

**New Challenges.  
New Opportunities.  
New Horizons.**

Full Report 2017/18



## Innovative models for system optimisation

The functioning of a decentralised system with many (in part, small) producers requires a new, flexible approach to control. The role of conventional power plants is shifting from energy supplies to the supply of reserve capacity.



# Key figures

		2017/18	2016/17	+/- %	2015/16
<b>Sales volumes</b>					
Electricity generation volumes	GWh	5,526	6,059	-8.8	5,866
thereof from renewable energy	GWh	2,213	2,093	5.7	2,026
Electricity sales volumes to end customers	GWh	18,413	18,544	-0.7	18,292
Natural gas sales volumes to end customers	GWh	5,178	5,744	-9.9	5,134
Heat sales volumes to end customers	GWh	2,219	2,293	-3.2	2,082
<b>Consolidated statement of operations</b>					
Revenue	EURm	2,072.6	2,215.6	-6.5	2,046.6
EBITDA	EURm	671.8	721.6	-6.9	604.4
EBITDA margin <sup>1)</sup>	%	32.4	32.6	-0.2	29.5
Results from operating activities (EBIT)	EURm	392.9	346.9	13.3	260.4
EBIT margin <sup>1)</sup>	%	19.0	15.7	3.3	12.7
Result before income tax	EURm	355.7	325.5	9.3	198.9
Group net result	EURm	254.6	251.0	1.4	156.4
<b>Consolidated statement of financial position</b>					
Balance sheet total	EURm	7,831.1	6,454.9	21.3	6,556.5
Equity	EURm	4,092.6	3,150.1	29.9	2,770.7
Equity ratio <sup>1)</sup>	%	52.3	48.8	3.5	42.3
Net debt	EURm	963.7	1,213.2	-20.6	1,523.3
Gearing <sup>1)</sup>	%	23.5	38.5	-15.0	55.0
Return on equity (ROE) <sup>1)</sup>	%	7.7	9.2	-1.4	6.8
<b>Consolidated cash flow and investments</b>					
Net cash flow from operating activities	EURm	603.5	508.9	18.6	463.0
Investments <sup>2)</sup>	EURm	356.4	303.8	17.3	315.4
Net debt coverage (FFO) <sup>1)</sup>	%	69.0	48.7	20.3	37.3
Interest cover (FFO)	x	14.4	10.1	43.4	8.5
<b>Value added</b>					
Net operating profit after tax (NOPAT)	EURm	314.8	425.7	-26.1	327.4
Capital employed <sup>3)</sup>	EURm	4,094.2	4,173.5	-1.9	4,290.7
Operating return on capital employed (OpROCE) <sup>1)</sup>	%	7.7	10.2	-2.5	7.6
Weighted average cost of capital (WACC) <sup>1)4)</sup>	%	6.3	6.3	-	6.5
Economic value added (EVA <sup>®</sup> ) <sup>5)</sup>	EURm	58.9	164.8	-64.3	48.5
<b>Share</b>					
Earnings	EUR	1.43	1.41	1.4	0.88
Dividend	EUR	0.44 + 0.03 <sup>6)</sup>	0.44 + 0.03 <sup>6)</sup>	-	0.42
Dividend yield <sup>1)</sup>	%	2.8	3.6	-12.4	4.0
<b>Share performance</b>					
Share price at 30 September	EUR	16.88	13.22	27.7	10.56
Highest price	EUR	18.00	13.40	34.3	10.60
Lowest price	EUR	13.07	10.47	24.8	9.65
Market capitalisation at 30 September	EURm	3,036.0	2,377.0	27.7	1,899.0
<b>Credit rating</b>					
Moody's		A2, positive	A2, stable		A3, stable
Standard & Poor's		A-, stable	A-, stable		BBB+, stable

1) Changes reported in percentage points

2) In intangible assets and property, plant and equipment

3) Average adjusted capital employed.

4) Exact value 2016/17 and 2017/18: 6.25%

5) As defined by Stern Stewart & Co.

6) Bonus dividend of EUR 0.03 per share; 2017/18 financial year: proposal to the Annual General Meeting

		2017/18	2016/17	2015/16
<b>Employees</b>				
Number of employees	∅	6,831	6,840	6,830
thereof Austria	∅	2,396	2,368	2,350
thereof international	∅	4,435	4,472	4,480
Employee fluctuation	%	1.9	2.6	2.4
Proportion of women	%	23.1	23.3	22.6
Training hours per employee	hrs.	33.8	31.3	27.2
Number of occupational accidents	number	78	77	70
<b>Environment</b>				
Direct greenhouse gas emissions (Scope 1) <sup>1)</sup>	t CO <sub>2</sub> e	2,533,359	2,802,582	–
Specific greenhouse gas emissions (Scope 1) <sup>1)</sup>	t CO <sub>2</sub> e/GWh	310.91	317.13	–
NO <sub>x</sub> emissions <sup>1)</sup>	t	2,143	2,316	–
Hazardous waste and residual materials <sup>2)</sup>	t	19,348	11,744	13,128
Water consumption <sup>3)</sup>	m m <sup>3</sup>	32.6	31.5	29.1

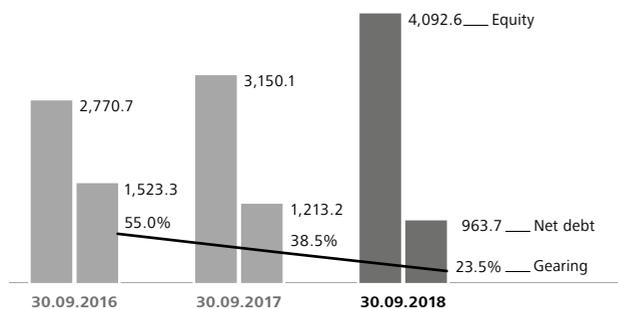
1) Due to changed valuation methods, there is no data provided for 2015/16.

2) Without building residues and power plant by-products

3) Drinking water supplies from purified ground water by evn wasser

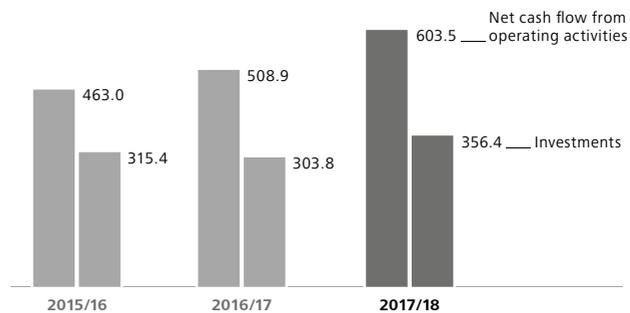
## Equity, net debt and gearing

EURm and %



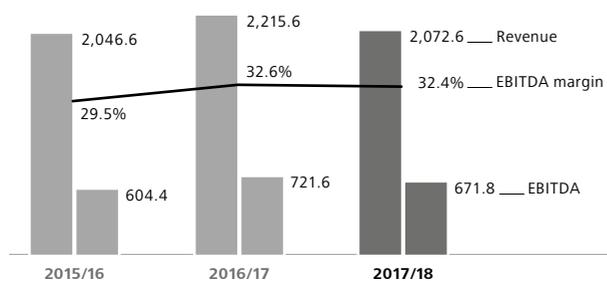
## Cash flow and investments

EURm



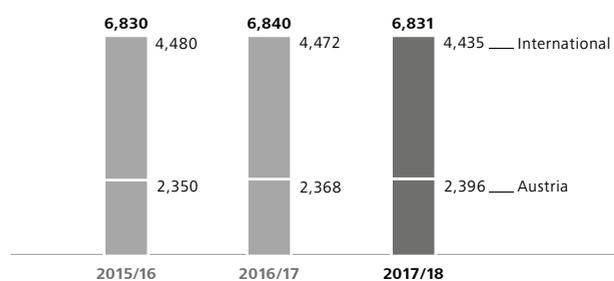
## Revenue, EBITDA and EBITDA margin

EURm and %



## Employees by region

Annual average



# Editorial

Dear Shareholders,  
Ladies and Gentlemen,

Energy, water and life – our products provide security for the basic everyday needs of our customers, in our home market of Lower Austria, in our core markets of Bulgaria and Macedonia and, in general, in our projects in Austria and other countries. At EVN, we are fully aware of the high responsibility created by our activities.

Our customers' everyday routine is, however, also influenced by another phenomenon: the spread of digitalisation and its increasing influence on all areas of our lives. And EVN is also keeping pace with the times because we want to give our customers – who have come to design many areas of their lives via smartphone, tablet, internet and co. – the opportunity to use our products and services in this same easy way. With joulie, an extremely innovative web-based photovoltaic and energy optimisation package, we introduced a new, highly regarded building block for the energy future in 2017/18. Preliminary research, planning, requests for offers, orders, contract conclusion and management – joulie provides all this comfortably and online for customers who want to convert their home into a modern, autonomous part of the "virtual power plant" with photovoltaic equipment, possibly in combination with a heat pump, warm water boiler, storage battery or even an e-charging station.

The many aspects of our company's active interaction with the issues of digitalisation and the energy future are revealed when you remove and unfold the cover of this report: from the expansion of renewable generation to the above-mentioned smart products, intelligent networks and cybersecurity up to electricity storage, which represents an important key technology for the targeted

system conversion and parallel protection of maximum supply security for our customers – you will find a great deal of interesting information on our ideas to these and other issues and on our offers for a future-oriented, sustainable energy system.

Our commitment to our stakeholders also covers future issues like the expansion of our own wind parks and our network investments to integrate the steadily growing volume of renewable generation – they not only guarantee supply security, but also make the energy future possible – as well as research projects that search for concrete solutions to the storage of volatile wind and solar electricity. We want to focus our corporate strategy on sustainable and responsible actions in an environment in which, for example, the reduction of greenhouse gases is a central social and political goal.

Thanks to our competent and motivated employees, EVN is very well positioned for the energy future. At the same time, we can build on our solid earning power and our stable capital structure in realising our strategies, ideas and visions. Our attention is also focused on the balanced use of funds. The careful use of our operating cash flow for investments that support our strategy will also protect EVN's successful development in the future. At the same time, we want our shareholders to participate in our company's success – and in the Group net result generated in the 2017/18 financial year. The Executive Board will therefore make a recommendation to the 90<sup>th</sup> Annual General Meeting on 17 January 2019, calling for the distribution of an ordinary dividend of EUR 0.44 per share as well as a one-time bonus dividend of EUR 0.03 per share.



**Stefan Szyszkowitz**  
Spokesman of the Executive Board



**Franz Mittermayer**  
Member of the Executive Board

# About this report

Under the title “EVN Full Report”, we publish an integrated annual and sustainability report for each financial year. The equal treatment in this publication of non-financial and financial information and the corporate governance report underscore our self-image as a responsible energy and environmental services provider.

A central element of EVN’s integrated business model is the balanced treatment given to the interests and concerns of our various stakeholders. 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 increased alignment of the report structure with the most important issues in this matrix is intended to meet the different and multifaceted information requirements of these target groups.

## Reporting in accordance with the Austrian Sustainability and Diversity Improvement Act

In order to meet the requirements of EU Directive 2014/95/EU on the disclosure of non-financial and diversity-related information (NFI Guideline), which was implemented in Austria through the Sustainability and Diversity Improvement Act (“Nachhaltigkeits- und Diversitätsverbesserungsgesetz”), we have selected the option to prepare a separate non-financial report. The information required by the Sustainability and Diversity Improvement Act on environmental, social and employee issues, respect for human rights and combatting corruption is therefore presented under the section “Non-financial report” and is listed separately in the table of contents for easier orientation.

## Applied standards and guidelines

This full 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. The reporting content is based on legal requirements, the information needs of our various stakeholder groups and the most important areas of activity in EVN’s materiality matrix. 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. The GRI content index was prepared in agreement with the requirements of the Global Reporting Initiative. It summarises the most important indicators and does not include the indicators that are not applicable to EVN.

This report also meets the high standards set by the UN Global Compact and provides information on progress in this area.

The following corporate departments were responsible for the collection and calculation of data in accordance with national and international standards and with the guidelines for financial and sustainability reporting: accounting, controlling and human resources management as well as innovation, sustainability and environmental protection. The consolidated financial statements were prepared in accordance with § 245a of the Austrian Commercial Code based on the requirements of the IFRSs issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) which required mandatory application as of the balance sheet date and had been adopted by the European Union. The non-financial reporting was based on the applicable standards of the Global Reporting Initiative, which were applied as completely as possible.

## External verification

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft was responsible for the audit of the consolidated financial statements and the verification of compliance with GRI standards and the Austrian Sustainability and Diversity Improvement Act for the 2017/18 financial year.

- The auditors’ report can be found on page 199ff
- For the independent assurance report on the non-financial report in accordance with GRI standards and the Austrian Sustainability and Diversity Improvement Act, see page 70f

## References

Additional information on certain topics is provided on EVN’s website and cross-referenced in this report. The full report also includes references to the GRI standards and to other information within 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 GRI standards

The editorial deadline for this report was 20 November 2018.

- For information on EVN’s materiality matrix, see page 27
- For information on the GRI content index, see page 208ff
- For information on the Global Reporting Initiative, see [www.globalreporting.org](http://www.globalreporting.org)
- For information on the UN Global Compact, see [www.unglobalcompact.org](http://www.unglobalcompact.org)
- △ GRI indicators: GRI 102-46, GRI 102-54

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# Highlights 2017/18

Revenue **-6.5%** to EUR 2,072.6m

EBIT **+13.3%** to EUR 392.9m

Group net result **+1.4%** to EUR 254.6m

Dividend proposal **EUR 0.44 + 0.03 bonus  
dividend per share**





## Expansion of wind power – support for the system conversion towards renewables

Wind power is the renewable energy form of the future. A modern wind turbine generates environmentally friendly electricity and – by replacing the fossil energy carriers used for conventional energy production – saves more than 4,000 t CO<sub>2</sub> each year. In this way, wind energy makes an important contribution to the sustainable design of our energy future. And our home market in Lower Austria is an excellent location for its use. A number of regions in this province are among the best onshore sites in Europe. Today EVN is the second largest wind power operator in Austria: we have 19 wind parks (18 in Lower Austria and one in Bulgaria) with

139 wind turbines and a total output of roughly 318 MW. Our goal is to continue the development of wind energy in the future and utilise its full potential. The expansion

*Consistent implementation of our strategy with 49 MW of additional wind power capacity in 2017/18*

of EVN's wind power capacity in Lower Austria is, consequently, a focal point of our ambitious activities, and we have set a target to raise this capacity to a total of 500 MW over the medium term. In 2017/18 we set further

milestones in this direction with the commissioning of two wind parks in Oberwaltersdorf and Sommerein and the acquisition of the wind park in Ebenfurth. The wind park in Oberwaltersdorf – with its 10 MW output – is located in the windy Vienna basin and, through its close proximity to customers in the greater Vienna area and the plants in the Industrieviertel area, is a perfect example of the effective regional development of this environmentally friendly resource. In Sommerein, ten wind power plants with a combined output of nearly 35 MW have been producing renewable electricity for roughly 28,000 households since summer 2018.







## Important research findings at the Prottes large storage battery

The storage of electricity is a key requirement for the successful conversion of the system towards renewable generation. Together with research partners, we constructed a large storage battery next to our wind park and transformer station in Prottes to gain experience in this area. The battery, which was commissioned in November 2017, has since undergone numerous tests and

trials which provide valuable information for our energy future. For example, we learned that a storage battery can equalise the voltage fluctuations in the local network that result from photovoltaic generation peaks at mid-day and higher demand in the morning and evening hours. Another test in Prottes evaluated whether and in what way large batteries can stabilise the

network frequency in cross-regional network operations. The pilot plant was also successful in an extreme situation test – a so-called “black start” in the event of a complete network breakdown. Wind parks need continuous electricity for their own operation and, when there is a blackout, cannot independently restore network operations. In a simulated complete network break-

down, the storage battery at the Prottes wind park successfully demonstrated its “black start capability” by successively restoring full network functions with only one wind power plant.



## Largest cross-regional natural heat network in Austria

With the commissioning of a new connecting pipeline between our district heating supply areas in Mödling and Baden, south of Vienna, we created Austria's largest natural heat network in January 2018. Eleven communities now receive optimised natural heat supplies over 150 km of pipelines from the three biomass heating plants in Mödling, Baden and Guntramsdorf. Sales volumes in the region total roughly 250 GWh per year, which represent supplies of environmentally friendly natural heat for nearly 30,000 households.

## joulie – the innovative web-based photovoltaic package

Organising everyday life with just a few clicks has already become routine in many areas. We decided to join this trend and create new opportunities for our smartphone-, tablet- and PC-savvy customers to completely redesign and tailor their private energy supplies via app or internet. With joulie, we transformed this idea into reality during our 2017/18 financial year: under [www.joulie.at](http://www.joulie.at), our customers can configure and order their photovoltaic equipment, heat pump or

e-charging station comfortably and directly online. Once installed, the equipment can be easily controlled with an app. An online customer portal also allows for the paperless management of all data and documents. However, our joulie is much more than a simple web-based configurator or smart home app. Background tools ensure that high-consumption equipment is optimally supplied from the customer's own solar power production and surplus electricity is fed into our network.



## Key steps in favour of occupational safety and data protection

At EVN, we also regularly set internal focal points that reflect our self-image as a responsible company. One of these focal points

in 2017/18 was the further improvement of occupational safety. Our company already holds a good position in Austrian branch comparison, but there is room for improvement according to international standards. We therefore approved a range of measures to strengthen the safety culture in our company and refine the tools for the identification and avoidance of hazards. The high point was the first EVN safety day in June 2018, where the Executive Board presented the new safety mission statement and EVN's seven point safety strategy.

Plans call for the organisation of a similar event each year to support the internal exchange of information and further optimisation.

In the area of data protection, a massive undertaking that involved preparations by our experts in many different departments over a period of two years was the implementation of the binding EU General Data Protection Regulation in May 2018. Full compliance with the new data protection rules in all areas of our business from the very beginning was particularly important for us, especially as a company with a large number of customers – and extensive, often sensitive customer data.



## Strengthening of network infrastructure – backbone of the energy future

The EVN Group operates an electricity network with a length of 142,106 km and a natural gas network that covers 14,012 km. In total, we supply more than 3.7 million customers. The quality of this network infrastructure plays a decisive role when we want to guarantee reliable supply security for our customers over the long term. The current developments in the energy system are accompanied by major challenges – for example, the integration of many new decentralised production locations, the high volatility of renewable generation from the wind and

the sun and a substantial change in our customers' requirements through phenomena like e-mobility,

*Sustainable protection of supply security and network quality is our central strategic goal.*

increasing population density etc. In order to also guarantee reliable supplies in this environment, we are making massive investments in the maintenance, modernisation and expansion of our networks. In

the 2017/18 financial year alone we invested approximately EUR 150m in the network infrastructure (electricity and natural gas) in Lower Austria. These projects covered the repair or new installation of roughly 1,052 km of pipelines and the upgrading of ten transformer stations to meet the latest technical standards. Since the construction of transmission lines always has an impact on the environment, we consistently ensure they are carefully embedded in nature.



## The EVN Service Centre family is still growing

All our activities have one point in common: our customers and their needs. For that reason, top professionalism and maximum customer closeness have always been the guiding principles for our services and advising. An important part of this approach is formed by the EVN Service Centres, which give our customers easy, personal access to our broad range of services, offers and products “under a single roof” at central locations. Our first customer centre opened its doors in Wiener Neustadt

during 2011 and now provides personal advising and individual services to roughly 10,000 customers each year. Inspired by the very positive customer feedback, we created six additional service centres over the following years. After the redesign and modernisation of our customer shop in Wiener Neustadt during the past financial year and the opening of a new service centre in Bruck an der Leitha in autumn 2018, five further locations are scheduled to follow in the coming months.

## State-of-the-art wastewater infrastructure for international customers

There were also a number of interesting events in our project business during the past year: the largest project, without a doubt, was the new central wastewater treatment plant for Prague, which opened on Emperor’s Island at the heart of the Czech capital in September 2018 after a nearly three-year construction period. Roughly 15 million litres of wastewater are now treated here every hour. However, visitors to Emperor’s Island or the nearby Prague Zoo hardly notice a thing because the wastewater treatment plant operates underground, hidden below a park. Our German subsidiary WTE Wassertechnik, together with a partner, was responsible for the engineering, electrical

and process technology for the entire plant. This project was a real test for our experts’ technical planning and implementation skills since the plant operations had to meet high standards for resource conservation and the optimisation of consumption. Additional challenges were created by the limited space available and the need for flood protection. All these issues were optimally mastered by our team – just the same as with many other projects in the past. Reports of other successfully commissioned projects also came from Macedonia, where we transferred three wastewater treatment projects to the municipal customers in 2017/18.





## Safe drinking water supplies for Lower Austria

We also rely on the expansion and new construction of cross-regional connecting lines in the area of drinking water supplies as a means of continuously improving supply security. In regions with above-

average hardness grades, we are using membrane technology to reduce the hardness of the water entirely without the use of chemicals. We are already improving the quality of drinking water by this nat-

ural method in three natural filter plants. The fourth plant of this type will be commissioned shortly, and further projects are in the planning stage.

# 10 questions, 10 answers.

Stefan Szyszkowitz and Franz Mittermayer on EVN's road into the energy future.



## 1 #mission2030: a positive energy policy framework

**How would you evaluate #mission2030, the new climate and energy strategy announced by the Austrian federal government?**

**Stefan Szyszkowitz:** #mission2030 gives Austria a concrete climate and energy policy perspective. It is built on the results of the UN's Paris Climate Conference and the goals defined in the European climate and energy guidelines. We see this as a positive step because – apart from taking a comprehensive view of our energy system – it deals with issues like seasonal storage or new technologies for sector coupling which are also essential for supply security. With our investments in renewable energy generation and network expansion, we have been making a very real contribution to the reduction of greenhouse gases for many years. And, as an integrated energy company, we will continue to be a

logical partner for the realisation of these goals that reflect our corporate strategy.

As a listed company, we believe political goals must also be followed by a concrete legal framework on which we can sustainably and reliably realise our strategy. A broad social discourse over targets, measures and the use of resources is also needed to ensure the necessary acceptance. Initial estimates by Oesterreichs Energie, our industry association, indicate that the target set by the political sector – which calls for 100% renewable electricity generation for Austria by 2030 – will require investments of roughly EUR 50bn in renewable generation capacity and the necessary network infrastructure. We must make sure the ambitious timetable for 2030 in no way jeopardises national supply security or network stability for a single second.

## 2 Valuable impulses for Lower Austria and EVN

**How important is #mission2030 for Lower Austria and, in turn, for EVN?**

**Franz Mittermayer:** Our corporate strategy sets clear priorities and, in one very major point, coincides completely with #mission2030: EVN is currently the leading wind power producer in Lower Austria, and we want to maintain this position in the future. Assuming appropriate framework conditions, we will continue to invest in new wind parks in Lower Austria during the next few years and, in this way, contribute to the targeted increase in the share of electricity from renewable generation. Specifically, we want to raise our wind generation capacity from the current level of 318 MW to 370 MW by the end of 2019/20 and to roughly 500 MW over the medium term.



## 3 Investments in the networks, renewables and drinking water supplies

**Where else do you see EVN's investment focal points for the next few years?**

**Stefan Szyszkowitz:** In total, we are planning investments of up to EUR 400m each year over the near and medium term – whereby approximately EUR 300m will be directed to the network infrastructure, renewable generation and drinking water supplies in Lower Austria. Our continuous investments in South Eastern Europe – here, our focus remains on reducing network losses – will also protect supply security for our customers in Bulgaria and Macedonia.

## 4 Thermal power plants as reserve capacity

**What role will EVN's thermal power plants play in the future?**

**Franz Mittermayer:** The fact that our thermal power plants are frequently called on to support network stability throughout the entire year – in 2017/18 on 157 days – sends a clear message. A system that relies on 100% renewable electricity generation will only be able to guarantee 24/7 supply security when conventional power plants are available to stabilise network operations by providing control and balancing energy. In any event, this will be the situation as long as there are no marketable storage technologies.



Another central point of our corporate strategy calls for massive investments in the network infrastructure over the coming years. As we have already mentioned, the goals set by #mission2030 will create additional, wide-ranging responsibilities for our networks. The wind conditions in certain sections of our supply area are particularly attractive and regularly face us with

the challenge of integrating not only new EVN wind power plants, but also third party wind power facilities in our network. At the same time, we need to make sure this wind electricity is transported into the metropolitan areas. Other issues, like the "100,000 roof-mounted photovoltaics" programme that is anchored in #mission2030 or the growing importance of e-mobility, will require further investments to protect network stability.

## 5 Continued evolution of the corporate DNA

### Are the challenges of the energy future changing EVN?

**Stefan Szyszkowitz:** Internal and external networks are becoming increasingly important. Let me explain this with a specific example: EVN has developed a real-time information and control system for the energy sector, in short EZISSE, to optimally integrate and manage our own generation units and the decentralised generation facilities operated by our customers. This innovative digital platform can synchronise supply and demand in the second and also forms the technical basis for joulie, our highly regarded new photovoltaic and energy management product. joulie was introduced in 2018 and – with the use of Google Maps – allows customers to configure photovoltaic equipment and arrange for a non-binding offer easily and comfortably with a few simple clicks. However, joulie can do much more because this web-based assistant also controls and optimises the customer's equipment and even handles the marketing of surplus electricity through our network. The implementation of these types of innovations is only possible with the close cooperation of all market participants, including customers, and our specialists at EVN. For that reason, and with a certain degree of pride, I want to mention these developments as positive examples of how our DNA is evolving together with the energy system!

## 6 Summer-winter equalisation as the new challenge

### What solutions do you see in the area of seasonal storage?

**Franz Mittermayer:** The growth of renewable generation has created a problem for the energy industry throughout Europe because water, wind and sun lead to substantial surplus production, above all during the spring and summer, but are unable to cover the demand for electricity during the winter months. The longer-term, seasonal storage of electricity – which we also refer to as summer-winter equalisation – is becoming more and more the central challenge for our energy future. EVN has, of course, already started to address this subject – we are currently evaluating various possibilities for cooperation and carrying out a number of research projects together with partners. One definitely interesting approach is the conversion of electricity into renewable natural gas, which can be used, as needed, to operate gas turbines and, in turn, to generate electricity. The next step towards the development of marketable technologies is to clarify the technical details and, above all, the issues related to profitability and financing.

## 7 Active innovation as the source of continuous new solutions

### How is EVN positioned with regard to research and innovation?

**Stefan Szyszkowitz:** Active involvement with the changes in our industry is decisive for our success. As a network operator, that is the only way we can guarantee supply security. Test series – like the one we recently carried out with a transformer station and wind park at our large storage battery pilot plant in Prottes – help us, for example, to evaluate innovative solution approaches to equalise voltage fluctuations in local networks. In general, the integration of decentralised generation is an elementary challenge. We need to develop and examine intelligent solutions from different perspectives to support prosumers in the optimal utilisation of their own production and in the operation of the local networks. We are also one of the supporters of the "Green Energy Lab". This wide-ranging innovation project for green energy is designed to develop new technologies and concepts for the energy system of the future.

## 8 Future issue: drinking water

**Drinking water supplies are also a future issue for EVN – what are the latest developments in this area?**

**Franz Mittermayer:** The high temperatures and low rainfall during the past summers underscore the need for massive investments in drinking water supplies for Lower Austria during the coming years. Moreover, demographic trends – Lower Austria has seen a substantial population influx from Vienna for some time now – and economic growth have led to a general increase in the demand for water. That, in turn, creates a need for further cross-regional transport pipelines to improve supply security in the individual communities. For us, the careful use of our valuable natural resource water also means regularly monitoring our local water networks with special equipment to localise potential leaks and stop the loss of drinking water as quickly as possible. We also make an important contribution to supply quality with our increasing number of local natural filter plants, which reduce the hardness of the water by environmentally friendly means and without chemicals.

## 9 Digitalisation, data security and cybersecurity

**The many possibilities created by digitalisation are contrasted by challenges like data security and cybersecurity. How are you handling this?**

**Franz Mittermayer:** Very carefully – above all when the protection of legitimate customer interests is involved. Our IT experts take great care in dealing with issues like cybersecurity and the protection of critical infrastructure. Data protection is also an important issue for customers and has taken on a completely different meaning, for example in connection with the smart electricity meters preferred by the EU. In spite of the advantages created by these intelligent devices – which give interested customers the opportunity to exactly analyse and manage their consumption patterns – quality and data security are our top priority. We therefore consider it our responsibility to carry out particularly extensive tests on the quality of the hardware and software required for smart metering.

## 10 Solid perspectives for investors

**How will shareholders benefit from EVN's focus on the energy future?**

**Stefan Szyszkowitz:** We remain committed to a reliable dividend policy, and our shareholders can depend on stable and plannable distributions. The basis for these dividends is formed by our solid business model with its focus on stable activities in Lower Austria like network and wind park operations and drinking water supplies. As you can also see in this year's full report, we are, at the same time, taking an active approach to the changes in our industry that are created by digitalisation and other developments. These challenges will not only influence and advance network operations, but also our product offering in the future. Profitable and secure business fields and a healthy capital structure will remain the key requirements for protecting our position as a reliable player on the capital market in the future.



# EVN – energy company and environmental services provider

EVN’s activities cover the energy and the environmental service business. The headquarters of this international Group are located in Lower Austria, further core markets are Bulgaria and Macedonia. In total, EVN is currently active in 13 countries.

## Operating business areas

### Energy business

In the energy business, we follow 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. We are active in the areas of electricity, natural gas and heat – with different focal points in the individual markets. In addition, we operate a thermal waste utilisation plant in Lower Austria.

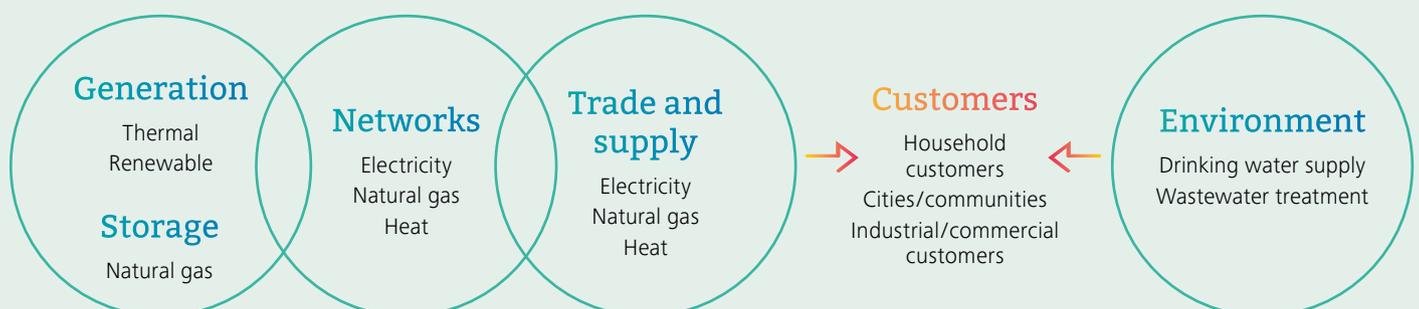
### Environmental services business

Activities in the environmental services business include drinking water supplies in Lower Austria and the international projects business. Depending on the scope of the project, it includes the planning, construction, financing and operation of energy-efficient and resource-conserving plants for drinking water supplies, wastewater disposal and thermal waste utilisation.

### Investments

Investments in areas related to the core business supplement our value chain: the investments in Verbund AG and Burgenland Holding AG, which, in turn, holds 49.0% of Energie Burgenland AG, allow us to benefit from the companies’ concentration on renewable electricity generation from water and wind. RAG Austria AG, in turn, provides valuable support for us through its focus on the natural gas storage business in Austria.

## Value chain



# Markets and business areas



**Austria**

- **Generation:** electricity, heat, thermal waste utilisation
- **Network operations:** electricity, natural gas, heat, cable TV, telecommunications
- **Energy supplies:** electricity, natural gas, heat
- **Environmental services business:** drinking water supplies

**Bulgaria**

- **Generation:** electricity, heat
- **Network operations:** electricity, heat
- **Energy supplies:** electricity, heat

**Macedonia**

- **Generation:** electricity
- **Network operations:** electricity
- **Energy supplies:** electricity
- **Environmental services business:** wastewater treatment

**Germany**

- **Generation:** electricity
- **Energy supplies:** electricity
- **Environmental services business:** drinking water supplies and wastewater treatment

**Croatia**

- **Network operations:** natural gas
- **Energy supplies:** natural gas
- **Environmental services business:** wastewater treatment

**Albania**

- **Generation:** electricity

**Other countries**

- **Environmental services business:** international project business – plants for drinking water supplies, wastewater treatment and thermal waste utilisation

# Shareholder structure



# Key data at a glance

**2,444 MW**  
electricity  
generation  
capacity

• 72.5% thermal

• 27.5% renewable

**156,994 km**  
networks

**142,106 km**  
electricity

**14,012 km** natural gas

**876 km** heat

**2.0m** in Austria

**1.8m** in Bulgaria

**0.8m** in Macedonia

**3.4m** electricity customers

**0.3m** natural gas customers

**0.1m** heat customers

**4.6m**  
customers

**0.6m** drinking water  
customers

**0.2m** cable TV and  
telecommunications customers

**EUR 2.1bn  
Group revenue**

53.7% in Austria

46.3% international

**73% EBITDA  
from regulated  
and stable  
activities**

56% in Austria  
17% in South Eastern Europe

**6,831  
employees**

35.1% in Austria  
64.9% international

# EVN on the capital market

We work to strengthen the long-term confidence in our 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 A-range.

## Investor relations

Our 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. Our communication media are tailored to meet the different needs of the various stakeholder groups and also give 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 our share.

We emphasise the following core points in our equity story to analysts and investors:

- High share 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 our share.

○ Also see [www.investor.evn.at](http://www.investor.evn.at)

<b>EVN share</b>		<b>2017/18</b>	<b>2016/17</b>	<b>2015/16</b>
Share price at 30 September	EUR	<b>16.88</b>	13.22	10.56
Highest price	EUR	<b>18.00</b>	13.40	10.60
Lowest price	EUR	<b>13.07</b>	10.47	9.65
Price performance	%	<b>27.7</b>	25.2	7.1
Total shareholder return	%	<b>31.3</b>	29.2	11.4
Performance ATX	%	<b>0.9</b>	37.9	7.9
Performance Dow Jones Euro Stoxx Utilities	%	<b>-3.4</b>	13.5	1.2
Value of shares traded <sup>1)</sup>	EURm	<b>169.7</b>	97.9	65.8
Average daily turnover <sup>1)</sup>	Shares	<b>42,769</b>	33,921	26,031
Market capitalisation at 30 September	EURm	<b>3,036</b>	2,377	1,899
Weighting ATX prime	%	<b>1.09</b>	0.81	0.93
Earnings per share <sup>2)</sup>	EUR	<b>1.43</b>	1.41	0.88
Dividend per share	EUR	<b>0.44 + 0.03<sup>3)</sup></b>	0.44 + 0.03 <sup>3)</sup>	0.42
Price/earnings per share	X	<b>11.8</b>	9.4	12.0
Dividend yield	%	<b>2.8</b>	3.6	4.0

1) Vienna Stock Exchange, single counting

2) Shares outstanding at 30 September

3) Bonus dividend of EUR 0.03 per share; 2017/18 financial year: proposal to the Annual General Meeting

## The EVN share

### Market environment and performance

The European stock markets were characterised by differing developments during EVN's 2017/18 financial year, which covered the period from October 2017 to September 2018. Moderate increases were recorded by the French and British benchmark indexes and Vienna's ATX, while the German benchmark index DAX fell by 4.5%. In contrast, the US benchmark index Dow Jones closed this 12-month period with a plus of 18.1%. The DJ Euro Stoxx Utilities, the relevant industry index for EVN, lost 3.4%, but the price of the EVN share rose by a sound 27.7%. The average daily turnover in EVN shares equalled 42,769 in 2017/18 (single counting). That represents an annual trading volume of EUR 169.7m (single counting) for EVN's shares on the Vienna Stock Exchange and 0.51% of the total trading volume in Vienna's Prime Market.

### 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. The Executive Board will make a recommendation to the 90<sup>th</sup> Annual General Meeting on 17 January 2019, which calls for the distribution of an ordinary dividend of EUR 0.44 as well as a one-time bonus dividend of EUR 0.03 per eligible share for the 2017/18 financial year. The dividend policy followed by EVN involves holding the absolute amount of the ordinary dividend at a constant level. This strategy also includes a targeted pay-out ratio averaging approximately 40% of Group net result over the long term.

### Share buyback programme

The share buyback programme, which was authorised by the 87<sup>th</sup> Annual General Meeting on 21 January 2016 for a period of 30 months, expired on 21 July 2018. The Executive Board did not utilise this authorisation during the 2017/18 financial year.

□ Also see page 105

## External ratings for the debt capital market

The diversification of our financing instruments and partners is a key component of our financing strategy. Good business relations with regional, international and multilateral banks are therefore particularly important for us, as is flexible access to national and international investors over the 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. Our goal is to maintain ratings in the A-range.

Both agencies updated their ratings for EVN in April 2018:

- Moody's: A2 confirmed, outlook raised from stable to positive
- Standard & Poor's: A- with stable outlook confirmed

## Sustainability ratings and indexes

We have positioned the EVN share as a sustainable investment in recent years and, in doing so, also gained access to the growing segment of sustainability-oriented investors. In addition to traditional financial criteria, socially responsible investments (SRI) also take social, ethical and environmental factors into account. The shares of companies which meet these strict requirements are recommended by independent rating agencies and included in sustainability-oriented investment funds.

The EVN share is also evaluated by independent sustainability rating agencies and is represented in sustainability indexes. This helps sustainability-oriented investors to invest directly in companies that meet globally recognised standards for responsibility towards the environment and stakeholders:

- MSCI ESG Research
- ISS Oekom Research
- Vigeo Ratings
- Sustainalytics
- Carbon Disclosure Project (CDP)
- VÖNIX: Our share has been included in the VÖNIX sustainability index of the Vienna Stock Exchange since 2005. This index includes listed companies in Austria which are considered leaders for their social and ecological performance. The continued inclusion in this index for 2018/19 has already been confirmed.
- Sustainability index of the Ethibel forum: The EVN share is also included in the Ethibel Excellence Register compiled by the Ethibel Sustainability Index Group (ESI).

△ GRI indicator: GRI 102-12

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# A clearly focused strategy

In line with our vision, our mission and our corporate values, we follow a strategy that is focused on the interests of our stakeholders and is therefore based on the EVN materiality matrix.

