CCM), a staff department reporting directly to the Executive Board, is responsible for the development, operation and improvement of the Compliance Management System (CMS). The CMS defines a standardised framework for the entire Group, which is designed to support employees in honest and legally compliant behaviour in everyday business activities.

Group-wide identification of compliance risks

Compliance risks are identified systematically for the entire Group on a regular basis and from different viewpoints. CCM carried out a comprehensive Group-wide assessment of risks from the compliance viewpoint in 2013/14, which is currently being reviewed and updated. In addition, compliance risks are surveyed as part of the annual risk inventory because any violations in this area represent a risk factor for EVN's risk management. The reviews carried out by the internal audit department also cover the observance of all compliance-relevant directives and rules.

In Austria the responsibility for data protection was transferred to CCM in 2015/16 and this was followed during the reporting year by key preparations for the implementation of the EU Data Protection Directive (DSGVO). In addition to increasing awareness in particularly affected areas, these steps also included the development

of a register for all relevant data processing activities, the evaluation of their (legal) conformity and the introduction of measures to meet the DSGVO requirements. These measures included, among others, the preparation of a data protection deletion concept, internal data protection rules, data protection consent agreements and contractual agreements with third parties.

△ GRI indicators: Operations assessed for risks related to corruption (205-1); Operations that have been subject to human rights reviews or impact assessments (412-1)

Whistle-blowing procedure

EVN employees have had access to a confidential and anonymous whistle-blowing procedure since 2014/15, which permits the reporting of concerns over unethical or illegal actions through the EVN Intranet or special compliance e-mail addresses. Special compliance e-mail addresses also allow business partners to use the whistle-blowing procedure. A Group directive defines the procedures for dealing with the reported concerns and protecting the whistle-blower against reprisals.

Non-compliance represents a breach of employees' responsibilities and may lead to consequences under criminal law. Confirmed suspicions would result in prosecution under labour and/or civil law, depending on the severity of the case and the scope of the damage. Therefore, employees who unintentionally come into conflicts of interest or loyalty during the course of their work are advised to contact EVN's compliance officer directly and without delay.

No suspected violations of the Code of Conduct or cases of discrimination based on ethnic, national or social origin, skin colour, gender, sexual orientation, religion or political orientation were reported on the Intranet-based whistle-blowing platform during 2016/17. The compliance e-mail addresses in Bulgaria and Macedonia each received one report, both of which are currently under further investigation following a substance and materiality review.

Review of business partners

EVN requires all Group companies to avoid business relations with companies that have been proven to be directly or indirectly involved in or accused of offences under human rights, corruption, antitrust or commercial law. The review process, which also includes the screening of sanction lists, follows a risk-based approach that is specifically focused on branch and country risks. Compliance-relevant systems and data from a specialised external service provider are also used in the review. Risk-minimising measures are implemented if the screening reveals any sensitive issues. This standardised review process for business partners was implemented in EVN's Austrian companies and WTE Wassertechnik during 2015/16 and is currently in preparation for the companies in Bulgaria und Macedonia.

△ GRI indicators: Mechanisms for advice and concerns about ethics (102-17); Confirmed incidents of corruption and actions taken (205-3); Incidents of discrimination and corrective actions taken (406-1)

Compliance training

The members of the Executive Board as well as all managers and employees receive regular coaching on correct actions in the areas of governance, compliance, corporate ethics, the prevention of corruption, public appearances and competitive behaviour. This information is presented, above all, in training courses and workshops. The programmes range from mandatory and standardised modules, which have high priority for EVN's CMS, to supplementary e-learning software and special courses for areas exposed to increased risk. The special courses are directed, for example, to employees in highly competitive business areas or the international project business as well as employees with frequent contact to public authorities.

Compliance – attendance statistics for the mandatory training courses[1)]		2016/17	2015/16	2014/15
Executive Board and managers	%	95	93	88
Employees	%	82	72	80

1) Entire Group

CCM also works regularly together with managers to strengthen and further develop the compliance principles and rules and on EVN's ethical values. Another goal of these multi-hour workshops is to enable managers to transfer the developed content to the Group's employees. In 2016/17 80 Austrian managers took part in these workshops and subsequently trained nearly all employees in Austria on these subjects. This form of know-how transfer in the compliance area will now be extended to the international Group companies.

⚠ GRI indicators: Communication and training about anti-corruption policies and procedures (205-2); Security personnel trained in human rights policies or procedures (410-1); Employee training on human rights policies or procedures (412-2)

Legal actions

In 2013 the Bulgarian Commission for the Protection of Competition (CPC) initiated legal proceedings against EP Yug (formerly EVN Bulgaria EP), EVN Bulgaria EC, EVN Trading SEE and EVN Bulgaria to evaluate the possible infringement of legal regulations. These proceedings involved allegations of insufficient support and the obstruction of the registration process on the free market as well as the change of suppliers by customers. The CPC terminated the proceedings against EVN Trading SEE and EVN Bulgaria with a decision on 29 June 2017, while the proceedings against EP Yug and EVN Bulgaria EC are still pending. The CPC opened new legal proceedings against EP Yug, EVN Bulgaria EC and EVN Bulgaria in 2016, whereby the accusations in this second case generally reflect the subject matter from 2013.

The Bulgarian Commission for the Protection of Competition also initiated eight other proceedings against EVN Bulgaria EC and EP Yug, which are based on possible violations of Article 15 (unlawful agreements, resolutions and concerted practices) and Article 21 (misuse of a monopoly or controlling market position) of the Bulgarian Competitive Protection Act. The CPC ruled that EVN Bulgaria EC and EP Yug acted in agreement with all legal requirements in seven of these cases. Six of these rulings are legally binding, and one ruling was returned by the competent court to the CPC for a new decision. A violation of competition law was determined in one case. EP Yug has appealed the decision and the proceedings are still pending.

The Bulgarian regulatory authority has carried out investigations at EP Yug in connection with various violations. Most of the proceedings involve violations of the requirements to maintain records on the installation of commercial metering devices. The alleged violations are based, for example, on the absence of signatures by customers, witnesses or employees of EP Yug on these records. As a result of the audit, the regulatory authority has imposed fines in 304 cases to date for a total converted amount of approximately EUR 3.1m. EP Yug has filed appeals against all of these fines with the responsible Bulgarian court: 124 judgments were reversed (approximately EUR 1.3m) and 172 judgments were upheld (approximately EUR 1.8m) to date.

⚠ GRI indicator: Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices (206-1)

Suppliers

Supply chain

Numerous suppliers play an important role in EVN's business activities and investments in the areas of network infrastructure, renewable generation and drinking water supplies. These suppliers include construction firms, plant, pipeline and cable line builders as well as suppliers of electro-technical equipment and components, pipes, transmission and cable lines, meters, hardware, software and work clothing.

In the international project business, EVN's German subsidiary WTE Wassertechnik is involved in the planning and construction of plants for drinking water supplies, wastewater disposal and thermal waste utilisation. WTE Wassertechnik serves as the general contractor on these projects and uses subcontractors to provide various products and services, in particular construction firms and suppliers of machinery, electro-technical equipment and components.

Procurement of energy and primary energy carriers

Electricity

The electricity requirements of EVN's Austrian customers are covered by the company's own plants and by medium-term supply contracts and purchases over the wholesale market (EEX). EVN also purchases green energy, which is allocated in accordance with the Green Electricity Act based on the company's share of the electricity sales volume in the respective regulatory area. Electricity

purchases on the wholesale market are handled by EnergieAllianz, which utilises the European Energy Exchange (EEX) or through bilateral transactions with various trading partners on over-the-counter (OTC) platforms.

For information on the composition of electricity, see page 38

For information on the development of the EEX exchange prices, see page 78

EVN's electricity subsidiaries in Bulgaria and Macedonia are required by law to purchase the electricity for sale to customers in the regulated market segments from the state-owned producers, i. e. NEK and ELEM respectively. The remainder of the electricity required for customers in the already liberalised segments is purchased over wholesale markets.

Natural gas

A large part of EVN's natural gas purchases are based on long-term supply contracts. The remaining supplies are purchased on wholesale markets over national and international OTC trading centres and exchanges, for example in Austria (CEGH), Germany (NCG) and Holland (TTF). Most of the wholesale purchases are handled by EnergieAllianz. The majority of imports – from the European point of view – come from Russia and the North Sea.

Hard coal

EVN has a three-tiered primary energy supply chain for the hard coal-fired plant in Dürnrohr, Lower Austria: Purchases are made directly by EVN via coal wholesalers or trading and forwarding agents (Tier 1) which, in turn, buy the coal from processing companies or exclusive exporters (coal wholesalers) (Tier 2). These firms purchase their coal supplies directly from the mining companies (Tier 3). In 2016/17, EVN purchased coal stocks from four Tier 1 suppliers. Roughly 50% of hard coal deliveries come from Europe, while the remaining 50% come from America. EVN also took over coal stocks during the reporting year from a power plant block in Dürnrohr that was decommissioned by Verbund AG. Coal purchases for the Walsum 10 power plant, in which EVN holds an investment of 49% – and the operations of this plant – are managed by the joint venture partner Steag and outside EVN's sphere of influence.

CO_2 emission certificates

EVN purchases 100% of the emission certificates required for its electricity generation over the market. The allocation of free certificates for heat generation began in 2013 at a level equal to 80% of the previously determined CO_2 emissions for each plant. The remainder of the required certificates are purchased by EnergieAllianz over the wholesale market.

GRI indicator: Supply chain (102-9); CO_2 emission certificates

Organisation of procurement activities

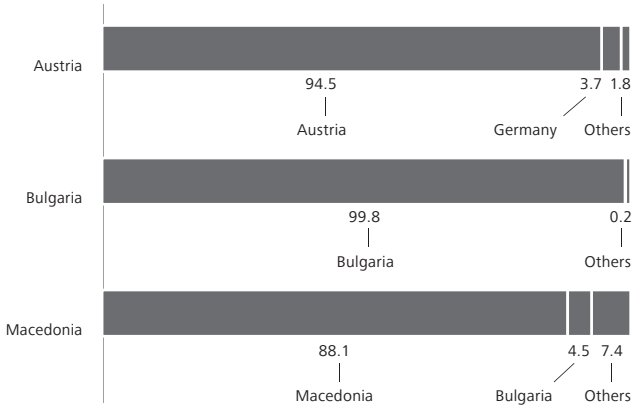
Responsibilities for the procurement of products and services are based on the relevant activity.

Procurement activity	Responsible organisational unit
Products and services	Procurement and purchasing
Primary energy and primary energy carriers	Energy procurement and supply
International project business (environmental services business)	Environment

The corporate procurement and purchasing department handled an order volume of approximately EUR 550.0m in 2016/17 (previous year: Approximately EUR 580.0m) and maintained direct contacts (Tier 1) with roughly 1,420 suppliers and contractors during this period. The major component of the procurement volume at the main business locations in Austria, Bulgaria and Macedonia (in each case, over 85% in 2016/17) was attributable to suppliers from these countries.

Countries of origin of suppliers at main operating locations

%, Basis: Order volume



There were no material changes in the supply chain or the structure and organisation of procurement activities during the reporting year.

△ GRI indicators: Significant changes to the organisation and its supply chain (102-10); Proportion of spending on local suppliers (204-1)

High sustainability demands

EVN is committed to fair, partnership-based and transparent business relations with its suppliers in keeping with the principle of profitability. High sustainability demands are also placed on suppliers. These principles are anchored in a separate area of activity in EVN's materiality matrix under "supply chain responsibility". In accordance with EVN's integrity clause, suppliers are required to meet high standards in areas that include human rights, labour practices, protection of the environment, resource conservation and business ethics.

↻ Also see www.evn.at/integrity-clause

The integrity clause is a central component of each order – it applies to all suppliers of products and services and to all sub-suppliers in the international project business. No objections were filed against suppliers in 2016/17 for failure to comply with the integrity clause.

EVN is a sector contractor under EU public procurement law in many areas and must therefore meet the applicable provisions of the Austrian Federal Procurement Act as well as the principles governing competition in the EU. New bidders are regularly included in tenders. As a sector contractor, EVN is also legally required to include a reference to the complaint office in Lower Austria with every tender offer. This office can be used to file complaints and request explanations, free of charge and without mandatory legal counsel. There were no justified objections in recent years.

Monitoring of sustainability criteria

In order to further improve suppliers' compliance with its high sustainability demands, EVN implemented a range of additional measures in 2016/17. For example: The content of the integrity clause was revised with external expertise, and procurement procedures were analysed and classified based on their relevance for sustainability issues. This classification now forms the basis for the development of targeted measures to strengthen EVN's compliance with sustainability aspects also in procurement. The analysis and measure process was completed for the procurement of construction and waste disposal services in 2016/17 and will be extended to other procurement areas in 2017/18. The systematic use of a self-reporting form for the integrity clause by all tender participants is also in preparation. A number of tenders already include explicit sustainability criteria for the evaluation of bids.

Regular reviews in the area of primary energy procurement place a special focus on the coal supply chain. All coal mines that supplied hard coal for EVN's energy generation in 2016/17 meet wide-ranging international standards and are certified under ISO 14001 (environmental management). One mine in America that supplies EVN with hard coal is also certified under OHSAS 18001 (Occupational Health and Safety). Regular on-site inspections and controls are also carried out in the area of coal procurement to ensure compliance with human rights, workers' rights and living and working conditions. EVN carried out an on-site inspection of a mine in the Czech Republic during the reporting year, which did not reveal any problematic issues. Any objections identified during these inspections are reported directly to the operators who are asked to solve the problems.

△ GRI indicators: New suppliers that were screened using environmental criteria (308-1); Negative environmental impacts in the supply chain and actions taken (308-2); New suppliers that were screened using social criteria (414-1); Negative social impacts in the supply chain and actions taken (414-2)

Sustainable performance for stakeholders and society

As an international company that is firmly rooted in its home region, EVN works to create and maintain an equitable balance between the interests and demands of all its stakeholder groups and is deeply committed to social responsibility.

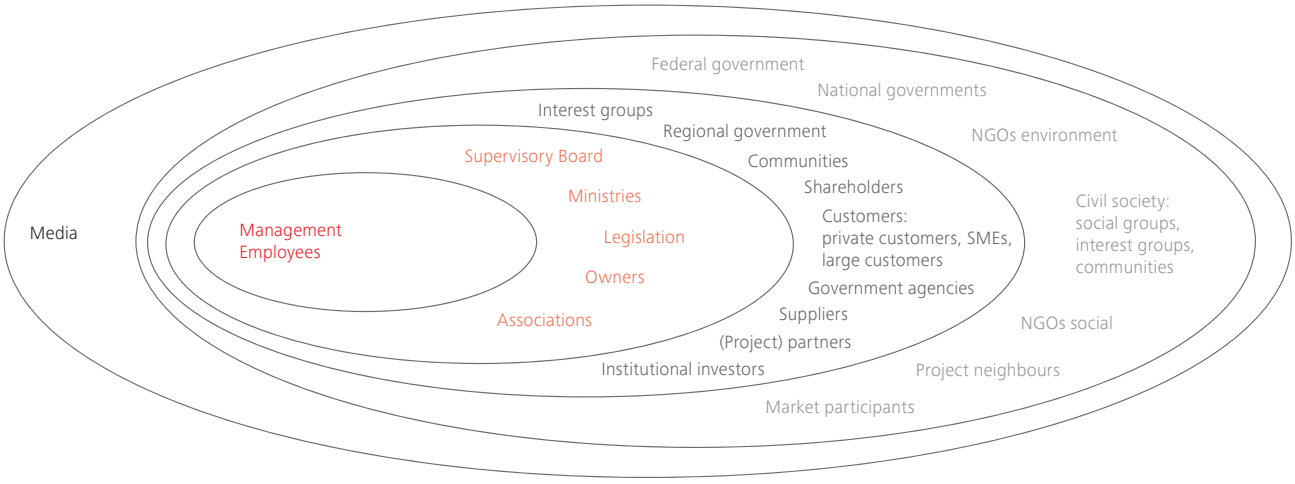
EVN interacts with various stakeholder groups in connection with its business activities and, in this way, also carries shared responsibility for the development of society in its markets. This responsibility is illustrated by a wide-ranging bundle of measures and is reflected in the management approach defined by the EVN Code of Conduct. The overriding principle is the appropriate and balanced treatment of the issues raised to the company by the various stakeholder groups. The related activities range from an active stakeholder dialogue and stakeholder management to social and cultural initiatives.

All new projects are subjected to an environmental and social impact assessment which also covers socially relevant issues. A proactive dialogue allows EVN to identify the expectations and diverse demands of its various interest groups, to recognise risks at an early stage and to make use of opportunities. It also supports the development, maintenance and strengthening of good relationships. Stakeholder management is viewed not as an obligation, but rather as the foundation of sustainable management. Moreover, it forms the basis for the development of effective strategies for the company's advancement and ongoing sustainability process. Successful stakeholder management for EVN means, among others:

- → Support for the feasibility of projects
- → Reduction of risks and image threats
- → Positive perception of the company and its activities
- → High appeal and high acceptance by internal and external stakeholders

EVN has prepared comprehensive crisis, emergency and contingency plans and implemented training programmes for major segments of its business activities, especially for risk scenarios that may affect the population. Crisis situations are simulated regularly at all

EVN's stakeholders



△ GRI indicators: List of stakeholder groups (102-40); Identifying and selecting stakeholders (102-42)

EVN locations, and internal and external exercises and training sessions on crisis management are also held in Lower Austria. The emergency staff receive regular training, while duty personnel take part in annual training courses and all employees attend annual security training courses. Crisis management systems have also been installed in Bulgaria and Macedonia.

Integration of stakeholders

EVN's stakeholder management is based on strong relationships between the managers of the various departments with their stakeholders and the representatives of these groups. The stakeholder groups relevant for EVN are identified, ranked by priority and reviewed in connection with the updating of the materiality matrix every three years in an internal workshop. The diagram on the previous page shows EVN's stakeholder groups in the form of an ellipse whose five dimensions reflect the perceived closeness to and influence on the company.

In order to also ensure the regular inclusion of stakeholders at the strategic level, a guideline for stakeholder management was developed in 2015 and is updated on a regular basis to reflect the changing requirements. Workshops were held together with the respective internal contact partners to identify and record the relevant communication activities and channels for each stakeholder group. Included here are:

- → Project-related working groups
- → Mediation with regional citizens' initiatives
- → Systematic surveys
- → Regular newsletters and newspapers

Institutionalised advisory boards as well as an interdepartmental sustainability team support the Executive Board and Supervisory Board in the continuous exchange on sustainability issues. The Advisory Board for Environment and Social Responsibility, for example, includes independent external and internal experts as well as staff representatives. For issues involving social commitment, the Executive Board can also draw on the know-how of the external experts who are members of the EVN Social Fund. The EVN Customer Advisory Board was established to represent the interests of customers in Austria, Bulgaria and Macedonia. Cultural topics are addressed by the EVN Art Advisory Board. EVN has also installed a structured complaint management system for customers as well as other stakeholders.

△ GRI indicator: Consulting stakeholders on economic, environmental, and social topics (102-21)

A special focus is placed on proactive communications and the preparation of environmental and social impact assessments for new infrastructure projects. EVN supports the early, comprehensive and open inclusion of stakeholders in decision-making processes. The insight gained through stakeholder communications flows into the extensive due diligence audits that are conducted before the start of a project. The results of these audits are used by the Executive Board and/or the Supervisory Board, depending on the size of the project, to evaluate the feasibility of its realisation.

△ GRI indicator: Identifying and managing economic, environmental, and social impacts (102-29)

From small-scale hydropower plants, pipeline projects, wind parks and biomass heating plants to waste utilisation plants – all projects are planned and realised with the active participation of neighbouring residents, citizens' groups, NGOs, political representatives, local initiatives and associations. The early inclusion of these groups creates the basis for broad acceptance, provides valuable information on the best possible resource-conserving realisation and is a decisive factor for planning security. A central role in this process is played by the project communication unit, which was established several years ago to institutionalise EVN's project-related stakeholder communications.

△ GRI indicators: Approach to stakeholder engagement (102-43); Operations with local community engagement, impact assessments, and development programmes (413-1); Operations with significant actual and potential negative impacts on local communities (413-2)

Support for interest groups and initiatives

EVN plays an important role in the functioning of public life and the economy through the operation of its infrastructure and wide-ranging services. In order to fulfil these commitments as best as possible, EVN is an active member, on a voluntary or legally required basis, of numerous national and international organisations and interest groups, e. g. Oesterreichs Energie, which is the sector association of the Austrian electricity industry, or chamber

institutions such as the Association of Gas- and District Heating Supply Companies, Eurelectric, European Distribution System Operators (for Smart Grids) etc. Examples of EVN's support for sustainability-based external initiatives include, among others, the OECD Guidelines for Multinational Enterprises, UN Global Compact, respACT – austrian business council for sustainable development and the Austrian Society for Environment and Technology (ÖGUT). All activities involved with these memberships take place in agreement with the rules of conduct defined by EVN's compliance management system. In accordance with legal regulations, EVN is also listed in the Austrian lobbying and interest group register and the transparency register of the European Union.

For information on active memberships, also see www.evn.at/memberships

GRI indicators: External initiatives (102-12); Membership of associations (102-13)

Social commitment

EVN is well aware of its responsibility to various interest groups and also meets this responsibility through numerous initiatives outside the operating business to improve the quality of life. Following are several examples of EVN's activities in a social context:

→ **Youth and school platform:** One focal point of EVN's social responsibility is the support of knowledge on "(the careful use of) energy, energy efficiency and energy savings". The EVN School Service was created for this purpose in Lower Austria, Bulgaria and Macedonia to organise projects, lectures and competitions with children and young people.

→ **EVN Social Fund:** The EVN Social Fund, which has an annual endowment of roughly EUR 100,000, supports institutions in Lower Austria that work with children and adolescents. Decisions on the projects to be sponsored are taken by an expert committee that meets twice each year. The recommendations for the use of funds are made unanimously to the Executive Board based on a predefined criteria catalogue. In 2016/17, 20 projects were supported with a total of EUR 157,997.

→ **evn collection:** The evn collection of modern international art was established in 1995 and is curated by the well-known experts on the EVN Art Advisory Board. This corporate collection is seen as a platform for interaction with the fine arts and is directed to employees and their families as well as art lovers outside the company.

Many of the EVN power plants are open for visits by the general public. For example, the nuclear power plant in Zwentendorf, which was never put into operation, is available to private persons and companies for tours and training purposes.

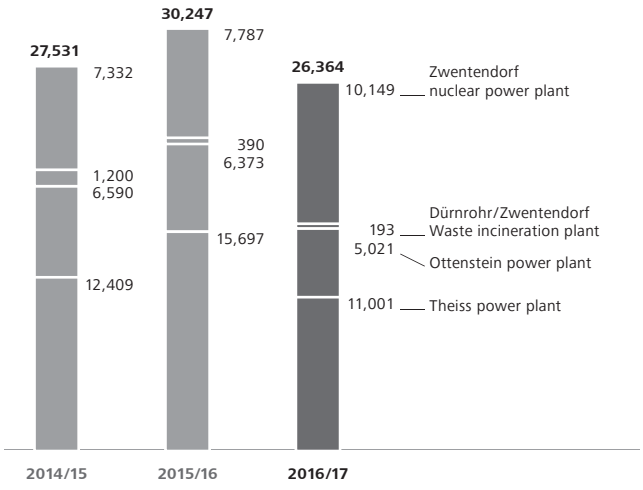
Also see www.youngenergy.at

Also see www.evn.at/social-fund

Also see www.evn-sammlung.at

GRI indicator: Significant indirect economic impacts (203-2)

Visitors to the EVN information centres



Report of the Supervisory Board

Ladies and Gentlemen,

EVN remained on a very sound development course during the 2016/17 financial year. This ensures the continued fulfilment of the Group's central goals – which include, above all, focused investments to protect supply security, the maintenance of a solid capital structure and a stable dividend policy. In addition to solid operating development, a further positive note during the past financial year was the clarification of major legal issues and the elimination of the related uncertainties. Specifically, this involved the arbitration decision on the Walsum 10 power plant project in favour of the power plant company and an agreement with the Bulgarian state-owned electricity company NEK over the additional costs of renewable electricity which were financed in advance by our Bulgarian sales company.

Following a request by the previous spokesman of EVN's Executive Board, Peter Layr, in June 2017 to prematurely terminate his contract as of 30 September 2017, the Supervisory Board instituted several changes in this corporate body. The Supervisory Board designated Stefan Szyszkowitz as the new spokesman of the Executive Board and appointed Franz Mittermayer as the technical director on the Executive Board of EVN AG as of 1 October 2017. We are convinced that EVN is in the best hands and well positioned for the future with this new Executive Board team. The Supervisory Board would also like to take this opportunity to expressly thank Peter Layr for his many years of service on behalf of EVN.

Fulfilment of duties

The Supervisory Board actively monitored and supported EVN's strategic steps as part of its designated responsibilities. Four plenary meetings and six committee meetings were held during the reporting year, in which the Supervisory Board fulfilled the tasks and duties required by legal regulations and the company's by-laws. The Executive Board provided the Supervisory Board with regular, timely and comprehensive reports on all relevant aspects of business development, including the risk position and risk management of EVN and its key Group companies. This reporting, in particular, allowed the Supervisory Board to continuously supervise and support the Executive Board's management activities. The control functions exercised by the Supervisory Board within the framework of open discussions with the Executive Board did not lead to any objections. Recommendations by the Supervisory Board were taken up by the Executive Board.

Corporate governance report, Austrian Corporate Governance Code

In a meeting on 13 December 2017, the Supervisory Board examined the corporate governance report as required by § 96 of the Austrian Stock Corporation Act and in accordance with an opinion published by the Austrian Financial Reporting and Auditing Committee. The analysis was based on a report issued by the Audit Committee on 29 November 2017 and did not lead to any objections.

EVN, as a listed company, is committed to compliance with the Austrian Corporate Governance Code. The Supervisory Board approved the implementation of the January 2015 version of the code by EVN beginning with the 2015/16 financial year. The Supervisory Board strives to consistently comply with the provisions of the code that relate to its activities. EVN complies with all rules concerning the cooperation between the Supervisory Board and the Executive Board and the internal procedures of the Supervisory Board, with two exceptions. These exceptions are specified in the corporate governance report.

Annual financial statements and consolidated financial statements

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, was appointed to audit the financial statements for the 2016/17 financial year from 1 October 2016 to 30 September 2017. This firm examined the annual financial statements of EVN AG as of 30 September 2017, which were prepared in accordance with Austrian accounting regulations, and the management report submitted by the Executive Board. KPMG presented a written audit report on the audit and issued an unqualified opinion.

The Supervisory Board received and reviewed the auditors' report. In accordance with § 92 of the Austrian Stock Corporation Act as amended by the Statutory Audit Amendment Act 2016, the Audit Committee reported to the Supervisory Board on the results of the audit and its effects on financial reporting as well as the additional report prepared by the auditor based on the requirements of Art. 11 of Regulation (EU) No. 537/2014 on the statutory audit of public-interest entities.

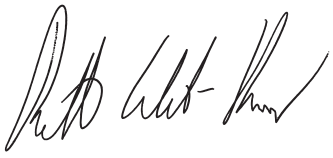
Following a detailed analysis and discussions by the Audit Committee and the Supervisory Board, the Supervisory Board approved the following documents that were submitted by the Executive Board: the annual financial statements as of 30 September 2017 together with the notes, management report and corporate governance report as well as the recommendation for the use of profits. The annual financial statements as of 30 September 2017 were thereby approved in accordance with § 96 (4) of the Austrian Stock Corporation Act.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and also audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, which issued an unqualified opinion. The Audit Committee reviewed the consolidated financial statements together with the respective notes and management report and reported on these activities to the Supervisory Board, which subsequently approved these documents.

In conclusion, the Supervisory Board would like to thank the Executive Board and all employees of the EVN Group for their performance and commitment during the 2016/17 financial year. Special thanks are also directed to EVN's shareholders, customers and partners for their trust in the company.

Maria Enzersdorf, 13 December 2017

On behalf of the Supervisory Board:



Bettina Glatz-Kremsner
President

Corporate governance report

EVN AG is a listed stock corporation under Austrian law whose shares are traded on the Vienna Stock Exchange. Corporate governance is therefore based on Austrian law – in particular stock corporation and capital market laws, legal regulations governing co-determination by employees and the company by-laws – as well as the Austrian Corporate Governance Code (ACGC, see www.corporate-governance.at) – and the rules of procedure for the company's corporate bodies.

Commitment to the Austrian Corporate Governance Code

Introduction

The Executive Board and the Supervisory Board of EVN are committed to the principles of good corporate governance and, in this way, meet the expectations of national and international investors for responsible, transparent and sustainable management and control. On 1 October 2015, EVN announced its commitment to comply with the ACGC in the January 2015 version.

The ACGC standards are divided into three categories. The legal requirements (L-Rules) are based on binding regulations which must be observed by all Austrian listed companies. The C-Rules (Comply or Explain) require public disclosure of the reasons in the event of non-compliance. EVN provides a detailed explanation of any deviations from these rules online under www.evn.at/Corporate-Governance-Report and presents an overview in the following section of this report. The R-Rules (Recommendations) represent recommendations and do not require the justification of deviations.

The Executive Board and Supervisory Board formally declare that EVN complies with all C-Rules of the ACGC, with the exception of the following deviations and explanations. Furthermore, the company only deviates from a limited number of R-Rules.

Deviations from C-Rules

EVN does not fully comply with the following C-Rules of the ACGC:

Rule 16: The Supervisory Board did not appoint a member of the Executive Board to serve as chairman because the Executive Board consists of only two members in line with its assigned duties and the structure of the company. In cases where the Executive Board consists of only two members without a designated chairman, voting is based on the following rules: Meetings must be announced in the approved manner and both Executive Board members must be present. Resolutions must be passed unanimously and abstention from voting is not permitted. If a unanimous decision is not reached, the Executive Board must review and vote again on the respective point of the agenda within ten days. The Executive Board must report to the Supervisory Board if the second round of voting does not bring a unanimous decision. A spokesman is appointed for the Executive Board even when there are only two members, and the rules for the direction of the meetings and representation also apply in this case. The Supervisory Board's decision not to appoint a chairman for the Executive Board applies for an indefinite period of time.

Rule 45: All members of the Supervisory Board, with one exception, complied with the provision that prohibits them from assuming functions on the boards of other enterprises which compete with EVN. The Supervisory Board member, elected by the Annual General Meeting, who does not meet this rule represents the interests of a specific shareholder of EVN AG. This deviation applies for the full term of office of the respective Supervisory Board member.

Corporate bodies

Executive Board (from 1 October 2017)

Stefan Szyszkowitz
Spokesman of the Executive Board

Born in 1964, Master of Law, Master of Business Administration. Joined EVN in 1993, appointed to the Executive Board of EVN AG in January 2011 and designated spokesman of the Executive Board in October 2017. His term of office ends on 19 January 2021. Executive responsibility for the Energy and South East Europe segments as well as the following corporate functions: controlling (incl. investor relations), customer relations, finance, accounting, general secretary and corporate affairs, information and communications, human resources, and administration and construction. In accordance with the disclosure required by Rule 16 of the ACGC, he holds three Supervisory Board mandates in other companies that are not included in the consolidated financial statements of the EVN Group[1)].

1) EVN-Pensionskasse Aktiengesellschaft, chairman of the Supervisory Board (up to the merger and deletion of the company on 7 July 2017)
CEESEG Aktiengesellschaft, member of the Supervisory Board
Wiener Börse AG, member of the Supervisory Board

Franz Mittermayer
Member of the Executive Board

Born in 1958, Master of Mechanical Engineering and Industrial Management. Joined EVN in 1993, appointed to the Executive Board of EVN AG in October 2017. His term of office expires on 30 September 2022. Executive responsibility for the Generation, Networks and Environment segments as well as the following corporate functions: data processing, procurement and purchasing, and internal auditing.

Executive Board (until 30 September 2017)

Peter Layr
Spokesman of the Executive Board

Stefan Szyszkowitz
Member of the Executive Board

The remuneration of the active members of the Executive Board totalled TEUR 1,106.9 in 2016/17 (including compensation in kind and contributions to pension funds).

Remuneration of the active Executive Board members
TEUR

	2016/17		
	Fixed renumeration	Variable remuneration	Compensation in kind
Peter Layr	392.3	137.4	14.2
Stefan Szyszkowitz[1)]	365.8	128.1	14.2

1) For Stefan Szyszkowitz, the pension fund contributions equalled TEUR 54.8.

For more information on the remuneration of the Executive Board, see the consolidated notes on page 179

Supervisory Board

Members of the Supervisory Board

Shareholder representatives Name (year of birth)	Date of initial appointment[1]	Independence Rule 53[2]
Bettina Glatz-Kremsner (1962)[3] President and Chairwoman	From 21.01.2016	Yes
Norbert Griesmayr (1957) 1st Vice-Chairman	From 12.01.2001	No
Willi Stiowicek (1956) 2nd Vice-Chairman	From 15.01.2009	Yes
Philipp Gruber (1979)	From 21.01.2016	Yes
Thomas Kusterer (1968)	From 17.01.2013 until 19.01.2017	Yes
Dieter Lutz (1954)	From 12.01.2006	Yes
Reinhard Meißl (1959)	From 12.01.2006	Yes
Susanne Scharnhorst (1961)	From 21.01.2016	Yes
Angela Stransky (1960)	From 16.01.2014	Yes
Friedrich Zibuschka (1950)	From 21.01.2016	Yes
Johannes Zügel (1966)	From 19.01.2017	Yes
Employee representatives		
Franz Hemm (1955)	From 03.05.1994	
Paul Hofer (1960)	From 01.04.2007	
Manfred Weinrichter (1961)	From 01.01.2001	
Friedrich Bußlehner (1962)	From 01.01.2016	
Monika Fraißl (1973)	From 01.07.2013	

1) The terms of office of the Supervisory Board members elected by the Annual General Meeting expire at the end of the Annual General Meeting that will vote on the release from liability for the 2019/20 financial year. The employee representatives are delegated by the respective Works Council for an unlimited term, but may be recalled by their Works Council at any time.
2) Rule 53 of the ACGC: Independence of the company and the Executive Board
3) Member of the Supervisory Board of Flughafen Wien Aktiengesellschaft

Composition of the Supervisory Board Committees

The committees are made up of the following members:

Working Committee
- Bettina Glatz-Kremsner (Chairwoman)
- Norbert Griesmayr
- Willi Stiowicek
- Reinhard Meißl
- Franz Hemm
- Paul Hofer

Personnel Committee
- Bettina Glatz-Kremsner (Chairwoman, remuneration expert)
- Norbert Griesmayr
- Willi Stiowicek

Audit Committee
- Norbert Griesmayr (Chairman)
- Bettina Glatz-Kremsner
- Willi Stiowicek
- Reinhard Meißl (finance expert)
- Franz Hemm
- Paul Hofer

Remuneration for the members of the Supervisory Board

The Supervisory Board remuneration is set at a total amount of TEUR 118.8 per year and an attendance fee of EUR 500 per meeting. The president receives TEUR 18.2, the two vice-presidents each TEUR 13.2 and each remaining member of the Supervisory Board TEUR 10.6. The members of the Supervisory Board are also covered by directors and officers liability insurance (D&O insurance).

Remuneration of the Supervisory Board members in 2016/17 (Rule 51 of the ACGC) EUR	Supervisory Board remuneration	Attendance fees
Bettina Glatz-Kremsner	18,200	5,500
Norbert Griesmayr	13,200	5,500
Willi Stiowicek	13,200	5,500
Philipp Gruber	10,600	1,500
Thomas Kusterer	5,300	1,000
Dieter Lutz	10,600	2,500
Reinhard Meißl	10,600	3,000
Susanne Scharnhorst	10,600	2,500
Angela Stransky	10,600	2,500
Friedrich Zibuschka	10,600	2,500
Johannes Zügel	5,300	1,500

Management of the company by the Executive Board
The Executive Board of EVN must have a minimum of two members. If the Supervisory Board does not appoint a chairman or spokesman for the Executive Board, the members are entitled to designate their own spokesman. The Executive Board is responsible for managing the company to support its business activities and continued success in the interests of shareholders, employees and the general public. The work of the Executive Board is based on legal requirements, in particular stock corporation, stock exchange and commercial laws, as well as the by-laws and the rules of procedure for the Executive Board that were approved by the Supervisory Board. Important rules of conduct are also defined by the ACGC.

Irrespective of the Executive Board's overall responsibility, the Supervisory Board establishes and assigns specific areas of responsibility to the individual Executive Board members based on the given requirements. Certain transactions are reserved for joint discussions and decision-making by the full Executive Board. The Executive Board is required to obtain the prior consent of the Supervisory Board for business transactions that require this approval based on legal regulations or a previous Supervisory Board resolution. The rules of procedure for the Executive Board and the Supervisory Board contain a detailed list of such cases.

Reporting obligations of the Executive Board
Organisational regulations require the Executive Board to report to the Supervisory Board. These reporting standards also apply to the Supervisory Board committees. The reporting obligations of the Executive Board include quarterly reports on the development of business in the Group and information on matters of importance relating to major Group subsidiaries.

Annual General Meeting
EVN's shareholders exercise their legal and voting rights at the Annual General Meeting, whereby each share is entitled to one vote. EVN AG has no preferred shares or shares with multiple voting rights. Decisions on specific matters are reserved for the Annual General Meeting by Austrian law or the company's by-laws. These decisions include, among others, the distribution of profits, the release of the members of the Executive Board and the Supervisory Board from liability, the selection of the auditor for the annual and consolidated financial statements, and the election of the members of the Supervisory Board. Moreover, the Annual General Meeting is entitled to decide on changes in the company by-laws and planned capital measures. The results of voting and the agenda for the 88th Annual General Meeting of EVN on 19 January 2017 are available on the EVN website (www.evn.at/AGM.aspx).

Clear separation of management and control responsibilities
Austrian stock corporation law prescribes a dual management system and requires strict separation between management bodies (i. e. Executive Board) and controlling bodies (i. e. Supervisory Board). Parallel membership in both bodies is not permitted.

Communications between the Executive Board and the Supervisory Board take place at the meetings of the Supervisory Board and its committees and in writing, as required. In addition, the Executive Board and the chairwoman of the Supervisory Board maintain regular contact on issues that fall under the responsibility of the Supervisory Board. In particular, this includes the preparation of meetings.

Supervisory Board
As of 30 September 2017, the Supervisory Board of EVN AG had ten shareholder representatives elected by the Annual General Meeting and five members delegated by the Works Council. The Supervisory Board is headed by a chairwoman and two vice-chairmen, who are chosen by the Supervisory Board from among its members. The minimum number of independent members was set at 50% by the Supervisory Board in a meeting on 29 May 2006. The independent members of the EVN Supervisory Board, as defined by Rule 53 of the ACGC, are listed on page 67.

The Supervisory Board performs its duties in accordance with the provisions of stock corporation law and the company's by-laws. Additional guidelines for its activities are provided by the rules of procedure for the Supervisory Board and by the ACGC.

One particular responsibility of the Supervisory Board is to supervise the work of the Executive Board, from which it may request a report at any time concerning the development of business. Legal regulations allow the Supervisory Board to extend the scope of business transactions requiring its formal consent as defined in § 95 (5) of the Austrian Stock Corporation Act through resolutions. The rules of procedure for the Executive Board and the Supervisory Board contain a detailed list of such business transactions and measures.

Independence of the Supervisory Board
A member of the Supervisory Board is considered to be independent in accordance with Rule 53 of the ACGC when he/she has no business or personal relations with the company or its management board that could lead to a material conflict of interest and therefore influence the member's behaviour. If any such conflicts of interest arise, EVN requires multi-year transition periods in accordance with the ACGC.

The guidelines to determine the independence of the elected members of the Supervisory Board stipulate that these persons

- may not have any business or personal relations with EVN AG or its Executive Board that constitute a material conflict of interest and are therefore capable of influencing the member's behaviour;
- may not have served as a member of the Executive Board or a top executive of EVN AG or any of its subsidiaries during the past five years;
- may not maintain, or in the previous year did not maintain, any business relations with EVN AG or a subsidiary of EVN AG that are considered material for that member. This also applies to business relations with companies in which the Supervisory Board member holds a significant economic interest, but does not cover appointments to corporate bodies within the EVN Group. The approval of individual transactions by the Supervisory Board in accordance with Rule 48 of the ACGC does not automatically lead to qualification as not independent;
- may not have acted as an auditor of EVN AG or owned a share in or worked as an employee of the auditing company during the past three years;
- may not serve on the management board of another company in which a member of the Executive Board of EVN AG is a member of the Supervisory Board;
- may not serve on the Supervisory Board for more than 15 years. This does not apply to Supervisory Board members who hold an investment in the company as shareholders or who represent the interests of such shareholders; and
- may not be closely related (i. e. direct offspring, spouse, life partner, parent, uncle, aunt, brother, sister, niece, nephew) to a member of the Executive Board or to persons who hold one of the above-mentioned positions.

Function and committees of the Supervisory Board

The Supervisory Board fulfils its responsibilities as a joint decision-making body in cases where individual issues are not delegated to its committees. The Supervisory Board committees are responsible for preparing negotiations and resolutions, monitoring the implementation of the Supervisory Board's decisions and taking decisions on issues delegated by the Supervisory Board. The following committees were established by the Supervisory Board of EVN AG, each of which includes at least three elected Supervisory Board members and the legally required number of employee representatives.

The responsibilities of the **Audit Committee** are as follows:

- monitoring the accounting process and issuing recommendations or suggestions to ensure reliability;
- monitoring the effectiveness of the internal control system and, if necessary, the company's internal audit and risk management systems;
- monitoring the audit of the annual and consolidated financial statements, including the results and conclusions indicated in the reports by the Auditor Oversight Commission;
- verifying and monitoring the independence of the auditor of the annual financial statements (and consolidated financial statements), in particular with regard to additional services provided for the audited company; moreover, Art. 5 (5) of Regulation (EU) No. 537/2014 on the statutory audit of public-interest entities must be observed;
- reporting on the results of the audit to the Supervisory Board, explaining how the audit contributed to the reliability of financial reporting and explaining the role of the Audit Committee in this procedure;
- reviewing the annual financial statements and preparing the required authorisation, reviewing the proposal for the distribution of profits, the management report and, if applicable, the corporate governance report as well as submitting a report on the results of this review to the Supervisory Board;
- if necessary, examining the consolidated financial statements, the Group management report and the consolidated corporate governance report and, if necessary, reporting on the results of this examination to the Supervisory Board;
- selecting an auditor for the annual and consolidated financial statements, taking the appropriateness of the fee into consideration, as well as preparing a proposal for the Supervisory Board on this selection; moreover, Art. 16 of Regulation (EU) No. 537/2014 on the statutory audit of public-interest entities must be observed.

The Audit Committee includes a financial expert as required by law and Rule 40 of the ACGC. All members of the Audit Committee are familiar with the sector in which the company operates.

The **Personnel Committee** is responsible for all matters concerning the relationships between the company and the members of the Executive Board, in cases where the full Supervisory Board is not responsible under law. It nominates replacements for vacant seats on the Executive Board and makes recommendations to fill vacant seats on the Supervisory Board. The Personnel Committee also serves as the Remuneration Committee, with the president of the Supervisory Board as its chairwoman and one member with knowledge and experience relating to remuneration policies (Rule 43 of the ACGC).

The **Working Committee** is responsible for carrying out specified tasks assigned by the full Supervisory Board. In certain urgent cases, the Working Committee is authorised by the Supervisory Board's rules of procedure to approve specific business transactions on behalf of this body.

Subsequent election to the Supervisory Board
Thomas Kusterer resigned from the Supervisory Board by letter dated 17 November 2016. In accordance with the by-laws of EVN AG, the Annual General Meeting on 19 January 2017 subsequently elected Johannes Zügel to the Supervisory Board for the remaining term of office of the resigned member. Mr. Zügel's term of office therefore began at the end of this Annual General Meeting and will end with the Annual General Meeting which votes on the release from liability for the 2019/20 financial year. EVN would like to thank Thomas Kusterer for his many years of successful work on the Supervisory Board and its committees.

Focal points of the Supervisory Board's activities
The Supervisory Board held four plenary meetings during the reporting year, at which its members fulfilled the tasks and duties required by legal regulations and the company's by-laws. In these meetings, the reports by the Executive Board and other points on the agenda also regularly covered the economic, ecological and social aspects of the subjects under discussion.

Following a request by Peter Layr to prematurely terminate his Executive Board contract as of 30 September 2017, the Supervisory Board ended his appointment as a member of the Executive Board of EVN AG as of 30 September 2017. In accordance with the Austrian Public Appointment Act, a call was then issued for applications for the position of chief technical officer on the Executive Board. The Supervisory Board appointed Franz Mittermayer to the Executive Board of EVN AG as of 1 October 2017 for a period of five years, i. e. up to 30 September 2022, and as of that same date designated Stefan Szyszkowitz spokesman of the Executive Board of EVN AG. These changes led to the amendment by the Supervisory Board of its rules of procedure and the rules of procedure for the Executive Board as of 1 October 2017.

The Supervisory Board approved the appointment of Werner Casagrande, Ulrike Jesche, Gerhard Kampichler and Klaus Stricker as authorised representatives of EVN AG as of 1 October 2017. The designation includes the right to sell or encumber land (real estate clause as defined in § 49 (2) of the Austrian Commercial Code). This right was also extended to cover previously registered authorised representatives of EVN AG.

Other important decisions by the Supervisory Board included the approval of the annual financial statements for 2015/16 and the 2017/18 budget for the EVN Group and, above all, the transfer of EVN-Pensionskasse Aktiengesellschaft and extra-budgetary investments in the power plant and heating businesses. The approval of the budget also covered investments in heating and windpower plants, in long-distance and district heating plants, in electricity, natural gas and heating networks and in the IT infrastructure. These investments are required primarily to protect supply security and to transport renewable energy. Investments approved for the environmental services business were related to improving water quality and to international projects for water purification and waste utilisation. Other approvals by the Supervisory Board included a EUR 350m refinancing line, the financing of Steag-EVN Walsum 10 Kraftwerksgesellschaft mbH and the sale of property.

The Supervisory Board approved the report on the current implementation of Regulation (EU) No. 596/2014 (market abuse regulation) and the report prepared in accordance with Rule 18a of the ACGC on measures to prevent corruption in the company. In addition, the Supervisory Board examined all potential conflicts of interest and did not identify any inconsistencies.

The average attendance at Supervisory Board meetings equalled 94.4% in 2016/17.

Focal points of activities in the Supervisory Board's committees
The Personnel Committee of the Supervisory Board, which also serves as the Nominating and Remuneration Committee, met three times in 2016/17 to deal with issues involving the relations between the company and the Executive Board members. Discussions focused on preparations for a subsequent election to the Supervisory Board, changes on the Executive Board, the variable remuneration of the Executive Board and target agreements.

The Working Committee of the Supervisory Board did not meet during the reporting year.

The Audit Committee of the Supervisory Board met three times in 2016/17 and dealt with all of its assigned responsibilities (see page 69), above all with preparations for the resolution on the annual financial statements for 2015/16 including the use of profits, the appointment and work of the auditor and the half-year financial statements for 2016/17 including expectations for the full financial year. The Audit Committee dealt extensively with the internal control, audit, risk and compliance management systems and revised the criteria for the performance of non-audit services by the auditor.

The tender process carried out by the Audit Committee in accordance with Art. 16 of Regulation (EU) No. 537/2014 (statutory audit of public-interest entities) resulted in a recommendation to

the Supervisory Board on the appointment of an auditor for the annual and consolidated financial statements of EVN AG for the 2017/18 financial year. This process also reflected the amendments to Austrian auditing law which were enacted in 2016.

Evaluation of the Supervisory Board's activities
The ACGC requires the regular external evaluation of compliance with the C-Rules defined by the Code (Rule 62 of the ACGC). The corresponding external evaluation in 2014/15 concluded that, "EVN AG complied with the C-Rules of the ACGC during the 2014/15 financial year".

In 2016/17, the Supervisory Board carried out another self-evaluation of its activities as required by the ACGC. This assessment was based on an extensive written questionnaire which was answered by the members of the Supervisory Board. The results of the evaluation were discussed in a plenary meeting.

Remuneration report

Remuneration for top executives (Rule 28a of the ACGC): In light of the requirements defined by the ACGC, the current variable remuneration system for top executives was amended by the company's corporate bodies as of 1 October 2010. This adjustment set the following priorities:

Indicators to illustrate the company's economic situation: The following quantitative parameters are used to measure the further development of management indicators that demonstrate the strategic and operating priorities of the EVN Group: increase in economic value added (EVA®) and average cash flow contribution.

Sustainability: Within the framework of the new remuneration rules, one of the primary objectives of the current version of the ACGC is to strengthen the focus of the Executive Board and top managers on sustainability and a long-term orientation. The introduction of multi-year targets and a bonus reserve further increased the solidity and stability of the variable remuneration system.

The bonus reserve is defined as a payment mechanism which is converted into an annual pro-rata bonus if the quantitative targets are met during a given period. Up to one-half of the bonus reserve is distributed after the achievement of objectives has been confirmed, while the remainder is carried forward to the next year. The introduction of a bonus reserve is designed to achieve two main goals. On the one hand, it is based on a multi-year approach that links consecutive years by carrying the unpaid bonus components from the initial reserve forward to the next period (similar to an opening account balance). On the other hand, this scheme aims to cushion and smooth the "independent" fluctuations in the company's economic performance.

Multi-year approach: The quantitative objectives are defined in advance for a period of three years. The determination of target achievement is based on internal data and information as well as external sources, e. g. benchmarks, peer group comparisons, capital market and rating evaluations. In addition to the general three-year period, the accuracy and validity of the medium-term targets is evaluated each year. These targets are only revised in exceptional cases, for example in light of unforeseeable events or changes in the company which have a significant impact on performance.

Stock options (Rule 29 of the ACGC): EVN does not have a stock option programme for the members of the Executive Board or key managers.

Performance-based bonus programme for the Executive Board (Rules 27, 30 of the ACGC): In 2016/17 the remuneration of the Executive Board comprised a fixed component of approximately 74% and a variable component of approximately 26%. The variable component is based on the 2015/16 financial year. The performance-based component consists of the following parts: 30% based on the increase in economic value added (EVA®), 40% on the average cash flow contribution and 30% on individually agreed targets. Target corridors between 0% and 200% have been defined for the quantitative performance criteria (EVA® and the cash flow contribution), whereas 0% to 100% of the individually agreed targets can be achieved.

In keeping with the requirements of the current ACGC, the Supervisory Board of EVN approved an amendment to the previous variable remuneration scheme beginning in 2010/11. Additional information is provided under the remuneration system for top executives (Rule 28a of the ACGC).

Directors and officers insurance (D&O insurance, Rule 30 of the ACGC): EVN has arranged for D&O insurance to cover claims for damages by the company, shareholders, creditors, competitors and customers against the Executive Board resulting from violations of their legal obligation to exercise diligence in their capacity as managing directors. The managerial bodies of the Group's subsidiaries and certain affiliated companies are jointly insured under the prevailing terms and conditions at the present time. The costs for this insurance are carried by the company. Since the premium applies to the Group and is not based on the number of insured persons, extending this insurance coverage to the members of the Supervisory Board and the corporate bodies of other Group companies does not increase the premium.

Contracts requiring the approval of the Supervisory Board (Rule 48 of the ACGC): No member of the Supervisory Board has concluded a contractual agreement with EVN or one of its subsidiaries that would entitle him or her to more than an insignificant payment. All such contracts are subject to the approval of the Supervisory Board.

Remuneration scheme for the Supervisory Board (Rule 51 of the ACGC): See the information on the Supervisory Board on page 67.