## Corporate values and standards of behaviour

### Our vision

As an energy and environmental services provider, we meet the basic daily needs of our customers and make a sustainable contribution to their quality of life by delivering reliable, high-quality services.

### Our mission

We create value by safeguarding our Group's long-term success with individual responsibility and high profitability. This allows us to offer competitive prices to our customers, a sustainable increase in value to our shareholders and attractive working conditions to our employees.

From our home base in the province of Lower Austria, we concentrate, above all, on the growing Central and Eastern European region. Our objective here is to establish a strong position.

End customers are our main focus in both the energy and drinking water businesses. In order to meet their expectations as best as possible, we have set strict quality standards for all our activities – in the area of products as well as services.

Sustainable performance in the provision of electricity, natural gas, heat and drinking water supplies, wastewater disposal and thermal waste utilisation requires excellent know-how, high efficiency, state-of-the-art infrastructure and a continuous drive to innovate.

### Our values

Our strong sense of responsibility for our daily supply and disposal activities is reflected in strict standards for our business activities and the management of our Group. Compliance with ethical values and all applicable legal requirements is a matter of course.

We are committed to the concept of sustainable management and, in this sense, work to create a balance between economic, ecologi-

cal and social factors. Our guiding principle is to achieve a fair balance between the concerns of everyone interested in our company – our stakeholders.

Economic responsibility for the long-term existence of our Group requires our top performance. Maximum expertise and reliability create satisfaction for our customers and partners and, in turn, safeguard our long-term success.

We meet our responsibility for the environment, in particular, through the greatest possible conservation of resources, the minimisation of emissions and the increased use of renewable energy carriers. A decisive role in this process is played by continuous innovation and efficiency improvements.

Our social responsibility is reflected in a number of ways. Concern over the well-being of our employees, fair compensation and the design of a positive corporate culture that is shaped by openness, loyalty and mutual respect are just as important as service to humanity and appropriate positioning in a society that is influenced by a wide variety of factors. We promote and support activities and initiatives – from employees as well as third parties – in the areas of art, culture, social issues and sport – on both a tangible and intangible basis. This includes high transparency and an open approach to dialogue, inside and outside our company.

In addition to these basic expressions of our vision, mission and corporate values, numerous other binding documents define the framework for behaviour and actions in the EVN Group. We are a member of the UN Global Compact and, as such, are clearly committed to compliance with the global principles of ethical and economic actions.

- The EVN Code of Conduct: see page 49, 57 and 84
- EVN's environmental policy statement: see page 40
- EVN's integrity clause for suppliers: see page 60f
- △ GRI indicator: GRI 102-16

## Protection of stakeholders' interests

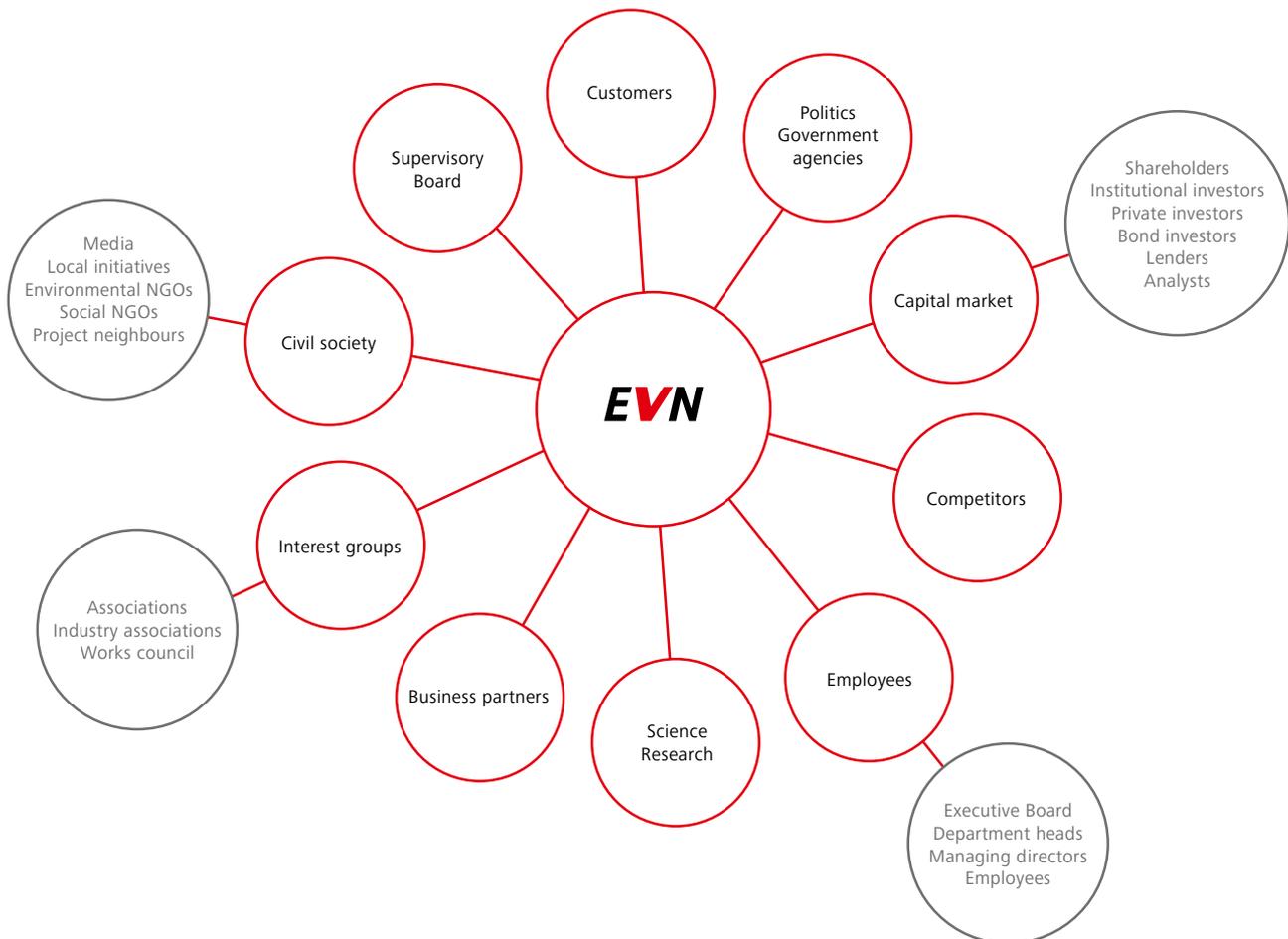
Our strategic focus is closely aligned with the interests of our internal and external stakeholders. Their integration in our business activities and our stakeholder management is based on in-depth dialogue with these various groups, whereby the most important are shown in the following illustration. The relevant stakeholder groups are identified and ranked by priority in connection with the regular updating of the materiality matrix. This process also includes a review of the importance of individual stakeholder groups for the company.

Institutionalised advisory boards as well as an interdepartmental sustainability team support the Executive Board and Supervisory Board in their continuous exchange on sustainability issues:

- EVN Customer Advisory Board
- Advisory Committee for Environmental and Social Responsibility
- Advisory Board of the EVN Social Fund
- EVN Art Advisory Board

The EVN Customer Advisory Board has been established in Austria and Bulgaria to address the concerns of this stakeholder group. The Advisory Committee for Environmental and Social Responsibility has 27 members and includes independent external and internal experts as well as staff representatives. Its activities in 2017/18 focused, in particular, on digitalisation, e-mobility and energy storage for renewable electricity generation. For issues involving social commitment, the Executive Board can also draw on the know-how of the external experts who are members of the Advisory Board of

### EVN's major stakeholders



the EVN Social Fund. The main goal of this social fund is to assist and support children and young people in Lower Austria who are confronted by challenging life situations. Cultural topics are covered by the EVN Art Advisory Board.

EVN has also installed a structured complaint management system for customers as well as other stakeholders.

- For information on the project-related stakeholder dialogue, see page 63
- For information on the EVN Customer Advisory Board, see page 36 and [www.evn.at/Customer-Advisory-Board](http://www.evn.at/Customer-Advisory-Board)
- For information on the Advisory Committee for Environmental and Social Responsibility, also see [www.evn.at/Environmental-councilFor](http://www.evn.at/Environmental-councilFor)
- For information on the EVN Social Fund, also see page 64 and [www.evn.at/social-fund](http://www.evn.at/social-fund)
- For information on the EVN Art Advisory Board, also see page 64 and [www.evn-sammlung.at](http://www.evn-sammlung.at)
- △ GRI indicators: GRI 102-21, GRI 102-40, GRI 102-42

## Sustainability as an integral part of the corporate strategy

As an energy and environmental services provider who is responsible for daily supplies to millions of people, we see sustainability as a guiding principle for our activities. This is reflected, not least, by the fact that sustainability-related issues are handled directly by the entire Executive Board. This corporate body supervises the continuous development of our corporate strategy and company values in close coordination with the Supervisory Board. Its responsibilities also cover all sustainability activities and, consequently, sustainability management.

The CSR steering committee is the highest ranking body in EVN's CSR organisation. It comprises the members of the Executive Board as well as key managers from various areas of the company and therefore reflects European best practice standards. This broad base allows for the targeted management of CSR initiatives and

continuous alignment with the corporate strategy and the goals of the individual operating segments.

Sustainability activities in the EVN Group are coordinated by the innovation, sustainability and environmental protection staff department, which reports directly to the Executive Board. This intragroup team ensures full compliance with our high sustainability standards. Its members are trained to stress the importance of sustainability and the ethical and social aspects of business operations, to communicate their know-how to the sustainability experts in the individual areas of our company and to support these men and women in implementing sustainability-related activities.

### Areas of activity

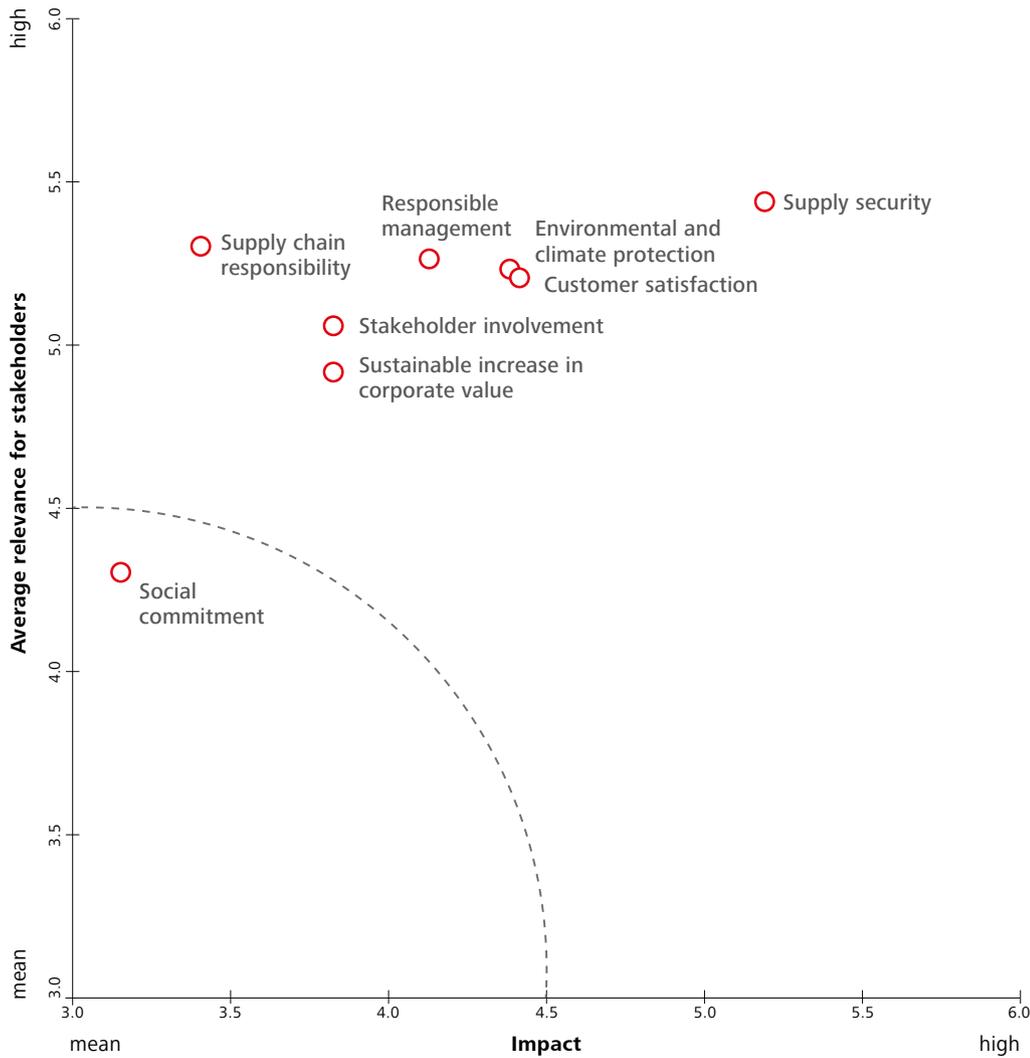
The EVN materiality matrix with its eight areas of activity serves as the basis for harmonising the corporate strategy with stakeholder interests:

- Supply security
- Customer satisfaction
- Sustainable increase in corporate value
- Responsible management
- Environmental and climate protection
- Stakeholder involvement
- Supply chain responsibility
- Social commitment

This systematic presentation of our most important sustainability issues was revised and updated following a stakeholder survey in 2016/17. Our programme also included a workshop with external and internal experts, which helped us to identify the social, ecological and economic impact of our business activities in connection with the individual areas of activity. This structured survey process, which is scheduled to be repeated at three-year intervals, allows us to focus on the issues that have the highest importance for our stakeholders as well as a high economic, ecological or social impact. EVN's corporate strategy thereby always reflects the latest ecological and social developments and is thus strongly geared to the Sustainable Development Goals (SDG) defined by the United Nations. Our reporting is also concentrated on the major issues and areas of activity.

- For information on the SDG and the respective sub-targets, also see <https://sustainabledevelopment.un.org/sdgs>
- △ GRI indicators: GRI 102-19, GRI 102-20, GRI 102-26, GRI 102-29, GRI 102-44, GRI 102-47

**EVN materiality matrix**



**Overview of the core strategies**

EVN’s strategy reflects the interests of our internal and external stakeholders as well as the potential positive or negative effects of our business activities on society, ecology and the economy (“impact assessment”).

We see the protection of reliable, area-wide supplies of our products and services as our most important obligation to our customers. At the same time, we are well aware of our responsibility as a key

market player to also make an active contribution to addressing social concerns and to protect the environment and our climate. This includes a clear focus on the transformation of the energy system towards climate-neutral generation and the equalisation of the related expected volatility with the help of energy storage systems. In addition, the continuous expansion of the network infrastructure in Lower Austria remains a central strategic goal. It gives us the necessary basis to support the energy transformation and, at the same time, to protect supply security and quality over the long term.

## Our core strategies

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### 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

→ This strategy element applies to the area of activity “sustainable increase in corporate value”.

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### 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

→ This strategy element applies to the areas of activity “supply security” as well as “environmental and climate protection”.

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### 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 wind power capacity from the current level of 318 MW to approximately 500 MW (subject to appropriate framework conditions) over the medium term

→ This strategy element applies to the areas of activity “supply security”, “environmental and climate protection” as well as “sustainable increase in corporate value”.

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### 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

→ This strategy element applies to the areas of activity “supply security” as well as “sustainable increase in corporate value”.

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## Strong base in end customer business

<b>Sector environment and trends</b>	<b>Our strategy</b>
Increasing competition in the end customer market	Competent partner to our customers for supply, individual advising and products and services to support energy efficiency
Rising demand for digitalisation and smart technologies	Customer closeness for fast solution of concerns and needs
	Expansion of digital product and service offering

→ This strategy element applies to the areas of activity “customer satisfaction” as well as “responsible management”.

## Optimisation of our activities in South Eastern Europe

<b>Sector environment and trends</b>	<b>Our strategy</b>
Energy supply in South Eastern Europe between challenging framework conditions and future potential	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

→ This strategy element applies to the areas of activity “supply security”, “sustainable increase in corporate value” as well as “responsible management”.

## Increased focus on drinking water supplies in Lower Austria

<b>Sector environment and trends</b>	<b>Our strategy</b>
Increase in water consumption due to demographic changes (urbanisation) and growing number of weather-related peak periods	Increase in pumping station capacity to improve performance and expansion of cross-regional pipeline networks
Rising quality demands on water supplies (e. g. hardness of the water)	Construction of natural filter plants to reduce the hardness of the water by natural means
	Development of new drinking water sources

→ This strategy element applies to the areas of activity “supply security” as well as “sustainable increase in corporate value”.

## Diversification through selected projects in the international environmental services business

<b>Sector environment and trends</b>	<b>Our strategy</b>
Specific regional characteristics and general conditions require individual solutions for municipal water supplies and wastewater disposal	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

→ This strategy element applies to the areas of activity “sustainable increase in corporate value” as well as “responsible management”.

## Impact of business activities on society, the environment and the economy

The following table, which is structured according to the areas of activity on the EVN materiality matrix, provides an overview of the major potential effects of our business activities and also includes examples of instruments and measures that are designed to minimise possible negative effects. The instruments and measures are derived, above all, from the EVN Code of Conduct and the behavioural standards summarised under the term compliance. More detailed information can be found in the individual sections of the non-financial report.

### Sustainability risks

The high priority given to sustainability in our company is reflected in the identification and management of sustainability and compliance risks by specialised organisational units and processes as part of our central risk management. Sustainability risks are considered an interdisciplinary issue for all risk categories, in particular risks related to supply security, sustainable management and environmental risks.

Supply security risks involve, among others, supply interruptions or danger to people or infrastructure from explosions or accidents. In order to ensure trouble-free operations and protect the technical safety of our power plants – both of which are important requirements for reliable supplies – we carry out regular inspections and maintenance work which result in planned downtime. Actual interruptions in electricity supplies are calculated and monitored according to the System Average Interruption Frequency Index (SAIFI) – which measures the mean supply interruption – and the System Average Interruption Duration Index (SAIDI) – which measures the average annualised duration of unplanned power interruptions.

Occupational safety and accident prevention are also important issues in all our business units. We guarantee the required high level of safety, above all, through training and by raising employees' awareness. In addition to legal requirements, we have developed an extensive set of internal rules which includes directives and guidelines. All work accidents in the EVN Group are recorded and analysed centrally by the occupational safety department. As shown in the following table under the "responsible management" area of activity, employee-related risks also include the loss of highly qualified staff or the intended or unintended misrepresentation of transactions or positions in the annual financial statements. These risks are addressed, among others, with the creation of an attractive work environment and flexible working time models as well as our internal control system (ICS).

The innovation, sustainability and environmental protection staff department is responsible for the identification and analysis of the ecological impact of our business activities with regard to the use of resources, energy and water consumption, emissions, biodiversity and transport as well as wastewater and waste disposal (environmental risks). Based on its analyses, this staff department also supports the operating units in preventing or minimising their effects on the environment.

- Additional details on the Group-wide risk management process are provided on page 100
- For additional information on SAIFI and SAIDI, see page 35
- For additional information on the subjects of occupational safety, accident prevention and compliance, see page 52ff and 57ff
- Details on the ecological impact of EVN's activities can be found on page 40ff
- △ GRI indicators: GRI 102-15, GRI 203-2

**Overview of the major potential effects of our business activities (selected items)**

EVN area of activity and definition	Impact assessment (excerpt) “-“ = negative; “+“ = positive	Management instruments and measures (excerpt)	Sustainable Development Goals (SDG)
<p><b>Supply security</b> ... 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.</p>	<ul style="list-style-type: none"> <li>- Influence on habitats (people, animals and nature)/negative impact on biodiversity through network expansion, hydropower plants and the construction of wind power plants</li> <li>- Consumption of natural resources</li> <li>- Emissions</li> <li>- Impact of network breakdowns on society and the economy</li> <li>+ Increase in the share of renewable energy</li> <li>+ Reliable energy supplies for society and the economy</li> <li>+ Provision of infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>→ Certified environmental management systems</li> <li>→ Goal: expand wind power to 500 MW over the medium term</li> <li>→ Top priority for supply security and quality</li> <li>→ EVN-internal crisis and emergency plans (e. g. flooding, hydropower plants)</li> <li>→ Extensive monitoring activities (e. g. water quality)</li> <li>→ Low network losses and electricity supply interruptions</li> </ul>	<ul style="list-style-type: none"> <li>→ SDG 6 Clean water and sanitation</li> <li>→ SDG 7 Affordable and clean energy</li> <li>→ SDG 9 Industry, innovation and infrastructure</li> <li>→ SDG 12 Responsible consumption and production</li> </ul>
<p><b>Customer satisfaction</b> ... 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.</p>	<ul style="list-style-type: none"> <li>- Data protection incidents</li> <li>+ Improved, more efficient use of energy</li> <li>+ Cooperation projects protect jobs in the region</li> <li>+ High standards for supply security</li> <li>+ High availability of EVN power plants</li> </ul>	<ul style="list-style-type: none"> <li>→ Top priority for supply security and quality</li> <li>→ Top priority for data protection</li> <li>→ Extensive monitoring activities (e. g. water quality)</li> <li>→ Monitoring of mean electricity supply interruption</li> <li>→ Support for customers in improving consumption efficiency</li> </ul>	<ul style="list-style-type: none"> <li>→ SDG 7 Affordable and clean energy</li> <li>→ SDG 10 Reduced inequalities</li> <li>→ SDG 12 Responsible consumption and production</li> <li>→ SDG 13 Climate action</li> </ul>
<p><b>Environmental and climate protection</b> ... 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.</p>	<ul style="list-style-type: none"> <li>- Influence on habitats (people, animals and nature)/negative impact on biodiversity through network expansion, hydropower plants and the construction of wind power plants</li> <li>- Consumption of natural resources</li> <li>- Emissions</li> <li>+ High standards for supply quality</li> <li>+ Efficient and environmentally friendly energy supplies for society and the economy</li> <li>+ Macroeconomic contribution through innovation initiatives</li> <li>+ Contribution to meeting international and national climate targets</li> <li>+ Reduction of greenhouse gas-relevant emissions</li> </ul>	<ul style="list-style-type: none"> <li>→ Advisory Committee for Environmental and Social Responsibility</li> <li>→ Certified environmental management systems</li> <li>→ Goal: expand wind power to 500 MW over the medium term</li> <li>→ Exit from coal at Dürnrohr plant by 2025</li> <li>→ EVN-internal crisis and emergency plans (e. g. flooding, hydropower plants)</li> <li>→ Wide-ranging measures for species conservation, protection of biodiversity and the protection and restoration of natural habitats</li> <li>→ Innovation, research and development activities</li> <li>→ High demands on sustainability along the supply chain</li> <li>→ Ongoing modernisation of natural gas pipeline network</li> <li>→ Focus on efficiency improvements</li> </ul>	<ul style="list-style-type: none"> <li>→ SDG 7 Affordable and clean energy</li> <li>→ SDG 9 Industry, innovation and infrastructure</li> <li>→ SDG 12 Responsible consumption and production</li> <li>→ SDG 13 Climate action</li> <li>→ SDG 15 Life on land</li> </ul>
<p><b>Sustainable increase in corporate value</b> ... 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.</p>	<ul style="list-style-type: none"> <li>- Risk of a loss in value for equity and debt investors</li> <li>+ Stable development of dividends</li> <li>+ Improvement of the infrastructure in countries/regions where projects are in progress or were carried out</li> <li>+ Job security</li> </ul>	<ul style="list-style-type: none"> <li>→ Protection of projects through guarantees</li> <li>→ Goal: balance between investment projects and an attractive return for shareholders</li> <li>→ EVN Code of Conduct</li> <li>→ EVN Integrity Clause as an integral part of every supplier relationship</li> <li>→ Corporate compliance management</li> <li>→ Innovation, research and development activities</li> </ul>	<ul style="list-style-type: none"> <li>→ SDG 7 Affordable and clean energy</li> <li>→ SDG 8 Decent work and economic growth</li> <li>→ SDG 9 Industry, innovation and infrastructure</li> </ul>

## Overview of the major potential effects of our business activities (selected items)

EVN area of activity and definition	Impact assessment (excerpt) “-” = negative; “+” = positive	Management instruments and measures (excerpt)	Sustainable Development Goals (SDG)
<p><b>Social commitment</b> ... 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 on the evn art collection, EVN archive and EVN Social Fund.</p>	<ul style="list-style-type: none"> <li>+ Support for children and young people in challenging life situations</li> <li>+ Improvement in customers' consumption behaviour</li> <li>+ Instruction for elementary school-children on the scientific and practical basics of electricity</li> </ul>	<ul style="list-style-type: none"> <li>→ Combatting energy poverty</li> <li>→ Support for customers in improving consumption efficiency</li> <li>→ Responsibility for art and culture through the evn art collection</li> <li>→ EVN Social Fund</li> <li>→ EVN School Service</li> </ul>	<ul style="list-style-type: none"> <li>→ SDG 1 No poverty</li> <li>→ SDG 4 Quality education</li> <li>→ SDG 10 Reduced inequalities</li> <li>→ SDG 12 Responsible consumption and production</li> </ul>
<p><b>Stakeholder involvement</b> ... 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.</p>	<ul style="list-style-type: none"> <li>- Asymmetric inclusion of various stakeholder groups</li> <li>+ Protection of interests of major stakeholder groups</li> </ul>	<ul style="list-style-type: none"> <li>→ EVN Customer Advisory Board</li> <li>→ Regular stakeholder survey</li> <li>→ Proactive stakeholder involvement</li> <li>→ Project-related stakeholder communications</li> <li>→ EVN materiality matrix as an instrument to reconcile corporate and stakeholder interests</li> </ul>	<ul style="list-style-type: none"> <li>→ SDG 17 Partnerships for the goals</li> </ul>
<p><b>Responsible management</b> ... 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.</p>	<ul style="list-style-type: none"> <li>- Risk of a loss in value for equity and debt investors</li> <li>- Work accidents</li> <li>- Fraud incidents, corruption</li> <li>+ Job creation</li> <li>+ Job security</li> <li>+ Attractive working environment</li> <li>+ Stable development of dividends</li> <li>+ Macroeconomic contribution through training and continuing education</li> <li>+ Macroeconomic contribution through infrastructure projects and investments</li> </ul>	<ul style="list-style-type: none"> <li>→ EVN Code of Conduct</li> <li>→ Compliance training</li> <li>→ EVN values</li> <li>→ Anonymous whistle-blowing procedure</li> <li>→ Corporate social partnership</li> <li>→ Sustainable human resources development</li> <li>→ Principles and guidelines of the International Labour Organisation (ILO) and UN Global Compact</li> <li>→ High standards for health protection and occupational safety</li> <li>→ Flexible working time models</li> <li>→ Internal control system (ICS)</li> <li>→ Re-entry of employees on parental leave; retention periods that exceed legal requirements</li> <li>→ Innovation, research and development activities</li> <li>→ Integrated business model</li> <li>→ Focus on regulated and stable activities</li> <li>→ Goal: ratings in the A-range</li> <li>→ Goal: balance between investment projects and an attractive return for shareholders</li> </ul>	<ul style="list-style-type: none"> <li>→ SDG 1 No poverty</li> <li>→ SDG 3 Good health and well-being</li> <li>→ SDG 4 Quality education</li> <li>→ SDG 5 Gender equality</li> <li>→ SDG 8 Decent work and economic growth</li> <li>→ SDG 10 Reduced inequalities</li> </ul>
<p><b>Supply chain responsibility</b> ... stands for anchoring social and ecological aspects in procurement and tenders as well as ensuring compliance with human rights by our suppliers.</p>	<ul style="list-style-type: none"> <li>- Human rights violations by suppliers and/or subcontractors</li> <li>+ Regional creation of value through cooperation</li> <li>+ Fair and transparent tenders</li> </ul>	<ul style="list-style-type: none"> <li>→ High sustainability demands along the supply chain</li> <li>→ Sustainable focus of all EVN procurement procedures</li> <li>→ EVN Integrity Clause as an integral part of every supplier relationship</li> <li>→ Self-reporting form for all bidders in tenders</li> <li>→ Regular review of supply chain for primary energy procurement (e. g. hard coal)</li> <li>→ Regular control of compliance with human rights and workers' rights as part of coal procurement (e. g. on-site inspections)</li> </ul>	<ul style="list-style-type: none"> <li>→ SDG 8 Decent work and economic growth</li> </ul>

# Reliable supplies around the clock

Our central promise to our customers is to always provide sufficient, top-quality energy and drinking water whenever it is needed. In order to keep this promise, we have implemented a broad range of measures.

The non-stop operation of our network infrastructure forms the basis for supplies to customers and – at a higher level – for the smooth functioning of society and the economy. This focus is reflected in the importance our company gives to the term “supply security” – whereby we mean reliable, high-quality and uninterrupted supplies of electricity, natural gas, heat and water for our customers. Our business activities illustrate this promise to customers in many ways:

- Our investments in all supply areas are focused directly on the development and expansion of an efficient and effective network infrastructure. This includes a particularly proactive approach to the integration of the growing number of decentralised generation facilities which create substantial challenges for our electricity network operations. In this area, we expect a massive need for investments also over the coming years and have already started the necessary preparations.
- We give top priority to the reliable operation of our distribution networks but, all the same, cannot completely exclude supply interruptions. In order to restore supplies as quickly as possible in the event of grid disturbances, our emergency staff is on call around the clock, seven days a week. These experienced specialists identify the cause of the disruption as quickly as possible, isolate the dangerous areas and repair the defective equipment components. They also react immediately to weather-related damage.
- Sensitive electronic equipment and the progressive digitalisation of network operations are leading to a steady increase in the demands on technical grid properties. Our investments in this area also include improvements that help us to maintain the high quality of our supplies.
- The continuous expansion of our renewable generation capacity, in particular wind power, improves our coverage ratio and makes our energy procurement more independent.
- The availability of our own storage power plants supports the emission-free optimisation of our generation capacity based on the demand for electricity and also helps us to quickly restore network operations in the event of a power outage.
- Our thermal power plants have come to 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. They will continue to be used as a bridge technology to protect supply security until the entire system is finally converted to marketable, efficient large storage facilities for the surplus production of renewable electricity. Since the 2010/11 financial year, our thermal power plants had been under contract to provide reserve capacity to southern Germany. The separation of the German-Austrian electricity price zone as of 1 October 2018 ended this practice, and our natural gas plant in Theiss now provides 430 MW of reserve capacity for the Austrian transmission network based on a contract that initially covers three years.
- We safeguard our power plant operations through proactive procurement and the storage of sufficient energy and primary energy carriers. That ensures the unlimited availability of thermal electricity production, also during longer cold weather periods.

- In order to guarantee reliable supplies of natural gas for our customers, we stockpile large volumes of natural gas in storage facilities that are leased on a long-term basis. That ensures uninterrupted supplies, especially in periods with temperature-related higher consumption, and also covers possible shortages at the European level (e. g. due to political crises). Our investment in RAG – which is active in natural gas production as well as storage – has high strategic importance in this context.
- Our subsidiary EVN Wärme, Austria’s largest natural heat supplier, invests continuously in the maintenance and new construction of 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<sub>2</sub>-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 our Group.
- We made an early and decisive contribution to the spread of e-mobility in our home market with the installation of an area-wide basic supply network of e-charging stations in Lower Austria. From our perspective as an energy supplier, we are accompanying the steady expansion of the charging infrastructure in the public and, increasingly also, in the private sector with numerous initiatives to support the dynamic growth of e-mobility. 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.
- By steadily improving the performance of our pumping stations and pipeline network, in particular through the expansion of cross-regional connecting lines, we also safeguard reliable supplies of high-quality drinking water.

□ For information on the procurement of energy and primary energy carriers, also see page 59ff

EVN power generation capacities	30.09.2018		30.09.2017		30.09.2016	
	MW	%	MW	%	MW	%
<b>Renewable energy</b>	<b>673</b>	<b>27.5</b>	<b>624</b>	<b>26.1</b>	<b>618</b>	<b>25.9</b>
thereof hydropower <sup>1)</sup>	306	12.5	306	12.8	306	12.8
thereof wind power	318	13.0	269	11.2	268	11.2
thereof photovoltaics	5	0.2	5	0.2	5	0.2
thereof biomass	18	0.7	18	0.8	13	0.5
thereof other renewables <sup>2)</sup>	26	1.1	26	1.1	26	1.1
<b>Thermal energy<sup>3)</sup></b>	<b>1,771</b>	<b>72.5</b>	<b>1,771</b>	<b>73.9</b>	<b>1,771</b>	<b>74.1</b>
thereof natural gas	1,037	42.4	1,037	43.3	1,037	43.4
thereof hard coal	734	30.0	734	30.6	734	30.7
<b>Total</b>	<b>2,444</b>	<b>100.0</b>	<b>2,395</b>	<b>100.0</b>	<b>2,389</b>	<b>100.0</b>

1) Includes purchasing rights from the Danube hydropower plants in Melk, Greifenstein and Freudenu 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.

<b>Energy generation</b>		<b>2017/18</b>	<b>2016/17</b>	<b>2015/16</b>
Coverage ratio	%	30.0	32.7	32.1
Share of renewable energy in the total energy generation mix	%	40.0	34.5	34.5

## Efficiency of our networks and power plants

### Network losses

A direct comparison of network losses is not possible due to the differences between the customer and network structures in our various supply areas. Network losses in Austria are stable at a comparably low level of roughly 4%, not least due to our constant high investments in the network infrastructure. The comparable values for Bulgaria and Macedonia are higher, and our investment programmes are therefore concentrated on the further reduction of network losses and the resulting continuous improvement of efficiency. We have reduced our network losses in Bulgaria from 20% at the time of our market entry in 2004/05 to a recent level of 7.7% and from 25% in 2005/06 to now 14.1% in Macedonia.

### Electricity disruptions<sup>1)</sup>

The reliability of our electricity supplies is confirmed by externally calculated indicators. The mean supply interruption – calculated according to the System Average Interruption Frequency Index (SAIFI) – equalled 1.16 for the 2017 calendar year (previous year: 0.94). This SAIFI value means an EVN customer experienced roughly one unplanned power interruption during 2017. The average annualised duration of unplanned power interruptions, as

calculated according to the System Average Interruption Duration Index (SAIDI), equalled 38.09 minutes in the 2017 calendar year (previous year: 18.49 minutes) and was again lower than the Austrian average (53.22 minutes; previous year: 27.48 minutes). Information is not provided on the SAIDI and SAIFI at EVN's locations in Bulgaria and Macedonia because a clear database is not available for the necessary calculations.

1) Source: Energie Control-Austria, breakdown and disruption statistics for 2016 and 2017.

△ GRI indicators: GRI EU12, GRI EU28, GRI EU29

### High availability of our power plants

In order to guarantee uninterrupted operations and the technical safety of our power plants – both of which represent the requirements for providing reliable electricity supplies to our customers – we carry out regular inspection and maintenance procedures which involve planned and coordinated downtime. Our two gas-fired power plants maintained nearly full availability in 2017/18, with the exception of scheduled inspections and marginal unplanned downtime of 2.4% at Theiss and 0.2% at Korneuburg. The unscheduled downtime at the Dürnrrohr coal-fired power plant equalled 0.4%, but was higher at the Walsum 10 coal-fired power plant (27.4%) due to a special inspection.

△ GRI indicator: GRI EU30

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# Focus on our customers

As a service provider, our customers are the focal point of all our business activities. High customer satisfaction is one of our central goals and also has a significant influence on our strategies and actions. One very special aspect is the personal contact to our customers.

Nearly 4.6m customers placed their trust in the safe energy supplies and environmental products and services provided by EVN from a single hand in 2017/18. Two-thirds of our energy customers in Lower Austria are households, while the other third consists of commercial enterprises, industrial companies and public institutions. Our product portfolio ranges from energy and drinking water supplies to individual advising and extensive services. A professional approach is the fundamental requirement for each and every one of these activities. In the international environmental project business, we work primarily with public sector clients like cities and municipalities.

## Close to the customer with a regional presence and personal advising

Our customers and their satisfaction are the focal point of all our activities. This belief is reflected in the high value given to the “customer satisfaction” area of activity in the EVN materiality matrix. Consequently, our services and advising are based on the highest professionalism and maximum customer closeness.

One of the central aspects of this orientation is permanent and easy accessibility for our customers. It is reflected in our day-to-day business, on the one hand, through our extensive network of customer centres across the entire supply area and, on the other hand, through easy ways to contact us via e-mail, the EVN service telephone or the online services on our website. In order to ensure the best possible supply security, our customer centres can also be reached at any time of the day or night to report supply interruptions.

In addition, eight centrally located EVN Service Centres in St. Pölten, Tulln, Stockerau, Horn, Deutsch-Wagram, Baden, Wiener Neustadt and, since autumn 2018, also in Bruck an der Leitha provide personal advising and individual services for energy-related issues – including, for example:

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

Activities are currently underway to further expand our service centre network and thereby strengthen our regional presence. The redesign and modernisation of our very first location in Wiener Neustadt has been followed by planning for additional centres – five of which are scheduled to open in the coming months. We also opened the first EVN Info Centre in Macedonia during 2017/18, which is located in the capital city of Skopje.

□ For information on energy efficiency services, also see page 42

### Customer Advisory Board

The EVN Customer Advisory Board is another important element for the active design and intensification of our customer relations. Regular and direct exchange with the 24 members from representative customer segments helps us to address current trends as well as the needs and requirements of our customers and to integrate this information into our services, products and communication measures. The topics dealt with in 2017/18 included our website, our concepts and strategies for the EVN Service Centres and the issue of e-mobility. The term of office for the Advisory Board, which is constituted for a period of two years, expires at the end of 2018, and the Advisory Board will start its fifth cycle with new members in 2019.

The EVN Customer Advisory Board in Bulgaria was elected for the third time in 2017. The exchange of ideas with these customer representatives also provides us with valuable suggestions and impulses, most of which are subsequently implemented. Based on the positive experience in Austria and Bulgaria, the introduction of a similar board is also planned in Macedonia.

○ Also see [www.evn.at/Customer-Advisory-Board](http://www.evn.at/Customer-Advisory-Board)

### Customer satisfaction

We define 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. Within these key areas, we want to create and maintain a fair and professional partnership with our customers in all of the markets we operate in. Customer service is an area where we want to distinguish ourselves from the competition with special efforts and, in this way, increase our success. The prompt processing of inquiries or active complaint management, including the development of specific suggestions for improvement after the analysis of every complaint, are examples of our commitment.

In order to continuously optimise our performance at the customer interfaces, we organise an institutionalised exchange of experience every two years with the employees working in customer-related business areas in Austria, Bulgaria and Macedonia. These meetings provide an opportunity to discuss specific content and requirements for daily service activities and to develop appropriate measures for the entire Group. The high importance given to the professionalism of our customer relations staff is underscored by regular courses and training programmes. This ongoing training process includes voice coaching as well as extensive training curricula for new employees or team-building seminars.

These initiatives have also been successful: in 2018 our customer service won the popular CAT Award, which is presented annually to call centre managers from Germany, Austria and Switzerland for projects with special innovation, inspiration and future orientation. We convinced the expert jury with our project "CR-Metamorphosis 2017, The Future is Now", which covered the successful reorganisation of our customer service department together with the involved employees. The implementation of various quality measures led to an improvement in the satisfaction of employees as well as customers, as was demonstrated by external feedback loops.

We analyse and evaluate customer satisfaction 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 help us to analyse relevant business transactions. These results provide valuable information on opportunities for improvement, which are

initially discussed with the involved departments and then used to define approaches for future measures.

#### Austria

Similar to previous years, we surveyed more than 5,700 household customers in Lower Austria during 2017 to determine their satisfaction with EVN. The overall satisfaction of 1.74 (on a five-step scale ranging from 1 = very satisfied to 5 = not satisfied at all) reflected a similarly high level comparable to recent years. EVN continues to rank clearly above other service companies like banks and internet corporations and on a par with insurance firms and mobile communications providers.

Satisfaction with supply security – a central driver for customer satisfaction – remains at a very high level. The same is true for the fast remedy of disruptions. The positive perception of the price-performance ratio has increased continuously, not least due to the reductions in electricity and natural gas prices in recent years. EVN's energy services are also highly valued and include, for example, energy advising, natural gas safety checks, heating equipment exchange and photovoltaic-related services.

Apart from this annual survey, we measure customer loyalty based on a monthly index which includes various indicators. This strategic monitoring instrument identifies changes in customer behaviour and the causes at an early point in time and allows for the introduction of suitable measures. The results here are also positive: we successfully matched the previous year's improvement in the customer loyalty index during the reporting period. An important contribution to this achievement was made, in particular, by our customer service – especially the good telephone contacts and the EVN Journal – and also by our energy services.

Our 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 interim audits are carried out every two years to ensure sustainable and consistent service quality. The last audit of this type took place in November 2018. It was also aimed at receiving the first worldwide certification under ISO 18295-1, which was introduced in 2017.

## Bulgaria and Macedonia

The proactive inclusion of and information for our customers in Bulgaria und Macedonia has always been an important issue. We regularly emphasise the importance of using energy responsibly, for example in our campaigns, and are also available to assist our customers in an advisory role. In this way, we present EVN not only as an energy supplier and service provider, but also want to be perceived as a fair and partnership-oriented company.

### Initiatives to combat energy poverty

In awareness of our corporate responsibility, we have also worked for many years to combat energy poverty. We cooperate with regional interest groups and social aid organisations to support projects which, among others, provide specially designed support for low-income households. The focus is on energy-saving measures that often lead to significant cost savings. The "households at risk of poverty" project involves courses held by our 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. We also support the social counsellors with consulting tools (e. g. guidelines and checklists) and technical aids (e. g. energy measurement instruments). Our efforts in this area are rounded out with additional training and joint on-site consultations.

△ GRI indicator: GRI 203-2

## Product responsibility

Our principles for product responsibility are anchored in the central mission statements of the EVN Group, such as the corporate policy statement and the environmental policy statement. This underscores their key importance in our value hierarchy. In the energy business, we offer a broad range of products in every customer segment. 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. The principle of supply security also plays an important role in the composition of our product portfolio. We rely on the broad diversification of primary energy carriers and, in

the area of renewable energy, draw on hydropower, which is traditionally strong on the Austrian market, as well as wind power, solar power, biomass and biogas.

○ Also see [www.responsibility.evn.at](http://www.responsibility.evn.at)

### Product labelling

In accordance with legally required electricity labelling regulations, our 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<sub>2</sub> emissions and radioactive waste). The electricity delivered by EVN KG to end customers in the 2017 calendar year was responsible for 103.69 g/kWh of CO<sub>2</sub> emissions (previous year: 192.67 g/kWh). This decline resulted from the lower use of coal in favour of an increase in natural gas in the supply mix, since the generation of electricity with natural gas reduces CO<sub>2</sub> emissions by roughly 60% compared with coal-based production. Nuclear-generated electricity has never been included in the electricity delivered by EVN's distribution company because here in Austria we have been committed to a zero per cent policy for many years. Independent of mandatory electricity labelling requirements, EVN has never included any grey electricity in its mix. All of the electricity delivered in 2017 originated in Austria; this was verified and confirmed by an independent auditor. The comparative data for the 2018 calendar year will only be available after the editorial deadline for this full report.

In Bulgaria, electricity for the regulated market segments must be purchased from the state-owned energy supplier. This company does not label its products, and no other options are available. Our Bulgarian sales company therefore has no influence over the electricity mix. A similar rule applies in Macedonia: our distribution company is legally required to purchase the electricity for customers in the regulated market segments from the state-owned electricity company ELEM and therefore also has no influence over the composition of the delivered electricity. The sales company is not required to label the electricity.

□ For information on energy procurement, also see page 59f

○ Also see [www.evn.at/Herkunft](http://www.evn.at/Herkunft) (available in German only)

△ GRI indicator: GRI 417-1

### Customer health and safety

We minimise the potential health and safety risks from our products with careful, responsible actions along our entire value chain. EVN's quality management plays an important role in this process by defining high standards for all relevant product-related activities and processes and ensuring reliable compliance with these standards. Included here are the (further) development of our product portfolio, our innovation, research and development activities as well as processes for the certification, manufacture, production, distribution, marketing, sales promotion, use, maintenance, disposal and recycling of our products. In keeping with our comprehensive responsibility approach, our products and services are continuously monitored with respect to customer satisfaction, health and safety based on comprehensive quality assurance procedures.

△ GRI indicators: GRI 102-11, GRI 416-1

## Data protection

The professional protection and non-disclosure of personal data and business information has always been standard procedure for our company and, consequently, is also included as a separate subject in the EVN Code of Conduct. Based on seven principles, all employees are instructed to ensure the careful handling of personal and confidential data in their daily activities. The high

importance of this subject is also reflected in our corporate organisation: data protection is anchored in the corporate compliance management staff department, and the chief compliance officer, who reports directly to the Executive Board, also serves as EVN's data protection officer.

An important focal point of activities in 2017/18 was the implementation of the EU General Data Protection Regulation (GDPR) as of 25 May 2018, whereby the preparations which began two years ago were intensified during the reporting year. Six project groups of experts developed the necessary interdepartmental measures to meet these new requirements. The related measures included, among others, the development and application of a deletion concept which meets data protection regulations, internal data protection guidelines, data protection consent declarations, suitable processes and instruments to handle the rights of involved individuals and contractual agreements with third parties. Considerable time was spent on information and training measures: in addition to the adjustment of existing and the preparation of additional internal data protection guidelines, mandatory e-learning tools were introduced for all employees and special training courses were organised for employees who work with personal data. A greater awareness for this issue throughout the Group was further created by detailed programmes for managers and the managing directors of subsidiaries. Data protection was also the subject of our regular reports in the Intranet, the employee newsletter and information events for employees.

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# Responsibility for the environment and climate

Environmentally and climate-friendly actions are an integral part of all our activities – because this is the only way we can be economically successful over the long term. It is no coincidence that “environmental and climate protection” is one of the priority areas of activity on EVN’s materiality matrix.

EVN’s environmental policy statement defines the overriding goals and values for our responsibility towards the environment and climate. It contains a number of fundamental principles and directives which include the minimisation of environmental impact, resource conservation and climate protection through the use of state-of-the-art environmental engineering and the continuous improvement of environmental performance, e. g. through certification.

○ Also see [www.evn.at/environmental-policy-statement](http://www.evn.at/environmental-policy-statement)

## Environmental management at EVN

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 our thermal power plants in Lower Austria and more than 57 heat generation plants. Our thermal waste utilisation plant in Zwentendorf/Dürnrohr is also certified under ISO 9001 and according to the specifications of the monitoring label “specialised waste management company”. 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.

□ For information on the impact of business activities on society, the environment and the economy, also see page 30ff

△ GRI indicator: GRI 102-31

## Emissions

### Direct and indirect greenhouse gas emissions

We calculate the direct and indirect greenhouse gas emissions reported in this chapter according to the rules and factors defined by the EU Emission Trading Guideline for the individual countries. This procedure involves the calculation of CO<sub>2</sub> emissions based on the standard calorific value and standard emission factors as well as factors from the fuel analysis. Other biogenic CO<sub>2</sub> emissions are not taken into account because the possibilities for data collection are inadequate. In allocating emissions to the individual categories (scopes), we follow the recommendations issued by the Greenhouse Gas Protocol (GHG Protocol) of the World Resource Institute (WRI). The values shown below always refer to the respective financial year.

The absolute volume of direct greenhouse gas emissions (Scope 1) fell by 9.6% year-on-year to 2,533,359 t CO<sub>2</sub> (previous year: 2,802,582 t CO<sub>2</sub>). It is attributable to a 16% decline in the production volume at EVN’s thermal power plants.

<b>Direct GHG emissions (Scope 1)<sup>1) 2)</sup></b>		<b>2017/18</b>	<b>2016/17</b>
Austria and Germany	t CO <sub>2</sub> e	2,390,458	2,628,249
Bulgaria	t CO <sub>2</sub> e	140,573	172,042
Macedonia	t CO <sub>2</sub> e	2,327	2,291
<b>Total</b>	t CO <sub>2</sub> e	<b>2,533,359</b>	<b>2,802,582</b>
	t CO <sub>2</sub> e/GWh	<b>310.91</b>	<b>317.13</b>

- 1) EVN's direct emissions (Scope 1) include the CO<sub>2</sub> 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) Calculation method: CO<sub>2</sub> emissions from electricity and heat production + own consumption for production; the intensity is based on the entire electricity and heat production in GWh (=denominator).

<b>Indirect GHG emissions (Scope 2, location-based)<sup>1) 2)</sup></b>		<b>2017/18</b>	<b>2016/17</b>
Austria and Germany	t CO <sub>2</sub> e	189,060	209,021
Bulgaria	t CO <sub>2</sub> e	56,637	54,781
Macedonia	t CO <sub>2</sub> e	8,821	9,527
<b>Total</b>	t CO <sub>2</sub> e	<b>254,518</b>	<b>273,329</b>
	t CO <sub>2</sub> e/GWh	<b>445.87</b>	<b>441.94</b>

- 1) Indirect emissions (Scope 2) are emissions attributed to the production of the volumes of electricity, heat and cooling used by EVN.  
 2) Calculation method: Conversion of electricity and cooling volumes into MWh based on the electricity mix of ENTSO-E, respectively a country-specific electricity mix; conversion of heat volumes based on the CO<sub>2</sub> factor (the CO<sub>2</sub> factor is derived from heat production and the entire CO<sub>2</sub> volume).

<b>Indirect GHG emissions (Scope 2, market-based)<sup>1) 2)</sup></b>		<b>2017/18</b>	<b>2016/17</b>
Austria and Germany	t CO <sub>2</sub> e	172,067	199,681
Bulgaria	t CO <sub>2</sub> e	56,667	54,881
Macedonia	t CO <sub>2</sub> e	8,821	9,527
<b>Total</b>	t CO <sub>2</sub> e	<b>237,555</b>	<b>264,090</b>
	t CO <sub>2</sub> e/GWh	<b>413.91</b>	<b>440.66</b>

- 1) Indirect emissions (Scope 2) are emissions attributed to the production of the volumes of electricity, heat and cooling used by EVN.  
 2) Calculation method: Conversion of electricity and cooling volumes into MWh based on the electricity mix of ENTSO-E, respectively a country-specific electricity mix; conversion of heat volumes based on the CO<sub>2</sub> factor (the CO<sub>2</sub> factor is derived from heat production and the entire CO<sub>2</sub> volume).

<b>Other indirect GHG emissions (Scope 3)<sup>1) 2)</sup></b>		<b>2017/18</b>	<b>2016/17</b>
<b>Total</b>	t CO <sub>2</sub> e	<b>8,207,686</b>	<b>8,722,077</b>
	t CO <sub>2</sub> e/GWh	<b>445.73</b>	<b>470.34</b>

- 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) Calculation method: Network sales volumes (adjusted for own generation; converted into CO<sub>2</sub> based on EVN's electricity mix) + natural gas sales (based on standard factors from the Austrian greenhouse gas inventory) + travel activity (CO<sub>2</sub> reported by travel agencies)

<b>Intensity of GHG emissions<sup>1) 2)</sup></b>		<b>2017/18</b>	<b>2016/17</b>
<b>Total CO<sub>2</sub> emissions</b>	t CO <sub>2</sub> e/GWh	<b>466.07</b>	<b>485.75</b>

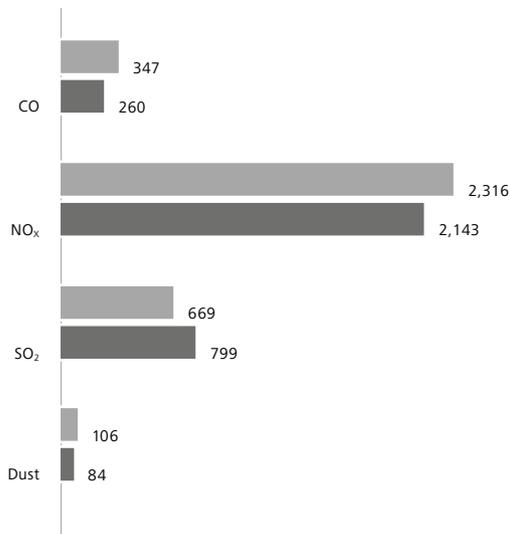
- 1) Total specific emissions from Scope 1–3 in relation to the sales volumes of electricity and natural gas (18,413 GWh of electricity and 5,178 GWh of natural gas for 2017/18)  
 2) Upstream CO<sub>2</sub> effects from the primary energy carriers, calculated on the basis of the UNFCCC factors.

△ GRI indicators: GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4, GRI 305-5

### Specific emissions of the EVN thermal and district heating (power) plants<sup>1)</sup>

t

2016/17  
2017/18



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

△ GRI indicator: GRI 305-7

### Measures to reduce greenhouse gas-relevant emissions

Continuous investments in projects to prevent greenhouse gas-relevant emissions allow us to meet our strategic goal to raise the share of environmentally friendly energy generation through the further expansion of renewable generation capacity, above all from wind power. Our target is to increase EVN's installed wind power capacity to approximately 500 MW (contingent on the right framework conditions) over the medium term. In 2017/18 we created the basis to save a further 66,000 t CO<sub>2</sub> per year through the commissioning of two new wind parks in Oberwaltersdorf and Sommerein.

△ GRI indicator: GRI 305-5

## Environmental protection and resource conservation

### Energy efficiency measures and the responsible use of energy

#### Energy efficiency measures

Over the years we have implemented a wide range of measures to continuously improve our own energy efficiency and, at the same time, reduce the emissions from our production and energy procurement activities and the use of energy by our customers. As an energy supplier in Austria, we have also been legally 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 2017 calendar year was 55.36 GWh (previous year: 56.8 GWh), which we met with a wide variety of measures.

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-efficient products (targeted subsidies for the purchase of energy-efficient products and equipment, also through the EVN Bonus World)
- E-mobility
- Construction of innovative electrical heat and warm water systems
- Replacement of boilers
- Conversion to efficient LED street lighting in municipalities
- Substitution of district heating from EVN Wärme for less efficient heating systems
- Installation of photovoltaic equipment and storage batteries to increase decentralised generation while, at the same time, optimising consumption (demand-side management)

We even exceeded the legally defined target for 2017 if we include our own internal energy efficiency measures – for example, the conversion to energy-efficient LED lighting and on-demand equipment or the installation of photovoltaic equipment to cover our own electricity requirements. A number of these measures resulted from the continuous improvement process which represents an integral part of the environmental management system at our generation plants.

**EVN’s direct and indirect own energy consumption by primary energy sources**

		2017/18	2016/17
<b>Non-renewable energy carriers<sup>1)</sup></b>	MWh	5,817	5,834
<b>Renewable energy carriers</b>	MWh	570,840	618,475
Electricity	MWh	418,964	461,511
District heating	MWh	149,107	154,482
District cooling	MWh	2,769	2,481

1) Includes natural gas and heating oil (heating oil is used in Macedonia and Bulgaria only).

△ GRI indicators: GRI 302-1, GRI 302-3, GRI 302-4, GRI 302-5

The energy intensity<sup>1)</sup> of our company totalled 31.8 MWh of primary energy for each GWh of energy sold in 2017/18 (previous year: 34.0 MWh). The use of new technologies and continuous optimisation measures, also in connection with additional voluntary targets linked to our EMAS certifications, help us to realise further efficiency improvements.

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

**Measures to reduce energy consumption**

A project we carried out in Austria during October 2016 involved the conversion of the steam collectors in the machine hall of the Korneuburg power plant to hot water operations and the connection to the district heating system. This resulted in savings of roughly 968 t CO<sub>2</sub> during the first full heating season (i. e. 2017/18).

In Macedonia, we have set high goals for the construction of photovoltaic equipment for private households and industrial use. Our first household plant is currently in the development phase, and the contracts for a number of others will be signed shortly. We want to install 10,000 of these systems, in total, over the next three years, which would save more than 2 t CO<sub>2</sub> per household each year.

Our activities in Macedonia also include support for the purchase and increased use of e-scooters and e-cars as well as corresponding electricity charging stations in Skopje and other urban areas of the country. That would make an increasing number of short inner-city trips CO<sub>2</sub>-neutral.

**Responsible use of resources**

**Materials and supplies**

The materials used in our company consist mainly of primary energy carriers such as fossil fuels, waste and biomass. We also use various supplies as secondary components in our energy generation and wastewater treatment plants. Only a limited amount of recycling material is used with these components for technical reasons.

**Water and wastewater**

At EVN, we use the resource water for normal household purposes (e. g. in sanitary facilities) or as process water (e. g. in heating networks or for lubrication). We draw the required quantities from municipal drinking water supplies or from our own ground wells. The cooling water used in our plant operations comes from surface water.

All of the ordinary household wastewater is cleaned in municipal treatment plants before it reaches any surface water. The quality-monitored wastewater flows from our power plants are discharged primarily into the Danube River after treatment and in accordance with the applicable environmental regulations. This practice does not cause any relevant damage. In 2017/18, the cooling water flow rate at our Lower Austrian thermal power plants totalled 276.0m m<sup>3</sup> (previous year: 285.5m m<sup>3</sup>). This corresponds to 0.46% of the average annual volume of the Danube recorded at the Korneuburg gauge<sup>1)</sup> (measuring point number 207241), which amounted to 59,802m m<sup>3</sup> and remains clearly below the allowed threshold of 5%.

1) Source: “Austrian Hydrographical Annual 2015”, Federal Ministry of Agriculture, Forestry, Environment and Water Management (by now Federal Ministry for Sustainability and Tourism)

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. Our wastewater streams are also tested regularly by accredited external institutions. We, of course, comply with all requirements defined by various public authorities for cooling water discharge temperatures (cooling water may only be discharged up to a specific temperature, whereby separate limits are set for the cooling water and surface water).

<b>Material<sup>1)</sup> and other supplies – used in energy generation, wastewater treatment<sup>2)</sup>, thermal waste incineration</b>		<b>2017/18</b>	<b>2016/17</b>	<b>2015/16</b>
<b>Renewable energy carriers</b>				
Biomass	Terajoule <sup>3)</sup>	3,389	3,400	3,032
<b>Non-renewable energy carriers</b>				
Fossil fuels <sup>4)</sup>	Terajoule <sup>3)</sup>	31,562	35,781	34,910
<b>Non-renewable materials</b>				
Limestone	t	20,547	21,657	25,537
Ammonia	t	957	1,073	1,346
Ammonia water <sup>5)</sup>	t	1,672	1,579	1,509
Demineralised water	m <sup>3</sup>	219,133	213,627	180,800
Lubricating oils <sup>5)</sup>	t	2	2	2
Hydrochloric acid <sup>5)</sup>	t	192	188	189
Sodium hydroxide <sup>5)</sup>	t	113	62	69
Dosing media	t	9	9	10
Rock salt <sup>5)</sup>	t	101	85	85
Lime hydrate	t	343	312	288
Precipitants	l	1,631	1,296	1,311
Flocculating agents	l	386	334	310
Citric acid	l	6	2	2
Urea	t	15	15	15
<b>Other energy carriers</b>				
Waste <sup>6)</sup>	Terajoule <sup>3)</sup>	5,635	5,559	5,298

- 1) At the EVN thermal power generation and heating power plants in Austria, Germany and Bulgaria, thermal waste utilisation plant in Dürnrrohr/Zwentendorf
- 2) 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
- 3) Information provided in terajoules (TJ) because of the different fuel qualities
- 4) Natural gas, hard coal, heating oil
- 5) Amount includes Bulgaria beginning with the 2017/18 financial year
- 6) For incineration by the thermal waste utilisation plant in Dürnrrohr/Zwentendorf

<b>Material utilisation – network construction in Lower Austria<sup>1)</sup></b>		<b>2017/18</b>	<b>2016/17</b>	<b>2015/16<sup>2)</sup></b>
Additional power lines	km	356	302	278
Additional natural gas pipelines	km	10	15	9
Additional heating lines	km	18	15	15

- 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.

△ GRI indicators: GRI 301-1, GRI 301-2

The seepage water or rainwater from our own landfills is normally used for flue gas cleaning and, in this way, recycled.

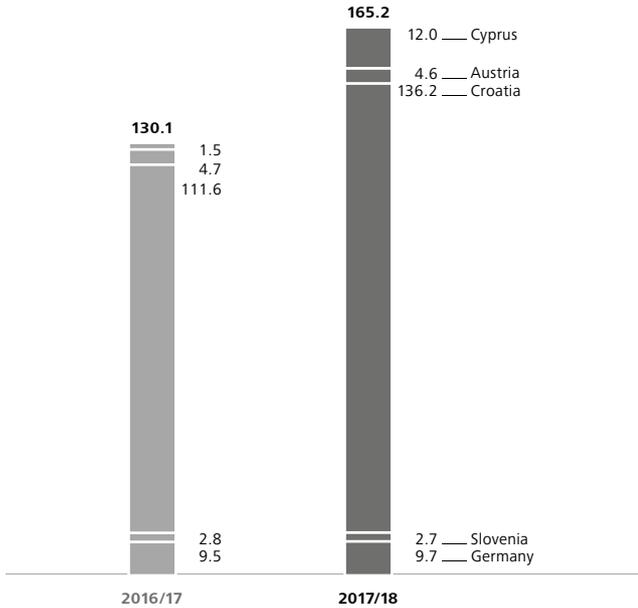
However, water is important for our company in a broader context: in addition to the provision of drinking water in Lower Austria by evn wasser, we also carry out international projects through our German subsidiary WTE Wassertechnik. This business is responsible – depending on the particular contract – for the planning, construction, financing and/or operation of plants for drinking water supplies and wastewater disposal. Our goal here is to construct

efficient and ecologically compatible plants. We meet this goal by effectively merging the elements of water and energy – the energy sources along the entire process chain are harnessed, which allows for energy self-sufficient and environmentally friendly operations as well as the feed-in of energy into the public network.

In the area of wastewater disposal, the plants operated by WTE Wassertechnik treated roughly 165.2m m<sup>3</sup> of wastewater in 2017/18 with a mean purification performance of 87.7%<sup>1)</sup> (previous year: 88.3%; 130.2m m<sup>3</sup>). The resulting sewage sludge is

**Wastewater treated**

m m<sup>3</sup>



used partly for agricultural applications and compost production and partly deposited in landfills or used to generate heat. The more than 100 wastewater treatment plants planned and built by WTE Wassertechnik since its founding purify the wastewater from approximately 16.8m people and return it to the water cycle. We are responsible for operations at 23 of these plants, and a further four plants are currently under construction.

1) Average value over the parameters for chemical oxygen requirements, biological oxygen requirements, total nitrogen and total phosphorous. The per cent value represents the quantity of pollutants removed.

△ GRI indicators: GRI 303-1, GRI 303-2, GRI 303-3, GRI 303-4, GRI 306-5

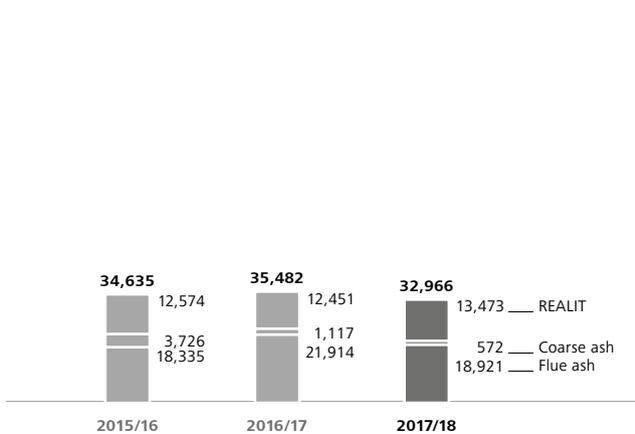
Water			2017/18	2016/17	2015/16
m m <sup>3</sup>					
<b>Water withdrawn<sup>1)</sup></b>	<b>Total</b>		<b>314.2</b>	<b>322.8</b>	<b>316.0</b>
	thereof by source	Surface water	279.0	288.9	284.7
		Groundwater	34.9	33.5	30.9
		Delivered water	0.4	0.4	0.4
<b>Water released<sup>1)</sup></b>	<b>Total</b>		<b>281.6</b>	<b>291.3</b>	<b>286.9</b>
	thereof by destination	Surface water	279.0	288.9	284.7
		Water released to third parties (municipal wastewater treatment)	2.6	2.4	2.2
	thereof by treatment	No treatment	279.0	288.9	284.7
		Treatment level – wastewater purification (municipalities)	0.3	0.3	0.3
		Treatment level – wastewater purification (EVN Group)	2.4	2.1	1.9
<b>Water consumption<sup>2)</sup></b>	<b>Total</b>		<b>32.6</b>	<b>31.5</b>	<b>29.1</b>

1) All of the water withdrawn and released is fresh water (≤ 1,000 mg/l total dissolved solids)

2) Drinking water supplies from purified ground water by evn wasser

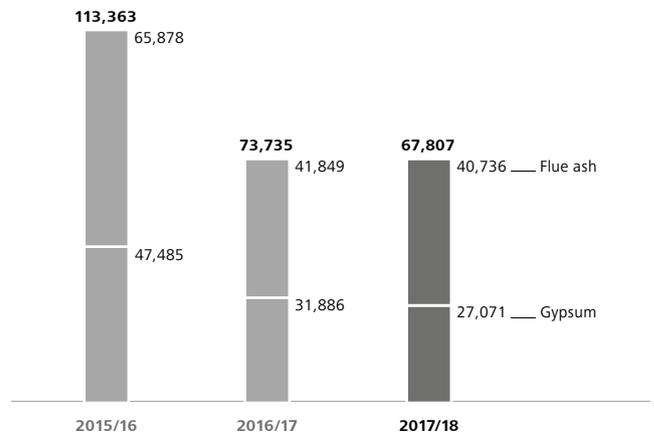
### Utilised quantities of power plant by-products – Austrian power plants

t/year



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

t/year



### Waste

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

All regularly incurred hazardous and non-hazardous waste is 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 2017/18.

We utilise all flue 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.

All environmentally relevant incidents are recorded in a standardised reporting system that covers the plants in Austria, Germany, Bulgaria and Macedonia. There was only one environmentally relevant incident in 2017/18, which resulted from the theft of a transformer in Gänserndorf, Lower Austria.

△ GRI indicators: GRI 306-2, GRI 306-3, GRI 306-4

### Development of waste quantities<sup>1)</sup>

		2017/18	2016/17	2015/16
Hazardous waste and residual materials	t	19,348	11,744	13,128
Non-hazardous waste and residual materials	t	159,088	168,273	164,754
<b>Export of hazardous waste</b>				
Hazardous waste	t	0	0	0

1) With no construction residue or power plant by-products

## Biodiversity

We are committed to minimising the impact of all our business activities on nature. Our top priority is the protection of flora and fauna and the preservation of the natural habitats of animals and plants in the areas surrounding our plants and projects. Not only the responsible realisation of construction projects, but also the responsible operation of our 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

As a result of our infrastructure – which consists primarily of power plants and networks – the potential impact of our business activities chiefly 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. Wind power 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 27% of the area in Lower Austria<sup>1)</sup>, approximately 4% of the area in Bulgaria<sup>2)</sup> and approximately 9% of the area in Macedonia<sup>3)</sup> are designated as protected regions. In order to minimise the impact of our business activities on these regions, we rely on responsible network planning and construction.

1) Source: [www.noe.gv.at/noe/Naturschutz/Schutzgebiete\\_Naturdenkmaeler.html](http://www.noe.gv.at/noe/Naturschutz/Schutzgebiete_Naturdenkmaeler.html) and [www.naturparke.at/naturparke/niederoesterreich](http://www.naturparke.at/naturparke/niederoesterreich); October 2018

2) Source: Executive Environment Agency Register of protected areas in Bulgaria; October 2018

3) Source: Republic of Macedonia, Ministry of environment and physical planning; Designated Areas; October 2018

△ GRI indicators: GRI 102-15, GRI 304-1

### Protected areas (excerpt)<sup>1)</sup>

Location	Area (m <sup>2</sup> )	Protected area	Property partly/completely/ adjoining a protected area	Type of plant
<b>Austria</b>	<b>3,086,858</b>			
Dürnrohr	1,238,942	–	–	Thermal power plant
Theiss	172,878	Natura 2000	Partly	Thermal power plant
Korneuburg	72,768	–		Thermal power plant
Wienerbruck	163,922	Protected landscape area/Natura 2000	Completely/partly	Hydropower plant
Ottenstein	756,443	Protected landscape area	Completely	Hydropower plant
Dobra	127,647	Protected landscape area	Completely	Hydropower plant
Thurnberg	374,670	Protected landscape area/Natura 2000	Completely/completely	Hydropower plant
EVN headquarters	134,429	–	–	Office building
Baden	12,205	–	–	District heating plant
Mödling	18,154	–	–	District heating plant
Dürnrohr	14,800	–	–	Thermal waste utilisation
<b>Bulgaria</b>	<b>517,304</b>			
Plovdiv – North	215,000	–	–	District heating plant
Plovdiv – South	42,673	–	–	District heating plant
Blatez	22,027	Natura 2000	Completely	Photovoltaic plant
Trastikovo	79,997	Natura 2000	Adjoining	Photovoltaic plant
Kavarna	157,607	Natura 2000	Completely	Wind park
<b>Macedonia</b>	<b>48,513</b>			
Matka	35,080	Monument of nature	Completely	Hydropower plant
Bitola	11,283	National park	Adjoining	Office building/workshop
Kratovo	2,150	Monument of nature	Adjoining	Office building/workshop

1) A complete list cannot be provided because of EVN's large number of locations. The selection of the locations was based on the type and extent of the effect or the size of the area.

**Endangered animal and plant species as defined by the International Union for Conservation of Nature (IUCN) and included on national lists in Austria, Bulgaria and Macedonia in 2018**

Category	Animals	Plants
Critically endangered	53	3
Endangered	78	13
Vulnerable	151	12
Near threatened	154	16
Least concern	1,388	644
<b>Total</b>	<b>1,824</b>	<b>688</b>

**Measures to protect and restore natural habitats**

In realising construction projects, we work to minimise the effects on biodiversity with ecological planning and construction monitoring. We also implement a wide variety of measures and programmes to protect the natural habitats in our 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
- Cable installation through ploughing as an alternative to digging
- Extensive restoration measures after excavation work
- Cooperation with BirdLife Austria to insulate power poles as protection for the imperial eagle in the Laaer Basin
- Operation of online monitoring equipment to continuously test the water quality at various levels in the Ottenstein reservoir
- Sponsorship for the expansion of the Buchberg conservation area to protect biodiversity (LIFE+ project for economy and nature in Lower Austria)
- Joint project with the Association for the Protection of Great Bustards in Austria (continuation of the EU LIFE+ programme)
- Species protection measures at selected wind power projects (e.g. joint concept with BirdLife to develop compensatory measures to create alternative habitats for birds)
- Creation of spawning aids in the form dead wood at the Ottenstein reservoir together with project partners as a measure to meet the EU Water Framework Directive
- Installation of fish bypasses at small-scale hydropower plants
- Project for sustainable fisheries management along the Ybbs
- Construction of nest platforms to protect the endangered white stork in Bulgaria and Macedonia
- Joint project with the Bulgarian Association for Bird Protection to protect the imperial eagle (EU LIFE+ programme)

- Joint project with the Green Balkans, a Bulgarian environmental protection association, to protect the black vulture (EU LIFE+ programme)
- Project to protect snakes through the use of ultrasonic devices for rodent prevention in network infrastructure plants in Macedonia

The alternative sites (unused land) reserved for wind power plants in Lower Austria during 2017/18 totalled approximately 120 ha (previous year: approximately 107 ha) and substantially exceeded the required area. The alternative sites for pipeline routes are reported in publically available documents on the environment and environmental impact assessments.

** The Dürnrohr power plant – a natural oasis**

In 2016 we commissioned a further habitat study – which followed the last evaluation of this type in 2009 – on our location in Zwentendorf/Dürnrohr. The goal of the survey was to register the fauna and flora on the 140 ha power plant grounds and the adjoining areas which are also owned by EVN. The analysis showed that an impressive variety of species has developed on the enclosed and hardly used area over the years. According to the experts, this is due, not least, to the location near the Natura 2000 Tullnerfeld Donauauen area.

Specifically, the survey identified more than 1,100 animal and plant species – which represents a significant increase compared with the last survey (2009: 389 animal and plant species). In addition to many endangered animal and plant species as well as several in danger of extinction, a “first” was registered for Lower Austria with the sighting of a calligypona reyi (a species of plant hopper).

 GRI indicators: GRI 304-2, GRI 304-3, GRI 304-4

# Value-oriented and responsible management

As a responsible and sustainably operating energy and environmental services provider, we place great importance – in accordance with our stakeholders – on the following strategic areas of activity in the EVN materiality matrix: “responsible management”, “sustainable increase in corporate value” and “supply chain responsibility”.

We place great importance on ethical and legally compliant behaviour by our employees, suppliers and business partners. Compliance with this maxim throughout the Group is ensured by a wide range of measures, whereby the Code of Conduct with its ten subject areas represents the guiding principle. Our priorities also include the continuous development and adaptation of our business model to reflect our dynamic environment. Today’s increasing digitalisation represents an essential basis for these activities, as it is opening new and far-reaching opportunities in all our business areas. Our value-oriented investment strategy, targeted and innovative energy services – for example, the web-based photovoltaic and energy management package *joulie* which was developed in 2017/18 – as well as a stable dividend policy represent important focal points. Our qualified employees play a central role in EVN’s business activities. We are well aware of their high strategic importance and, consequently, are committed to actions that underscore our position as a responsible and fair employer. That forms the foundation for targeted and efficient human resources development in a continuously changing working world.

□ Key figures on EVN can be found on the front cover of this report and on page 90ff

## Principles and models for our employee relations

In 2017/18, the EVN Group employed men and women from different countries, cultures and generations. In order to meet our brand promise with the same high standards in all countries despite this diversity, we defined and anchored three key values – ensure, encourage and enable – throughout the corporation several years ago. These values represent an integral part of key documents which describe our corporate and management culture, e.g. the managerial mission statement and the feedback and orientation sessions. They are intended to inspire our employees to make an individual contribution to sustainable quality and healthy growth and, in this way, support the success of our company as a whole. We also motivate our employees not only by meeting our legal

obligations as an employer, but by providing numerous additional voluntary benefits. The following fundamental principles define our corporate culture:

- Equal treatment, equal opportunity and diversity
- Work-life balance
- Health care, occupational safety and accident prevention
- Corporate social partnership and internal communication
- Human resources development and advancement

○ Detailed information on EVN’s key values can also be found under [www.evn.at/hr-principles](http://www.evn.at/hr-principles)

△ GRI indicator: GRI 102-16

### Equal treatment, equal opportunity and diversity

Our workforce reflects EVN’s international market presence and includes men and women from over 20 countries. Most of these employees come from Austria, Bulgaria und Macedonia. In view of the different working conditions in the countries where we are active, we have committed ourselves as a Group to implement the principles of the International Labour Organisation as a means of creating a uniform minimum standard. As a member of the UN Global Compact, EVN has also explicitly 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.

The EVN Group had an average of 6,831 employees on a full-time equivalent basis in 2017/18. As of 30 September 2018, the workforce consisted of 23.1% women and 76.9% men. A total of 82 women (21%) and 310 men (79%) joined the company during the reporting year. In order to increase the percentage of women in our workforce, we launched the Women@EVN programme in 2010/11. It includes requirements-oriented seminars, internal networking opportunities and several other initiatives to improve the framework conditions for our female staff and, in particular, to sup-

<b>Employee key indicators</b>		<b>2017/18</b>	<b>2016/17</b>	<b>2015/16</b>
Number of employees (as of the balance sheet date)	Number	<b>7,200</b>	7,181	7,118
thereof women	%	<b>23.1</b>	23.3	22.6
Number of employees on a full-time equivalent basis (FTE), annual average	Number	<b>6,831</b>	6,840	6,830
Apprentices <sup>1)</sup>	Number	<b>71</b>	62	57
Employee fluctuation <sup>2)</sup>	%	<b>1.9</b>	2.6	2.4
Average employment period	Years	<b>16.9</b>	16.8	17.0
Average age	Years	<b>44.3</b>	44.3	44.2
Revenue per employee	EUR	<b>303,415</b>	323,923	299,642
Sick days per employee	Number	<b>11</b>	10	10
Cost of personnel in relation to revenue	%	<b>15.5</b>	14.3	15.3

1) Apprentices in Austria only due to dual education system

2) Excluding retirement

port qualified women in developing a career path with a management focus. Specific measures to improve the equal opportunities for EVN's female employees in Macedonia have also been in place since 2015/16. Over the medium term, we are working to 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 already based on a collective bargaining agreement or on the respective responsibilities and qualifications. At EVN, there is no difference in the compensation paid to women and men who have the same training and perform the same activities.