Measures to support women (Rule 60 of the ACGC): EVN is committed to offering equal opportunities to all its employees. The percentage of women in EVN's workforce equals 23.3%, while roughly 7.0% of the key management positions are filled by women. There are no women on EVN's Executive Board. The percentage of women on the Supervisory Board equals 26.7%, respectively 30% for the members elected by the Annual General Meeting. The Women@EVN programme was launched in 2010/11 to increase this ratio by improving the opportunities and perspectives offered to women working for the EVN Group in Austria. It is designed to create operating conditions that enable women to assume qualified positions in specialised areas and at the management level in line with their inclinations and skills. Group-wide, 13 women currently serve as project managers (project manager career path). The percentage of young women in the Group's management development programme was higher than the current share of women in EVN's workforce during the reporting year. EVN has long pursued measures to support women's work-life balance. Examples of these measures are flexible working time models, the provision of individualised support to women returning after maternity leave, day care during holidays, information events for staff members on parental leave as well as a comprehensive programme of vocational and professional education which is also open to men and women on parental leave. EVN's objective for the medium term is to increase the share of women to a level that mirrors their current educational levels in the applicable professional groups.

The Austrian Equal Opportunity Act requires companies with a workforce above a certain threshold to submit a biannual remuneration report (§ 11a of the Equal Opportunity Act). All companies in the EVN Group with a workforce above the legally defined threshold prepared the required report and submitted it to the Central Works Council.

Directors' Dealings (Rule 73 of the ACGC): No purchases of EVN AG shares by members of EVN's management or closely related persons (Art. 19 of the Regulation (EU) No. 596/2014 (market abuse regulation)) were reported to the company or to the Austrian Financial Market Authority during 2016/17.

Related Party: EVN AG and NÖ Landes-Beteiligungsholding GmbH concluded a group and tax settlement agreement in 2005. Additional information on related party transactions as defined in IAS 24 is provided under the basis of preparation in note 67 to the consolidated financial statements.

Auditors' fees: EVN's annual and consolidated financial statements for the 2016/17 financial year were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. The total fees charged by KPMG in 2016/17 amounted to EUR 1.6m (previous year: EUR 2.1m) and were distributed as follows: 48.9% for auditing and audit-related services (previous year: 43.6%), 38.0% for tax consulting services (previous year: 48.1%) and 13.1% for other consulting services (previous year: 8.3%).

Internal audit and risk management

Internal audit

EVN's internal audit department reports directly to the Executive Board and to the Audit Committee of the Supervisory Board. Separate internal audit departments were also installed at EVN's subsidiaries in Bulgaria and Macedonia. The internal audit departments are responsible for auditing and controlling processes and business units, whereby continuous training for the staffs is ensured by specially organised programmes. The internal audit departments prepare annual audit plans based on the results of risk assessments. These plans are approved by the responsible corporate bodies and supplemented by ad-hoc and special audits where required. The work of the internal audit departments is based on the International Professional Practices Framework (IPPF) which was issued by the Institute of Internal Auditors (IIA). Any problem areas identified during the audits are reported to the respective business units and measures for improvement are recommended. The implementation of the measures approved by EVN's management is then evaluated in follow-up audits. The above-mentioned audits did not identify any serious deficiencies that could endanger the strategy or goals of the EVN Group.

Risk management

The primary goal of risk management at EVN is to protect the Group's current and future earnings potential. Risks are recorded

and analysed based on a centrally managed two-stage process that provides the responsible employees in the EVN Group with methods and tools to identify and evaluate risks. The respective business units, which are also responsible for risk management, communicate their risk exposures to the central risk management department, which classifies, analyses and evaluates risks across the entire Group. Measures to minimise corporate risks are also identified and their implementation is monitored. The two-stage risk management process is supported by standardised guidelines and consistently carried out throughout the Group. The resulting risk analyses are presented to the Executive Board and the responsible managing directors at regular intervals by the Group Risk Committee.
A detailed presentation of EVN's main risks and the measures taken to control risks can be found in the section on risk management in the 2016/17 management report.

Issuer compliance

EVN has issued a comprehensive set of rules to prevent the misuse of insider information, which are based on the regulations defined by the Market Abuse Directive of the EU, the Austrian Stock Corporation and Stock Exchange Acts, the Austrian Issuer Compliance Regulation and the Regulation (EU) No. 596/2014 (market abuse regulation). 21 permanent and five ad-hoc areas of EVN's business have been designated as strictly confidential, and the involved employees take part in regular training. In accordance with the Austrian Stock Exchange Act, compliance and confidentiality are monitored and evaluated by a designated compliance officer who reports directly to the Executive Board. The regular controls carried out by the compliance officer in 2016/17 did not identify any deficiencies.

EVN Code of Conduct

EVN places great importance on the integrity and legally compliant behaviour of all its employees and business partners. Through their role as an integral part of an international energy and environmental services company, the managers and employees of EVN have a far-reaching responsibility and a role model function both in Austria and abroad.

The Code of Conduct, which was developed in a Group-wide process and updated during 2012, forms the basis for all compliance measures at EVN. Corporate Compliance Management (CCM), a staff department reporting directly to the Executive Board, was established as of 1 October 2012 to develop, manage and improve the Compliance Management System (CMS). The CMS defines a standardised framework for the entire Group which is designed to support the honest and legally compliant behaviour of employees in everyday business activities.

EVN has carried out comprehensive training for its employees on ethical and legally compliant behaviour since 2013/14 based on a compliance box developed especially for this purpose. The training lasts a minimum of two and a half hours and is based on EVN's Code of Conduct. Compliance training was provided for nearly 2,500 employees and managers in five countries and four languages during the reporting year. Supplementary information is also available to employees in the EVN Intranet. All employees are required to complete a one-hour modular e-learning programme after their mandatory training course. Special lectures on relevant topics were also developed for areas exposed to increased risk. Over 100 managers in EVN's international companies have completed half-day workshops with realistic compliance scenarios, which include the development of appropriate avoidance strategies and reaction approaches. Since the introduction of the CMS, more than 9,000 employees and managers have been trained in connection with the EVN Code of Conduct on subjects that include customers, the capital market and investors, integrity and the prevention of corruption and data protection and confidentiality.

An important element of the CMS is the whistle-blowing procedure, which provides a framework to report possible violations of EVN's Code of Conduct. This system is voluntary and anonymous, and the identity of the reporting person is never revealed.

Activities in 2016/17 focused on the review of previously implemented measures. In addition to the ongoing analysis of compliance-relevant issues and a periodic assessment of compliance risks, the current CMS was critically evaluated. Measures were developed to further optimise and improve the efficiency of the CMS, which are expected to lead to greater acceptance by employees as well as a sustainable improvement in ethical behaviour.

The EVN Code of Conduct can be found under www.evn.at/Code-of-conduct.aspx. Its content is based on EVN's various stakeholder groups and is designed to support all employees in integrating EVN's values into their working activities.

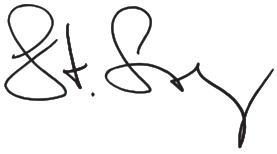
The Supervisory Board received a report on the content, goals and status of the compliance organisation in its meeting on 12 December 2016 in accordance with Rule 18a of the ACGC.

In preparation for the binding EU General Data Protection Regulation which will take effect in May 2018, the data protection specialist in the CCM department is creating numerous organisational and procedural structures to meet the requirements for the protection of personal data.

Audit of compliance with the Austrian Corporate Governance Code by KPMG Austria

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, audited and reported on the corporate governance report of EVN AG, pursuant to § 96 (2) of the Austrian Stock Corporation Act. This report on the evaluation of compliance with the ACGC is available under www.investor.evn.at.

Maria Enzersdorf, 20 November 2017



Stefan Szyszkowitz
Spokesman of the Executive Board

Franz Mittermayer
Member of the Executive Board

Management report

Energy policy environment

The energy policy framework conditions in Austria are significantly influenced by European energy and climate policies, the related goals and laws and the interaction with European actors in the energy sector – for example, the Agency for the Cooperation of Energy Regulators (ACER) and the Energy Community.

European energy and climate policy

In October 2014 the European Council agreed on a framework for its climate and energy policy up to 2030. This policy includes the following three major goals, which reflect the global targets set at the UN Climate Conference in Paris during December 2015:

- → A reduction of at least 40% in greenhouse gas emissions below the 1990 level
- → An increase in the share of renewable energy in the total energy mix to at least 27%
- → An improvement of at least 27% in energy efficiency over the 2007 level

The European Commission introduced a number of legislative proposals concerning the issue of "Clean Energy for all Europeans" in November 2016, which are intended to support the European goals and are currently under discussion by the European Parliament and Council. These proposals are expected to be enacted into law by the end of 2018. The related package of measures covers, in particular, the organisation of the electricity market, cross-border cooperation, the feed-in of electricity and heat from renewable sources, supply security for electricity, the management of the future energy union and energy efficiency.

Green electricity in Austria

The Austrian Parliament passed a so-called "limited green electricity amendment" in June 2017 which includes, among others, changes to the Green Electricity Act. The first step establishes a transitional solution that creates legal certainty for the further system conversion towards renewable generation in Austria. The measures related to windpower include a special quota of subsidies with a total volume of EUR 45m for 2017 and 2018 to reduce the waiting lists for projects previously approved by municipal authorities. The amendments cover, among others, investment incentives for small hydropower plants and photovoltaic equipment as well as a modification to the Electricity Industry and Organisation Act that allows for contractual provisions to ensure sufficient power plant output (e. g. through multi-year agreements) as a means of preventing and eliminating network shortages.

However, current Austrian law does not yet reflect the requirements defined by the EU Guideline for state energy and environmental subsidies and the related limitation of feed-in tariffs.

German-Austrian electricity price zone

In May 2017 the Austrian and German regulatory authorities finalised a number of key points concerning the introduction of shortage management for the unlimited trading of electricity between their countries that has existed since 2002. A long-term capacity limit of 4.9 GW between these two countries will therefore take effect on 1 October 2018. The specific implementation is currently the subject of discussions between the respective transmission network operators in agreement with the regulatory authorities.

The introduction of the new shortage threshold will mark the end of the joint electricity price zone between Germany and Austria that has existed since 2002. It has also recently been reflected in differences between the – up to this announcement, identical – wholesale prices for Germany and Austria on the EEX electricity exchange in Leipzig. Then again, the significance of this development must be seen in context for the time being because a sufficiently liquid market has not yet developed for Austria. The further trend in the relationship between wholesale prices in these two countries is impossible to predict from the current point of view.

Regulatory environment

Austria

The regulatory periods for the electricity and natural gas distribution networks in Austria cover five years. The new regulatory period will begin on 1 January 2018 for the natural gas distribution networks and on 1 January 2019 for the electricity distribution networks. The regulatory method applicable in Austria compensates the distribution network operators on the basis of network tariffs which are determined each year by the E-Control Commission and covers investments and expenses for network construction, maintenance and operation. Key parameters for the determination of the network tariffs include the interest-bearing capital base (regulatory asset base) and the weighted average cost of capital, each of which are fixed for the entire regulatory period. The parameters also include an incentive in the form of productivity factors, which

serve as individual cost reduction targets for the respective company and also include inflationary adjustments. EVN's network company has received a very positive evaluation from the regulatory authority for its productivity in peer-group benchmarking.

Bulgaria
The full market liberalisation for industrial customers in Bulgaria will now be followed by gradual access to the free electricity market for commercial customers. Regulatory simplifications also create opportunities for household customers to decide in favour of participation in the liberalised market. EVN Bulgaria EC supplies household and business customers on the regulated market, acts as a "supplier of last resort" and services those customers in the liberalised market segment who do not select another supplier or cannot receive electricity from their chosen supplier through no fault of their own. The sale of energy to customers in the regulated market segment as well as the procurement of the corresponding volumes is based on regulated prices which are generally below the market level. EVN Trading SEE acts as a supplier for the remaining liberalised customers.

The last year of the current three-year regulation period for the electricity network in Bulgaria began on 1 July 2017. The regulatory method for this network defines a revenue cap which comprises the recognised operating expenses, amortisation and depreciation as well as an adequate return on the regulatory asset base. The applied method also includes the projected network distribution volumes as well as an annually defined investment factor and planned future investments. In connection with the further unbundling of the individual energy business areas, EVN Bulgaria EP, which is responsible for the operation of the electricity distribution networks, was renamed EP Yug on 19 May 2017.

The new one-year regulation period for heat and electricity began on 1 July 2017. On 7 April 2017, i. e. during the regulation period, the responsible regulatory authority raised the prices charged to end customers as compensation for higher procurement costs (electricity: by approximately 1.0%; heat: by approximately 22.0%). These prices were again increased as of 1 July 2017 by an average of 1.7% for electricity and 1.5% for heat.

Macedonia
The unbundling of the individual business areas in utility companies in Macedonia has been in progress since 1 January 2014. EVN met the related requirements by establishing a sales company (EVN Macedonia Elektrosnabduvanje DOOEL) and a production company (EVN Macedonia Elektrani DOOEL). These two companies complement the previously founded EVN Macedonia AD, which continues to operate as a sales company for customers in the regulated market segments. In connection with the further unbundling, the newly founded EVN Elektrodistribucija DOOEL started operations on 1 January 2017 and now serves as a network operator. The liberalisation of the electricity market in Macedonia will be implemented gradually by July 2020, depending on customers' annual electricity consumption.

The last year of the current three-year regulation period for the electricity network in Macedonia began on 1 July 2017. A tariff decision on 1 July 2017 again reduced the electricity prices for end customers by an average of 0.3% (previous year: average reduction of 0.3%). Similar to Bulgaria, the regulatory method for the electricity network defines a revenue cap which comprises the recognised operating expenses, amortisation and depreciation as well as an adequate return on the regulatory asset base.

Croatia
The liberalisation of the natural gas market for household customers was originally scheduled for April 2017, but has only been realised to a very limited extent. In contrast, the market for commercial and industrial customers has been liberalised since 2012. A new law to support the further liberalisation of the natural gas market for household customers is currently in preparation. For the period from 1 April 2017 to 31 December 2017, the household tariffs in EVN Croatia's supply area were raised slightly by 0.8%.

General business environment

The global economy has been characterised by a solid upward trend since mid-2016 which, after a slightly weaker start into 2017, continued during the second quarter. Good or improved indicators were reported by nearly all major economies, with strong development also generated by the EU member states in Eastern and Central Europe. Forecasts for economic growth in the EU during 2017 range from 2.1% to 2.4% and from 2.1% to 2.2% in 2018.

The Austrian economy is also in good condition at the present time due to the upturn in the global economy and robust domestic demand. This development was supported, above all, by the construction sector, private consumption and tourism. Projections point to growth of 2.7% in 2017 and 2.1% to 2.8% in 2018, which place the outlook for Austria at the top of the Eurozone.

Expectations for the Bulgarian economy have recently improved, not least due to the favourable trends on the labour market and in public finances. The easing of political tensions and the successful formation of a government prior to the start of the EU presidency on 1 January 2018 have also had a positive effect. Private consumption continues to rise and remains an important support for the economy. In this environment, economic growth is expected to range from 3.0% to 4.0% in 2017 and from 3.2% to 3.8% in 2018.

The economic recovery in Croatia is expected to continue during 2017 and 2018. Similar to Bulgaria, private consumption is also one of the most important drivers in this country – according to estimates by The Institute of Economics in Zagreb, the demand by private households generated roughly half the national growth in 2017. This is a direct result of the tax relief provided by the reduction of the corporate income tax and personal income tax beginning in 2017 as well as the improvement in wages and the labour market that has resulted from the general economic recovery. Tourism also played an important role in this positive development. Growth forecasts call for an increase of 2.9% to 3.2% in 2017 and 2.3% to 2.8% in 2018.

In Macedonia, the economic outlook has improved following the settlement of the months-long political blockade. Other positive impulses were provided by the strong export sector, which reported double-digit growth, and by an increase in real incomes and private consumption. The economy is expected to increase by 2.5% to 2.8% in 2017 and by 3.2% to 3.3% in 2018.

GDP growth	%	2018f	2017e	2016	2015	2014
EU-28[1) 2)]		2.1–2.2	2.1–2.4	1.9	2.2	1.6
Austria[2) 3)]		2.1–2.8	2.6–2.8	1.5	1.0	0.4
Bulgaria[1) 2) 4) 5)]		3.2–3.8	3.0–4.0	3.4	3.6	1.3
Croatia[1) 2) 4) 6)]		2.3–2.8	2.9–3.2	3.0	2.2	–0.5
Macedonia[5) 6)]		3.2–3.3	2.5–2.8	2.4	3.8	3.6

1) Source: "European Economic Forecast, Autumn 2017", EU Commission, November 2017
2) Source: "Prognose der österreichischen Wirtschaft 2017–2018", IHS, September 2017
3) Source: "Prognose für 2017 und 2018: Höchstes Wirtschaftswachstum seit sechs Jahren", WIFO, September 2017
4) Source: "Strategie Österreich & CEE 4. Quartal 2017", Raiffeisen Research, October 2017
5) Source: "Global Economic Prospects", World Bank, June 2017
6) Source: "World Economic Outlook", International Monetary Fund, October 2017

Energy sector environment

The development of EVN's energy sector business is influenced to a significant degree by external factors. Energy consumption by retail customers – in the form of electricity, natural gas and heat – is influenced primarily by the weather, while the demand for energy by industrial customers is driven mainly by the general business environment.

The temperatures in EVN's relevant markets were significantly colder during 2016/17, in both year-on-year comparison and in relation to the long-term average. In Austria, the heating degree total – which defines the temperature-related demand for energy – was 18.7 percentage points higher than the previous year. The weather in Bulgaria and Macedonia was also much colder during the reporting period, with a heating degree total that was 26.6 and 16.7 percentage points, respectively, higher than in 2015/16.

The average EEX price for natural gas rose by 20.1% year-on-year to EUR 17.3 per MWh in 2016/17, not least due to the cold winter temperatures and the resulting increased demand on the spot markets. Average coal prices were 61.6% higher than the previous year at EUR 74.6 per tonne in 2016/17, primarily as a result of the very high demand in Europe during the winter. In contrast, the price of CO_2 emission certificates declined by a further 12.0% year-on-year to an average of EUR 5.3 per tonne.

The forward and spot market prices for base load and peak load electricity followed contrary trends during the reporting year. The forward price fell by 7.2% to EUR 28.2 per MWh for base load electricity and by 8.2% to EUR 35.0 per MWh for peak load electricity. However, spot market prices increased due to a temporary production standstill in France and the cold weather: the spot market price rose by an average of 26.9% year-on-year to EUR 35.3 per MWh for base load electricity and by 25.7% year-on-year to EUR 43.0 per MWh for peak load electricity.

Energy sector environment – indicators		**2016/17**	2015/16	2014/15
Temperature-related energy demand[1]	%			
Austria		114.7	96.0	96.0
Bulgaria		108.7	82.1	108.1
Macedonia		109.1	92.4	101.0
Primary energy and CO_2 emission certificates				
Crude oil – Brent	EUR/bbl	46.1	38.0	52.7
Natural gas – GIMP[2]	EUR/MWh	17.3	14.4	21.4
Hard coal – API#2[3]	EUR/t	74.6	46.2	53.9
CO_2 emission certificates	EUR/t	5.3	6.1	7.2
Electricity – EEX forward market[4]				
Base load	EUR/MWh	28.2	30.4	34.9
Peak load	EUR/MWh	35.0	38.2	43.8
Electricity – EPEX spot market[5]				
Base load	EUR/MWh	35.3	27.8	32.1
Peak load	EUR/MWh	43.0	34.2	39.8

1) Calculated based on the heating degree total; the basis (100%) corresponds to the adjusted long-term average for the respective countries
2) Net Connect Germany (NCG) – EEX (European Energy Exchange) stock exchange price for natural gas
3) ARA notation (Amsterdam, Rotterdam, Antwerp)
4) Average prices for the respective EEX quarterly forward market prices, beginning one year before the respective reporting period
5) EPEX spot – European Power Exchange

Business development

The scope of consolidation and changes in comparison with the previous year are explained in the notes.

Also see page 119f

Statement of operations

Highlights 2016/17

- → Favourable energy sector framework conditions
  - – Higher demand for cross-regional services to stabilise the networks
  - – Weather-related volume effects in energy and network distribution volumes
  - – Valuation effects from hedges as of 30 September 2017
- → 3.3% rise in electricity generation
  - – Growth in renewable generation
  - – Higher thermal generation due to the increased use of the power plants for network stabilisation
- → Positive non-recurring effect through agreement with state-owned Bulgarian electricity company NEK

Results of operations

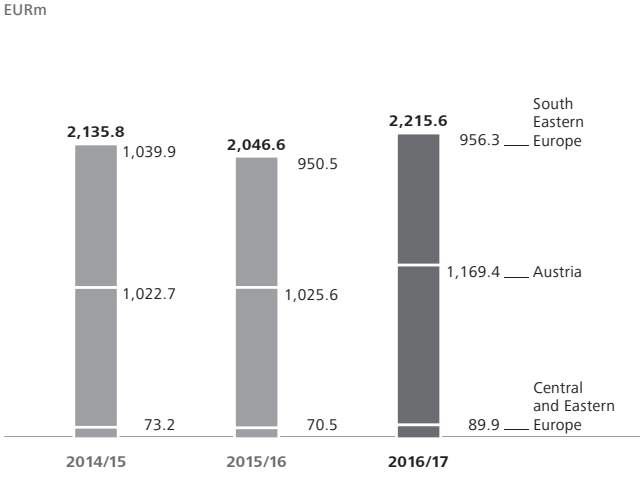
Revenue recorded by the EVN Group rose by EUR 169.1m, or 8.3%, to EUR 2,215.6m in 2016/17. The main reasons underlying this growth were the unusual weather conditions – during both the winter and summer – in all three supply areas, which led to a substantial increase in energy and network distribution volumes, as well as the marketing of the thermal power plants to stabilise the networks in Austria and southern Germany. Positive impulses were also provided by the international project business and renewable generation.

The revenue generated outside Austria amounted to EUR 1,046.3m in 2016/17 (previous year: EUR 1,021.0m). This represents a decline in the share of Group revenue from 49.9% in the previous year to 47.2% and reflects the increase in domestic revenue.

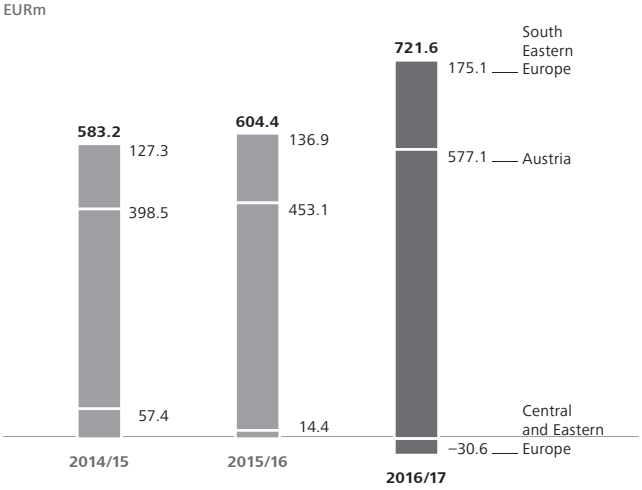
Other operating income rose by EUR 5.0m, or 5.1%, year-on-year to EUR 101.9m. This improvement reflected the earnings effects of the settlement between EVN's Bulgarian supply company and the state-owned Bulgarian electricity company NEK.

The cost of electricity purchases from third parties and primary energy expenses increased by EUR 58.4m, or 6.3%, to EUR 989.0m. This reflects the weather-related higher demand for energy and the increased use of the thermal power plants for network stabilisation.

Revenue by region



EBITDA by region



Condensed consolidated statement of operations	2016/17 EURm	2015/16 EURm	+/– nominal	+/– %	2014/15 EURm
Revenue	**2,215.6**	**2,046.6**	**169.1**	**8.3**	**2,135.8**
Other operating income	101.9	97.0	5.0	5.1	108.4
Electricity purchases and primary energy expenses	–989.0	–930.6	–58.4	–6.3	–1,066.5
Cost of materials and services	–313.7	–246.7	–66.9	–27.1	–254.0
Personnel expenses	–316.8	–313.7	–3.1	–1.0	–313.5
Other operating expenses	–139.0	–141.6	2.5	1.8	–168.1
Share of results from equity accounted investees with operational nature	162.6	93.5	69.0	73.8	141.1
EBITDA	**721.6**	**604.4**	**117.2**	**19.4**	**583.2**
Depreciation and amortisation	–262.3	–266.1	3.9	1.5	–260.3
Effects from impairment tests	–112.5	–77.9	–34.6	–44.5	–54.7
Results from operating activities (EBIT)	**346.9**	**260.4**	**86.4**	**33.2**	**268.2**
Financial results	**–21.4**	**–61.6**	**40.2**	**65.2**	**–60.3**
Result before income tax	**325.5**	**198.9**	**126.6**	**63.7**	**207.9**
Income tax	–53.9	–16.0	–37.9	–	–17.3
Result for the period	**271.5**	**182.8**	**88.7**	**48.5**	**190.7**
thereof result attributable to EVN AG shareholders (Group net result)	251.0	156.4	94.5	60.4	148.1
thereof result attributable to non-controlling interests	20.5	26.4	–5.8	–22.1	42.6
Earnings per share in EUR[1]	**1.41**	**0.88**	**0.53**	**60.4**	**0.83**

1) There is no difference between basic and diluted earnings per share.

In contrast, expenses were reduced by the agreement with the state-owned Bulgarian electricity company NEK.

The cost of materials and services was EUR 66.9m, or 27.1%, higher at EUR 313.7m. This increase is chiefly attributable to a valuation allowance recognised in the second quarter of 2016/17 to the remaining aggregate components (currently reported under inventories) from the former thermal waste utilisation plant project no. 1 in Moscow and to the positive development of revenue in the international project business.

EVN's average workforce increased slightly year-on-year to 6,840 (previous year: 6,830 employees). Personnel expenses were EUR 3.1m, or 1.0%, higher than the previous year at EUR 316.8m. Other operating expenses were EUR 2.5m, or 1.8%, lower at EUR 139.0m.

The share of results from equity accounted investees with operational nature rose by EUR 69.0m, or 73.8%, to EUR 162.6m. This increase was based primarily on improved results from EVN KG, which benefited from a positive operating development and the valuation of hedges as of the balance sheet date, and from Energie Burgenland.

These developments led to an increase of EUR 117.2m, or 19.4%, in EBITDA to EUR 721.6m. Depreciation and amortisation declined slightly to EUR 262.3m (previous year: EUR 266.1m), while the effects of impairment testing rose by EUR 34.6m, or 44.5%, to EUR 112.5m. The impairment losses were related, in particular, to the proportionate investment held by EVN in the Walsum 10 power plant (EUR 19.1m) as well as district heating equipment, electricity procurement rights, renewable and thermal generation equipment (EUR 40.5m), the Bulgarian hydropower plant project in Gorna Arda (EUR 28.9m) and the Bulgarian heating company TEZ Plovdiv (EUR 24.0m). The results from operating activities (EBIT) totalled EUR 346.9m and represent an increase of EUR 86.4m, or 33.2%, over the prior year value of EUR 260.4m.

Financial results amounted to EUR –21.4m (previous year: EUR –61.6m) and were significantly influenced by positive valuation effects from the Verbund shares. These shares were transferred by WEEV Beteiligungs GmbH, which is included at equity, to EVN AG in June 2017 within the scope of structural simplifications, whereby the valuation effects resulted from an increase in the share price over the carrying amount. The improvement in financial results was also supported by an increase in interest income and a decline in interest expense.

Value analysis		2016/17	2015/16	+/– %	2014/15
Average equity	EURm	2,960.4	2,680.4	10.4	2,611.4
WACC after income tax[1)2)]	%	6.3	6.5	–0.2	6.5
Operating ROCE (OpROCE)[1)3)]	%	10.2	7.6	2.6	7.5
Average capital employed[3)]	EURm	4,173.5	4,290.7	–2.7	4,523.1
Net operating profit after tax (NOPAT)[3)]	EURm	425.7	327.4	30.0	341.0
EVA®	EURm	164.8	48.5	–	47.0

1) Changes reported in percentage points
2) The WACC given is used for the purpose of corporate management.
3) Adjusted for impairment losses and one-off effects. The market value of the investment in Verbund AG is not included in capital employed in order to consistently determine the value contribution.

The result before income tax rose by EUR 126.6m, or 63.7%, year-on-year to EUR 325.5m in 2016/17. After the deduction of EUR 53.9m in income tax expense (previous year: EUR 16.0m) and the earnings attributable to non-controlling interests, the Group net result for the 2016/17 financial year equalled EUR 251.0m. This represents an increase of EUR 94.5m, or 60.4%, over the previous year.

Statement of financial position

Asset and financial position

EVN's balance sheet total declined by EUR 101.6m, or 1.6%, to EUR 6,454.9m as of 30 September 2017.

The development of non-current assets in 2016/17 was influenced by contrary effects. Property, plant and equipment decreased following a reduction of the acquisition costs for the Walsum 10 power plant project based on an arbitration decision in favour of the project company during November 2016 and based on an increase in depreciation and amortisation. Other assets also declined due to the payment of outstanding receivables which were covered by the agreement reached in February 2017 with the state-owned Bulgarian electricity company NEK. In contrast, other investments were increased by the transfer of the Verbund shares to EVN AG and a share price-related increase in the carrying amount of the investment in Verbund AG. The shares which were transferred by WEEV Beteiligungs GmbH to EVN AG in June 2017 within the scope of structural simplifications were previously held by the equity accounted WEEV Beteiligungs GmbH. In total, non-current assets rose by EUR 38.1m, or 0.7%, to EUR 5,723.8m.

Current assets declined by EUR 135.9m, or 15.7%, to EUR 731.0m. A key factor for this development was the valuation allowance recognised to the remaining aggregate components (currently reported under inventories) from the former thermal waste utilisation plant project no. 1 in Moscow. Other factors included a decrease in securities as well as in cash and cash equivalents, which were used to reduce current and non-current financial liabilities.

EVN's equity totalled EUR 3,150.1m as of 30 September 2017. The year-on-year increase of EUR 379.4m, or 13.7%, is attributable to the positive Group net result recorded in 2016/17 and to positive effects from valuations recorded directly in equity. The equity ratio rose to 48.8% (previous year: 42.3%).

Non-current liabilities decreased by EUR 148.5m, or 5.8%, to EUR 2,392.2m, above all due to the premature repayment of loans and the reclassification of non-current financial liabilities to the current segment. A decline was also recorded in provisions.

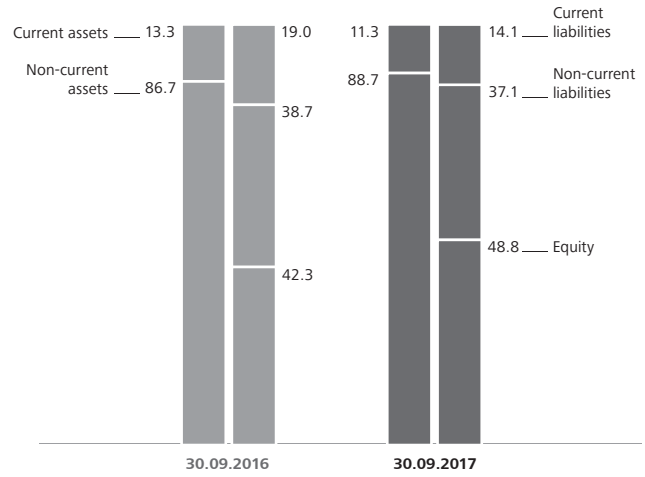
Current liabilities decreased by EUR 332.6m, or 26.7%, to EUR 912.6m, in particular due to the scheduled repayment of

financial liabilities and a reduction in payables to suppliers which is attributable, above all, to the agreement with the state-owned Bulgarian electricity company NEK. In addition, the arbitration decision over the Walsum 10 power plant project led to the derecognition of a liability which was created in 2013 following the utilisation of the contract performance guarantee by the project company.

Value analysis

For the purpose of corporate management the weighted average cost of capital (WACC) after tax, taking into consideration EVN's specific company and country risks, was set at 6.3%. The Economic Value Added (EVA®) totalled EUR 164.8m in 2016/17 (previous year: EUR 48.5m). The operating return on capital employed (OpROCE) amounted to 10.2% for the reporting year (previous year: 7.6%).

Balance sheet structure



Condensed consolidated statement of financial position	30.09.2017 EURm	30.09.2016 EURm	+/– nominal	+/– %	30.09.2015 EURm
Assets					
Non-current assets					
Intangible assets and property, plant and equipment	3,560.6	3,733.7	–173.1	–4.6	3,736.6
Investments in equity accounted investees and other investments	1,873.8	1,537.8	335.9	21.8	1,397.8
Other non-current assets	289.5	414.2	–124.7	–30.1	394.9
	5,723.8	**5,685.8**	**38.1**	**0.7**	**5,529.2**
Current assets	**731.0**	**866.9**	**–135.9**	**–15.7**	**959.8**
Non-current assets held for sale	**0.0**	**3.8**	**–3.8**	**–**	**–12.3**
Total assets	**6,454.9**	**6,556.5**	**–101.6**	**–1.6**	**6,501.2**
Equity and liabilities					
Equity					
Issued capital and reserves attributable to shareholders of EVN AG	2,892.1	2,510.8	381.3	15.2	2,334.8
Non-controlling interests	258.0	259.8	–1.9	–0.7	255.4
	3,150.1	**2,770.7**	**379.4**	**13.7**	**2,590.1**
Non-current liabilities					
Non-current loans and borrowings	1,125.4	1,314.5	–189.1	–14.4	1,535.7
Deferred tax liabilities and non-current provisions	624.4	601.2	23.2	3.9	492.3
Deferred income from network subsidies and other non-current liabilities	642.4	625.0	17.4	2.8	583.1
	2,392.2	**2,540.7**	**–148.5**	**–5.8**	**2,611.0**
Current liabilities					
Current loans and borrowings	50.5	239.1	–188.6	–78.9	140.1
Other current liabilities	862.1	1,006.1	–144.0	–14.3	1,160.0
	912.6	**1,245.1**	**–332.6**	**–26.7**	**1,300.0**
Total equity and liabilities	**6,454.9**	**6,556.5**	**–101.6**	**–1.6**	**6,501.2**

Net debt	30.09.2017 EURm	30.09.2016 EURm	+/– EURm	+/– %	30.09.2015 EURm
Non-current loans and borrowings	1,125.4	1,314.5	–189.1	–14.4	1,535.7
Current loans and borrowings[1]	49.2	225.4	–176.2	–78.2	129.9
Cash and cash equivalents	–221.8	–223.5	1.7	0.8	–244.9
Non-current and current securities	–59.0	–158.4	99.4	62.8	–154.5
Non-current and current loans receivable	–43.9	–36.5	–7.4	–20.2	–35.3
Financial net debt	**849.9**	**1,121.5**	**–271.6**	**–24.2**	**1,230.9**
Net debt	**1,213.2**	**1,523.3**	**–310.1**	**–20.4**	**1,601.3**
Equity	**3,150.1**	**2,770.7**	**379.4**	**13.7**	**2,590.1**
Gearing (%)[2]	**38.5**	**55.0**	**–**	**–16.5**	**61.8**

1) Excl. bank overdrafts contained in cash and cash equivalents
2) Changes reported in percentage points

Liquidity position

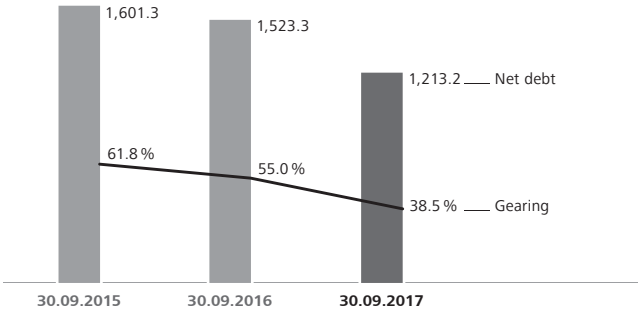
The strong cash flow from operating activities allowed EVN to reduce financial net debt by EUR 271.6m, or 24.2%, to EUR 849.9m during the reporting year. Net debt which also contains non-current personnel provisions was reduced by EUR 310.1m, or 20.4%, to EUR 1,213.2m. This reduction combined with the increase in equity led to a decrease in the gearing ratio from 55.0% to 38.5%.

In order to safeguard its financial flexibility, the EVN Group holds a syndicated credit line of EUR 400.0m as well as bilateral credit commitments of EUR 97.0m that were not drawn as of 30 September 2017 and therefore were available in full. The maturity of the syndicated credit line is July 2021, and the remaining terms of the bilateral credit lines concluded with five banks range up to five years. These solid liquidity reserves underscore the EVN Group's financial stability and flexibility.

For additional information on the composition and terms of non-current finanial liabilities, see page 154f

Net debt and gearing

EURm and %



Statement of cash flows

Gross cash flow rose by EUR 34.4m, or 6.4%, to EUR 572.3m in 2016/17, chiefly due to the improvement in the result before income tax and also due to an increase in depreciation and amortisation. Contrary effects included the higher non-cash results from equity accounted investees and a decline in non-current provisions.

Cash flow from operating activities was negatively affected by the reduction in liabilities following the arbitration decision for the Walsum 10 power plant project, while a year-on-year improvement in the remaining working capital had a positive effect. Cash flow from operating activities amounted to EUR 508.9m and was EUR 45.9m, or 9.9%, higher than the previous year.

The cash outflows included in cash flow from investing activities were substantially lower than the previous year. This decline reflected a slightly lower level of investments, but is mainly attributable to the positive arbitration decision over the Walsum 10 power plant project and the subsequent reduction in the acquisition costs for the power plant. In addition, the sale of securities from the pension

coverage fund as of 30 September 2017 brought clearly positive results and offset the contrary effect from the transfer of the Verbund shares previously held by WEEV Beteiligungs GmbH to EVN AG. Cash flow from investing activities amounted to EUR –70.6m for the reporting year (previous year: EUR –230.6m).

Cash flow from financing activities amounted to EUR –439.9m in 2016/17 (previous year: EUR –253.9m). This amount includes the dividend payment to the shareholders of EVN AG for the 2015/16 financial year and to non-controlling interests as well as the scheduled repayment of financial liabilities – and, in particular, the scheduled repayment of a EUR 150m bond.

In total, cash flow amounted to EUR –1.6m in 2016/17, and cash and cash equivalents equalled EUR 221.8m as of 30 September 2017. The EVN Group also had contractually agreed, undrawn credit lines of approximately EUR 497.0m at its disposal to service potential short-term financing requirements.

Investments

Capital expenditure was EUR 11.6m, or 3.7%, lower year-on-year at EUR 303.8m in 2016/17.

In the Generation Segment, investments continued to focus on the expansion of windpower capacity in Lower Austria. Two new windparks were under construction during the reporting year and are scheduled for commissioning in 2017/18: Oberwaltersdorf (10 MW) in October 2017 – where operations have already started as planned – and Sommerein (33 MW) scheduled for spring 2018. Investments in this segment were lower than the previous year, which was heavily influenced by the completion of the Paasdorf-Lanzendorf windpark.

Investments in the Energy Segment were directed primarily to the expansion of EVN's district heating network as well as the construction of local heating plants and biomass heating plants.

Condensed consolidated statement of cash flows	2016/17 EURm	2015/16 EURm	+/– EURm	+/– %	2014/15 EURm
Result before income tax	325.5	198.9	126.6	63.7	207.9
Non-cash items	246.8	339.0	–92.2	–27.2	230.1
Gross cash flow	**572.3**	**537.9**	**34.4**	**6.4**	**438.1**
Changes in current and non-current balance sheet items	–52.8	–75.5	22.7	30.1	35.5
Income tax paid	–10.5	0.6	–11.1	–	4.6
Net cash flow from operating activities	**508.9**	**463.0**	**45.9**	**9.9**	**478.3**
Changes in intangible assets and property, plant and equipment incl. deferred income from network subsidies	–144.5	–239.1	94.6	39.6	–242.5
Changes in financial assets and other non-current assets	–1.0	2.7	–3.7	–	250.4
Changes in current securities	74.9	5.9	69.0	–	–80.5
Net cash flow from investing activities	**–70.6**	**–230.6**	**160.0**	**69.4**	**–72.7**
Net cash flow from financing activities	**–439.9**	**–253.9**	**–186.0**	**–73.3**	**–357.3**
Net change in cash and cash equivalents	**–1.6**	**–21.5**	**19.9**	**92.4**	**48.3**
Cash and cash equivalents at the beginning of the period	**223.5**	**244.9**	**–21.4**	**–8.7**	**197.2**
Currency translation differences on cash and cash equivalents	–0.1	0.1	–0.2	–	–0.6
Cash and cash equivalents at the end of the period	**221.8**	**223.5**	**–1.7**	**–0.8**	**244.9**

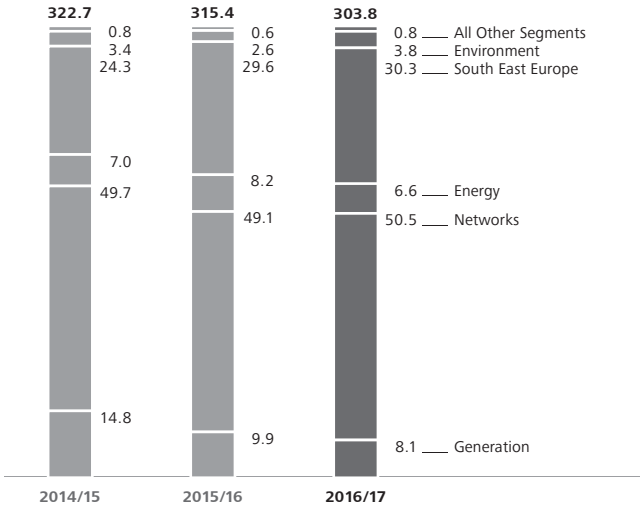
Investment priorities at EVN[1]	2016/17 EURm	2015/16 EURm	+/– EURm	+/– %	2014/15 EURm
Generation	**24.6**	**31.2**	**–6.6**	**–21.1**	**47.8**
thereof renewable energy Lower Austria	13.7	25.9	–12.2	–47.1	39.9
thereof thermal power plants	10.3	5.0	5.3	–	5.8
Energy	**20.0**	**26.0**	**–6.0**	**–23.2**	**22.7**
thereof district heating plants	19.9	26.0	–6.1	–23.5	22.4
Networks	**153.3**	**154.7**	**–1.4**	**–0.9**	**160.2**
thereof electricity networks	101.8	105.1	–3.3	–3.2	113.4
thereof natural gas networks	35.8	35.2	0.6	1.8	33.9
thereof cable TV and telecommunications networks	15.7	14.5	1.2	8.6	13.0
South East Europe	**92.0**	**93.5**	**–1.4**	**–1.5**	**78.5**
Environment	**11.5**	**8.1**	**3.4**	**42.1**	**10.9**
thereof supra-regional power lines and local networks for drinking water	8.3	7.3	1.0	13.3	9.4
All Other Segments	**2.3**	**1.9**	**0.4**	**19.8**	**2.5**
Total	**303.8**	**315.4**	**–11.6**	**–3.7**	**322.7**

1) After consolidation

△ GRI indicator: Infrastructure investments and services supported (203-1)

Structure of investments

%, total in EURm



The Networks Segment continued its high pace of investment, but the overall volume was slightly lower than the previous year. The focus remained on the new construction or expansion of transformer stations and the expansion of the 110 kV power lines.

In the South East Europe Segment, EVN continued to invest in supply security.

The Environment Segment again concentrated on improving the security and quality of drinking water supplies in Lower Austria. Investments were therefore directed to increasing the performance capability of the pumping stations, the expansion of the cross-regional pipeline networks and the construction of a further natural filter plant to reduce the hardness of the water by natural means and therefore improve the quality of the drinking water in Lower Austria.

The above table provides an overview of the most important investments.

Non-financial indicators

As a responsible energy and environmental services provider, EVN considers the dimensions "Social issues", "Ecology" and "Economy" as three interrelated parts of a whole and works to achieve a balance between the requirements of the different interest groups. Sustainability aspects and the related objectives represent an integral part of the corporate strategy and play an important role in achieving and maintaining steady growth in the company's value. The basis for harmonising the corporate strategy and stakeholder interests is formed by the EVN materiality matrix with its areas of activity. EVN's internal and external reporting also includes a number of specific indicators to monitor sustainability activities. A selection of the most important non-financial indicators for EVN is presented in this section.

Supply security, environment and climate protection

Energy generation

The protection of supply security is one of EVN's most important goals. In the energy area, future-oriented procurement and the high technical quality of the networks as well as a flexible generation mix with sufficient reserve and storage capacity play an important role. The further expansion of energy generation from renewable sources – in particular windpower – therefore represents a key element of the company's strategy. Subject to appropriate framework conditions, EVN plans to increase the windpower capacity in its home market of Lower Austria from the current level of 269 MW to approximately 500 MW over the medium term. In general, EVN's goal is to sustainably raise the share of renewable energies in its total electricity production. Renewable energy sources were responsible for 34.5% of EVN's total electricity production in 2016/17.

Innovation, research and development

The most important areas in the EVN materiality matrix also define the framework for the company's innovation, research and development activities. Projects are focused primarily on safeguarding supply security, protecting the environment and resources, and strengthening EVN's competitive position. The overall goal is to develop solutions for a low-emission future, the more efficient use of energy and a decentralised energy system based on customers' needs.

EVN spent EUR 2.6m (of which 5.9% were financed through public subsidies) on innovation, research and development projects in 2016/17. The research projects which were continued or extended during the reporting year concentrated, above all, on electricity storage. These activities are intended to address the major challenges faced by the electricity networks and current generation structures from the growing share of electricity from renewable sources. The use of battery storage facilities in the electricity networks (e. g. also in households) has become an interesting focal point, in particular, due to the high volatility of electricity generation from the wind and sun and the resulting high demands on network stability. EVN therefore tested a number of battery systems with different properties and application points within the framework of research projects during the reporting year. Included here, among others, are the following:

- → **Battery storage project at the Prottes windpark:** The advantage of the battery used in this project lies in its capabilities in the millisecond range, which allow it to react much faster than a conventional power plant to changes in the network load. For example, this type of storage makes it possible to stabilise network frequency and offset voltage fluctuations.

- → **Smart grid project in the Lichtenegg energy park:** This research project integrates EVN's generation plants (small wind power and photovoltaic plants), controlled devices and a battery in an independent low voltage network (micro-grid). The area of application for this electricity storage facility covers sustainable, economical and safe electricity supplies for smaller, distinct regions.

- → **Power-to-gas:** This form of storage involves the conversion of surplus electricity from renewable generation into hydrogen and methane which can be used, as needed, to generate electricity in natural gas power plants.

Energy generation		2016/17	2015/16	2014/15
Share of renewable energy in the total energy generation mix	%	34.5	34.5	43.1
Generation capacity from windpower	MW	269	268	250
Coverage ratio	%	32.7	32.1	25.3

EVN also continued or started the following projects during the reporting period:

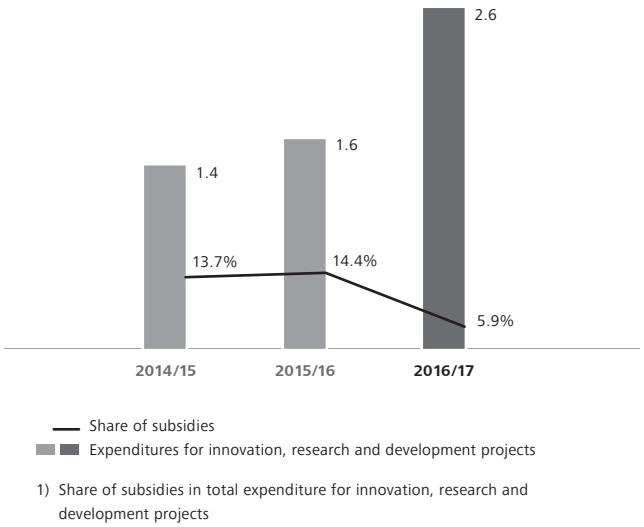
- → Follow-up project "CO_2USE" involving CO_2 separation equipment at EVN's Dürnrohr power plant, which will use biotechnological methods to convert the CO_2 from the generation process into biodegradable plastic
- → The "Joulie" project, an interactive online platform that offers customers not only specially designed product configurations for decentralised energy solutions, but also other products
- → E-mobility projects

For the development and realisation of its innovation projects, EVN uses state-of-the-art methods (e. g. Business Model Canvas) which are adapted, as required, to meet the specific requirements. Research projects involve cooperation between different areas of the company and numerous partners from science and industry, depending on the focal point and feasibility of the assignment. Since EVN concentrates on applied research and development, its know-how is complemented by the expertise of scientific cooperation partners who focus on basic research.

EVN uses systematically agile methods in its innovation process, e. g. Design Thinking, above all to strengthen its customer orientation. An internal technology radar system has also been installed for the focused screening of technologies.

Expenditures for innovation, research and development projects and share of subsidies[1)]

EURm and %



1) Share of subsidies in total expenditure for innovation, research and development projects

△ GRI indicator: Financial assistance received from government (201-4)

EVN as a responsible employer

EVN is well aware of its responsibility as an employer and, in this area, not only meets the legally defined obligations. The central principles of the corporate culture and interaction with employees are defined by Group-wide principles. In addition to equal treatment and equal opportunity, these principles also cover subjects like healthcare, occupational safety and the corporate social partnership.

The EVN Group had an average of 6,840 full-time employees in 2016/17, whereby the share of women equalled 23.3% as of 30 September 2017. EVN is working to increase the percentage of women over the medium term to a level that mirrors the current education levels of women in the applicable professional groups and, as support for reaching this goal, launched the Women@EVN programme in 2010/11.

The protection and expansion of the high level of expertise in the workforce represent a focal point for human resources management. The EVN Academy is responsible for the organisation and coordination of training and professional development opportunities for the Group's employees in Austria, Bulgaria and Macedonia. Occupational safety and accident prevention form another important focal point for all corporate units in the EVN Group. A high level of safety is guaranteed, in particular, by training and awareness-raising measures.

Working at EVN		2016/17	2015/16	2014/15
Number of employees (on full-time equivalent (FTE) basis)	Average	6,840	6,830	6,973
Proportion of women	%	23.3	22.6	21.9
Training and educational expenses[1)]	EURm	2.0	1.8	1.9
Training and educational expenses per employee[1)]	EUR	288.6	263.4	275.7
Training hours per employee	Hours	31.3	27.2	30.7
Occupational accidents	Number	88	89	87

1) Seminar cost, trainers, e-learning

Risk management

Definition of risk

The EVN Group defines risk as the potential deviation from planned corporate targets and objectives.

Risk management process

The primary goal of risk management is to protect current and future earnings and cash flows through the active identification and control of risk. As part of the risk management process, a centrally organised corporate risk management provides the decentralised risk managers with effective methods and tools for identifying and assessing risks. The business units communicate their risk exposures to the corporate risk management, which helps to identify suitable actions to minimise these risks. The actions are then implemented by the decentralised business units. The corporate risk management department is responsible for analysing EVN's risk exposure. Risks related to sustainability and compliance issues are identified and managed by specialised organisational units and/or processes in agreement with central risk management. The risk management process includes the following steps:

- **Identification:** The survey and/or revision of risks based on the latest risk inventory (review of risk inventory) and the identification of new risk positions and appropriate risk management countermeasures
- **Assessment and analysis:** The qualitative and quantitative evaluation of the identified risks; the aggregation of risks from different points of view; and the modelling of earnings and cash flow distributions
- **Reporting:** Discussion and evaluation of the risk profile by the Risk Working Committee and the Group Risk Committee; the implementation of risk management measures where necessary; reporting on risk issues to the Audit Committee
- **Process review:** Definition of the organisational units that must submit to an explicit risk assessment as well as regular reviews; review whether the methods of identifying and assessing risks should be modified to reflect changed conditions; regular reviews by the internal audit department

Responsibilities of the Risk Working Committee

The Risk Working Committee supports the corporate risk management department in the correct implementation of the risk management process. It evaluates and approves changes in risk assessment methods and defines the type and scope of the risk reporting. The voting members of the committee at the Group level include the heads of the following corporate functions: controlling, the general secretariat and corporate affairs, finance, accounting, internal audit and the chief compliance officer (CCO) as well as an (internal) energy industry expert.