In addition to our own staff, a total of 202 leased employees also worked for the EVN Group as of 30 September 2018. Therefore, their share of EVN's activities compared to directly employed

workforce is not significant. We use personnel leasing for several reasons: first, as a preliminary step to a conventional employment relationship (integration leasing); second, for tasks and projects covering a limited time period; third, to handle peak work periods; and fourth, in business areas with an uncertain market situation. The remuneration of leased employees is based on the salary or wage defined by collective bargaining agreements or legal regulations for our employees in comparable positions. Training programmes are open to all employees, independent of their employment relationship. In keeping with our commitment to equal treatment and opportunity, we also support the integration of people with special needs in our workforce. We employed 130 persons with special needs in 2017/18, representing 1.8% of the total workforce.

△ GRI indicators: GRI 102-8, GRI 202-1, GRI 401-1, GRI 405-2

<b>Employee fluctuation 2017/18<sup>1)</sup></b>		<b>Austria</b>	<b>Bulgaria</b>	<b>Macedonia</b>	<b>Other countries</b>	<b>Total</b>
<b>&lt;30 years</b>		<b>12</b>	<b>7</b>	<b>16</b>	<b>1</b>	<b>36</b>
thereof women	Number	4	2	8	0	14
thereof men	Number	8	5	8	1	22
<b>30–50 years</b>		<b>26</b>	<b>20</b>	<b>26</b>	<b>9</b>	<b>81</b>
thereof women	Number	8	9	12	0	29
thereof men	Number	18	11	14	9	52
<b>&gt;50 years</b>		<b>6</b>	<b>0</b>	<b>14</b>	<b>1</b>	<b>21</b>
thereof women	Number	1	0	4	1	6
thereof men	Number	5	0	10	0	15
<b>Total</b>	Number	<b>44</b>	<b>27</b>	<b>56</b>	<b>11</b>	<b>138</b>

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

<b>Newly hired employees 2017/18</b>		<b>Austria</b>	<b>Bulgaria</b>	<b>Macedonia</b>	<b>Other countries</b>	<b>Total</b>
<b>&lt; 30 years</b>		<b>87</b>	<b>81</b>	<b>31</b>	<b>7</b>	<b>206</b>
thereof women	Number	26	16	4	3	49
thereof men	Number	61	65	27	4	157
<b>30–50 years</b>		<b>65</b>	<b>60</b>	<b>29</b>	<b>19</b>	<b>173</b>
thereof women	Number	16	12	1	3	32
thereof men	Number	49	48	28	16	141
<b>&gt; 50 years</b>		<b>3</b>	<b>0</b>	<b>2</b>	<b>8</b>	<b>13</b>
thereof women	Number	0	0	0	1	1
thereof men	Number	3	0	2	7	12
<b>Total</b>		<b>155</b>	<b>141</b>	<b>62</b>	<b>34</b>	<b>392</b>
thereof women	Number	42	28	5	7	82
thereof men	Number	113	113	57	27	310

### World of work at EVN

We help our employees to achieve a balance between their working and family life with a variety of measures. An important – and official – step in this direction was the signing of a “charter on the new compatibility between parents and business” in May 2011. Our 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 hours unless otherwise required for operational reasons (e. g. shift work). We also offer various part-time working models which play an important role, above all, in the professional advancement of women. In addition, opportunities for mobile working were introduced in 2017/18. We also support employees with family responsibilities with facilities that include a parent-and-child office and our supervised summer holiday programme for children.

### Work-family balance, re-entry

Every salaried employee in Austria is principally entitled to parental leave after the birth of a child. There are no comprehensive regulations of this type to date in Bulgaria or Macedonia. As the most important measure, we offer our employees in Austria the option

of taking parental leave beyond the legal entitlement until their child is 36 months of age. We facilitate the return to work with active contact throughout the leave period, for example through specific information events or participation in EVN’s extensive training programme which also continues to be open to employees on parental leave. Men are also increasingly using the available models: in 2017/18, 35 women and 22 men were on parental leave. Nearly all mothers and fathers return to our company after this time. No employees left the company after parental leave in 2017/18 (previous year: also no resignations after parental leave). Of the employees who returned, all were still employed by EVN after twelve months.

In autumn 2017 we ranked third in the Lower Austrian competition for the “most family-friendly company in Lower Austria 2017”. This award is presented by the provincial government every two years to companies which, with their exemplary family-oriented corporate culture, are considered pioneers for equal opportunity and the work-family balance.

△ GRI indicator: GRI 401-3

<b>Diversity of employees 2017/18</b>		<b>Austria</b>	<b>Bulgaria</b>	<b>Macedonia</b>	<b>Other countries</b>	<b>Total</b>
<b>Gender</b>						
Women	%	20.1	25.9	22.4	31.7	23.1
Men	%	79.9	74.1	77.6	68.3	76.9
<b>Type of employment<sup>1)</sup></b>						
Worker	%	4.0	–	–	23.8	2.7
Employee	%	96.0	100.0	100.0	76.2	97.3
<b>Contract type<sup>2)</sup></b>						
Part-time in total	%	10.9	0.3	6.0	10.2	6.3
Part-time women	%	8.5	–	3.9	9.4	4.7
<b>Individuals with special needs</b>						
	%	2.1	1.9	1.3	1.8	1.8

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

2) EVN only uses limited one-year employment contracts for new employees. Further data was not collected in this respect because this category is irrelevant.

### 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:** We offer supplementary health insurance at favourable conditions as a voluntary benefit to our employees in Austria and Bulgaria. Framework agreements with insurance providers in the individual countries ensure optimal medical care for all participating employees.
- **Pension benefits:** All our Austrian employees with permanent contracts are entitled to participate in a supplementary, fund-based pension programme after a one-year waiting period. This programme complements the legal pension scheme (“ASVG” pension) and gives employees the opportunity to accumulate additional retirement benefits in the form of a private pension with the company’s support. This pension fund, which is not held by the EVN Group, 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 2017/18 equalled at least 2% of each eligible employee’s remuneration and was paid from the company’s general resources. The contributions by employees are voluntary, whereby roughly 44% of the workforce in Austria took advantage of this offer in 2017/18. Our responsibility as an employer is also illustrated by the introduction of voluntary pension insurance for all our full-time and part-time employees in Bulgaria.

### Support for employee commitment to social causes

Many of our 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, 386 EVN employees are currently active volunteers in these types of aid organisations. We support this commitment, in our function as an employer, by excusing employees from work for up to half of the invested time in case of an operation.

We spent a total of EUR 13.9m on employee benefits (pension contributions, other employee benefits) in 2017/18 (previous year: EUR 16.9m), which represents 4.3% of personnel expenses (previous year: 5.3%).

△ GRI indicators: GRI 201-3, GRI 401-2, GRI 403-6, 403-8

### Health care, occupational safety and accident prevention

Occupational safety and accident prevention have high priority in all our business units. We therefore also place great importance on the best possible training and continuing education for employees on health and safety issues and have assigned these responsibilities to a separate occupational safety department. Its activities include supplementing the applicable legal regulations with an extensive set of internal directives and guidelines which describe the safety risks associated with our activities and define the necessary countermeasures. This department has also issued a safety manual that addresses the special working conditions in the energy sector, and additional manuals have been prepared for specific areas like hydro-power plants or wind power equipment. Each of these documents

is updated on a regular basis. In Austria, Bulgaria and Macedonia, all EVN employees and leased personnel are covered by these measures and represented by safety officers in working committees that monitor and discuss the workplace safety programmes. Representatives of our works council are also involved in all workplace, health and safety issues.

The Health@EVN programme was established in 2016/17 to support healthcare advancement in line with three goals: health protection, healthier living and fitness. The focal points of the programme in Austria during 2017/18 included a stop-smoking project and motivation towards more exercise. A free app and motivation talks in cooperation with external sport institutes were offered. We are also increasing the development and implementation of health programmes in Bulgaria and Macedonia. Activities in Bulgaria covered lectures by doctors on general health protection as well as a seasonal focus on nutrition, exercise or stress on the job through an exchange of experience between employees, information brochures and focus groups. In Macedonia, our subsidiaries organised lectures by physiotherapists as well as talks by nutrition experts, e. g. on special workday menus.

△ GRI indicator: GRI 403-2

In connection with the extensive measures to support healthcare and occupational safety, we also concentrate on the following issues:

### Occupational medical care and employee health

We routinely offer our 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 as well as 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 our subsidiaries in Bulgaria and Macedonia to increase awareness and, in doing so, improve the health of employees. Although we do not operate in countries where there is an increased risk of infectious diseases or working conditions which could permanently endanger our employees' health, Group guidelines such as the "EVN Pandemic Prevention" are in force at all Group subsidiaries to deal with emergencies.

In addition to company-sponsored measures, the EVN culture and sports club offers employees a wide range of activities which are also focused on health protection.

### Occupational safety

We work to guarantee a high level of safety in our company through regular training and targeted awareness-raising measures. Examples include the seminars on "Work safety – electricity", "Working with voltage" and "Construction of high- and low-voltage overhead lines: the safety-related aspects of power line construction". These courses provide the involved employees with a mix of theoretical and practical training on the safety aspects of their day-to-day work. In addition to our extensive offering of training programmes, we also organised the first EVN safety day in 2017/18. This event will be held annually in the future to create a regular platform for the subject of occupational safety and to establish an even better exchange of information between EVN's safety experts and our local safety officers. The forum will also be responsible for coordinating future occupational safety measures.

<b>Accident and lost days statistics</b>	<b>2017/18</b>	<b>2016/17</b>	<b>2015/16</b>
Deaths after work-related injuries	-	-	-
Occupational accidents <sup>1)</sup>	78	77	70
thereof severe accidents with lost days > 6 months	8	1	7
Staff sick days <sup>2)</sup>	2,573	1,759	2,626
LTIF <sup>3)</sup>	6.7	6.6	6.0

1) Number of occupational accidents with lost days (excluding commuting accidents or minor 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

In the interest of prevention, we record and evaluate all occupational accidents centrally and implement appropriate measures where necessary. Close contact between the safety officers in the business units and our safety experts ensure that identified risks and the related prevention measures are included in all safety and health protection documents. The first contact for employees in the event of an accident is the responsible safety officer who has the necessary technical expertise for the specific work process as well as occupational safety know-how.

Our accident analysis is based on experience values and expanded to include the regular analysis of “near-miss” incidents (e. g. near accidents, unsafe actions, dangerous situations and adverse conditions). In addition, the safety committee established by the Austrian energy branch has created a network which allows companies to share valuable experience on risk analysis. The most frequent causes of injury, with nearly one-third of all work accidents, are tripping, stumbling and twisted ankles, followed by physical strain during work procedures, falls, cuts and stab wounds. Major potential hazards for serious accidents with long work absences are, for example, traffic accidents, falls from power poles and torn ligaments or broken bones during power line inspections.

△ GRI indicators: GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4, GRI 403-5, GRI 403-6, GRI 403-8, GRI 403-10

### Corporate social partnership and internal communication

We take major business decisions in a transparent manner in agreement with our managerial mission statement and in accordance with applicable legal regulations. The employee representatives – in addition to EVN AG, all other major companies in our Group have these types of designated representatives – are therefore informed of major business decisions on a regular and timely basis and involved in advance in the decision processes. This approach is followed in strategic decisions as well as changes and adjustments involving employees. Our policy in the past has always been to develop and carry out the restructuring measures made necessary by economic or social challenges in a socially acceptable manner and in agreement with the trade unions – and we intend to follow these principles in the event of similar situations in the future. We provide our employees and employee representatives with information at regularly scheduled meetings and, in the event of operational changes, always comply with the legally required notification periods.

Over 90% of all employees in our Group (especially 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. 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).

The ratio between the highest salary and the average salary<sup>1)</sup> at EVN equalled approximately 7.8:1 in Austria during 2017/18.

1) The calculation is based on the average value.

We also handle employee-related issues in workplace, health and safety committees that include, among others, representatives of the works councils or unions. In addition, members of the works council 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.

Our “EVN Intern” magazine provides employees with regular and extensive information on corporate developments. The EVN Intranet also contains a broad overview of current events in the company, information on energy supplies and reports by the employee representatives as well as information on current seminars and other training events. In order to support the preferred internal filling of positions, job advertisements are also first posted on the Intranet.

Supporting and maintaining employees’ satisfaction is one of our central concerns. We therefore conduct regular surveys to compile data for relevant indicators and, at the same time, collect suggestions for improvement. EVN’s idea management also gives employees an opportunity to submit their ideas and suggestions and therefore contribute to the success of our company. These inputs are rewarded with bonuses if they are implemented.

□ For information on the remuneration of the Executive Board, see page 76 and 191f

△ GRI indicators: GRI 102-38, GRI 102-39, GRI 102-41, GRI 202-1, GRI 402-1

### Human resources development and advancement

The qualifications of our workforce represent an important element for protecting the sustainable success of our company. Consequently, preserving and increasing our employees' high level of expertise represent a key focal point of our human resources management. The respective EVN Academies are responsible for organising the related 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 2017/18 included, among others, the continuation of the management support programme and the anchoring of the dual training system in Bulgaria and Macedonia.

We invested a total of EUR 2.3m in continuous training and education during 2017/18 (previous year: EUR 2.0m), which represents EUR 335.9 (previous year: EUR 288.6) per employee. Each employee spent an average of 33.8 hours (previous year: 31.3 hours) on these programmes. Our offering in Lower Austria concentrated on specialist seminars (e. g. advanced technical training, coaching to prevent falls and qualification courses for energy advisors) as well as modules to strengthen social skills, which are now increasingly offered in the form of e-learning or web seminars. Training in Bulgaria focused on technical and social skills, as in Austria, in 2017/18 and also included courses to strengthen the focus on customers. In Macedonia, training programmes were directed to health and safety, customer orientation and service quality.

○ For further information on the measures for and focal points of training and continuing education, see [www.evn.at/hr-development/education-and-training](http://www.evn.at/hr-development/education-and-training)

△ GRI indicators: GRI 404-1, GRI 404-2

### Securing skilled labour requirements

The average age of EVN employees currently equals 44.3 years, but is projected to rise in the near term due to the expected increase in the legal retirement age. We are working to meet the future need for specialists and managers resulting from retirements with specifically designed training programmes and measures to support the transfer of know-how between older and younger employees.

Apprentice training has always been a high priority for EVN. In order to optimally round out our training programmes, we offer the dual programme of theoretical vocational school education and practical on-the-job experience in our Austrian and German companies. This traditional model is supplemented by internal courses and seminars as well as support for double and multiple qualifications. Most of our apprentices remain as employees after completing their programmes, which allows us to cover most of our requirements for skilled specialists internally. In order to attract future talents, we are regularly represented at Austrian and international apprenticeship and career information fairs and give schoolchildren and students an opportunity to put their theoretical knowledge to use and gain their first practical experience in internships.

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#### EVN's dual training system in Macedonia

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None of the countries in South Eastern Europe has a dual training concept similar to the Austrian apprenticeship model and, for that reason, we are attempting to establish a similar EVN-internal structure in Macedonia through a joint project with a local school. This three-year programme gives electrical engineering students an opportunity to round out their studies with practical work experience at EVN – on the one hand, through daily work in our local district headquarters and, on the other hand, through special training in social skills. EVN's technical experts accompany the students during the entire programme and are also available for an exchange of experience. The 36 students in the first project generation successfully completed their first year in 2017/18, and the second generation with 21 students has already started with the new 2018 school year.

This project is the first of its type in Macedonia and has received the support of the local Ministry of Education and Science as well as European institutions which specialise in this form of training. We have also received special recognition from the Macedonian Chamber of Commerce, which has reacted very positively to our investment and this form of support for the country's education process.

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Leadership development and talent management are another important focal point for the EVN Academy. The related 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. Through the qualification and advancement of employees with potential, we support the internal recruitment of managerial staff. 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.

△ GRI indicator: GRI 404-2

#### **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. We therefore attempt to hire nearly all of the employees and management staff (roughly 90%) in our markets from the respective region. Strengthening local management capacity represents an important aspect of our corporate strategy.

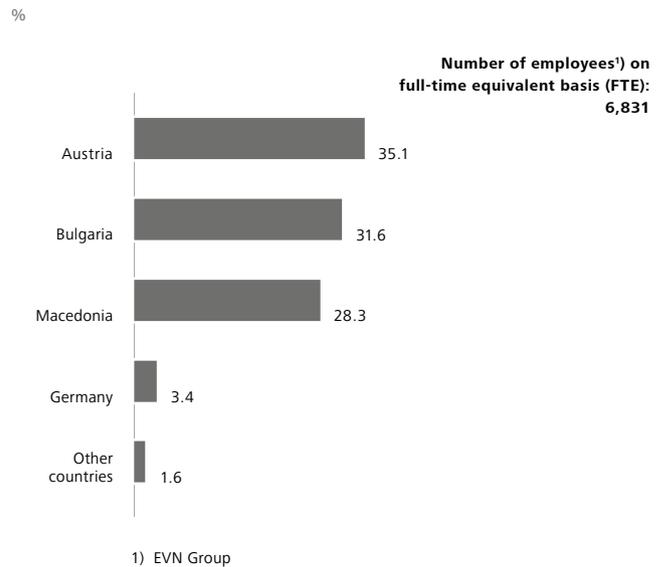
△ GRI indicator: GRI 202-2

#### **Feedback and orientation sessions**

Our 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: GRI 404-3

#### **Employees per operating location 2017/18**



△ GRI indicators: GRI 401-1, GRI 102-8, GRI 405-1

## Human rights, ethics and integrity

### Compliance and the EVN Code of Conduct as the defining terms and values

At EVN we view “compliance” as the generic term for the strict observance of fundamental ethical principles and legal requirements through the actions and behaviour of all our employees – also with regard to suppliers and business partners. The EVN Code of Conduct describes and regulates, among others, the aspects of our business activities in the areas of human rights, governance, compliance, corporate ethics, the prevention of corruption, public appearance and competitive behaviour. It includes corporate principles that go beyond legal requirements and defines behavioural guidelines for EVN’s employees. Reliability, transparency, trust and quality in our interaction with internal and external partners represent the central guidelines. The Code is based on internal organisational guidelines 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 EVN Code of Conduct is published on our website. It is available in German, English and the languages of our foreign subsidiaries to allow access in an easily understandable form throughout the entire Group. Interested business partners can obtain detailed information on our compliance management at any time. Our suppliers and service providers are also required to follow these same principles and values and are therefore required to comply with the EVN integrity clause and its explicit instructions on the issue of human rights.

□ For EVN’s integrity clause for suppliers, see page 60f

○ Also see [www.evn.at/Code-of-conduct.aspx](http://www.evn.at/Code-of-conduct.aspx)

### Human rights

Our clear and unlimited commitment to the respect, observance and protection of human rights and ethical principles at all our locations is evidenced by the high importance given to this issue as one of the ten subject areas in the EVN Code of Conduct. EVN is committed to compliance with the ten principles of the UN Global Compact and, in particular, decisively rejects any form of child labour or forced labour.

As an international corporation, we are also active in countries with a less developed understanding for human rights issues. Although the respective governments are primarily responsible for protecting human rights, we consider it our responsibility – within our possibilities – to also encourage compliance in this area outside our direct scope of activity.

### Prevention of corruption

We are a determined advocate of the fight against all types of corruption and create a greater awareness for this issue among our employees with behavioural guidelines and specific training programmes. Our view of corruption is very broad and includes illegal payments (e.g. bribes, kick-back payments, fictitious services, false classification/account assignment) as well as all forms of gratuities (e.g. gifts, invitations, subjective benefits, immaterial advantages like awards and patronage). All EVN employees and their close family members are prohibited from accepting any form of payments or gratuities – with the exception, for example, of small mementoes that reflect local or national practices.

The prevention of corruption, in this sense of the term, is an important objective for EVN. Our related efforts include the identification of compliance risks by corporate compliance management, a staff department. This identification is based on a catalogue of criteria which covers key elements of the operating environment, the country, branch and scope of business activities as well as the initiation and processing of business transactions.

△ GRI indicators: GRI 102-16, GRI 205-1

### Organisation of compliance management

Corporate compliance management (CCM), a staff department reporting directly to the Executive Board, is responsible for the operation and continuous improvement of our 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 our employees in their everyday business activities. It is built on three main elements:

- Prevention through the creation of awareness and training
- Identification of violations of the Code of Conduct
- Reaction through information and improvement

### Group-wide identification of compliance risks

Compliance risks, which explicitly also cover human rights and the prevention of corruption, are identified systematically for the entire Group on a regular basis and from different viewpoints. These risks are surveyed as part of the annual risk inventory because any violations 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.

CCM has scheduled the next comprehensive Group-wide assessment of compliance risks for the 2018/19 financial year, whereby the focal points will be “the prevention of corruption”, “business partners and suppliers” and “antitrust law”. The goal is to further expand the identification and increase the detailed analysis of

risks in order to improve the CMS through the development of new targeted measures, for example in the training area.

△ GRI indicators: GRI 205-1, GRI 412-1

### Whistle-blowing procedure

Our employees have access to a confidential and anonymous whistle-blowing procedure, which permits the reporting of concerns over unethical or illegal actions via the EVN Intranet or designated 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.

Compliance violations represent 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 underlying principles or rules of the Code of Conduct, nor cases of discrimination based on ethnic, national or social origin, skin colour, gender, sexual orientation, religion or political orientation were reported over the whistle-blowing platform during 2017/18. Moreover, no reports on incidents of this type were reported to the compliance e-mail addresses in Bulgaria or Macedonia.

### Review of business partners

Our business partners are also required to comply with high, strict ethical standards, above all with regard to human rights, working conditions and labour laws, environmental and climate protection and business ethics. The EVN Group attempts to avoid business relations with companies that have been proven to be directly or indirectly involved in or accused of offences against human rights or under corruption, antitrust or commercial law. Our review process, which also includes the screening of sanction lists, follows a risk-based approach that is specifically focused on branch and country risks. For Austria and the international project business of WTE Wassertechnik, we also use the compliance database and software of a specialised external service provider. Risk-minimising measures are implemented if the screening reveals any sensitive issues.

△ GRI indicators: GRI 102-17, GRI 205-3, GRI 406-1

### Compliance training

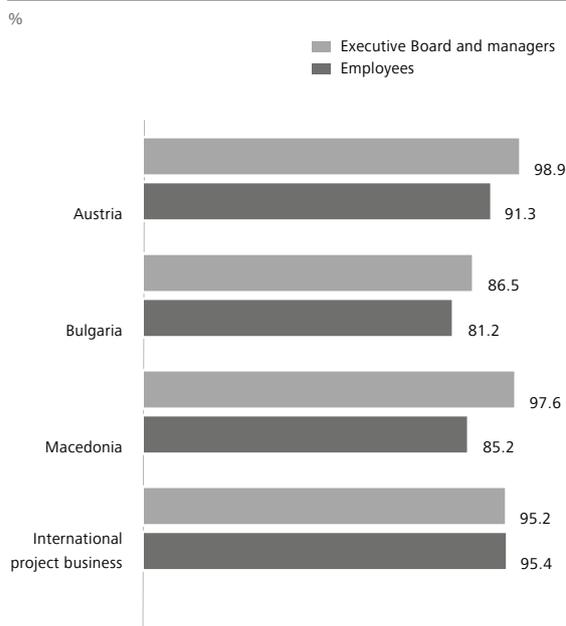
The members of the Executive Board and management bodies as well as all managers and employees across the Group receive regular coaching on correct and ethical behaviour. This information is generally presented in training courses and workshops which concentrate on human rights, corporate ethics, the prevention of corruption, public appearances and competitive behaviour. These programmes range from mandatory and standardised modules for new employees 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 sectors and the international project business as well as employees with contacts to public authorities.

CCM also cooperates with managers to strengthen and improve our compliance principles and rules and our ethical values. Another goal of these multi-hour workshops is to enable managers to transfer the defined content to their staffs. The positive experience from the first events of this type – which were held in Austria with 80 managers in 2016/17 – were used during the 2017/18 financial year at similar workshops in Macedonia (118 participants) and for employees working in the international project business (20 participants). In Bulgaria, these workshops will be held for roughly 40 managers in 2018/19.

△ GRI indicators: GRI 205-2, GRI 412-2

### Participation in mandatory compliance training

(as of 30.09.2018)



## Legal actions

In 2013 the Bulgarian Commission for the Protection of Competition (CPC) initiated legal proceedings, among others, against EP Yug (formerly EVN Bulgaria EP) and EVN Bulgaria EC. The proceedings involve allegations of insufficient support as well as the obstruction of the free market registration process and the change of suppliers by customers. The CPC levied a fine of approximately EUR 1.9m (converted) in December 2017, and EP Yug and EVN Bulgaria EC subsequently filed an appeal with the Administrative Supreme Court. These proceedings are still pending, as are the proceedings opened by the CPC against EP Yug and EVN Bulgaria EC in 2016 over similar allegations.

The conviction in one case involving EP Yug was cancelled, respectively reversed by the Administrative Supreme Court. This case involved alleged 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.

A positive conclusion was also reached in the proceedings initiated by the Bulgarian regulatory authority against EP Yug for alleged violations of record-keeping requirements related to the replacement of commercial meters. A fine of approximately EUR 1.5m (converted) imposed in 2017 was cancelled, and a further fine of roughly EUR 1.5m (converted) was reduced to roughly EUR 38,000.

△ GRI indicator: GRI 206-1

## Suppliers

### Supply chain

EVN's business activities as a whole and, above all, the investment focal points on network infrastructure, renewable generation and drinking water supplies require extensive cooperation with 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.

Our German subsidiary WTE Wassertechnik – which is active in the international project business through the planning and construction of plants for drinking water supplies, wastewater disposal and thermal waste utilisation – serves as a general contractor and commissions subcontractors, in particular construction firms and suppliers of machinery, electro-technical equipment and components, to perform additional services.

### Procurement of energy and primary energy carriers

#### Electricity

We cover the electricity requirements of our Austrian customers with our own plants, medium-term supply contracts and – via EnergieAllianz – purchases over the wholesale market (EEX). These purchases are made directly over the electricity exchange, through bilateral transactions with various trading partners or on over-the-counter (OTC) platforms. We also purchase green energy, which is allocated in accordance with the Green Electricity Act based on our share of the electricity sales volume in the respective regulatory area.

□ For information on electricity labelling, see page 38

□ For information on the development of the EEX exchange prices, see page 89f

Our 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 our natural gas purchases are based on long-term supply contracts. We purchase the remaining supplies on wholesale markets over national and international OTC trading centres and exchanges, for example in Austria (CEGH) or Germany (NCG). Most of the wholesale natural gas purchases are also handled by EnergieAllianz. The majority of imports – from the European point of view – come from Russia and Norway.

#### Hard coal

A three-tiered supply chain covers the purchase of hard coal for our plant in Dürnröhr, 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 2017/18, we purchased coal stocks from four Tier 1 suppliers. Roughly 30% of hard coal deliveries came from Europe, while the remaining 70% came from America and Russia. Our hard coal requirements will decline gradually over the medium term since coal-fired operations in Dürnröhr are scheduled to end by 2025. Coal purchases for the German Walsum 10 power plant, in which we hold an investment of 49% – as well as the operations of this plant – are managed by the joint venture partner Steag and are therefore outside our sphere of influence.

### CO<sub>2</sub> emission certificates

We purchase 100% of the emission certificates required for our electricity generation over the market. Certificates for heat generation have been allocated free of charge since 2013 at a level equal to 80% of the previously determined CO<sub>2</sub> emissions for each plant. We purchase the remainder of the required certificates on the wholesale market through EnergieAllianz.

△ GRI indicators: GRI 102-9, GRI EU5

### Organisation of procurement activities

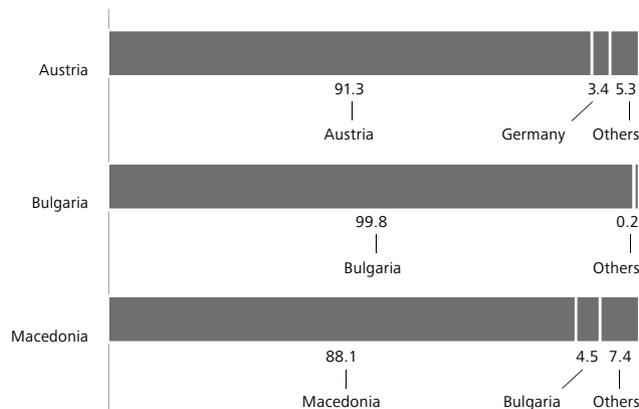
Responsibilities for the procurement of products and services in the EVN Group are based on the relevant activity.

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 648.0m in 2017/18 (previous year: approximately EUR 550.0m) and maintained direct contacts (Tier 1) with roughly 1,470 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%) was attributable to suppliers from these countries.

### Countries of origin of suppliers at main operating locations

%, Basis: Order volume



Since the beginning of May 2018, we have been handling procurement contracts with a value of EUR 100,000 or more over a web-based procurement portal. It allows us to manage the entire procurement process – from EU-wide announcement to the tender, offers and contract award – online. This new portal not only improves the structure and organisation of our procurement activities, for example through the identification of opportunities for process optimisation and documentation. The wide-ranging rollout of e-procurement paves the way, in particular, for the introduction of strategic procurement. Our new platform significantly improves transparency and allows for viable supplier management, not least in regard to the strict sustainability criteria which are anchored in our integrity clause. It also allows us to meet the legal requirements for electronic communication with bidders and suppliers.

△ GRI indicator: GRI 204-1

### High sustainability demands

EVN is committed to fair, partnership-based and transparent business relations with its suppliers. We place high demands on sustainability, but always in keeping with economic efficiency. The underlying principles are anchored in a separate area of activity in our materiality matrix under “supply chain responsibility”. Our high demands are reflected in EVN’s integrity clause, which requires suppliers to meet strict 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](http://www.evn.at/integrity-clause)

The integrity clause is a central component of each order – it applies Group-wide to all suppliers of products and services and to all sub-suppliers in the international project business without exception. In 2017/18 we immediately terminated our business relations with one supplier after a violation of labour regulations was identified. There were no other complaints over compliance with the integrity clause by suppliers during the reporting year.

EVN is classified as a sector contractor under EU public procurement law in many areas and is therefore subject to the applicable provisions of the Austrian Federal Procurement Act. We comply in full not only with these regulations, but also with the principles governing competition in the EU. New bidders are regularly included in tenders. As a sector contractor, we are 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.

**Documentation of sustainability criteria**

The implementation of our new e-procurement portal was accompanied by additional measures to further standardise and improve compliance with our high sustainability demands on suppliers. Every interested bidder in Austria must complete a self-reporting form for the integrity clause at the time of full registration. All potential suppliers therefore complete standardised, systemised questions at an early point in time on sustainability, risk assessment and behavioural rules in the areas of environment, health and safety, human and labour rights, business ethics, supply chain, and occupational safety and accidents. We also include explicit sustainability criteria in the evaluation of selected tenders.

Our regular reviews in the area of primary energy procurement place a special focus on the hard coal supply chain. We can therefore confirm that all coal mines which supplied hard coal for EVN's energy generation in 2017/18 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 hard coal procurement to ensure compliance with human rights, workers' rights and living and working conditions. Any objections identified during these inspections are reported directly to the operators who are asked to solve the problems. An on-site inspection of a coal preparation plant in 2017/18 did not lead to any objections.

△ GRI indicators: GRI 308-1, GRI 414-1

# 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. This balance also includes a strong commitment to social responsibility.

Our business activities bring us into contact with various stakeholder groups and, in this way, form the basis for our shared responsibility for the development of society in our markets. We meet this responsibility through a wide-ranging bundle of measures in accordance with the management approach defined by the EVN Code of Conduct. The overriding principle is the appropriate and balanced treatment of the issues raised to our company by the various stakeholder groups. Our activities in this area range from an active stakeholder dialogue and stakeholder management to a wide variety of social and cultural initiatives.

## Value creation for our stakeholders

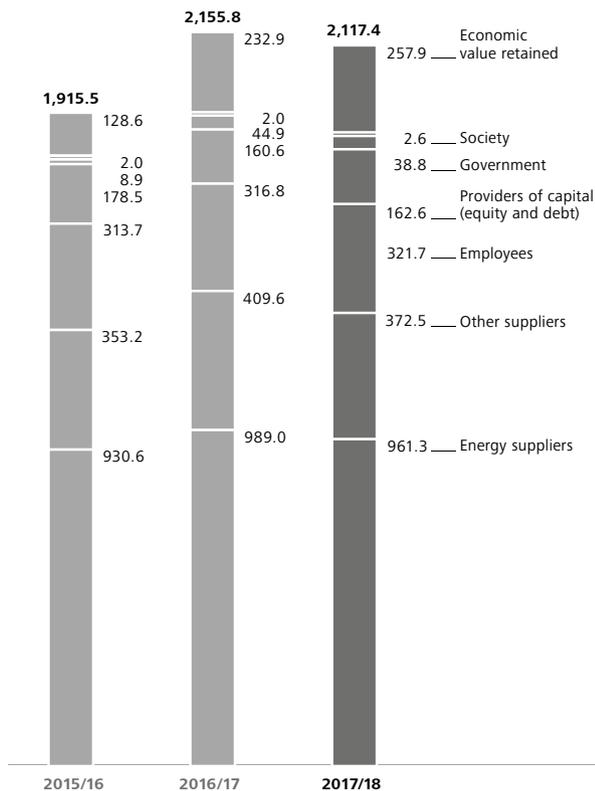
EVN's economic success is significantly influenced by our stakeholders who, at the same time, share in our financial results. Our most important stakeholder groups – shareholders, society in general, the public sector, employees, suppliers and debt investors – also receive a direct financial benefit from our activities.

On the revenue side, in particular the income generated by our business operations and investments contributes to the creation of value. This value is distributed primarily to our investors and lenders (dividends, interest), to society as a whole (donations, sponsoring, social programmes) and to the public sector (taxes, duties) as well as to our employees (wages, salaries, social security contributions) and suppliers (primary energy carriers, materials and purchased services). The graph on the left shows the economic value generated by EVN as a total over each bar. The difference between revenues and the amounts distributed represents economic value retained, which is available, among others, for the further development of our company through important future-oriented investments.

△ GRI indicator: GRI 201-1

### Value creation and distribution

EURm



## Integration of stakeholders

We see the social acceptance of our activities as a basic requirement for EVN's long-term, sustainable success and good reputation. This is reflected in the importance given to a regular, proactive and open dialogue with our stakeholders, which is anchored as a management principle in the EVN Code of Conduct. A separate guideline for stakeholder management was also issued to ensure the regular inclusion of stakeholders at the strategic level. The foundation for the structured harmonisation of our corporate strategy with stakeholder interests and the analysis of the social, ecological and economic impact of our activities is built on the exchange with all key stakeholder groups as part of the updating of the materiality matrix every three years.

□ For details on stakeholders and the EVN materiality matrix, see page 25ff

**Project-related stakeholder dialogue**

From small-scale hydropower plants, pipeline projects and wind parks to biomass heating plants – all our projects are planned and realised with the active participation of neighbouring residents, citizens’ groups, NGOs, political representatives, local initiatives and associations. The early, wide-ranging and open inclusion of these groups not only leads to broad acceptance and planning security, but often provides valuable information on the best possible resource-conserving realisation. We therefore include ecological and social aspects in the development of all our projects from the very beginning.

A central role in this process is played by the project communications unit, which institutionalises EVN’s project-related stakeholder management and dialogue. Extensive dialogue is intended, in particular, to support the following goals:

- Support for the feasibility of projects
- Reduction of risks and prevention of damage to EVN’s image
- Positive perception of the company and its activities
- High acceptance by internal and external stakeholders

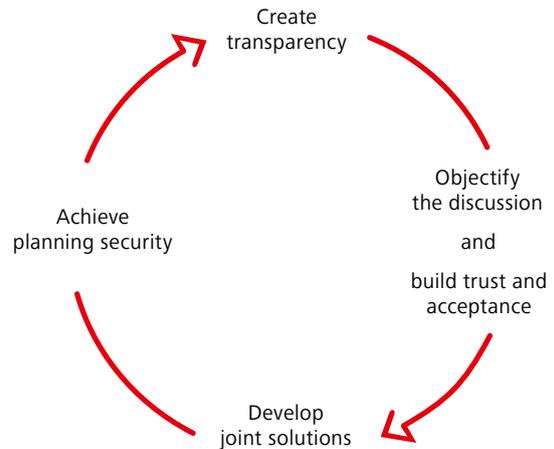
The insights gained through stakeholder communications flow into the due diligence audits that are conducted before the start of every project. This understanding also represents an integral part of internal decision-making processes by the Executive Board and/or the Supervisory Board, depending on the scope of the project.

△ GRI indicator: GRI 102-29

**Project communication with NGOs and interest groups**

We believe in an open and detailed exchange with relevant NGOs and interest groups, not only in connection with specific projects but also on a number of other issues. Trusting and sustainable long-term relations – in particular with groups which are sometimes critical of EVN’s activities – help us in the planning and communication of these activities. Last but not least, a good discussion climate and mutual understanding create the necessary requirements for the joint development of alternative solutions that are acceptable to all project parties beyond conventional conflict lines. Apart from increased planning quality and security, the proactive inclusion of NGOs and interest groups often leads to more intensive and professional communications with neighbouring residents and local initiatives. The experience with previous projects also plays an important role here.

**Our premises for successful project communications**



**Project communication with local stakeholders**

One particular focus of our stakeholder management efforts for specific projects is a professional dialogue with the directly involved residents. The timing and form of information are critical for the acceptance by and satisfaction of the people who live and work in the immediate area. In particular, we concentrate on:

- Early identification of the expectations and diverse requirements of the various interest groups
- Professional, structured and proactive communications with all local stakeholders
- Transparent and extensive presentation of all relevant project information in easily understandable information materials, and the continuous development and improvement of these materials
- Use of modern, open information formats for project communications
- Coordination of communications with political decision-makers, support for municipalities in their communications and mediation in conflict situations

Our project communications always take place in close coordination and cooperation with the project managers and other responsible persons. The continuous improvement of these employees’ communication skills is also part of our activities.

Local stakeholders can, of course, contact us at any time to discuss their concerns. In addition to direct contact with the project manager, this is also possible over the EVN service telephone or via e-mail (info@evn.at).

△ GRI indicators: GRI 413-1, GRI 413-2

### Crisis management

We have prepared comprehensive crisis, emergency and contingency plans and implemented training programmes for major segments of our business, especially for risk scenarios that may affect the population. Crisis situations are simulated regularly at all EVN locations. In addition, internal and external exercises and training sessions on crisis management are 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.

### Support for interest groups and initiatives

We play an important role in the functioning of public life and the economy through the operation of our infrastructure and wide-ranging services. In order to meet these commitments as best as possible, we are a 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), the Energy Management Institute (Bulgaria), the Economic Chamber of Macedonia 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 our 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](http://www.evn.at/memberships)

△ GRI indicators: GRI 102-12, GRI 102-13

## Social commitment

We are well aware of our responsibility towards various interest groups and also meet this responsibility through numerous initiatives outside our operating business to improve the quality of life. Following are several examples of these activities in a social context:

→ **Youth and school platform:** One focal point of our 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. A total of TEUR 437.6 was spent on these projects during the 2017/18 financial year.

○ Also see [www.young.evn.at](http://www.young.evn.at)

→ **EVN Junior Ranger Programme:** On the Ybbs River, where we operate a number of small hydropower plants with fish ladders as well as a project for sustainable fisheries management, we organised a training programme for ten young people in spring 2018 which led to their certification as “EVN Junior Rangers”. The programme was held on four Saturday afternoons and included theoretical and practical instruction by experts on hydrobiology, flora and fauna in water meadows, river ecology and fisheries as well as nature and river conservation.

→ **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 2017/18, we supported 14 projects with a total of TEUR 119.4.

○ Also see [www.evn.at/social-fund](http://www.evn.at/social-fund)

→ **evn collection:** The evn collection of modern international art was established in 1995 and is curated by well-known experts on the EVN Art Advisory Board. Our 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.

○ Also see [www.evn-sammlung.at](http://www.evn-sammlung.at)

# 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. We also identified the targets and measures that currently make a tangible contribution to reaching the 17 Sustainable Development Goals (SDG) set by the United Nations. The following section shows the assignment of the identified targets and measures to the respective SDG. Our sustainability programme is updated and expanded regularly in cooperation with all departments.

□ The EVN materiality matrix: see 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: maintain the Group coverage ratio at 30% of electricity sales

→ Status: 30.0% own coverage in 2017/18 (previous year: 32.7%)

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 (2017: 38.09 minutes; 2016: 18.49 minutes – Austrian average: 53.22 minutes; previous year: 27.48 minutes); for detailed information, see the data on electricity disruptions on page 35

### Environmental and climate protection

Target: expansion of wind power capacity to 500 MW over the medium term

→ Status: installed capacity of 318 MW as of 30 September 2018 (previous year: approximately 269 MW)

Target: increase in renewable generation to 50% of total electricity production

→ Status: 40.0% of energy generation from renewable sources in 2017/18 (previous year: 34.5%)

Target: end of hard coal-fired operations at the thermal power plant in Dürnröhr by 2025

→ Status: target set in 2017/18

### 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: 23.1% share of women in the company during 2017/18 (previous year: 23.3%)

Target: continuous reduction of the LTIF; attainment of a very good level in industry comparison

→ Status: Lost Time Frequency Index (LTIF) in 2017/18: 6.7 (previous year: 6.6)

EVN has 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 2018	Sustainable Development Goals (SDG)
<b>Supply security</b>				
<ul style="list-style-type: none"> <li>→ Supply security for customers in electricity, natural gas, heat and water</li> <li>→ Protection of supply security during system conversion to renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>→ Investments in network expansion to integrate renewable generation</li> <li>→ Expansion and new construction of cross-regional drinking water networks</li> <li>→ Decentralised generation capacity for network stabilisation</li> </ul>	Continuity in investment strategy – continuation of investment offensive in network infrastructure area	<ul style="list-style-type: none"> <li>→ Steady and strong focus on maximum availability of supplies and services</li> <li>→ Start of construction on new transport and connecting lines</li> </ul>	<ul style="list-style-type: none"> <li>→ SDG 7 Affordable and clean energy (7.1, 7.2)</li> <li>→ SDG 6 Clean water and sanitation (6.3)</li> <li>→ SDG 9 Industry, innovation and infrastructure (9.4)</li> </ul>
<ul style="list-style-type: none"> <li>→ Protection of drinking water quality</li> <li>→ Optimisation of quality assurance process</li> </ul>	<ul style="list-style-type: none"> <li>→ Quality improvement through water softening</li> <li>→ Use of additional continuous monitoring systems under evaluation</li> </ul>	Commissioning of natural filter plant at Wienerherberg in spring 2019	<ul style="list-style-type: none"> <li>→ Further development of quality assurance process</li> <li>→ Construction of natural filter plants to reduce the water hardness by natural means</li> <li>→ Natural filter plant at Wienerherberg currently under construction, further projects in planning</li> </ul>	<ul style="list-style-type: none"> <li>→ SDG 6 Clean water and sanitation (6.3)</li> </ul>
<b>Environmental and climate protection</b>				
<ul style="list-style-type: none"> <li>→ System-wide development towards decentralised renewable generation</li> <li>→ Supplemented by controllable central and decentral energy storage</li> </ul>	<ul style="list-style-type: none"> <li>→ Investments in renewable energy as key measures for climate protection</li> <li>→ Increase electricity storage and solution flexibility</li> <li>→ Develop and test innovative storage solutions</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>→ 318 MW installed wind power capacity and 306 MW installed hydropower capacity</li> <li>→ Existing power plant pool converted to meet network support requirements</li> <li>→ Various tests and research series carried out at Prottes large battery storage facility (e.g. equalisation of voltage and frequency fluctuations in network operations; “black start capability” of a wind park in combination with the battery)</li> <li>→ Power-to-gas-/Wind-to-hydrogen-project completed</li> <li>→ Power-to-heat plant in Theiss commissioned</li> <li>→ Decentralised energy solutions for customers (photovoltaic, storage, energy management) included in offering; market introduction of joulie (sales instrument that permits the simple configuration of photovoltaic equipment with fast price calculations; joulie supports the increase in own consumption and helps to improve savings by optimising the power-on time of electrical equipment; joulie visualises consumption and electricity production)</li> </ul>	<ul style="list-style-type: none"> <li>→ SDG 7 Affordable and clean energy (7.1, 7.2)</li> <li>→ SDG 9 Industry, innovation and infrastructure (9.4)</li> <li>→ SDG 12 Responsible consumption and production</li> </ul>

Project target	Measures	Milestone Deadline	Status as of 30 September 2018	Sustainable Development Goals (SDG)
Energy efficiency → for the responsible and reasonable use of resources and → the provision of EVN's products and services	<ul style="list-style-type: none"> <li>→ Implementation of energy efficiency measures for customers and in the company</li> <li>→ Support for customers in efficient energy consumption</li> <li>→ Reduction of internal requirements at generation plants</li> <li>→ Implementation of energy efficiency measures at EVN building</li> </ul>	Ongoing continuation of energy efficiency measures in the core business (products and services)	Compliance with legal requirements defined by the Austrian Energy Efficiency Act plus additional efforts by EVN and customers	→ SDG 7 Affordable and clean energy (7.3)
Improvement in EVN's environmental performance	<ul style="list-style-type: none"> <li>→ Institutionalised environmental management and controlling</li> <li>→ EMAS for heat and electricity generation plants</li> </ul>	Annual environmental programmes with improvement measures	Environmental programme 2017/18 completed	<ul style="list-style-type: none"> <li>→ SDG 7 Affordable and clean energy (7.3)</li> <li>→ SDG 8 Decent work and economic growth (8.4)</li> <li>→ SDG 15 Life on land (15.5)</li> </ul>
Further development of sustainability initiatives in South Eastern Europe	<ul style="list-style-type: none"> <li>→ Investments in electricity networks and meters</li> <li>→ Reduction of network losses</li> <li>→ Further development of environmental and nature protection (waste management and bird protection)</li> <li>→ Activities to increase customers' energy efficiency and technical understanding</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>→ Focus on investments in network-relevant infrastructure</li> <li>→ Cooperation with public authorities, NGOs and customers on environmental protection and the improvement of energy efficiency</li> </ul>	<ul style="list-style-type: none"> <li>→ SDG 7 Affordable and clean energy (7.3)</li> <li>→ SDG 9 Industry, innovation and infrastructure (9.1, 9.4)</li> <li>→ SDG 12 Responsible consumption and production (12.4, 12.5)</li> <li>→ SDG 15 Life on land (15.5)</li> </ul>
Recycling of by-products and waste products	<ul style="list-style-type: none"> <li>→ Complete recycling of REALIT, coarse ash and flue ash</li> <li>→ Evaluation of opportunities to utilise biomass ash as a composting additive</li> </ul>	Gradual increase in the percentage of recycling	Ongoing	→ SDG 12 Responsible consumption and production (12.5)
Reduction of environmentally relevant chemicals	→ Preparation of general list of operating materials for assessment and selection of products	Completion of reverse osmosis plant at end of 2018	Under construction	→ SDG 12 Responsible consumption and production (12.4)

**Responsible management**

<ul style="list-style-type: none"> <li>→ Increase the share of women in the company</li> <li>→ Increase the interest of women for technical professions</li> </ul>	<ul style="list-style-type: none"> <li>→ Create attractive working times for men and women; increase flexibility of working hours and locations</li> <li>→ Support for training measures specifically directed to women and development of networks with other successful women from external areas</li> <li>→ Stronger presence at relevant educational and training trade fairs to increase the overall percentage of women in technical professions</li> <li>→ Targeted opinion-building in management circles</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>→ Share of women in recruiting currently exceeds the percentage of women in the Group</li> <li>→ Above-average participation of women in human resources development programmes</li> <li>→ Two additional women in the second management level</li> </ul>	→ SDG 5 Gender equality (5.5)
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Project target	Measures	Milestone Deadline	Status as of 30 September 2018	Sustainable Development Goals (SDG)
Protect the company's future viability, with a focus on results-oriented work and employee satisfaction	<ul style="list-style-type: none"> <li>→ Continuous development of the corporate organisation to adapt to the steadily changing working world</li> <li>→ Support for mobility and decentralised work, among others through investments in state-of-the-art mobile end user devices</li> <li>→ Process support for employees and regular exchange of experience to optimise the working world with external and internal stakeholders</li> </ul>	Ongoing implementation	Very advanced in EVN's external organisation, gradual implementation in the headquarters	→ SDG 8 Decent work and economic growth (8.2)

### Sustainable increase in corporate value

Further development of business model to include digitalisation	<ul style="list-style-type: none"> <li>→ Increased focus on electricity network controls</li> <li>→ Digital interaction with customers</li> <li>→ Protection of critical infrastructure</li> <li>→ Provision of innovative energy services</li> <li>→ Activities in research and technology development</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>→ Gradual introduction of automated controls for internal and external assets</li> <li>→ Roll-out of online configurator for customers (joulie)</li> <li>→ Pilot project (Seitenstetten) for network stability in reaction to increased use of e-mobility, technology test programme started</li> </ul>	→ SDG 9 Industry, innovation and infrastructure
Support for expansion of alternative drive systems in mobility	<ul style="list-style-type: none"> <li>→ Development of an extensive charging infrastructure for customers</li> <li>→ Creation of a platform for the customer-friendly charging of e-vehicles throughout Austria</li> <li>→ Gradual conversion of EVN motor vehicle pool to alternative drive vehicles</li> </ul>	<ul style="list-style-type: none"> <li>→ Ongoing expansion of charging network</li> <li>→ Gradual conversion to e-autos by EVN planned (beginning in 2018; e-vehicles to comprise 20% of the auto fleet by 2022)</li> </ul>	<ul style="list-style-type: none"> <li>→ Currently 385 EVN e-charging stations with 1,215 EVN e-charging points in Lower Austria</li> <li>→ Roll-out of EVN's e-mobility app "Autoladen"</li> <li>→ Platform operational since March 2017</li> <li>→ Over 40 e-vehicles in use</li> </ul>	<ul style="list-style-type: none"> <li>→ SDG 7 Affordable and clean energy</li> <li>→ SDG 9 Industry, innovation and infrastructure (9.4)</li> </ul>

### Supply chain responsibility

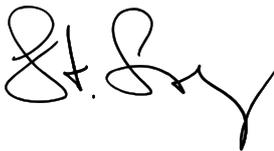
Focus of all EVN procurement processes on sustainability	<ul style="list-style-type: none"> <li>→ Revision of integrity clause for suppliers</li> <li>→ Systematic application of a self-declaration form for all bidders in tenders</li> <li>→ Analysis and classification of relevance of sustainability aspects in procurement processes and development of target-oriented measures</li> </ul>	Extension to all relevant procurement processes by 2019	<ul style="list-style-type: none"> <li>→ Survey of measures completed for the procurement of construction and waste disposal services</li> <li>→ Self-declaration form in use</li> </ul>	→ SDG 8 Decent work and economic growth
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Project target	Measures	Milestone Deadline	Status as of 30 September 2018	Sustainable Development Goals (SDG)
<b>Stakeholder involvement</b>				
Updating of EVN's stakeholder dialogue on sustainability	→ Further development of current stakeholder dialogue for the external evaluation of EVN's areas of activity	External evaluation of areas of activity every three years	Revision of stakeholder dialogue concept started	→ SDG 17 Partnerships for the goals

This sustainability programme is an expression of our efforts to connect the areas of activity in our materiality matrix with concrete project goals and measures. We want these areas of activity to have a significant influence on our daily activities as a company, just the same as the core strategies which place our responsible and sustainable orientation in a medium- and long-term context. The communication of our sustainability programme in concrete terms is also intended to strengthen the commitment of our employees because we want our actions to always be in harmony with our strategy and in the best interests of our stakeholders.

Maria Enzersdorf, 20 November 2018

EVN AG  
The Executive Board



**Stefan Szyszkowitz**  
Spokesman of the Executive Board



**Franz Mittermayer**  
Member of the Executive Board

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# Independent assurance report on the non-financial report

We have performed an independent assurance on the consolidated non-financial statement as well as the sustainability disclosures and indicators in the “Full Report” (the “NFI-reporting”) for the financial year 2017/18 of

**EVN AG,**  
 (“the Company”).

## **Management’s responsibility**

The Company’s management is responsible for the proper preparation of the NFI-reporting in accordance with the reporting criteria. The Company applies the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§ 267a UGB) and the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards, option “Comprehensive”) as reporting criteria and publishes the NFI-report in the Full Report 2017/18.

The responsibility of the legal representatives of the company includes the selection and application of reasonable methods for sustainability reporting as well as the use of assumptions and estimates for individual non-financial disclosures that are reasonable under the circumstances. Furthermore, the responsibility includes the design, implementation and maintenance of systems and processes relevant for the preparation of the sustainability reporting in a way that is free of – intended or unintended – material misstatements.

## **Auditors’ responsibility**

Our responsibility is to state whether, based on our procedures performed, anything has come to our attention that causes us to believe that the NFI-reporting of the Company is not in accordance with the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§ 267a UGB) and the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards, option “Comprehensive”) in all material respects.

Our engagement was conducted in conformity with the International Standard on Assurance Engagements (ISAE 3000) applicable to such engagements. These standards require us to comply with our professional requirements including independence requirements, and to plan and perform the engagement to enable us to express a conclusion with limited assurance, taking into account materiality.

An independent assurance engagement with the purpose of expressing a conclusion with limited assurance is substantially less in scope than an independent assurance engagement with the purpose of expressing a conclusion with reasonable assurance, thus providing reduced assurance.

The procedures selected depend on the auditor’s judgment and included the following procedures in particular:

- Inquiries of personnel on corporate level, who are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting boundaries of the Company;
- Risk assessment, including a media analysis on relevant information concerning the sustainability performance of the Company in the reporting period;
- Evaluation of the design and implementation of the systems and processes for the collection, processing and control of the disclosures on environmental, social and employees matters, respect for human rights and anti-corruption and bribery, including the consolidation of the data;
- Inquiries of personnel on corporate level responsible for providing and consolidating and for carrying out internal control procedures concerning the disclosures on concepts, risks, due diligence processes, results and performance indicators;
- Inspection of selected internal and external documents in order to determine whether qualitative and quantitative information is supported by sufficient evidence and presented in an accurate and balanced manner;
- Inquiry of the responsible data gatherer for Bulgaria via phone to assess local data collection and reporting processes and the reliability of the reported environmental data;
- Analytical evaluation of the data and trend explanations of quantitative disclosures, submitted by all sites for consolidation at corporate level;
- Evaluation of the consistency of the for the Company applicable requirements of the Austrian Sustainability and Diversity Improvement Act (§ 267a UGB) and the GRI Standards (option “Comprehensive”) with disclosures and indicators of the NFI-reporting;
- Evaluation of the overall presentation of the disclosures;

The procedures that we performed do not constitute an audit or a review. Our engagement did not focus on revealing and clarifying illegal acts such as fraud, nor did it focus on assessing the efficiency of management. Furthermore, it is not part of our engagement to review future-related disclosures and statements from external information sources and expert opinions.

This assurance report is issued based on the assurance agreement concluded with the Company. Our responsibility and liability towards the Company and any third party is subject to paragraph 8 of the General Conditions of Contract for the Public Accounting Professions (AAB). The respective latest version of the AAB is accessible at <http://www.kpmg.at/aab>.

### **Conclusion**

Based on the procedures performed, nothing has come to our attention that causes us to believe that the NFI-reporting of the Company is not in accordance with the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§ 267a UGB) and the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards, option “Comprehensive”) in all material respects.

Vienna, 20 November 2018

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.



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# Report of the Supervisory Board

Ladies and Gentlemen,

EVN followed the 2016/17 financial year, which was influenced by a number of positive events, by again recording unusually strong development in 2017/18. With its solid capital structure and high share of earnings contributions from regulated and stable business fields, the Group remains in an excellent position to consistently implement its strategy. Two key focal points of this strategy are the continued expansion of EVN's wind power capacity and massive investments in the network to integrate the increasing decentralised generation, especially in Lower Austria.

From the viewpoint of the Supervisory Board, EVN's strategy is very well aligned with the energy policy framework conditions – for example, as defined by the Austrian federal government's climate and energy strategy. Another important success factor in the increasingly complex energy system is the development of customer-oriented solutions. Digital products, like the web-based photo-voltaic and energy management package joulie, underscore EVN's high innovation expertise.

## **Fulfilment of duties**

The Supervisory Board actively monitored and supported EVN's strategic steps as part of its designated responsibilities. Four plenary meetings and three 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 12 December 2018, 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 28 November 2018 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 2018 version of the code by EVN as of 1 March 2018. 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 one exception. This exception is 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 2017/18 financial year from 1 October 2017 to 30 September 2018. This firm examined the annual financial statements of EVN AG as of 30 September 2018, 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, 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 2018 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 2018 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.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft carried out a limited assurance review of the independent non-financial report on the consolidated financial statements, which was prepared by EVN for the first time to meet the requirements for the disclosure of non-financial and diversity-related information in accordance with the Austrian Sustainability and Diversity Improvement Act. KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft reported on the results of this review in writing and also issued an independent assurance report on the non-financial report.

The non-financial statement included in the management report on the annual financial statements of EVN AG was read by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in connection with the year-end audit to determine whether it materially contradicts the annual financial statements or otherwise appears to be materially misstated based on the understanding gained from the audit. KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft issued a written report on these results, together with the results of the year-end audit of EVN AG.

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 2017/18 financial year. Special thanks are also directed to EVN's shareholders, customers and partners for their trust in the company.

Maria Enzersdorf, 12 December 2018

On behalf of the Supervisory Board



**Bettina Glatz-Kremsner**  
President

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# 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 the Stock Corporation Act 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](http://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 March 2018, EVN announced its commitment to comply with the ACGC in the January 2018 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-](http://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 deviation 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-Rule 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 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.

## Corporate bodies

### Executive Board

#### 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, 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 four supervisory board mandates in other companies that are not included in the consolidated financial statements of the EVN Group<sup>1)</sup>.

- 1) CEESEG Aktiengesellschaft, member of the supervisory board  
Wiener Börse AG, member of the supervisory board  
Österreichische Post Aktiengesellschaft, member of the supervisory board  
Verbund 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.

The remuneration for the active members of the Executive Board totalled TEUR 1,160.3 in 2017/18 (including compensation in kind and contributions to pension funds). The members of the Executive Board are also covered by directors and officers liability insurance (D&O insurance).

#### Remuneration of the active Executive Board members

TEUR

	2017/18		
	Fixed remuneration	Variable remuneration	Compensation in kind
Stefan Szyszkowitz <sup>1)</sup>	401.7	184.4	14.3
Franz Mittermayer <sup>2)</sup>	346.2	83.1	13.8

1) For Stefan Szyszkowitz, the pension fund contributions equalled TEUR 60.7.

2) For Franz Mittermayer, the pension fund contributions equalled TEUR 56.1.

□ For more information on the remuneration of the Executive Board, see the consolidated notes on page 191f

**Supervisory Board****Members of the Supervisory Board**

<b>Shareholder representatives</b>	Date of initial appointment <sup>1)</sup>	Functions in listed companies and other important functions	Independence Rule 53 ACGC <sup>2)</sup>	Diversity factors <sup>3)</sup>
Bettina Glatz-Kremsner President and Chairwoman	From 21.01.2016	Member of the management board of Casinos Austria Aktiengesellschaft; managing director, resp. member of the supervisory board in numerous companies of the Casinos Austria Group; chairwoman of the supervisory board of Flughafen Wien Aktiengesellschaft; member of the supervisory board of Telekom Austria Aktiengesellschaft; general council member of Oesterreichische Nationalbank	Yes	Female Born 1962 Austria
Norbert Griesmayr 1 <sup>st</sup> Vice-Chairman	From 12.01.2001	Chairman of the management board of Hutschinski Privatstiftung; member of the management board of Privatstiftung zur Verwaltung von Anteilsrechten; managing director of Alma-Kano Gesellschaft m.b.H.; vice-chairman of the supervisory board of BauWelt Handels-Aktiengesellschaft; member of the supervisory board of Collegalität Versicherungsverein Privatstiftung and VAV Versicherungs-Aktiengesellschaft	No	Male Born 1957 Austria
Willi Stiowicek 2 <sup>nd</sup> Vice-Chairman	From 15.01.2009	Head of the presidential committee of the provincial capital St. Pölten; member of the supervisory board of NÖ Regional GmbH	Yes	Male Born 1956 Austria
Philipp Gruber	From 21.01.2016	Administrative lawyer	Yes	Male Born 1979 Austria
Dieter Lutz	From 12.01.2006	Managing director of BENDA LUTZ-WERKE GmbH and IMMRE-LUTZ GmbH; member of the management board of Benda-Lutz Skawina GmbH in Poland; member of the supervisory board of NÖ Bürgschaften und Beteiligungen GmbH; vice-president of the Lower Austrian chamber of commerce	Yes	Male Born 1954 Austria
Reinhard Meißl	From 12.01.2006	Head of the financial group in the provincial government of Lower Austria; managing director of NÖ Holding GmbH and NÖ Landes-Beteiligungsholding GmbH	Yes	Male Born 1959 Austria
Susanne Scharnhorst	From 21.01.2016	Management consultant	Yes	Female Born 1961 Austria
Angela Stransky	From 16.01.2014	Authorised officer of RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG and managing director in numerous companies of the Raiffeisen Group	Yes	Female Born 1960 Austria
Friedrich Zibuschka	From 21.01.2016	Associate professor in the Institute for Transportation Studies at the University of Natural Resources and Life Sciences, Vienna; general partner of Zibuschka Regional Consulting OG	Yes	Male Born 1950 Austria
Johannes Zügel	From 19.01.2017	Head of investment management at EnBW Energie Baden-Württemberg AG	Yes	Male Born 1966 Germany
<b>Employee representatives</b>				
Franz Hemm	From 03.05.1994	Chairman of the Central Works Council of Netz Niederösterreich GmbH		Male Born 1955 Austria
Paul Hofer	From 01.04.2007	Chairman of the Central Works Council of EVN AG		Male Born 1960 Austria
Manfred Weinrichter	From 01.01.2001	Vice-Chairman of the Central Works Council of Netz Niederösterreich GmbH		Male Born 1961 Austria
Friedrich Bußlehner	From 01.01.2016	Member of the Central Works Council		Male Born 1962 Austria
Monika Fraiße	From 01.07.2013	Works Council representative		Female Born 1973 Austria

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 their release from liability for the 2019/20 financial year. The employee representatives are delegated by the respective Works Council for a term which ends with the next Works Council elections.

2) Rule 53 of the ACGC: Independence of the company and the Executive Board

3) Diversity factors include gender, year of birth and citizenship.

### Remuneration of the Supervisory Board members in 2017/18 (Rule 51 of the ACGC)

EUR	Supervisory Board remuneration	Attendance fees
Bettina Glatz-Kremsner	18,200	4,000
Norbert Griesmayr	13,200	4,000
Willi Stiowicek	13,200	4,000
Philipp Gruber	10,600	1,500
Dieter Lutz	10,600	2,500
Reinhard Meißl	10,600	2,500
Susanne Scharnhorst	10,600	2,500
Angela Stransky	10,600	2,500
Friedrich Zibuschka	10,600	2,500
Johannes Zügel	10,600	2,000

#### 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. 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 attendance fee equals EUR 500 per meeting. The members of the Supervisory Board are also covered by directors and officers liability insurance (D&O insurance).

#### 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 89<sup>th</sup> Annual General Meeting of EVN on 18 January 2018 are available on the EVN website ([www.evn.at/AGM.aspx](http://www.evn.at/AGM.aspx)).

### Clear separation of management and control responsibilities

The Austrian Stock Corporation Act 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 2018, 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 independence of the members of the EVN Supervisory Board, as defined by Rule 53 of the ACGC, is to be seen on page 77.

The Supervisory Board performs its duties in accordance with legal regulations, in particular 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 of EVN AG or a subsidiary of EVN AG 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 company's internal control, 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.

### **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.

A revised version of the Austrian Corporate Governance Code was issued in 2018 and implemented by EVN AG as of 1 March 2018.

The most important decisions taken by the Supervisory Board in 2017/18 – in addition to the authorisation of the 2016/17 annual financial statements and the approval of the 2018/19 budget for the EVN Group – included, above all, the takeover of the Dürnrrohr and Korneuburg power plants as part of a comprehensive settlement with Verbund AG and its subsidiaries. The resolution on the budget also covered the approval of investments in heat and wind power plants, in district and neighbourhood heating plants, in the electricity, natural gas and heating networks and in the IT infrastructure, in particular to uphold supply security and the transport of renewable energy. In the power plant area, the Supervisory Board authorised the construction of an additional steam boiler at the heating interchange in Dürnrrohr. Approvals were also granted for a refinancing line of EUR 350m, a guarantee credit and the issue of a guarantee as well as the renewal of the EUR 400m syndicated revolving credit line. The premature resignation of two members from EVN's Advisory Committee for Environmental and Social Responsibility was followed by the nomination of two new members by the Supervisory Board.

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 93.3% in 2017/18.

#### **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 once in 2017/18 and dealt with issues involving the relations between the company and the Executive Board members. Discussions focused on the target agreements for the Executive Board.

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

The Audit Committee of the Supervisory Board met twice in 2017/18 and dealt with all of its assigned responsibilities (see page 80), above all with preparations for the resolution on the annual financial statements for 2016/17 including the use of profits, the work of the auditor and the half-year financial statements for 2017/18 including expectations for the full financial year. The Audit Committee also dealt extensively with the internal control, audit, risk and compliance management systems.

#### **Evaluation of the Supervisory Board's activities**

In 2017/18, 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.

#### **Measures to support women (Rule 60 of the ACGC)**

The percentage of women in EVN's workforce equalled 23.1% and roughly 12.5% of the positions for managing directors and authorised officers were filled by women in 2017/18. There are no women on EVN's Executive Board. The Women@EVN programme is designed to achieve the greatest possible diversity at the upper management level and gradually increase the percentage of women in management positions. Numerous initiatives have been implemented to create a framework that enables women to assume qualified positions in specialised areas and at the management level in line with their inclinations and skills.

Group-wide, 17 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 all employees 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.

#### **Diversity concept for appointments to the Executive Board and Supervisory Board (§ 243c (2) no. 2a of the Austrian Commercial Code)**

EVN is committed to offering equal opportunities to all its employees. The company is convinced that diversified teams produce better results and are more effective and innovative than single-gender groups. This principle also applies to the company's management and supervisory bodies.

Technical qualifications and personal expertise are the main criteria for the election of members to the Supervisory Board. The goal is to ensure a balanced composition of specialised know-how and personal qualifications. A special focus is placed on diversity with regard to the representation of both genders, a balanced age structure and the international character and professional background of the members.

Based on its current composition, EVN's Supervisory Board – as a whole and in its committees – has the necessary expertise required by the company, especially in the business, legal and technical fields.

Four women were members of EVN's Supervisory Board in 2017/18: three shareholder representatives and one employee representative. Bettina Glatz-Kremsner has served as chairwoman of the

Supervisory Board since 21 January 2016. The percentage of women equalled 30% for the shareholder representatives, 20% for the employee representatives and 26.7% for the Supervisory Board as a whole. The current composition of EVN's Supervisory Board meets the requirements of the Austrian Equality Act for Men and Women on Supervisory Boards (Federal Gazette I 104/2017) with regard to the shareholder representatives, but not for the employee representatives. This law calls for a ratio of 30% for both genders on the supervisory boards of listed corporations with a specified minimum number of supervisory board members and employees. However, existing Supervisory Board mandates remain intact up to the next election or delegation (§ 262 (38) of the Austrian Stock Corporation Act). In accordance with § 86 (9) of the Austrian Stock Corporation Act, EVN must meet the 30% rate in total. The selection of the Supervisory Board's shareholder representatives is, incidentally, the responsibility of the Annual General Meeting.

The members of the Supervisory Board range in age from 39 to 68 years.

#### **Evaluation of compliance with the C-Rules of the ACGC (Rule 62 of the ACGC)**

The ACGC requires the regular external evaluation of compliance with the C-Rules defined by the Code, and a corresponding external evaluation was carried out in 2017/18. It concluded that EVN AG complied with the C-Rules of the ACGC (January 2015 version), with only a few exceptions, during the 2016/17 financial year to the extent these rules were covered by the declaration of commitment issued by EVN AG. A number of rules did not apply to EVN AG during the evaluation period.

## 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 and 30 of the ACGC):** In 2017/18 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 2016/17 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 AG 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).

**Principles applicable to entitlements and claims by the Executive Board of the company on termination of their functions (Rule 30 of the ACGC):** Contributions were made to the employee pension fund on behalf of the Executive Board members. Each Executive Board member is also entitled to a contractually agreed pension on retirement, whereby payments from the Austrian pension scheme and VBV-Pensionskasse are considered part of this amount. The existing pension agreement for Franz Mittermayer was transferred in its current form.

**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 78.

**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 2017/18.

**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 65 to the consolidated financial statements.

**Auditor's fees:** EVN's annual and consolidated financial statements for the 2017/18 financial year were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. The total fees charged by KPMG in 2017/18 amounted to EUR 1.6m (previous year: EUR 1.6m) and were distributed as follows: 34.1% for auditing services (previous year: 36.7%), 17.5% for audit-related services (previous year: 12.2%), 39.8% for tax consulting services (previous year: 38.0%) and 8.6% for other consulting services (previous year: 13.1%).

## 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. The subsidiaries in Bulgaria and Macedonia have separate internal audit departments, whereby these staffs – similar to the corporate internal audit staff – also receive regular training. The internal audit departments are responsible for auditing and controlling processes and business units. Their activities follow annual audit plans which are 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 2017/18 management report.

### **Issuer compliance**

EVN has issued a comprehensive set of rules to prevent the misuse of insider information, which are based on the rules defined by Regulation (EU) No. 596/2014 (market abuse regulation), the Austrian Stock Corporation Act and capital market law and the Market Abuse Directive of the EU. Twenty permanent and four 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 2017/18 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.

The EVN Code of Conduct can be found under [www.evn.at/Code-of-conduct.aspx](http://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.

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 1,900 employees and managers in five languages and eight countries during 2017/18. 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 are also held for areas exposed to increased risk. In addition, the managers in EVN's international companies have completed half-day workshops with realistic compliance scenarios. Since the introduction of the CMS, more than 9,000 employees and managers have received training on the Code of Conduct in various cycles with different formats 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 communicate possible violations of EVN's Code of Conduct. This system is voluntary and reports can be submitted anonymously. In cases where the information is submitted under a specific name, the identity of the reporting person is treated confidentially. The whistle-blowing structures were reviewed, optimised and further standardised throughout the Group in 2017/18 based on previous experience with the handling of compliance reports.

The focus of activities in 2017/18 also included the enhanced anchoring of compliance in EVN's international companies, based on an evaluation of the previous financial year. Awareness

measures were developed together with the involved managers and implemented in joint training courses with their employees. These initiatives are intended to create higher acceptance on the part of employees and lead to a sustainable improvement in ethical behaviour.

In 2017/18 the compliance team also developed a concept for the identification and categorisation of potential conflicts of interest. The operational implementation in EVN's Austrian companies is planned for the coming financial year.

The Supervisory Board received a report on the content, goals and status of the compliance organisation in its meeting on 13 December 2017 in accordance with Rule 18a of the ACGC.

In preparation for the implementation of the binding EU General Data Protection Regulation which took effect on 25 May 2018, EVN's data protection officer organised various projects together

with the staff responsible for data protection. These projects are designed to meet the new 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](http://www.investor.evn.at).

Maria Enzersdorf, 20 November 2018



**Stefan Szyszkowitz**  
Spokesman of the Executive Board



**Franz Mittermayer**  
Member of the Executive Board

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# Management report

## Energy policy environment

The energy policy framework conditions for EVN's activities are significantly influenced by European energy and climate policies as well as the related targets and their implementation at the national level. The interaction of European actors in the energy sector – for example, the Agency for the Cooperation of Energy Regulators (ACER) and the Energy Community – plays a key role in defining the energy policy environment.

### European energy and climate policy

As early as 2011, the European Council set a goal to cut greenhouse gas emissions 80% to 95% below the 1990 level by 2050. Further targets for the years up to 2030 were announced as part of the climate and energy framework defined in 2014:

- 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
- Cross-border electricity interconnecting lines equalling at least 15% of domestic generation capacity
- An improvement in supply security for natural gas

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. Following discussions 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.

In February 2018, the European Parliament approved a stronger cutback in CO<sub>2</sub> emission certificates beginning in 2021. This decision was quickly reflected in an increase in the price of CO<sub>2</sub> emission certificates during 2017/18.

### Climate and energy strategy of the Austrian federal government

The Austrian federal government presented its climate and energy strategy in June 2018 under the title "#mission2030". It includes a number of targets, among others an exit from fossil fuel-based energy (decarbonisation) by 2050, and creates the basis for the development of an integrated national energy and climate plan. With this strategy, Austria has met the requirement of the

EU Commission to announce specific measures to reach the defined climate targets.

Austria has set a goal to raise the share of renewable energy to 45% to 50% of primary energy requirements by 2030. Moreover, electricity consumption is to be covered in full (national balance) by renewable energy sources in 2030. This calculation will not include the control or balancing energy required to stabilise network operations.

Greenhouse gas emissions in the sectors which do not fall under the EU Emission Trading Scheme are to be reduced 36% below the 2005 level by 2030. Activities in this area will concentrate on the transport and building sectors.

In the area of energy efficiency, Austria has set a goal to increase primary energy intensity 25% to 30% over the 2015 level by 2030.

#mission2030 includes a total of ten flagship projects with very specific measures to implement the Austrian climate and energy strategy. The most relevant projects for EVN's business activities are the "e-mobility offensive", "thermal building renovation", "renewable heat", "100,000 roof-mounted photovoltaics and small-scale storage programme" and "renewable hydrogen and biomethane".

### Austrian green electricity regulations

The so-called "limited green electricity amendment" passed by the Austrian Parliament in June 2017 included a special quota of subsidies for the construction of wind power plants. This created a legal transition to reduce the waiting lists for projects previously approved by municipal authorities.

The Austrian federal government's climate and energy strategy also calls for the redesign of the legal framework for the expansion of renewable electricity generation. A new Austrian electricity act is scheduled to take effect as of 1 January 2020 which will, in particular, adapt the existing subsidy model to meet the requirements of the EU Directive on state energy and environmental subsidies.

### German-Austrian electricity price zone

The possibility of unrestricted electricity trading between Germany and Austria, which took effect in 2002, has been limited to the management of shortages since 1 October 2018 based on a long-term capacity limit of 4.9 GW between the two countries. The Austrian network transmission operator has also been required to contribute up to 1.0 GW to stabilise the German transmission networks since 1 October 2018, and this volume will increase to 1.5 GW as of 1 October 2019. The direct contractual provision of

electricity by EVN's thermal power plants to stabilise the networks in southern Germany was terminated with the separation of the German-Austrian electricity price zone; this reserve capacity will now be provided for the Austrian network transmission operator.

## Regulatory environment

### Austria

The operation of the distribution networks and network infrastructure for electricity and natural gas in Lower Austria is the responsibility of EVN's subsidiary Netz Niederösterreich GmbH. All investments and expenditures by this company to ensure the continuous operations of the network infrastructure are remunerated through network tariffs which are set by the E-Control Commission each year in accordance with the Austrian regulatory method.

Key parameters for the determination of the network tariffs include the interest-bearing capital base (regulatory asset base) of the network operator and the weighted average cost of capital. Also included is an incentive in the form of productivity factors, which serve as individual cost reduction targets for the respective company and also include inflationary adjustments. E-Control sets the weighted average cost of capital and cost reduction targets for an entire regulatory period, which equals five years in Austria.

The regulatory authority reduced the weighted average cost of capital with the start of the new regulatory period for the natural gas distribution network on 1 January 2018 to reflect the generally lower interest rate levels. However, a differentiation was made for the first time between the efficiency of the various network operators and between existing and new equipment in order to create incentives for further investments and efficiency improvements. This benefits network operators with higher productivity in branch comparison as well as with the slightly higher interest rates on the capital required for new investments. EVN's network company has received a very positive evaluation from the regulatory authority for its productivity in peer-group benchmarking.

A new five-year regulatory period for the electricity distribution network will begin on 1 January 2019.

### 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. EVN Bulgaria will continue to supply commercial customers in the regulated market during 2018/19. After that time, the company will only supply household customers and serve as a "supplier of last resort" for 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 and the procurement of the corresponding volumes are based on regulated prices. EVN Trading SEE acts as a supplier for the liberalised customers.

The Bulgarian regulatory authority set new energy tariffs for the regulated market segments as of 1 July 2018. The end customer prices for household customers in EVN's supply area were increased by 1.4% on average for electricity and reduced by roughly 4.0% for heat (previous year: average increase of 1.7% for electricity and 1.5% for heat as of 1 July 2017).

A new three-year regulation period for the electricity network in Bulgaria began on 1 July 2018. 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. EP Yug is responsible for the operation of the electricity distribution networks in EVN's supply area.