Group Risk Committee

The results of the risk inventory and reports are presented to and discussed by the Group Risk Committee, which consists of the Executive Board of EVN AG, the heads of the strategic business units and part of the members of the Risk Working Committee. The Group Risk Committee decides on any need for action, can organise working groups and assign specified tasks, and is authorised to approve the results of the risk inventory (risk reports).

△ GRI indicator: Effectiveness of risk management processes (102-30)

Risk profile

In addition to the normal industry risks and uncertainties, EVN's risk profile is influenced primarily by political, legal and regulatory challenges and changes in the competitive environment. EVN carries out an annual risk inventory that is updated as needed to reflect ad-hoc risk reports. This inventory includes the following categorisation of risks, which are described in detail below: market and competition risks, financial risks, operating risks, external risks, strategic and planning risks and other risks.

Market and competition risks

Energy trading and sales

EVN's revenues can be negatively affected by a decline in demand due to weather conditions or climate change, demographic, political or technological factors and/or the loss of customers and sales volumes for image-related or competitive reasons. In addition, the development of market prices and market volatility, a suboptimal procurement strategy and declining margins can lead to lower profit margins in the energy business.

△ GRI indicator: Financial implications and other risks and opportunities due to climate change (201-2)

Generation/supply

Production that is increasingly decentralised and cannot be precisely planned as well as fluctuations in wind levels, water flows, sunshine hours and weather conditions can have a negative influence on earnings from the generation business (price and volume effects).

The economic viability and intrinsic value of generation equipment is dependent to a significant degree on electricity and primary energy prices, the respective efficiencies, energy sector framework conditions and locations. Adverse developments can therefore lead to the recognition of an impairment loss. The creation of or addition to provisions for long-term (procurement) contracts may also be necessary. In spite of the measures implemented to date, these types of risks still exist for thermal generation plants, hydropower plants and generation plants that use renewable energies.

Environment
EVN is exposed to risks in the environmental services business from possible fluctuations in the demand, volume and/or costs of drinking water supplies, wastewater treatment systems and thermal waste utilisation facilities. The project volume in this business can also be negatively affected by market saturation or limited resources for infrastructure projects as well as non-inclusion in or the failure to win tenders. EVN is also exposed to various risks in connection with suppliers and the realisation of projects, which include the defective fulfilment or non-fulfilment of contractually agreed performance.

Financial risks
In managing credit and default risk, EVN distinguishes between receivables due from end customers, on the one hand, and receivables from financial and energy trading transactions and major projects/plants, on the other hand. The default risk associated with end customer receivables is limited primarily by efficient receivables management, the evaluation of credit standings based on ratings and experience and the regular monitoring of payment behaviour. However, a lack of purchasing power or deteriorating payment behaviour can have a negative effect on revenue in the energy segment.

Credits risks, above all in the treasury and energy trading areas and in project and procurement management, are countered with credit monitoring and credit limit systems, hedging instruments (e. g. bank guarantees) and a targeted strategy to diversify business partners.

EVN holds investments in areas related to the core business (above all Verbund AG, Rohöl-Aufsuchungs Aktiengesellschaft, Burgenland Holding AG and ENERGIEALLIANZ Austria GmbH). The difficult energy policy environment creates a risk that the unfavourable development of earnings and equity in these companies can also have a substantial impact on EVN.

In connection with active management of the risks related to liquidity, interest rates, foreign currencies and market prices, the current low interest rate environment represents an increasing challenge for the short- to medium-term investment of liquid funds. This can lead to opportunity losses and have a negative effect on the valuation of employee-related provisions and on future tariffs.

Operating risks
The energy and network businesses are particularly vulnerable to operating risks such as operational disruptions and stoppages as well as IT and safety-related problems that can cause supply interruptions and lead to liability and reputation risks. The environmental services business is also exposed to the risk of operating disruptions or interruptions in drinking water supplies, wastewater systems and thermal waste utilisation facilities. Risks can also arise from the suboptimal design and use of technical equipment and the assessment and implementation of technological innovations. Further operational risks are related to organisation, planning, personnel and compliance.

External risks (legal, political and macroeconomic risks)
The regulatory environment, energy and environmental protection laws and the changing political and public positions on energy and infrastructure projects are major risk drivers. A change in the subsidy system, the failure to receive anticipated subsidies or a change in the legally defined tariffs can have a negative effect on the company's future asset, financial and earnings position.

Political and economic instability, arbitrary legal and regulatory measures as well as changes in the legal framework represent further challenges. EVN is exposed to the risk that necessary permits and licenses are not granted, may be withdrawn or not extended.

Contractual and legal risks can arise in connection with pending or potential court, arbitration and investment protection proceedings as well as audits by supervisory or regulatory authorities.

Overall risk profile
In addition to the uncertainties connected with business areas and operations outside Austria, EVN is still confronted with a challenging environment in its home market of Lower Austria. The annual risk inventory did not identify any future risks that could endanger EVN's continued existence.

EVN's major risks and related risk management measures

Risk category	Description	Measure
Market and competition risks		
Profit margin risk (price- and volume effects)	Energy sales and production: failure to meet profit margin targets → Procurement and selling prices (especially for energy carriers) that are volatile and/or deviate from forecasts → Declining demand for EVN's products or services, decrease in own production volumes	Procurement strategy tailored to the market environment; hedging strategies; diversification of customer segments and business areas; development of a product portfolio that reflects customer demands; long-term sale of power plant capacity
Supplier risk	Cost overruns on projects; delays in the completion of contracted services	Partnerships, contractual controls wherever possible, third party expert opinions
Financial risks[1)]		
Foreign currency risks	Transaction risks (foreign currency exchange loss) and translation risks in connection with the conversion of foreign currency amounts in the consolidated financial statements; financing for Group companies that does not reflect the respective foreign exchange situation	Monitoring, limits and hedging instruments
Liquidity, cash flow and financing risk	Failure to repay liabilities on schedule or to obtain the required liquidity/funds when needed at the expected conditions	Long-term, centrally managed financial planning, safeguarding of financing requirements (e. g. through credit lines)
Market price risks	Decline in the value of investments (e. g. funds) and listed strategic holdings (e. g. Verbund AG, Burgenland Holding AG)	Monitoring of loss potential via daily value-at-risk calculations; investment policies
Counterparty-/credit risks	Complete or partial failure by a business partner to provide the agreed performance	Contracts, credit monitoring and credit limit systems, insurances and diversification of business partners
Investment risks	Failure of a subsidiary or holding to meet profit targets	Representation on the supervisory board and/or shareholder/risk committees of the respective company
Rating changes	Higher refinancing costs due to rating downgrades	Ensuring compliance with key financial indicators
Interest rate risks	Changes in market rates, increase in interest expense	Use of hedging instruments
Impairment risks	Recognition of impairment losses to receivables, goodwill, investments and/or other assets	Monitoring via sensitivity analyses
Risk that contingent liabilities (guarantees) will be called	Financial loss due to claim of contingent liabilities	Limit volume of contingent liabilities to the extent possible; constant monitoring
Strategy and planning risks		
Technology risk	Late identification of and reaction to new technologies (delayed investments) or to changes in customer needs; investments in "wrong" technologies	Active participation in external research projects, own demonstration facilities and pilot projects, on-going adjustments to keep technologies at the latest level
Planning risk	Model risks, incorrect or incomplete assumptions, lost opportunities	Feasibility studies by experienced, highly qualified employees, monitoring of parameters and regular updates, four-eyes principle
Organisational risks	Inefficient or ineffective processes, interfaces, duplication	Process management, documentation, internal control system (ICS)

1) For information on the use of financial instruments, also see page 168ff and page 171ff

Risk category	Description	Measure
Operating risks		
Infrastructure risks	Incorrect design and use of technical facilities	Elimination of technical weaknesses, regular inspections and reviews of current and planned infrastructure
Service disruptions/network breakdowns (own and third party), accidents	Supply interruptions, physical danger to persons or infrastructure through explosions/accidents	Technical upgrading at network interfaces, expansion and maintenance of network capacity
IT-/security risks (incl. cybersecurity)	System losses, (unintended) data loss transfer, hacker attacks	Strict system and risk monitoring (internal control system), backup systems, technical maintenance, external audits, occupational safety and health measures, crisis training
Workforce risks	Loss of highly qualified employees, absence due to work accidents, surplus or shortfall of personnel, communication problems, cultural barriers, fraud, intentional or unintentional misrepresentations of transactions or items in the annual financial statements	Attractive work environment, occupational health care and safety measures, flexible working time models, training, group events, internal control system (ICS)
External risks		
Legislative, regulatory and political risks	Changes in political and legal parameters and/or the regulatory environment (e. g. environmental laws, changing legal framework, regulations and market liberalisation in South Eastern Europe); network operations: non-inclusion of actual operating costs in the network tariffs established by the regulatory authority	Cooperation with interest groups, associations and government agencies on a regional, national and international level; appropriate documentation and service charges
Legal and litigation risks	Non-compliance with contracts, litigation risk from various lawsuits	Representation in local, regional, national and EU-wide interest groups, legal consulting
Social and general economic environment	Economic developments, debt/financial crisis, stagnating or declining purchasing power, rising unemployment	Best possible utilisation of (anti-)cyclical optimisation potential
Contract risks	Failure to identify legal, economic or technical problems; contract risks under financing agreements	Extensive legal due diligence, involvement of external experts/legal advisors, contract database and ongoing monitoring
Other risks		
Granting of undue advantages, non-compliance	Distribution of confidential internal information to third parties and the granting of undue advantages/corruption	Internal control systems, uniform guidelines and standards, Code of Conduct, compliance organisation
Project risk	e. g. cost overruns on the construction of new capacity	Contractual agreement on economic parameters
Co-investment risk	Risks related to the implementation of major projects jointly with a partner	Contractual safeguards, efficient project management
Sabotage	Sabotage, e. g. to natural gas lines, wastewater treatment plants or waste incineration plants	Suitable security measures, regular measurement of water quality and emissions
Image risk	Reputational damage	Transparent and proactive communications, sustainable management

△ GRI indicator: Key impacts, risks, and opportunities (102-15)

Key features of the internal control and risk management system related to accounting processes

In accordance with § 267 (3b) and in connection with § 243a (2) of the Austrian Commercial Code ("Unternehmensgesetzbuch", UGB), companies whose shares are admitted for trading on a regulated market are required to disclose the key features of their internal control and risk management system for corporate accounting processes. The Executive Board is responsible for establishing a suitable internal control and risk management system (ICS) for accounting processes as defined in § 82 of the Austrian Stock Corporation Act ("Aktiengesetz", AktG). The effectiveness of the ICS must be monitored by the Audit Committee in accordance with § 92 (4a) no. 4b of the Austrian Stock Corporation Act.

EVN's ICS for accounting processes is monitored at regular intervals by auditing the processes that are considered to be exposed to risk. The results of these monitoring activities are reported to the Executive Board and the Audit Committee. The ICS ensures clear lines of responsibility and eliminates unnecessary process steps, and thereby further improves the security of processes for the preparation of financial statements. The description of the major features of the ICS covers five interrelated components: control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

The Code of Conduct issued by EVN and the underlying values apply to all Group employees.

EVN's Code of Conduct is available under www.evn.at/code-of-conduct

The consolidated financial statements are prepared by Group accounting. The related processes are based on an accounting guideline that defines the accounting policies to be applied as well as key processes and schedules for the entire Group. Binding instructions apply to the reconciliation of intragroup accounts and other work required for the preparation of the consolidated financial statements. All employees involved in the accounting process have the necessary qualifications and undergo regular training. Complex actuarial opinions and valuations are prepared by external experts or specially qualified employees. The managers responsible for the specific processes – in general, the heads of the organisational units and corporate services – are responsible for compliance with these processes and the related control measures.

Risk assessment and control activities

Multi-stage control measures have been implemented to prevent material misstatements in the presentation of transactions in order to ensure that the individual financial statements of all subsidiaries are recorded correctly. These measures include automated controls that are executed by the consolidation software as well as manual controls by the involved corporate services. The corporate service departments carry out extensive plausibility checks of the individual subsidiaries' financial statements to ensure their correct transfer to the consolidated financial statements. The review of the financial statement data includes analyses at the position, segment and Group levels, both before and after consolidation. The consolidated financial statements are not released until these quality controls are complete at all levels.

EVN AG and the major domestic and foreign subsidiaries use SAP software (FI module, finance and accounting) for their accounting. The IFRS consolidated financial statements are prepared with the Hyperion Financial Management software, whereby the data from the individual financial statements are transferred by means of an interface. The accounting systems and all upstream systems are protected by restricted access as well as automated and mandatory manual control steps.

The ICS for financial reporting and all accounting-related processes are reviewed by the auditor at least once each year to verify compliance with the required controls, to evaluate any risk incidents that occurred during the financial year and to determine whether the controls are still suitable to deal with the existing risks. In 2016/17, a number of process adjustments and improvements were made as part of the continuous efforts to further develop the ICS for financial reporting.

Information, communication and monitoring

The Executive Board provides the Supervisory Board with quarterly reports on EVN's asset, financial and earnings position, together with a statement of financial position and a statement of operations. The Executive Board and the Audit Committee also receive a report on the ICS for financial accounting twice each year, which contains basic information to evaluate the efficiency and effectiveness of the ICS and is designed to support the management of the ICS by the responsible corporate bodies. The report is prepared by ICS management in cooperation with the ICS Committee based on information supplied by the managers responsible for ICS, the persons who carried out the controls and the auditors.

This information is also distributed to management and key personnel in the involved companies to facilitate monitoring and control activities and thereby ensure the accuracy of accounting and reporting procedures. EVN's internal audit department carries out regular reviews of the ICS for financial accounting, and their findings form the basis for the continuous improvement of this system.

△ GRI indicators: Review of economic, environmental, and social topics (102-31); Communicating critical concerns (102-33); Nature and total number of critical concerns (102-34)

Share structure and capital disclosures

Disclosures required by § 243a of the Austrian Commercial Code

1. The share capital of EVN AG totalled EUR 330,000,000 as of 30 September 2017 and was divided into 179,878,402 zero par value bearer shares, each of which represents an equal stake in share capital. Shareholders are not entitled to the issue of individual share certificates. There is only one class of shares, and all shares carry the same rights and responsibilities. EVN AG shares are traded in the Prime Market segment of the Vienna Stock Exchange.

2. There are no restrictions on voting rights or agreements limiting the transfer of shares which exceed the general requirements of the Austrian Stock Corporation Act. However, it should be noted that the transferability of the investment owned by the province of Lower Austria, which holds its shares through NÖ Landes-Beteiligungsholding GmbH, St. Pölten, is limited by Austrian federal and provincial constitutional law.

3. Based on these constitutional requirements, the province of Lower Austria is the major shareholder of EVN AG with a stake of 51.0%. The second largest shareholder is EnBW Trust e. V., an association headquartered in Karlsruhe, which is recorded in the register of associations maintained by the district court in Mannheim under VR 3737. As of 30 September 2017 EnBW Trust holds an investment of 30.6% of the share capital in trust for EnBW Energie Baden-Württemberg AG, which is also headquartered in Karlsruhe and recorded in the commercial register of the district court in Mannheim under HRB 107956. As of 30 September 2017, EVN AG held treasury shares representing 1.1% of share capital and free float equalled 17.3%.

4. EVN AG has not issued any shares with special control rights.

5. Employees who own shares in EVN AG may exercise their voting rights personally at the Annual General Meeting. EVN AG does not have a stock option programme.

6. The Executive Board consists of at least two members. The Supervisory Board has a minimum of ten and a maximum of 15 members. Unless another majority is required by law, the Annual General Meeting passes its resolutions with a simple majority of the votes cast or with a majority of the capital represented in cases requiring a majority of capital.

7. The 87th Annual General Meeting of EVN AG on 21 January 2016 authorised the Executive Board to repurchase the company's bearer shares during a period of 30 months (i) for distribution to employees of the company or its subsidiaries and (ii) in accordance with § 65 (1) no. 8 of the Austrian Stock Corporation Act (acquisition with no specific purpose) at an amount equalling up to 10% of EVN's share capital. The Executive Board is not utilising this authorisation at the present time.

8. A change of control in EVN AG in the sense of § 243a (1) no. 8 of the Austrian Commercial Code is currently not possible because of the legal regulations described above under points 2. and 3. Therefore, there are no possible consequences of a change of control.

9. There are no agreements to provide compensation to the members of corporate bodies or employees in the event of a public takeover as defined in § 243a (1) no. 9 of the Austrian Commercial Code.

Outlook for the 2017/18 financial year

The broad positioning of the EVN Group along the energy sector value chain, supplemented and diversified by activities in the area of environmental services, forms a solid basis for the stable development of business. The past years have also demonstrated the validity of EVN's integrated business model in a challenging environment.

EVN will continue to focus on investments in its network infrastructure during 2017/18. Extensive investments in the electricity networks are required to adequately integrate the rising capacity from renewable generation, especially windpower and photovoltaics. The central goal for this process is to adapt the network to meet the requirements created by decentralised generation.

The increasing feed-in of renewable generation volumes, which are volatile and therefore impossible to plan, has made sufficient power plant capacity indispensable for the protection of network stability. EVN's thermal power plants have therefore been in service for many years to deliver balancing energy and manage shortages. The southern German transmission network operator and EVN have concluded a contract to again provide these services during the winter half-year 2017/18.

Expansion plans in the area of renewable generation are concentrated, above all, on wind energy. Provided the framework conditions are right, EVN sees an increase in its windpower capacity to 500 MW over the coming years as realistic.

Water supplies in Lower Austria represent another focal point for EVN's investment strategy. These projects are directed, above all, to protecting supply security, also in low-precipitation periods, and to reducing the water hardness with natural filter plants.

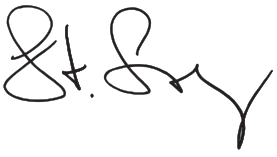
The substantial reduction of network losses in South Eastern Europe in recent years will be followed in 2017/18 by further steps in this direction. A decision by the World Bank's International Centre for the Settlement of Investment Disputes in the arbitration proceedings against the Republic of Bulgaria is also expected during the 2017/18 financial year.

The new five-year regulatory period for natural gas network operations in Austria begins on 1 January 2018. The compensation defined by the regulatory authority for capital employed will reflect the generally low level of interest rates and, in turn, will lead to a reduction in network tariffs.

In the Environment Segment, WTE Wassertechnik, which is responsible for the international project business, emerged as the best bidder in the tender for a wastewater treatment project in Kuwait. The contract has not yet been awarded and is dependent on the final examination of the offer by the Kuwaiti authorities.

The past financial year was influenced by a number of exceptional circumstances which had a positive effect on Group net result for 2016/17. Assuming average conditions in the energy business environment, Group net result for 2017/18 should return to a normal level that reflects the average of the 2015/16 and 2016/17 financial years. However, Group net result could be significantly influenced by the regulatory background, the proceedings currently in progress in Bulgaria and the remaining proceedings over the Walsum 10 power plant project as well as the progress on activities in Moscow.

Maria Enzersdorf, 20 November 2017



Stefan Szyszkowitz
Spokesman of the Executive Board

Franz Mittermayer
Member of the Executive Board

Segment reporting

Overview

EVN's corporate structure comprises six reportable segments. In accordance with IFRS 8 "Operating Segments", they are differentiated and defined solely on the basis of the internal organisational and reporting structure. Business activities which cannot be reported separately because they are below the quantitative thresholds are aggregated under "All Other Segments".

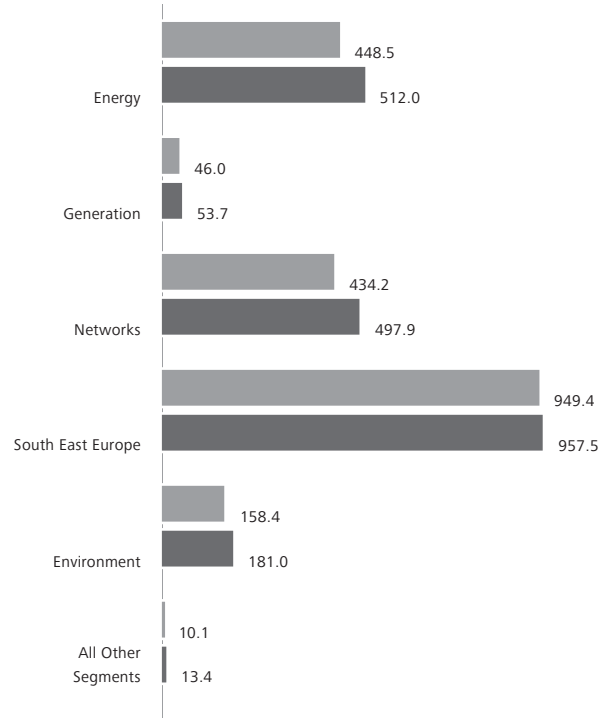
Business areas	Segments	Major activities
Energy business	**Energy**	→ Marketing of electricity produced in the Generation Segment → Procurement of electricity, natural gas and primary energy carriers → Trading with and sale of electricity and natural gas to end customers and on wholesale markets → Production and sale of heat → 45.0% investment in ENERGIEALLIANZ Austria GmbH[1)] → Investment as sole limited partner in EVN Energievertrieb GmbH & Co KG (EVN KG)[1]
	Generation	→ Generation of electricity from thermal production capacities and renewable energy sources at Austrian and international locations → 13.0% investment in Verbund Innkraftwerke GmbH (Germany)[1)] → 49.0% investment in Walsum 10 hard coal power plant (Germany)[2)] → 49.99% investment in Ashta run-of-river power plant (Albania)[1)]
	Networks	→ Operation of distribution networks and network infrastructure for electricity and natural gas in Lower Austria → Cable TV and telecommunication services in Lower Austria and Burgenland
	South East Europe	→ Operation of distribution networks and network infrastructure for electricity in Bulgaria and Macedonia → Sale of electricity to end customers in Bulgaria and Macedonia → Generation of electricity from hydropower in Macedonia → Generation, distribution and sale of heat in Bulgaria → Construction and operation of natural gas networks in Croatia → Energy trading for the entire region
Environmental services business	**Environment**	→ Water supply and wastewater disposal in Lower Austria → Operation of a thermal waste utilisation plant in Lower Austria → International project business: planning, construction, financing and/or operation (depending on the project) of plants for drinking water supplies, wastewater treatment and thermal waste utilisation
Other business activities	**All Other Segments**	→ 50.03% investment in RAG-Beteiligungs-Aktiengesellschaft, which holds 100% of the shares in Rohöl-Aufsuchungs Aktiengesellschaft (RAG)[1)] → 73.63% investment in Burgenland Holding AG, which holds a stake of 49.0% in Energie Burgenland AG[1)] → 12.63% investment in Verbund AG[3)] → Corporate services

1) The earnings contribution represents the share of results from equity accounted investees with operational nature and is included in EBITDA.
2) The investment in Steag-EVN Walsum 10 Kraftwerksgesellschaft is accounted for as a joint operation.
3) Dividends are included under financial results.

External revenue by segment

EURm

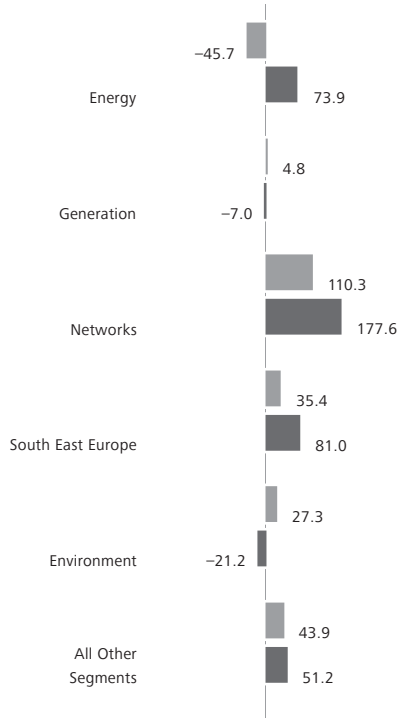
2015/16
2016/17



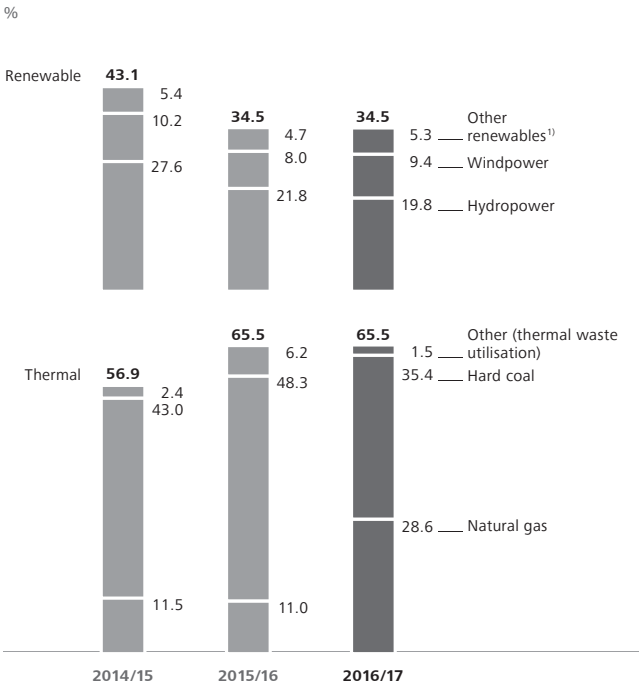
EBIT by segment

EURm

2015/16
2016/17

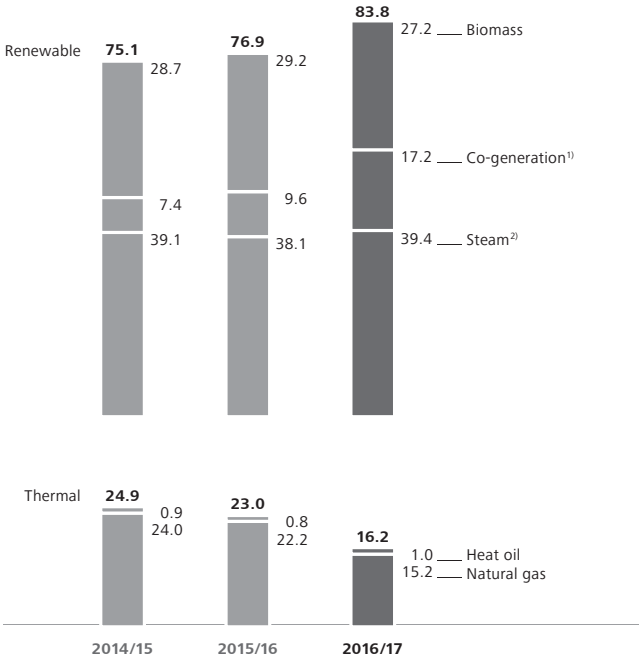


EVN electricity generation by thermal energy and renewable energy source



1) Incl. electricity generation from biomass, photovoltaics and other renewable energy sources

EVN heat generation by thermal energy and renewable energy source



1) Heat from combined heat and power plants
2) Steam from thermal waste utilisation

△ GRI indicator: Energy generation by primary energy source

EVN's key energy business indicators

	GWh	2016/17	2015/16	+/– nominal	+/– %	2014/15
Electricity generation volumes		6,059	5,866	193	3.3	4,882
Renewable energy sources		2,093	2,026	67	3.3	2,106
Thermal energy sources		3,966	3,840	126	3.3	2,777
Network distribution volumes						
Electricity		22,622	21,532	1,090	5.1	21,684
Natural gas[1)]		18,777	16,288	2,489	15.3	14,989
Energy sales volumes to end customers						
Electricity		18,544	18,292	252	1.4	19,263
thereof Central and Western Europe[2)]		6,493	6,410	83	1.3	6,804
thereof South Eastern Europe		12,051	11,882	169	1.4	12,459
Natural gas		5,744	5,134	611	11.9	5,241
Heat		2,293	2,082	211	10.1	2,038
thereof Central and Western Europe[2)]		2,062	1,898	163	8.6	1,827
thereof South Eastern Europe		231	184	47	25.7	211

1) Incl. network distribution volumes to EVN power plants
2) Central and Western Europe covers Austria and Germany.

Energy

Highlights 2016/17

- → Year-on-year increase in electricity, natural gas and heat sales volumes to end customers
- → Improvement in EBITDA, EBIT and result before income tax
- → Impairment losses in heating business

Energy sales volumes

EVN recorded a year-on-year increase in the sales volumes of electricity, natural gas and heat to end customers in 2016/17. Electricity sales volumes rose by 83 GWh, or 1.3%, to 6,493 GWh, while natural gas sales volumes were 562 GWh, or 11.0%, higher than the previous year at 5,660 GWh due to the cold winter. Heat sales volumes increased by 163 GWh, or 8.6%, to 2,062 GWh.

Revenue development

Revenue in the Energy Segment totalled EUR 520.5m in 2016/17 and was EUR 57.0m, or 12.3%, higher than the previous year. This growth was supported primarily by higher revenue from the sale of the electricity generated in EVN's thermal power plants – which were increasingly used for network stabilisation – and by natural gas trading activities and the sale of heat. Contrary factors were the effects from the valuation of hedges as of the balance sheet date on 30 September 2017.

Operating expenses

Operating expenses declined by EUR 35.7m, or 6.5%, to EUR 518.1m despite the increase in energy sales volumes. This reduction is attributable, above all, to a provision created in the previous year for onerous contracts related to the marketing of EVN's own electricity production. Operating expenses were also reduced by the valuation of hedges as of the balance sheet date on 30 September 2017.

Key indicators – Energy		2016/17	2015/16	+/– nominal	+/– %	2014/15
Key energy business indicators	GWh					
Electricity		6,493	6,410	83	1.3	6,804
Natural gas		5,660	5,098	562	11.0	5,241
Heat		2,062	1,898	163	8.6	1,827
Key financial indicators	EURm					
External revenue		512.0	448.5	63.6	14.2	470.9
Internal revenue		8.4	15.0	–6.6	–43.7	14.9
Total revenue		**520.5**	**463.4**	**57.0**	**12.3**	**485.8**
Operating expenses		–518.1	–553.8	35.7	6.5	–558.7
Share of results from equity accounted investees with operational nature		99.4	62.1	37.3	60.1	70.0
EBITDA		**101.8**	**–28.3**	**130.1**	**–**	**–2.9**
Depreciation and amortisation including effects from impairment tests		–27.9	–17.4	–10.5	–60.5	–17.7
Results from operating activities (EBIT)		**73.9**	**–45.7**	**119.6**	**–**	**–20.6**
Financial results		–2.7	–4.7	2.0	42.4	–5.0
Result before income tax		**71.2**	**–50.3**	**121.5**	**–**	**–25.6**
Total assets		696.3	682.0	14.3	2.1	612.8
Total liabilities		512.0	585.1	–73.0	–12.5	518.7
Investments[1)]		20.0	26.0	–6.0	–23.2	22.7

1) In intangible assets and property, plant and equipment

Results from equity accounted investees

The share of results from equity accounted investees with operational nature amounted to EUR 99.4m for the reporting year (previous year: EUR 62.1m). This increase was based on the positive operating development as well as on the valuation of hedges as of the balance sheet date.

Operating results

EBITDA was EUR 130.1m higher than the previous year at EUR 101.8m. Depreciation and amortisation, including the effects of impairment testing, increased by EUR 10.5m, or 60.5%, to EUR 27.9m, whereby EUR 9.7m of this amount are attributable to impairment losses in the heating business (previous year: EUR 2.1m). EBIT in the Energy Segment equalled EUR 73.9m in 2016/17 (previous year: EUR –45.7m).

Financial results and result before income tax

Financial results improved by EUR 2.0m, or 42.4%, to EUR –2.7m, and the result before income tax equalled EUR 71.2m for the reporting year (previous year: EUR –50.3m).

Investments

Investments in the Energy Segment declined by EUR 6.0m, or 23.2%, year-on-year to EUR 20.0m. Activities were again focused entirely on the expansion of the heating plants and networks.

Outlook

EVN will face significant challenges in the 2017/18 financial year from the development of prices on the wholesale markets, which tend to indicate an increase in procurement costs, as well as the growing competition. The development of business could also be substantially influenced by the energy sector framework for the marketing of EVN's own electricity production. In view of these factors, earnings are expected to be positive but lower than the previous year.

Generation

Highlights 2016/17

- → Increase in electricity production from renewable energy
- → Greater use of thermal power plants to stabilise the networks in Austria and southern Germany
- → Improvement in EBITDA
- → Earnings negatively affected by impairment losses

Development of power generation

Electricity generation rose by 175 GWh, or 3.4%, year-on-year to 5,280 GWh in 2016/17. The production from renewable energy increased by 69 GWh, or 4.2%, to 1,695 GWh although water flows were lower than the previous year. This development was supported by higher wind flows as well as the first full-year of operation of the Paasdorf-Lanzendorf windpark. An increase of 106 GWh, or 3.0%, to 3,585 GWh was also recorded in the electricity generation from the thermal power plants. EVN's thermal power plants were increasingly used to stabilise the networks in Austria and Germany, but there was a decline in electricity generation by the Walsum 10 power plant.

At the Group level, EVN covered 32.7% of the electricity sold during the reporting year with its own production (previous year: 32.1%). The share of renewable energy in the Group's total electricity production equalled 34.5% (previous year: 34.5%).

Revenue development

Revenue in the Generation Segment rose by EUR 18.3m, or 8.3%, to EUR 240.0m due to a year-on-year increase in revenue from the provision of balancing energy and reserve capacity for network stabilisation. Another positive factor for the reporting year was the full-year operation of the new Paasdorf-Lanzendorf windpark.

Operating expenses

Operating expenses were EUR 11.6m, or 10.2%, higher at EUR 125.1m. This change resulted, above all, from a rise in primary energy costs due to the increased use of the thermal power plants to support network stability and from the costs for power plant maintenance.

Results from equity accounted investees

The share of results from equity accounted investees with operational nature improved by EUR 23.0m, or 67.4%, to EUR –11.1m in spite of an impairment loss recognised to the investment in Verbund Innkraftwerke GmbH during the third quarter. In the

Key indicators – Generation		2016/17	2015/16	+/– nominal	+/– %	2014/15
Key energy business indicators	GWh					
Electricity generation volumes		**5,280**	**5,105**	**175**	**3.4**	**4,089**
thereof renewable energy sources		1,695	1,626	69	4.2	1,673
thereof thermal energy sources		3,585	3,479	106	3.0	2,416
Key financial indicators	EURm					
External revenue		53.7	46.0	7.7	16.7	52.7
Internal revenue		186.3	175.7	10.6	6.0	160.4
Total revenue		**240.0**	**221.7**	**18.3**	**8.3**	**213.1**
Operating expenses		–125.1	–113.5	–11.6	–10.2	–119.7
Share of results from equity accounted investees with operational nature		–11.1	–34.1	23.0	67.4	–24.6
EBITDA		**103.7**	**74.1**	**29.7**	**40.1**	**68.7**
Depreciation and amortisation including effects from impairment tests		–110.7	–69.2	–41.5	–59.9	–79.2
Results from operating activities (EBIT)		**–7.0**	**4.8**	**–11.8**	**–**	**–10.5**
Financial results		–10.0	–22.4	12.4	55.3	–18.2
Result before income tax		**–17.0**	**–17.6**	**0.6**	**3.4**	**–28.7**
Total assets		923.4	1,094.5	–171.0	–15.6	1,157.2
Total liabilities		662.6	845.0	–182.5	–21.6	959.1
Investments[1)]		26.3	33.8	–7.5	–22.3	54.4

1) In intangible assets and property, plant and equipment

comparable prior year period, earnings were negatively influenced by non-recurring effects from impairment losses to Ashta Beteiligungsverwaltung GmbH in connection with the Ashta power plant and Verbund Innkraftwerke GmbH.

Operating results

EBITDA in the Generation Segment totalled EUR 103.7m in 2016/17 and represents a year-on-year increase of EUR 29.7m, or 40.1%. Depreciation and amortisation, including the effects of impairment tests, amounted to EUR 110.7m (previous year: EUR 69.2m), whereby EUR 61.1m are attributable to the effects of impairment testing (previous year: EUR 15.9m). The latter were related, above all, to impairment losses to the planned Bulgarian hydropower plant in Gorna Arda, to electricity procurement rights and to renewable and thermal generation plants.

Financial results and result before income tax

Financial results improved by EUR 12.4m, or 55.3%, to EUR –10.0m, supported by positive non-recurring effects in interest results for the reporting period. The result before income tax reflected the previous year at EUR –17.0m in 2016/17 (previous year: EUR –17.6m).

Investments

Investments in this segment were EUR 7.5m, or 22.3%, lower at EUR 26.3m. However, the comparable prior year value was substantially influenced by the completion of the Paasdorf-Lanzendorf windpark.

Outlook

EVN's thermal generation capacity will still be used primarily to supply balancing energy and for the management of shortages because of the continuing low or negative spreads. For the winter half-year 2017/18, the Group's thermal power plants are again under contract to stabilise the networks in southern Germany. The results from renewable capacity are dependent on electricity prices as well as on wind and water flows. Positive effects are expected from the additional electricity production that will result from the commissioning of the windparks in Oberwaltersdorf (10 MW) in October 2017 and Sommerein (33 MW; planned for spring 2018). In total, an improvement in earnings is expected for 2017/18 – also due to the absence of valuation effects from the previous year. However, the framework conditions in the energy sector could have a significant influence on the development of revenue and earnings in this segment.

Networks

Highlights 2016/17

- → Increase in network distribution volumes
  - – Weather-related volume effects for electricity and natural gas
  - – Additional momentum in natural gas through thermal electricity generation to stabilise the networks
- → Improvement in EBITDA, EBIT and result before income tax
- → Continued focus of investments on supply security

Development of network distribution volumes

Network distribution volumes were higher than the previous year for both electricity and natural gas. This was, in part, a result of the cold winter, but also reflected higher demand during the summer. The development of natural gas volumes was also favourably influenced by the more frequent use of the thermal power plants to support network stability. Electricity distribution volumes rose by 324 GWh, or 4.0%, to 8,452 GWh, while natural gas distribution volumes were 2,426 GWh, or 15.0%, higher than the previous year at 18,642 GWh.

Revenue development

The electricity and natural gas network tariffs in Austria are adjusted at the beginning of each calendar year by the E-Control Commission in accordance with the incentive regulatory system. As of 1 January 2017 the electricity and natural network tariffs for household customers were raised on average by 9.2% and 13.3%, respectively. The increases approved by the regulator correspond to the necessary high investments carried out in recent years, above all to accommodate renewable energy, and also reflect a comparison with the network volumes in the respective reference period.

Based on the above-mentioned price and volume effects and on the positive development of kabelplus in the business and internet areas, revenue in the Networks Segment rose by EUR 73.8m, or 15.0%, to EUR 566.7m.

Operating expenses and operating results

Operating expenses remained nearly constant at EUR 273.8m in 2016/17 (previous year: EUR 272.3m). This supported an improvement of EUR 72.2m, or 32.7%, in EBITDA to EUR 292.9m, while EBIT rose significantly by EUR 67.3m, or 61.1%, to EUR 177.6m based on investment-related higher depreciation and amortisation of EUR 115.2m (previous year: EUR 110.3m).

Financial results and result before income tax

Financial results improved slightly year-on-year to EUR –16.6m (previous year: EUR –17.5m). The result before income tax in the Networks Segment rose to EUR 161.0m (previous year: EUR 92.8m).

Investments

EVN's investments in 2016/17 were again focused on investments in the Lower Austrian network infrastructure to support and continuously improve supply security and quality. The new construction or expansion of transformer stations safeguards the transport of wind energy from the decentralised production sites to the more demand-intensive central region of Lower Austria. One example of these investments is the expanded and modernised transformer station in Eggenburg, which serves as a central 110 kV network node between the Waldviertel and Weinviertel regions. Other projects which support the integration of renewable energy in the networks involve the expansion of EVN's 110 kV power line network. Investments in the Networks Segment totalled EUR 153.3m in 2016/17 (previous year: EUR 154.7m).

Outlook

The applicable network tariffs for electricity in 2017/18 will increase as of 1 January 2018 and those for natural gas will decline based on the current regulatory framework. In addition, the start of the new regulatory period for the natural gas distribution network on 1 January 2018 will include the application of a lower weighted average cost of capital which has already been taken into consideration by the E-Control Commission upon determination of the network tariff. Scheduled depreciation and amortisation in this segment will increase further as a result of EVN's ongoing and intensive network investments. Segment results are therefore expected to be lower than the previous year in 2017/18.

Key indicators – Networks		2016/17	2015/16	+/– nominal	+/– %	2014/15
Key energy business indicators	GWh					
Network distribution volumes						
Electricity		8,452	8,128	324	4.0	8,121
Natural gas		18,642	16,216	2,426	15.0	14,958
Key financial indicators	EURm					
External revenue		497.9	434.2	63.8	14.7	412.8
Internal revenue		68.8	58.7	10.0	17.1	59.2
Total revenue		**566.7**	**492.9**	**73.8**	**15.0**	**472.0**
Operating expenses		–273.8	–272.3	–1.5	–0.6	–270.8
Share of results from equity accounted investees with operational nature		–	–	–	–	–
EBITDA		**292.9**	**220.6**	**72.2**	**32.7**	**201.2**
Depreciation and amortisation including effects from impairment tests		–115.2	–110.3	–4.9	–4.4	–105.6
Results from operating activities (EBIT)		**177.6**	**110.3**	**67.3**	**61.1**	**95.5**
Financial results		–16.6	–17.5	0.8	4.8	–17.4
Result before income tax		**161.0**	**92.8**	**68.2**	**73.4**	**78.1**
Total assets		1,921.3	1,883.5	37.7	2.0	1,831.5
Total liabilities		1,317.2	1,357.1	–39.8	–2.9	1,294.8
Investments[1)]		153.3	154.7	–1.4	–0.9	160.2

1) In intangible assets and property, plant and equipment

South East Europe

Highlights 2016/17

- → Temperature-related increase in network and energy sales volumes
- → Positive non-recurring effect from agreement with state-owned Bulgarian electricity company NEK
- → Improvement in EBITDA, EBIT and result before income tax

Legal and regulatory framework

EVN Bulgaria EC and the state-owned Bulgarian electricity company NEK concluded an agreement on 13 February 2017 for the settlement by NEK of outstanding receivables for the additional costs of renewable electricity financed in advance by EVN Bulgaria EC, together with default interest. The agreement was implemented through the mutually approved offset of the receivables held by EVN Bulgaria EC with receivables held by NEK from energy deliveries to EVN Bulgaria EC. This agreement led to the reversal of valuation allowances to receivables recorded by EVN Bulgaria EC in previous years.

A decision on 4 August 2017 formally terminated the legal proceedings initiated by the Bulgarian electricity regulatory authority against EVN Bulgaria EC on 19 March 2014. These proceedings, initiated because of the set-off of additional costs of renewable electricity, were intended to withdraw EVN Bulgaria EC's license, but ended following the agreement reached with NEK in February 2017.

The international arbitration proceedings initiated by EVN against the Republic of Bulgaria at the World Bank's International Centre for the Settlement of Investment Disputes (ICSID) remain active. However, the claim was reduced to reflect the above-mentioned settlement reached with NEK.

For information on the regulatory environment, see page 76

For information on competition-related proceedings, see page 57

Energy sector development

The development of energy and electricity network distribution volumes in Bulgaria and Macedonia during 2016/17 was influenced by the significantly lower temperatures during the winter.

Demand was also driven by the higher temperatures during the summer and the related increase in cooling. Electricity network distribution volumes in the South East Europe Segment rose by 767 GWh, or 5.7%, to 14,170 GWh, and electricity sales to end customers increased by 169 GWh, or 1.4%, to 12,051 GWh. Heat sales to end customers in Bulgaria were 47 GWh, or 25.7%, higher at 231 GWh.

In contrast, EVN's electricity generation in South Eastern Europe was 15 GWh, or 3.3%, lower at 436 GWh. Thermal electricity production from the co-generation plant in Plovdiv rose by 31 GWh, or 11.2%, to 306 GWh, but was unable to completely offset the decline of 46 GWh, or 26.1%, in renewable generation to 129 GWh. This reduction was caused by the water flows in Macedonia, which were lower than both the previous year and the long-term average.

Revenue development

These energy sector developments led to an increase of EUR 8.3m, or 0.9%, in segment revenue to EUR 958.0m.

Operating expenses and operating results

Operating expenses totalled EUR 790.6m and were EUR 29.6m, or 3.6%, lower than the previous year, above all due to a positive non-recurring effect from the above-mentioned agreement with NEK. Accordingly, EBITDA rose by EUR 37.9m, or 29.2%, to EUR 167.3m. Depreciation and amortisation, including the effects of impairment testing, declined by EUR 7.8m, or 8.3%, to EUR 86.3m. A further adverse price decision by the regulatory authority during the reporting year led to a further impairment loss of EUR 24.0m for the Bulgarian heating company TEZ Plovdiv. However, this impairment loss was lower than in the previous year. In total, EBIT equalled EUR 81.0m in 2016/17 (previous year: EUR 35.4m).

Financial results and result before income tax

Financial results remained nearly constant at EUR –23.0m (previous year: EUR –23.3m). The South East Europe Segment generated result before income tax of EUR 58.0m for the reporting year (previous year: EUR 12.1m).

Investments

Investments in this segment totalled EUR 92.0m and were EUR 1.4m, or 1.5%, lower than the previous year. EVN is continuing to invest in supply security and the reduction of network losses in Bulgaria and Macedonia.

Key indicators – South East Europe		2016/17	2015/16	+/– nominal	+/– %	2014/15
Key energy business indicators	GWh					
Electricity generation volumes		**436**	**450**	**–15**	**–3.3**	**495**
thereof renewable energy		129	175	–46	–26.1	209
thereof thermal power plants		306	276	31	11.2	286
Network distribution volumes		**14,170**	**13,403**	**767**	**5.7**	**13,563**
Sales volumes to end customers		**12,366**	**12,101**	**265**	**2.2**	**12,702**
thereof electricity		12,051	11,882	169	1.4	12,459
thereof natural gas		84	36	48	–	32
thereof heat		231	184	47	25.7	211
Key financial indicators	EURm					
External revenue		957.5	949.4	8.1	0.9	1,037.9
Internal revenue		0.5	0.3	0.2	50.5	0.2
Total revenue		**958.0**	**949.7**	**8.3**	**0.9**	**1,038.1**
Operating expenses		–790.6	–820.2	29.6	3.6	–917.4
Share of results from equity accounted investees with operational nature		–	–	–	–	–
EBITDA		**167.3**	**129.5**	**37.9**	**29.2**	**120.7**
Depreciation and amortisation including effects from impairment tests		–86.3	–94.1	7.8	8.3	–62.9
Results from operating activities (EBIT)		**81.0**	**35.4**	**45.6**	**–**	**57.8**
Financial results		–23.0	–23.3	0.3	1.2	–26.1
Result before income tax		**58.0**	**12.1**	**45.9**	**–**	**31.7**
Total assets		1,161.1	1,184.1	–23.0	–1.9	1,276.0
Total liabilities		937.6	1,006.3	–68.7	–6.8	1,119.4
Investments[1)]		92.0	93.5	–1.4	–1.5	78.5

1) In intangible assets and property, plant and equipment

Outlook

Results for the South East Europe Segment in 2017/18 will reflect the absence of the positive non-recurring effects recorded in the previous year from the agreement with NEK over the additional costs of renewable electricity. Moreover, temperatures – as well as network distribution and sales volumes – are expected to approach the lower long-term average. Energy sales volumes could also be affected by the continued liberalisation of the South Eastern European energy markets. Earnings are expected to decline, but remain positive in 2017/18 despite these developments. Changes in the regulatory environment could, however, have a significant influence on segment results. A decision by the World Bank's International Centre for the Settlement of Investment Disputes in the arbitration proceedings against the Republic of Bulgaria is expected during the 2017/18 financial year.

Environment

Highlights 2016/17

- → Focus of investments on drinking water supplies in Lower Austria
- → Positive developments in the international project business
  - – Contract-based transfer of the South-West Moscow drinking water project
  - – Best bidder for a wastewater treatment plant project in Kuwait
- → Operating results negatively influenced by non-recurring, non-cash effect (valuation allowance to inventories)

Revenue development

The positive development of the international project business in 2016/17 was reflected in an increase of EUR 20.7m, or 11.7%, in revenue for the Environment Segment to EUR 197.5m. This development was also supported by higher revenue from water supplies in Lower Austria, where EVN recorded weather-based volume growth due to the dry summer in 2017. In contrast, revenue from thermal waste utilisation was slightly lower than the previous year.

Operating expenses

Operating expenses totalled EUR 207.7m and were EUR 70.7m, or 51.6%, higher than the previous year. This increase is attributable primarily to the positive development of the international project business, but also reflects a valuation allowance recognised in the second quarter of 2016/17 to the remaining aggregate components (currently reported under inventories) from the former thermal waste utilisation plant project no. 1 in Moscow.

Results from equity accounted investees

The share of results from equity accounted investees with operational nature increased slightly by EUR 0.5m, or 4.1%, to EUR 13.9m.

Operating results

EBITDA in the Environment Segment was negatively affected by the above-mentioned valuation allowance – a non-recurring, non-cash effect – and fell by EUR 49.5m, or 93.1%, year-on-year to EUR 3.7m. Depreciation and amortisation declined slightly to EUR 24.9m (previous year: EUR 25.8m), and EBIT amounted to EUR –21.2m (previous year: EUR 27.3m).

Financial results and result before income tax

Financial results improved slightly by EUR 0.9m, or 35.7%, year-on-year to EUR –1.6m. The result before income tax equalled EUR –22.8m (previous year: EUR 24.8m).

Investments

In line with EVN's intensified efforts to further improve the security and quality of drinking water supplies in Lower Austria, investments in the Environment Segment were increased by EUR 3.1m, or 37.0%, to EUR 11.6m in 2016/17. The related projects continued to focus on the expansion of pumping station capacity and the further development of the cross-regional pipeline networks – measures whose effectiveness is visible particularly during the low-precipitation, hot summer months. At the Wienerherberg well field in Ebergassing, a facility which EVN has operated for nearly 50 years, construction started on another natural filter plant – the fourth of its kind in EVN's supply area. Natural filter plants make an ecological contribution to the quality of drinking water by reducing the hardness mechanically with modern membrane technology and without the use of chemicals. This, in turn, helps households to reduce the use of water softening and descaling agents. EVN also took over the management of the local drinking water networks in three additional Lower Austrian communities during October 2016, as well as in April and July 2017.

International project business

EVN's activities in the international project business are managed by the German subsidiary WTE Wassertechnik. As of 30 September 2017, EVN was working on the realisation of seven general contractor assignments for the construction of wastewater treatment projects in Croatia, Macedonia, Poland and the Czech Republic. Four of these projects – three in the Macedonian cities of Kičevo, Radoviš and Strumica (total contract value: approximately EUR 20.0m) and one in the Croatian city of Vodice (contract value: approximately EUR 6.0m) – have reached an advanced stage and should be commissioned during the first half of 2017/18. The projects are financed by the respective contracting authority with the support of EU subsidies. WTE Wassertechnik also received a contract for a further wastewater treatment project in Macedonia during January 2017: As the general contractor, it will be responsible for the construction of a new wastewater treatment plant in Kočani with a contract value of approximately EUR 15.0m.