### Macedonia

EVN operates through various companies in Macedonia. This structure is a result of the unbundling of the individual business areas in utility companies and the need to meet related requirements. EVN Macedonia Elektrani DOOEL serves as the production company, and EVN Elektrodistribucija DOOEL is the distribution network operator in the regulated network business. Customers in the liberalised market segment receive deliveries from the sales company EVN Macedonia Elektroabduvanje DOOEL, while EVN Macedonia AD is responsible for supplying customers in the regulated market segments.

The tariff decisions for the regulated market segments which took effect in Macedonia on 1 July 2018 reduced electricity prices for end customers by an average of 0.2% (previous year: average reduction of 0.3%). The liberalisation of the electricity market in Macedonia will be implemented gradually by July 2020, depending on customers' annual electricity consumption. The liberalisation steps will also include the granting of a license for a "supplier of universal service" who will be responsible for deliveries to customers who do not want to or cannot change into the liberalised market.

A new three-year regulatory period for the electricity network also began in Macedonia on 1 July 2018. 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 full liberalisation of the Croatian natural gas market has been postponed again, but household customers already have the right to change suppliers. The market for commercial and industrial customers has been liberalised since 2012, and this growing liberalisation has led to increased competition among the natural gas suppliers active on the Croatian market. The consolidation and takeover process that has taken hold in the natural gas sector leads to expectations that competition will continue to increase. In addition, the new Natural Gas Market Act which took effect on 3 March 2018 includes, among others, new rules for the distribution network, the organisation of the natural gas market, the pipeline network and the tariff calculation method.

## General business environment

The European Union generated growth of 2.4% in 2017, but the forecasts for 2018 and 2019 are slightly lower at 2.0% to 2.1% and 1.8% to 1.9%, respectively. Global trade has been unsettled by currency risks in a number of emerging East European countries, the unclear direction of US trade policies and the search for an agreement over the United Kingdom's exit from the EU in 2019. Conversely, the domestic economy has been supported by the ongoing, very sound condition of the labour markets in Europe and the USA. Further impulses have also been provided by the continuing expansive monetary policy in Europe.

The increasing economic weakness in the eurozone since the beginning of the year has recently been reflected in a moderate decline in Austria. However, growth has been robust to date in international comparison: the Austrian economy appears to have passed the high point of the upward trend, but remains dynamic. Stimulated by a strong increase in employment, rising real wages and high consumer confidence, private consumption represents an important growth driver. In total, economic researchers are projecting GDP growth of 2.7% to 3.0% in 2018 and 1.7% to 2.0% in 2019.

Bulgaria is expected to see even stronger growth: the GDP increase of 3.6% in 2017 was driven primarily by sound domestic demand and should be followed by similar growth rates over the next two years. The estimates range from 3.5% to 3.8% in 2018 and from 3.2% to 3.7% in 2019. The main drivers for this steady momentum are, as expected, strong private consumption and a high level of investment. According to the experts, political stability over the medium term and the stable currency and household systems should contribute to this ongoing favourable development.

Positive expectations also characterise the picture in Croatia: The 2.9% increase in the economy during 2017 is expected to be followed by 2.5% to 2.8% in 2018 and 2019. These estimates are based, on the one hand, on strong domestic demand – primarily from private household consumption, which will benefit from tourism revenues, wage increases and a further decline in unemployment – and, on the other hand, from the income tax cuts which will take effect at the beginning of 2019.

In Macedonia, hopes are placed on the reform package approved by the government after the zero growth recorded in 2017. The forecasts for an increase of 1.6% to 2.3% in 2018 and roughly

<b>GDP growth</b>	%	<b>2019f</b>	<b>2018e</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
EU-28 <sup>1)2)</sup>		1.8–1.9	2.0–2.1	2.4	1.9	2.3
Austria <sup>2)3)</sup>		1.7–2.0	2.7–3.0	2.6	2.0	1.1
Bulgaria <sup>1)2)4)5)</sup>		3.2–3.7	3.5–3.8	3.6	3.9	3.6
Croatia <sup>1)2)4)6)</sup>		2.5–2.8	2.6–2.8	2.9	3.5	2.4
Macedonia <sup>5)6)</sup>		2.6–2.7	1.6–2.3	0.0	2.9	3.9

1) Source: "European Economic Forecast, Autumn 2018", EU-Commission, November 2018

2) Source: "Prognose der österreichischen Wirtschaft 2018–2019", IHS, October 2018

3) Source: "Prognose für 2018 und 2019: Weiterhin starkes Wachstum in risikoreichem Umfeld", WIFO, October 2018

4) Source: "Strategie Österreich & CEE 4. Quartal 2018", Raiffeisen Research, October 2018

5) Source: "Global Economic Prospects", World Bank, June 2018

6) Source: "World Economic Outlook", International Monetary Fund, October 2018

2.6% in 2019 appear quite realistic. The planned changes in the tax system, government subsidy schemes to create jobs and the expansion of the railway and road infrastructure lead economic analysts to expect growth at this level.

## 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 during 2017/18 were significantly warmer than the previous year with its unusually cold winter. In Austria, the heating degree total – which defines the

temperature-related demand for energy – was 12.9 percentage points lower than the previous year. The weather in Bulgaria and Macedonia was also much milder, with a heating degree total that was 15.5 and 13.5 percentage points, respectively, below 2016/17. The cooling-related demand for energy, in contrast, differed by national market: the cooling degree total – which represents the equivalent of the heating demand for cooling purposes – was 13.9 percentage points higher year-on-year in Austria, but 5.7 percentage points and 23.1 percentage points lower, respectively, in Bulgaria and Macedonia.

The average EEX price for natural gas rose by 24.7% year-on-year to EUR 21.6 per MWh in 2017/18, above all due to the increase in crude oil prices which followed the positive development of the economy and production cutbacks by OPEC. Average coal prices were 4.1% higher at EUR 77.7 per tonne, chiefly as a result of the general upward trend in primary energy prices. The prices for CO<sub>2</sub> emission certificates rose significantly from EUR 5.3 per tonne in the previous year to EUR 12.6 per tonne. This increase is principally

<b>Energy sector environment – indicators</b>		<b>2017/18</b>	<b>2016/17</b>
<b>Heating-related energy demand<sup>1)</sup></b>			
	%		
Austria		101.8	114.7
Bulgaria		93.3	108.7
Macedonia		95.6	109.1
<b>Cooling-related energy demand<sup>1)</sup></b>			
	%		
Austria		105.2	91.3
Bulgaria		103.2	108.9
Macedonia		93.5	116.6
<b>Primary energy and CO<sub>2</sub> emission certificates</b>			
Crude oil – Brent	EUR/bbl	58.3	46.1
Natural gas – GIMP <sup>2)</sup>	EUR/MWh	21.6	17.3
Hard coal – API#2 <sup>3)</sup>	EUR/t	77.7	74.6
CO <sub>2</sub> emission certificates	EUR/t	12.6	5.3
<b>Electricity – EEX forward market<sup>4)</sup></b>			
Base load	EUR/MWh	34.1	28.2
Peak load	EUR/MWh	42.2	35.0
<b>Electricity – EPEX spot market<sup>5)</sup></b>			
Base load	EUR/MWh	39.2	35.3
Peak load	EUR/MWh	47.5	43.0

1) Calculated based on the heating degree total respectively cooling 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

attributable to the favourable development of the economy and the resulting higher demand by industrial companies for CO<sub>2</sub> emission certificates and also reflects a decision by the European Parliament in February 2018 in favour of a stronger reduction in emission certificates beginning in 2021.

In line with the sound economic growth and the increase in emission certificate prices, the forward and spot market prices for base load and peak load electricity increased substantially in 2017/18. Average forward prices rose by 20.9% year-on-year to EUR 34.1 per MWh for base load electricity and by 20.4% to EUR 42.2 per MWh for peak load electricity. The average spot market prices for base load electricity were 11.0% higher than the previous year at EUR 39.2 per MWh and 10.6% higher for peak load electricity at EUR 47.5 per MWh.

## Business development

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

☐ Also see page 132f

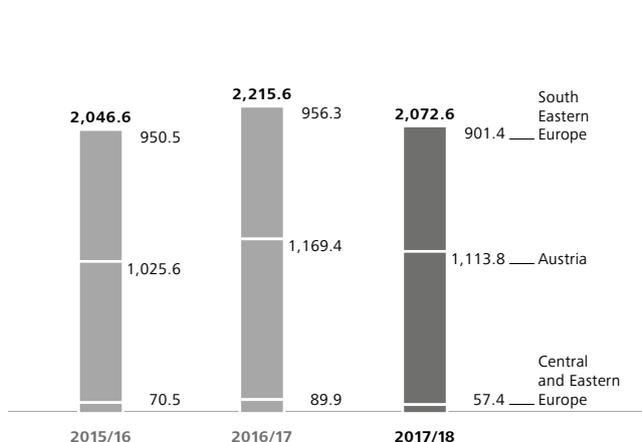
### Statement of operations

#### Highlights 2017/18

- Group net result above normal level for second year in succession due to non-recurring effects
  - Higher energy market prices led to positive non-cash earnings effect from the valuation of hedges
  - Absence of positive special effects in the previous year were thereby offset (agreement with NEK and unusually high temperature-related energy demand)
  - Lower effects from impairment testing
- Energy sector results reduced by substantially milder temperatures – especially in South Eastern Europe
- Increase in renewable electricity production with parallel decline in thermal generation
- Earnings development in Networks Segment slowed by price and volume effects

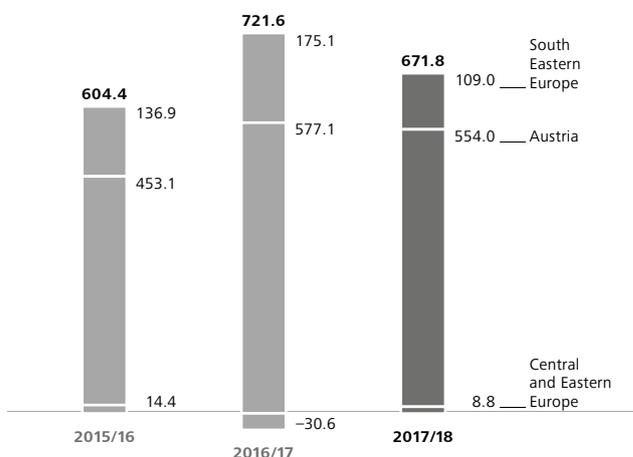
### Revenue by region

EURm



### EBITDA by region

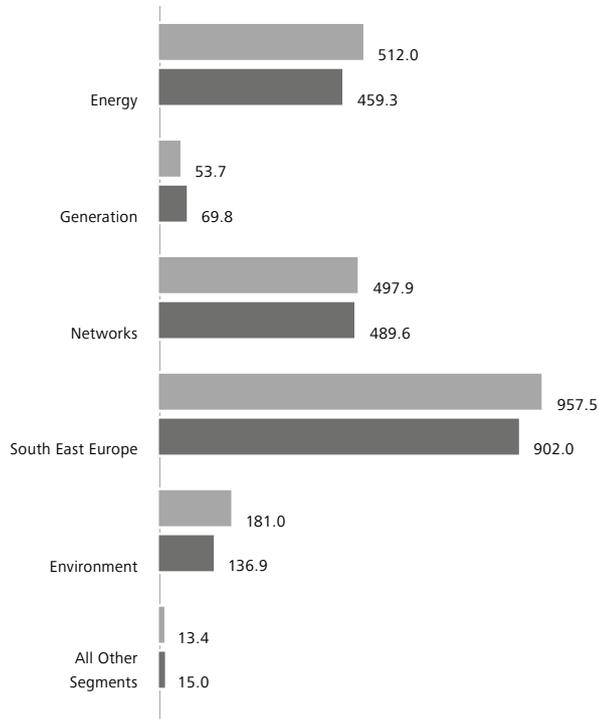
EURm



**External revenue by segment**

EURm

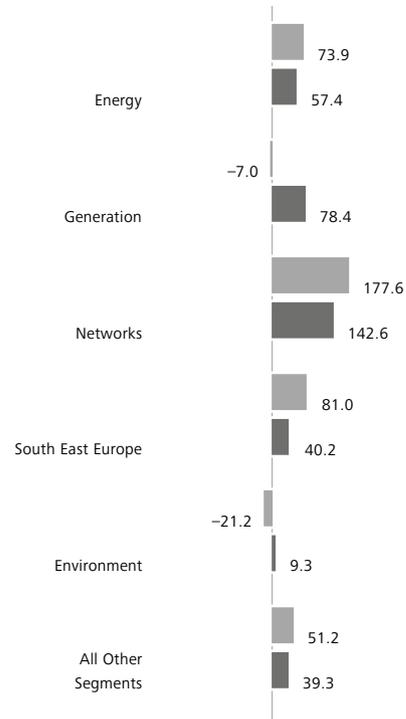
2016/17  
2017/18



**EBIT by segment**

EURm

2016/17  
2017/18



**Results of operations**

Revenue recorded by the EVN Group declined by 6.5% to EUR 2,072.6m in 2017/18. The main reasons for this development included a reduction in sales of electricity from thermal production compared with the previous year, valuation effects from hedges, lower natural gas trading activities and temperature-related volume effects, above all in South Eastern Europe. The decrease in the international project business represented a further negative factor. Positive impulses were provided by renewable electricity generation, the supply of reserve capacity for network stabilisation and an increase in heat sales which, in total, were unable to fully offset the revenue decline.

The revenue generated by EVN outside Austria amounted to EUR 958.8m (previous year: EUR 1,046.3m). This represents a decline in the share of Group revenue from 47.2% in the previous year to 46.3%.

Other operating income rose by 3.0% to EUR 105.0m in 2017/18 despite the absence of the prior year’s earnings effects included in this position from the settlement between EVN’s Bulgarian supply company and the state-owned Bulgarian electricity company NEK. The reporting year increase was based, above all, on positive changes in inventories related to customer projects not yet invoiced.

The agreement with NEK also had a positive influence on the cost of electricity purchases from third parties and primary energy expenses, and the comparable prior year value was lower because of this non-recurring effect. In 2017/18 lower thermal electricity production, a reduction in natural gas trading, the valuation of hedges as of the balance sheet date and a weather-related drop in energy sales volumes in South Eastern Europe were responsible for a decline in the cost of electricity purchases from third parties and primary energy expenses. Higher upstream network costs represented a contrary factor. In total, the cost of electricity purchases

<b>Condensed consolidated statement of operations</b>	<b>2017/18</b>	<b>2016/17</b>	<b>+/-</b>		<b>2015/16</b>
	<b>EURm</b>	<b>EURm</b>	<b>Nominal</b>	<b>%</b>	<b>EURm</b>
<b>Revenue</b>	<b>2,072.6</b>	<b>2,215.6</b>	<b>-143.0</b>	<b>-6.5</b>	<b>2,046.6</b>
Other operating income	105.0	101.9	3.1	3.0	97.0
Electricity purchases and primary energy expenses	-961.3	-989.0	27.7	2.8	-930.6
Cost of materials and services	-275.1	-313.7	38.5	12.3	-246.7
Personnel expenses	-321.7	-316.8	-4.9	-1.6	-313.7
Other operating expenses	-135.7	-139.0	3.3	2.4	-141.6
Share of results from equity accounted investees with operational nature	188.0	162.6	25.5	15.7	93.5
<b>EBITDA</b>	<b>671.8</b>	<b>721.6</b>	<b>-49.8</b>	<b>-6.9</b>	<b>604.4</b>
Depreciation and amortisation	-258.3	-262.3	4.0	1.5	-266.1
Effects from impairment tests	-20.6	-112.5	91.9	81.7	-77.9
<b>Results from operating activities (EBIT)</b>	<b>392.9</b>	<b>346.9</b>	<b>46.1</b>	<b>13.3</b>	<b>260.4</b>
<b>Financial results</b>	<b>-37.2</b>	<b>-21.4</b>	<b>-15.8</b>	<b>-73.9</b>	<b>-61.6</b>
<b>Result before income tax</b>	<b>355.7</b>	<b>325.5</b>	<b>30.3</b>	<b>9.3</b>	<b>198.9</b>
Income tax	-76.1	-53.9	-22.1	-41.0	-16.0
<b>Result for the period</b>	<b>279.6</b>	<b>271.5</b>	<b>8.1</b>	<b>3.0</b>	<b>182.8</b>
thereof result attributable to EVN AG shareholders (Group net result)	254.6	251.0	3.6	1.4	156.4
thereof result attributable to non-controlling interests	25.0	20.5	4.5	22.0	26.4
<b>Earnings per share in EUR<sup>1)</sup></b>	<b>1.43</b>	<b>1.41</b>	<b>0.02</b>	<b>1.4</b>	<b>0.88</b>

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

from third parties and primary energy expenses fell by 2.8% to EUR 961.3m.

The cost of materials and services was 12.3% lower at EUR 275.1m as a result of developments in the international project business. On the one hand, expenses were lower due to the reduced order volume. On the other hand, the comparable prior year value was unusually high because of a EUR 45.5m valuation allowance recognised to the remaining aggregate components (reported under inventories) from the former thermal waste utilisation plant project no. 1 in Moscow.

The average workforce declined to 6,831 employees in 2017/18 (previous year: 6,840). Personnel expenses increased, however, by 1.6% to EUR 321.7m chiefly due to adjustments required by collective agreements.

Other operating expenses were 2.4% lower at EUR 135.7m.

The share of results from equity accounted investees with operational nature rose by 15.7% to EUR 188.0m – despite lower earnings contributions from Energie Burgenland and RAG. The increase resulted primarily from the valuation of hedges held by EVN KG as of the balance sheet date. In addition, this position included an

impairment loss recognised to the investment in Verbund Innkraftwerke GmbH in the previous year.

Based on these developments, EBITDA declined by 6.9% year-on-year to EUR 671.8m in 2017/18. Scheduled depreciation and amortisation were only 1.5% lower than the previous year at EUR 258.3m, but the effects of impairment testing fell by a total of 81.7% to EUR 20.6m. Included here, in particular, are impairment losses to the proportionate investment held by EVN in the Walsum 10 power plant (EUR 25.4m) and to thermal generation plants and district heating plants as well as write-ups, among others, to renewable generation plants and electricity purchase rights. The substantial reduction in this position is attributable, not least, to the higher impairment losses recorded in the previous year, e.g. to thermal and renewable generation plants. After the deduction of depreciation, amortisation and the effects of impairment testing, EBIT rose by 13.3% year-on-year to EUR 392.9m in 2017/18.

Financial results fell by 73.9% to EUR -37.2m, primarily due to the absence of positive valuation effects from the previous year. These valuation effects resulted from the transfer of Verbund shares by the equity-accounted WEEV Beteiligungs GmbH to EVN AG in 2016/17. The decline was increased by a negative currency effect related to EVN's remaining activities in Moscow. The

**Value analysis**

		2017/18	2016/17	+/- %	2015/16
Average equity	EURm	3,621.4	2,960.4	22.3	2,680.4
WACC after income tax <sup>1)2)</sup>	%	6.3	6.3	–	6.5
Operating ROCE (OpROCE) <sup>1)3)</sup>	%	7.7	10.2	–2.5	7.6
Average capital employed <sup>3)</sup>	EURm	4,094.2	4,173.5	–1.9	4,290.7
Net operating profit after tax (NOPAT) <sup>3)</sup>	EURm	314.8	425.7	–26.1	327.4
EVA <sup>®</sup>	EURm	58.9	164.8	–64.3	48.5

1) Changes reported in percentage points.

2) The WACC given (exact value: 6.25%) 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.

reduction in interest expense resulting from the lower level of debt and the higher dividend from Verbund AG for the 2017 financial year were unable to fully offset this decline.

The result before income tax rose by 9.3% year-on-year to EUR 355.7m. After the deduction of EUR 76.1m in income tax expense – which was 41.0% higher than the previous year – and the earnings attributable to non-controlling interests, Group net result for the 2017/18 financial year equalled EUR 254.6m. This represents an increase of 1.4% over the previous year.

**Statement of financial position****Asset and financial position**

EVN's balance sheet total rose by 21.3% over the level on 30 September 2017 to EUR 7,831.1m as of 30 September 2018.

This increase was based primarily on the development of non-current assets, which rose by 20.2% to EUR 6,881.9m, and resulted chiefly from the substantially higher price of the Verbund share on the balance sheet date (30 September 2018: EUR 42.42; previous year: EUR 19.95). Other non-current assets also increased, in particular due to a higher balance of non-current securities in the R 138 fund and higher receivables from derivative transactions. The latter reflect the rising energy market prices and the resulting higher market value of derivatives in the energy business. In contrast, the premature cancellation of the contract concluded with the municipality of Budva, Montenegro, for the construction, financing and operation of a wastewater treatment plant led to the reclassification of lease receivables from other non-current to current assets.

Current assets rose by 29.8% to EUR 949.1m. The main factors responsible for this increase include the reclassification of lease receivables from the wastewater treatment project in Budva (see above), a higher volume of receivables due from equity-accounted companies for energy deliveries and a higher volume of current

receivables from derivative transactions in the energy business based on higher market values on the balance sheet date. The balance of the cash fund investments, which are recorded as current securities, was also higher as of 30 September 2018.

EVN's equity increased by 29.9% year-on-year to EUR 4,092.6m as of 30 September 2018. This development was supported by the substantial improvement in Group net result during 2017/18 and, above all, by positive effects from valuations recorded directly in equity. The increase in the Verbund share price was an important factor in this regard. Not least due to these valuation effects, the equity ratio rose to 52.3% (previous year: 48.8%).

Non-current liabilities were 11.6% higher year-on-year at EUR 2,670.3m. The main contributing factors included an increase in non-current provisions and, in particular, an increase in non-current tax liabilities which resulted from the higher market price of the Verbund shares. Contrary factors included the reclassification of loans and borrowings from non-current to current.

Current liabilities increased by 17.0% to EUR 1,068.1m, chiefly due to the reclassification of financial liabilities (see above) as well as higher amounts payable to equity-accounted companies and liabilities from derivative transactions.

**Value analysis**

The weighted average cost of capital (WACC) after tax – including EVN's specific company and country risks – was set at 6.25% for the purpose of corporate management. The economic value added (EVA<sup>®</sup>) generated in 2017/18 totalled EUR 58.9m (previous year: EUR 164.8m). The operating return on capital employed (OpROCE) amounted to 7.7% for the reporting year (previous year: 10.2%).

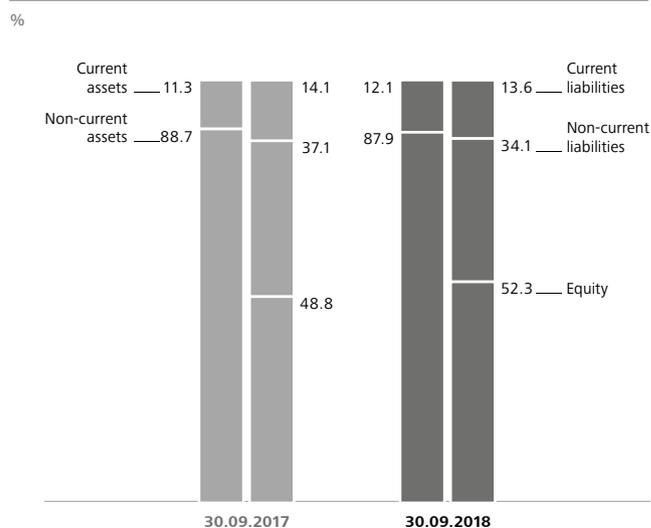
**Liquidity position**

The strong cash flow from operating activities allowed EVN to reduce its net debt – which also includes non-current personnel

provisions – by 20.6% to EUR 963.7m during the reporting year. This reduction, combined with the growth in equity which was also supported by the higher price of the Verbund share, – led to a decrease in the gearing ratio from 38.5% to 23.5%.

In order to safeguard its financial flexibility, the EVN Group holds a syndicated credit line of EUR 400.0m, which was prematurely refinanced in May 2018, as well as contractually agreed bilateral credit commitments of approximately EUR 92.0m that were not drawn as of 30 September 2018 and were therefore available in full. The syndicated credit line is seen as a strategic liquidity reserve and has a term of five years with two one-year extension options. The remaining terms of the bilateral credit lines concluded with five banks range up to four years. These solid liquidity reserves underscore the EVN Group's financial stability and flexibility.

### Balance sheet structure



Condensed consolidated statement of financial position	30.09.2018	30.09.2017	+/-		30.09.2016
	EURm	EURm	Nominal	%	EURm
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets and property, plant and equipment	3,620.8	3,560.6	60.2	1.7	3,733.7
Investments in equity accounted investees and other investments	2,939.9	1,873.8	1,066.1	56.9	1,537.8
Other non-current assets	321.2	289.5	31.8	11.0	414.2
	<b>6,881.9</b>	<b>5,723.8</b>	<b>1,158.1</b>	<b>20.2</b>	<b>5,685.8</b>
<b>Current assets</b>	<b>949.1</b>	<b>731.0</b>	<b>218.1</b>	<b>29.8</b>	<b>866.9</b>
Non-current assets held for sale	-	-	-	-	3.8
<b>Total assets</b>	<b>7,831.1</b>	<b>6,454.9</b>	<b>1,376.2</b>	<b>21.3</b>	<b>6,556.5</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Issued capital and reserves attributable to shareholders of EVN AG	3,832.8	2,892.1	940.6	32.5	2,510.8
Non-controlling interests	259.9	258.0	1.9	0.7	259.8
	<b>4,092.6</b>	<b>3,150.1</b>	<b>942.6</b>	<b>29.9</b>	<b>2,770.7</b>
<b>Non-current liabilities</b>					
Non-current loans and borrowings	1,040.5	1,125.4	-84.9	-7.5	1,314.5
Deferred tax liabilities and non-current provisions	951.8	624.4	327.4	52.4	601.2
Deferred income from network subsidies and other non-current liabilities	678.0	642.4	35.6	5.5	625.0
	<b>2,670.3</b>	<b>2,392.2</b>	<b>278.1</b>	<b>11.6</b>	<b>2,540.7</b>
<b>Current liabilities</b>					
Current loans and borrowings	89.1	50.5	38.6	76.5	239.1
Other current liabilities	979.1	862.1	117.0	13.6	1,006.1
	<b>1,068.1</b>	<b>912.6</b>	<b>155.6</b>	<b>17.0</b>	<b>1,245.1</b>
<b>Total equity and liabilities</b>	<b>7,831.1</b>	<b>6,454.9</b>	<b>1,376.2</b>	<b>21.3</b>	<b>6,556.5</b>

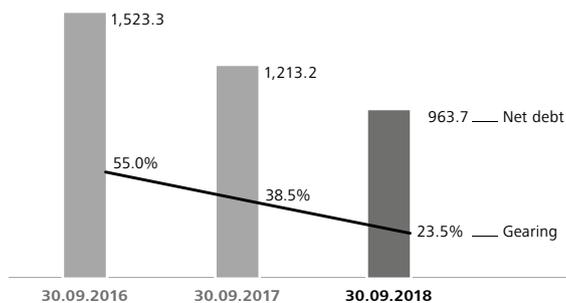
Capital structure indicators	30.09.2018	30.09.2017	+/-		30.09.2016
	EURm	EURm	Nominal	%	EURm
Non-current loans and borrowings	1,040.5	1,125.4	-84.9	-7.5	1,314.5
Current loans and borrowings <sup>1)</sup>	89.1	49.2	39.9	81.2	225.4
Cash and cash equivalents	-214.5	-221.8	7.3	3.3	-223.5
Non-current and current securities	-274.8	-59.0	-215.8	-	-158.4
Non-current and current loans receivable	-42.2	-43.9	1.7	3.9	-36.5
<b>Financial net debt</b>	<b>598.0</b>	<b>849.9</b>	<b>-251.9</b>	<b>-29.6</b>	<b>1,121.5</b>
<b>Net debt</b>	<b>963.7</b>	<b>1,213.2</b>	<b>-249.5</b>	<b>-20.6</b>	<b>1,523.3</b>
<b>Equity</b>	<b>4,092.6</b>	<b>3,150.1</b>	<b>942.6</b>	<b>29.9</b>	<b>2,770.7</b>
<b>Gearing (%)<sup>2)</sup></b>	<b>23.5</b>	<b>38.5</b>	<b>-</b>	<b>-15.0</b>	<b>55.0</b>

1) Excl. bank overdrafts contained in cash and cash equivalents

2) Changes reported in percentage points

## Net debt and gearing

EURm and %



□ For additional information on the composition and terms of non-current financial liabilities, see page 166f

## Statement of cash flows

Gross cash flow declined by 2.1% to EUR 560.3m in 2017/18 as the result of differing developments: positive factors included the improvement in the result before income tax, an increase in the dividends from equity-accounted investees which exceeded the respective earnings contributions and higher non-current provisions. Contrasting effects included the lower depreciation and amortisation which resulted from the year-on-year decline in the effects of impairment testing.

Cash flow from operating activities rose by 18.6% to EUR 603.5m. This increase reflected contrary non-recurring effects from the previous year, specifically the valuation allowance recognised to the remaining aggregate components (reported under inventories) from the former thermal waste utilisation plant project no. 1 in Moscow and the reduction in liabilities which followed the arbitration decision on the Walsum 10 power plant project. A positive effect in 2017/18 resulted from the changes in other working capital.

Cash flow from investing activities was substantially lower at EUR –457.1m (previous year: EUR –70.6m). However, the prior year comparison is distorted by the above-mentioned arbitration decision and the subsequent reduction in the acquisition cost of the Walsum 10 power plant which was also recorded in 2016/17. Other negative factors included the increase in current securities during the reporting year, the higher balance of non-current securities in the R 138 fund and higher net investments in property, plant and equipment.

Cash flow from financing activities totalled EUR –153.5m in 2017/18 (previous year: EUR –439.9m). This amount includes the dividend payment for the 2016/17 financial year to the shareholders of EVN AG and to non-controlling interests as well as the scheduled repayment of financial liabilities. A comparison with the previous year must also include the repayment of a EUR 150m bond in June 2017.

In total, cash flow amounted to EUR –7.1m in 2017/18, and cash and cash equivalents equalled EUR 214.5m as of 30 September 2018. The EVN Group also had contractually agreed, undrawn

credit lines of approximately EUR 492.0m at its disposal to service potential short-term financing requirements.

### Investments

Capital expenditure was 17.3% higher year-on year at EUR 356.4m in 2017/18.

Investments in the Energy Segment focused on the further expansion of the district heating networks, the construction and/or takeover of biomass heating plants and the construction of cross-regional district heating connector lines.

In the Generation Segment, investments were substantially higher than the previous year and reflected the ongoing expansion of wind power capacity in Lower Austria. EVN completed and commissioned two new wind parks in Oberwaltersdorf and Sommerein during the reporting year and also acquired a further, existing wind park in Ebenfurth.

The Networks Segment continued its high pace of investment. Through its steady investment focus on the network infrastructure

Condensed consolidated statement of cash flows	2017/18	2016/17	+/-		2015/16
	EURm	EURm	Nominal	%	EURm
Result before income tax	355.7	325.5	30.3	9.3	198.9
Non-cash items	204.6	246.8	-42.2	-17.1	339.0
<b>Gross cash flow</b>	<b>560.3</b>	<b>572.3</b>	<b>-11.9</b>	<b>-2.1</b>	<b>537.9</b>
Changes in current and non-current balance sheet items	45.2	-52.8	98.1	-	-75.5
Income tax paid	-2.0	-10.5	8.5	80.9	0.6
<b>Net cash flow from operating activities</b>	<b>603.5</b>	<b>508.9</b>	<b>94.6</b>	<b>18.6</b>	<b>463.0</b>
Changes in intangible assets and property, plant and equipment incl. deferred income from network subsidiaries	-262.3	-144.5	-117.7	-81.4	-239.1
Changes in financial assets and other non-current assets	-54.3	-1.0	-53.3	-	2.7
Changes in current securities	-140.6	74.9	-215.5	-	5.9
<b>Net cash flow from investing activities</b>	<b>-457.1</b>	<b>-70.6</b>	<b>-386.5</b>	<b>-</b>	<b>-230.6</b>
<b>Net cash flow from financing activities</b>	<b>-153.5</b>	<b>-439.9</b>	<b>286.4</b>	<b>65.1</b>	<b>-253.9</b>
<b>Net change in cash and cash equivalents</b>	<b>-7.1</b>	<b>-1.6</b>	<b>-5.5</b>	<b>-</b>	<b>-21.5</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>221.8</b>	<b>223.5</b>	<b>-1.7</b>	<b>-0.8</b>	<b>244.9</b>
Currency translation differences on cash and cash equivalents	-0.1	-0.1	-0.0 <sup>*)</sup>	-45.0	0.1
<b>Cash and cash equivalents at the end of the period</b>	<b>214.5</b>	<b>221.8</b>	<b>-7.3</b>	<b>-3.3</b>	<b>223.5</b>

<sup>\*)</sup> Small amount

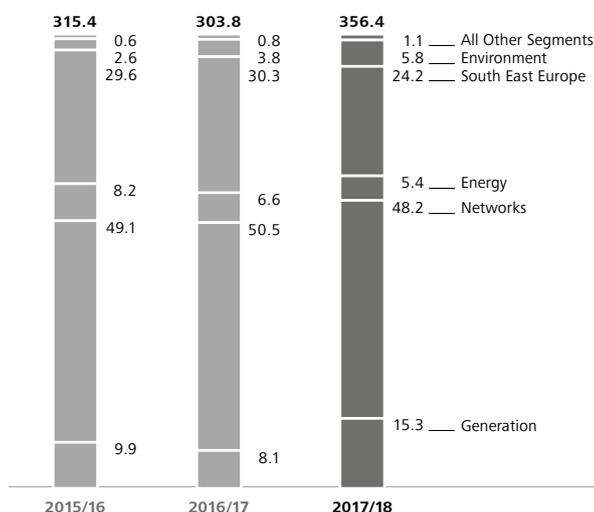
Investment priorities <sup>1)</sup>	2017/18	2016/17	+/-		2015/16
	EURm	EURm	Nominal	%	EURm
<b>Energy</b>	19.2	20.0	-0.8	-4.0	26.0
<b>Generation</b>	54.6	24.6	30.0	-	31.2
thereof renewable energy Lower Austria	43.3	13.7	29.6	-	25.9
thereof thermal power plants	11.1	10.3	0.8	7.8	5.0
<b>Networks</b>	171.6	153.3	18.2	11.9	154.7
thereof electricity networks	108.6	101.8	6.8	6.7	105.1
thereof natural gas networks	40.6	35.8	4.7	13.2	35.2
thereof cable TV and telecommunications networks	22.3	15.7	6.6	41.8	14.5
<b>South East Europe</b>	86.4	92.0	-5.7	-6.2	93.5
<b>Environment</b>	20.7	11.5	9.1	79.1	8.1
thereof cross-regional supply pipelines and local networks for drinking water	17.3	8.3	9.0	-	7.3
<b>All Other Segments</b>	4.0	2.3	1.7	73.4	1.9
<b>Total</b>	<b>356.4</b>	<b>303.8</b>	<b>52.6</b>	<b>17.3</b>	<b>315.4</b>

1) After consolidation

▲ GRI indicator: 203-1

### Structure of investments

%, total in EURm



in Lower Austria – for example, with the new construction or expansion of transformer stations and the expansion or replacement of 110 kV power lines and natural gas pipelines – EVN makes an important contribution to sustainably guaranteeing and improving supply security and quality in its home market.

The main focus of EVN's investments in the South East Europe Segment were also directed to – and will remain on – the protection of supply security.

In line with EVN's strategic orientation, investments in the Environment Segment were again concentrated on improving the supply security and quality of drinking water supplies in Lower Austria. Projects focused on the expansion of the cross-regional pipeline networks and the construction of further natural filter plants to reduce the water hardness by natural means.

## Innovation, research and development

The most important areas of activity in the EVN materiality matrix also define the framework for our innovation, research and development activities. Our projects are focused primarily on safeguarding supply security, protecting the environment and resources, and strengthening our competitive position. In 2017/18 we spent EUR 3.4m (of which 0% was financed through public subsidies; previous year: EUR 2.6m) on innovation, research and development projects. In addition to the operation of a blockchain prototype to more closely examine this new technology, activities were directed to the testing and implementation of technological solutions which will further strengthen supply security. Included here, among others, are the following:

→ **Battery storage project at the Prottes wind park:** The advantage of this battery lies in its reaction capabilities in the millisecond range, which allow it to react much faster to grid load changes. For example, this type of storage makes it possible to stabilise grid frequency and offset voltage fluctuations. In 2017/18 we tested all the battery's functions together with our project partners and were able to prove its basic applicability for different grid stabilisation purposes – e.g. voltage stability, blind current compensation, phase compensation, frequency stabilisation and virtual flywheel mass operations. Short-circuit tests were also carried out at the 30 kV and 110 kV voltage levels and provided interesting and valuable information on the reaction of grid-integrated storage facilities to such conditions. We also conducted a black start and isolated operation test, which involved the simulation of a blackout and the configuration of a local grid comprising battery storage and wind turbines from the neighbouring Prottes-Ollersdorf wind park. The battery storage successfully supplied the electricity required to start the wind park equipment. The start of operations was followed by the storage of the generated electricity in the large battery. These activities demonstrate the general suitability of the battery for the decentralised grid restoration. Continuous operation tests with the battery storage system are currently in progress and are designed, in particular, to evaluate the parallel fulfilment of multiple functions. This research project is being conducted in cooperation with TU Wien and AIT (Austrian Institute of Technology) and is scheduled to run up to August 2019.

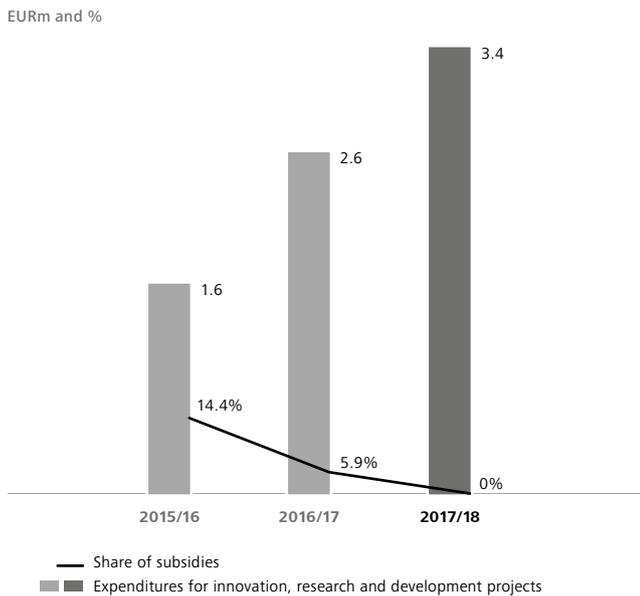
→ **Technologies to stabilise the distribution network:** The growing number of decentralised generation plants and the increasing penetration of the system by e-mobility and heat pumps can lead to a violation of the allowed voltage limits in the low-voltage grid. In addition to the conventional solution in the form of further grid expansion, compliance with these limits can also be achieved, partly, with the implementation of innovative technologies. We carried out several pilot tests during the past financial year and recorded all grid data. The analysis included the combination of a tap-change low voltage transformer (RONT) with the intelligent distribution network management system iNES as well as the use of a linear voltage regulator – a further technology to stabilise the low-voltage grid. In particular, we tested the communications with our decentralised metering points and the effects on grid stability.