In the Czech Republic, construction is proceeding as planned on the renovation and expansion of a wastewater purification plant in Prague that will service 1.2 million residents. WTE Wassertechnik, together with a partner, is responsible for the mechanical, electrical

Key financial indicators – Environment	EURm	2016/17	2015/16	+/– nominal	+/– %	2014/15
External revenue		181.0	158.4	22.6	14.2	152.3
Internal revenue		16.5	18.3	–1.8	–10.0	20.3
Total revenue		**197.5**	**176.8**	**20.7**	**11.7**	**172.6**
Operating expenses		–207.7	–137.0	–70.7	–51.6	–129.5
Share of results from equity accounted investees with operational nature		13.9	13.3	0.5	4.1	11.9
EBITDA		**3.7**	**53.1**	**–49.5**	**–93.1**	**55.1**
Depreciation and amortisation including effects from impairment tests		–24.9	–25.8	0.9	3.6	–26.4
Results from operating activities (EBIT)		**–21.2**	**27.3**	**–48.5**	**–**	**28.6**
Financial results		–1.6	–2.5	0.9	35.7	–7.6
Result before income tax		**–22.8**	**24.8**	**–47.6**	**–**	**21.0**
Total assets		816.4	895.1	–78.7	–8.8	940.6
Total liabilities		637.1	687.1	–49.9	–7.3	751.1
Investments[1)]		11.6	8.4	3.1	37.0	11.1

1) In intangible assets and property, plant and equipment

and process engineering in the building consortium for this project. The plant is expected to be commissioned at the end of 2018.

WTE Wassertechnik was awarded a contract in August 2017 to serve as the general contractor for the expansion of the wastewater treatment plant in Kęty, Poland. The contract has a value of approximately EUR 5.0m.

The operation of the South-West Moscow drinking water supply plant, which was built and financed by EVN, ended with the conclusion of the ten-year contract term on 31 December 2016. The city of Moscow acquired the local property company with the payment of the final instalment. EVN also completed additional adaptations at the request of the city of Moscow prior to the transfer. Activities in Moscow are now limited to the operation of waste incineration plant no. 3, which was constructed and financed by EVN, whereby the related contract will end in 2020. EVN also operates two sewage sludge-fuelled combined cycle heat and power co-generation plants in Moscow. With regard to the thermal waste utilisation plant project no. 1, considerable doubts over the feasibility of the project were raised in 2013/14 and led to the recognition of a valuation allowance to the leasing receivables and the reclassification to inventories of the amounts attributable to the saleable components. The remaining carrying amount was, as previously mentioned, written off during the reporting year. However, EVN is continuing to pursue its claims against the contract partners in this project.

The tender process for a wastewater treatment project in Kuwait, in which a bidder consortium formed by WTE Wassertechnik and a Kuwaiti financial investor submitted the best offer, is still in progress. The tendering authorities are expected to formally award the contract in 2018.

Outlook

The development of earnings in the Environment Segment is significantly influenced by the further acquisition and realisation of assignments in the international project business. Earnings are expected to be positive, in total, during 2017/18 due to the absence of the negative non-recurring effect from the valuation allowance to the aggregate components for the thermal waste utilisation plant project no. 1 in Moscow.

Key financial indicators – All Other Segments	EURm	2016/17	2015/16	+/– nominal	+/– %	2014/15
External revenue		13.4	10.1	3.4	33.3	9.3
Internal revenue		59.5	58.1	1.4	2.4	55.4
Total revenue		**73.0**	**68.2**	**4.8**	**7.0**	**64.7**
Operating expenses		–80.7	–74.8	–5.9	–7.9	–75.2
Share of results from equity accounted investees with operational nature		60.4	52.2	8.2	15.7	83.8
EBITDA		**52.7**	**45.6**	**7.1**	**15.6**	**73.2**
Depreciation and amortisation including effects from impairment tests		–1.4	–1.6	0.2	10.9	–2.7
Results from operating activities (EBIT)		**51.2**	**43.9**	**7.3**	**16.6**	**70.5**
Financial results		**45.6**	**22.1**	**23.5**	**–**	**30.6**
Result before income tax		**96.8**	**66.1**	**30.8**	**46.6**	**101.1**
Total assets		3,040.0	2,720.8	319.2	11.7	2,580.4
Total liabilities		1,265.8	1,226.5	39.3	3.2	1,115.2
Investments[1)]		2.3	1.9	0.4	19.8	2.5

1) In intangible assets and property, plant and equipment

All Other Segments

Highlights 2016/17

- → Higher earnings contribution from Energie Burgenland and RAG
- → Positive valuation effect in financial results
- → Improvement in EBITDA, EBIT and result before income tax

Revenue, EBITDA and EBIT development

Revenue in this segment rose by EUR 4.8m, or 7.0%, to EUR 73.0m in 2016/17, while operating expenses increased by EUR 5.9m, or 7.9%, to EUR 80.7m.

The share of results from equity accounted investees with operational nature grew by EUR 8.2m, or 15.7%, year-on-year to EUR 60.4m. This increase resulted primarily from the positive development of Energie Burgenland and RAG. EBITDA in this segment equalled EUR 52.7m (previous year: EUR 45.6m), and EBIT rose to EUR 51.2m (previous year: EUR 43.9m).

Financial results and result before income tax

Financial results in this segment increased by EUR 23.5m to EUR 45.6m. The improvement was supported primarily by the absence of the negative earnings contribution from WEEV Beteiligungs GmbH in the previous year and positive valuation effects from the Verbund shares. These shares were transferred by WEEV Beteiligungs GmbH to EVN AG in June 2017 within the scope of structural simplifications and reflected an increase in the share price over the carrying amount. EVN AG now directly holds 12.63% of the shares of Verbund AG. Financial results also include the lower dividend of EUR 0.29 per share from Verbund AG for the 2016 financial year (previous year: EUR 0.35 per share).

The segment result before income tax amounted to EUR 96.8m in 2016/17 (previous year: EUR 66.1m).

Outlook

Results in this segment are influenced primarily by the earnings contributions from RAG, Energie Burgenland and Verbund AG. The earnings guidance announced by Verbund AG suggests a higher dividend. However, a generally declining trend is expected in the share of results from equity accounted investees with operational nature due to the current prices for primary energy, which are decisive for the performance of RAG, and the absence of positive non-recurring effects at Energie Burgenland. Results for 2016/17 also included a positive valuation effect from the Verbund shares transferred by WEEV Beteiligungs GmbH to EVN AG in connection with a structural simplification. Segment results are therefore expected to be lower in 2017/18.

Consolidated financial statements for 2016/17

According to International Financial Reporting Standards

Consolidated statement of operations

EURm	Note	2016/17	2015/16
Revenue	25	2,215.6	2,046.6
Other operating income	26	101.9	97.0
Cost of materials and services	27	–1,302.6	–1,177.3
Personnel expenses	28	–316.8	–313.7
Other operating expenses	29	–139.0	–141.6
Share of results from equity accounted investees with operational nature	30	162.6	93.5
EBITDA		**721.6**	**604.4**
Depreciation and amortisation	31	–262.3	–266.1
Effects from impairment tests	31	–112.5	–77.9
Results from operating activities (EBIT)		**346.9**	**260.4**
Share of results from equity accounted investees with financial nature		12.2	–8.7
Results from other investments		18.8	14.4
Interest income		19.5	16.7
Interest expense		–65.4	–77.4
Other financial results		–6.5	–6.5
Financial results	32	**–21.4**	**–61.6**
Result before income tax		**325.5**	**198.9**
Income tax	33	–53.9	–16.0
Result for the period		**271.5**	**182.8**
thereof result attributable to EVN AG shareholders (Group net result)		251.0	156.4
thereof result attributable to non-controlling interests		20.5	26.4
Earnings per share in EUR[1)]	34	1.41	0.88
Dividend per share in EUR		0.47[2)]	0.42

1) There is no difference between basic and diluted earnings per share

2) Proposal to the Annual General Meeting: Dividend of EUR 0.44 + one-time bonus dividend of EUR 0.03

Consolidated statement of comprehensive income

EURm	Note	2016/17	2015/16
Result for the period		271.5	182.8
Other comprehensive income from			
Items that will not be reclassified to profit or loss		12.3	–27.7
Remeasurements IAS 19	47	26.6	–39.8
Investments in equity accounted investees	47	–7.6	1.8
Thereon apportionable income tax expense	47	–6.6	10.3
Items that may be reclassified to profit or loss		190.6	121.8
Currency translation differences	5	0.9	1.0
Available for sale financial instruments	47	245.3	119.5
Cash flow hedges	47	13.8	3.2
Investments in equity accounted investees	47	–3.7	33.0
Thereon apportionable income tax expense	47	–65.7	–34.9
Total other comprehensive income after tax		203.0	94.2
Comprehensive income for the period		474.5	277.0
thereof income attributable to EVN AG shareholders		454.9	250.6
thereof income attributable to non-controlling interests		19.6	26.4

Consolidated statement of financial position

EURm	Note	30.09.2017	30.09.2016
Assets			
Non-current assets			
Intangible assets	35	177.1	221.2
Property, plant and equipment	36	3,383.6	3,512.5
Investments in equity accounted investees	37	954.8	925.8
Other investments	38	919.0	612.0
Deferred tax assets	51	79.6	100.5
Other non-current assets	39	209.9	313.7
		5,723.8	**5,685.8**
Current assets			
Inventories	40	98.4	140.2
Trade and other receivables	41	409.0	414.1
Securities	42	0.5	75.4
Cash and cash equivalents	61	223.1	237.2
Non-current assets held for sale	43	–	3.8
		731.0	**870.8**
Total assets		**6,454.9**	**6,556.5**
Equity and liabilities			
Equity			
Issued capital and reserves attributable to shareholders of EVN AG	44–48	2,892.1	2,510.8
Non-controlling interests	49	258.0	259.8
		3,150.1	**2,770.7**
Non-current liabilities			
Non-current loans and borrowings	50	1,125.4	1,314.5
Deferred tax liabilities	51	171.8	93.2
Non-current provisions	52	452.6	508.0
Deferred income from network subsidies	53	584.1	560.7
Other non-current liabilities	54	58.3	64.3
		2,392.2	**2,540.7**
Current liabilities			
Current loans and borrowings	55	50.5	239.1
Taxes payable and levies	56	67.6	55.2
Trade payables	57	314.0	399.6
Current provisions	58	91.6	97.8
Other current liabilities	59	388.9	453.4
		912.6	**1,245.1**
Total equity and liabilities		**6,454.9**	**6,556.5**

Consolidated statement of changes in equity

EURm	Share capital	Share premium and capital reserves	Retained earnings	Valuation reserve	Currency translation reserve	Treasury shares	Issued capital and reserves of EVN AG shareholders	Non-controlling interests	Total
Balance on 01.10.2015	**330.0**	**253.0**	**1,868.2**	**–69.9**	**–24.0**	**–22.5**	**2,334.8**	**255.4**	**2,590.1**
Comprehensive income	–	–	156.4	93.1	1.0	–	250.6	26.4	277.0
Dividends 2014/15	–	–	–74.7	–	–	–	–74.7	–19.7	–94.4
Capital reduction	–	–	–	–	–	–	–	–2.2	–2.2
Change in treasury shares	–	–0.1	–	–	–	0.4	0.2	–	0.2
Other changes	–	–	–0.1	–	–	–	–0.1	–	–0.1
Balance on 30.09.2016	**330.0**	**252.9**	**1,949.9**	**23.2**	**–23.0**	**–22.2**	**2,510.8**	**259.8**	**2,770.7**
Comprehensive income	–	–	251.0	203.0	0.9	–	454.9	19.6	474.5
Dividends 2015/16	–	–	–74.7	–	–	–	–74.7	–21.5	–96.2
Change in treasury shares	–	0.1	–	–	–	1.0	1.1	–	1.1
Other changes	–	–	0.0*)	–	–	–	0.0*)	–	0.0*)
Balance on 30.09.2017	**330.0**	**253.0**	**2,126.2**	**226.2**	**–22.1**	**–21.2**	**2,892.1**	**258.0**	**3,150.1**
Note	44	45	46	47	5	48		49	

*) Small amount

Consolidated statement of cash flows

EURm	Note	2016/17	2015/16
Result before income tax		**325.5**	**198.9**
+ Depreciation, amortisation/– revaluation of intangible assets and property, plant and equipment	31	374.8	344.0
– Non-cash share of results of equity accounted investees and other investments	37, 38	–193.6	–99.1
+ Dividends from equity accounted investees and other investments		129.2	135.2
+ Interest expense		65.4	77.4
– Interest paid		–55.6	–63.6
– Interest income		–19.5	–16.7
+ Interest received		17.3	13.7
– Gains/+ losses from foreign exchange translations		–0.0*)	2.6
+/– Other non-cash financial results		2.3	–2.0
– Release of deferred income from network subsidies	26	–45.4	–43.7
– Gains/+ losses on the disposal of intangible assets and property, plant and equipment		1.6	0.7
+ Increase/– decrease in non-current provisions	52	–29.6	–9.5
Gross cash flow		**572.3**	**537.9**
+ Decrease/– increase in inventories and receivables		107.8	69.8
+ Increase/– decrease in current provisions		–6.3	–48.3
+ Increase/– decrease in trade payables and other liabilities		–154.3	–97.0
– Income tax paid		–10.5	0.6
Net cash flow from operating activities		**508.9**	**463.0**
+ Proceeds from the disposal of intangible assets and property, plant and equipment		98.2	4.4
+ Proceeds from network subsidies		63.7	72.4
+ Proceeds from the disposal of financial assets and other non-current assets		90.7	45.9
+ Proceeds from the disposal of current securities		135.7	10.4
– Acquisition of intangible assets and property, plant and equipment		–306.4	–315.9
– Acquisition of financial assets and other non-current assets		–91.6	–43.3
– Acquisition of current securities		–60.9	–4.5
Net cash flow from investing activities		**–70.6**	**–230.6**
– Dividends paid to EVN AG shareholders	46	–74.7	–74.7
– Dividends paid to non-controlling interests		–21.5	–19.7
– Increase/+ decrease in nominal capital		0.1	–2.2
– Repurchase/+ sales of treasury shares		1.0	0.2
– Decrease in financial liabilities		–344.8	–157.5
Net cash flow from financing activities		**–439.9**	**–253.9**
Net change in cash and cash equivalents[1)]		**–1.6**	**–21.5**
Net change in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period[1)]	61	223.5	244.9
Currency translation differences on cash and cash equivalents		–0.1	0.1
Cash and cash equivalents at the end of the period[1)]		221.8	223.5
Net change in cash and cash equivalents[2)]		**–1.6**	**–21.5**

1) By adding bank overdrafts this results in cash and cash equivalents according to the consolidated statement of financial position.
2) Additional information on the consolidated statement of cash flows can be found in note 61. Consolidated statement of cash flows.
*) Small amount

Consolidated notes

Basis of preparation

1. General

EVN AG, as the parent company of the EVN Group (EVN), is a leading listed Austrian energy and environmental services provider. Its headquarters are located in A-2344 Maria Enzersdorf, Austria. In addition to serving its domestic market in the province of Lower Austria, EVN is operating in the Bulgarian, Macedonian, Croatian, German and Albanian energy industry. EVN is also active in the area of environmental services through subsidiaries that provide customers in nine countries with water supply, wastewater treatment and thermal waste utilisation services.

The consolidated financial statements are prepared as of the balance sheet date of EVN AG. The financial year of EVN AG covers the period from 1 October to 30 September.

The consolidated financial statements are prepared on the basis of uniform accounting policies. In cases where the balance sheet date of a consolidated company differs from the balance sheet date of EVN AG, interim financial statements are prepared as of 30 September.

The consolidated financial statements are prepared on the basis of historical acquisition and production costs, unless indicated otherwise.

Certain items on the consolidated statement of financial position and the consolidated statement of operations are summarised to achieve a more understandable and clearly structured presentation. These positions are presented individually in the consolidated notes and explained according to the principle of materiality. In order to improve clarity and comparability, the amounts in the consolidated financial statements are generally shown in millions of euros (EURm), unless otherwise noted. Immaterial mathematical differences may arise from the rounding of individual items or percentage rates.

The consolidated statement of operations is prepared in accordance with the nature of expense method.

2. Reporting in accordance with IFRS

Pursuant to § 245a of the Austrian Commercial Code, the consolidated financial statements were prepared in accordance with the current guidelines set forth in the IFRSs issued by the International Accounting Standards Board (IASB) as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that were applicable as of the balance sheet date and had been adopted by the European Union (EU).

Standards and interpretations applied for the first time and changes in accounting policies

The following standards and interpretations were applied for the first time in the 2016/17 financial year:

Standards and interpretations applied for the first time		Effective[1]	Expected material effects on EVN's consolidated financial statements
New standards and interpretations			
–		–	
Revised standards and interpretations			
IFRS 10, IFRS 12 IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception	01.01.2016	None
IFRS 11	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations	01.01.2016	None
IAS 1	Presentation of Financial Statements – Disclosure Initiative	01.01.2016	See below
IAS 16, IAS 38	Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation	01.01.2016	None
IAS 16, IAS 41	Property, Plant and Equipment and Agriculture – Bearer Plants	01.01.2016	None
IAS 27	Separate Financial Statements – Equity Method in Separate Financial Statements	01.01.2016	None
Several	Annual Improvements 2012–2014	01.01.2016	See below

1) In accordance with the Official Journal of the EU, these standards are applicable to financial years beginning on or after the effective date.

The so-called "Disclosure Initiative" implemented initial recommendations for changes to IAS 1 which can be realised in the near term and are related to the revision of the conceptual framework of IFRS. These changes involve materiality as it relates to disclosures in the notes, information on the aggregation and disaggregation of positions on the balance sheet and statement of comprehensive income as well as explanations on the order of specific points in the notes which could, for example, be systemised in the future depending on the relevance of this data for an understanding of the company's asset, financial and earnings position. The application of the revised standard did not result in any material effects for EVN. However, the analysis of the potential effects was used as an opportunity to generally revise and streamline the consolidated notes and thereby improve both understanding and readability.

The Annual Improvements 2012–2014 inter alia clarified in respect of IAS 19 that the high value corporate bonds used for determining the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be made. An examination of the effects of the employee-related provisions in Bulgaria and Macedonia determined that the application of the revised standard did not result in any material effects for EVN.

EVN regularly monitors and analyses the effects of the application of revised standards and interpretations on the future presentation of the consolidated financial statements and the future disclosures in the consolidated notes.

Standards and interpretations already adopted by the EU, but not yet compulsory		Effective[1]	Expected material effects on EVN's consolidated financial statements
New standards and interpretations			
IFRS 9	Financial Instruments	01.01.2018	See below
IFRS 15	Revenue from Contracts with Customers	01.01.2018	See below
Revised standards and interpretations			
–			

1) In accordance with IASB, these standards are applicable to financial years beginning on or after the effective date.

IFRS 9 includes revised guidelines for the classification and measurement of financial assets, expanded rules for the recognition of impairment losses to financial assets and new rules for hedge accounting. The application of the new standard is expected to have an effect on the classification and measurement of financial assets in EVN's consolidated financial statements, whereby no statements can be made at this time concerning the effects on the asset, financial or earnings position. The rules for the recognition of impairment losses and the changeover to the expected credit loss model will tend to result in the earlier recognition of valuation allowances to receivables. From the current point of view, no material effects are expected in the area of hedge accounting and the three currently designated hedges should meet the IFRS 9 criteria. IFRS 9 is applicable retrospectively, with the exception of hedge accounting. EVN plans to apply the new standard in 2018/19, i.e. when its application becomes mandatory. Further detailed analyses will be carried out during the coming financial year.

IFRS 15 defines a five-step model for the recognition of revenue from contracts with customers and replaces all previously applicable standards and related interpretations. Under this model, a company recognises revenue at an amount equal to the consideration that can be expected in exchange for the performance obligations which cover the transfer of goods and/or services. A determination must be made when a contract is concluded as to whether the resulting revenue should be recognised at a specific point in time or over time. Revenue is realised when the customer obtains control over the goods or services. This standard also includes extensive requirements for qualitative and quantitative disclosures on the assets resulting from the capitalised costs for the acquisition and fulfilment of contracts with customers. EVN's customer contracts were analysed as part of an ongoing project to identify the contracts that could lead to a potential change in the previous method used to realise revenue. The analysed contracts primarily involve revenue from the electricity, natural gas, heat, water, waste utilisation and telecommunications business areas. Separately identifiable performance obligations were found in a number of these customer contracts. Material changes in the recognition of revenue are not expected from the current point of view because the separately identifiable performance obligations are fulfilled during the same time period. In addition, sales commissions were identified as contract acquisition costs which must be capitalised as assets in the future. Non-refundable initial payments that are distributed over the contract term will also lead to an increase in revenue in the future. Further detailed analyses will be carried out during the next financial year. EVN plans to use the modified retrospective approach and will therefore apply IFRS 15 for its outstanding contracts beginning in 2018/19.

Standards and interpretations not yet effective

The following standards and interpretations had been issued by the IASB as of 30 September 2017, but have not yet been adopted by the EU.

Standards and interpretations not yet applicable and not yet adopted by the EU		Effective[1]	Expected material effects on EVN's consolidated financial statements
New standards and interpretations			
IFRS 14	Regulatory Deferral Accounts	01.01.2016[2]	None
IFRS 16	Leases	01.01.2019	See below
IFRS 17	Insurance Contracts	01.01.2021	None
Revised standards and interpretations			
IFRS 10, IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01.01.2016[3]	See footnote
IAS 7	Disclosure Initiative	01.01.2017	See below
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	01.01.2017	None
IFRS 2	Classification and Measurement of Share-based Payment Transactions	01.01.2018	None
IFRS 4	Applying IFRS 9, Financial Instruments with IFRS 4, Insurance Contracts	01.01.2018	None
IFRS 15	Revenue from Contracts with Customers	01.01.2018	See above
Several	Annual Improvements 2014–2016	01.01.2018/ 01.01.2017	None
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01.01.2018	None
IAS 40	Transfers of Investment Property	01.01.2018	None
IFRIC 23	Uncertainty over Income Tax Treatments	01.01.2019	None

1) In accordance with IASB, these standards are applicable to financial years beginning on or after the effective date.
2) The European Commission has decided not to launch the endorsement process of this interim standard.
3) The IASB has proposed to postpone this initial application for an indefinite period.

IFRS 16 was published by the IASB in January 2016, and will replace the previous standard on leasing arrangements IAS 17 as well as the previous interpretations. IFRS 16 contains both a changed definition of the term lease as well as changed rules on the accounting by the lessee. Under the new regulations, the previous distinction between finance leases and operating leases does not apply any more. In that sense, operating leases will be recognisable in the balance sheet like finance leases in the future. Exceptions are leases with a term of twelve months or less, or if low-value assets are concerned. The simplifications are optional. EVN currently acts as lessee in operating leases, for which reason implications are to be expected by the application of IFRS 16. A project was started during the 2016/17 financial year to survey and identify contracts that fall under the new definition of leasing. However, it is not possible to quantify the effects on EVN's asset, financial or earnings position at the present time.

IAS 7 Disclosure Initiative on Cash Flow Statements requires additional disclosures on the changes of financial liabilities. The additional disclosures concern both cash changes as well as non-cash changes. The changes will lead to more comprehensive notes to the consolidated financial statements of EVN.

Basis of consolidation

3. Consolidation methods

Consolidation is carried out by offsetting the consideration transferred against the fair value of the acquired assets and assumed liabilities.

All significant companies whose financial and operating activities are directly or indirectly controlled by EVN AG (i. e. subsidiaries) are fully consolidated. EVN is considered to have a controlling interest over a company in which it holds an investment when it has a right to variable returns from the investee and can influence the amount of these returns through its control.

This is usually the case when EVN's voting rights exceed 50.0%, but may also apply if EVN has the power of disposition over and is the primary beneficiary of any economic benefits arising from the business operations of these companies or if EVN is required to carry most of the risks. Companies are initially consolidated on the acquisition date or at the time EVN gains control and are deconsolidated when control ends.

In accordance with IFRS 3, assets and liabilities (including contingent liabilities) obtained through business combinations are recognised at their full fair value, irrespective of any existing non-controlling interests. Non-controlling interests in subsidiaries are carried at the proportional share of net assets (excluding the proportional share of goodwill). Intangible assets are recognised separately from goodwill if they can be separated from the acquired company or arise from statutory, contractual or other legal rights. Any remaining positive differences which represent compensation to the seller for market opportunities or developmental potential that cannot be individually identified are recognised in local currency as goodwill and allocated to cash-generating units (CGUs) in the relevant segment (for information on the treatment and recovarability of goodwill, see notes **35. Intangible assets** and **22. Procedures and effects of impairment tests).** Negative differences are recognised in profit or loss after a repeated measurement of the acquired company's identifiable assets and liabilities (including contingent liabilities) and measurement of the acquisition cost. The differences between fair value and the carrying amount are carried forward in accordance with the related assets and liabilities during the subsequent consolidation. A change in the investment in a fully consolidated company is accounted for directly in equity without recognition through profit or loss. As in the previous financial year there was no new acquisition of companies according to IFRS 3 during the reporting period.

Joint arrangements are included in the consolidated financial statements of EVN AG depending on the rights and obligations attributed to the controlling parties by the respective agreement. If only rights to the net assets are involved, the joint arrangement is classified as a joint venture according to IFRS 11 and included at equity. If rights to the assets and obligations for the liabilities are involved, the joint arrangement is classified as a joint operation according to IFRS 11 and included in the consolidated financial statements through line-by-line consolidation.

Associates – i. e. companies in which EVN AG can directly or indirectly exercise significant influence – are included at equity.

Subsidiaries, joint ventures and associates are not consolidated if their influence on EVN's asset, financial and earnings position is considered to be immaterial, either individually or in total. These companies are reported at cost less any necessary impairment losses. The materiality of an investment is assessed on the basis of the balance sheet total, the proportional share of equity, external revenue and annual profit or loss as reported in the last available financial statements in relation to the respective Group totals.

Intragroup receivables, liabilities, income and expenses as well as intragroup profits and losses are eliminated unless they are immaterial. The consolidation procedure for profit or loss includes the effects of income taxes as well as the recognition of deferred taxes.

4. Scope of consolidation

The scope of consolidation is determined in accordance with the requirements of IFRS 10. Accordingly, 27 domestic and 36 foreign subsidiaries (including the parent company EVN AG) were fully consolidated in the consolidated financial statements as of 30 September 2017 (previous year: 30 domestic and 37 foreign subsidiaries). A total of 19 subsidiaries (previous year: 25) were not consolidated due to their immaterial influence on EVN's asset, financial and earnings position, either individually or in total.

EVN AG is the sole limited partner of EVN KG and, as such, participates to 100.0% in profit or loss of EVN KG. EnergieAllianz serves as the general partner of EVN KG, but does not hold an investment in this company. The agreements concluded between the EnergieAllianz shareholders for the management of EVN KG result in joint control. EVN KG is therefore classified as a joint venture in the sense of IFRS 11 and consolidated at equity. Contractual agreements also lead to the classification of the EnergieAllianz Group (EnergieAllianz and its subsidiaries) as a joint venture in the sense of IFRS 11; the group is therefore included in the consolidated financial statements at equity.

RBG, a fully consolidated company in which EVN AG has an unchanged interest of 50.03%, holds a 100.0% stake in RAG. RAG is consolidated at equity because contractual agreements prevent EVN from exercising control.

Bioenergie Steyr, in which EVN Wärme holds a stake of 51.0%, is included in the consolidated financial statements of EVN at equity because contractual agreements exclude any possibility of control.

Verbund Innkraftwerke Deutschland, in which EVN AG has an unchanged interest of 13.0%, is included at equity due to special contractual arrangements that allow EVN AG to exercise significant influence.

For those companies in which 50.00% is held, there is no control in accordance with IFRS 10. These companies are classified as joint ventures in the sense of IFRS 11 based on the contractual agreements and are therefore included in the consolidated financial statements at equity.

An overview of the companies included in the consolidated financial statements is provided under **EVN's investments**, starting on page 182. Notes **49. Non-controlling interests** and **65. Disclosures of interests in other entities** provide detailed information on the subsidiaries with major non-controlling interests as well as joint ventures and associates that are included in the consolidated financial statements.

The scope of consolidation (including EVN AG as the parent company) developed as follows during the reporting year:

Changes in the scope of consolidation	Full consolidation	Line-by-line (joint operation)	Equity	Total
30.09.2015	**68**	**1**	**19**	**88**
First consolidation	1	–	–	1
Deconsolidation	–	–	–1	–1
Reorganisation	–2	–	–1	–3
30.09.2016	**67**	**1**	**17**	**85**
First consolidation	1	–	–	1
Deconsolidation	–2	–	–	–2
Reorganisation[1)]	–3	–	–	–3
30.09.2017	**63**	**1**	**17**	**81**
thereof foreign companies	36	1	5	42

1) Internal reorganisation

EVN Elektrodistribucija DOOEL, Skopje, Macedonia, which was founded in 2015/16, was previously not included in EVN's consolidated financial statements due to immateriality. This company was initially included through full consolidation in the second quarter of 2016/17.

WTE Projektna druzba Kranjska Gora d.o.o., Kranjska Gora, Slovenia, which was previously included through full consolidation, was deleted from the company register on 23 January 2017 following the conclusion of liquidation proceedings and subsequently deconsolidated during the second quarter of 2016/17.

The South-West Moscow drinking water project was settled in accordance with the contract terms at the end of December 2016. With the payment of the final instalment, the Moscow city government acquired the right to purchase the shares in OAO "WTE Süd-West", Moscow, Russia. This option was subsequently exercised by the city government. The transfer of shares to the Moscow city government which was recorded in the shareholders' register and thus the deconsolidation of OAO "WTE Süd-West" took place on 28 December 2016 and terminated the operational management of the drinking water plant by EVN after ten years.

5. Foreign currency translation

All Group companies record their foreign currency business transactions at the average exchange rate in effect on the date of the relevant transaction. Monetary assets and liabilities denominated in a foreign currency are also translated at the average exchange rate on the balance sheet date. Any resulting foreign currency gains or losses are recognised in profit or loss.

In accordance with IAS 21, the annual financial statements of Group companies that are prepared in a foreign currency are translated into euros for inclusion in the consolidated financial statements. This translation is based on the functional currency method, under which the assets and liabilities of companies not reporting in euros are converted by applying the average exchange rate on the balance sheet date and any income and expenses are converted at the average annual rate. Unrealised currency translation differences from long-term Group loans are recorded under the currency translation reserve in equity without recognition in profit or loss. Currency translation differences directly recognised in equity resulted in an increase of EUR 0.9m in equity during 2016/17 (previous year: increase of EUR 1.0m); furthermore, an amount of EUR 0.4m was transferred from other comprehensive income to the consolidated statement of operations in the financial year 2016/17.

Additions and disposals are reported at the applicable average exchange rates in all tables. Changes in the average exchange rates between the balance sheet date for the reporting year and the previous year as well as differences arising from the use of average exchange rates to translate changes during the financial year are reported separately under currency translation differences in all tables.

Goodwill resulting from the acquisition of foreign subsidiaries is recorded at the exchange rate in effect on the acquisition date. This goodwill is subsequently allocated to the acquired company and translated at the exchange rate in effect on the balance sheet date. When a foreign company is deconsolidated, any related currency differences are recognised in profit or loss.

The following key exchange rates were used for foreign currency translation:

Foreign currency translation	2016/17		2015/16	
Currency	Exchange rate on the balance sheet date	Average[1]	Exchange rate on the balance sheet date	Average[1]
Albanian lek	133.50000	134.95000	137.52000	138.06308
Bulgarian lev[2]	1.95583	1.95583	1.95583	1.95583
Croatian kuna	7.49500	7.46918	7.52200	7.56384
Czech koruna	25.98100	26.68462	27.02100	27.05638
Hungarian forint	310.67000	308.96538	309.79000	312.61846
Macedonian denar	61.46800	61.59076	61.49400	61.63142
Polish zloty	4.30420	4.29246	4.31920	4.33474
Russian ruble	68.25190	66.16763	70.51400	74.78526
Serbian denar	119.36590	122.35314	123.29290	122.44939

1) Average on the last day of each month

2) The exchange rate was determined by Bulgarian law.

Accounting policies

6. Intangible assets

Acquired intangible assets are recognised at acquisition cost less straight-line amortisation and any impairment losses, unless their useful life is classified as indefinite. Assets with a determinable limited useful life are amortised on the basis of that expected useful life, which equals three to eight years for software and three to 40 years for rights. Customer relationships capitalised in connection with a business acquisition, which have a determinable useful life because of potential market liberalisation, are amortised on a straight-line basis over five to 15 years. The expected useful lives and amortisation curves are determined by estimating the timing and distribution of cash inflows from the corresponding intangible assets over time. Intangible assets with an indefinite useful life are measured at cost and tested annually for impairment (see note **22. Procedures and effects of impairment tests).**

Internally generated intangible assets must meet the requirements of IAS 38 in order to be capitalised. This standard distinguishes between research and development expenses.

Service concessions that meet the requirements of IFRIC 12 are classified as intangible assets. Expenses and income are recognised according to the percentage-of-completion-method at the fair value of the compensation received. The percentage of completion is assessed according to the cost-to-cost method. The requirements defined in IFRIC 12 are in particular currently met by the hydro-power plant Ashta as well as the sewage treatment plant project Zagreb, both of which are included at equity.

7. Property, plant and equipment

Property, plant and equipment are carried at acquisition or production cost less scheduled straight-line depreciation and any necessary impairment losses. The acquisition or production cost also includes the estimated expenses for demolition and disposal if there is an obligation to decommission or demolish the plant and equipment or to restore property at the end of the asset's useful life. The present value of the estimated demolition and/or disposal costs is capitalised along with the acquisition or production cost and also recognised as a liability (provision). Production costs for internally generated fixed assets include appropriate material and manufacturing overheads in addition to direct material and labour costs.

Ongoing maintenance and repairs to property, plant and equipment are recognised in profit or loss, provided this work does not change the nature of the asset or lead to additional future benefits. If these measures enhance the value of the respective asset, the related expenses must be retroactively capitalised as part of the acquisition or production cost.

If the construction of property, plant and equipment continues over an extended period of time, the assets are classified as "qualifying assets". The borrowing costs incurred during the construction period are then capitalised as a part of the production cost in accordance with IAS 23. In keeping with EVN's accounting policies, a project gives rise to a qualifying asset only if construction takes at least twelve months.

Property, plant and equipment are depreciated from the time they are available for use. Depreciation for property, plant and equipment subject to wear and tear is calculated on a straight-line basis over the expected useful life of the relevant asset or its components. The expected economic and technical life is evaluated at each balance sheet date and adjusted if necessary.

Straight-line depreciation is based on the following useful lives, which are uniform throughout the Group:

Expected useful life of property, plant and equipment	Years
Buildings	10–50
Transmission lines and pipelines	15–50
Machinery	10–50
Meters	5–40
Tools and equipment	3–25

When property, plant and equipment are retired, the acquisition or production cost and accumulated depreciation are reported as a disposal. The difference between the net proceeds from the sale and the carrying amount are recognised in other operating income or expenses.

8. Investments in equity accounted investees

Investments in equity accounted investees are initially recognised at cost. In subsequent periods, the carrying amounts of these investments are adjusted by the share of profit or loss attributable to EVN, less any dividends received, and by EVN's share of other comprehensive income and any other changes in equity. Investments accounted for according to the equity method are tested for impairment in accordance with IAS 36 if there are any indications of a loss in value (see note **22. Procedures and effects of impairment tests).**

The share of results from equity accounted investees with operational nature is reported as part of results from operating activities (EBIT). The share of results from equity accounted investees with financial nature is reported as part of financial results (see notes **30. Share of results from equity accounted investees with operational nature**, **32. Financial results** and **65. Disclosures of interests in other entities).**

9. Financial instruments

A financial instrument is a contract that gives rise to a financial asset in one company and a financial liability or an equity instrument in another company.

Primary financial instruments

The following measurement categories are used by EVN:

- Available for sale financial assets ("AFS")
- Loans and receivables ("LAR")
- Financial assets designated at fair value through profit or loss and derivative financial instruments with a positive or negative fair value ("@FVTPL")
- Financial liabilities measured at amortised cost ("FLAC")

In accordance with the requirements of IFRS 7 for disclosures in the notes, the following table presents EVN's primary financial instruments by class together with the corresponding measurement categories:

Classes and measurement categories of primary financial instruments	Measurement category
Non-current assets	
Other investments	
Miscellaneous investments	AFS
Other non-current assets	
Securities	@FVTPL
Loans receivable	LAR
Lease receivables	LAR
Receivables arising from derivative transactions	Hedge Accounting, @FVTPL
Current assets	
Current receivables and other current assets	
Trade and other receivables	LAR
Receivables arising from derivative transactions	Hedge Accounting, @FVTPL
Securities	AFS
Cash and cash equivalents	
Cash on hand and cash at banks	LAR
Non-current liabilities	
Non-current loans and borrowings	
Bonds	FLAC
Bank loans	FLAC
Other non-current liabilities	
Lease liabilities	FLAC
Accruals of financial transactions	FLAC
Other liabilities	FLAC
Liabilities arising from derivative transactions	Hedge Accounting, @FVTPL
Current liabilities	
Current loans and borrowings	FLAC
Trade payables	FLAC
Other current liabilities	
Other financial liabilities	FLAC
Liabilities arising from derivative transactions	Hedge Accounting, @FVTPL

Primary financial instruments are recognised in the consolidated statement of financial position when EVN is contractually entitled to receive payment or other financial assets from another party. Purchases and sales at prevailing market conditions are reported as of the settlement date.

Primary financial instruments (with the exception of the financial assets designated @FVTPL) are initially recognised at fair value plus transaction costs. Subsequent measurement is based on the classification to the measurement categories listed above and the rules applicable to the individual categories. These rules are described in the notes to the individual items on the consolidated statement of financial position.

The securities reported under other non-current assets are measured @FVTPL because they are managed based on fair value. The net results of financial instruments recognised as @FVTPL include interest. Nonderivative financial assets that are not classified under loans and receivables or @FVTPL are assigned to the measurement category AFS.

All financial assets that fall under the scope of application of IAS 39, with the exception of financial assets designated at fair value in profit or loss, are tested for objective signs of impairment as of each balance sheet date. For financial assets, impairment is determined in accordance with the respective measurement category in accordance with IAS 39 and recognised accordingly. For equity instruments assigned to the valuation category AFS, impairment losses are recognised when there is a significant or longer decline in fair value below the acquisition cost. EVN defines a significant or longer decline in fair value as a decline of more than 20% as of the valuation date or a permanent decline over a period of nine months.

Derivative financial instruments

The main instruments used by EVN to manage and limit existing exchange rate and interest rate risks in the financial sector are foreign currency and interest rate swaps. EVN uses swaps, futures and forwards to limit energy sector risks arising from changes in commodity and product prices as well as changes related to electricity transactions.

The forward and futures contracts concluded by EVN for the purchase or sale of electricity, natural gas and CO_2 emission certificates serve to hedge the purchase prices for expected electricity, natural gas or CO_2 emission certificates as well as the selling prices for planned electricity production. If physical delivery is effected based on the expected procurement, sale or usage requirements, the requirements of the so-called "own use exemption" under IAS 39 are met, which do not represent derivative financial instruments in terms of IAS 39, but represent pending purchase and sale transactions, which must be assessed for possible impending losses in accordance with the requirements of IAS 37. If the requirements for the own use exemption are not met – for example, by transactions for short-term optimisation – the contracts are recorded as derivatives in accordance with IAS 39.

Derivative financial instruments are recognised at fair value, which generally reflects the acquisition cost, when the respective contract is concluded and measured at fair value in subsequent periods. The fair value of derivative financial instruments is determined on the basis of quoted market prices, information provided by banks or discounting-based valuation methods whereby the counterparty risk is also included. Derivative financial instruments are reported as other (current or non-current) assets or other (current or non-current) liabilities.

The accounting treatment of the changes in the fair value of derivatives used for hedging purposes depends on the type of the hedging transaction.

Cash flow hedges are used to hedge interest rate risks arising from financial liabilities.

The effective portions of the gains and losses arising from the fair value measurement of derivative financial instruments classified in accordance with IAS 39 as cash flow hedges on the balance sheet are recorded under other comprehensive income under the valuation reserve without recognition in profit or loss, taking into account deferred tax liabilities/assets in accordance with IAS 39. The ineffective portion is immediately recognised in profit or loss. The cumulative amount recognised in equity remains in the other comprehensive income and is transferred as reclassification adjustment from equity to profit or loss in the same period or periods in which the hedged business transaction affects profit or loss, or the expected transaction is no longer expected to occur. The maturity of the hedging instrument is coordinated with the occurrence of the future transaction.

Fair value hedges are used to hedge currency risks.

Derivative financial instruments classified under IAS 39 as fair value hedges serve to hedge recognised assets or liabilities against the risk of a change in fair value. For fair value hedges, in addition to the fair value change of the derivative, the contrasting fair value change of the underlying transaction, as far as it represents the hedged risk, is recognised in profit or loss. The earnings are generally shown under the item in the consolidated statement of operations under which the underlying transaction is reported. The value fluctuations of the hedging transactions are essentially offset by the value fluctuations of the hedged transactions.

The derivatives used by EVN for hedging purposes constitute effective protection. The fair value changes of the derivatives are mostly offset by compensating value changes of the underlying transactions. The hedging relationship between underlying transaction and the hedging instrument as well as their effectiveness are analysed and documented at the conclusion of the relationship and subsequently at regular intervals.

10. Other investments

Other investments include shares in associated companies which are not included in the consolidated financial statements due to immateriality. These shares are recorded at cost less any necessary impairment losses. The remaining other investments are assigned to the valuation category AFS and are recognised in the consolidated statement of financial position at fair value. If fair value cannot be reliably determined, these investments are included at cost less any necessary impairment losses. Fair value is determined on the basis of share prices wherever possible. Unrealised profits or losses are recognised in other comprehensive income. An impairment loss (see note **9. Financial instruments)** is recognised in profit or loss. When financial assets are sold, the unrealised profits or losses previously recognised in other comprehensive income are transferred to profit or loss.

11. Other non-current assets

Securities recorded under non-current assets are initially recognised as @FVTPL. These assets are recorded at fair value as of the acquisition date and subsequently measured at fair value as of the balance sheet date. Changes in fair value are recognised in the consolidated statement of operations.

Originated loans are classified as LAR, whereby the carrying amount on the acquisition date corresponds to the fair value. These loans are subsequently measured at amortised cost in keeping with the effective interest rate method and also reflect any necessary impairment losses.

Lease receivables and accrued lease transactions are related to the international project business of the Environmental Segment. They are classified as finance leases according to IAS 17 in conjunction with IFRIC 4.

Receivables arising from derivative transactions are recognised at their fair values. Gains and losses arising from changes in the fair value of derivative financial instruments are either recognised in profit or loss in the consolidated statement of operations or in other comprehensive income (see note **9. Financial instruments).**

The measurement of non-current primary energy reserves and miscellaneous other non-current assets is based on acquisition or production cost or the lower net realisable value on the balance sheet date.

12. Inventories

The measurement of inventories is based on acquisition or production cost or the lower net realisable value as of the balance sheet date. For marketable inventories, these values are derived from the current market price. For other inventories, these figures are based on the expected proceeds less future production costs. If the generation of electricity from primary energy inventories does not cover the full production cost, this electricity is carried at the lower market price (which represents the best available measurement basis). Risks arising from the length of storage or reduced marketability are reflected in experience-based reductions. The moving average price method is used to determine the consumption of primary energy inventories as well as raw materials, auxiliary materials and fuels.

13. Trade and other receivables

Current receivables are generally reported at amortised cost, which equals the acquisition cost less impairment losses for the components of the receivables that are expected to be uncollectible. Possibly impaired receivables are grouped together on the basis of comparable default risk (especially the time outstanding) and tested together for impairment; any necessary impairment losses are then recognised. The impairment losses, which are recognised in the form of individual bad debt allowances by way of adjustment accounts, are sufficient to reflect the expected default risks. Specific default incidents result in derecognition of the related receivable.

Amortised costs, less any applicable impairment losses, can be considered appropriate estimates of the current value because the remaining term to maturity is generally less than one year.

Exceptions to the above procedure are receivables arising from derivative transactions which are recognised at fair value, and foreign currency items, which are measured at the exchange rates in effect on the balance sheet date.

14. Securities

Current securities are classified as AFS and measured at their fair value. Changes in fair value are recorded under other comprehensive income. When the securities are sold, these gains or losses are transferred to profit or loss.

15. Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits. Cash balances in foreign currencies are translated at the exchange rate in effect on the balance sheet date.

16. Non-current assets held for sale

Non-current assets or groups of assets whose sale is sufficiently probable are classified as held for sale when the necessary approvals have been issued and the requirements of IFRS 5 have been met. If necessary, the carrying amount of these assets is reduced to the lower fair value less costs of disposal. Depreciation and amortisation are terminated up to the point of sale. These assets are presented separately from other assets on the balance sheet. Any gain or loss not recognised up to the date on which a non-current asset is sold is recognised on the derecognition date (see note **43. Non-current assets held for sale).**

17. Equity

In contrast to borrowings, equity is defined by the IFRS framework as the "residual interest in the assets of an entity after deducting all of its liabilities". Equity is thus the residual value of a company's assets and liabilities.

Treasury shares held by EVN are not recognised as securities pursuant to IAS 32, but are instead reported at their (repurchase) acquisition cost and offset against equity. Any profit or loss resulting from the resale of treasury shares relative to the acquisition cost increases or decreases capital reserves.

The items recorded under other comprehensive income include certain changes in equity that are not recognised through profit or loss as well as the related deferred taxes. For example, this position contains the currency translation reserve, unrealised gains or losses from the fair value measurement of other investments (available for sale financial instruments), the effective portion of changes in the fair value of cash flow hedges as well as all remeasurements according to IAS 19. This item also includes the proportional share of gains and losses recognised directly in equity accounted investees.

18. Provisions

Personnel provision

The projected unit credit method is used to determine the provisions for pensions and obligations similar to pensions as well as for severance payments. The expected pension payments are distributed according to the number of years of service by employees until retirement, taking expected future increases in salaries and pensions into account.

The amounts of the provisions are determined by an actuary as of each balance sheet date based on an expert opinion. The measurement principles are described in note **52. Non-current provisions.** All remeasurements – at EVN, only gains and losses from changes in actuarial assumptions – are recognised under other comprehensive income in accordance with IAS 19.

As in the previous year, the biometric measurement principles applicable to the provisions for pensions were based on the Austrian mortality tables "Rechnungsgrundlagen AVÖ 2008-P – Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler".

The applied interest rate is based on the market yields for first-class, fixed-interest industrial bonds as of the balance sheet date, whereby the timing of the benefits was taken into account.

The service cost added to the provision is reported under personnel expenses, while the interest component of the addition is included under financial results.

Provisions for pensions and obligations similar to pensions
Under the terms of a company agreement, EVN AG is required to pay a supplementary pension on retirement to employees who joined the company prior to 31 December 1989. This commitment also applies to employees who, within the context of the legal unbundling agreement for the spin-off of the electricity and natural gas networks, are now employed by Netz NÖ. The amount of this supplementary pension is based on performance as well as on the length of service and the amount of remuneration at retirement.EVN, in any case, and the employees, as a rule, also make contributions to the umbrella pension fund VBV Pensionskasse AG (VBV) and the resulting claims are fully credited toward pension payments. Therefore, EVN's obligations toward both retired employees and prospective beneficiaries are covered in part by provisions for pensions as well as by defined contribution payments on the part of VBV.

For employees who joined the company after 1 January 1990, the supplementary company pension has been replaced by a defined contribution plan that is financed through VBV. VBV is responsible for the investment of the pension plan assets. Pension commitments were also made to certain employees, which require EVN to pay retirement benefits under certain conditions.

Provisions for obligations similar to pensions were recognised for liabilities arising from the vested claims of current employees and the current claims of retired personnel and their dependents to receive benefits in kind in the form of electricity and natural gas.

Provision for severance payments
Austrian corporations are required by law to make one-off severance payments to employees whose employment began before 1 January 2003 if they are dismissed, in case of dissolution of the employment relationship by mutual consent or when they reach the legal retirement age. The amount of such payments is based on the number of years of service and the amount of the respective employee's remuneration at the time the severance payment is made.

Employees in Bulgaria and Macedonia are entitled to severance payments on retirement, which are based on the number of years of service. With regard to severance compensation entitlements, the other EVN employees are covered by similar social protection measures contingent on the legal, economic and tax framework of the country in which they work.

The obligation to make one-off severance payments to employees of Austrian companies whose employment commenced after 31 December 2002 has been transferred to a defined contribution plan. The payments to this external employee fund are reported under personnel expenses.

Other provisions
The other provisions reflect all recognisable legal or factual commitments to third parties based on past events, where the amount of the commitments and/or the precise starting point was still uncertain. In these cases, a reliable estimate of the amount of the obligation is required. If a reliable estimate is not possible, a provision is not recognised. These provisions are recognised at the discounted settlement amount. They are measured based on the expected value or the amount most likely to be incurred.

Risk-free, pre-tax interest rates are used for the discount rates. The risks and uncertainties related to the expected expenditures are included in the estimates for the future cash flows.

The provisions for service anniversary bonuses required by collective wage and company agreements are measured using the same parameters as the provisions for pensions and obligations similar to pensions. A new regulation in the collective agreement for salaried employees of utility companies entitles salaried employees whose employment relationship began after 31 December 2009 to a service anniversary bonus equalling one month's salary after 15, 20, 25, 30 and 35 years and to one-half month's salary after 40 years. All remeasurements – at EVN, only gains and losses from changes in actuarial assumptions – are recognised with respect to service anniversary bonuses through profit or loss in accordance with IAS 19. The service cost added to the provision is reported under personnel expenses, while the interest component of the addition is included under financial results.

Waste disposal and land restoration requirements related to legal and perceived commitments are recorded at the present value of the expected future costs. Changes in the estimated costs or the interest rate are offset against the carrying amount of the underlying asset. If the decrease in a provision exceeds the carrying amount of the asset, the difference is recognised through profit or loss. The depreciation amount is to be corrected in accordance with the residual carrying amount and depreciated over the remaining useful life. If the asset has reached the end of its useful life, all subsequent changes to the provisions shall be recognised in profit or loss.

Provisions for onerous contracts are recognised at the amount of the unavoidable outflow of resources. This represents the lower of the amount that would result from performance of the contract and any compensatory payments to be made in the event of non-performance.

19. Liabilities

Liabilities are reported at amortised cost, with the exception of liabilities arising from derivative financial instruments or liabilities arising from hedge accounting (see note **9. Financial instruments).** Costs for the procurement of funds are considered part of amortised cost. Non-current liabilities are discounted by applying the effective interest method.

With respect to financial liabilities, bullet loans and borrowings with a remaining term to maturity of over one year are classified as non-current and items with a remaining term to maturity of less than one year are reported under current loans and borrowings (for information on maturities see note **50. Non-current loans and borrowings).**

If the fulfilment of a liability is expected within twelve months after balance sheet date, the liability is classified as current.

Construction subsidies and investment grants do not reduce the acquisition or production cost of the corresponding assets. They are therefore reported as liabilities in the consolidated statement of financial position in analogous application of IAS 20.

Construction subsidies – which constitute payments made by customers as part of previous investments in network construction – represent an offset to the acquisition cost of these assets. In the electricity and natural gas network business they are related to supply obligations by EVN. The granting of investment subsidies generally requires an operational management structure that complies with legal requirements and has been approved by the authorities. Construction and investment subsidies are released on a straight-line basis over the average useful life of the respective assets.

20. Revenue recognition

Realisation of revenue (in general)

Revenues from the end customer business are determined as of the balance sheet date in part based on statistical procedures used in the billing systems and accrued in line with the quantities of energy and water supplied during the reporting period. Revenues are recognised when EVN has provided a billable service to the customer.

Interest income is reported pro rata temporis using the effective interest rate of the asset. Dividends are recognised when a legal entitlement to payment arises.

IFRIC 18 regulates the accounting treatment for business transactions in which a company receives from its customers an asset or cash which is then used to acquire or construct an asset to provide the customer with access to a network or with an ongoing supply of goods or services. The construction subsidies received by EVN fall in part under the scope of application of IFRIC 18. Construction subsidies in the electricity and natural gas network business are related to EVN's supply obligations. They are accrued as liabilities and released on a straight-line basis over the useful life of the related property, plant and equipment. The reversals of deferred income from construction subsidies are reported under other operating income.

Contract manufacturing

Receivables from the project business (in particular, PPP projects – Public Private Partnership) and the related revenue are accounted for by applying the percentage of completion (PoC) method. Projects are subject to individual contract terms that specify fixed prices. The percentage of completion is determined using the cost-to-cost method. This entails recognising revenue and profits at the ratio of the costs actually incurred to the estimated total costs for the project. Reliable estimates of the total costs, selling prices and actual costs incurred are available. Changes in the estimated contract costs and any related losses are recognised in profit or loss as incurred. The technological and financial risks that might occur during the remaining project period are estimated for each project, and a corresponding contingency fee is included in the estimated contract costs. Impending losses on the valuation of projects not yet invoiced are expensed as incurred. Impending losses are recognised when it is probable that the total contract costs will exceed the contract revenues.

21. Income taxes and deferred taxes

The income tax expense reported in the consolidated statement of operations comprises the current income tax expense for fully consolidated companies, which is based on their taxable income and the applicable income tax rate, as well as the change in deferred tax assets and deferred tax liabilities.

The following income tax rates were applied in calculating current income taxes:

Corporate income tax rates %	2016/17	2015/16
Country of residence		
Austria	25.0	25.0
Albania	15.0	15.0
Bulgaria	10.0	10.0
Croatia	18.0	20.0
Cyprus	12.5	12.5
Czech Republic	19.0	19.0
Estonia[1)]	20.0	20.0
Germany – Environment	30.3	30.3
Germany – Generation	32.4	33.7
Lithuania	15.0	15.0
Macedonia	10.0	10.0
Montenegro	9.0	9.0
Poland	19.0	19.0
Romania	16.0	16.0
Russia	20.0	20.0
Serbia	15.0	15.0
Slovenia	19.0	17.0

1) Taxes on corporate profits are levied when dividends are paid to the shareholders. Retained earnings are not taxed.

EVN utilised the corporate tax group option through the formation of one such tax group as of 30 September 2017 (previous year: one). NÖ Landes-Beteiligungsholding GmbH, St. Pölten, serves as the head of this group, which includes EVN AG as a member. A group and tax settlement contract was concluded for this purpose. EVN AG also has the right to designate other corporate entities as members of this tax group.

The taxable profit of the companies belonging to this group is attributable to EVN AG, which calculates combined results based on the attributed taxable profit. The contract calls for the payment of a positive tax charge, which is based on the stand-alone method, when the aggregated results are positive. If the aggregated results are negative, the tax losses are kept on record and offset against future positive results. The related disclosures are reported under income taxes. The transfer of losses from foreign subsidiaries within group taxation leads to the recognition of a liability equal to the nominal amount of the future corporate income tax obligation.

As an offset for the transferred taxable results, the tax group contracts include a tax charge that is based on the stand-alone method. Transferred tax losses are kept on record as internal loss carryforwards for the respective tax group members and offset against future positive earnings. Exceptions to this procedure are the contracts concluded with the group members WEEV Beteiligungs GmbH and Burgenland Holding, which call for a negative tax charge for these two companies if their taxable results are negative and the group's total results are positive. In other cases, the loss is recorded as an internal loss carryforward and refunded in later years in the form of a negative tax charge as soon as it is covered by positive earnings.

Future changes in the tax rate are taken into account if the relevant law has been enacted by the time the consolidated financial statements are prepared.

Deferred taxes are calculated according to the liability method at the tax rate expected when short-term differences are reversed. Deferred tax assets and deferred tax liabilities are calculated and recognised for all temporary differences (i. e. the differences between the

carrying amounts in the consolidated financial statements and the annual financial statements prepared for tax purposes that will balance out in the future).

Deferred tax assets are recognised only if it is probable that there will be sufficient taxable income or taxable temporary differences to utilise these items. Tax loss carryforwards are recognised as deferred tax assets. Deferred tax assets and deferred tax liabilities are presented as a net amount in the consolidated financial statements if there is a legal right and intention to offset these items.

22. Procedures and effects of impairment tests

EVN carries out its impairment tests in accordance with the rules defined by IAS 36. Property, plant and equipment and intangible assets, including goodwill, are tested for impairment when there are internal or external indications of a loss in value. Intangible assets with an indefinite useful life and goodwill are tested at least once each year for signs of impairment.

The impairment testing of goodwill and assets for which no expected future cash flows can be identified is based on an assessment of the respective cash-generating unit (CGU). The decisive criterion used by EVN to classify a generation unit as a CGU is the technical and commercial ability to generate independent revenue. In the EVN Group, this definition applies to the electricity and heat generation plants, electricity, natural gas and water distribution systems, windparks, electricity procurement rights, telecommunications networks and facilities in the environmental services business.

The value in use is calculated in accordance with the rules defined by IAS 36. Due to the long-term nature of investments in generation equipment, EVN uses cash flow forecasts that reflect the economic useful life of the equipment. The impairment testing of hydropower plants generally assumes the renewal of the concession and, consequently, perpetual operation at the respective location. For generation equipment, the detailed planning period of four years is followed by a general planning period up to the end of the asset's economic useful life. However, this general planning period is limited to the availability of external forecasts for electricity prices (currently 2040).

The fair value less costs of disposal is basically calculated in accordance with the fair value measurement hierarchy defined in IFRS 13. Since it is generally not possible to derive market values for the CGUs and assets of EVN under evaluation, the assessment of the fair value is effected in accordance with the fair value hierarchy of level 3. The fair value less costs of disposal for a CGU is calculated with a WACC-based discounted cash flow method, which is conceptually similar to the value in use procedure, but includes adjustments to the parameters in the DCF model to reflect the market participant's viewpoint.

The calculation of the fair value less disposal costs and the value in use is based on the future cash inflows and outflows which are basically derived from internal medium-term forecasts. The cash flow forecasts are based on the latest financial plans approved by management. The assumptions for the future development of electricity prices are derived from the quotations on the futures market of the European Energy Exchange AG, Leipzig. For the period extending beyond this time, an average is developed (50:50) from the forecasts issued by two well-known information service providers in the energy sector. This average is intended to present a balanced picture of the future development of electricity prices. Valuation is based on the low case price forecasts by the two information service providers, and therefore fully reflects the risks that could influence electricity prices in the future.

A weighted average cost of capital which includes the deduction of income tax (WACC) is used as the discount rate. The equity component of the WACC reflects the risk-free interest rate, a country-specific premium plus a risk premium that incorporates the market risk and an appropriate beta coefficient based on peer group capital market indicators. The debt component of the WACC equals the basis interest rate plus a country-specific premium and a risk premium that reflects EVN's rating. The equity and debt components are weighted according to a capital structure that is appropriate for the CGU based on peer group data at market values. The resulting WACC is used to discount the cash flows in the respective CGU.

For the purpose of assessing the recoverable amount, EVN initially assesses the value in use. If the amount calculated falls below the carrying amount of the asset, or the CGU, the fair value less costs of disposal is calculated if necessary.

23. Accounting estimates and forward-looking statements

The preparation of the consolidated financial statements in accordance with generally accepted IFRS accounting methods requires estimates and assumptions that have an effect on the assets, liabilities, income and expenses reported in the consolidated financial statements and on the amounts shown in the notes. The actual values may differ from these estimates. The assumptions and estimates are reviewed on a regular basis.

In particular, the following assumptions and estimates can lead to significant adjustments in the carrying amounts of individual assets and liabilities in future reporting periods.

Impairment tests require estimates, especially for future cash surpluses. A change in the general economic, industry or company environment may reduce cash surpluses and therefore lead to signs of impairment. The weighted average cost of capital (WACC) is used to determine the recoverable amounts based on capital market methods. The WACC represents the weighted average interest paid by a company for equity and debt. The weighting applied to the interest on the equity and debt components – which reflects a capital structure at market values – was derived from an appropriate peer group. Given the current volatility on the financial markets, the development of the cost of capital (and above all the country risk premiums) is monitored on a regular basis (see note **22. Procedures and effects of impairment tests).**

For the valuation of the generation portfolio, the price structure beginning with the fifth year (when predictable market prices are no longer available on the electricity exchanges) was based on average forecasts from two well-known market research institutes and information service providers in the energy sector. The most recent studies, which are updated annually due to the current volatility on the electricity markets, were used in each case. The following notes show the sensitivity of these assumptions for the two largest CGU's, based on the carrying amount, which were tested for impairment: **35. Intangible assets**, **7. Property, plant and equipment** and **37. Investments in equity accounted investees.**

The most important premises and judgmental decisions used to determine the scope of consolidation are described under note **4. Scope of consolidation.**

The legal dispute between EVN Bulgaria and the state-owned Bulgarian electricity company NEK over disputed offsets was concluded through an out-of-court settlement on 13 February 2017. This settlement covers, in particular, payment for the outstanding portion of expenses incurred from 1 July 2012 to 31 July 2013 and financed in advance by EVN Bulgaria for the additional costs of renewable electricity and default interest, which will now be reimbursed by NEK to EVN Bulgaria. The settlement was carried out through the mutually agreed offset of the designated receivables held by EVN Bulgaria with receivables held by NEK from energy deliveries. Furthermore, the administrative proceedings initiated by the Bulgarian State Energy and Water Regulatory Commission in March 2014 to revoke EVN Bulgaria's license due to the above-mentioned offset of receivables were formally terminated by a decision on 4 August 2017. The arbitration proceedings initiated by EVN in July 2013 against the Republic of Bulgaria are still pending at the World Bank's International Centre for the Settlement of Investment Disputes (ICSID). The outcome of these proceedings could lead to valuation adjustments in future reporting periods.

In Moscow, the anti-monopoly commission (FAS) issued a legally binding directive that declared a 1 June 2010 decision by the Moscow city government to be in violation of competitive law. The original decision by the city government transferred the thermal waste utilisation plant project no. 1 to the investor EVN and also required and authorised an increase in the capacity to 700,000 tonnes per year. The proceedings initiated by EVN against the government measures were unsuccessful. On the grounds of the government measures to annul the investment agreement, the project corporation for the implementation of the project of MPZ1 filed a request for arbitration as of 27 April 2016 with the London Court of International Arbitration against the corporation Tabrin OÜ (now Veealliance) with corporate seat in Tallinn, Estonia, and as of 11 October 2016 filed an action for repayment of payments made for obtaining rights from the investment

agreement with the city of Moscow. The developments related to the thermal waste utilisation plant project no. 1 in Moscow already raised considerable doubts over the realisation of this project in the financial year 2013/14 and led to the recognition of a valuation allowance on the existing leasing receivable and the reclassification of the carrying amount of the saleable aggregate components to inventories. It is assumed that the plant will not be constructed and approriate compensation must be demanded from the customer or project seller. Negotiations have taken place, and EVN is now awaiting the arbitration court's decision. Further developments in this project, including the cancellation or annulment of delivery contracts with sub-contractors, could lead to changes in presentation and valuation adjustments in future reporting periods (see notes **39. Other non-current assets** and **40. Inventories).**

The project company Steag-EVN Walsum 10 Kraftwerksgesellschaft mbH, in which EVN holds an investment of 49.0%, filed an arbitration claim against the general contractor consortium, Hitachi Ltd and Hitachi Power Europe GmbH, on 17 December 2013 and a lawsuit against an insurance company on 10 December 2013. The claims are based on damages incurred by the project company due to the delayed completion of the Walsum 10 power plant. They cover lump-sum compensation for the delay, delay-related added costs, pre-financed repair costs and damages arising from the inability to receive allocations of CO_2 emission certificates as well as claims against an insurance company. The Hitachi consortium filed claims against the project company in a countersuit. An arbitration decision announced by the ICC on 23 November 2016 awarded SEK compensation of approximately EUR 200m for claims. The counterclaims filed by Hitachi were rejected. In a now related lawsuit the insurer demanded repayment of already made advance payments. In the legal proceedings against the insurance company, a partial judgment on the underlying basis for the claim and a partial final judgment were issued in favour of the project company on 1 July 2015, which state that the facts of the case indicate the insurance company is required to pay compensation for the damage to the power plant in April 2011. Both the insurance company and the project company (here with regard to the acceptance of attorneys' costs) have filed appeals against these decisions. A commercial agreement has since been reached between SEK and the insurer, which requires the insurer to pay SEK compensation of EUR 60m for the two boiler damage incidents. Moreover, SEK and the insurer will withdraw their reciprocal lawsuits. Statistics from the power plant's first operating period pointed to higher specific heat consumption, and therefore lower effectiveness, than promised by the general contractor. A control measurement confirmed this conclusion. On 16 September 2015 another arbitration claim was filed against the general contractor consortium comprising Hitachi Ltd and Hitachi Power Europe GmbH Hitachi. This arbitration process is expected to end in 2019, whereby the outcome could lead to valuation adjustments in future reporting periods (see note **36. Property, plant and equipment).**

EVN holds rights for Wien Energie to purchase electricity from SEK through a contract concluded in 2007 and charges fees for the delivery of this electricity. The end price includes a so-called "performance price 1", which is based primarily on the (not yet finally determined) investment costs for the Walsum 10 power plant. Wien Energie filed an arbitration action suit against EVN on 24 May 2017 with the permanent arbitration court of the Vienna Chamber of Commerce to obtain a detailed breakdown of this "performance price 1". Wien Energie has also issued numerous instructions to EVN concerning the procedures related to SEK, in particular with regard to the enforcement of a financial clause. On 25 September 2017 EVN filed a counterclaim with the permanent arbitration court of the Vienna Chamber of Commerce, requesting a decision that Wien Energie is not entitled to issue these types of instructions. The outcome of these proceedings could lead to valuation adjustments in future reporting periods.

EVN and Verbund Thermal Power operate the Dürnrohr power plant based on a contract dated 28 April 1980 and 16 April 1980, whereby one of the two blocks was assigned to each of the contract partners for management and operation. In December 2014 Verbund Thermal Power Plant terminated the existing management contract as of 30 June 2015 and, in April 2015, stated its intention to permanently shut down its block at the joint Dürnrohr power plant. This decision subsequently led to an increase in maintenance and operating costs for EVN. EVN takes the view that this cancellation is legally invalid because the existing contract was concluded for the technical service life of the equipment in the Dürnrohr power plant and therefore remains unchanged and in force. The company has therefore filed an action for a declaratory judgment with the Commercial Court in Vienna. The outcome of these proceedings could lead to valuation adjustments in future periods (see note **36. Property, plant and equipment).**

The valuation of the provisions for pensions, obligations similar to pensions and severance payments are based on assumptions for the discount rate, retirement age and life expectancy as well as pension and salary increases. The adjustment of these parameters in future periods can lead to valuation adjustments. Moreover, future changes in electricity and natural gas tariffs can lead to valuation adjustments in the obligations similar to pensions (see note **52. Non-current provisions).**

Assumptions and estimates are also required to determine the useful life of non-current assets (see notes **6. Intangible assets** and **7. Property, plant and equipment)** and the provisions for legal proceedings and environmental protection (see note **18. Provisions)** as well as estimates for other obligations and risks (see note **66. Other obligations and risks).** In addition, it is necessary to make assumptions and estimates for the valuation of receivables and inventories (see notes **12. Inventories** and **13. Trade and other receivables)** and for the revenue recognition (see note **20. Revenue recognition).** These estimates are based on historical data and other assumptions considered appropriate under the given circumstances.

24. Principles of segment reporting

The identification of operating segments is based on the internal organisational and reporting structure and information prepared for internal management decisions (the "management approach"). The Executive Board of the EVN Group (the chief operating decision-maker as defined in IFRS 8) reviews internal management reports on each operating segment at least once each quarter. EVN has defined the following operating segments: Generation, Energy, Networks, South East Europe, Environment and All Other Segments. This conforms in full to the internal reporting structure. The assessment of all segment information is consistent with IFRS. EBITDA is used as an indicator to measure the earning power of the individual segments. For each segment, EBITDA represents the total net operating profit or loss before interest, taxes, amortisation of intangible assets and depreciation of property, plant and equipment for the companies included in the segment, taking intragroup income and expenses into account (see note **60. Notes to segment reporting).**

Notes to the consolidated statement of operations

25. Revenue

Revenue recorded by the individual business segments developed as follows:

Revenue EURm	2016/17	2015/16
Generation	53.7	46.0
Energy	512.0	448.5
Networks	497.9	434.2
South East Europe	957.5	949.4
Environment	181.0	158.4
All Other Segments	13.4	10.1
Total	**2,215.6**	**2,046.6**

26. Other operating income

Other operating income EURm	2016/17	2015/16
Income from the reversal of deferred income from network subsidies	45.4	43.7
Own work capitalised	20.7	20.9
Interest on late payments	17.6	7.5
Insurance compensation	5.8	13.0
Rental income	2.2	1.9
Income from the disposal of intangible assets and property, plant and equipment	–1.6	–0.7
Change in work in progress	–3.3	–1.2
Miscellaneous operating income	15.2	11.8
Total	**101.9**	**97.0**

The increase in the interest on late payments is attributable to the agreement reached in February 2017 between EVN Bulgaria EC and the state-owned Bulgarian electricity company NEK over the pre-financed, additional costs of renewable electricity and the related award of default interest. The decline in insurance compensation resulted primarily from insurance compensation received for winter damages in South East Europe during the 2015/16 financial year.

Miscellaneous other operating income consists, above all, of bonuses, subsidies and services that are not related to business activities.

27. Cost of materials and services

Cost of materials and services EURm	2016/17	2015/16
Electricity purchases from third parties and primary energy expenses	989.0	930.6
Third-party services and other materials and services	313.7	246.7
Total	**1,302.6**	**1,177.3**

The expenses for the purchase of electricity from third parties and the purchase of energy carriers consist primarily of the costs for electricity, natural gas, hard coal and biomass. Also included here are costs of EUR 15.3m (previous year: EUR 12.3m) for the purchase of additional CO_2 emission certificates during the reporting period due to the insufficient allocation of free certificates.

Third-party services and other materials and services were related primarily to the project business in the Environment Segment as well as services for the operation and maintenance of plants. This position also includes costs directly attributable to the required services.

The increase in third-party services and other materials and services resulted chiefly from a valuation adjustment of EUR 45.5m to the aggregate components (recorded under inventories) from the former thermal waste utilisation plant project no. 1 in Moscow (see note **40. Inventories).**

28. Personnel expenses

Personnel expenses EURm	**2016/17**	2015/16
Salaries and wages	241.5	240.6
Severance payments	6.3	5.5
Pension costs	10.1	9.6
Compulsory social security contributions and payroll-related taxes	52.1	51.4
Other employee-related expenses	6.8	6.6
Total	**316.8**	**313.7**

Personnel expenses included contributions of EUR 9.9m (previous year: EUR 6.2m) to VBV Pensionskasse as well as contributions of EUR 1.0m (previous year: EUR 0.9m) to employee pension funds. The increase in the contributions to VBV Pensionskasse resulted from a one-off payment of EUR 3.8m in connection with the sale of the EVN Pensionkasse. The pension contribution under the Lower Austrian Provincial and Municipal Remuneration Act was taken into account for the first time in 2016/17 and led to a reduction of EUR 2.9m in the pension costs.

The average number of employees was as follows:

Employees by segment[1)]	**2016/17**	2015/16
Generation	135	143
Networks	1,218	1,227
Energy	305	292
South East Europe	4,161	4,166
Environment	501	497
All Other Segments	521	504
Total	**6,840**	**6,830**

1) Average for the year

The average number of employees comprised 97.3% salaried and 2.7% wage employees (previous year: 97.2% salaried and 2.8% wage employees), whereby no distinction is made between salaried and wage employees in Bulgaria and Macedonia. Wage employees are therefore counted together with salaried employees in these countries.

29. Other operating expenses

Other operating expenses EURm	2016/17	2015/16
Write-off of receivables	23.1	20.7
Legal and consulting fees, expenses related to risks of legal proceedings	18.3	22.7
Business operation taxes and duties	18.0	12.4
Advertising expenses	11.8	12.3
Transportation and travelling expenses, automobile expenses	11.2	10.0
Telecommunications and postage	9.6	9.6
Insurance	9.4	9.5
Maintenance	7.0	8.1
Rents	6.7	5.6
Employee training	2.0	1.8
Miscellaneous other operating expenses	22.1	28.8
Total	**139.0**	**141.6**

The position "legal and consulting fees, expenses related to risks of legal proceedings" also contains changes in the provision for legal proceedings. Rents also include the changes in the provisions for network access fees in Bulgaria.

Miscellaneous other operating expenses include environmental protection expenses, fees for monetary transactions, licenses, membership fees and administrative and office expenses.

30. Share of results from equity accounted investees with operational nature

Share of results from equity accounted investees with operational nature EURm	2016/17	2015/16
EVN KG	96.1	55.9
RAG	43.4	42.3
Energie Burgenland	17.0	9.9
ZOV; ZOV UIP	12.5	12.4
Ashta	–	–6.8
Verbund Innkraftwerke	–11.4	–27.5
Other companies	5.0	7.3
Total	**162.6**	**93.5**

The share of results from equity accounted investees with operational nature (see note **65. Disclosures of interests in other entities)** has been reported as part of the results from operating activities (EBIT).

The share of results from equity accounted investees with operational nature consists primarily of earnings contributions, impairment losses recognised to assets capitalised in connection with acquisitions and other necessary impairment losses (see note **37. Investments in equity accounted investees).**

The increase in the share of results from equity accounted investees with operational nature is attributable primarily to EVN KG, Energie Burgenland and Verbund Innkraftwerke. The year-on-year increase in the earnings contribution from EVN KG was based on a reduction in procurement costs, weather-related factors and positive valuation effects from hedges. The development of earnings at Energie Burgenland was influenced, above all, by positive non-recurring effects in income taxes.

The negative earnings contribution from Verbund Innkraftwerke resulted from a substantial decline in the estimates for the long-term development of electricity prices and an increase in the WACC. This led to the recognition of an impairment loss of EUR 13.1m to the shares in this equity accounted investment. Impairment losses totalling EUR 27.6m were also recognised in the previous year to reflect the reduced estimates for the development of electricity prices (see note **37. Investments in equity accounted investees).**

The unrecognised cumulative losses of Ashta totalled EUR 5.4m (previous year: losses of EUR 5.8m).

31. Depreciation and amortisation and effects from impairment tests

The procedure used for impairment testing is described in regard to the accounting policies under note **22. Procedures and effects of impairment tests.**

Depreciation and amortisation and effects from impairment tests by items of the consolidated statement of financial position

EURm	2016/17	2015/16
Intangible assets	59.5	21.5
Property, plant and equipment	316.7	326.6
Write-up of property, plant and equipment	–1.4	–4.1
Total	**374.8**	**344.0**

Depreciation and amortisation and effects from impairment tests

EURm	2016/17	2015/16
Scheduled depreciation and amortisation	262.3	266.1
Effects from impairment tests (impairment)[1)]	113.9	82.0
Effects from impairment tests (reversal of impairment)[1)]	–1.4	–4.1
Total	**374.8**	**344.0**

1) For details, see notes 35. Intangible assets and 36. Property, plant and equipment

32. Financial results

Financial results EURm	2016/17	2015/16
Income from investments		
WEEV Beteiligungs GmbH	12.1	–8.8
Other companies	0.0*)	0.0*)
Share of results from equity accounted investees with financial nature	**12.2**	**–8.7**
Dividend payments	19.0	17.6
thereof Verbund AG	11.6	14.0
thereof other companies	7.3	3.6
Write-down/Disposals	–0.1	–3.3
Results from other investments	**18.8**	**14.4**
Total income from investments	**31.0**	**5.6**
Interest results		
Interest income on financial assets	8.8	11.5
Other interest income	10.7	5.2
Total interest income	**19.5**	**16.7**
Interest expense on financial liabilities	–54.6	–60.0
Interest expense personnel provisions	–5.9	–9.6
Other interest expense	–4.9	–7.8
Total interest expense	**–65.4**	**–77.4**
Total interest results	**–45.9**	**–60.7**
Other financial results		
Results from changes in exchange rates and the disposal of non-current securities	–1.5	–1.8
Results from changes in exchange rates and the disposal of current financial assets	–0.0*)	–0.0*)
Currency gains/losses	0.0*)	–2.6
Other financial results	–5.0	–2.1
Total other financial results	**–6.5**	**–6.5**
Financial results	**–21.4**	**–61.6**

*) Small amount

Share of results from equity accounted investees with financial nature (see note **65. Disclosures of interests in other entities)** is reported as part of the financial results.

WEEV Beteiligungs GmbH was founded together with the syndicate partner Wiener Stadtwerke Holding AG to participate in the capital increase by Verbund AG and was initially included in EVN's consolidated financial statements at equity during the financial year of 2010/11. The adjustments to reflect the change in market value are recorded to the valuation reserve after the deduction of deferred taxes in accordance with IAS 39. WEEV was restructured in 2016/17, and its investment in Verbund was subsequently transferred to the parent companies EVN and Wiener Stadtwerke. The price of the Verbund share equalled EUR 16.15 on the sale date (IFRS carrying amount: EUR 11.23), which represents the main component of the EUR 12.1m positive earnings contribution. The proceeds from the sale of the shares were used to repay the corresponding financing, and the surplus liquidity was distributed. The positive development of the share price recorded under other comprehensive income was reclassified through profit or loss to the consolidated statement of operations following the sale and amounted to EUR 10.2m (also see note **47. Valuation reserves).** The unrecognised losses for WEEV total EUR 4.5m.

Interest income on financial assets includes interest from investment funds that focus chiefly on fixed-interest securities as well as the interest component from the lease business. Other interest income generally relates to income from cash and cash equivalents and from

securities recorded under current financial assets. The interest income from assets that are not designated at fair value through profit or loss totalled EUR 18.3m (previous year: EUR 15.3m).

Interest expense on financial liabilities represents regular interest payments on issued bonds and bank loans. Other interest expense includes the accrued interest expense on non-current provisions, expenses for current loans as well as lease costs for biomass equipment, distribution and heating networks. The interest expense on liabilities not designated at fair value through profit or loss totalled EUR 59.5m (previous year: EUR 67.8m).

33. Income tax expense

Income tax expense EURm	2016/17	2015/16
Current income tax income and expense	26.9	–3.5
thereof Austrian companies	10.5	–15.0
thereof foreign companies	16.4	11.4
Deferred tax income and expense	27.0	19.6
thereof Austrian companies	34.5	8.6
thereof foreign companies	–7.5	11.0
Total	**53.9**	**16.0**

The following table explains the reasons for the difference between the Austrian corporate income tax rate of 25.0% that applied in 2017 (previous year: 25.0%) and the tax expense based on the Group net result reported on the consolidated statement of operations for the 2016/17 financial year:

Calculation of the effective tax rate	2016/17		2015/16	
	%	EURm	%	EURm
Result before income tax		325.5		198.9
Income tax rate/income tax expense at nominal tax rate	25.0	81.4	25.0	49.7
– Different corporate income tax rates in other countries	–3.0	–9.6	–1.5	–3.1
– Tax-free income from investments	–8.8	–28.6	–6.5	–12.9
+ Revaluation of deferred taxes	2.9	9.3	1.8	3.6
– Tax share valuations and impairment on Group receivables	–0.7	–2.3	–11.8	–23.5
+ Non-deductible expenses	0.9	3.0	1.0	2.0
– Other tax free income	–0.1	–0.3	–0.5	–0.9
+ Aperiodic tax increases	0.1	0.2	0.7	1.4
+/– Other items	0.3	0.9	–0.2	–0.3
Effective tax rate/effective income tax expense	**16.6**	**53.9**	**8.1**	**16.0**

The valuation of investments according to tax law are related primarily to the impairment losses recognised on the investments in Hydro Power Company Gorna Arda, TEZ Plovdiv, EVN Nk BuB, EVN Bulgaria EAD, OOO EVN Umwelt Service (previous year: EVN Nk BuB, EVN UBS, OOO EVN Umwelt Service, Shkodra, TEZ Plovdiv) and the investment revaluation in EVN Macedonia and Energie Allianz.

EVN's effective tax rate for the reporting year equalled 16.6% of result before income tax (previous year: 8.1%). The effective tax rate represents the weighted average of the effective local corporate tax rates of all consolidated subsidiaries (see note **51. Deferred taxes).**

34. Earnings per share

Earnings per share were calculated by dividing Group net result (= proportional share of result attributable to EVN AG shareholders) by the weighted average number of ordinary shares outstanding in 2016/17, i.e. 177,856,536 (previous year: 177,763,333). This amount may be diluted by so-called potential shares arising from stock options or convertible bonds. Since EVN does not have any such shares, there is no difference between basic and diluted earnings per share. Based on Group net result of EUR 251.0m for the 2016/17 financial year (previous year: EUR 156.4m), earnings per share equalled EUR 1.41 (previous year: EUR 0.88).

Notes to the consolidated statement of financial position

Assets

35. Intangible assets

Goodwill is allocated to the CGUs "international project business" and "other CGUs". Rights include electricity procurement rights, transportation rights for natural gas pipelines and other rights (primarily software licenses). In the past other intangible assets primarily included the customer bases of the Bulgarian and Macedonian electricity supply companies.

Reconciliation of intangible assets

2016/17 financial year

EURm	Goodwill	Rights	Other intangible assets	Total
Gross value 30.09.2016	216.7	372.8	99.6	689.1
Additions	–	10.5	3.0	13.5
Disposals	–	–2.2	–0.0*)	–2.2
Gross value 30.09.2017	216.7	381.2	102.4	700.3
Accumulated amortisation 30.09.2016	–160.9	–220.1	–86.9	–467.9
Scheduled amortisation	–	–12.0	–2.6	–14.5
Impairment losses	–	–44.8	–0.2	–45.0
Disposals	–	1.5	–0.0*)	1.6
Transfers	–	2.8	–0.2	2.5
Accumulated amortisation 30.09.2017	–160.9	–272.6	–89.8	–523.3
Net value 30.09.2016	55.8	152.7	12.7	221.2
Net value 30.09.2017	55.8	108.6	12.6	177.1

2015/16 financial year

EURm	Goodwill	Rights	Other intangible assets	Total
Gross value 30.09.2015	216.7	358.0	98.4	673.1
Currency translation differences	–	–	0.0*)	0.0*)
Changes in the scope of consolidation	–	–	0.0*)	0.0*)
Additions	–	20.3	1.2	21.5
Disposals	–	–6.0	–0.1	–6.1
Transfers	–	0.4	–	0.4
Gross value 30.09.2016	216.7	372.8	99.6	689.1
Accumulated amortisation 30.09.2015	–160.4	–208.7	–83.7	–452.9
Currency translation differences	–	–0.0*)	–	–0.0*)
Changes in the scope of consolidation	–	–	0.0*)	0.0*)
Scheduled amortisation	–	–13.0	–3.1	–16.1
Impairment losses	–0.5	–4.8	–0.1	–5.4
Additions	–	0.0*)	0.0*)	0.0*)
Disposals	–	6.0	0.0*)	6.0
Accumulated amortisation 30.09.2016	–160.9	–220.1	–86.9	–467.9
Net value 30.09.2015	56.3	149.3	14.7	220.2
Net value 30.09.2016	55.8	152.7	12.7	221.2

*) Small amount

The carrying amount of goodwill is allocated as follows: EUR 52.9m to the CGU "international project business" and EUR 2.9m to the "other CGUs".

The carrying amount of the net assets in the CGU "international project business" totalled EUR 223.4m. The recoverable amount was determined on the basis of the value in use and equalled EUR 359.0m. A WACC after tax of 5.92% was used as the discount rate, which corresponds to an iteratively derived WACC before tax in the amount of 6.41%. The recoverable amount of the CGU was 60.7% higher than the carrying amount. An increase (decrease) of 1.0% in the WACC in 2016/17, ceteris paribus, would have led to a surplus cover of EUR 91.9m in the net assets of the CGU (surplus cover of EUR 195.3m). The recoverable amount would equal the carrying amount based on a WACC after tax of 10.42%.

In the financial year 2016/17, an impairment of the procurement rights from the Donaukraftwerk Freudenau in the amount of EUR 16.9m became necessary in the Generation Segment due to the significant deterioration in the estimates for the long-term development of energy prices and an increase in the WACCs. EVN holds energy procurement rights of 12.5% at the Donaukraftwerk Freudenau for the operating period of the power plant. The recoverable amount was determined on the basis of the value in use and equalled EUR 22.9m. A WACC after tax of 5.84% was used as discount rate, which corresponds to an iteratively derived WACC before tax in the amount of 6.40%. An increase (decrease) of 0.5% in the WACC in 2016/17, ceteris paribus, would have resulted in an impairment loss of EUR 19.3m (impairment loss of EUR 14.0m). An increase (decrease) of 5% in the underlying assumptions for the electricity price in 2016/17, ceteris paribus, would have resulted in an impairment loss of EUR 12.9m (impairment loss of EUR 20.9m)

Due to changes in the energy policy environment in Bulgaria the Gorna Arda hydropower plant project was put on hold because its realisation is not possible under the current circumstances. Impairment losses of EUR 28.9m were therefore recognised in the Generation Segment during the reporting period.

In 2016/17, a total of EUR 1.5m (previous year: EUR 1.6m) was invested in research and development; EUR 1.1m thereof were capitalised (previous year: EUR 0.2m).

36. Property, plant and equipment

Reconciliation of property, plant and equipment

2016/17 financial year EURm	Land and buildings	Lines	Technical equipment	Meters	Other plants, tools and equipment	Equipment under construction	Total
Gross value 30.09.2016	809.8	3,959.5	3,014.7	238.5	174.4	170.7	8,367.6
Currency translation differences	0.0*)	0.2	2.3	0.0*)	0.0*)	0.0*)	2.6
Additions	7.0	110.9	43.6	27.3	19.7	81.8	290.3
Disposals	–5.6	–13.4	–113.9	–10.6	–10.2	–1.7	–155.4
Transfers	7.2	54.5	19.4	0.1	0.8	–82.0	–0.2
Gross value 30.09.2017	818.4	4,111.6	2,966.1	255.3	184.7	168.8	8,504.9
Accumulated amortisation 30.09.2016	–447.7	–2,144.8	–1,973.4	–148.7	–133.1	–7.4	–4,855.0
Currency translation differences	–0.0*)	–0.1	–1.6	–0.0*)	–0.0*)	–	–1.7
Scheduled depreciation	–20.2	–105.9	–90.4	–15.8	–15.4	–	–247.7
Impairment losses	–7.9	–13.3	–45.9	–0.1	–0.7	–1.0	–68.9
Revaluation	0.6	0.3	0.5	–	–	–	1.4
Disposals	2.3	13.3	16.1	9.0	9.9	–	50.5
Transfers	–6.1	3.5	3.2	–0.1	–0.2	0.0*)	0.2
Accumulated amortisation 30.09.2017	–479.1	–2,247.0	–2,091.5	–155.8	–139.5	–8.3	–5,121.3
Net value 30.09.2016	362.1	1,814.8	1,041.3	89.8	41.3	163.3	3,512.5
Net value 30.09.2017	339.3	1,864.6	874.6	99.5	45.2	160.4	3,383.6

2015/16 financial year EURm	Land and buildings	Lines	Technical equipment	Meters	Other plants, tools and equipment	Equipment under construction	Total
Gross value 30.09.2015	790.1	3,808.8	2,972.2	224.9	200.6	167.2	8,164.0
Currency translation differences	0.4	1.0	3.2	0.1	0.1	0.2	5.0
Changes in the scope of consolidation	2.2	6.1	2.4	–	0.0*)	–	10.7
Additions	8.1	103.2	63.6	21.7	13.7	99.8	310.1
Disposals	–10.2	–9.4	–52.1	–8.4	–43.1	–0.1	–123.2
Transfers	19.2	49.8	25.4	0.1	3.1	–96.5	1.0
Gross value 30.09.2016	809.8	3,959.5	3,014.7	238.5	174.4	170.7	8,367.6
Accumulated amortisation 30.09.2015	–433.7	–2,037.8	–1,865.3	–142.4	–161.0	–7.4	–4,647.7
Currency translation differences	–0.2	–0.5	–2.3	–0.0*)	–0.1	–	–3.1
Changes in the scope of consolidation	–	–	–	–	–	–	–
Scheduled depreciation	–20.9	–102.7	–97.4	–14.6	–14.5	–	–250.1
Impairment losses	–4.2	–14.3	–58.1	–	–0.0*)	–0.0*)	–76.6
Revaluation	1.8	1.5	0.7	–	–	–	4.1
Disposals	9.4	9.2	48.7	8.3	42.7	–	118.3
Transfers	0.2	–0.3	0.3	0.0*)	–0.2	0.0*)	–
Accumulated amortisation 30.09.2016	–447.7	–2,144.8	–1,973.4	–148.7	–133.1	–7.4	–4,855.0
Net value 30.09.2015	356.4	1,771.0	1,106.9	82.5	39.6	159.9	3,516.3
Net value 30.09.2016	362.1	1,814.8	1,041.3	89.8	41.3	163.3	3,512.5

*) Small amount

Land and buildings included land with a value of EUR 56.1m (previous year: EUR 62.9m). As of the balance sheet date, EVN held a mortgage with a maximum value of EUR 1.8m as in the previous year.

Additions to property, plant and equipment included capitalised borrowing costs of EUR 1.4m (previous year: EUR 2.3m). The interest rate used for capitalisation ranged from 1.7%–3.8% (previous year: 1.9%–3.7%).

For leased and rented equipment, the present value of payment obligations for the use of heating networks and heat generation plants is reported on the consolidated statement of financial position. The net value of these assets totalled EUR 8.3m as of the balance sheet date (previous year: EUR 9.8m). The related lease and rental liabilities were recognised under other non-current liabilities.

The net value of property, plant and equipment and intangible assets pledged as collateral had a carrying amount of EUR 0.0m (previous year: EUR 40.0m).

As announced in an ad-hoc press release on 23 November 2016, an arbitration court awarded compensation of approximately EUR 200m to the project company for the construction of the Walsum 10 power plant. EVN AG holds an indirect investment of 49% in this project company. The arbitration decision led, above all, to a reduction of the acquisition cost for the power plant.

The impairment testing of assets in accordance with IAS 36 led to the recognition of the following impairment losses in 2016/17:

Less favourable estimates for the long-term development of electricity prices and a revised estimate for the reporting period based on current discussions in Europe over changes in CO_2 regulations led to the recognition of an impairment loss of EUR 19.1m to the Walsum 10 power plant.[1)] This investment is classified as a joint operation and included in the consolidated financial statements through line-by-line consolidation. The recoverable amount was determined on the basis of the value in use and equalled EUR 162.3m. The applied discount rate equalled a WACC after tax of 5.25% and represents an iteratively derived WACC before tax of 6.79%. The valuation includes assumptions for the outcome of the legal proceedings currently in progress (see note **23. Accounting estimates and forward-looking statements).** An increase (decrease) of 0.5% in the WACC in 2016/17, ceteris paribus, would have resulted in an impairment loss of EUR 25.8m (impairment loss of EUR 12.2m) to the Walsum 10 power plant, which is accounted for as a joint operation based on the proportional share owned. An increase (decrease) of 5% in the underlying assumptions for the electricity price in 2016/17, ceteris paribus, would have resulted in a recovery in value of EUR 5.5m (impairment loss of EUR 44.1m). An unchanged period under review of 30 years would result in an increase of EUR 1.7m in value.

1) The impairment testing of the power plant component took place solely at the Group level. At the segment level, a provision was recognised for the marketing of EVN's own electricity production. The impairment loss is therefore reported in the transition column "consolidation".

In the South East Europe Segment, an impairment loss of EUR 24.0m was recognised to the TEZ Plovdiv co-generation plant in Bulgaria to reflect the continuing adverse regulatory tariff decisions in the heating area. The recoverable amount was determined on the basis of the value in use and equalled EUR 36.9m. The applied discount rate equalled a WACC after tax of 7.40% and represents an iteratively derived WACC before tax of 8.23%. An increase (decrease) of 0.5% in the WACC in 2016/17, ceteris paribus, would have resulted in an impairment loss of EUR 27.9m (impairment loss of EUR 20.7m).

Reinvestments at increasingly shorter intervals and higher maintenance costs for the energy supply centre at the Dürnrohr power plant provided substantial indications of technical obsolescence. This was reflected in the recognition of an impairment loss of EUR 3.9m in the Generation Segment. The recoverable amount was determined on the basis of the value in use and equalled EUR –1.8m. The applied discount rate equalled a WACC after tax of 5.77% and represents an iteratively derived WACC before tax of 4.65%.

In the Energy Segment, an impairment loss of EUR 3.7m was recognised to heat supplies in the greater Mödling area to reflect the lack of a follow-up tariff for co-generation equipment in the amendment to the Green Electricity Act which was passed in July 2017. The recoverable amount was determined on the basis of the value in use and equalled EUR 30.3m. The applied discount rate equalled a WACC after tax of 5.68% and represents an iteratively derived WACC before tax of 7.77%.

Impairment testing by EVN Naturkraft resulted in the recognition of impairment losses of EUR 4.5m in the Generation Segment due to less favourable estimates for the long-term development of electricity prices and an increase in the WACCs for four windparks and four small hydropower plants. The recoverable amount was determined on the basis of the value in use and equalled in total EUR 26.4m. The applied discount rate equalled a WACC after tax of 5.24% to 5.84% and represents an iteratively derived WACC before tax of 5.66% to 23.85%.

Impairment testing by EVN Wärme resulted in the recognition of impairment losses of EUR 5.4m in the Energy Segment due to a deterioration in the economic framework conditions for eleven heating plants. The recoverable amount was determined on the basis of the value in use and equalled in total EUR 17.5m. The applied discount rate equalled a WACC after tax of 5.67% and represents an iteratively derived WACC before tax of 5.67% to 6.89%.

A reversal of EUR 1.3m to previously recognised impairment losses was recorded in the Generation Segment to the CGUs "Schärding" and "Bruck/Leitha", which are attributable to EVN Wärme. The recoverable amount was determined on the basis of the value in use and equalled in total EUR 4.5m. The applied discount rate equalled a WACC after tax of 5.67% and represents an iteratively derived WACC before tax of 8.26% to 9.24%.

The following impairment losses were recognised in 2015/16: EUR 32.6m to the Walsum 10 power plant, which is accounted for as a joint operation based on the share owned, and EUR 2.3m to EVN's windpark in Kavarna to reflect less favourable estimates for the long-term development of electricity prices. Adverse regulatory changes in the heating business and less favourable estimates for the long-term development of electricity prices in Bulgaria led to the recognition of an impairment loss of EUR 31.3m to the co-generation plant at TEZ Plovdiv. Other impairment losses were related primarily to small hydropower plants and windparks operated by EVN Naturkraft.

37. Investments in equity accounted investees

The companies included in the consolidated financial statements at equity are listed in the notes under **EVN's investments** starting on page 182. Note **65. Disclosures of interests in other entities** contains financial information on joint ventures and associates that are included at equity in EVN's consolidated financial statements.

All investments in equity accounted investees were recognised at their proportional share of IFRS income or loss based on an interim or annual report with a balance sheet date that does not precede the balance sheet date of EVN AG by more than three months. There were no listed market prices for the investments in equity accounted investees.

Reconciliation of investments in equity accounted investees

2016/17 financial year

EURm

Gross value 30.09.2016	**934.7**
Additions	2.7
Disposals	–26.4
Gross value 30.09.2017	**911.0**
Accumulated amortisation 30.09.2016	**–8.9**
Currency translation differences	–0.1
Impairment losses	–13.1
Proportional share of results	187.8
Dividends	–110.3
Changes recognised in other comprehensive income	–11.7
Accumulated amortisation 30.09.2017	**43.8**
Net value 30.09.2016	**925.8**
Net value 30.09.2017	**954.8**

2015/16 financial year

EURm

Gross value 30.09.2015	**918.6**
Additions	24.4
Disposals	–8.2
Gross value 30.09.2016	**934.7**
Accumulated amortisation 30.09.2015	**–20.5**
Currency translation differences	1.5
Disposals	8.2
Impairment losses	–45.7
Proportional share of results	130.4
Dividends	–117.6
Changes recognised in other comprehensive income	34.7
Accumulated amortisation 30.09.2016	**–8.9**
Net value 30.09.2015	**898.1**
Net value 30.09.2016	**925.8**

An impairment loss of EUR 13.1m was recognised to the investment in Verbund Innkraftwerke in 2016/17 to reflect the less favourable estimates for the development of long-term electricity prices and an increase in the WACC. The recoverable amount of EVN's participation interest in Verbund Innkraftwerke was determined on the basis of the value in use and equalled EUR 62.5m. The applied discount rate equalled a WACC after tax of 5.32% and represents an iteratively derived WACC before tax of 6.37% (also see note **30. Share of results from equity accounted investees with operational nature).** An increase (decrease) of 0.5% in the WACC in 2016/17, ceteris paribus, would have resulted in an impairment loss of EUR 20.5m (impairment loss of EUR 4.0m) to the equity accounted Verbund Innkraftwerke. An increase (decrease) of 5% in the underlying assumptions for the electricity price in 2016/17, ceteris paribus, would have resulted in an impairment loss of EUR 5.5m (impairment loss of EUR 20.6m).

The shares in ZOV were assigned to the financing banks as collateral for loans. EVN's proportional share of equity in this company totalled EUR 103.1m as of 30 September 2017 (previous year: EUR 95.5m).

38. Other investments

The other investments include holdings in affiliates and associates, which are not consolidated due to immateriality, as well as miscellaneous stakes of less than 20.0% that were not included at equity.

The other investments, which are carried at cost less any necessary impairment losses, totalled EUR 7.0m in 2016/17 (previous year: EUR 6.6m). The other investments classified as AFS consist primarily of shares in Verbund AG with a value of EUR 875.2m (previous year: EUR 595.7m) and miscellaneous other investments of EUR 36.7m (previous year: EUR 9.8m).

EVN AG and Wiener Stadtwerke Holding AG (WSTW) entered into an agreement on 22 September 2010 for the syndication of their directly and indirectly held shareholdings in Verbund AG. This agreement gives the two companies joint control over approximately 26% of the voting shares in Verbund AG. In spite of the syndicate agreement, the scope of possible influence over the financial and business policies of Verbund AG is very limited. The requirements for classification as a controlling influence (IAS 28) are therefore not met and the shares in Verbund AG were therefore accounted for by applying IAS 39.

In connection with the restructuring of WEEV in 2016/17 (see note **32. Financial results),** the Verbund shares held by that company were sold to EVN AG. This transaction resulted in an addition of EUR 60.9m. The change in value which resulted from the increase in the market price of the Verbund shares equalled EUR 218.7m (previous year: EUR 119.5m) and was recorded under other comprehensive income.

Constant profit distributions in recent years and the related reduction in the risk of estimation errors led to the first-time application of a discounted cash flow method to value the investment in CEESEG AG in 2016/17. The recoverable amount was determined on the basis of fair value less costs to sell (level 3 according to IFRS 13) and equalled EUR 17.4m, which led to a write-up of EUR 9.8m. A WACC after tax of 6.16% was used as the discount rate. The present value model underlying the valuation includes forecasted distributions for the next four years as well as a perpetual yield (without a growth rate).

Constant profit distributions in recent years and the related reduction in the risk of estimation errors led to the first-time application of a discounted cash flow method to value the investment in Verbund Hydro Power AG in 2016/17. The recoverable amount was determined on the basis of fair value less costs to sell (level 3 according to IFRS 13) and equalled EUR 19.6m, which led to a write-up of EUR 17.2m. A WACC after tax of 5.66% was used as the discount rate. The present value model underlying the valuation assumes publicly available information on the annual financial statements and forecasts the next four years as well as a perpetual yield (without a growth rate), based on available data on electricity prices.

39. Other non-current assets

Other non-current assets

EURm	30.09.2017	30.09.2016
Securities	58.4	82.9
Loans receivable	40.6	30.9
Lease receivables	86.9	104.3
Receivables arising from derivative transactions	9.0	22.5
Primary energy reserves	14.4	14.4
Remaining other non-current assets	0.5	58.6
Total	**209.9**	**313.7**

Securities reported under other non-current assets consist mainly of shares in investment funds and serve as coverage for the provisions for pensions and obligations similar to pensions as required by Austrian tax law. The carrying amounts correspond to the fair value as of the balance sheet date.

Lease receivables result from the project business within the context of PPP projects. The decline in the reporting year resulted, above all, from contractually agreed principal payments.

The receivables from derivative transactions include the positive market values of derivatives in the energy business.

The decline in other non-current assets resulted from the agreement reached between EVN Bulgaria EC and the state-owned Bulgarian electricity company NEK in February 2017. This agreement covered the outstanding receivables for renewable electricity financed in advance by EVN Bulgaria EC (plus default interest).

The reconciliation of the future minimum lease payments to their present value is as follows:

Terms to maturity of lease receivables

EURm

	Remaining term to maturity as of 30.09.2017			Remaining term to maturity as of 30.09.2016		
	Principal components	Interest components	Total	Principal components	Interest components	Total
< 5 years	45.4	9.8	55.2	57.9	11.9	69.8
> 5 years	41.5	6.9	48.4	46.3	7.0	53.4
Total	**86.9**	**16.7**	**103.7**	**104.3**	**18.9**	**123.2**

The total of the principal components corresponds to the capitalised value of the lease receivables. The interest components correspond to the proportionate share of the interest component of the total lease payment and do not represent discounted amounts. The interest components of the lease payments in 2016/17 were reported as interest income on non-current assets.

Current assets

40. Inventories

Inventories

EURm	30.09.2017	30.09.2016
Primary energy inventories	60.3	49.9
CO_2 emission certificates	0.5	0.6
Raw materials, supplies, consumables and other inventories	31.1	26.9
Customer orders not yet invoiced	6.4	17.2
Aggregate components	0.2	45.6
Total	**98.4**	**140.2**

Primary energy reserves consist mainly of hard coal and natural gas supplies.

The CO_2 emission certificates relate exclusively to certificates purchased to fulfil the requirements of the Austrian Emission Certificate Act, which have not yet been used. The corresponding obligation for any shortfall in the certificates is reported under current provisions (see note **58. Current provisions).**

The aggregate components were part of the former project for the construction of thermal waste utilisation plant no. 1 in Moscow. Impairment losses of EUR 45.5m were recognised in 2016/17 (previous year: EUR 0.0m). This valuation adjustment was required because the planned alternative use of these aggregate components for other thermal waste utilisation projects no longer appears probable from the current point of view.

No impairment losses were required during the reporting year to reflect the inventory risk arising from low turnover or declining market prices (previous year: impairment loss of EUR 0.5m). This was contrasted by write-ups of EUR 1.2m (previous year: EUR 0.2m). The inventories are not subject to any restrictions on disposal or other encumbrances.

41. Trade and other receivables

Trade and other receivables EURm	30.09.2017	30.09.2016
Financial assets		
Trade accounts receivable	280.8	253.0
Receivables from investments in equity accounted investees	15.9	15.4
Receivables from non-consolidated subsidiaries	3.7	5.1
Receivables from employees	9.3	9.3
Receivables arising from derivative transactions	18.0	9.1
Lease receivables	30.6	34.7
Other receivables and assets	27.6	53.8
	385.8	**380.5**
Other receivables		
Taxes and levies receivable	22.4	33.4
Prepayments	0.8	0.3
	23.2	**33.7**
Total	**409.0**	**414.1**

Trade accounts receivable relate mainly to electricity, natural gas and heating customers.

Receivables from investments in equity accounted investees and receivables from non-consolidated subsidiaries arise primarily from intragroup transactions related to energy supplies as well as Group financing and services provided to those companies.

The receivables from derivative transactions consist chiefly of the positive market values of derivatives in the financial area and energy business.