→ **joulie optimisation assistant:** With joulie, our new, internally developed product which was introduced during the past year, private customers can now plan and optimise their individual, decentralised electricity generation (photovoltaic equipment, battery, heat pump, warm water and e-mobility) online and also make money on the energy trading market. Their equipment becomes part of a virtual power plant and thereby makes an active contribution to the energy transition. The development of joulie involved the expansion of our real-time power plant optimisation system for energy trading (EZISSE) to include an aggregator function. An optimisation assistant installed in the customer's equipment creates an automated real-time link with the virtual power plant. Customers have full control over their systems at all times via app or web portal as well as a real-time overview of all key equipment data, components and energy flows (generation, consumption, battery charge level, grid feed-in, self-supply level) – and as a safety extra, an alarm function was also installed to protect the equipment.

People and the benefits they can receive always form the focal point when we develop and realise innovation projects. Our design-thinking process therefore combines technological feasibility, economic marketability and attractiveness for people and evaluates these factors together. A cooperative approach is an important part of this work: our Executive Board and mid-level manage-

ment are key partners in the innovation process and the most important mentors and supporters for the implementation of innovative solutions. This process operates in two directions by unifying the top-down inputs from the management level with the bottom-up solution approaches supplied by employees. The innovation, sustainability and environmental protection staff department, where our Group-wide innovation management is anchored, regularly collects inputs on specific areas of action from the management level and, through various innovation instruments, gives employees an opportunity to actively participate in the innovation process and contribute to the company's development. As an additional, new innovation instrument, we introduced the so-called "innovation challenge" for our trainees in 2017/18. These young women and men were organised in small teams, each with an EVN coach, and dealt extensively with subjects related to customers, digitalisation and digital media. The results brought exciting new concepts and solutions for the energy customer of the future.

**Expenditures for innovation, research and development projects and share of subsidies<sup>1)</sup>**



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

△ GRI indicator: GRI 201-4

## 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 this process, a centrally organised corporate risk management department provides the decentralised risk managers with effective methods and tools for identifying and assessing risks. The responsible business units communicate their risk exposures to corporate risk management, which defines suitable actions to minimise these risks. The necessary actions are then implemented by the individual business units. The corporate risk management department is also responsible for analysing EVN's risk exposure. The risks related to sustainability, climate and compliance issues are identified annually and managed by specialised organisational units and/or processes in agreement with central risk management. EVN's 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 further 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; regular reviews to determine whether the methods used to identify and assess risks should be modified to reflect changed conditions; routine 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 risk reporting. The voting members of the committee at the corporate 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 and control

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

△ GRI indicator: GRI 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 through ad-hoc risk reports. This inventory includes the following categorisation of risks: market and competition risks, financial risks, operating risks, external risks, strategic and planning risks and other risks. The high priority given to sustainability at EVN is reflected in the inclusion of sustainability risks as an interdisciplinary issue in all risk categories; these risks are included in our integrated report. The following table shows the risks classified under the above categories and the measures designated for their minimisation.

### Expansion of the risk inventory in accordance with the Sustainability and Diversity Improvement Act

Prior to the enactment of the Sustainability and Diversity Improvement Act, the potential effects of sustainability aspects on the individual risk categories were also identified and analysed (e.g. risks involving supply security, employees or the environment). The risk inventory was expanded during 2017/18 in line with the Sustainability and Diversity Improvement Act to systematically

## EVN's major risks and related risk management measures

Risk category	Description	Measure
<b>Market and competition risks</b>		
<b>Profit margin risk</b> (price and volume effects)	<p>Energy sales and production: failure to meet profit margin targets</p> <ul style="list-style-type: none"> <li>→ Procurement and selling prices (esp. for energy carriers) that are volatile and/or deviate from forecasts</li> <li>→ Weaker demand (above all due to weather/climate change, politics, reputation or competition)</li> <li>→ Decline in own generation</li> <li>→ Reduced project volume in the environmental services business (in particular due to market saturation, limited resources for infrastructure projects, non-inclusion in or failure to win tenders)</li> </ul>	Procurement strategy tailored to the market environment; hedging strategies; diversification of customer segments and business areas; product portfolio that reflects customer demands; longer-term sale of power plant capacity
<b>Supplier risk</b>	Cost overruns on planned projects; incomplete performance of contracted services or failure to meet contract obligations	Partnerships; contractual controls wherever possible; third party expert opinions
<b>Financial risks<sup>1)</sup></b>		
<b>Foreign currency risks</b>	Transaction risks (foreign exchange losses) and translation risks on 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; hedging instruments
<b>Liquidity, cash flow and financing risk</b>	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 financing requirements (e. g. through credit lines)
<b>Market price risks</b>	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 guidelines
<b>Counterparty-/credit risks (default risks)</b>	Complete or partial failure of a business partner or customer to provide the agreed performance	Contractual construction; credit monitoring and credit limit systems; regular monitoring of customer behaviour; hedging instruments; insurance; systematic diversification of business partners
<b>Investment risks</b>	Failure of a core subsidiary or holding company to meet profit targets	Representation on corporate bodies of the respective company
<b>Rating changes</b>	Higher refinancing costs due to rating downgrades	Ensuring compliance with key financial indicators
<b>Interest rate risks</b>	Changes in market rates; increase in interest expense; negative effects of low interest rates on the valuation of assets and provisions and on future tariffs	Use of hedging instruments; fixed interest rates in financing contracts
<b>Impairment risks</b>	Recognition of impairment losses to receivables, goodwill, investments, generation equipment and other assets (profitability/value significantly dependent on electricity and primary energy prices and energy sector framework conditions)	Monitoring via sensitivity analyses
<b>Guarantee risk</b>	Financial loss due to claim of contingent liabilities	Limit volume of guarantees as far as possible; routine monitoring

1) For information on the use of financial instruments, also see page 180f and page 183ff

## EVN's major risks and related risk management measures

Risk category	Description	Measure
<b>Strategy and planning risks</b>		
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; ongoing 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 and interfaces; duplication	Process management; documentation; internal control system (ICS)
<b>Operating risks</b>		
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 break-downs (own and third party), accidents	Supply interruptions; physical danger to persons or infrastructure through explosions/accidents	Technical upgrading at interfaces of the different networks; expansion and maintenance of network capacity
IT/security risks (incl. cybersecurity)	System losses; data loss or unintended 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; events for employees for the exchange of information and networking purposes; internal control system (ICS)
<b>External risks</b>		
Legislative, regulatory and political risks	Change in political and legal parameters and/or the regulatory environment (e. g. environmental laws, changes in the legal framework, shifting subsidy scheme as well as market liberalisation in South East Europe); political and economic instability; network operations: non-inclusion of actual operating costs in the network tariffs established by 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; regulatory and supervisory audits	Representation in local, regional, national and EU-wide interest groups; legal consulting
Social and general economic environment	Macroeconomic 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

**EVN’s major risks and related risk management measures**

Risk category	Description	Measure
<b>Other risks</b>		
Granting of undue advantages, non-compliance, data protection incidents	Distribution of confidential internal information to third parties and the granting of undue advantages/ corruption; violation of regulations for the protection of personal data	Internal control system; uniform guidelines and standards; Code of Conduct; compliance organisation
Project risk	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 partners	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: GRI 102-15

identify potential risks and effects of EVN’s business activities and business relations on areas of environmental, social and employee-related issues, the observance of human rights and the fight against corruption. Their financial impact on the EVN Group was then assessed. The identified risks and their impact were dealt with in accordance with the steps defined by the risk management process.

□ For information on the most important effects of the Sustainability and Diversity Improvement Act, see page 30ff

**Overall risk profile**

In addition to the uncertainties connected with the areas of business and operations outside Austria, EVN is also 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.

**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 in the management report. 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 (“Aktengesetz”, 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](http://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. These 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 2017/18, 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: GRI 102-31, GRI 102-33

## **Consolidated non-financial report**

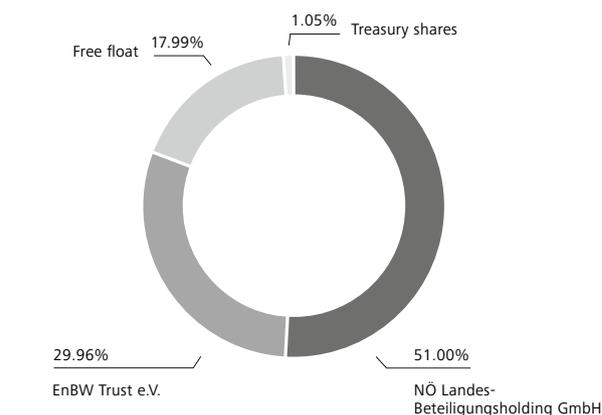
The consolidated non-financial statement required by the Austrian Sustainability and Diversity Improvement Act was prepared for the first time in accordance with § 267a of the Austrian Commercial Code and is presented as an independent non-financial report.

□ See page 4ff

## 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 2018 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 2018 EnBW Trust holds an investment of 29.96% 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 2018, EVN AG held treasury shares representing 1.05% of share capital and free float equalled 17.99%.
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

### Shareholder structure<sup>1)</sup>



1) per 30.09.2018

▲ GRI indicator: GRI 102-5

majority of the votes cast or with a majority of the capital represented in cases requiring a majority of capital.

7. The 87<sup>th</sup> 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 validity of the authorisation for the purchase of treasury shares expired on 21 July 2018. The Executive Board did not use this authorisation in the 2017/18 financial year.
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 2018/19 financial year

The past years have clearly shown that EVN's broad value chain in the energy sector – which ranges from generation to the customer – together with the environmental services business provides a sound foundation for stable development, also in challenging times. In other words, the EVN Group is solidly positioned for the future. The coming years will bring continuous changes in the energy market environment, not only as a result of #mission2030, the new climate and energy strategy announced by the Austrian federal government.

Business activities in 2018/19 will again focus on investments in the network infrastructure and the expansion of renewable generation capacity, above all in the area of wind power. Massive investments, especially in the electricity networks, are still required to effectively integrate the rising capacity from decentralised generation. However, the continuous changes in customer requirements – partly as a result of e-mobility – also demand constant investments to reliably protect network stability and have created an additional need for intelligent network management.

With the ongoing expansion of its wind power capacity, EVN is making an important contribution to the system conversion in energy production. The Group made substantial progress in reaching its medium-term goal of 500 MW during 2017/18, through a capacity expansion of approximately 50 MW at three wind park locations. This expansion will continue over the coming years if the framework conditions are appropriate.

The steady increase in the feed-in of electricity from renewable generation, which is volatile and therefore impossible to plan, continues to make wide-ranging, flexible power plant capacity indispensable for the protection of network stability. EVN's thermal power plants have been in service for many years to deliver balancing energy and manage shortages. Following the end of the electricity price zone between Germany and Austria on 1 October 2018, EVN's reserve capacity is now available for the Austrian transmission network operator. The relevant contracts cover the period up to September 2021.

The new five-year regulatory period for natural gas network operations in Austria began on 1 January 2018. As expected, the regulatory authority reduced the weighted average cost of capital to reflect the general decline in interest rates over recent years and, in turn, also reduced network tariffs. The new five-year regulatory period for electricity network operations in Austria will begin on 1 January 2019.

In South Eastern Europe, activities will focus on the further reduction of network losses and on the challenges created by the continuing liberalisation of the energy markets and the related changes in the regulatory framework. The 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 2018/19 financial year.

The supplies, security and quality of drinking water in Lower Austria represent another important focal point for EVN in the coming

financial year. In addition to providing direct water supplies to numerous communities, EVN is steadily expanding its cross-regional pipeline networks to also ensure reliable supplies of drinking water in low-precipitation regions during the drier periods of the year. A growing number of projects involve the construction of natural filter plants, which reduce the water hardness through natural means and without the use of chemicals.

The tender for a wastewater treatment project in Kuwait has reached the exclusive negotiation status with the bidder consortium formed by WTE Wassertechnik, which is responsible for the EVN Group's international project business, and a Kuwaiti financial investor. The final award of the tender is expected in 2018/19. On another project in Bahrain, the contract signing in September 2018 has already been followed by the first key project steps.

The 2017/18 financial year was positively influenced by the strong rise in energy prices, which was reflected, above all, in the valuation of hedges as of the balance sheet date. Assuming average conditions in the energy business environment, Group net result for 2018/19 is expected to range from EUR 160m to EUR 180m. However, Group net result could be significantly influenced by the regulatory background, the legal proceedings currently in progress in Bulgaria and the remaining legal proceeding related to the Walsum 10 power plant project as well as the progress on activities in Moscow.

Maria Enzersdorf, 20 November 2018



**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	<ul style="list-style-type: none"> <li>→ Marketing of electricity produced in the Generation Segment</li> <li>→ Procurement of electricity, natural gas and primary energy carriers</li> <li>→ Trading with and sale of electricity and natural gas to end customers and on wholesale markets</li> <li>→ Production and sale of heat</li> <li>→ 45.0% investment in ENERGIEALLIANZ Austria GmbH<sup>1)</sup></li> <li>→ Investment as sole limited partner in EVN Energievertrieb GmbH &amp; Co KG (EVN KG)<sup>1)</sup></li> </ul>
	Generation	<ul style="list-style-type: none"> <li>→ Generation of electricity from thermal production capacities and renewable energy sources at Austrian and international locations</li> <li>→ Operation of a thermal waste utilisation plant in Lower Austria<sup>2)</sup></li> <li>→ 13.0% investment in Verbund Innkraftwerke GmbH (Germany)<sup>1)</sup></li> <li>→ 49.0% investment in Walsum 10 hard coal-fired power plant (Germany)<sup>3)</sup></li> <li>→ 49.99% investment in Ashta run-of-river power plant (Albania)<sup>1)</sup></li> </ul>
	Networks	<ul style="list-style-type: none"> <li>→ Operation of distribution networks and network infrastructure for electricity and natural gas in Lower Austria</li> <li>→ Cable TV and telecommunication services in Lower Austria and Burgenland</li> </ul>
	South East Europe	<ul style="list-style-type: none"> <li>→ Operation of distribution networks and network infrastructure for electricity in Bulgaria and Macedonia</li> <li>→ Sale of electricity to end customers in Bulgaria and Macedonia</li> <li>→ Generation of electricity from hydropower in Macedonia</li> <li>→ Generation, distribution and sale of heat in Bulgaria</li> <li>→ Construction and operation of natural gas networks in Croatia</li> <li>→ Energy trading for the entire region</li> </ul>
Environmental services business	Environment	<ul style="list-style-type: none"> <li>→ Water supply and wastewater disposal in Lower Austria</li> <li>→ 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</li> </ul>
Other business activities	All Other Segments	<ul style="list-style-type: none"> <li>→ 50.03% investment in RAG-Beteiligungs-Aktiengesellschaft, which holds 100% of the shares in RAG Austria AG (RAG)<sup>1)</sup></li> <li>→ 73.63% investment in Burgenland Holding AG, which holds a stake of 49.0% in Energie Burgenland AG<sup>1)</sup></li> <li>→ 12.63% investment in Verbund AG<sup>4)</sup></li> <li>→ Corporate services</li> </ul>

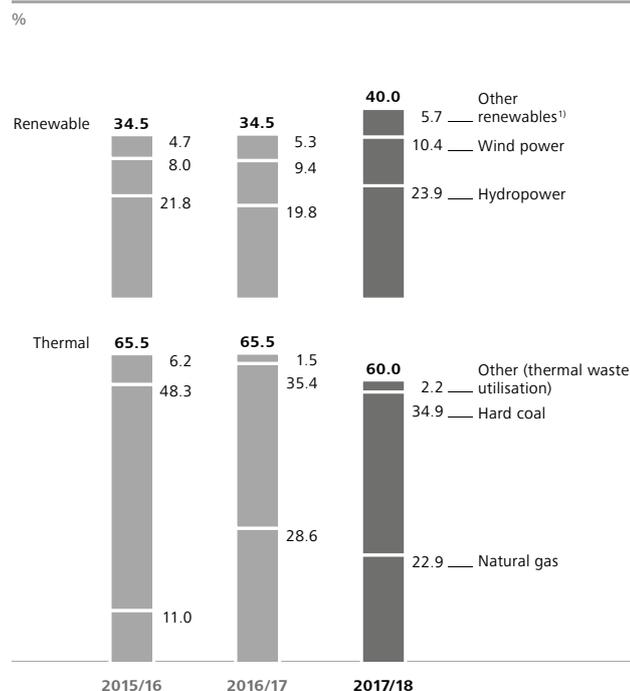
1) The earnings contribution represents the share of results from equity accounted investees with operational nature and is included in EBITDA.

2) The Theiss thermal power plant and all of the power plant components owned by EVN AG in the Dürnrohr and Korneuburg thermal power plants operated jointly with Verbund Thermal Power were transferred to EVN Abfallverwertung NÖ GmbH as of 1 July 2018. The name of the company was subsequently changed to EVN Wärmekraftwerke GmbH. This company (including the thermal waste utilisation plant in Zwettendorf/Dürnrohr that was previously held in the Environment Segment) is assigned to the Generation Segment beginning with the fourth quarter of 2017/18.

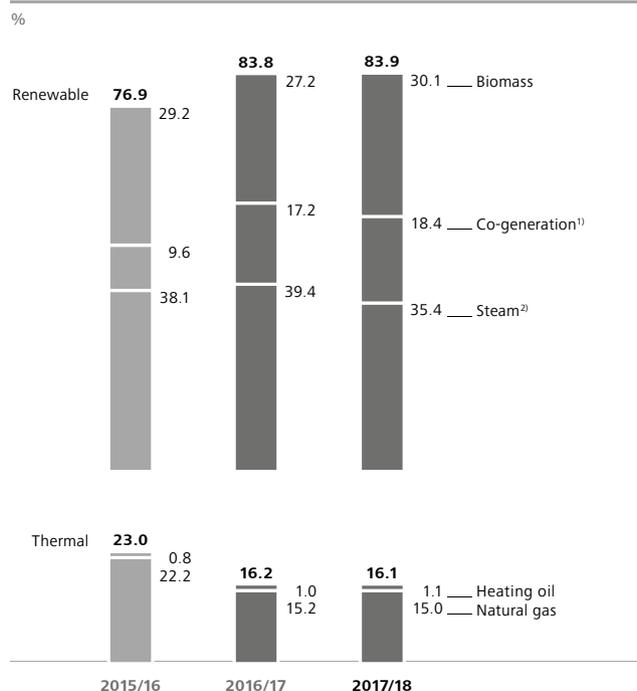
3) The investment in Steag-EVN Walsum 10 Kraftwerksgesellschaft is accounted for as a joint operation.

4) Dividends are included under financial results.

### EVN electricity generation by thermal energy and renewable energy source



### EVN heat generation by thermal energy and renewable energy source



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

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

△ GRI indicator: GRI EU2

Key energy business indicators	GWh	2017/18	2016/17	+/-		2015/16
				Nominal	%	
<b>Electricity generation volumes</b>		<b>5,526</b>	<b>6,059</b>	<b>-533</b>	<b>-8.8</b>	<b>5,866</b>
Renewable energy sources		2,213	2,093	120	5.7	2,026
Thermal energy sources		3,313	3,966	-653	-16.5	3,840
<b>Network distribution volumes</b>						
Electricity		22,520	22,622	-104	-0.4	21,532
Natural gas <sup>1)</sup>		17,126	18,777	-1,651	-8.8	16,288
<b>Energy sales volumes to end customers</b>						
Electricity		18,413	18,544	-131	-0.7	18,292
thereof Central and Western Europe <sup>2)</sup>		7,080	6,493	587	9.0	6,410
thereof South Eastern Europe		11,333	12,051	-718	-6.0	11,882
Natural gas		5,178	5,744	-567	-9.9	5,134
Heat		2,219	2,293	-74	-3.2	2,082
thereof Central and Western Europe <sup>2)</sup>		2,011	2,062	-51	-2.5	1,898
thereof South Eastern Europe		208	231	-24	-10.2	184

1) Incl. network distribution volumes to EVN power plants

2) Central and Western Europe covers Austria and Germany.

## Energy

### Highlights 2017/18

- Higher electricity sales volumes, temperature-related decline in natural gas and heat sales volumes
- Valuation effects from hedges
- EBITDA, EBIT and result before income tax below previous year

### Development of energy sales volumes

Electricity, natural gas and heat sales volumes in the EVN Group followed different trends in 2017/18. Electricity sales volumes rose by 9.0% year-on-year to 7,080 GWh, above all due to higher demand by industrial customers. In contrast, the milder temperatures led to a decline of 10.2% in natural gas sales volumes to 5,083 GWh and 2.5% in heat sales volumes to 2,011 GWh.

### Revenue development

Revenue in the Energy Segment fell by 8.0% to EUR 478.6m. This development resulted primarily from a decline in sales of the

electricity generated in EVN's thermal power plants, a reduction in natural gas trading activities and the valuation of hedges as of 30 September 2018.

### Operating expenses

Operating expenses declined by 0.6% to EUR 514.8m, chiefly due to lower input volumes of primary energy and the valuation of hedges as of 30 September 2018. A contrary factor was the creation of a provision for onerous contracts related to the marketing of EVN's own electricity production.

### Results from equity accounted investees

The share of results from equity accounted investees with operational nature totalled EUR 117.0m in 2017/18 (previous year: EUR 99.4m). The year-on-year increase of 17.7% was based primarily on the valuation of hedges held by EVN KG as of 30 September 2018.

### Operating results

EBITDA in this segment was 20.6% lower than the previous year at EUR 80.8m. Depreciation and amortisation, including the effects of impairment testing, declined by 16.1% to EUR 23.4m, whereby the

Key indicators – Energy		2017/18	2016/17	+/-		2015/16
				Nominal	%	
<b>Key energy business indicators</b>	GWh					
Electricity sales volumes		7,080	6,493	587	9.0	6,410
Natural gas sales volumes		5,083	5,660	-577	-10.2	5,098
Heat sales volumes		2,011	2,062	-51	-2.5	1,898
<b>Key financial indicators</b>	EURm					
External revenue		459.3	512.0	-52.8	-10.3	448.5
Internal revenue		19.4	8.4	10.9	-	15.0
<b>Total revenue</b>		<b>478.6</b>	<b>520.5</b>	<b>-41.8</b>	<b>-8.0</b>	<b>463.4</b>
Operating expenses		-514.8	-518.1	3.3	0.6	-553.8
Share of results from equity accounted investees with operational nature		117.0	99.4	17.6	17.7	62.1
<b>EBITDA</b>		<b>80.8</b>	<b>101.8</b>	<b>-20.9</b>	<b>-20.6</b>	<b>-28.3</b>
Depreciation and amortisation including effects from impairment tests		-23.4	-27.9	4.5	16.1	-17.4
<b>Results from operating activities (EBIT)</b>		<b>57.4</b>	<b>73.9</b>	<b>-16.5</b>	<b>-22.3</b>	<b>-45.7</b>
Financial results		-3.3	-2.7	-0.6	-21.1	-4.7
<b>Result before income tax</b>		<b>54.2</b>	<b>71.2</b>	<b>-17.0</b>	<b>-23.9</b>	<b>-50.3</b>
Total assets		862.7	696.3	166.4	23.9	682.0
Total liabilities		764.6	599.2	165.4	27.6	585.1
Investments <sup>1)</sup>		19.5	20.0	-0.5	-2.5	26.0

1) In intangible assets and property, plant and equipment

comparable prior year value was influenced by higher impairment losses recorded to district heating assets. EBIT in the Energy Segment equalled EUR 57.4m in 2017/18 (previous year: EUR 73.9m).

#### Financial results and result before income tax

Financial results in this segment amounted to EUR –3.3m, compared with EUR –2.7m in the previous year. The result before income tax for 2017/18 totalled EUR 54.2m (previous year: EUR 71.2m).

#### Investments

Investments in the Energy Segment declined from EUR 20.0m in the previous year to EUR 19.5m, or by 2.5%. Activities again focused entirely on the expansion of the heating plants and networks. Projects included the expansion of the district heating networks in Klosterneuburg and Fischamend as well as the modernisation of the biomass heating plant and the expansion of the district heating network in Leobersdorf.

#### Outlook

As an ad-hoc press release on 2 August 2018 announced, the Group net result for 2017/18 was increased substantially due to the sharp rise in energy market prices and the resulting valuation effects on hedges as of the balance sheet date. At the segment level, these effects were recorded in the Energy Segment.

Apart from these positive – but non-cash – factors in 2017/18, the rising prices on the wholesale markets will create challenging framework conditions for EVN's sales activities in the future because higher procurement costs in the energy business can only be passed on gradually to customers. As a result of these factors, earnings are expected to be positive in 2018/19, but markedly lower than the previous year.

## Generation

### Highlights 2017/18

- Increase in renewable electricity generation
- Supply of entire thermal capacity in Lower Austria (1,090 MW) to stabilise the networks in southern Germany during the winter half-year 2017/18, but decline in thermal electricity generation volumes
- Improvement in EBITDA, EBIT and result before income tax

### Development of power generation

The thermal power plants reported a 15.7% drop in electricity production to 3,023 GWh in 2017/18, which was also reflected in a year-on-year decrease of 9.2% to 4,794 GWh in the total volume of electricity generated by this segment. The main reasons for this decline were scheduled and special inspections in the Walsum 10 power plant and the reduced use of EVN's thermal power plants in Lower Austria. In addition, the previous year was influenced by the unusually cold winter weather and the resulting higher demand for electricity as well as inspections in French power plants which reduced electricity generation in Europe and led to the use of additional capacity.

A year-on-year increase in water flows and the continuing expansion of EVN's wind parks – EVN added 49 MW to its installed wind power generation capacity in 2017/18 – resulted in an increase of 4.5% in electricity generation from renewable energy to 1,771 GWh. At the Group level, EVN covered 30.0% of the electricity sold during 2017/18 with its own production (previous year: 32.7%). The share of renewable energy in the Group's electricity production equalled 40.0% (previous year: 34.5%).

For the first time, all EVN thermal power plants in Lower Austria, which have a combined generation capacity of 1,090 MW, were under contract to serve as reserve capacity for southern Germany during the winter half-year 2017/18. Their actual use for network stabilisation within the framework of these contracts remained at a high level. EVN's thermal power plants were under contract with a capacity of 430 MW to stabilise the networks in Austria from May to September 2018. The separation of the German-Austrian electricity price zone came into effect as of 1 October 2018. EVN's thermal power plant in Theiss now provides 430 MW of reserve capacity to prevent shortages in the Austrian transmission network based on a contract that initially runs to September 2021.

Key indicators – Generation		2017/18	2016/17	+/-		2015/16
				Nominal	%	
<b>Key energy business indicators</b>	GWh					
Electricity generation volumes		4,794	5,280	-486	-9.2	5,105
thereof renewable energy sources		1,771	1,695	76	4.5	1,626
thereof thermal energy sources		3,023	3,585	-562	-15.7	3,479
<b>Key financial indicators</b>	EURm					
External revenue		69.8	53.7	16.1	29.9	46.0
Internal revenue		200.8	186.3	14.6	7.8	175.7
<b>Total revenue</b>		<b>270.6</b>	<b>240.0</b>	<b>30.6</b>	<b>12.8</b>	<b>221.7</b>
Operating expenses		-153.5	-125.1	-28.4	-22.7	-113.5
Share of results from equity accounted investees with operational nature		6.6	-11.1	17.7	-	-34.1
<b>EBITDA</b>		<b>123.7</b>	<b>103.7</b>	<b>20.0</b>	<b>19.2</b>	<b>74.1</b>
Depreciation and amortisation including effects from impairment tests		-45.3	-110.7	65.4	59.1	-69.2
<b>Results from operating activities (EBIT)</b>		<b>78.4</b>	<b>-7.0</b>	<b>85.3</b>	<b>-</b>	<b>4.8</b>
Financial results		-14.0	-10.0	-3.9	-39.4	-22.4
<b>Result before income tax</b>		<b>64.4</b>	<b>-17.0</b>	<b>81.4</b>	<b>-</b>	<b>-17.6</b>
Total assets		1,056.8	923.4	133.3	14.4	1,094.5
Total liabilities		804.5	662.6	141.9	21.4	845.0
Investments <sup>1)</sup>		58.9	26.3	32.6	-	33.8

1) In intangible assets and property, plant and equipment

### Revenue development

Revenue in the Generation Segment rose by 12.8% year-on-year to EUR 270.6m. This increase was supported, above all, by higher revenue from the supply of reserve capacity for network stabilisation and revenue from the thermal waste utilisation plant in Zwentendorf/Dürnrrohr which has been included in this segment since the fourth quarter of 2017/18. In addition, the comparable prior year value was negatively influenced by the adjustment of internal cost allocations following the arbitration decision on the Walsum 10 power plant. A further positive contribution was provided by the additional wind power capacity.

### Operating expenses

Operating expenses increased by 22.7% to EUR 153.5m, chiefly as a result of the above-mentioned restructuring of the thermal power plants and the transfer of the thermal waste utilisation plant to this segment.

### Results from equity accounted investees

The share of results from equity accounted investees with operational nature improved from EUR -11.1m to EUR 6.6m. The previous year was negatively influenced by an impairment loss recognised to

the investment in Verbund Innkraftwerke GmbH, while a write-up was recorded during the reporting year.

### Operating results

EBITDA in the Generation Segment totalled EUR 123.7m in 2017/18, which represents a year-on-year increase of 19.2%. In contrast, depreciation and amortisation, including the effects of impairment tests, fell by 59.1% to EUR 45.3m. This decline reflected the recognition of higher impairment losses to renewable and thermal generation plants in the previous year. In total, EBIT equalled EUR 78.4m (previous year: EUR -7.0m).

### Financial results and result before income tax

The absence of positive non-recurring effects in interest results led to a decline in financial results from EUR -10.0m in the previous year to EUR -14.0m. The result before income tax amounted to EUR 64.4m in 2017/18 (previous year: EUR -17.0m).

### Investments

Investments in this segment rose substantially from EUR 26.3m in the previous year to EUR 58.9m in 2017/18 and reflect, above all, the expansion of EVN's wind power capacity. In total, EVN raised

its generation capacity in this area to 318 MW through the commissioning of the wind park in Sommerein and the purchase of the existing wind park Ebenfurth during July 2018. Plans call for a further gradual increase to roughly 370 MW by the end of the 2019/20 financial year through the realisation of projects already approved by the public authorities. EVN is using a special quota of subsidies for the construction of wind power plants, which was approved by the Austrian Parliament in 2017 within the framework of an amendment to the Austrian Green Electricity Act ("Kleine Ökostromnovelle"). EVN's goal is to expand wind power capacity to 500 MW over the medium term through the realisation of projects, most of which have already been approved by the authorities. However, this will depend on appropriate legal framework conditions.

The components of the thermal power plants in Dürnrohr und Korneuburg, which were previously held by EVN AG and operated together with Verbund Thermal Power, as well as the thermal power plant in Theiss were transferred to EVN Abfallverwertung NÖ GmbH as of 1 July 2018 and are now managed as EVN Wärmekraftwerke GmbH. This company was assigned to the Generation Segment in the fourth quarter of 2017/18.

An out-of-court settlement was reached through an agreement on 4 July 2018 in the remaining legal proceedings initiated by the project company Steag-EVN Walsum 10 Kraftwerksgesellschaft mbH, in which EVN holds an investment of 49.0%, against the general contractor consortium Hitachi Ltd. and Hitachi Power Europe. This agreement also terminated the arbitration proceedings pursued by the project company. At the present time, only one legal dispute is pending between EVN and an electricity customer over electricity deliveries from the Walsum 10 power plant.

### Outlook

The dynamic expansion of EVN's wind power capacity should continue to have a positive impact on electricity generation from this renewable energy source. However, the earnings contribution from renewable generation is dependent not only on the installed capacity and – for the plants that no longer produce at subsidised tariffs – on electricity prices, but also to a significant extent on wind and water flows. These earnings are, consequently, difficult to forecast.

Due to low or negative spreads EVN's thermal generation capacity will still be used primarily to supply balancing energy and for the management of shortages. The resulting earnings contribution will be lower in 2018/19 due to the absence of network stabilisation contracts for southern Germany, which covered a capacity of 1,090 MW in the winter half-year 2017/18. However, as of the

beginning of the 2018/19 financial year the gas-fired power plant in Theiss is under contract for a period of at least three years to provide 430 MW as reserve capacity for the Austrian transmission network.

In view of the above aspects, earnings in this segment are expected to be lower in 2018/19.

## Networks

### Highlights 2017/18

- Increase in network sales volumes of electricity, decrease in natural gas
- Decline in revenue and earnings
- Continuing high investments in supply security

### Development of network distribution volumes

EVN's network distribution volumes developed differently in 2017/18: electricity distribution volumes rose by 1.3% to 8,565 GWh based on growth in the industrial customer segment, while natural gas network distribution volumes declined by 9.2% to 16,927 GWh. The main reasons were the lower use of the thermal power plants in Lower Austria and milder temperatures compared with the previous year.

### Revenue development

The E-Control Commission approved an average increase of 2.4% in the electricity network tariffs for household customers and an average reduction of 16.2% in natural gas network tariffs as of 1 January 2018. The reduction in natural gas tariffs resulted from the application of a lower weighted average cost of capital for the new five-year regulatory period – in spite of the fact that network sales volumes in the previous year were higher than the reference period. The increase in electricity tariffs reflects the investments and higher costs for network stabilisation.

These volume and price effects were responsible for a 2.2% year-on-year decline in segment revenue to EUR 554.4m.

- For information on the regulatory environment, see page 87

### Operating expenses and operating results

Operating expenses rose by 9.9% to EUR 301.0m, above all, as the result of higher upstream network costs and increased costs for

Key indicators – Networks		2017/18	2016/17	+/-		2015/16
				Nominal	%	
<b>Key energy business indicators</b>	GWh					
<b>Network distribution volumes</b>						
Electricity		8,565	8,452	113	1.3	8,128
Natural gas		16,927	18,642	-1,714	-9.2	16,216
<b>Key financial indicators</b>	EURm					
External revenue		489.6	497.9	-8.3	-1.7	434.2
Internal revenue		64.7	68.8	-4.0	-5.9	58.7
<b>Total revenue</b>		<b>554.4</b>	<b>566.7</b>	<b>-12.3</b>	<b>-2.2</b>	<b>492.9</b>
Operating expenses		-301.0	-273.8	-27.1	-9.9	-272.3
Share of results from equity accounted investees with operational nature		-	-	-	-	-
<b>EBITDA</b>		<b>253.4</b>	<b>292.9</b>	<b>-39.5</b>	<b>-13.5</b>	<b>220.6</b>
Depreciation and amortisation including effects from impairment tests		-110.8	-115.2	4.4	3.8	-110.3
<b>Results from operating activities (EBIT)</b>		<b>142.6</b>	<b>177.6</b>	<b>-35.1</b>	<b>-19.7</b>	<b>110.3</b>
Financial results		-17.1	-16.6	-0.5	-3.0	-17.5
<b>Result before income tax</b>		<b>125.4</b>	<b>161.0</b>	<b>-35.5</b>	<b>-22.1</b>	<b>92.8</b>
Total assets		1,944.7	1,921.3	23.4	1.2	1,883.5
Total liabilities		1,332.1	1,317.2	14.9	1.1	1,357.1
Investments <sup>1)</sup>		173.0	153.3	19.7	12.8	154.7

1) In intangible assets and property, plant and equipment

third party services. These developments were responsible for a 13.5% drop in EBITDA to EUR 253.4m. Depreciation and amortisation, including the effects of impairment testing, declined by 3.8% to EUR 110.8m following a necessary write-up to the electricity network infrastructure. EBIT fell by 19.7% year-on-year to EUR 142.6m.

#### Financial results and result before income tax

Financial results declined slightly year-on-year to EUR -17.1m (previous year: EUR -16.6m). The Networks Segment generated result before income tax of EUR 125.4m in 2017/18 (previous year: EUR 161.0m).

#### Investments

One of EVN's central strategic goals is the continuous expansion of the network infrastructure in Lower Austria in order to sustainably protect and improve supply security and quality for its customers. This is reflected in a constant high level of investment in the Networks Segment. Investments in this area were substantially higher than the previous year, with an increase of 12.8% to EUR 173.0m. Projects included the new construction or expansion of various transformer stations, e. g. in Eggenburg and Neusiedl as central

network nodes in the Waldviertel and Weinviertel regions, as well as the expansion or upgrading of 110 kV power lines and the extensive replacement of cast iron and PVC natural gas pipelines.

#### Outlook

The new five-year regulatory period that began on 1 January 2018 includes the application of a lower weighted average cost of capital for the natural gas distribution network. This adjusted parameter will be applied for the first time to a full 12-month period in the 2018/19 financial year. A new regulatory period for the electricity distribution network, which also includes the application of a lower weighted average cost of capital, will take effect on 1 January 2019. These lower costs of capital will reduce future network tariffs as will the subsequent adjustment for positive volume effects resulting from the cold winter weather in previous periods which is part of the regulatory calculation.

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 2018/19.

## South East Europe

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### Highlights 2017/18

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- Decline in network and energy sales volumes due to less favourable energy sector conditions
  - EBITDA, EBIT and result before income tax below previous year due to positive non-recurring effect in 2016/17
- 

### Energy sector and regulatory development

In the South East Europe Segment, the previous year was influenced by the agreement reached with the state-owned Bulgarian electricity company NEK – which led to a positive non-recurring after-tax effect of approximately EUR 38m – and by unusually favourable energy sector conditions. These developments were contrasted by a substantial decline in heating and cooling energy requirements in Bulgaria and Macedonia, which were responsible for a reduction of 1.5% in network sales volumes to 13,955 GWh. Energy sales volumes were also lower during the 2017/18 financial year: electricity deliveries to end customers in these two countries decreased by 6.0% in total to 11,333 GWh and heat sales volumes in Bulgaria fell by 10.2% to 208 GWh.

Electricity generation in South Eastern Europe was characterised by different developments in 2017/18. Renewable generation rose by 33.3% to 172 GWh, supported by above-average water flows in Macedonia, while thermal generation fell by 30.5% to 213 GWh because the co-generation plant in Plovdiv was offline for some time as the result of a longer special inspection.