Other receivables and assets include, among others, receivables from insurances and short-term originated loans.

The carrying amount of trade and other receivables pledged as collateral for EVN's own liabilities amounted to EUR 0.0m (previous year: EUR 0.5m).

Allowances to receivables

EURm	30.09.2017			30.09.2016		
	Gross receivables	Allowance	Net receivables	Gross receivables	Allowance	Net receivables
Austria	66.8	10.6	56.2	46.3	6.9	39.4
Germany	27.2	1.4	25.8	23.8	0.4	23.4
Bulgaria	137.0	22.1	114.9	134.7	24.1	110.6
Macedonia	301.6	229.2	72.4	289.5	220.2	69.3
Others	14.0	2.6	11.4	10.4	–	10.4
Total	**546.7**	**265.9**	**280.8**	**504.7**	**251.6**	**253.0**

Maturity of receivables not impaired

EURm	30.09.2017	30.09.2016
Not yet due	150.5	126.1
Past due 1–90 days	104.3	58.1
Past due 91–180 days	12.1	32.0
Past due 181–360 days	8.9	29.9
Past due >360 days	5.0	7.0
Net receivables	**280.8**	**253.0**

The allowances to receivables are related primarily to South Eastern Europe. Since receivables in this region may only be written off for tax purposes after a court decision has been issued, collection generally takes a long time. This fact and the high number of pending court cases led to a continual increase in the valuation allowance, which rose by EUR 14.3m in 2016/17 (previous year: EUR 10.9m).

42. Securities

Composition of securities

EURm	30.09.2017	30.09.2016
Funds	0.5	75.4
thereof cash funds	–	74.7
thereof other fund products	0.5	0.7
Shares	0.0*)	0.0*)
Total	**0.5**	**75.4**

*) Small amount

The sale of the securities resulted in a loss of EUR 0.1m (previous year: EUR 0.0m). The increase in the stock market prices led to a valuation adjustment of EUR 0.2m in 2016/17, which was recorded in equity without recognition through profit or loss (previous year: EUR 0.1m).

43. Non-current assets held for sale

Assets held for sale in the financial year 2015/16 in the amount of EUR 3.8m are related to the EVN-Pensionskasse Aktiengesellschaft ("EVN-Pensionskasse"), Maria Enzersdorf. The merger of EVN-Pensionskasse Aktiengesellschaft with VBV-Pensionskasse Aktiengesellschaft, as the accepting company, was recorded in the company register on 7 July 2017. This merger transferred EVN-Pensionskasse Aktiengesellschaft to the VBV-Group.

Liabilities

Equity

The development of equity in 2016/17 and 2015/16 is shown on page 113.

44. Share capital

The share capital of EVN AG totals EUR 330.0m (previous year: EUR 330.0m) and is divided into 179,878,402 (previous year: 179,878,402) zero par value bearer shares.

45. Share premium and capital reserves

The share premium and capital reserves comprise appropriated capital reserves of EUR 204.4m (previous year: EUR 204.4m) from capital increases and unappropriated capital reserves of EUR 58.3m (previous year: EUR 58.3m), both in accordance with Austrian stock corporation law.

46. Retained earnings

Retained earnings of EUR 2,126.2m (previous year: EUR 1,949.9m) comprise the proportional share of retained earnings attributable to EVN AG and all other consolidated companies from the date of initial consolidation as well as the proportional share of retained earnings from business combinations achieved in stages.

Dividends are based on the result of EVN AG as reported in the annual financial statements and developed as follows:

Reconciliation of EVN AG's result for the period

EURm

Reported result for the period 2016/17	338.0
Retained earnings from the 2015/16 financial year	0.1
Less additions to voluntary reserves	–254.3
Distributable result for the period	83.7
Proposed dividend	–83.6
Retained earnings for the 2017/18 financial year	0.1

Liabilities do not include the dividend of EUR 0.44 per share plus a one-time bonus dividend of EUR 0.03 per share for the 2016/17 financial year which will be proposed to the Annual General Meeting.

The 88th Annual General Meeting on 19 January 2017 approved a proposal by the Executive Board and the Supervisory Board to distribute a dividend of EUR 74.7m, or EUR 0.42 per share, to the shareholders of EVN AG for the 2015/16 financial year. The dividend payment to shareholders was made on 27 January 2017.

47. Valuation reserves

The valuation reserve contains changes in financial instruments available for sale and cash flow hedges, IAS 19 remeasurements and the proportional share of changes in the equity of investments in equity accounted investees.

In addition, the statement of comprehensive income includes EUR –0.9m (previous year: EUR 0.0m) for the share of changes in the valuation reserves that are attributable to non-controlling interests (see **Consolidated statement of comprehensive income,** page 111).

The part of the valuation reserve attributable to equity accounted investees consists primarily of components from cash flow hedges that were recorded under equity as well as revaluations in accordance with IAS 19 and the valuation of AFS instruments. An exception is formed by the valuation adjustments last recognised by WEEV Beteiligungs GmbH in connection with the Verbund shares originally held by WEEV (see note **32. Financial results).**

Valuation reserves	30.09.2017			30.09.2016		
EURm	Before tax	Tax	After tax	Before tax	Tax	After tax
Items recognised under other comprehensive income from						
Available for sale financial instruments	452.5	–113.1	339.4	207.2	–51.8	155.4
Cash flow hedges	–32.0	10.5	–21.5	–45.7	14.8	–30.9
Remeasurements IAS 19	–103.9	25.8	–78.1	–130.5	32.5	–98.0
Investments in equity accounted investees	–12.3	–1.4	–13.6	–1.9	–1.4	–3.3
Total	**304.4**	**–78.1**	**226.2**	**29.0**	**–5.8**	**23.2**

In 2016/17, cash flow hedges totalling EUR 1.7m (previous year: EUR 0.5m) were transferred from other comprehensive income to the consolidated statement of operations. The ineffective part of the cash flow hedges resulted in expenses of EUR 0.0m as of the balance sheet date (previous year: EUR 0.1m).

48. Treasury shares

The 87th Annual General Meeting approved the premature termination of the share buyback programme that started on 16 January 2014 and authorised the Executive Board to carry out a new share buyback programme for up to 10% of EVN's share capital over a period of 30 months. The Executive Board made use of this authorisation and approved the repurchase of up to 1,000,000 shares, representing up to 0.556% of the current share capital. By resolution of 5 October 2016 the Executive Board prematurely terminated this share buyback programme. The Executive Board is currently not using the authorisation provided by the 87th Annual General Meeting for the purchase of treasury shares.

No treasury shares were purchased in 2016/17. In the previous year, 110,800 shares (representing 0.06% of share capital) were purchased for a total of EUR 1.1m; these shares had a market value of EUR 1.2m on the balance sheet date. A total of 85,215 treasury shares were sold during the reporting year to permit their issue as a special payment in accordance with a company agreement (previous year: 133,050 shares). EVN AG is not entitled to any rights arising from treasury shares. In particular, these shares are not entitled to dividends.

The number of shares outstanding developed as follows:

Reconciliation of the number of outstanding shares	Zero par value shares	Treasury shares	Outstanding shares
30.09.2015	**179,878,402**	**–2,058,319**	**177,820,083**
Purchase of treasury shares	–	–110,800	–110,800
Disposal of treasury shares	–	133,050	133,050
30.09.2016	**179,878,402**	**–2,036,069**	**177,842,333**
Purchase of treasury shares	–	–	–
Disposal of treasury shares	–	85,215	85,215
30.09.2017	**179,878,402**	**–1,950,854**	**177,927,548**

The weighted average number of shares outstanding, which is used as the basis for calculating earnings per share, equals 177,856,536 shares (previous year: 177,763,333 shares).

49. Non-controlling interests

The item "Non-controlling interests" comprises the non-controlling interests in the equity of fully consolidated subsidiaries.

The following table shows information about each fully consolidated subsidiary of EVN with material non-controlling interests before intercompany eliminations:

Financial information of subsidiaries with material non-controlling interests

EURm	30.09.2017			30.09.2016		
Subsidiaries	**RBG**	**BUHO**	**EVN Macedonia**	**RBG**	**BUHO**	**EVN Macedonia**
Non-controlling interests in per cent	49.97%	26.37%	10.00%	49.97%	26.37%	10.00%
Carrying amount of non-controlling interests	198.2	39.5	20.0	197.1	36.7	17.8
Result attributable to non-controlling interests	21.7	4.5	2.1	21.1	2.7	2.7
Dividends attributable to non-controlling interests	19.0	2.5	–	17.5	2.2	–
Statement of financial position						
Non-current assets	396.2	186.3	295.7	394.0	176.6	289.9
Current assets	0.2	9.4	96.8	0.1	8.4	95.3
Non-current liabilities	–	0.5	104.8	–	–	120.4
Current liabilities	0.1	0.0*)	89.5	0.0*)	0.0*)	87.9
Statement of operations						
Revenue	–	0.0*)	345.1	–	0.0*)	357.4
Result after income tax	43.4	17.2	21.1	42.3	10.1	26.7
Net cash flows						
Net cash flow from operating activities	38.1	10.6	45.8	35.0	9.4	58.4
Net cash flow from investing activities	–	–	–22.8	–	–	–20.2
Net cash flow from financing activities	–38.0	–9.5	–20.2	–35.1	–8.3	–23.8

*) Small amount

Non-current liabilities

50. Non-current loans and borrowings

Breakdown of non-current loans and borrowings

	Nominal interest rate (%)	Term	Nominal amount	Carrying amount 30.09.2017 EURm	Carrying amount 30.09.2016 EURm	Fair value 30.09.2017 EURm
Bonds				532.0	550.3	637.1
EUR bond	5.250	2009–2019	EUR 30.0m	29.9	29.8	32.4
EUR bond	4.250	2011–2022	EUR 293.0m	286.2	284.7	341.8
JPY bond	3.130	2009–2024	JPY 12.0bn	93.5	113.5	104.3
EUR bond	4.125	2012–2032	EUR 100.0m	97.9	97.7	126.9
EUR bond	4.125	2012–2032	EUR 25.0m	24.6	24.6	31.7
Bank loans (incl. promissory note loans)	0.07–4.99	until 2047	–	593.3	764.2	651.5
Total				1,125.4	1,314.5	1,288.6

The maturity structure of the non-current loans and borrowings is as follows:

Maturity of non-current loans and borrowings

EURm	Remaining term to maturity as of 30.09.2017			Remaining term to maturity as of 30.09.2016		
	< 5 years	> 5 years	Total	< 5 years	> 5 years	Total
Bonds	316.1	216.0	532.0	29.8	520.4	550.3
thereof fixed interest	316.1	122.4	438.5	29.8	406.9	436.8
thereof variable interest	–	93.5	93.5	–	113.5	113.5
Bank loans	204.0	389.3	593.3	310.6	453.6	764.2
thereof fixed interest	199.2	381.2	580.4	226.2	431.7	657.9
thereof variable interest	4.8	8.1	12.9	84.4	21.9	106.3
Total	**520.1**	**605.3**	**1,125.4**	**340.4**	**974.0**	**1,314.5**

Bonds

All bonds involve bullet repayment on maturity. The foreign currency bond is hedged against interest and foreign exchange risk by means of cross currency swaps.

The bonds are carried at amortised cost. Foreign currency liabilities are translated at the exchange rate in effect on the balance sheet date. In accordance with IAS 39, hedged liabilities are adjusted to reflect the corresponding change in the fair value of the hedged risk in cases where hedge accounting is applied. The resulting change in the bond liability is offset by a contrary development in the fair value of the swaps. The results from the cross currency swap concluded to hedge the JPY bond totalled EUR –1.1m in 2016/17 (thereof EUR 20.5m for valuation of the bond and EUR –21.6m for the valuation of the swap; previous year: EUR 2.4m earnings effect, thereof EUR –14.1m for valuation of the bond and EUR 16.5m for the valuation of the swap). The fair value was calculated on the basis of available market information for the respective bond price and the exchange rate as of the balance sheet date.

Bank loans

The loans consist of general borrowings from banks and loans, which are subsidised in part by interest and redemption grants from the Austrian Environment and Water Industry Fund. This position also includes the EUR 121.5m promissory note loans that were issued in October 2012.

Accrued interest expense is included under other current liabilities.

51. Deferred taxes

Deferred taxes EURm	30.09.2017	30.09.2016
Deferred tax assets		
Employee-related provisions	–45.1	–53.2
Tax loss carryforwards	–11.8	–9.5
Investment depreciation	–51.9	–61.2
Property, plant and equipment	–37.2	–38.9
Financial instruments	–17.5	–25.3
Provisions	–6.8	–10.7
Other deferred tax assets	–0.3	–4.8
Deferred tax liabilities		
Property, plant and equipment	14.2	25.1
Intangible assets	0.1	12.8
Untaxed reserves	32.6	25.7
Financial instruments	116.6	41.2
Provisions	81.8	75.3
Other deferred tax liabilities	17.7	16.0
Total	**92.2**	**–7.3**
thereof deferred tax assets	–79.6	–100.5
thereof deferred tax liabilities	171.8	93.2

Deferred taxes developed as follows:

Changes in deferred taxes EURm	2016/17	2015/16
Deferred taxes on 01.10.	**–7.3**	**–55.2**
– Changes resulting from currency translation differences and other changes	0.1	3.8
– Changes in deferred taxes recognised through profit and loss	27.0	19.6
– Changes in deferred taxes recognised directly in equity from the valuation reserve	72.3	24.6
Deferred taxes on 30.09.	**92.2**	**–7.3**

Losses for which deferred tax assets were recognised can be used over the coming years based on projected tax results. Deferred tax assets of EUR 93.8m (previous year: EUR 84.8m) related to loss carryforwards were not recognised because they are not expected to be used within the foreseeable future. Of this total, EUR 2.7m will expire during the next five years (previous year: EUR 3.2m). The remaining loss carryforwards that were not capitalised can be carried forward for an indefinite period of time.

Deferred tax liabilities of EUR 97.8m (previous year: EUR 70.5m) on temporary differences of EUR 397.9m (previous year: EUR 284.4m) were not recognised because these differences will remain tax-free in the foreseeable future. These temporary differences arise from differences between the tax base of the participation interest and the proportional share of equity owned, respectively between the tax base of the participation interest and the carrying amount of the equity accounted investees (outside basis differences).

52. Non-current provisions

Non-current provisions EURm	30.09.2017	30.09.2016
Provisions for pensions	250.4	282.0
Provisions for obligations similar to pensions	22.8	24.8
Provisions for severance payments	90.1	95.1
Other non-current provisions	89.3	106.1
Total	**452.6**	**508.0**

The amounts reported for the provisions for pensions and for obligations similar to pensions as well as for provisions for severance payments were generally calculated on the basis of the following parameters:

- → Interest rate 1.85% p. a. (previous year: 1.35% p. a.)
- → Remuneration increases 2.00% p. a.; in subsequent years 2.00% p. a. (previous year: remuneration increases 2.00% p. a., in subsequent years 2.00% p. a.)
- → Pension increases 2.00% p. a.; in subsequent years 2.00% p. a. (previous year: pension increases 2.00% p. a., in subsequent years 2.00% p.a.)
- → Austrian mortality tables ("Rechnungsgrundlagen AVÖ 2008-P – Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler"), also used in the previous year

Reconciliation of provisions for pensions EURm	2016/17	2015/16
Present value of pension obligations (DBO) as of 01.10.	**282.0**	**259.6**
+ Service costs	–0.5	2.2
+ Interest costs	3.8	6.3
– Pension payments	–14.9	–15.2
+/– Actuarial loss/gain	–20.0	29.1
thereof		
demographic assumptions	–	–
financial assumptions	–17.3	36.1
assumptions based on experience	–2.6	–7.0
Present value of pension obligations (DBO) as of 30.09.	**250.4**	**282.0**

As of 30 September 2017, the weighted average remaining term equalled 13.0 years for the pension obligations (previous year: 13.6 years). Payments for pensions are expected to total EUR 15.1m in 2017/18 (previous year: EUR 15.1m).

Reconciliation of the provision for obligations similar to pensions EURm	2016/17	2015/16
Present value of the provision for obligations similar to pensions (DBO) as of 01.10.	**24.8**	**20.5**
+ Service costs	0.6	0.5
+ Interest costs	0.3	0.5
– Payments	–0.8	–0.9
+/– Actuarial loss/gain	–2.0	4.2
thereof		
demographic assumptions	–	–
financial assumptions	–2.1	4.2
assumptions based on experience	0.2	0.0*)
Present value of the provision for obligations similar to pensions (DBO) as of 30.09.	**22.8**	**24.8**

*) Small amount

As of 30 September 2017, the weighted average remaining term equalled 17.4 years for the obligations similar to pensions (previous year: 18.4 years). Payments for obligations similar to pensions are expected to total EUR 0.6m in 2017/18 (previous year: EUR 0.8m).

Reconciliation of the provision for severance payments

EURm

	2016/17	2015/16
Present value of severance payment obligations (DBO) as of 01.10.	95.1	90.3
– Currency translation differences	0.0*)	0.0*)
+ Service costs	3.5	3.8
+ Interest costs	1.4	2.3
– Severance payments	–6.0	–6.8
+/– Actuarial loss/gain	–4.0	5.4
thereof		
demographic assumptions	–0.0*)	–
financial assumptions	–3.2	7.1
assumptions based on experience	–0.8	–1.7
Present value of severance payment obligations (DBO) as of 30.09.	90.1	95.1

As of 30 September 2017, the weighted average remaining term of the severance payment obligations equalled 9.1 years (previous year: 9.6 years). Severance payments are expected to total EUR 6.3m in 2017/18 (previous year: EUR 5.4m).

A change in the actuarial parameters (ceteris paribus) would have the following effect on the provisions for pensions and obligations similar to pensions as well as the provisions for severance payments:

Sensitivity analysis for provisions for pensions

%

		30.09.2017		30.09.2016	
	Change in assumption	Decrease in assumption/ change in DBO	Increase in assumption/ change in DBO	Decrease in assumption/ change in DBO	Increase in assumption/ change in DBO
Interest rate	0.50	6.95	–6.18	7.36	–6.53
Remuneration increases	1.00	–2.68	2.88	–2.93	3.19
Pension increases	1.00	–10.20	12.42	–10.66	13.06
Remaining life expectancy	1 year	–4.79	4.89	–4.93	5.03

Sensitivity analysis for provisions for obligations similar to pensions

%

		30.09.2017		30.09.2016	
	Change in assumption	Decrease in assumption/ change in DBO	Increase in assumption/ change in DBO	Decrease in assumption/ change in DBO	Increase in assumption/ change in DBO
Interest rate	0.50	9.40	–8.20	10.05	–8.70
Remuneration increases	1.00	–	–	–	–
Pension increases	1.00	–12.49	15.63	–13.02	16.40
Remaining life expectancy	1 year	–4.04	4.06	–4.22	4.25

Sensitivity analysis for provisions for severance payments

%

		30.09.2017		30.09.2016	
	Change in assumption	Decrease in assumption/ change in DBO	Increase in assumption/ change in DBO	Decrease in assumption/ change in DBO	Increase in assumption/ change in DBO
Interest rate	0.50	4.68	–4.37	5.00	–4.64
Remuneration increases	1.00	–9.38	10.62	–9.90	11.30

The sensitivity analysis was carried out separately for each key actuarial parameter. Only one parameter was changed at a time during the examination, while the other variables remained constant (ceteris paribus). The calculation of the changed obligation reflected the calculation of the actual obligation. The analytical capacity of this method is limited because the interdependencies between the individual actuarial parameters are not taken into account. With respect to the severance compensation obligations, a sensitivity analysis was not carried out for the remaining life expectancy because this parameter has only an immaterial effect on the liability.

Reconciliation of other non-current provisions

EURm

	Service anniversary bonuses	Rents for network access	Process costs and risks	Environmental and disposal risks	Other non-current provisions	Total
Carrying amount 01.10.2016	22.9	6.4	14.7	56.8	3.5	106.1
Currency translation differences	0.0*)	–	–	–	0.0*)	0.0*)
Interest expense	0.4	0.0*)	0.0*)	0.7	0.0*)	1.2
Use	–1.2	–	–3.0	–7.6	–1.1	–12.9
Release	–0.4	–0.2	–5.4	–0.8	–3.1	–10.0
Additions	0.6	0.1	2.2	0.9	4.4	8.1
Transfers	–	0.0*)	0.1	0.0*)	–0.2	–0.1
Reclassification	–0.1	0.0*)	0.1	–1.3	–	–3.1
Carrying amount 30.09.2017	22.1	6.4	8.7	48.5	3.5	89.3

*) Small amount

Rents for network access involve provisions for rents to gain access to third-party facilities in Bulgaria. Various legal proceedings and lawsuits, which for the most part arise from operating activities and are currently pending, are reported under process costs and risks. Environmental and disposal risks primarily encompass the estimated costs for demolition or disposal as well as provisions for environmental risks and risks related to contaminated sites. At the present time, the use of the provisions for environmental and disposal risks is expected within a timeframe of two to 29 years.

53. Deferred income from network subsidies

The investment subsidies are related primarily to heating plants, facilities of evn wasser, small hydropower plants and windpower plants of EVN Naturkraft and facilities of Netz NÖ.

Deferred income from network subsidies

EURm

	Network subsidies	Investment subsidies	Total
Carrying amount 01.10.2016	496.3	64.4	560.7
Currency translation differences	0.0*)	–	0.0*)
Additions	65.0	7.7	72.7
Release	–5.3	–0.0*)	–5.3
Transfers	–38.6	–5.4	–44.0
Carrying amount 30.09.2017	517.4	66.7	584.1

*) Small amount

54. Other non-current liabilities

Other non-current liabilities EURm	30.09.2017	30.09.2016
Leases	12.7	14.3
Accruals from financial transactions	1.1	1.5
Liabilities from derivative transactions	32.2	37.3
Remaining other non-current liabilities	12.4	11.2
Total	**58.3**	**64.3**

Leases are related mainly to the long-term utilisation of heating networks and heat generation plants. The accruals from financial transactions are related to present value advantages from lease-and-lease-back transactions in connection with electricity procurement rights from the Danube power plants.

The liabilities from derivative transactions include the negative fair values from hedges concluded for bonds, which are contrasted in part by the development of the bond liability, and for project financing related to the Walsum 10 power plant.

The remaining other non-current liabilities include, among others, accrued tax liabilities related to the tax group in Austria, accrued long-term electricity delivery obligations and non-current prepayments made by customers.

Term to maturity of other non-current liabilities
EURm

	Remaining term to maturity as of 30.09.2017			Remaining term to maturity as of 30.09.2016		
	< 5 years	> 5 years	Total	< 5 years	> 5 years	Total
Leases	6.6	6.1	12.7	7.3	7.0	14.3
Accruals from financial transactions	1.1	–	1.1	1.5	0.0*)	1.5
Liabilities from derivative transactions	26.4	5.8	32.2	25.1	12.2	37.3
Remaining other non-current liabilities	3.8	8.6	12.4	3.7	7.6	11.2
Total	**37.9**	**20.5**	**58.3**	**37.5**	**26.8**	**64.3**

*) Small amount

Current liabilities

55. Current loans and borrowings

Bank overdrafts are included under cash and cash equivalents in the consolidated statement of cash flows.

Current loans and borrowings EURm	30.09.2017	30.09.2016
Bank loans	49.2	75.5
Bond liabilities	–	149.9
Bank overdrafts and other current loans	1.3	13.7
Total	**50.5**	**239.1**

Loans of EUR 49.2m were reclassified to current financial liabilities because they are now due within one year (previous year: EUR 75.5m).

56. Taxes payable and levies

Taxes payable and levies as of the balance sheet date comprise the following:

Taxes payable and levies EURm	30.09.2017	30.09.2016
Energy taxes	30.8	24.2
Value added tax	18.7	16.5
Corporate income tax	10.1	5.5
Other taxes and duties	8.1	9.0
Total	**67.6**	**55.2**

57. Trade payables

Trade payables include obligations resulting from outstanding invoices amounting to EUR 80.7m (previous year: EUR 84.4m).

58. Current provisions

Reconciliation of current provisions EURm	Personnel entitlements	Onerous contracts	Rents for network access	Process risks	Other current provisions	Total
Carrying amount 01.10.2016	**76.7**	**5.2**	**2.8**	**4.4**	**8.7**	**97.8**
Currency translation differences	0.0*)	–	–	–0.0*)	0.0*)	0.0*)
Use	–10.3	–11.3	–	–1.4	–2.2	–25.3
Release	–	–	–	–0.0*)	–1.4	–1.4
Additions	9.2	5.4	–	0.4	2.6	17.6
Transfers	–	–	–0.0*)	–0.1	0.4	0.3
Reclassification	–0.6	1.8	–0.0*)	–0.1	1.5	2.5
Carrying amount 30.09.2017	**75.0**	**1.1**	**2.7**	**3.1**	**9.7**	**91.6**

*) Small amount

The provisions for personnel entitlements comprise special payments not yet due, outstanding leave and liabilities resulting from a voluntary early retirement programme for employees. The provisions for legally binding agreements totalled EUR 7.8m as of the balance sheet date (previous year: EUR 8.8m).

59. Other current liabilities

Other current liabilities EURm	30.09.2017	30.09.2016
Financial liabilities		
Liabilities to investments in equity accounted investees	149.8	134.7
Liabilities to non-consolidated subsidiaries	2.8	10.4
Deferred interest expenses	15.5	17.6
Liabilities arising from derivative transactions	33.3	18.8
Other financial liabilities	77.2	143.7
	278.6	**325.1**
Other liabilities		
Prepayments received	45.5	65.4
Deferred income from network subsidies	47.8	46.4
Liabilities relating to social security	17.0	16.4
	110.3	**128.3**
Total	**388.9**	**453.4**

The liabilities to investments in equity accounted investees consist primarily of cash pooling balances between EVN AG and these companies as well as amounts due to EAA for the distribution and procurement of electricity.

The liabilities from derivative transactions include, in particular, the negative market values of derivatives in the energy business.

The other financial liabilities include a liability of EUR 36.2m (previous year: EUR 45.8m) related to a tariff decision in Bulgaria on 1 July 2014, which requires the repayment of revenue from previous periods. The other components of this position include accrued interest, employee-related liabilities and deposits received.

The decline in miscellaneous other financial liabilities is related to the arbitration decision on the Walsum 10 power plant project. It resulted in the derecognition of a liability amounting to EUR 60.9m, which was created in 2013 following the use of the contract performance guarantee by the project company.

Other liabilities include the following: prepayments received to cover the costs of electricity, natural gas and heating supplies; prepayments to cover the installation of customer equipment; obligations to social security carriers; and subsidies received for construction costs and investments that will be recognised to revenue within one year.

Segment reporting

Segment reporting
EURm

	Energy		Generation		Networks		South East Europe	
	2016/17	2015/16	**2016/17**	2015/16	**2016/17**	2015/16	**2016/17**	2015/16
External revenue	512.0	448.5	53.7	46.0	497.9	434.2	957.5	949.4
Internal revenue (between segments)	8.4	15.0	186.3	175.7	68.8	58.7	0.5	0.3
Total revenue	**520.5**	**463.4**	**240.0**	**221.7**	**566.7**	**492.9**	**958.0**	**949.7**
Operating expenses	–518.1	–553.8	–125.1	–113.5	–273.8	–272.3	–790.6	–820.2
Share of results from equity accounted investees operational	99.4	62.1	–11.1	–34.1	–	–	–	–
EBITDA	**101.8**	**–28.3**	**103.7**	**74.1**	**292.9**	**220.6**	**167.3**	**129.5**
Depreciation and amortisation	–27.9	–17.4	–110.7	–69.2	–115.2	–110.3	–86.3	–94.1
thereof impairment losses	–9.7	–2.1	–61.1	–15.9	–	–0.1	–24.0	–31.3
thereof revaluation	1.3	2.6	0.2	1.4	–	0.1	–	–
Results from operating activities (EBIT)	**73.9**	**–45.7**	**–7.0**	**4.8**	**177.6**	**110.3**	**81.0**	**35.4**
EBIT margin (%)	14.2	–9.9	–2.9	2.2	31.3	22.4	8.5	3.7
Share of results from equity accounted investees financial	–	–	–	–	–	–	–	–
Interest income	0.2	0.2	8.0	0.9	0.2	0.2	0.4	0.4
Interest expense	–2.9	–4.2	–15.8	–20.7	–16.9	–17.7	–21.6	–23.7
Financial results	–2.7	–4.7	–10.0	–22.4	–16.6	–17.5	–23.0	–23.3
Result before income tax	**71.2**	**–50.3**	**–17.0**	**–17.6**	**161.0**	**92.8**	**58.0**	**12.1**
Goodwill	–	–	–	–	1.8	1.8	–	–
Carrying value of investments in equity accounted investees	190.7	146.6	70.1	79.7	–	–	–	–
Total assets	696.3	682.0	923.4	1,094.5	1,921.3	1,883.5	1,161.1	1,184.1
Liabilities	599.2	585.1	662.6	845.0	1,317.2	1,357.1	937.6	1,006.3
Investments[1)]	20.0	26.0	26.3	33.8	153.3	154.7	92.0	93.5

1) In intangible assets and property, plant and equipment

Segment reporting

EURm

	Environment		All Other Segments		Consolidation[2]		Total	
	2016/17	2015/16	**2016/17**	2015/16	**2016/17**	2015/16	**2016/17**	2015/16
External revenue	181.0	158.4	13.4	10.1	–	–	2,215.6	2,046.6
Internal revenue (between segments)	16.5	18.3	59.5	58.1	–340.0	–326.1	–	–
Total revenue	**197.5**	**176.8**	**73.0**	**68.2**	**–340.0**	**–326.1**	**2,215.6**	**2,046.6**
Operating expenses	–207.7	–137.0	–80.7	–74.8	339.6	436.1	–1,656.6	–1,535.6
Share of results from equity accounted investees operational	13.9	13.3	60.4	52.2	–	–	162.6	93.5
EBITDA	**3.7**	**53.1**	**52.7**	**45.6**	**–0.4**	**109.9**	**721.6**	**604.4**
Depreciation and amortisation	–24.9	–25.8	–1.4	–1.6	–8.4	–25.6	–374.8	–344.0
thereof impairment losses	–	–	–0.0[*]	–0.0[*]	–19.1	–32.6	–113.9	–82.0
thereof revaluation	–	–	–	–	–	–	1.4	4.1
Results from operating activities (EBIT)	**–21.2**	**27.3**	**51.2**	**43.9**	**–8.8**	**84.3**	**346.9**	**260.4**
EBIT margin (%)	–10.7	15.5	70.2	64.4	–0.0[*]	–	15.7	12.7
Share of results from equity accounted investees financial	–	–	12.2	–8.7	–	–	12.2	–8.7
Interest income	8.1	10.5	28.6	31.9	–25.9	–27.3	19.5	16.7
Interest expense	–9.9	–9.8	–24.2	–28.6	25.9	27.3	–65.4	–77.4
Financial results	–1.6	–2.5	45.6	22.1	–13.0	–13.4	–21.4	–61.6
Result before income tax	**–22.8**	**24.8**	**96.8**	**66.1**	**–21.8**	**71.0**	**325.5**	**198.9**
Goodwill	54.0	54.0	–	–	–	–	55.8	55.8
Carrying value of investments in equity accounted investees	106.7	97.8	587.3	601.7	–	–	954.8	925.8
Total assets	816.4	895.1	3,040.0	2,720.8	–2,103.7	–1,903.5	6,454.9	6,556.5
Liabilities	637.1	687.1	1,265.8	1,226.5	–2,114.8	–1,921.2	3,304.8	3,785.8
Investments[1]	11.6	8.4	2.3	1.9	–1.7	–2.9	303.8	315.4

1) In intangible assets and property, plant and equipment

2) Explained below in the notes to segment reporting

*) Small amount

Segment information by product – revenue

EURm	2016/17	2015/16
Electricity	1,548.2	1,472.8
Natural gas	219.3	161.1
Heat	135.1	125.2
Environmental services	181.0	158.4
Others	132.0	129.0
Total	**2,215.6**	**2,046.6**

Segment information by country – revenue[1)]

EURm	2016/17	2015/16
Austria	1,169.4	1,025.6
Germany	66.1	52.5
Bulgaria	571.4	568.2
Macedonia	384.9	382.3
Others	23.9	18.0
Total	**2,215.6**	**2,046.6**

1) The allocation of segment information by countries is based on the location of the companies.

Segment information by country – non-current assets[1)]

EURm	30.09.2017		30.09.2016	
	Intangible assets	Property, plant and equipment	Intangible assets	Property, plant and equipment
Austria	107.1	2,381.7	124.7	2,375.9
Germany	45.1	197.0	45.2	328.7
Bulgaria	20.6	470.6	47.5	480.5
Macedonia	4.3	293.4	3.7	288.4
Others	0.0*)	40.8	0.0*)	39.1
Total	**177.1**	**3,383.6**	**221.2**	**3,512.5**

1) The allocation of segment information by countries is based on the location of the companies.

*) Small amount

60. Notes to segment reporting

The segments of business cover the following activities:

Business areas	Segments	Major activities
Energy business	**Energy**	→ Marketing of electricity produced in the Generation Segment → Procurement of electricity, natural gas and primary energy carriers → Trading with and sale of electricity and natural gas to end customers and on wholesale markets → Production and sale of heat → 45.0% investment in ENERGIEALLIANZ Austria GmbH[1)] → Investment as sole limited partner in EVN Energievertrieb GmbH & Co KG (EVN KG)[1]
	Generation	→ Generation of electricity from thermal production capacities and renewable energy sources at Austrian and international locations → 13.0% investment in Verbund Innkraftwerke GmbH (Germany)[1)] → 49.0% investment in Walsum 10 hard coal power plant (Germany)[2)] → 49.99% investment in Ashta run-of-river power plant (Albania)[1)]
	Networks	→ Operation of distribution networks and network infrastructure for electricity and natural gas in Lower Austria → Cable TV and telecommunication services in Lower Austria and Burgenland
	South East Europe	→ Operation of distribution networks and network infrastructure for electricity in Bulgaria and Macedonia → Sale of electricity to end customers in Bulgaria and Macedonia → Generation of electricity from hydropower in Macedonia → Generation, distribution and sale of heat in Bulgaria → Construction and operation of natural gas networks in Croatia → Energy trading for the entire region
Environmental services business	**Environment**	→ Water supply and wastewater disposal in Lower Austria → Operation of a thermal waste utilisation plant in Lower Austria → International project business: planning, construction, financing and/or operation (depending on the project) of plants for drinking water supplies, wastewater treatment and thermal waste utilisation
Other business activities	**All Other Segments**	→ 50.03% investment in RAG-Beteiligungs-Aktiengesellschaft, which holds 100% of the shares in Rohöl-Aufsuchungs Aktiengesellschaft (RAG)[1)] → 73.63% investment in Burgenland Holding AG, which holds a stake of 49.0% in Energie Burgenland AG[1)] → 12.63% investment in Verbund AG[3)] → Corporate services

1) The earnings contribution represents the share of results from equity accounted investees with operational nature and is included in EBITDA.
2) The investment in Steag-EVN Walsum 10 Kraftwerksgesellschaft is accounted for as a joint operation.
3) Dividends are included under financial results.

Principle of segment allocation and transfer pricing
Subsidiaries are allocated directly to their respective segments. EVN AG is allocated to the segments on the basis of data from the cost accounting system.

The transfer prices for energy between the individual segments are based on comparable prices for special contract customers, and thus represent applicable market prices. For the remaining items, pricing is based on cost plus an appropriate mark-up.

Reconciliation of segment results at the Group level
Services performed between segments are eliminated in the consolidation column. The results in the total column reflect the amounts shown in the consolidated statement of operations. Also included are transition amounts, which result from the difference between the viewpoints of the Generation and Energy Segments and the Group with respect to the inclusion of Steag-EVN Walsum as a joint operation. The Generation Segment has not identified any signs of impairment to its proportional investment in the power plant resulting from the inclusion of Steag-EVN Walsum as a joint operation, and the Energy Segment has already recognised provisions for onerous contracts connected with the marketing of its electricity production. In contrast, an impairment charge is required from the Group's point of view. These circumstances led to a transition of EUR –8.8m (previous year: EUR 84.3m) from the segment total to Group EBIT.

Group disclosures
IFRS 8 requires additional segment information classified by products (external revenues from customers broken down by products and services) and countries (external revenues from customers and non-current assets broken down by countries) if this information is not provided as part of the segment reporting.

Information on transactions with major external customers is required only if these transactions amount to 10.0% or more of a company's external revenues. EVN has no transactions with customers that meet this criterion because of its large number of customers and diverse business activities.

Other information

61. Consolidated statement of cash flows

The consolidated statement of cash flows shows the changes in cash and cash equivalents during the reporting year as a result of cash inflows and outflows. The consolidated statement of cash flows is presented in accordance with the indirect method. Non-cash expenses were added to and non-cash income was subtracted from profit before income tax.

Cash and cash equivalents

EURm	30.09.2017	30.09.2016
Cash	223.1	237.2
thereof cash on hand	0.6	0.5
thereof cash at banks	222.4	236.7
Bank overdrafts	–1.3	–13.7
Total	**221.8**	**223.5**

Of the total deposits with financial institutions, EUR 0.2m (previous year: EUR 2.5m) represent pledges.

62. Risk management

Interest rate risk

EVN defines interest rate risk as the risk that fluctuations in the fair value or future cash flows of a financial instrument due to changes in the market interest rate could adversely affect interest income and expense as well as equity. This risk is minimised through the regular monitoring of interest rate risk and compliance with limits as well as hedging strategies that include the use of derivative financial instruments (also see notes **9. Financial instruments** and **64. Reporting on financial instruments).**

EVN monitors interest rate risk through sensitivity analyses, among others with a daily value-at-risk (VaR) calculation. This procedure calculates the VaR with a confidence level of 99.0% for one day according to the variance-covariance method (delta-gamma approach). The interest VaR, including the hedging instruments used by EVN, equalled EUR 4.5m as of 30 September 2017 (previous year: EUR 6.6m). The lower volatility of interest rates during the reporting year and the premature repayment of non-current financial liabilities were reflected in a year-on-year decline in the value at risk for interest rates.

Foreign exchange risk

For EVN, the risk to profit or loss arising from fluctuations in foreign exchange rates arises from transactions carried out in currencies other than the euro. EVN is exposed to foreign exchange risk on receivables, liabilities, and cash and cash equivalents that are not held in the Group's functional currency (BGN, HRK, JPY, MKD, PLN, RUB). The most significant driver of foreign exchange risk for EVN is a bond issued in Japanese yen (JPY). Foreign exchange risk is managed by way of the central compilation, analysis and management of risk positions, and by hedging the bond denominated in foreign currencies through cross currency swaps (see notes **9. Financial instruments** and **50. Non-current loans and borrowings).**

The foreign exchange VaR, based on the major foreign currency risk drivers in the financial area, remains immaterial and amounted to TEUR 2.4 (previous year: TEUR 9.2) after the inclusion of hedging instruments.

Other market risks

EVN defines other market risks as the risk of price changes resulting from market fluctuations in primary energy, CO_2 emission certificates, electricity and securities.

In EVN's energy trading activities, energy trading contracts are entered into for the purpose of managing price risk. Price risks result from the procurement and sale of electricity, natural gas, hard coal, and CO_2 emission certificates.

For price hedging purposes in the energy sector, EVN uses both financial derivatives, which are invariably converted to cash, as well as commodity derivatives, which are generally based on physical delivery. Commodity derivatives are differentiated by contracts subject to a

possible further optimisation and contracts under the expected purchase, sale or usage requirements for the supply of customers, EVN's facilities or the marketing of energy produced in EVN facilities (own use). The table on page 173 shows the outstanding contracts from optimisation as of 30 September 2017 (also see note **64. Reporting on financial instruments).**

The price risk for securities results from fluctuations on the capital markets. The most significant securities position held by EVN is its investment in Verbund AG. The price risk VaR for the Verbund AG shares held by EVN as of the balance sheet date was EUR 28.1m (previous year: EUR 27.0m), whereby the price would be influenced by the sale of a large block of Verbund shares by EVN. The year-on-year increase in the VaR resulted essentially from the position's higher share price/market value.

Liquidity risk

Liquidity risk represents the risk of not being able to raise the required financial resources to settle liabilities on their due date as well as the inability to raise the necessary liquidity at the expected terms and conditions. EVN minimises this risk by means of short-term and medium-term financial and liquidity planning. In concluding financing agreements, special attention is paid to managing the terms to maturity in order to achieve a balanced maturity profile and thus avoid the bundling of repayment dates. The EVN Group uses cash pooling to equalise liquidity balances.

As of the balance sheet date, the liquidity reserve consisted of liquid assets in the amount of EUR 222.3m (previous year: EUR 298.9m). Moreover, EVN had EUR 400.0m of contractually agreed and unused syndicated lines of credit (previous year: unused lines of credit totalling EUR 400.0m) and EUR 97.0m of contractually agreed and unused bilateral lines of credit (previous year: EUR 122.0m) as of the balance sheet date. The liquidity risk was therefore extremely low. The gearing ratio equalled 38.5% as of the balance sheet date (previous year: 55.0%) and underscores EVN's sound capital structure.

Expected occurrence of cash flows of loans and borrowings and other liabilities

2016/17 financial year

EURm	Carrying amount	Total payment flows	Contractually stipulated payment flows		
			< 1 year	1–5 years	> 5 years
Bonds	532.0	694.6	22.3	400.6	271.8
Bank loans	642.5	779.2	62.9	251.0	465.3
Lease liabilities	14.8	16.4	2.0	8.2	6.2
Liabilities arising from derivative transactions	65.5	70.5	31.2	25.1	14.2
Total	**1,254.8**	**1,560.7**	**118.4**	**684.9**	**757.4**

2015/16 financial year

EURm	Carrying amount	Total payment flows	Contractually stipulated payment flows		
			< 1 year	1–5 years	> 5 years
Bonds	700.1	896.5	180.5	117.8	598.1
Bank loans	839.7	995.3	92.9	363.3	539.2
Lease liabilities	16.5	18.4	2.2	9.7	6.5
Liabilities arising from derivative transactions	56.1	57.8	18.4	30.3	9.1
Total	**1,612.4**	**1,968.0**	**294.1**	**521.1**	**1,152.9**

Credit risk
Credit and default risk represents the risk of a loss when business partners fail to meet their contractual obligations. This risk is inherent to all agreements with delayed payment terms or fulfilment at a later date. To limit default risk, the company evaluates the credit standing of its business partners. External ratings (including Standard & Poor's, Moody's, Fitch and KSV 1870) are used for this purpose, and the business volume is limited in accordance with the rating and the probability of default. Sufficient collateral is required before a transaction is entered into if the partner's credit rating is inadequate.

EVN monitors credit risk and limits default risk for financial receivables and for derivatives and forward transactions which are concluded to hedge the risks connected with EVN's energy business or are related to end customers and other debtors.

In order to reduce credit risk, hedging transactions are entered into only with well-known banks that have good credit ratings. EVN also ensures that funds are deposited at banks with the best possible credit standing based on international ratings.

The default risk for customers is monitored separately at EVN and supported primarily by ratings and values derived from experience. Credit risks are taken into account through individual and general bad debt allowances. Default risk is also minimised with efficient receivables management and the continuous monitoring of customer payment behaviour.

Impairment losses by class

EURm	30.09.2017	30.09.2016
Write-offs/value adjustments		
Non-current assets		
Loans receivable	–	0.3
	–	0.3
Current assets		
Receivables	23.1	20.7
Total	23.1	21.0

The Group's maximum default risk for the items reported on the consolidated statement of financial position as of 30 September 2017 and 30 September 2016 reflect the carrying amounts shown in notes **39. Other non-current assets**, **41. Trade and other receivables** and **42. Securities**, excluding financial guarantees.

The maximum default risk for derivative financial instruments equals the positive fair value (see note **64. Reporting on financial instruments).**

The maximum risk from financial guarantees is described in note **66. Other obligations and risks.**

63. Capital management

EVN's goal in the area of capital management is to maintain a solid capital structure in order to use the resulting financial strength for value-creating investments and an attractive dividend policy. EVN has defined an equity ratio of more than 40% and net debt coverage of more than 30% as its targets. As of 30 September 2017, the equity ratio equalled 48.8% (previous year: 42.3%). Net debt coverage, which represents the ratio of funds from operations to net debt equalled 48.7% (previous year: 37.3%). Net debt is calculated as the total of current and non-current financial liabilities minus cash and cash equivalents, current and non-current securities and originated loans and plus non-current employee-related provisions.

Capital management

EURm	30.09.2017	30.09.2016
Non-current loans and borrowings	1,125.4	1,314.5
Current loans and borrowings[1)]	49.2	225.4
Cash and cash equivalents	–221.8	–223.5
Non-current and current securities	–59.0	–158.4
Non-current and current loans receivable	–43.9	–36.5
Net financial debt	**849.9**	**1,121.5**
Non-current personnel provisions[2)]	363.3	401.8
Net debt	**1,213.2**	**1,523.3**
Funds from operations	**591.2**	**568.7**
Equity	**3,150.1**	**2,770.7**
Gearing (%)	**38.5**	**55.0**
Net debt coverage (%)	**48.7**	**37.3**

1) Excluding bank overdrafts contained in cash and cash equivalents.
2) Excluding serivce anniversary bonuses

The EVN Group uses cash pooling to manage liquidity and optimise interest rates. EVN AG and each of the participating Group subsidiaries have concluded a corresponding contract that defines the modalities for cash pooling.

64. Reporting on financial instruments

Fair value generally reflects the listed price on the balance sheet date. If this price is not available, fair value is calculated in accordance with financial methods, e.g. by discounting the expected cash flows at the prevailing market interest rate. The input factors required for the calculations are explained below.

The fair value of shares in unlisted subsidiaries and other investments is based on discounted expected cash flows or comparable transactions. For financial instruments listed on an active market, the trading price as of the balance sheet date represents fair value. Most of the receivables, cash and cash equivalents, and current financial liabilities have short terms to maturity. Therefore, the carrying value of these instruments as of the balance sheet date approximately corresponds to fair value. The fair value of bonds is calculated as the present value of the discounted future cash flows based on prevailing market interest rates.

The following table shows the financial instruments carried at fair value and their classification in the fair value hierarchy according to IFRS 13.

Level 1 input factors are observable parameters such as quoted prices for identical assets or liabilities. These prices are used for valuation purposes without modification.

Level 2 input factors represent other observable parameters which must be adjusted to reflect the specific characteristics of the valuation object. Examples of the parameters used to measure the financial instruments classified under level 2 are forward price curves derived from market prices, exchange rates, interest structure curves and the counterparty credit risk.

Level 3 input factors are non-observable factors which reflect the assumptions that would be used by a market participant to determine an appropriate price.

There were no reclassifications between the various levels during the reporting period.

Information on classes and categories of financial instruments

EURm

Classes	Measurement category	Fair value hierarchy (according to IFRS 13)	30.09.2017 Carrying amount	30.09.2017 Fair value	30.09.2016 Carrying amount	30.09.2016 Fair value
Non-current assets						
Other investments						
Investments	AFS	Level 3	36.8	36.8	9.8	–
Miscellaneous investments	AFS	Level 1	875.2	875.2	595.7	595.7
Other non-current assets						
Securities	@FVTPL	Level 1	58.4	58.4	82.9	82.9
Loans reveivable	LAR	Level 2	40.6	48.4	30.9	39.5
Lease receivables	LAR	Level 2	86.9	99.6	104.3	118.0
Receivables arising from derivative transactions	@FVTPL	Level 2	8.0	8.0	6.3	6.3
Receivables arising from derivative transactions	Hedging	Level 2	1.0	1.0	16.2	16.2
Remaining other non-current assets	LAR		0.5	0.5	58.6	58.6
Current assets						
Current receivables and other current assets						
Trade and other receivables	LAR		367.8	367.8	371.6	371.6
Receivables arising from derivative transactions	@FVTPL	Level 2	18.0	18.0	9.1	9.1
Securities	AFS	Level 1	**0.5**	**0.5**	**75.4**	**75.4**
Cash and cash equivalents						
Cash on hand and cash at banks	LAR		223.1	223.1	237.2	237.2
Non-current liabilities						
Non-current loans and borrowings						
Bonds	FLAC	Level 2	532.0	637.1	550.3	683.7
Bank loans	FLAC	Level 2	593.3	651.5	764.2	838.5
Other non-current liabilities						
Leases	FLAC	Level 2	12.7	14.6	14.3	16.5
Accruals of financial transactions	FLAC		1.1	1.1	1.5	1.5
Other liabilities	FLAC		12.4	12.4	11.2	11.2
Liabilities arising from derivative transactions	@FVTPL	Level 2	9.8	9.8	8.4	8.4
Liabilities arising from derivative transactions	Hedging	Level 2	22.4	22.4	28.8	28.8
Current liabilities						
Current loans and borrowings	FLAC		**50.5**	**50.5**	**239.1**	**239.1**
Trade payables	FLAC		**314.0**	**314.0**	**399.6**	**399.6**
Other current liabilities						
Other financial liabilities	FLAC		245.3	245.3	306.4	306.4
Liabilities arising from derivative transactions	@FVTPL	Level 2	25.9	25.9	12.2	12.2
Liabilities arising from derivative transactions	Hedging	Level 2	7.4	7.4	6.6	6.6
thereof aggregated to measurement categories						
Available for sale financial assets	AFS		912.5		680.8	
Loans and receivables	LAR		718.9		802.6	
Financial assets designated at fair value in profit or loss	@FVTPL		84.4		98.3	
Financial liabilities at amortised cost	FLAC		1,761.3		2,286.6	

Net results by measurement category

EURm

Classes	2016/17 Net result	2016/17 Of which impairment losses	2015/16 Net result	2015/16 Of which impairment losses
Available for sale financial assets (AFS)	–0.1	–	–2.8	–2.8
Loans and receivables (LAR)	–28.0	–23.1	–26.0	–21.0
Financial assets and liabilities at fair value through profit or loss (@FVTPL)	–5.8	–	–1.5	–
Financial assets and liabilities (Hedging)	–21.6	–	16.5	–
Financial liabilities at amortised cost (FLAC)	20.5	–	–14.1	–
Total	**–35.0**	**–23.1**	**–27.9**	**–23.8**

The more detailed and transparent presentation of net result by valuation category in 2016/17 also involved the separation of financial assets and liabilities into @FVTPL and hedging. In addition, the measurement results from the JPY bond are presented separately in the table in "Results from hedges" (@FVTPL) and "Results from the valuation of bonds" (FLAC).

Derivative financial instruments and hedging transactions

Derivative financial instruments are used primarily to hedge the company's liquidity, exchange rate, price and interest rate risks. The operative goal is to ensure the long-term continuity of the Group's earnings. All derivative financial instruments are integrated in a risk management system as soon as the respective contracts are concluded. This allows for the preparation of a daily overview of all main risk indicators. A separate staff unit has been established to monitor risk controlling and continuously develop risk analyses based on the value-at-risk (VaR) method.

The nominal values represent the separate totals of the items classified as financial derivatives on the balance sheet date. These are reference values which do not provide a measure of the risk incurred by the company through the use of these financial instruments. In particular, potential risk factors include fluctuations in the underlying market parameters and the credit risk of the contracting parties. Derivative financial instruments are recognised at their fair value.

Derivative financial instruments comprise the following:

Derivative financial instruments

	30.09.2017 Nominal value[1]		30.09.2017 Fair values[2]			30.09.2016 Nominal value[1]		30.09.2016 Fair values[2]		
	Purchases	Disposals	Positive	Negative	Net	Purchases	Disposals	Positive	Negative	Net
Currency swaps										
JPYm (> 5 years)[3]	–	12,000.0	–	–5.0	–5.0	–	12,000.0	16.2	–	16.2
Interest rate swaps										
EURm (< 5 years)[3]	20.2	–	–	–2.4	–2.4	–	–	–	–	–
EURm (> 5 years)[3]	169.3	–	1.0	–22.5	–21.5	216.0	–	–	–35.5	–35.5
Derivatives energy										
Swaps	65.0	–26.8	15.0	–1.7	13.4	54.6	–15.4	9.0	–3.6	5.4
Futures	17.5	–35.5	5.0	–6.0	–1.0	9.4	–13.6	0.2	–3.4	–3.2
Forwards	34.2	–113.3	5.9	–27.9	–22.0	35.1	–142.3	6.3	–13.7	–7.3

1) In m nominal currency
2) In EURm
3) Used as a hedging instrument in accordance with IAS 39

Positive fair values are recognised as receivables from derivative transactions under other non-current assets or other current assets, depending on their remaining term to maturity. Negative fair values are recognised as liabilities from derivative transactions under other non-current liabilities or other current liabilities, depending on their remaining term to maturity. A maturity analysis of the derivative financial liabilities is provided in the table on liquidity risk (see note **62. Risk management).**

The following table shows the maturity of the interest rate swaps which are designated as cash flow hedges. The terms of the hedges correspond to the occurrence of the future transactions. The periods in which the cash flows occur represent the periods in which they are expected to have an effect on results.

Expected occurrence of cash flows from cash flow hedges

2016/17 financial year EURm	Total payment flows	Contractually stipulated payment flows < 1 year	 1–5 years	 > 5 years
Cash flows of hedged items	–197.0	–18.4	–85.6	–93.0
Cash flows from hedging instruments	–26.5	–6.2	–16.3	–4.1

2015/16 financial year EURm	Total payment flows	Contractually stipulated payment flows < 1 year	 1–5 years	 > 5 years
Cash flows of hedged items	–221.4	–19.1	–76.7	–125.6
Cash flows from hedging instruments	–37.7	–6.7	–21.9	–9.1

65. Disclosures of interests in other entities

An overview of the companies included in the consolidated financial statements is provided beginning on page 182 under **EVN's investments.**

Information on the joint ventures and associates that were included in EVN's consolidated financial statements at equity in 2016/17 is provided below.

The share of results from equity accounted investees with operational nature has been reported as part of the results from operating activities (EBIT).

The following overview shows the classification of the equity accounted investees based on operating and financial criteria:

Joint ventures that were included at equity in the consolidated financial statements as of 30.09.2017 in accordance with IFRS 11	Operational nature	Financial nature
Company		
AUL Abfallumladelogistik Austria GmbH	●	
Bioenergie Steyr GmbH	●	
Degremont WTE Wassertechnik Praha v.o.s.	●	
e&i EDV Dienstleistungsgesellschaft m.b.H.		●
EnergieAllianz	●	
EVN KG	●	
EVN-WE Wind KG	●	
Fernwärme St. Pölten GmbH	●	
Fernwärme Steyr GmbH	●	
RAG	●	
Ashta	●	
sludge2energy GmbH	●	
WEEV Beteiligungs GmbH		●
ZOV	●	

Associates that were included at equity in the consolidated financial statements as of 30.09.2017 in accordance with IAS 28	Operational nature	Financial nature
Company		
Energie Burgenland AG	●	
Verbund Innkraftwerke GmbH	●	
ZOV UIP	●	

The following table shows summarised financial information about each individually material joint venture included in the consolidated financial statements:

Financial information of material joint ventures EURm	30.09.2017			30.09.2016		
Joint venture	**EVN KG**	**RAG**	**ZOV**	**EVN KG**	**RAG**	**ZOV**
Statement of financial position						
Non-current assets	14.8	627.1	245.1	14.9	649.2	253.5
Current assets	209.4	71.4	52.4	181.9	91.8	47.1
Non-current liabilities	0.0*)	350.7	61.2	0.0*)	418.3	79.9
Current liabilities	77.3	109.5	24.2	92.0	93.7	24.4
Reconciliation of the carrying amount of the share of EVN in the joint venture						
Net assets	146.9	238.2	212.1	104.8	229.0	196.3
Share of EVN in net assets in per cent	100.00%	100.00%	48.50%	100.00%	100.00%	48.50%
Share of EVN in net assets	146.9	238.2	102.9	104.8	229.0	95.2
+/– Revaluations[1)]	–	165.7	0.2	–0.0*)	172.7	0.3
Carrying amount of the share of EVN in the joint venture	146.9	403.9	103.1	104.8	401.7	95.5
	2016/17			**2015/16**		
Statement of operations						
Revenue	444.7	468.6	21.3	431.0	411.5	16.5
Scheduled depreciation and amortisation	–0.0*)	–50.2	–0.0*)	–0.0*)	–52.7	–
Interest income	0.4	–	0.4	0.1	0.0*)	0.2
Interest expense	–0.0*)	–4.0	–6.9	–0.0*)	–5.1	–7.8
Income tax	–	–20.3	–5.4	–	–17.3	–5.9
Result for the period	96.1	50.6	23.5	55.9	50.6	23.5
Other comprehensive income	0.1	–3.2	1.0	17.3	–0.4	1.0
Comprehensive income	96.2	47.4	24.5	73.2	50.2	24.5
Dividends received by EVN	54.1	38.0	4.7	64.0	35.0	5.0

*) Small amount

1) Corresponds to goodwill

The following table shows summarised financial information about the individually immaterial joint ventures included in the consolidated financial statements:

Financial information of individually immaterial joint ventures (EVN share) EURm	2016/17	2015/16
Carrying value of the joint ventures as of the balance sheet date	55.5	71.2
Result for the period	20.8	–1.0
Other comprehensive income	–10.7	16.8
Comprehensive income	10.1	15.8

The following table shows summarised financial information about each individually material associate included in the consolidated financial statements:

Financial information of material associates EURm	30.09.2017			30.09.2016		
Associate	**Verbund IKW**	**ZOV UIP**	**Energie Burgenland**	**Verbund IKW**	**ZOV UIP**	**Energie Burgenland**
Statement of financial position						
Non-current assets	1,225.8	0.2	658.1	1,256.2	0.3	728.2
Current assets	22.5	3.8	195.6	27.5	4.1	152.3
Non-current liabilities	64.2	–	170.0	83.9	–	163.6
Current liabilities	6.8	1.5	362.2	11.4	1.7	409.5
Reconciliation of the carrying amount of the share of EVN in the asscociate						
Net assets	1,177.2	2.6	321.4	1,188.4	2.7	307.4
Share of EVN in net assets in per cent	13.00%	31.00%	36.08%	13.00%	31.00%	36.08%
Share of EVN in net assets	153.0	0.8	116.0	154.5	0.8	110.9
+/– Revaluations[1)]	–89.2	–	67.4	–78.2	–	64.6
Carrying amount of the share of EVN in the associate	63.8	0.8	183.3	76.3	0.8	175.5
	2016/17			**2015/16**		
Statement of operations						
Revenue	68.7	15.7	311.4	66.4	12.4	305.7
Result for the period	–2.1	3.4	21.1	–6.1	3.2	10.5
Other comprehensive income	–	–	2.4	–	–	1.0
Comprehensive income	–2.1	3.4	23.4	–6.1	3.2	11.6
Dividends received by EVN	1.0	1.1	10.3	2.0	1.0	9.3

1) Corresponds to goodwill

The consolidated financial statements include no associates that are individually immaterial.

66. Other obligations and risks

The commitments entered into by EVN and the related risks are as follows:

Other obligations and risks EURm	30.09.2017	30.09.2016
Guarantees in connection with energy transactions	77.6	75.6
Guarantees in connection with projects in the Environment Segment	52.5	59.8
Guarantees related to the construction and operation of		
energy networks	5.3	1.1
power plants	101.4	109.8
Order obligations for investments in intangible assets and property, plant and equipment	94.8	64.0
Further obligations arising from guarantees or other contractual contingent liabilities	0.3	0.3
Total	**331.9**	**310.6**
thereof in connection with equity accounted investees	120.4	122.6

Neither provisions nor liabilities were recognised for the above-mentioned items because claims to the fulfilment of obligations or the actual occurrence of specific risks were not expected at the time these consolidated financial statements were prepared. The above-mentioned obligations were contrasted by corresponding recourse claims of EUR 41.3m (previous year: EUR 65.1m).

Contingent liabilities related to guarantees for subsidiaries in connection with energy transactions are recognised on the basis of the guarantees issued by EAA at an amount equalling the risk exposure of EVN AG. This risk is measured by the changes between the stipulated price and the actual market price, whereby EVN is only exposed to procurement risks when market prices decline and to selling risks when market prices increase.

Accordingly, fluctuations in market prices may lead to a change in the risk exposure after the balance sheet date. The risk assessment resulted in a contingent liability of EUR 47.0m as of 30 September 2017. The nominal volume of the guarantees underlying this assessment was EUR 264.0m. As of 31 October 2017, the market price risk was EUR 7.7m based on an underlying nominal volume of EUR 264.0m.

Various legal proceedings and lawsuits related to operating activities are pending or claims may be filed against EVN in the future. The attendant risks were analysed in relation to their probability of occurrence. The evaluation of possible claims showed that the legal proceedings and lawsuits, individually and as a whole, would not have a material negative effect on EVN's business, liquidity, profit or loss or financial position.

Additional obligations arising from guarantees and other contractual contingent liabilities consisted chiefly of outstanding capital contributions and loan commitments to affiliates as well as liabilities for affiliates' loans.

67. Information on transactions with related parties

In accordance with IAS 24, transactions with related parties arise through direct or indirect control, significant influence or joint management. Related parties include close family members of the respective natural persons. Key management personnel and their close family members are also considered to be related parties.

EVN's related parties include all companies in the scope of consolidation, other subsidiaries, joint ventures and associates that are not included in the consolidated financial statements, the main shareholders NÖ Landes-Beteiligungsholding GmbH, St. Pölten, and its subsidiary EnBW Trust e.V., Karlsruhe, Germany, as well as people who are responsible for the planning, management and supervision of the Group's activities. In particular, related parties also include the members of the Executive Board and the Supervisory Board as well as their family members. A list of the Group companies can be found starting on page 182 under **EVN's investments.**

The main shareholder NÖ Landes-Beteiligungsholding GmbH, St. Pölten, is a public entity which has a controlling influence over EVN AG due to is majority shareholding. EVN has elected to use the exemption provided by IAS 24.25, under which business transactions and outstanding balances with related parties must not be disclosed when the reporting company is controlled by a public entity.

On 20 December 2013, EnBW Energie Baden-Württemberg AG, Karlsruhe, Germany, concluded a trust agreement with EnBW Trust within the framework of a so-called contractual trust arrangement model. This agreement led to the transfer by EnBW of its 32.5% investment in EVN AG in trust to EnBW Trust. As of 30 September 2017, EnBW Trust held an investment of 30.6% in EVN AG.

Transactions with related companies

Main shareholder

A group and tax settlement agreement was concluded with NÖ Landes-Beteiligungsholding GmbH, St. Pölten, in connection with the inclusion of EVN AG in a corporate tax group as defined in § 9 of the Austrian Corporate Tax Act. EVN AG has since added further subsidiaries to the tax group based on this agreement.

Investments in equity accounted investees

Within the context of its ordinary business operations, EVN has concluded supply and service contracts with numerous companies included at equity in its consolidated financial statements. Long-term agreements were concluded with EAA for the sale and procurement of electricity and natural gas, and long-term procurement contracts were concluded with Verbund Innkraftwerke GmbH for electricity.

The value of services provided to investments in equity accounted investees is as follows:

Transactions with joint ventures included at equity EURm	2016/17	2015/16
Revenue	365.7	278.1
Cost of services received	–112.9	–58.4
Trade accounts receivable	15.9	15.4
Trade accounts payable	82.5	23.6
Loans	20.5	12.8
Non-current loans and borrowings	–	9.6
Liabilities from cash pooling	67.3	111.1
Interest income from loans	0.6	0.6
Interest expense on non-current loans and borrowings	–	0.1

Transactions with associates included at equity EURm	2016/17	2015/16
Revenue	–	–
Cost of services received	–6.0	–42.5
Trade accounts receivable	–	–
Trade accounts payable	0.7	0.6

Transactions with related individuals

Executive Board and Supervisory Board

The payments to members of the Executive Board and the Supervisory Board consist primarily of salaries, severance payments, pensions and Supervisory Board remuneration.

The remuneration paid to the active members of the Executive Board in 2016/17 totalled TEUR 1,106.9 (including compensation in kind and contributions to pension funds; previous year: TEUR 1,087.7).

Remuneration of the active Executive Board
TEUR

	2016/17			2015/16		
	Fixed remuneration	Variable remuneration	Compensation in kind	Fixed remuneration	Variable remuneration	Compensation in kind
Peter Layr	392.3	137.4	14.2	386.5	134.4	13.5
Stefan Szyszkowitz	365.8	128.1	14.2	360.4	125.3	13.5

Furthermore, a change of TEUR –1,707.7 was made to the provision for pensions obligations on behalf of Peter Layr in 2016/17 (thereof TEUR 128.9 of interest expense, including TEUR –2,069.4 of actuarial gains/losses). In the previous year, the change amounted to TEUR 1,784.0 (thereof TEUR 185.3 of interest expense, including TEUR 1,405.6 of actuarial gains/losses). For Stefan Szyszkowitz, the pension fund contributions equalled TEUR 54.8 (previous year: TEUR 54.1) and a change of TEUR –354.5 was made to the provision for pensions (thereof TEUR 58.2 of interest expense, including TEUR –592.3 of actuarial gains/losses). In 2015/16, the change to the provision for pensions amounted to TEUR 1,137.3 (thereof TEUR 75.1 of interest expense, including TEUR 928.2 of actuarial gains/losses).

The change in the provision for severance payments included TEUR 47.7 for Peter Layr in 2016/17 (thereof TEUR 7.1 of interest expense, including TEUR –536.0 of actuarial gains/losses) and TEUR 22.6 in the previous year (thereof TEUR 12.1 of interest expense, including TEUR –2.5 of actuarial gains/losses). For Stefan Szyszkowitz, TEUR 7.8 were contributed to an external employee fund (previous year: TEUR 7.6).

The year-on-year change in the remuneration of the active members of the Executive Board is attributable primarily to the change in performance-based components and the annual wage and salary increases mandated by collective bargaining agreements. The members of the Executive Board are entitled to legally defined severance compensation at the end of their functions. They are also entitled to a contractually agreed pension at retirement, whereby pension payments under the Austrian social security scheme and any payments from the VBV-Pensionskasse are credited against this amount.

The payments to former members of the Executive Board or their surviving dependents amounted to TEUR 1,201.7 in 2016/17 (previous year: TEUR 1,181.5).

Expenses for severance payments and pensions for active members of senior management totalled TEUR 18.9 in 2016/17 (thereof TEUR 157.4 of interest expense, including TEUR –1,244.8 of actuarial gains/losses) and TEUR 3,697.4 in the previous year (thereof TEUR 192.4 of interest expense, including TEUR 3,083.7 of actuarial gains/losses).

The above amounts include expenses recognised in accordance with national law, as required by the Austrian Corporate Governance Code. In accordance with IFRS, actuarial gains and losses are recorded under other comprehensive income in keeping with IAS 19.

The Supervisory Board remuneration totalled EUR 0.2m in 2016/17 (previous year: EUR 0.1m). The members of the Advisory Committee for Environmental and Social Responsibility received remuneration of TEUR 109.2 during the reporting year (previous year: TEUR 29.1).

The basic principles underlying the remuneration system are presented in the remuneration report, which is part of the corporate governance report.

Transactions with other related companies
The disclosure requirements for the notes do not cover information on intragroup transactions. Therefore, business transactions between EVN and its subsidiaries are not reported. Business transactions with non-consolidated subsidiaries and companies not included at equity are generally not reported due to their immateriality.

Related parties can also be direct customers of a company within the EVN Group, whereby these business relationships reflect prevailing market rates and conditions and are immaterial in relation to the total income recorded by the EVN Group in 2016/17. The resulting items which were outstanding as of 30 September 2017 were reported under trade accounts receivable.

68. Significant events after the balance sheet date

The draft evaluation on network tariffs by the Austrian E-Control Commission calls for an increase in electricity and a reduction in natural gas. The new network tariffs take effect each year on 1 January.

69. Information on management and staff

The corporate bodies of EVN AG are:

Executive Board
Stefan Szyszkowitz – Spokesman of the Executive Board (from 01.10.2017)
Peter Layr – Spokesman of the Executive Board (until 30.09.2017)
Stefan Szyszkowitz – Member of the Executive Board (until 30.09.2017)
Franz Mittermayer – Member of the Executive Board (from 01.10.2017)

Supervisory Board
Chairwoman
Bettina Glatz-Kremsner

Vice-Chairmen
Norbert Griesmayr
Willi Stiowicek

Members
Dieter Lutz
Angela Stransky
Friedrich Zibuschka
Philipp Gruber
Reinhard Meißl
Susanne Scharnhorst
Johannes Zügel (from 19.01.2017)
Thomas Kusterer (until 19.01.2017)

Employee representatives
Franz Hemm
Paul Hofer
Manfred Weinrichter
Monika Fraißl
Friedrich Bußlehner

70. Approval of the 2016/17 consolidated financial statements for publication

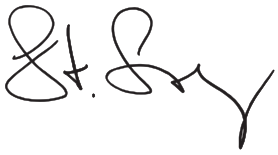
These consolidated financial statements were prepared by the Executive Board as of the date indicated below. The individual financial statements, which were also included in the consolidated financial statements after their adjustment to reflect International Financial Reporting Standards, and the consolidated financial statements of EVN AG will be submitted to the Supervisory Board on 13 December 2017 for examination, and the Supervisory Board will also be asked to approve the individual financial statements.

71. Auditing fees

EVN's consolidated financial statements and annual financial statements for the 2016/17 financial year were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. Auditing and consulting fees for the Group amounted to EUR 1.6m for the reporting year (previous year: EUR 2.1m), whereby 48.9% are attributable to auditing and audit-related services, 38% to tax advising and 13.1% to other consulting services. All companies in the scope of consolidation were included.

Maria Enzersdorf, 20 November 2017

EVN AG
The Executive Board



Stefan Szyszkowitz
Spokesman of the Executive Board

Franz Mittermayer
Member of the Executive Board

EVN's investments according to § 245a (1) ICW § 265 (2) UGB

The following table lists EVN's investments classified by segment of business. The list of companies not included in the consolidated financial statements of EVN AG for materiality reasons is based on the companies' last available local annual financial statements as of the respective balance sheet date. The data from companies that report in a foreign currency is translated into euros at the exchange rate on the balance sheet date of EVN AG.

1. EVN's investments in the energy business ≥ 20.0% as of 30 September 2017

1.1. Included in the consolidated financial statements of EVN

Company, registered office	Shareholder	Interest %	Balance sheet date	Method of consolidation 2016/17
Ashta Beteiligungsverwaltung GmbH, Vienna[1)]	EVN	49.99	31.12.2016	E
Bioenergie Steyr GmbH, Behamberg	EVN Wärme	51.00	30.09.2017	E
ENERGIEALLIANZ Austria GmbH ("EnergieAllianz"), Vienna	EVN	45.00	30.09.2017	E
Elektrorazpredelenie Yug EAD ("EP Yug"), Plovdiv, Bulgaria	BG SN Holding	100.00	31.12.2016	V
EVN Bulgaria Elektrosnabdiavane EAD ("EVN Bulgaria EC"), Plovdiv, Bulgaria	BG SV Holding	100.00	31.12.2016	V
EVN Bulgaria EAD ("EVN Bulgaria"), Sofia, Bulgaria	EVN	100.00	31.12.2016	V
EVN Bulgaria Fernwärme Holding GmbH ("BG FW Holding"), Maria Enzersdorf	EVN	100.00	30.09.2017	V
EVN Bulgaria RES Holding GmbH ("EVN Bulgaria RES"), Maria Enzersdorf	EVN Naturkraft	100.00	30.09.2017	V
EVN Bulgaria Toplofikatsia EAD ("TEZ Plovdiv"), Plovdiv, Bulgaria	BG FW Holding	100.00	31.12.2016	V
EVN Croatia Plin d.o.o, Zagreb, Croatia	Kroatien Holding	100.00	31.12.2016	V
EVN Elektrodistribucija DOOEL, Skopje, Macedonia	EVN Macedonia	100.00	31.12.2016	V
EVN Energievertrieb GmbH & Co KG ("EVN KG"), Maria Enzersdorf	EVN	100.00	30.09.2017	E
EVN Gorna Arda Development EOOD, Sofia, Bulgaria	EVN Bulgaria	100.00	31.12.2016	V
EVN Geoinfo GmbH ("EVN Geoinfo"), Maria Enzersdorf	Utilitas	100.00	30.09.2017	V
EVN Kavarna EOOD ("EVN Kavarna"), Plovdiv, Bulgaria	EVN Bulgaria RES	100.00	31.12.2016	V
EVN Kraftwerks- und Beteiligungsgesellschaft mbH ("EVN Kraftwerk"), Maria Enzersdorf	EVN	100.00	30.09.2017	V
EVN Liegenschaftsverwaltung Gesellschaft m.b.H. ("EVN LV"), Maria Enzersdorf	EVN/Utilitas	100.00	30.09.2017	V
EVN Macedonia AD ("EVN Macedonia"), Skopje, Macedonia	EVN	90.00	31.12.2016	V
EVN Macedonia Elektrani DOOEL, Skopje, Macedonia	EVN Macedonia	100.00	31.12.2016	V
EVN Macedonia Elektrosnabduvanje DOOEL, Skopje, Macedonia	EVN Macedonia	100.00	31.12.2016	V
EVN Macedonia Holding DOOEL, Skopje, Macedonia	EVN	100.00	31.12.2016	V
EVN Mazedonien GmbH ("EVN Mazedonien"), Maria Enzersdorf	EVN	100.00	30.09.2017	V
evn naturkraft Beteiligungs- und Betriebs-GmbH ("EVN Nk BuB"), Maria Enzersdorf	EVN Naturkraft	100.00	30.09.2017	V
evn naturkraft Erzeugungsgesellschaft m.b.H. ("EVN Naturkraft"), Maria Enzersdorf	EVN	100.00	30.09.2017	V
EVN Service Centre EOOD, Plovdiv, Bulgaria	EVN Bulgaria	100.00	31.12.2016	V
EVN Trading d.o.o. Beograd, Belgrad, Serbia	EVN Trading SEE	100.00	31.12.2016	V
EVN Trading DOOEL, Skopje, Macedonia	EVN Trading SEE	100.00	31.12.2016	V
EVN Trading South East Europe EAD ("EVN Trading SEE"), Sofia, Bulgaria	EVN Bulgaria	100.00	31.12.2016	V
EVN Wärme GmbH ("EVN Wärme"), Maria Enzersdorf	EVN	100.00	30.09.2017	V
EVN-WIEN ENERGIE Windparkentwicklungs- und Betriebs GmbH & Co KG ("EVN-WE Wind KG"), Vienna	EVN Naturkraft	50.00	30.09.2017	E
Fernwärme St. Pölten GmbH, St. Pölten	EVN	49.00	31.12.2016	E
Fernwärme Steyr GmbH, Steyr	EVN Wärme	49.00	30.09.2017	E
Hydro Power Company Gorna Arda AD, Sofia, Bulgaria	EVN	70.00	31.12.2016	V
kabelplus GmbH ("kabelplus"), Maria Enzersdorf	Utilitas	100.00	30.09.2017	V

Method of consolidation:

V: Fully consolidated company (subsidiary)
NV: Non-consolidated subsidiary
JO: Company included as joint operation
NJO: Company not included as a joint operation
E: Company included at equity
NE: Company not included at equity

1.1. Included in the consolidated financial statements of EVN Company, registered office	Shareholder	Interest %	Balance sheet date	Method of consolidation 2016/17
Netz Niederösterreich GmbH ("Netz NÖ"), Maria Enzersdorf	EVN	100.00	30.09.2017	V
Steag-EVN Walsum 10 Kraftwerksgesellschaft mbH ("SEK"), Essen, Germany	EVN Kraftwerk	49.00	31.12.2016	JO
Verbund Innkraftwerke GmbH, Töging, Germany[2)]	EVN Nk BuB	13.00	31.12.2016	E
Wasserkraftwerke Trieb und Krieglach GmbH ("WTK"), Maria Enzersdorf	EVN Naturkraft	70.00	30.09.2017	V

1) In 2016/17 the company was merged with Shkodra Region Beteiligungsholding GmbH, Vienna, which was previously accounted for at equity.

2) This company is included in the consolidated financial statements at equity and presented in the above table despite a participation interest ≤ 20.0% because of special contractual arrangements that allow for the exercise of significant influence.

1.2. Not included in the consolidated financial statements of EVN due to immateriality Company, registered office	Shareholder	Interest %	Currency	Shareholders' equity TEUR	Last year's profit/loss TEUR	Balance sheet date	Method of consolidation 2016/17
ARGE Coop Telekom, Maria Enzersdorf	EVN Geoinfo	50.00	EUR	110 (100)	49 (39)	31.12.2016 (31.12.2015)	NE
ARGE Digitaler Leitungskataster NÖ, Maria Enzersdorf	EVN Geoinfo	30.00	EUR	208 (253)	–46 (–26)	31.12.2016 (31.12.2015)	NE
Bioenergie Wiener Neustadt GmbH, Wiener Neustadt	EVN Wärme	90.00	EUR	501 (539)	–38 (–100)	31.12.2016 (31.12.2015)	NV
Biowärme Amstetten-West GmbH, Amstetten	EVN Wärme	49.00	EUR	268 (223)	45 (75)	31.12.2016 (31.12.2015)	NE
Energiespeicher Sulzberg GmbH, Maria Enzersdorf	EVN Sulzberg	51.00	EUR	44 (23)	–49 (–1,533)	30.09.2017 (30.09.2016)	NV
EVN Albania SHPK in Liquidation, Tirana, Albania	EVN	100.00	ALL	42 (–)	–16 (–)	30.04.2016 (–)	NV
EVN Asset Management EOOD, Plovdiv, Bulgaria	EVN Bulgaria	100.00	BGN	6 (6)	0 (0)	31.12.2016 (31.12.2015)	NV
EVN Bulgaria Stromerzeugung Holding GmbH ("BG SE Holding"), Maria Enzersdorf	EVN	100.00	EUR	31 (30,707)	–26,145 (0)	30.09.2017 (30.09.2016)	NV
EVN Bulgaria Stromnetz Holding GmbH ("BG SN Holding"), Maria Enzersdorf	EVN	100.00	EUR	300,082 (300,082)	14,991 (15,000)	30.09.2017 (30.09.2016)	NV
EVN Bulgaria Stromvertrieb Holding GmbH ("BG SV Holding"), Maria Enzersdorf	EVN	100.00	EUR	71,917 (35,955)	–10 (8,868)	30.09.2017 (30.09.2016)	NV
EVN Energiespeicher Sulzberg Beteiligungs GmbH ("EVN Sulzberg"), Maria Enzersdorf	EVN Naturkraft	100.00	EUR	60 (39)	–49 (–1,897)	30.09.2017 (30.09.2016)	NV
EVN Kroatien Holding GmbH ("Kroatien Holding"), Maria Enzersdorf	EVN	100.00	EUR	14,126 (12,627)	–1 (–1)	30.09.2017 (30.09.2016)	NV
EVN TRADING L.L.C., Pristina, Kosovo	EVN Trading SEE	100.00	EUR	– (–)	– (–)	31.12.2016 (31.12.2015)	NV
EVN-WIEN ENERGIE Windparkentwicklungs- und Betriebs GmbH ("EVN-WE Wind GmbH"), Vienna	EVN Naturkraft	50.00	EUR	43 (42)	1 (1)	30.09.2016 (30.09.2015)	NE
Fernwärme Mariazellerland GmbH, Mariazell	EVN Wärme	48.86	EUR	66 (158)	–92 (–97)	31.12.2016 (31.12.2015)	NE
FWG-Fernwärmeversorgung Amstetten registrierte Genossenschaft mit beschränkter Haftung, Amstetten	EVN Wärme	100.00	EUR	675 (914)	28 (84)	30.06.2016 (30.06.2015)	NE
IN-ER Erömü Kft., Nagykanizsa, Hungary	EVN	70.00	HUF	389 (1,769)	–1,375 (–6)	31.12.2016 (31.12.2015)	NV

1.2. Not included in the consolidated financial statements of EVN due to immateriality

Company, registered office	Shareholder	Interest %	Currency	Shareholders' equity TEUR	Last year's profit/loss TEUR	Balance sheet date	Method of consolidation 2016/17
Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH, Vienna	EVN Naturkraft	33.33	EUR	47 (44)	3 (3)	31.12.2016 (31.12.2015)	NE
Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH & Co KG, Vienna	EVN Naturkraft	33.33	EUR	7,243 (6,878)	364 (349)	31.12.2016 (31.12.2015)	NE
MAKGAS DOOEL, Skopje, Macedonia	EVN	100.00	MKD	–3 (–)	0 (–)	31.12.2016 (–)	NV
Netz Niederösterreich Beteiligung 30 GmbH ("Netz Bet. 30"), Maria Enzersdorf	Utilitas	100.00	EUR	1,786 (1,788)	–1 (0)	30.09.2017 (30.09.2016)	NV
Netz Niederösterreich Grundstücksverwaltung Bergern GmbH, Maria Enzersdorf	Netz Bet. 30	100.00	EUR	1,783 (1,778)	5 (–1)	30.09.2017 (30.09.2016)	NV

2. EVN's investments in the environmental services business ≥ 20.0% as of 30 September 2017

2.1. Included in the consolidated financial statements of EVN

Company, registered office	Shareholder	Interest %	Balance sheet date	Method of consolidation 2016/17
AUL Abfallumladelogistik Austria GmbH, Maria Enzersdorf	EVN Abfall	50.00	30.09.2017	E
Cista Dolina – SHW Komunalno podjetje d.o.o., Kranjska Gora, Slovenia	WTE Betrieb	100.00	30.09.2017	V
Degremont WTE Wassertechnik Praha v.o.s., Prague, Czech Republic	WTE Wassertechnik	35.00	31.12.2016	E
EVN Abfallverwertung Niederösterreich GmbH ("EVN Abfall"), Maria Enzersdorf	EVN/EVN Bet. 52	100.00	30.09.2017	V
EVN Beteiligung 52 GmbH ("EVN Bet. 52"), Maria Enzersdorf	EVN	100.00	30.09.2017	V
EVN Projektgesellschaft Müllverbrennungsanlage Nr. 1 mbH ("EVN MVA1"), Essen, Germany	WTE Wassertechnik	100.00	30.09.2017	V
EVN Projektgesellschaft Müllverbrennungsanlage Nr. 3 mbH ("EVN MVA3"), Maria Enzersdorf	EVN Umwelt/Utilitas	100.00	30.09.2017	V
EVN Umwelt Beteiligungs und Service GmbH ("EVN UBS"), Maria Enzersdorf	EVN Umwelt	100.00	30.09.2017	V
EVN Umwelt Finanz- und Service-GmbH ("EVN UFS"), Maria Enzersdorf	EVN Umwelt	100.00	30.09.2017	V
EVN Umweltholding und Betriebs-GmbH ("EVN Umwelt"), Maria Enzersdorf	EVN	100.00	30.09.2017	V
evn wasser Gesellschaft m.b.H. ("evn wasser"), Maria Enzersdorf	EVN/Utilitas	100.00	30.09.2017	V
OAO BUDAPRO-ZAVOD No. 1, Moscow, Russia	EVN MVA1	100.00	31.12.2016	V
OAO „EVN MSZ 3" ("OAO MVA3"), Moscow, Russia	EVN MVA3	100.00	31.12.2016	V
OOO EVN Umwelt Service, Moscow, Russia	EVN UBS	100.00	31.12.2016	V
OOO EVN Umwelt, Moscow, Russia	EVN UBS	100.00	31.12.2016	V
Saarberg Hölter Projektgesellschaft Süd Butowo mbH ("Süd Butowo"), Essen, Germany	WTE Wassertechnik	100.00	30.09.2017	V
SHW Hölter Projektgesellschaft Zelenograd mbH ("Zelenograd"), Essen, Germany	WTE Wassertechnik	100.00	30.09.2017	V
sludge2energy GmbH, Berching, Germany	WTE Wassertechnik	50.00	31.12.2016	E
Storitveno podjetje Lasko d.o.o., Lasko, Slovenia	WTE Wassertechnik	100.00	30.09.2017	V
WTE Abwicklungsgesellschaft Russland mbH ("Abwicklung"), Essen, Germany	International	100.00	30.09.2017	V
WTE Betriebsgesellschaft mbH ("WTE Betrieb"), Hecklingen, Germany	WTE Wassertechnik	100.00	30.09.2017	V
WTE desalinizacija morske vode d.o.o., Budva, Montenegro	WTE Wassertechnik	100.00	31.12.2016	V

2.1. Included in the consolidated financial statements of EVN Company, registered office	Shareholder	Interest %	Balance sheet date	Method of consolidation 2016/17
WTE International GmbH ("International"), Essen, Germany	WTE Wassertechnik	100.00	30.09.2017	V
WTE otpadne vode Budva DOO, Podgorica, Montenegro	WTE Wassertechnik	100.00	31.12.2016	V
WTE Projektgesellschaft Natriumhypochlorit mbH ("WTE Hyp"), Essen, Germany	EVN UFS/ WTE Wassertechnik	100.00	30.09.2017	V
WTE Projektgesellschaft Trinkwasseranlage d.o.o., Beograd-Vracar, Serbia	WTE Wassertechnik	100.00	30.09.2017	V
WTE Projektna druzba Bled d.o.o., Bled, Slovenia	WTE Wassertechnik	100.00	30.09.2017	V
WTE Wassertechnik GmbH ("WTE Wassertechnik"), Essen, Germany	EVN Bet. 52	100.00	30.09.2017	V
WTE Wassertechnik (Polska) Sp.z.o.o., Warsaw, Poland	WTE Wassertechnik	100.00	30.09.2017	V
Zagrebacke otpadne vode d.o.o. ("ZOV"), Zagreb, Croatia	WTE Wassertechnik	48.50	31.12.2016	E
Zagrebacke otpadne vode – upravljanje i pogon d.o.o. ("ZOV UIP"), Zagreb, Croatia	WTE Wassertechnik	33.00	31.12.2016	E

2.2. Not included in the consolidated financial statements of EVN due to immateriality Company, registered office	Shareholder	Interest %	Currency	Shareholders' equity TEUR	Last year's profit/loss TEUR	Balance sheet date	Method of consolidation 2016/17
ABeG Abwasserbetriebsgesellschaft mbH, Offenbach am Main, Germany	WTE Wassertechnik	49.00	EUR	644 (624)	20 (45)	30.09.2017 (30.09.2016)	NE
Abwasserbeseitigung Kötschach-Mauthen Errichtungs- und Betriebsgesellschaft mbH, Kötschach-Mauthen	EVN Abfall	26.00	EUR	37 (37)	0 (0)	31.12.2016 (31.12.2015)	NE
OOO EVN-Ekotechprom MSZ3, Moscow, Russia	OAO MVA3	70.00	RUB	–7,564 (325)	–7,900 (–291)	31.12.2016 (31.12.2015)	NV
SHW/RWE Umwelt Aqua Vodogradnja d.o.o., Zagreb, Croatia	WTE Wassertechnik	50.00	HRK	432 (432)	11 (11)	31.12.2016 (31.12.2015)	NE
Wasserver- und Abwasserentsorgungsgesellschaft Märkische Schweiz mbh, Buckow, Germany	WTE Wassertechnik	49.00	EUR	546 (544)	3 (3)	31.12.2016 (31.12.2015)	NE
Wiental-Sammelkanal Gesellschaft m.b.H, Untertullnerbach	evn wasser	50.00	EUR	866 (868)	–2 (–1)	31.12.2016 (31.12.2015)	NE
WTE Abwicklungsgesellschaft Kuwait GmbH ("Kuwait"), Essen, Germany	International	100.00	EUR	23 (23)	0 (0)	30.09.2017 (30.09.2016)	NV
WTE Baltic UAB, Kaunas, Lithuania	WTE Wassertechnik	100.00	EUR	109 (161)	–52 (–30)	30.09.2017 (30.09.2016)	NV
WTE Projektgesellschaft Kurjanovo mbH ("Kurjanovo"), Essen, Germany	WTE Wassertechnik	100.00	EUR	20 (21)	–1 (–1)	30.09.2017 (30.09.2016)	NV

3. EVN's investments in other business activities ≥ 20.0% as of 30 September 2017

3.1. Included in the consolidated financial statements of EVN

Company, registered office	Shareholder	Interest %	Balance sheet date	Method of consolidation 2016/17
Burgenland Holding Aktiengesellschaft ("Burgenland Holding" respectively "BUHO"), Eisenstadt	EVN	73.63	30.09.2017	V
Energie Burgenland AG, Eisenstadt	BUHO	49.00	30.09.2017	E
EVN Business Service GmbH, Maria Enzersdorf	Utilitas	100.00	30.09.2017	V
EVN Finanzservice GmbH, Maria Enzersdorf	EVN	100.00	30.09.2017	V
EVN WEEV Beteiligungs GmbH ("EVN WEEV"), Maria Enzersdorf	EVN	100.00	31.08.2017	V
e&i EDV Dienstleistungsgesellschaft m.b.H., Vienna	EVN	50.00	30.09.2017	E
R 138-Fonds, Vienna	EVN/Netz NÖ/ evn wasser	100.00	30.09.2017	V
RAG-Beteiligungs-Aktiengesellschaft ("RBG"), Maria Enzersdorf	EVN	50.03	31.03.2017	V
Rohöl-Aufsuchungs Aktiengesellschaft ("RAG"), Vienna	RBG	100.00	31.12.2016	E
UTILITAS Dienstleistungs- und Beteiligungs-Gesellschaft m.b.H ("Utilitas"), Maria Enzersdorf	EVN	100.00	30.09.2017	V
WEEV Beteiligungs GmbH, Maria Enzersdorf	EVN WEEV	50.00	30.06.2017	E

3.2. Not included in the consolidated financial statements of EVN due to immateriality

Company, registered office	Shareholder	Interest %	Currency	Shareholders' equity TEUR	Last year's profit/loss TEUR	Balance sheet date	Method of consolidation 2016/17
EVN Beteiligung 40 GmbH ("EVN Bet. 40"), Maria Enzersdorf	EVN	100.00	EUR	24 (26)	–2 (–2)	30.09.2017 (30.09.2016)	NV

Auditors' report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the **consolidated financial statements** of

EVN AG,
Maria Enzersdorf, Austria

and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 September 2017, the consolidated statement of operations and consolidated comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 30 September 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation (EU) 537/2014 ("EU Regulation") and with Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities pursuant to these rules and standards are described in the "Auditors' Responsibility" section of our report. We are independent of the audited entity within the meaning of Austrian commercial law and professional regulations, and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. Our audit procedures relating to these matters were designed in the context of our audit of the consolidated financial statements as a whole. Our opinion on the consolidated financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

Impairment of property, plant and equipment

Refer to notes 22, 31 and 36 to the consolidated financial statements and chapter business development in the consolidated management report.

Risk for the Financial Statements

Property, plant and equipment (PPE) with a total carrying amount of EUR 3,383.6 million account for 52.4% of total assets of EVN AG Group as of the balance sheet date and comprise mainly lines and technical equipment.

At each reporting date, the Company assesses whether there is any indication that the recoverable amount has decreased significantly and therefore, that property, plant and equipment are impaired. For those items of PPE, for which impairment losses were recognized in prior periods, the Company assesses whether the impairment loss no longer exists and therefore needs to be reversed.

Impairment testing for items of PPE, for which separate cash inflows cannot be determined, is performed for the cash generating unit (CGU). In testing impairment, the Company first determines the value in use. If this value is below the carrying amount of the CGU or the asset, the fair value less costs of disposal is determined. The value in use as well as fair value less costs of disposal are measured by calculating the present value of the future cash flows by a discounted cash flow method.

The result of this measurement depends to a high degree on management's planning assumptions and estimates of future cash flows as well as on the discount rates used in the calculations. As such these assumptions and estimations are subject to significant estimation uncertainties and therefore, impairment of property, plant and equipment was classified as a key audit matter.

Our response
We critically questioned the assessment performed by the Company, whether there is any indication that property, plant and equipment are impaired or whether an impairment loss recognized in prior periods need to be reversed, and compared the assessment with our understanding gained during the audit of the consolidated financial statements.

In collaboration with our measurement specialists, we assessed the measurement technique, planning assumptions and measurement parameter. The assumptions used for determining the interest rates were assessed for appropriateness by comparing them to industry- and market- specific reference values. We reconciled planning data used in the measurement to medium-term planning approved by management. We assessed the appropriateness of planning estimates by comparing – on a sample basis – actual cash flows with prior period estimated cash flows and discussing deviations with management. We agreed the respective carrying amounts to the fixed assets sub ledger.

Revenue recognition from end customer business
Refer to notes 20 and 25 to the consolidated financial statements and chapter business development in the consolidated management report.

Risk for the Financial Statements
The consolidated financial statements of EVN AG report total revenue of EUR 2,215.6 million.

A significant portion of consolidated revenue relates to revenue generated from end customer business in Austria which is subject to specific risks due to the complexity of the systems required for the appropriate recognition and deferral of revenue and the influence of ongoing and continuous changes to the business, pricing and tariff models. Revenue is derived from the billings systems based on statistical methods and deferred in respect of the power or water volumes supplied. Revenue is recognized if a billable service has been provided to the customer.

Recognition and measurement of this specific and significant portion of revenue is subject to management's estimations and assumptions to a high degree and requires application of complex calculation techniques. Therefore, revenue generated from end customer business was classified as a key audit matter.

Our response
Taking into consideration the fact that there is an increased risk related to the appropriate recognition of revenue due to the complexity as well as underlying estimates and assumptions, we assessed the relevant processes and controls implemented by the Group in respect of recognition of revenue from end customer business including the respective IT systems in cooperation with our specialists from Information Risk Management (IRM).

In addition, we performed adequate analyses as well as tests of detail on the appropriate recognition of revenue and critically assessed the appropriateness of management's estimates and assumptions.

Management's Responsibility and Responsibility of the Audit Committee for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, and, where appropriate, to disclose matters that are relevant to the Group's ability to continue as a going concern and to apply the going concern assumption in its financial reporting, except in circumstances in which liquidation of the Group or closure of operations is planned or cases in which such measures appear unavoidable.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibility

Our aim is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatements, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance represents a high degree of assurance, but provides no guarantee that an audit conducted in accordance with the EU Regulation and with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered material if they could, individually or in the aggregate, reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, we exercise professional judgment and retain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, we plan and perform procedures to address such risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation or override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates as well as related disclosures made by management.

- We conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In case we conclude that there is a material uncertainty about the entity's ability to continue as a going concern, we are required to draw attention to the respective note in the financial statements in our audit report or, in case such disclosures are not appropriate, to modify our audit opinion. We conclude based on the audit evidence obtained until the date of our audit report. Future events or conditions however may result in the Company departing from the going concern assumption.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- We communicate with the audit committee regarding, among other matters, the planned scope and timing of our audit as well as significant findings including any significant deficiencies in internal control that we identify in the course of our audit.

→ We report to the audit committee that we have complied with the relevant professional requirements in respect of our independence and that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, related measures taken to ensure our independence.

→ From the matters communicated with the audit committee we determine those matters that required significant auditor attention in performing the audit and which are therefore key audit matters. We describe these key audit matters in our audit report except in the circumstances where laws or other legal regulations forbid publication of such matter or in very rare cases, we determine that a matter should not be included in our audit report because the negative effects of such communication are reasonably expected to outweigh its benefits for the public interest.

Report on Other Legal Requirements

Group Management Report

In accordance with the Austrian Commercial Code the group management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether it has been prepared in accordance with legal requirements.

The legal representatives of the Company are responsible for the preparation of the group management report in accordance with the Austrian Commercial Code.
We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

Opinion

In our opinion, the group management report has been prepared in accordance with legal requirements and is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and the understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Other Information

The legal representatives of the Company are responsible for other information. Other information comprises all information provided in the annual report, with the exception of the consolidated financial statements, the group management report, and the auditors' report thereon.

Our opinion on the consolidated financial statements does not cover other information, and we will not provide any kind of assurance on it.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether it contains any material inconsistencies with the consolidated financial statements and our knowledge gained during our audit, or any apparent material misstatement of fact. If on the basis of our work performed, we conclude that there is a material misstatement of fact in the other information, we must report that fact. We have nothing to report with this regard.

Additional Information in accordance with Article 10 EU Regulation

In the Annual General Meeting dated 19 January 2017, we were elected as group auditors. We were appointed by the supervisory board on 26 April 2017. We have been the Group's auditors since 31 December 1992 without interruption.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the audit committee in accordance with Article 11 of the EU Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 of the EU Regulation) and that we have ensured our independence of the members of the Group throughout the course of the audit.

Engagement Partner

The engagement partner is Mr. Rainer Hassler.
Vienna, 20 November 2017

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
signed by:

Rainer Hassler
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.

Glossary

To improve readability in this report, Group companies are partly referred to using abbreviated names. The full company names are given in EVN's investments starting on page 182.

Biogas
A mixture comprised largely of methane and carbon dioxide which is created during the oxygen-free digestion of organic renewable raw materials, slurry or organic residues from the foodstuffs industry.

Capital employed
Equity plus interest-bearing loans or assets minus non-interest-bearing liabilities.

Cash-generating unit (CGU)
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The present value of future cash flows can be used to value a CGU.

CO_2 (carbon dioxide)
Chemical compound consisting of carbon and oxygen which is largely created by the combustion of fossil fuels.

CO_2 emission certificate
CO_2 emission certificates were introduced in the European Union as of 1 January 2005 as part of the drive to implement the Kyoto Accords and allow the emission of a certain amount of greenhous gas emissions. The certificates are allocated within the framework of the "National Allotment Plan", depending on the level of a company's emissions.

CO_2 emission certificate trading/ EU emission trading
As part of the EU's emission certificate trading system, the member states distribute CO_2 emission rights to companies. Firms whose actual CO_2 emissions exceed the volume of the allocated certificates must purchase additional emission rights.

Code of conduct
Voluntary obligation to follow or avoid certain behavioural patterns and to ensure that no one achieves an advantage through the evasion of these patterns.

Combined cycle heat and power/co-generation
Simultaneous generation of electricity and heat in a single facility. Combined production allows the plant to reach a high level of efficiency and, in this way, optimally use the primary energy.

Corporate governance code
Behavioural code for companies which defines the principles of good management and control; this is not a set of legal regulations, but a guideline that invites voluntary compliance.

Coverage ratio
Ratio of the volume of electricity produced in EVN's own power generating facilities and the Group's total sales volume of electricity.

Degree of efficiency
The efficiency of a plant represents the ratio of input to output (i.e. the quantity of electrical energy generated in relation to the primary energy employed).

Derivative financial instruments
Financial instruments which create rights and obligations derived from market developments, e.g. swaps and futures. These financial instruments can be used to minimise financial risks.

Directors and Officers (D&O) insurance
A liability insurance policy covering damage to assets which is arranged by a company to protect its corporate bodies and key employees.

Dividend yield
Ratio of the distributed dividend to the share price.

Earnings per share
Group net profit divided by the average number of shares outstanding for the period.

EBIT (Earnings before Interest and Taxes)
Also referred to as results from operating activities; an indicator of a company's ability to generate earnings from its operating activities.

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation)
Earnings before interest, taxes, depreciation and amortisation of property, plant and equipment and intangible assets; is also used as a simple cash flow parameter.

Economic Value Added (EVA®)
Difference between the yield spread (ROCE less WACC) multiplied by average capital employed; benchmark for the shareholder value created in a company.

E-Control (Energie-Control Austria)
The regulatory authority established by lawmakers on the basis of the Energy Liberalisation Act to monitor the implementation of the liberalisation process for the Austrian electricity and natural gas markets, and to intervene in the marketplace if necessary.

EEX (European Energy Exchange)
The largest energy marketplace in Continental Europe, headquartered in Leipzig.

Energy units
Energy (Wh) = output × time
Kilowatt hour kWh:
1 Watt hour (Wh) × 10^3
Megawatt hour MWh:
1 Wh × 10^6
Gigawatt hour GWh:
1 Wh × 10^9
Natural gas energy content:
1 Nm^3
1 m^3 natural gas = 11.07 kWh

EMAS
European Union directive for environmental management systems.

Equity ratio
Equity as a per cent of total capital.

Ex-dividend day
The day on which shares are traded without an entitlement to dividends. On this day the dividend is deducted from the price of the respective share.

Fair value
The price based on all relevant factors in an efficient market; forms the basis for transactions between willing and independent partners.

Forward market
In contrast to the spot market, the forward or futures market is characterised by a contractually stipulated time lag between the conclusion of a transaction and actual delivery. At the time a contract is concluded, the buyer is not required to have the necessary liquid funds, nor is the seller required to have the purchased goods. The price of the goods is determined at the time the contract is concluded.

Funds From Operations (FFO)
Net cash flow from operating activities minus interest expense.

Gearing
Ratio of net debt to equity.

Global Reporting Initiative (GRI)
Initiative aimed at developing globally applicable guidelines for sustainability reporting to ensure the standardised presentation of companies from an economic, ecological and social point of view.

Heating degree total
Parameter showing the temperature-related energy requirements for heating purposes.

Hedge
An instrument used to manage or limit financial risk or to avoid losses resulting from negative changes in the market value of interest-, currency- or share-related transactions. A company aiming to "hedge" a particular transaction concludes another transaction linked to the underlying business.

Interest cover
Ratio of FFO (funds from operations) to interest expense.

International Financial Reporting Interpretation Committee/Standard Interpretation Committee (IFRIC, formerly SIC)
This committee is responsible for interpreting and providing more precise information on the IFRSs issued by the International Accounting Standards Board (IASB).

International Financial Reporting Standards/ International Accounting Standards (IFRS, formerly IAS)
The designation IAS was changed to IFRS in 2001; the IASs issued prior to that year are still published under the earlier designation. IFRSs/IASs are issued by the International Accounting Standards Board (IASB).

International Securities Identification Number (ISIN)
Individual security identification numbers allow for the computerised recording of securities on an international basis.

ISO 14001
International environmental management standard that defines the globally recognised requirements for related systems.

Kilowatt peak (kWp)
Maximum output of a photovoltaic module or solar plant

Management approach
Presentation of the management and controlling aspects of a company.

Net debt
Net total of interest-bearing assets and liabilities (issued bonds, liabilities to credit institutes and non-current personnel provisions less loans, securities and liquid funds).

Net debt coverage
Ratio of FFO (funds from operations) to interest-bearing net debt.

Net Operating Profit After Tax (NOPAT)
Taxable profit before the deduction of financing costs.

Network loss
The difference between the electrical current fed into an electricity network and the electrical energy that is actually delivered. Network losses generally arise due to the physical characteristics of the transmission lines.

Other comprehensive income
The total of all income not recognised through profit or loss minus expenses for the reporting period that are not recognised through profit or loss.

Payout ratio
Ratio of dividends to earnings per share.

Population equivalent value
This indicator shows the expected biological burden of wastewater treatment facilities. It is based on the population equivalent and calculated by adding up the number of inhabitants and the population equivalent.

PPP model (Public Private Partnership)
PPP projects involve the construction and financing of plants for customers; after a predefined period of time, the plant becomes the property of the customer. These projects were previously designated as BOOT projects.

Primary energy
Energy obtained from natural sources. In addition to fossil fuels such as natural gas, petroleum, hard and brown coal, primary energy sources also

include nuclear fuels like uranium and renewable energy sources like water, sun and wind.

Regulatory Asset Base (RAB)
The interest-bearing capital base equals intangible assets plus property, plant and equipment minus recognised fees for network access and operational readiness (construction subsidies) and any goodwill arising from balance sheet items. Adjustments are made to account for the standardisation of depreciation periods and the release of construction subsidies.

Renewable electricity
Electricity that is generated solely from renewable sources like water, wind, biogas, biomass, photovoltaic, geothermal, landfill gas and sewage gas.

Results from operating activities (EBIT)
See EBIT.

Return On Equity (ROE)
Return on equity is used to evaluate the creation of value by a company on the basis of equity. For calculation purposes, net profit for period is compared with average equity.

ROCE (Return On Capital Employed)
This ratio shows the return on the capital used in a company. For the calculation, net profit for the period and interest expense less tax effects are compared with average capital employed. In order to consistently show the development of the value contribution, operating ROCE (OpROCE) is adjusted for impairment losses, one-off effects and the market value of the investment in Verbund AG.

Smart meter/metering
An electricity meter with an additional function that allows the utility company to read the meter offsite with an online system.

Spot market/spot trading
General designation for markets in which delivery, acceptance of the goods and payment (clearing) are carried out immediately after the conclusion of the business transaction (also see ARA region).

Stakeholders
Individuals or groups who have an active interest in a company. In addition to the owners, stakeholders include employees, customers, suppliers, states, NGOs and local interest groups.

Syndicated credit line
A binding commitment by a banking consortium to provide a line of credit which a company can draw upon in varying amounts, terms and currencies.

Thermal waste utilisation
The controlled industrial burning of waste at temperatures exceeding 1,000 °Celsius, which leads to the destruction or reduction of harmful substances. At the same time, the energy contained in the waste materials is released and used for electricity generation or district heating.

Total shareholder return
Benchmark for measuring the value development of a stock over a certain period of time; includes dividends and the increase in the share price.

UN Global Compact
An initiative launched by the United Nations to support ecological and economic interests in the areas of human rights, work, the environment and corruption.

Value at Risk (VaR)
Process to calculate the potential loss arising from changes in the price of a specific trading position based on a certain assumed level of probability.

Value chain elements
The electricity sector is generally divided into four value creation phases: generation, distribution, sale and consumption.

VÖNIX (VBV Austrian Sustainability Index)
Share index comprising the listed Austrian companies that have taken the lead with regard to social and ecological performance.

Weighted Average Cost of Capital (WACC)
This indicator has two components – the cost of debt and the cost of equity – which are weighted according to their share in total capital. The cost of debt equals the actual, average credit interest adjusted for tax effects, while the cost of equity equals the return on a risk-free investment plus a risk mark-up that is calculated individually for every company.

Sustainability programme

EVN's sustainability programme was developed in an iterative process during target discussions. Specific area focal points were identified and Group-wide sustainability targets and measures were defined on the basis of the EVN materiality matrix. The sustainability programme is updated and expanded regularly in cooperation with all departments.

Activities in 2016/17 also included the identification of the targets and measures that make a tangible contribution to reaching the 17 Sustainable Development Goals (SDG) set by the United Nations. The following section shows the allocation of the identified targets and measures to the respective SDGs.

The EVN materiality matrix can be found on page 27

For information on the SDG and the individual targets, also see https://sustainabledevelopment.un.org/sdgs

Corporate goals by area of activity (excerpt)

Supply security

Target: increase the Group coverage ratio to 30% of electricity sales
→ Status: 32.7% own coverage in 2016/17 (previous year: 32.1%)

Target: maintain high network quality and low disruption times in spite of the increasingly volatile and decentralised generation capacity on the market
→ Status: minimal downtime in industry comparison; for detailed information, see the data on electricity disruptions on page 34

Environmental and climate protection

Target: expansion of windpower capacity to 500 MW over the medium term
→ Status: Installed capacity of approximately 269 MW as of 30 September 2017 (previous year: approximately 268 MW)

Target: generation of 50% of electricity from renewable sources over the long term
→ Status: 34.5% of energy generation from renewable sources in 2016/17 (previous year: 34.5%)

Responsible management

Target: increase the share of women in the company (to reflect the current educational levels of women in the applicable professional groups)
→ Status: 23.3% share of women in the company during 2016/17 (previous year: 22.6%)

Target: continuous reduction of the LTIF; attainment of a very good level in industry comparison
→ Status: LTIF 2016/17: 7.4 (previous year: 7.8)

EVN defined the following project targets and implemented the following measures, among others, to meet these corporate goals:

Project target	Measures	Milestone Deadline	Status as of 30 September 2017	SDG
Supply security				
→ Supply security for customers in electricity, natural gas, heat and water → Protection for supply security during system conversion to renewable energy	→ Investments in network expansion to integrate renewable generation → Decentralised generation capacity for network stabilisation	Continuity in investment strategy – continuation of investment offensive in network infrastructure area	Steady and strong focus on maximum availability of supplies and services	→ SDG 7 Affordable and clean energy (7.1, 7.2) → SDG 9 Innovation and infrastructure (9.4)
→ Protection of drinking water quality → Optimisation of the process for quality assurance	→ Quality improvement through water softening → Use of additional continuous monitoring systems under evaluation	Commissioning of natural filter plant at Wienerherberg well field in spring 2020	→ Further development of process for quality assurance → Commissioning of natural filter plants in Drösing, Obersiebenbrunn and Zwentendorf; natural filter plant at Wienerherberg well field currently under construction, further plants planned	SDG 6 Clean water and sanitation (6.3)
Environmental and climate protection				
→ System-wide development towards decentralised renewable generation → Supplemented by controllable central and decentral energy storage	→ Investments in renewable energy as key measures for climate protection → Increase electricity storage and flexibility of solutions → Develop and test innovative storage solutions	Ongoing	→ 269 MW installed windpower capacity and 306 MW installed water power capacity → Existing power plant pool converted to meet network support requirements → Research setup for large battery test installed in Prottes → Power2Gas-/Wind2Hydrogen-project completed → Power2Heat plant in Theiss commissioned → Decentralised energy solutions for customers (photovoltaic, storage, energy management) included in offering	→ SDG 7 Affordable and clean energy (7.1, 7.2) → SDG 9 Innovation and infrastructure (9.4) → SDG 12 Responsible consumption
Energy efficiency → for the responsible and reasonable use of resources and → the provision of EVN's products and services	→ Implementation of energy efficiency measures for customers and in the company → Support for customers in efficient energy consumption → Reduction of internal requirements at generation plants → Implementation of energy efficiency measures at EVN buildings	→ Continuation of energy efficiency measures in the core business (products and services)	→ Compliance with legal requirements defined by Austrian Energy Efficiency Act plus additional efforts by EVN and customers	SDG 7 Affordable and clean energy (7.3)

Project target	Measures	Milestone Deadline	Status as of 30 September 2017	SDG
Improve EVN's environmental performance	→ Institutionalised environmental management and controlling → EMAS for heat and electricity generation plants	Annual environmental programme with improvement measures	Environmental programme 2016/17 completed	→ SDG 7 Affordable and clean energy (7.3) → SDG 8 Decent work/economic growth (8.4) → SDG 12 Responsible consumption (12.2) → SDG 13 Climate action (13.1) → SDG 15 Life on land (15.5)
Further development of sustainability initiatives in South Eastern Europe	→ Investments in electricity networks and meters → Reduction of network losses → Further development of environmental and nature protection (waste management and bird protection) → Activities to increase customers' energy efficiency and technical understanding	Ongoing	→ Focus on investments in network-relevant infrastructure → Cooperation with public authorities, NGOs and customers on environmental protection and the improvement of energy efficiency	→ SDG 7 Affordable and clean energy (7.3) → SDG 9 Innovation and infrastructure (9.1, 9.4) → SDG 12 Responsible consumption (12.4, 12.5) → SDG 15 Life on land (15.5)
Recycling of by-products and waste products	→ Complete recycling of Realit, coarse ash and flue ash → Instructions to disposal firms to recycle biomass ash as far as possible → Evaluation of opportunities to utilise biomass ash as a composting additive	Gradual increase in the percentage of recycling	20% of biomass ash used as substitute material	SDG 12 Responsible consumption (12.5)
Reduction of environmentally relevant chemicals	→ Preparation of general list of operating materials for assessment and selection of products → Environmentally friendly weeding at plants → Construction of a reverse osmosis plant for water purification (to replace the conventional use of chemicals)	Completion of reverse osmosis plant at end of 2018	Planned	→ SDG 12 Responsible consumption (12.4) → SDG 15 Life on land (15.5)

Responsible management

→ Increase the share of women in the company → Increase the interest of women for technical professions	→ Create attractive working times for men and women; increase flexibility of working hours and locations → Support for training measures specifically directed to women and development of networks with other successful women from external areas → Stronger presence at relevant educational and training trade fairs to increase the overall percentage of women in technical professions → Targeted opinion-building in management circles	Ongoing	→ Share of women in recruiting currently exceeds the percentage of women in the Group → Above-average participation of women in human resources development programmes	SDG 5 Gender equality (5.5)

Project target	Measures	Milestone Deadline	Status as of 30 September 2017	SDG
Protect the company's future viability, with a focus on results-oriented work and employee satisfaction	→ Continuous development of the corporate organisation to adapt to the steadily changing working world → Support for mobility and decentralised work, among others through investments in state-of-the-art mobile end user devices → Process support for employees and regular exchange of experience to optimise the working world with external and internal stakeholders	Ongoing implementation	Very advanced in EVN's external organisation, gradual implementation in the headquarters	SDG 8 Decent work/economic growth (8.2)
Sustainable increase in corporate value				
Further development of business model to include digitalisation	→ Increased focus on electricity network controls → Digital interaction with customers → Protection of critical infrastructure → Provision of innovative energy services → Activities in research and technology development	Ongoing	→ Gradual introduction of automated controls for internal and external assets → Initial solutions rolled out for customers ("Joulie")	SDG 9 Innovation and infrastructure
Support for expansion of alternative drive systems in mobility	→ Development of an extensive charging infrastructure for customers → Creation of an Austrian platform for the customer-friendly charging of e-vehicles → Gradual conversion of EVN motor vehicle pool to alternative drive vehicles	→ Ongoing expansion of charging network → 2,300 charging points in Austria by the end of 2017 → Gradual conversion to e-autos by EVN planned	→ Currently 800 charging points in Lower Austria → Platform operational since March 2017	→ SDG 7 Affordable and clean energy → SDG 9 Innovation and infrastructure (9.4)
Supply chain responsibility				
Focus of all EVN procurement processes on sustainability	→ Revision of integrity clause for suppliers → Systematic application of a self-declaration form for all bidders in tenders → Analysis and classification of relevance of sustainability aspects in procurement processes and development of target-oriented measures	Extension to all relevant procurement processes by 2019	→ Survey of measures completed for the procurement of construction and waste disposal services → Application of self-declaration form in preparation	SDG 8 Decent work/economic growth
Stakeholder involvement				
Updating of EVN's stakeholder dialogue on sustainability	→ Further development of current stakeholder dialogue for the external evaluation of EVN's areas of activity towards workshops with relevant stakeholder groups	External evaluation of areas of activity every three years	Revision of communication strategy with various stakeholder groups started	SDG 17 Partnerships for the goals

Validation sustainability report

refers to EVN Full Report 2016/17,
financial year 1 October 2016 to 30 September 2017

Scope and criteria of the statement
TÜV SÜD Landesgesellschaft Österreich GmbH was commissioned by EVN AG to validate and assure its Full Report 2016/17, in particular those sections containing Corporate Social Responsibility (CSR) relevant topics and the GRI index, for the financial year 2016/17, starting 1 October 2016 and ending by 30 September 2017. It will be referred to as the "Report" in the following.

The Report relates to the CSR data and information for all activities of the EVN Group regarding power generation and distribution, heat generation and supply, water purification and water supply and waste incineration.

From a geographical standpoint the Report covers the EVN Group's main activities in Austria, Germany, Bulgaria, Macedonia and other countries controlled from Austria.

Management responsibility
EVN's management was responsible for preparing the Report and for maintaining effective internal controls of the data and information disclosed. TÜV SÜD's responsibility was to carry out an assurance engagement on the Report in accordance with our contract with EVN.

Ultimately, the Report has been approved by, and remains the responsibility of EVN AG.

Approach
The assurance was undertaken against the GRI Sustainability Reporting Standards and is oriented on the law for the improvement of sustainability and diversity ("Nachhaltigkeits- und Diversitätsverbesserungsgesetz (NaDiVeG)").

The objectives of the assurance engagement were to:
- → Confirm that the Report meets the requirements of GRI Sustainability Reporting Standards, option "comprehensive"
- → Validate EVN´s sustainability data and CSR information.

Our assurance is based on samples and covered the following activities:
- → Reviewing the stakeholder engagement process and related information
- → Reviewing EVN´s CSR materiality matrix
- → Evaluating EVN's material issues
- → Understanding how EVN determines, responds and reports on its material issues
- → Interviewing a selection of employees at EVN in Austria and abroad
- → Auditing EVN´s data management processes and reviewing supporting evidence made available by EVN
  Note 1: The verification was undertaken at EVN´s headquarters in Maria Enzersdorf, Austria, in accordance with our contract and therefore did not include verifying data back to its original sources, nor did it assess the accuracy and completeness of the data reported by individual locations.
  Note 2: Economic performance data were taken from the audited full report directly.
- → Assessing the use of performance data within EVN´s business decision-making processes
- → Confirming that the GRI index allows stakeholders to access CSR performance indicators

Level of assurance & materiality
The opinion has been derived on the base of a limited level of assurance and at the materiality of the professional judgement of the Verifier.

Audit opinion
Based on our assurance nothing has come to our attention that would cause us to believe that the Report does not meet GRI's Sustainability Reporting Standards requirements, option "comprehensive", as we found nothing that would cause us to contradict this conclusion.

Finally we arrived at the conclusion that EVN did not exclude material aspects in the report and the process yielded reliable CSR data.

TÜV SÜD Landesgesellschaft Österreich

Inspection organisation
of the TÜV SÜD Landesgesellschaft Österreich GmbH
Campus 21 Europaring A04301, 2345 Brunn am Gebirge

Date: 28 November 2017

GRI Content Index

The GRI Content Index forms the underlying structure for EVN's Full Report 2016/17. It shows – according to the requirements of the Global Reporting Initiative ("comprehensive standards") – where general disclosures and topic-specific disclosures are reported based on **materiality criteria**. The GRI Content Index also includes additional company-specific indicators which were added at the end of the index.

For the GRI Content Index, also see www.evn.at/GRI-Content-Index

GRI indicator: GRI Content Index (102-55)

General disclosures

GRI Standard	Disclosure	Reference to report page and online information or omission
GRI 102: General disclosures 2016		
Organisational profile		
102-1	Name of the organisation	EVN AG as the parent company of the EVN Group (EVN)
102-2	Activities, brands, products, and services	20ff
102-3	Location of headquarters	2344 Maria Enzersdorf, Austria
102-4	Location of operations	20ff; the company's main operating locations are Austria, Bulgaria, Macedonia and Germany
102-5	Ownership and legal form	Listed stock corporation, 31
102-6	Markets served	22f
102-7	Scale of the organisation	20ff, front cover
102-8	Information on employees and other workers	47ff
102-9	Supply chain	57f
102-10	Significant changes to the organisation and its supply chain	58
102-11	Precautionary principle or approach	Editorial, 38, 88ff
102-12	External initiatives	61f
102-13	Membership of associations	www.evn.at/memberships
Strategy		
102-14	Statement from senior decision-maker	Editorial, "... with stability and continuity into a successful future ..." (interview with the members of the Executive Board), 25ff
102-15	Key impacts, risks, and opportunities	25ff, 88ff
Ethics and integrity		
102-16	Values, principles, standards, and norms of bahaviour	25, 47, 55
102-17	Mechanisms for advice and concerns about ethics	56
Governance		
102-18	Governance structure	66ff
102-19	Delegating authority	25
102-20	Executive-level responsibility for economic, environmental, and social topics	25

GRI Standard	Disclosure	Reference to report page and online information or omission
102-21	Consulting stakeholders on economic, environmental, and social topics	61
102-22	Composition of the highest governance body and its committees	66ff
102-23	Chair of the highest governance body	66ff
102-24	Nominating and selecting the highest governance body	69f
102-25	Conflicts of interest	65ff
102-26	Role of highest governance body in setting purpose, values, and strategy	25ff
102-27	Collective knowledge of highest governance body	The report by the Executive Board and the discussions of the other points on the agenda at the Supervisory Board meetings also regularly covered the economic, ecological and social aspects of the respective issues.
102-28	Evaluating the highest governance body's performance	200 (Validation sustainability report)
102-29	Identifying and managing economic, environmental, and social impacts	61
102-30	Effictiveness of risk management processes	88
102-31	Review of economic, environmental, and social topics	92
102-32	Highest governance body's role in sustainability reporting	Members of the Executive Board
102-33	Communicating critical concerns	92f
102-34	Nature and total number of critical concerns	92f
102-35	Remuneration policies	66f, 71f, 179
102-36	Process for determining remuneration	71f
102-37	Stakeholders' involvement in remuneration	71f
102-38	Annual total compensation ratio	49
102-39	Percentage increase in annual total compensation ratio	49
Stakeholder engagement		
102-40	List of stakeholder groups	60
102-41	Collective bargaining agreements	48f
102-42	Identifying and selecting stakeholders	60f
102-43	Approach to stakeholder engagement	61
102-44	Key topics and concerns raised	27
Reporting practice		
102-45	Entities included in the consolidated financial statements	182ff
102-46	Defining report content and topic boundaries	27, back cover (About this report)
102-47	List of material topics	26f
102-48	Restatements of information	No significant restatement
102-49	Changes in reporting	No major changes, back cover (About this report)
102-50	Reporting period	Back cover (About this report)
102-51	Date of most recent report	Back cover (About this report)
102-52	Reporting cycle	Back cover (About this report)
102-53	Contact point for questions regarding the report	Back cover (Editorial information)
102-54	Claims of reporting in accordance with the GRI standards	200 (Validation sustainability report)
102-55	GRI content index	202
102-56	External assurance	200

GRI Standard	Disclosure	Reference to report page and online information or omission

Material topics
Series: Economic topics

Economic performance

GRI 103: Management approach 2016

103-1	Explanation of the material topic and its boundary	47, 115ff
103-2	The management approach and its components	47, 115ff
103-3	Evaluation of the management approach	47, 115ff

GRI 201: Economic performance 2016

201-1	Direct economic value generated and ditsributed	Front cover, 79ff
201-2	Financial implications and other risks and opportunities due to climate change	88
201-3	Defined benefit plan obligations and other retirement plans	55
201-4	Financial assistance received from government	87

Market presence

GRI 103: Management approach 2016

103-1	Explanation of the material topic and its boundary	20ff
103-2	The management approach and its components	20ff
103-3	Evaluation of the management approach	20ff

GRI 202: Market presence 2016

202-1	Ratios of standard entry level wage by gender compared to local minimum wage	47f
202-2	Proportion of senior management hired from the local community	53

Indirect economic impacts

GRI 103: Management approach 2016

103-1	Explanation of the material topic and its boundary	62, 86f
103-2	The management approach and its components	62, 86f
103-3	Evaluation of the management approach	62, 86f

GRI 203: Indirect economic impacts 2016

203-1	Infrastructure investments and services supported	84ff
203-2	Significant indirect economic impacts	62

Procurement practices

GRI 103: Management approach 2016

103-1	Explanation of the material topic and its boundary	57ff
103-2	The management approach and its components	57ff
103-3	Evaluation of the management approach	57ff

GRI 204: Procurement practices 2016

204-1	Proportion of spending on local suppliers	58

GRI Standard	Disclosure	Reference to report page and online information or omission
Anti-corruption		
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	55ff
103-2	The management approach and its components	55ff
103-3	Evaluation of the management approach	55ff
GRI 205: Anti-corruption 2016		
205-1	Operations assessed for risks related to corruption	55f
205-2	Communication and training about anti-corruption policies and procedures	56f
205-3	Confirmed incidents of corruption and actions taken	56
Anti-competitive behaviour		
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	55ff
103-2	The management approach and its components	55ff
103-3	Evaluation of the management approach	55ff
GRI 206: Anti-competitive behaviour 2016		
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	57

Series: Environmental topics

Materials		
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	39, 42f
103-2	The management approach and its components	39, 42f
103-3	Evaluation of the management approach	39, 42f
GRI 301: Materials 2016		
301-1	Materials used by weight or volume	42f
301-2	Recycled input materials used	42f
301-3	Reclaimed products and their packaging materials	N/a due to the company's business activities
Energy		
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	41f
103-2	The management approach and its components	41f
103-3	Evaluation of the management approach	41f

GRI Standard	Disclosure	Reference to report page and online information or omission
GRI 302: Energy 2016		
302-1	Energy consumption within the organisation	41f
302-2	Energy consumption outside of the organisation	N/a due to the company's business activities
302-3	Energy intensity	41f
302-4	Reduction of energy consumption	41f
302-5	Reductions in energy requirements of products and services	N/a due to the company's business activities
Water		
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	43
103-2	The management approach and its components	43
103-3	Evaluation of the management approach	43
GRI 303: Water 2016		
303-1	Water withdrawal by source	43
303-2	Water sources significantly affected by withdrawal of water	43
303-3	Water recycled and reused	43
Biodiversity		
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	45f
103-2	The management approach and its components	45f
103-3	Evaluation of the management approach	45f
GRI 304: Biodiversity 2016		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	45f
304-2	Significant impacts of activities, products, and services on biodiversity	45f
304-3	Habitats protected or restored	45f
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	www.evn.at/nature-conservation
Emissions		
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	40f, 26
103-2	The management approach and its components	40f, 26
103-3	Evaluation of the management approach	40f, 26

GRI Standard	Disclosure	Reference to report page and online information or omission
GRI 305: Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	40
305-2	Energy indirect (Scope 2) GHG emissions	40
305-3	Other indirect (Scope 3) GHG emissions	40
305-4	GHG emissions intensity	40
305-5	Reduction of GHG emissions	41
305-6	Emissions of ozone-depleting substances (ODS)	All EVN plants are closed plants
305-7	Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions	41
Effluents and waste		
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	44f
103-2	The management approach and its components	44f
103-3	Evaluation of the management approach	44f
GRI 306: Effluents and waste 2016		
306-1	Water discharge by quality and destination	44
306-2	Waste by type and disposal method	45
306-3	Significant spills	45
306-4	Transport of hazardous waste	45
306-5	Water bodies affected by water discharges and/or runoff	44f
Environmental compliance		
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	39
103-2	The management approach and its components	39
103-3	Evaluation of the management approach	39
GRI 307: Environmental compliance 2016		
307-1	Non-compliance with environmental laws and regulations	No relevant incidents
Supplier environmental assessment		
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	59
103-2	The management approach and its components	59
103-3	Evaluation of the management approach	59
GRI 308: Supplier environmental assessment 2016		
308-1	New suppliers that were screened using environmental criteria	59
308-2	Negative environmental impacts in the supply chain and actions taken	59

GRI Standard	Disclosure	Reference to report page and online information or omission

Series: Social topics

Employment

GRI 103: Management approach 2016

103-1	Explanation of the material topic and its boundary	47ff
103-2	The management approach and its components	47ff
103-3	Evaluation of the management approach	47ff

GRI 401: Employment 2016

401-1	New employee hires and employee turnover	47f, 51
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	54f
401-3	Parental leave	54

Labor/management relations

GRI 103: Management approach 2016

103-1	Explanation of the material topic and its boundary	47ff
103-2	The management approach and its components	47ff
103-3	Evaluation of the management approach	47ff

GRI 402: Labor/management relations 2016

402-1	Minimum notice periods regarding operational changes	48f

Occupational health and safety

GRI 103: Management approach 2016

103-1	Explanation of the material topic and its boundary	49
103-2	The management approach and its components	49
103-3	Evaluation of the management approach	49

GRI 403: Occupational health and safety 2016

403-1	Workers representation in formal joint management-worker health and safety committees	49
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	49f
403-3	Workers with high incidence or high risk of diseases related to their occupation	49f
403-4	Health and safety topics covered in formal agreements with trade unions	49

Training and education

GRI 103: Management approach 2016

103-1	Explanation of the material topic and its boundary	52
103-2	The management approach and its components	52
103-3	Evaluation of the management approach	52

GRI Standard	Disclosure	Reference to report page and online information or omission
GRI 404: Training and education 2016		
404-1	Average hours of training per year per employee	52
404-2	Programmes for upgrading employee skills and transition assistance programmes	52ff
404-3	Percentage of employees receiving regular performance and career development reviews	53
Diversity and equal opportunity		
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	47
103-2	The management approach and its components	47
103-3	Evaluation of the management approach	47
GRI 405: Diversity and equal opportunity 2016		
405-1	Diversity of governance bodies and employees	51
405-2	Ratio of basic salary and remuneration of women to men	47f
Non-discrimination		
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	47
103-2	The management approach and its components	47
103-3	Evaluation of the management approach	47
GRI 406: Non-discrimination 2016		
406-1	Incidents of discrimination and corrective actions taken	56
Freedom of association and collective bargaining		
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	For EVN and its subsidiaries at all locations, the right of free assembly and collective negotiation represents a cornerstone for the implementation of the Universal Declaration of Human Rights as well as the core work norms of the International Labour Organisation (ILO).
103-2	The management approach and its components	See above
103-3	Evaluation of the management approach	See above
GRI 407: Freedom of association and collective bargaining 2016		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	See above
Security practices		
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	55f
103-2	The management approach and its components	55f
103-3	Evaluation of the management approach	55f

GRI Standard	Disclosure	Reference to report page and online information or omission
GRI 410: Security practices 2016		
410-1	Security personnel trained in human rights policies or procedures	56f

Human rights assessment

GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	55f
103-2	The management approach and its components	55f
103-3	Evaluation of the management approach	55f
GRI 412: Human rights assessment 2016		
412-1	Operations that have been subject to human rights reviews or impact assessments	55f
412-2	Employee training on human rights policies or procedures	56f
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	No incidents

Local communities

GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	60ff
103-2	The management approach and its components	60ff
103-3	Evaluation of the management approach	60ff
GRI 413: Local communities 2016		
413-1	Operations with local community engagement, impact assessments, and development programmes	61
413-2	Operations with significant actual and potential negative impacts on local communities	61

Supplier social assessment

GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	59
103-2	The management approach and its components	59
103-3	Evaluation of the management approach	59
GRI 414: Supplier social assessment 2016		
414-1	New suppliers that were screened using social criteria	59
414-2	Negative social impacts in the supply chain and actions taken	59

Public policy

GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	75f, 88ff
103-2	The management approach and its components	75f, 88ff
103-3	Evaluation of the management approach	75f, 88ff
GRI 415: Public policy 2016		
415-1	Political contributions	No relevant incidents

GRI Standard	Disclosure	Reference to report page and online information or omission
Customer health and safety		
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	38
103-2	The management approach and its components	38
103-3	Evaluation of the management approach	38
GRI 416: Customer health and safety 2016		
416-1	Assessment of the health and safety impacts of product and service categories	38
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No relevant incidents
Marketing and labelling		
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	38
103-2	The management approach and its components	38
103-3	Evaluation of the management approach	38
GRI 417: Marketing and labelling 2016		
417-1	Requirements for product and service information and labelling	38
417-2	Incidents of non-compliance concerning product and service information and labelling	No relevant incidents
417-3	Incidents of non-compliance concerning marketing communications	No relevant incidents
Customer privacy		
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	36f
103-2	The management approach and its components	36f
103-3	Evaluation of the management approach	36f
GRI 418: Customer privacy 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No substantiated complaints
Socioeconomic compliance		
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	36f
103-2	The management approach and its components	36f
103-3	Evaluation of the management approach	36f
GRI 419: Socioeconomic compliance 2016		
419-1	Non-compliance with laws and regulations in the social and economic area	No relevant incidents

GRI Standard	Disclosure	Reference to report page and online information or omission
Supply security (company-specific supplementary indicators)		
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	33f
103-2	The management approach and its components	33f
103-3	Evaluation of the management approach	33f
Company-specific supplementary indicators		
	Installed capacity	34
	Energy generation by primary energy source	98
	Total length of transmission and distribution lines	20ff
	CO_2 emission certificates	58
	Efficiency of long-distance lines and distribution networks	33f
	Frequency and duration of a power failure	34
	Average availability of power plants	34
	Population in sales area without electricity supply	Full coverage of basic energy supply for the populations can be assumed in all countries where EVN is the electricity supplier.

Lasting values – exhibits in detail[1)]

Supply security

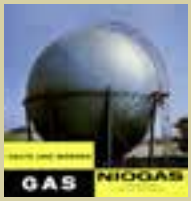
01
Tatendrang/Drive
Poster
Netz NÖ GmbH, 2016
Digital template,
various print formats

A perpetual hero in the electricity branch: the pole-climber as a symbol of skill and courage. EVN and its subsidiary Netz NÖ GmbH are proud of their excellently trained technicians. When disruptions occur, they are on the scene for quick repairs. New transmission lines to carry wind power increase supply security. Following the unbundling of electricity generation, networks and distribution, Netz NÖ advertises independently because it services all market participants on an equal basis.

02
NIOGAS 1982
Annual Report
NIOGAS 1983
21 × 21 cm

From 1976 to 1985 NEWAG and NIOGAS used documentary photos from working life for the cover pages of their annual reports to highlight their technical expertise and social commitment. Working people formed the focal point of these photos. NIOGAS was the first gas company in Austria to extend natural gas supplies outside the urban areas. That gave an increasing number of private households and businesses in rural regions access to natural gas. In the Waldviertel region, a high-pressure pipeline system with a length of 86 km was completed in 1982. This photo shows the transfer of gas pipes from a railcar to a lorry.

03
Heute und morgen
Gas/Natural gas –
today and tomorrow
Folder
NIOGAS, 1965
21 × 10 cm
(opened 21 × 20 cm,
unfolded 21 × 60 cm)



NIOGAS stored its natural gas in spherical tanks during the first three decades of its supply activities, in other words up to the mid-1980s. In contrast to electricity generation, natural gas facilities are normally located underground and, consequently, not visible for customers. These spherical tanks, however, were impressive focal points for the natural gas branch and drew attention to natural gas as a product. The natural gas network now has such a large volume that the spherical storage tanks are no longer needed. Larger stocks are kept in underground storage facilities.

04
So sicher wie der Sommer./
Just as sure as the summer.
Poster
EVN, 2001
Digital template,
various print formats

Three things are needed for summery swimming pleasure: sun, water and energy. EVN is the guarantee for clean water and the energy required to heat the water to a pleasant temperature. At Kamp-river reservoirs, electricity generation and bathing fun are even combined.

1) The original historical documents are from the EVN archive, Maria Enzersdorf. Sizes are based on the original documents.

05
**Ottenstein –
das niederösterreichische
Kaprun/Ottenstein –
the Lower Austrian Kaprun
Photo reproduction of a poster
Elektrogemeinschaft NÖ,
about 1960
Original size approx.
84 × 59 cm**

The Kaprun Tauern river power plant was built shortly before the Kamp power plant, with both facilities representing important reconstruction projects after World War II. And today, the Ottenstein pump storage plant, which was completed in 1957, is still the most powerful hydropower plant in the EVN Group. Elektrogemeinschaft NÖ was a joint platform created by electrical installation companies, retailers and NEWAG, comparable with today's EVN Power Partners.

06
**Gas kommt auf uns zu/
Natural gas is the way of
the future
Brochure
NIOGAS, 1965
21 × 14.9 cm, 30 pages
(The reproduction is
based on an original design
by the graphic artist Gustav
Schwenk
29.7 × 21 cm)**

This brochure was published by NIOGAS for the general public – it includes detailed information on natural gas, the possibilities for its use in households, the costs of natural gas installation and equipment as well as the NIOGAS tariffs. The brochure appeared in the early years of the international natural gas industry, which eventually grew to cover the continents of Africa, Europe and Asia with a gigantic pipeline network.

Customer closeness

01
**Erdgas im Gespräch/Let's
talk about natural gas
Brochure
NIOGAS/ÖVGW (Österreichische Vereinigung für das
Gas- und Wasserfach), 1973
21 × 10 cm, 48 pages**

The conversion from coal-generated city gas to natural gas was well underway when this brochure appeared. ÖVGW, the sector association for gas and water, provided information on the history, physical properties, technology and practical use of natural gas in the form of questions and answers. For example: "Are there particularly favourable day and night tariffs for natural gas? Natural gas is always available at the same low price. Day and night, summer and winter."

02
**Für die Zukunft planen –
mit Strom und Gas/Planning
for the future – with electricity and natural gas
Documentary photo from
the NEWAG and NIOGAS
exhibition stand,
Wiener Neustadt, 1966
Colour slide, 6 × 6 cm**

The poster shows the subject and time of the next programme point: "Mrs. Kollar cooks grilled specialities and Salzburger Nockerl". The cooking shows with Maria Christine Kollar were fixed programme points at trade fairs and exhibits. On special occasions she was also accompanied by comedian Maxi Böhm. NEWAG graphic artist Gustav Schwenk was responsible for the design of the stand with its vibrant colours.

03
Wärmeschutz und Raumklima/Thermal insulation and indoor climate
Folder
NEWAG and NIOGAS, 1978
29.6 × 20.9 cm
(opened 29.6 × 62.4 cm)

The sharp rise in oil prices during the 1970s and growing environmental awareness led to an improvement in the thermal insulation of new buildings. This folder by NEWAG and NIOGAS provided customers with information on various methods for the thermal insulation of facades and roofs. The NEWAG and NIOGAS employee newsletter also reported on this subject: "[…] Above all, it is important to show that the efficient use of energy not only benefits the balance of trade (energy imports) and slows the depletion of crude oil reserves. Every customer must also see the personal advantages (cost savings) that can result from reduced energy consumption." ("Energie Rundschau", March 1978) In other words, the requirements defined by today's Energy Efficiency Act were a focal point of interest nearly 40 years ago.

04
Sammlerwert/Collectibles
Poster
EVN, 2015
Digital template,
various print formats

The Energy Efficiency Act requires EVN to support its customers in saving energy. The EVN Bonus World awards bonus points as an incentive for energy-saving purchases, e. g. energy-efficient household appliances, and the use of energy services.

05
Gut geplant/Well planned
Poster
EVN, 2015
Digital template,
various print formats

"An easy start for your renovation project!" The EVN Bonus World also provides support for renovation projects. It covers all steps in a construction project, from the initial idea to completed transfer: energy consulting, renovation options ranked by energy certification criteria, planning, submission, construction oversight and cost control.

06
Oft geht es heiß her./
Some like it hot.
Poster/advertisement
EVN, 2001
Digital template,
various print formats

The electricity market was opened for all customers in 2001. Commercial customers, in particular, were a focus of marketing activities in the initial period after liberalisation. The Linie 8 carpenters' association in Pielachtal confirmed EVN's role as a regional energy provider. This young carpenter and her colleague served as popular figures to illustrate the modern approach to their profession and to EVN.

07
Service. Service. Service
Poster/advertisement
EVN, 2001
Digital template,
various print formats

Restaurant owner Elfriede Sommer in Auersthal is an EVN fan because EVN's service is fast, nearby and meets her needs – and because EVN covers her entire energy requirements. A satisfied customer in year one after the complete market opening. At EVN, everything comes from a single hand.

Sustainability

01
Mein Strom/My electricity
Poster
EVN, 2016
Digital template,
various print formats

Electricity from photovoltaic equipment is a particularly attractive form of renewable energy for houseowners. In connection with storage batteries, which are also marketed by EVN, this electricity can also be used when the sun does not shine. That means a high level of self-sufficiency for customers. And for the electricity network, it means increased security when strong feed-in fluctuations can be avoided.

02
Frischer Wind/A fresh wind
Mit erneuerbarer Energie in die Zukunft./Into the future with renewable energy.
Poster
EVN, 2017
Digital template,
various print formats

EVN is committed to the long-term exit from fossil fuels and is making substantial investments in wind energy. However, thermal power plants are still urgently needed. They are ready to step in when the wind stops blowing and, at the same time, help to maintain the necessary network stability. When wind conditions are particularly favourable, the wind power plants can generate enough electricity for the entire province of Lower Austria – but for only a few hours at a time.

03
Kühl- und Gefriergeräte erleichtern die Haushaltsführung/Housekeeping made easier by refrigerators and freezers
Advertisement
NEWAG, about 1975
Published jointly by NEWAG and VEÖ (Verband der Elektrizitätswerke Österreichs) in a folder as part of the "Im Blick" series, in the issue "Kühlen, Tiefkühlen, Gefrieren"
27 × 18 cm

In the 1970s, a combined refrigerator/freezer in a built-in kitchen replaced the standalone refrigerator with its small freezer compartment. Comfort represents the focal point of this photo. Energy-saving requirements were less strict than today, and increasing consumption was viewed as positive – as can be seen from the full shelves. This folder followed conventional household advising at that time, which was directed exclusively to housewives, and provided information on the right way to freeze various foods.

04
Sein Traum: mehr saubere Energie aus jedem Stück Kohle./ His dream: more clean energy from every piece of coal.
EVN, 2008
29.7 × 21 cm

The separation of CO_2 from flue gas was the focus of intensive research in the early years of the 21st century. This CO_2 could have been stockpiled in former natural gas storage facilities. At that time, coal appeared to be indispensable over the longer term because of the very high oil price and the since outdated peak oil theory. Today, various scenarios for the exit from coal have moved into the forefront of activities.

05
Niederösterreicher erhaltet Euch den kostbaren Waldbestand – verwendet Elektrogeräte / People of Lower Austria – protect our valuable forests and use electrical appliances
Poster
Elektrogemeinschaft NÖ, about 1960
83.8 × 58.7 cm

This elderly farmer's wife has exchanged her wood-burning kitchen stove for an electric range with oven. She still wears traditional clothing, but she keeps up with the times and protects the forests. EVN started off on a more efficient and cleaner course in the 1990s with the use of renewable biomass – in district heating equipment as well as thermal power plants.

06
Unser Wasser, unsere Chance / Our water, our chance
EVN, 2001
Advertisement, various formats

The takeover of NÖSIWAG, Lower Austria's water supply company, by EVN was accompanied by advertisements in all daily newspapers and magazines during January 2001 to introduce this new field of business. The evn wasser brand was introduced shortly thereafter. evn wasser works continuously to improve the water quality and supply security. Comparable to the electricity network during the electrification of Lower Austria, the water supply plants operated by evn wasser are growing together to become a full-coverage network.

07
Erdgas + Elektrizität. Reine Luft, gesunder Lebensraum / Natural gas + electricity. Clean air, healthy living space
Brochure
NEWAG and NIOGAS, about 1975
Opened (Front and back sides) 20.9 × 29.5 cm

This brochure names industrial plants, traffic and heating (in households) as the main causes of air pollution and promotes electricity and natural gas as clean alternatives to solid fuels and crude oil. Since the publication of the first report by the Club of Rome in 1972 and the oil crisis in 1973/74, environmental protection and energy savings have become a focal point of public interest. As this joint brochure shows, NEWAG and NIOGAS also worked closely together in this area long before their merger.

Future orientation

01
Die Entscheidung für Naturstrom traf Mäuschen. / Princess made the decision for eco-electricity.
Advertisement
EVN, 2002
Digital template, various print formats

EVN has marketed environmentally friendly generated electricity from renewable sources under the "Naturstrom" brand since 2002. This poster links two values: a modern family image in which the father takes over responsibility for a small child and the responsibility for future generations. To make sure his daughter can grow up in an intact environment, this responsible father relies on sustainably generated electricity.

02
IBM Magnetband-maschinen/IBM magnetic tape machines
NEWAG and NIOGAS Headquarters, Maria Enzersdorf, 1965
Documentary photo
Colour slide, 6 × 7 cm

The relocation of NEWAG and NIOGAS headquarters to Maria Enzersdorf, Südstadt, in summer 1963 was accompanied by the installation of a new IBM mainframe computer. Magnetic tapes as storage media were characteristic for computers at that time.

03
Dauerläufer/Long-distance runners
Poster
EVN, 2012
Digital template, various print formats

EVN's thermal power plants will continue to play an important role in protecting supply security during the transition to the post-fossil age. They can balance out supply shortages when the wind turbines stand still or when low water levels limit hydropower generation. It is still too early to shut down the natural gas and steam turbines – as the frequent use of EVN's reserve capacity proved during the past winter.

04
NIOGAS ein guter Tausch/ NIOGAS – a good deal
Folder
NIOGAS, 1967
Graphic: Gustav Schwenk
14.8 × 21 cm

NIOGAS converted the municipal gas plants in Baden, Wiener Neustadt, St. Pölten, Krems and Stockerau – which have been in operation since the 19th century – to pure natural gas supplies. The old equipment using city gas, which was extracted from coal, needed to be exchanged for new equipment. In 1967/68 the installation firms belonging to Erdgasgemeinschaft NÖ organised a campaign to exchange these old stoves, which included a bonus of 400 schillings for each replacement. Because: "A gas stove is worth its weight in gold."

05
Sturmbö. Achtung gebündelte Energie/Strong winds. Caution: bundled energy
Poster
EVN, 2001
Digital template, various print formats

EVN offers bundled services from a single hand which all share a common feature – they are related to energy or networked supplies. Electricity, natural gas, water, heat, TV and Internet as well as waste utilisation form a single technical entity and are based on similar core expertise.

06
Nicht jedes EVN Kraftwerk sieht aus wie ein Kraftwerk./ Not every EVN power plant looks like a power plant.
Poster
EVN, 2009
Digital template, various print formats

EVN operates roughly 70 smaller hydropower plants, which are a potential source of tension between various stakeholder demands. Of course, electricity generation comes first. The paddler is used to indicate that the energy generated by hydropower plants and water sports are a good match. EVN meets the demands by fishermen with fish ladders at run-of-river power plants and stocking in reservoirs. In other words, a reasonable balance of interests is really possible.

07
Auf der langen Leitung stehen hat Zukunft/ Long lines have a future
Advertisement/small poster
EVN, 1992
27.8 × 42.5 cm

In 1992 EVN used contradictory phrases like this in newspapers and on posters to draw attention to the expansion of the natural gas pipeline network and point out the environmental advantages of natural gas heating over oil and solid fuels. Confusing slogans were definitely not taboo.

Responsibility for society

01
Wärme für uns alle/ Heat for everyone
Brochure
NEWAG, about 1980
29.6 × 20,7 cm, 20 pages

NEWAG published this brochure to provide information on heat pumps. Even today, heat pumps are considered an efficient and promising technology for indoor heating and a viable alternative to oil and gas: in the past for price reasons and due to the expected shortage of fossil energy carriers – today, above all, as a way to support climate protection. NEWAG (Niederösterreichische Elektrizitätswerke Aktiengesellschaft) was the direct predecessor of EVN AG.

02
Achtung! Lebensgefahr/ Caution! Life-threatening danger
Poster
NEWAG, about 1950
59 × 41.8 cm

Safety – for customers as well as employees – has always had top priority for EVN and its predecessor companies. This also includes keeping transmission lines free of branches and, as the poster shows, NEWAG's technical support for its customers. It is interesting to see that the logger was still working with an axe and a pit saw. Power saws were just becoming popular.

03

Fernwärme/District heating
Brochure
VEÖ (Verband der Elektrizitätswerke Österreichs), about 1970
Graphic: Gustav Schwenk
21 × 21 cm, 16 pages

"This brochure is intended to show how the introduction of long-distance heating will set a milestone on the road to a more comfortable life and bring relief from unwelcome menial chores." (page 1) NIOGAS's district heating plant in Mödling was commissioned in 1962 and brought district heating to public buildings and households. The "menial chores" mentioned in the brochure often included the tedious transport of coal from the cellar to living areas. NIOGAS (Niederösterreichische Gasvertriebs-Aktiengesellschaft) was merged with NEWAG in 1986 to form NEWAG-NIOGAS. Since 1988, the company has operated under the EVN brand name.

04

Ohne Titel/Untitled
Sculpture from Christmas decorations
Marepe, an artist from Santo Antônio de Jesus, Bahia, Brazil, 2003
11 × 38 × 30 cm
evn collection, Inv.-No. 0135

The evn collection was founded in 1995. The works of art it includes serve as a seismograph for the changes in society, the market and the political environment. "Marepe's artworks can be described as catalysts or amplifiers. Objects that could serve a purpose, but often carry a call to action. In view of the global dimension of the constantly accelerating art world, Marepe appeals for art that does not lose sight of people and their physical and emotional needs or is detached from their feelings. His work does not involve representation, but is more anthropological.
It confronts us with the different characteristics of spatial objects, how they are capable of breathing life into things and creatures – which is clearly visible in the series of sculptures based on Christmas tree ornaments." (Translation of a text by Heike Maier and Hans Ulrich Obrist)

05

Unser Song/Our song
Poster
EVN, 2013
Digital template, various print formats

The grounds of the nuclear power plant in Zwentendorf were the site of the Global 2002 Tomorrow Festival in 2013. EVN has been the sole owner of this area since 2005. 10,000 visitors were able to celebrate at this occasion, also thanks to uninterrupted electricity supplies by EVN – and all that without nuclear energy.

06

Alles Energie!/It's all energy!
Folder
EVN school service, 2014
21 × 10.1 cm

Joulius the Rabbit is the mascot for EVN's elementary school programme. He also plays an important role in the "Alles Energie" experiment kit developed by EVN, which helps elementary schoolchildren to learn about the scientific and practical basics of electricity. "The mysterious phenomena of electricity are investigated, electrical circuits are built and different energy sources are converted into electricity. The children can also discover the many things that can be done with electricity and how to use it efficiently." (www.young.evn.at) EVN's school advisors, all of them experienced technicians, visit the various classes and provide real information. A separate programme is also offered for secondary schools.

About this report

EVN has published an integrated annual and sustainability report, a so-called "full report", for each financial year since 2009/10. The equal treatment of sustainability content, including the sustainability programme, with the annual report and corporate governance report reflects EVN's self-image as a responsible energy and environmental services provider. A central element of EVN's integrated business model is the well-balanced treatment of its various stakeholder groups. This is reflected, above all, in the EVN materiality matrix, which identifies the priority topics for the various interest groups based on a regular survey. The multifaceted and diverse information needs of these target groups are reflected in the structure of this full report and its focus on the most important issues. The GRI content index at the end of the report provides a comprehensive overview of the most important subjects in agreement with the requirements of the Global Reporting Initiative (GRI). GRI content outside this scope is not presented. This report also meets the high requirements defined by the UN Global Compact and also presents EVN's progress in meeting the relevant standards.

Scope of the report

EVN's financial year begins on 1 October and ends on 30 September. The components of the integrated financial and sustainability report is based on EVN's scope of consolidation as of 30 September 2017, in accordance with consolidation regulations. Information on the scope of consolidation is provided in the notes.

This report meets the requirements of the Global Reporting Initiative (GRI) "comprehensive standards" and also includes additional company-specific indicators which were added to the GRI content index. EVN's objective is to provide detailed information on the subjects that are of key importance to its stakeholders. The reporting content is based on legal requirements, the information needs of stakeholders and the most important areas of activity in EVN's materiality matrix. There were no material changes in the scope or presentation of information compared with the previous year's report. In agreement with the GRI reporting standards, information of low importance is not provided in order to maximise relevance and transparency by concentrating on the most significant issues. Consequently, the GRI Content Index does not include the indicators that are not applicable to EVN.

The accounting department, controlling department, human resources management and environmental protection and sustainability department were responsible for the collection and calculation of data. The data are based on the respective GRI standards, which were applied as completely as possible. Compliance with this reporting standard and the related criteria was reviewed and officially confirmed by the independent testing institute TÜV SÜD.

EVN also believes in equal gender treatment in its internal and external publications, including this full report. Any statements made in the male form to improve readability refer equally to both genders.

References

Additional information on certain topics is provided on EVN's homepage and cross-referenced in this report. The full report also includes references to the GRI standards and to other information within the report. Different reference signs are used to facilitate the reader's orientation inside and outside the report. The signs used in this full report are listed below:

- ❑ Reference to additional information in this full report
- ○ Reference to content in the Internet
- △ Reference to the GRI standards

Printing

Only pollutant-free and recyclable materials were used in the printing process for this full report. This includes the paper used for the report as well as the printing ink, which is made with purely plant-based ingredients.

The editorial deadline for this report was 20 November 2017.

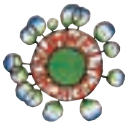
- ❑ For information on EVN's materiality matrix, see page 27
- ❑ For the validation of the sustainability report, see page 200f
- ❑ The GRI Content Index can be found beginning on page 202ff
- ○ For information on the Global Reporting Initiative, see www.globalreporting.org

Editorial information
Published by:
EVN AG, EVN Platz, 2344 Maria Enzersdorf, Austria
T +43 2236 200-0
F +43 2236 200-2030

Announcement pursuant to § 25 Austrian Media Act: www.evn.at/offenlegung

Editorial deadline: 20 November 2017
Publishing date: 14 December 2017

Photos: Lisa Rastl, Gabriele Moser (page 7), Raimo Rudi Rumpler (back of the cover)
Lithography: Martina Hejduk
Concept and consulting: be.public Corporate & Financial Communications GmbH
Editors: Georg Male (be.public), EVN Investor Relations
Art direction: Nadja Lessing (EVN Information und Kommunikation)
Composition & fine-drawing: gugler* brand & digital, 3100 St. Pölten, www.gugler-brand-digital.at
Print: Grasl FairPrint, 2540 Bad Vöslau



This product conforms to the standards of the Austrian Environmental Seal of Approval for environmentally friendly printing products (UZ 24), UW-Nr. 715. Grasl FairPrint, Bad Vöslau, www.grasl.eu

Contact

Contact partners regarding investor relations

Gerald Reidinger, phone +43 2236 200-12698
Matthias Neumüller, phone +43 2236 200-12128
Doris Lohwasser, phone +43 2236 200-12473

E-mail: investor.relations@evn.at

Contact partners regarding sustainability

Members of the sustainability team

Group representative for environmental protection and sustainability: Hans-Georg Rych, phone +43 2236 200-12526, hans-georg.rych@evn.at
Deputy Group representative for sustainability: Alexander Sipek, phone +43 2236 200-12360, alexander.sipek@evn.at
Investor relations: Doris Lohwasser, phone +43 2236 200-12473, doris.lohwasser@evn.at

Service telephone for customers: 0800 800 100, **for investors:** 0800 800 200

Information on the Internet

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

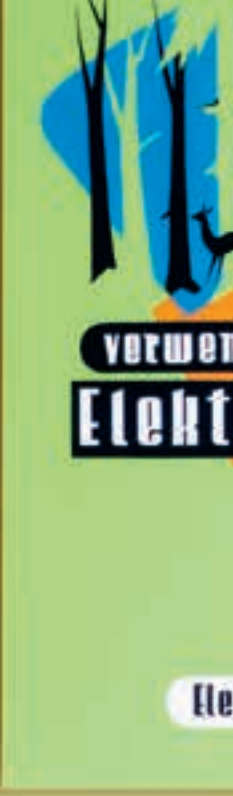
Online report

EVN online Full Report 2016/17
www.investor.evn.at/gb/gb2017

Financial calendar 2017/18[1]			
Record date Annual General Meeting	08.01.2018	Results Q. 1 2017/18	28.02.2018
89th Annual General Meeting	18.01.2018	Results HY. 1 2017/18	30.05.2018
Ex-dividend day	24.01.2018	Results Q. 1–3 2017/18	23.08.2018
Record date	25.01.2018	Annual results 2017/18	13.12.2018
Dividend payment	26.01.2018		

EVN share – basic information[2]	
Share capital	EUR 330,000,000.00
Denomination	179,878,402 shares
Identification Number (ISIN)	AT0000741053
Tickers	EVNV.VI (Reuters); EVN AV (Bloomberg); AT; EVN (Dow Jones); EVNVY (ADR)
Stock exchange listing	Vienna
ADR programme; depositary	Sponsored Level I ADR programme (5 ADR = 1 share); The Bank of New York Mellon
Ratings	A2, stable (Moody's); A–, stable (Standard & Poor's)

1) Preliminary
2) As of 30 September 2017



EVN

Supply security

Customer closeness

Sustainability

Future orientation

Responsibility for society