- ❑ For information on the regulatory environment, see page 87f
- ❑ For information on the competition-related proceedings, see page 59

### Revenue development

The above-mentioned energy sector developments, combined with the increasing liberalisation of the Bulgarian and Macedonian electricity markets, led to a year-on-year decline of 5.8% in revenue to EUR 902.8m for the South East Europe Segment in 2017/18.

### Operating expenses und operating results

The above-mentioned agreement with NEK had a significant influence on the development of operating expenses compared with the previous year and was reflected in an increase of 1.0% to EUR 798.2m. EBITDA amounted to EUR 104.6m in 2017/18 (previous year: EUR 167.3m). Depreciation and amortisation, including the effects of impairment testing, were 25.3% lower at EUR 64.4m, whereby the previous year included an impairment loss of EUR 24.0m recorded by the Bulgarian district heating company TEZ Plovdiv. Segment EBIT equalled EUR 40.2m for the 2017/18 financial year (previous year: EUR 81.0m).

### Financial results and result before income tax

Financial results were 10.6% higher than the previous year at EUR –20.6m, and the result before income tax amounted to EUR 19.6m (previous year: EUR 58.0m).

### Investments

Investments in the South East Europe Segment totalled EUR 86.4m and were 6.2% lower than the previous year. EVN is continuing to invest in the network infrastructure and the protection of supply security for its customers in Bulgaria and Macedonia.

<b>Key indicators – South East Europe</b>		<b>2017/18</b>	<b>2016/17</b>	<b>+/-</b>		<b>2015/16</b>
				<b>Nominal</b>	<b>%</b>	
<b>Key energy business indicators</b>	GWh					
Electricity generation volumes		385	436	-50	-11.6	450
thereof renewable energy		172	129	43	33.3	175
thereof thermal power plants		213	306	-93	-30.5	276
Network distribution volumes		13,955	14,170	-215	-1.5	13,403
Sales volumes to end customers		11,636	12,366	-731	-5.9	12,101
thereof electricity		11,333	12,051	-718	-6.0	11,882
thereof natural gas		95	84	11	12.5	36
thereof heat		208	231	-24	-10.2	184
<b>Key financial indicators</b>	EURm					
External revenue		902.0	957.5	-55.5	-5.8	949.4
Internal revenue		0.8	0.5	0.4	75.8	0.3
<b>Total revenue</b>		<b>902.8</b>	<b>958.0</b>	<b>-55.1</b>	<b>-5.8</b>	<b>949.7</b>
Operating expenses		-798.2	-790.6	-7.6	-1.0	-820.2
Share of results from equity accounted investees with operational nature		-	-	-	-	-
<b>EBITDA</b>		<b>104.6</b>	<b>167.3</b>	<b>-62.7</b>	<b>-37.5</b>	<b>129.5</b>
Depreciation and amortisation including effects from impairment tests		-64.4	-86.3	21.9	25.3	-94.1
<b>Results from operating activities (EBIT)</b>		<b>40.2</b>	<b>81.0</b>	<b>-40.9</b>	<b>-50.4</b>	<b>35.4</b>
Financial results		-20.6	-23.0	2.4	10.6	-23.3
<b>Result before income tax</b>		<b>19.6</b>	<b>58.0</b>	<b>-38.4</b>	<b>-66.2</b>	<b>12.1</b>
Total assets		1,207.7	1,161.1	46.6	4.0	1,184.1
Total liabilities		956.5	937.6	18.8	2.0	1,006.3
Investments <sup>1)</sup>		86.4	92.0	-5.7	-6.2	93.5

1) In intangible assets and property, plant and equipment

## Outlook

The continuous liberalisation of the energy markets represents a major challenge for the development of revenue and earnings in the South East Europe Segment. Results in this segment can be influenced by changes in the regulatory environment as well as weather-related effects on network and energy sales volumes. Under the assumption of stable regulatory and energy sector framework conditions, earnings are expected to reflect the 2017/18 level in the coming financial year.

The 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 2018/19 financial year.

## Environment

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### Highlights 2017/18

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- Achievements in the international project business
    - Commissioning of three wastewater treatment plants in Macedonia and one wastewater treatment plant in Prague
    - Order received for a project in Bahrain in September 2018
  - Improvement in EBITDA, EBIT and result before income tax due to absence of a negative non-recurring effect
- 

### International project business

The development of business in the Environment Segment is influenced to a significant degree by the international project business which is managed by the German subsidiary WTE Wassertechnik. As of 30 September 2018, WTE Wassertechnik was working on four general contractor assignments in the wastewater sector in Macedonia, Poland, Croatia and Bahrain. Three wastewater treatment projects in Macedonia with a total contract value of approximately EUR 20.0m were commissioned on schedule and transferred to the customers in 2017/18 – one in the first quarter of the financial year and two in June and July 2018.

In the Czech Republic, the renovation and expansion of a wastewater treatment plant that will service 1.2 million residents was completed after a nearly three-year construction period. The consortium responsible for this project included WTE Wassertechnik which, together with a partner, was responsible for the mechanical, electrical and process technology. This resource-efficient and consumption-optimised plant, which operates underground, will now be operated by WTE Wassertechnik for one year.

WTE Wassertechnik concentrated not only on existing projects, but also on the acquisition of two new projects in Kuwait and Bahrain during 2017/18. The tender process for a wastewater treatment project in Kuwait has reached the exclusive negotiation stage with the bidder consortium formed by WTE Wassertechnik and a Kuwaiti financial investor. The contract is expected to be awarded during the 2018/19 financial year. In addition, a contract was signed at the beginning of September 2018 for the Tubli project in Bahrain. This general contractor assignment involves a twofold increase in the capacity of an existing wastewater treatment plant, which will then be able to service 1.6 million residents. The contract also includes the construction of a sludge drying and utilisation plant at the same location. The project is scheduled for completion within 36 months and represents a total contract value of

approximately EUR 180m (converted). It will be realised together with local partners, with financing provided by the customer.

In May 2018, WTE Wassertechnik prematurely cancelled a contract concluded with the municipality of Budva, Montenegro, for the construction, financing and operation of a wastewater treatment plant. WTE asked the municipality to take over the largely completed facility and to pay the entire amount of the receivable resulting from the termination of the contract. The step was taken in reaction to the municipality's continued failure to meet payment obligations. The claims by WTE Wassertechnik are covered in part by a guarantee from the Republic of Montenegro and in full by further guarantees provided by the municipality of Budva and by the Federal Republic of Germany. Discussions with the municipality of Budva and the Republic of Montenegro are currently in progress to implement the contract termination, and the first partial payments on the outstanding obligations were received at the end of May 2018 and in September 2018.

### Revenue development

The above-mentioned developments in the international project business – despite the progress on general contractor assignments currently in realisation – were responsible for a year-on-year decline of 24.0% in revenue to EUR 150.0m. Sales volumes of drinking water in Lower Austria recorded a weather-related increase, which, however, was unable to offset the revenue decline from the international project business.

### Operating expenses

Operating expenses in this segment were also lower in 2017/18, with a decline of 36.0% to EUR 133.0m. The major factor for this development was the reduced volume in the international project business. In addition, the comparable prior year value was unusually high due to a valuation allowance of EUR 45.5m which was recognised to the remaining aggregate components (reported under inventories) from the former thermal waste utilisation plant project no. 1 in Moscow.

### Results from equity accounted investees

The results from equity accounted investees with operational nature fell by 6.3% year-on-year to EUR 13.0m.

### Operating results

EBITDA in the Environment Segment totalled EUR 30.1m in 2017/18 (previous year: EUR 3.7m). Depreciation and amortisation, including the effects of impairment testing, were slightly lower at EUR 20.8m (previous year: EUR 24.9m), primarily due to the reassignment of the thermal waste utilisation plant in Zwentendorf/Dürnrohr to the

Key financial indicators – Environment	EURm	2017/18	2016/17	+/-		2015/16
				Nominal	%	
External revenue		136.9	181.0	-44.0	-24.3	158.4
Internal revenue		13.1	16.5	-3.4	-20.7	18.3
<b>Total revenue</b>		<b>150.0</b>	<b>197.5</b>	<b>-47.4</b>	<b>-24.0</b>	<b>176.8</b>
Operating expenses		-133.0	-207.7	74.7	36.0	-137.0
Share of results from equity accounted investees with operational nature		13.0	13.9	-0.9	-6.3	13.3
<b>EBITDA</b>		<b>30.1</b>	<b>3.7</b>	<b>26.4</b>	<b>-</b>	<b>53.1</b>
Depreciation and amortisation including effects from impairment tests		-20.8	-24.9	4.1	16.3	-25.8
<b>Results from operating activities (EBIT)</b>		<b>9.3</b>	<b>-21.2</b>	<b>30.5</b>	<b>-</b>	<b>27.3</b>
Financial results		-10.4	-1.6	-8.8	-	-2.5
<b>Result before income tax</b>		<b>-1.1</b>	<b>-22.8</b>	<b>21.7</b>	<b>95.2</b>	<b>24.8</b>
Total assets		644.1	816.4	-172.3	-21.1	895.1
Total liabilities		498.4	637.1	-138.7	-21.8	687.1
Investments <sup>1)</sup>		20.7	11.6	9.1	78.8	8.4

1) In intangible assets and property, plant and equipment

Generation Segment in the fourth quarter of 2017/18. EBIT amounted to EUR 9.3m (previous year: EUR -21.2m).

#### Financial results and result before income tax

Financial results equalled EUR -10.4m, compared with EUR -1.6m in the previous year. This decline resulted from a negative foreign exchange effect connected to EVN's remaining activities in Moscow. In total, this segment reported result before income tax of EUR -1.1m, versus EUR -22.8m in the previous year.

#### Investments

Investments in the Environment Segment rose by 78.8% year-on-year to EUR 20.7m in 2017/18. This increase reflects EVN's strategic approach to continue its investments in drinking water supplies for Lower Austria. The focal points of these activities include the construction of natural filter plants to reduce water hardness by natural means. Modern membrane technology is used to soften the water mechanically and without the use of chemicals, which also reduces the use of water softeners and descaling agents by households. EVN is currently constructing the fourth plant of this type on the Wienerherberg well field, and further projects are expected to follow after this facility is commissioned in

spring 2019. EVN is also continuing to invest in the expansion and new construction of cross-regional pipeline networks to further strengthen supply security. Among others, a 20 km connecting pipeline for drinking water is under construction from Wienerherberg to the Mödling region. EVN also recorded further successes in the area of local drinking water supplies during 2017/18 by taking over the management of four additional local drinking water networks (two municipalities each as of 1 January and 1 July 2018).

The thermal waste utilisation plant in Zwentendorf/Dürnrohr was reassigned to the Generation Segment in the fourth quarter of 2017/18.

#### 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. Based on the positive development of the newly acquired project in Bahrain, earnings are expected to exceed the previous year in 2018/19. Segment earnings could also be favourably influenced by the final contract award for the construction of a wastewater treatment project in Kuwait.

Key financial indicators – All Other Segments	EURm	2017/18	2016/17	+/-		2015/16
				Nominal	%	
External revenue		15.0	13.4	1.5	11.5	10.1
Internal revenue		61.0	59.5	1.5	2.5	58.1
<b>Total revenue</b>		<b>76.0</b>	<b>73.0</b>	<b>3.0</b>	<b>4.2</b>	<b>68.2</b>
Operating expenses		-87.2	-80.7	-6.5	-8.0	-74.8
Share of results from equity accounted investees with operational nature		51.4	60.4	-9.0	-14.9	52.2
<b>EBITDA</b>		<b>40.2</b>	<b>52.7</b>	<b>-12.4</b>	<b>-23.6</b>	<b>45.6</b>
Depreciation and amortisation including effects from impairment tests		-0.9	-1.4	0.6	37.9	-1.6
<b>Results from operating activities (EBIT)</b>		<b>39.3</b>	<b>51.2</b>	<b>-11.9</b>	<b>-23.2</b>	<b>43.9</b>
<b>Financial results</b>		<b>43.8</b>	<b>45.6</b>	<b>-1.8</b>	<b>-4.0</b>	<b>22.1</b>
<b>Result before income tax</b>		<b>83.1</b>	<b>96.8</b>	<b>-13.7</b>	<b>-14.2</b>	<b>66.1</b>
Total assets		4,374.4	3,040.0	1,334.4	43.9	2,720.8
Total liabilities		1,670.8	1,265.8	405.0	32.0	1,226.5
Investments <sup>1)</sup>		4.0	2.3	1.7	73.7	1.9

1) In intangible assets and property, plant and equipment

## All Other Segments

### Highlights 2017/18

- Lower earnings contributions from RAG and Energie Burgenland
- Decline in EBITDA, EBIT and result before income tax

### Revenue, EBITDA and EBIT development

Revenue in this segment rose by 4.2% to EUR 76.0m in 2017/18, while operating expenses increased by 8.0% to EUR 87.2m.

In contrast, the share of results from equity accounted investees with operational nature declined by 14.9% to EUR 51.4m due to lower earnings contributions from RAG and Energie Burgenland.

These developments were responsible for a decline of 23.6% in EBITDA to EUR 40.2m. Depreciation and amortisation, including the effects of impairment testing, were 37.9% lower at EUR 0.9m.

EBIT equalled EUR 39.3m in 2017/18, which represents a year-on-year decrease of 23.2%.

### Financial results and result before income tax

Financial results in this segment declined by 4.0% to EUR 43.8m. The primary cause was the absence of the positive non-recurring effect from the transfer of the Verbund shares from WEEV Beteiligungs GmbH to EVN AG in the previous year within the scope of structural simplifications. Contrary factors included the lower interest expense which resulted from the decline in EVN's financial liabilities and the higher dividend from Verbund AG for the 2017 financial year which was received on 11 May 2018.

The result before income tax in this segment equalled EUR 83.1m in 2017/18 and was 14.2% lower than the previous year.

### Outlook

Results in this segment are influenced primarily by the earnings contributions from RAG, Energie Burgenland and Verbund AG. These contributions are expected to remain stable in 2018/19.



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# Consolidated financial statements for 2017/18

According to International Financial Reporting Standards

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## Consolidated statement of operations

EURm	Note	2017/18	2016/17
Revenue	24	2,072.6	2,215.6
Other operating income	25	105.0	101.9
Cost of materials and services	26	-1,236.4	-1,302.6
Personnel expenses	27	-321.7	-316.8
Other operating expenses	28	-135.7	-139.0
Share of results from equity accounted investees with operational nature	29	188.0	162.6
<b>EBITDA</b>		<b>671.8</b>	<b>721.6</b>
Depreciation and amortisation	30	-258.3	-262.3
Effects from impairment tests	30	-20.6	-112.5
<b>Results from operating activities (EBIT)</b>		<b>392.9</b>	<b>346.9</b>
Share of results from equity accounted investees with financial nature		0.1	12.2
Results from other investments		20.1	18.8
Interest income		10.7	19.5
Interest expense		-54.0	-65.4
Other financial results		-14.0	-6.5
<b>Financial results</b>	31	<b>-37.2</b>	<b>-21.4</b>
<b>Result before income tax</b>		<b>355.7</b>	<b>325.5</b>
Income tax	32	-76.1	-53.9
<b>Result for the period</b>		<b>279.6</b>	<b>271.5</b>
thereof result attributable to EVN AG shareholders (Group net result)		254.6	251.0
thereof result attributable to non-controlling interests		25.0	20.5
Earnings per share in EUR <sup>1)</sup>	33	1.43	1.41
Dividend per share in EUR		0.47 <sup>2)</sup>	0.47

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

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

## Consolidated statement of comprehensive income

EURm	Note	2017/18	2016/17
<b>Result for the period</b>		<b>279.6</b>	<b>271.5</b>
<b>Other comprehensive income from</b>			
<b>Items that will not be reclassified to profit or loss</b>		<b>-8.5</b>	<b>12.3</b>
Remeasurements IAS 19	45	-14.3	26.6
Investments in equity accounted investees	45	2.3	-7.6
Thereon apportionable income tax expense	45	3.5	-6.6
<b>Items that may be reclassified to profit or loss</b>		<b>777.9</b>	<b>190.6</b>
Currency translation differences	5	2.1	0.9
Available for sale financial instruments	45	1,025.4	245.3
Cash flow hedges	45	7.4	13.8
Investments in equity accounted investees	45	0.8	-3.7
Thereon apportionable income tax expense	45	-257.8	-65.7
<b>Total other comprehensive income after tax</b>		<b>769.4</b>	<b>203.0</b>
<b>Comprehensive income for the period</b>		<b>1,049.0</b>	<b>474.5</b>
thereof income attributable to EVN AG shareholders		1,023.4	454.9
thereof income attributable to non-controlling interests		25.6	19.6

## Consolidated statement of financial position

EURm	Note	30.09.2018	30.09.2017
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	34	182.1	177.1
Property, plant and equipment	35	3,438.7	3,383.6
Investments in equity accounted investees	36	995.7	954.8
Other investments	37	1,944.2	919.0
Deferred tax assets	49	68.8	79.6
Other non-current assets	38	252.4	209.9
		<b>6,881.9</b>	<b>5,723.8</b>
<b>Current assets</b>			
Inventories	39	94.6	98.4
Trade and other receivables	40	500.3	409.0
Securities	41	139.8	0.5
Cash and cash equivalents	59	214.5	223.1
		<b>949.1</b>	<b>731.0</b>
<b>Total assets</b>		<b>7,831.1</b>	<b>6,454.9</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital and reserves attributable to shareholders of EVN AG	42–46	3,832.8	2,892.1
Non-controlling interests	47	259.9	258.0
		<b>4,092.6</b>	<b>3,150.1</b>
<b>Non-current liabilities</b>			
Non-current loans and borrowings	48	1,040.5	1,125.4
Deferred tax liabilities	49	471.0	171.8
Non-current provisions	50	480.8	452.6
Deferred income from network subsidies	51	602.6	584.1
Other non-current liabilities	52	75.4	58.3
		<b>2,670.3</b>	<b>2,392.2</b>
<b>Current liabilities</b>			
Current loans and borrowings	53	89.1	50.5
Taxes payable and levies	54	85.6	67.6
Trade payables	55	337.1	314.0
Current provisions	56	91.4	91.6
Other current liabilities	57	464.9	388.9
		<b>1,068.1</b>	<b>912.6</b>
<b>Total equity and liabilities</b>		<b>7,831.1</b>	<b>6,454.9</b>

## 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
<b>Balance on 01.10.2016</b>	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 <sup>*)</sup>	–	–	–	0.0 <sup>*)</sup>	–	0.0 <sup>*)</sup>
<b>Balance on 30.09.2017</b>	330.0	253.0	2,126.2	226.2	-22.1	-21.2	2,892.1	258.0	3,150.1
Comprehensive income	–	–	254.6	766.7	2.1	–	1,023.3	25.6	1,048.9
Dividends 2016/17	–	–	-83.6	–	–	–	-83.6	-23.7	-107.3
Change in treasury shares	–	0.4	–	–	–	0.7	1.1	–	1.1
Other changes	–	–	-0.0 <sup>*)</sup>	0.0 <sup>*)</sup>	0.0 <sup>*)</sup>	–	0.0 <sup>*)</sup>	-0.1	-0.0 <sup>*)</sup>
Change in the scope of consolidation	–	–	-0.2	–	0.0 <sup>*)</sup>	–	-0.2	0.1	-0.1
<b>Balance on 30.09.2018</b>	330.0	253.4	2,297.0	992.9	-20.0	-20.5	3,832.8	259.9	4,092.6
Note	42	43	44	45	5	46		47	

<sup>\*)</sup> Small amount

## Consolidated statement of cash flows

EURm	Note	2017/18	2016/17
<b>Result before income tax</b>		<b>355.7</b>	<b>325.5</b>
+ Depreciation, amortisation/– revaluation of intangible assets and property, plant and equipment	30	278.9	374.8
– Non-cash share of results of equity accounted investees and other investments	36, 37	–208.2	–193.6
+ Dividends from equity accounted investees and other investments		163.3	129.2
+ Interest expense		54.0	65.4
– Interest paid		–42.9	–55.6
– Interest income		–10.7	–19.5
+ Interest received		8.4	17.3
+ Losses/– gains from foreign exchange translations		10.5	–0.0 <sup>1)</sup>
+ /– Other non-cash financial results		3.4	2.3
– Release of deferred income from network subsidies	25	–47.9	–45.4
– Gains/+ losses on the disposal of intangible assets and property, plant and equipment		–0.7	1.6
– Decrease/+ increase in non-current provisions	50	–3.6	–29.6
<b>Gross cash flow</b>		<b>560.3</b>	<b>572.3</b>
+ Decrease/– increase in inventories and receivables		–69.8	107.8
+ Increase/– decrease in current provisions		–0.1	–6.3
+ Increase/– decrease in trade payables and other liabilities		115.2	–154.3
– Income tax paid		–2.0	–10.5
<b>Net cash flow from operating activities</b>		<b>603.5</b>	<b>508.9</b>
+ Proceeds from the disposal of intangible assets and property, plant and equipment		20.9	98.2
+ Proceeds from network subsidies		68.2	63.7
+ Proceeds from the disposal of financial assets and other non-current assets		25.1	90.7
+ Proceeds from the disposal of current securities		–	135.7
– Acquisition of intangible assets and property, plant and equipment		–351.3	–306.4
– Acquisition of financial assets and other non-current assets		–79.3	–91.6
– Acquisition of current securities		–140.6	–60.9
<b>Net cash flow from investing activities</b>		<b>–457.1</b>	<b>–70.6</b>
– Dividends paid to EVN AG shareholders	44	–83.6	–74.7
– Dividends paid to non-controlling interests		–23.7	–21.5
– Increase/+ decrease in nominal capital		–	0.1
– Increase in interest in fully consolidated companies		–0.1	–
+ Sales/– repurchase of treasury shares		1.1	1.0
+ Increase in financial liabilities		2.0	–
– Decrease in financial liabilities	59	–49.2	–344.8
<b>Net cash flow from financing activities</b>		<b>–153.5</b>	<b>–439.9</b>
<b>Net change in cash and cash equivalents<sup>1)</sup></b>		<b>–7.1</b>	<b>–1.6</b>
<b>Net change in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the period <sup>1)</sup>	59	221.8	223.5
Currency translation differences on cash and cash equivalents		–0.1	–0.1
Cash and cash equivalents at the end of the period <sup>1)</sup>		214.5	221.8
<b>Net change in cash and cash equivalents<sup>2)</sup></b>		<b>–7.1</b>	<b>–1.6</b>

1) The addition of bank overdrafts results in cash and cash equivalents as reported on the consolidated statement of financial position.

2) Additional information on the consolidated statement of cash flows can be found in note 59. Consolidated statement of cash flows.

<sup>\*)</sup> 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 operates 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 eleven 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 2017/18 financial year:

<b>Standards and interpretations applied for the first time</b>		Effective <sup>1)</sup>	Expected material effects on EVN's consolidated financial statements
<b>New standards and interpretations</b>			
–		–	
<b>Revised standards and interpretations</b>			
IAS 7	Disclosure Initiative – Statement of Cash Flows	01.01.2017	See below
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	01.01.2017	None
Diverse	Annual Improvements 2014–2016	01.01.2017/ 01.01.2018 <sup>2)</sup>	None

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

2) The adoption took effect with the announcement in the Official Journal of the EU on 8 February 2018. The changes to IFRS 12 are applicable to reporting periods beginning on or after 1 January 2017.

The disclosure initiative to IAS 7 “Statement of Cash Flows” requires the provision of additional information on the changes in financial liabilities. The required disclosures cover both cash and non-cash changes. EVN is presenting the required information in the form of a reconciliation between the amounts reported for financial liabilities in the opening and closing balance sheets (see note **59. Consolidated statement of cash flows**).

<b>Standards and interpretations already adopted by the EU, but not yet compulsory</b>		Effective <sup>1)</sup>	Expected material effects on EVN's consolidated financial statements
<b>New standards and interpretations</b>			
IFRS 9	Financial Instruments	01.01.2018	See below
IFRS 15	Revenue from Contracts with Customers	01.01.2018	See below
IFRS 16	Leases	01.01.2019	See below
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01.01.2018	None
IFRIC 23	Uncertainty over Income Tax Treatments	01.01.2019	Still under analysis <sup>2)</sup>
<b>Revised standards and interpretations</b>			
IAS 40	Transfers of Investment Property	01.01.2018	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 9	Prepayment Features with Negative Compensation	01.01.2019	None
IFRS 15	Revenue from Contracts with Customers – Clarifications	01.01.2018	See below

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

2) The adoption took effect with the announcement in the Official Journal of the EU on 24 October 2018.

## IFRS 9: Financial Instruments

IFRS 9 replaces the existing rules for the recognition and measurement of financial instruments under IAS 39. In comparison with IAS 39, IFRS 9 includes new rules for the classification and measurement of financial assets and expanded rules for the recognition of impairment losses to financial assets. It also defines new rules for hedge accounting.

### Classification and measurement

IFRS 9 provides for a new classification of financial assets which, in contrast to IAS 39, is based on the respective business model and the characteristics of the contractual payment flows for the individual financial instruments. In the future, financial assets must be allocated to one of the following three categories: "at amortised cost (AC)", "at fair value through profit or loss (FVtPL)" or "at fair value through other comprehensive income (FVOCI)".

An evaluation by the EVN Group showed that most of the financial assets – in particular loans receivable, other non-current assets and receivables as well as cash on hand and at banks – will continue to meet the criteria for classification at amortised cost. Investments in equity instruments which were previously classified as available for sale (AFS) and are held over the long term will be assigned to the category FVOCI under the planned application of IFRS 9.5.7.5. Related valuation adjustments to these instruments will no longer be reclassified to the consolidated statement of operations in the future. The investments in equity instruments which were previously measured at amortised cost based on the exemption provided by IAS 39.46(c) do not lead to a material increase in the carrying amount.

### Impairment

With regard to the recognition of impairment losses on financial assets, IFRS 9 replaces the "incurred loss model" with the "expected loss model". Financial assets carried at amortised cost, contractual assets as defined in IFRS 15 and debt instruments measured at FVOCI are now subject to the provisions of the "expected loss model" on initial recognition and are tested for impairment. Impairment losses must be recognised in one of two forms: on the basis of a twelve-month model at the amount of the credit losses expected within the next twelve months or at the amount of the credit losses expected over the lifetime of the asset. The latter alternative must be applied to trade receivables without material financing components and to assets whose credit risk has increased significantly since initial recognition.

In the EVN Group, the twelve-month model will be applied, in particular, to loans receivable, lease receivables and bank deposits, when the requirements of IFRS 9.7.2.19a are met. The data as of 30 September 2018 would point to the need for an immaterial impairment loss of EUR 0.1m.

The application of the lifetime loss model is mandatory for trade receivables without material financing components. EVN has elected to use the approach provided by IFRS 9B5.5.35, which allows for the use of an impairment matrix as a practical expedient for determining the impairment loss. The default incidents in recent years were analysed by region and core market, and an impairment matrix was then

developed for the EVN Group based on time intervals. The results of these analyses do not differ materially from the amounts for which impairment losses were previously recorded.

### Hedge accounting

The new model for hedge accounting is intended to create a better connection between the company's risk management strategy, the reasons for the conclusion of hedges and the recognition and measurement of these hedges. In addition to convergence with the goals and strategies of corporate risk management, IFRS 9 expands the range of acceptable underlying transactions and requires a rather qualitative and future-oriented approach for evaluating the effectiveness of the hedge relationship.

The hedges held by the EVN Group on the transition date for the hedging of foreign exchange and interest rate risks meet the requirements of IFRS 9. They are in agreement with the strategies and goals of risk management in the EVN Group and can therefore also be recorded under the provisions of IFRS 9.

### Transition

EVN will initially apply IFRS 9 "Financial Instruments" in the 2018/19 financial year. Changes in accounting methods due to the application of IFRS 9 will generally be made retrospectively. EVN has decided to utilise the exception rule and will not adjust the comparative information for classification and measurement (including impairment) in previous accounting periods as of the initial application date. Differences between the carrying amounts which result from the application of IFRS 9 will generally be recorded under retained earnings without recognition through profit or loss as of 1 October 2018. In contrast, the new rules for hedge accounting will principally be applied prospectively.

### IFRS 15: Revenue from Contracts with Customers

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 expected in exchange for the accepted performance obligations, i.e. the transfer of goods or the provision of services. A determination must therefore be made when a contract is concluded as to whether the resulting revenue should be recognised at a point in time or over time. Revenue is recognised 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 a Group-wide project to identify the contracts that could lead to a potential change in the previous method used to realise revenue. The analysed contracts involve revenue from the electricity, natural gas, heat, water, waste utilisation and telecommunications business areas. The application of IFRS 15 is not expected to result in any material effects on the scope or timing of revenue recognition, especially in EVN's core energy supply business. The EVN Group will, as soon as the corresponding prerequisites are met, utilise the practical expedient provided by IFRS 15.B16, which permits the recognition of revenue at the amount the company is entitled to invoice.

The contract analyses also identified the following immaterial issues for the EVN Group:

The costs to acquire a contract with a customer represent additional costs. When the company assumes it will be able to reclaim these costs, the related amounts must generally be capitalised and amortised over the period in which the goods or services are transferred to the customer. If the expected amortisation period does not exceed one year, the practical expedient permits the expensing of these costs. In 2017/18, this would have led to the capitalisation of EUR 0.4m for contract acquisition costs.

Payments to customers for sales purposes, e.g. free months, are generally recognised as revenue deductions. A payment made when the contract is concluded leads to the recognition of an asset which must be released over the minimum contract term. In 2017/18, this would have led to the capitalisation of an asset amounting to EUR 0.2m.

The initial application of IFRS 15 will be made retrospectively, whereby the cumulative adjustment amounts from the initial application will be recorded under retained earnings as of 1 October 2018.

### IFRS 16: Leases

IFRS 16 was published by the IASB in January 2016 and will replace IAS 17, the previous standard on leasing arrangements as well as the previous interpretations. IFRS 16 contains both a changed definition of the term “lease” as well as substantial changes in the rules on accounting by the lessee. Under the new rules, the previous distinction between finance leases and operating leases no longer applies and operating leases will be recognised in the same manner as finance leases in the future. Exceptions are leases with a term of twelve months or less and leases involving low-value assets. The simplifications are optional and will be actively applied by EVN.

EVN currently acts as the lessee in operating leases and, consequently, effects are expected from 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. In 2017/18 the content of the relevant contracts in most of the involved companies was analysed on the basis of the IFRS 16 criteria. The current status of this analysis indicates that the application of IFRS 16 is not expected to have any material effect on the asset, financial or earnings position of the EVN Group. EVN will apply IFRS 16 retrospectively, whereby the cumulative adjustments will be recognised on the initial application date.

### 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.

<b>Standards and interpretations not yet applicable and not yet adopted by the EU</b>		Effective <sup>1)</sup>	Expected material effects on EVN's consolidated financial statements
<b>New standards and interpretations</b>			
IFRS 17	Insurance Contracts	01.01.2021	None
<b>Revised standards and interpretations</b>			
IAS 1 & IAS 8	Definition of Material	01.01.2020	Still under analysis
IAS 19	Plan Amendment, Curtailment or Settlement	01.01.2019	Still under analysis
IAS 28	Long-term Interests in Associates and Joint Ventures	01.01.2019	Still under analysis
IFRS 3	Business Combinations – Definition of a Business	01.01.2020	None
Several	Annual Improvements 2015–2017	01.01.2019	Still under analysis
Several	Amendments to References to the Conceptual Framework in IFRS Standards	01.01.2020	Still under analysis

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

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.

## 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 recoverability of goodwill, see notes **34. Intangible assets** and **21. 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 were no acquisitions of companies as defined in IFRS 3 during the reporting period.

Joint arrangements are included in the consolidated financial statements of EVN 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 interim 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, 31 domestic and 32 foreign subsidiaries (including the parent company EVN AG) were fully consolidated in the consolidated financial statements as of 30 September 2018 (previous year: 27 domestic and 36 foreign subsidiaries). A total of 21 subsidiaries (previous year: 19) 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 the 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 EVN's consolidated financial statements at equity because contractual agreements exclude any possibility of control.

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

The criteria for control defined by IFRS 10 are not considered to be met in companies with an investment of 50.00%. These companies are classified as joint ventures in the sense of IFRS 11 based on the respective 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 194. Notes **47. Non-controlling interests** and **63. 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
<b>30.09.2016</b>	<b>67</b>	<b>1</b>	<b>17</b>	<b>85</b>
Initial consolidation	1	–	–	1
Deconsolidation	–2	–	–	–2
Reorganisation <sup>1)</sup>	–3	–	–	–3
<b>30.09.2017</b>	<b>63</b>	<b>1</b>	<b>17</b>	<b>81</b>
Initial consolidation	–	–	1	1
Deconsolidation	–	–	–2	–2
<b>30.09.2018</b>	<b>63</b>	<b>1</b>	<b>16</b>	<b>80</b>
thereof foreign companies	32	1	5	38

1) Internal reorganisation

WEEV Beteiligungs GmbH was restructured in 2016/17, whereby the Verbund shares held by WEEV were transferred to the parent companies, EVN and Wiener Stadtwerke, in June 2017. In October 2017, the WEEV stake held by Wiener Stadtwerke was transferred to EVN. WEEV is currently in liquidation and was deconsolidated during the first quarter of 2017/18 due to immateriality.

AUL Abfallumladelogistik Austria GmbH, Maria Enzersdorf, which was previously included in the consolidated financial statements at equity, was sold to ABW Abbruch-, Boden- und Wasserreinigungs- Gesellschaft mbH through a contract dated 20 February 2018 and subsequently deconsolidated.

Biowärme Amstetten-West GmbH, Amstetten, was previously not included in EVN's consolidated financial statements due to immateriality. In the fourth quarter of 2017/18, this company was initially included in the consolidated financial statements at equity.

### 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 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 at 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 2.1m in 2017/18 (previous year: EUR 0.9m) and include EUR –10.5m which were reclassified from other comprehensive income to the consolidated statement of operations.

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	2017/18		2016/17	
	Exchange rate on the balance sheet date	Average <sup>1)</sup>	Exchange rate on the balance sheet date	Average <sup>1)</sup>
Albanian lek	126.29000	129.88692	133.50000	134.95000
Bulgarian lev <sup>2)</sup>	1.95583	1.95583	1.95583	1.95583
Croatian kuna	7.43460	7.44503	7.49500	7.46918
Hungarian forint	324.37000	316.56769	310.67000	308.96538
Macedonian denar	61.49380	61.51948	61.46800	61.59076
Polish zloty	4.27740	4.24698	4.30420	4.29246
Russian rouble	76.14220	71.88993	68.25190	66.16763
Serbian denar	118.41790	118.53138	119.36590	122.35314
Czech koruna	25.73100	25.63185	25.98100	26.68462

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 **21. 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 Ashta hydropower plant as well as the sewage treatment plant project in 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 capitalised retroactively as part of the acquisition or production cost.

If the construction of property, plant and equipment continues over an extended period of time, these items 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:

<b>Expected useful life of property, plant and equipment</b>	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 **21. 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 **29. Share of results from equity accounted investees with operational nature**, **31. Financial results** and **63. 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:

<b>Classes and measurement categories of primary financial instruments</b>	Measurement category
<b>Non-current assets</b>	
<b>Other investments</b>	
Miscellaneous investments	AFS
<b>Other non-current assets</b>	
Securities	@FVTPL
Loans receivable	LAR
Lease receivables	LAR
Receivables arising from derivative transactions	Hedge Accounting, @FVTPL
<b>Current assets</b>	
<b>Current receivables and other current assets</b>	
Trade and other receivables	LAR
Receivables arising from derivative transactions	Hedge Accounting, @FVTPL
Securities	AFS
<b>Cash and cash equivalents</b>	
Cash on hand and cash at banks	LAR
<b>Non-current liabilities</b>	
<b>Non-current loans and borrowings</b>	
Bonds	FLAC
Bank loans	FLAC
<b>Other non-current liabilities</b>	
Lease liabilities	FLAC
Accruals of financial transactions	FLAC
Other liabilities	FLAC
Liabilities arising from derivative transactions	Hedge Accounting, @FVTPL
<b>Current liabilities</b>	
<b>Current loans and borrowings</b>	FLAC
<b>Trade payables</b>	FLAC
<b>Other current liabilities</b>	
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 based on 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<sub>2</sub> emission certificates serve to hedge the purchase prices for expected electricity and natural gas deliveries or CO<sub>2</sub> emission certificates as well as the selling prices for planned electricity production. If physical delivery is based on the expected procurement, sale or usage requirements, the criteria for the so-called “own use exemption” under IAS 39 are met. The contracts are then not considered derivative financial instruments in terms of IAS 39, but represent pending purchase and sale transactions, which must be assessed for possible impending losses from pending transactions in accordance with 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 as cash flow hedges according to IAS 39 are recorded as part of the valuation reserve under other comprehensive income 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 other comprehensive income and is transferred as a reclassification adjustment from equity to profit or loss in the same period or periods in which the hedged transaction actually affects profit or loss, or 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 as fair value hedges under IAS 39 serve to hedge recognised assets or liabilities against the risk of a change in fair value. For fair value hedges, the recognition in profit or loss includes the change in the fair value of the derivative as well as the contrasting change in the fair value of the underlying transaction, as far as it reflects the hedged risk. The related earnings are generally reported under the same position in the consolidated statement of operations as the underlying transaction. Changes in the value of the hedges are essentially offset by the changes in the value of the hedged transactions.

The derivatives used by EVN for hedging purposes constitute effective protection. The changes in the fair value of these derivatives are generally offset by compensating changes in the underlying transactions. The hedging relationship between underlying transaction and the hedging instrument as well as their effectiveness are analysed and documented when the relationship is established 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 at fair value in the consolidated statement of financial position. 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 other 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.

Loans receivable 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 arise from the international project business in the Environment 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. 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. Potentially 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. 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.

#### 17. Provisions

##### Personnel provision

The projected unit credit method is used to determine the provisions for pensions and similar obligations as well as 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 **50. 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.

The calculation of the provisions for pensions in 2017/18 was based on the Austrian mortality tables “AVÖ 2018-P – Rechnungsgrundlagen für die Pensionsversicherung”, which were issued by the Actuarial Association Austria (AVÖ) on 15 August 2018. In addition to revised indicators for expected mortality, these tables also include new parameters for the probability of invalidity and marriage. The resulting changes were recorded under other comprehensive income.

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 similar obligations

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 similar obligations. 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 – involving service anniversary bonuses are recognised 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 resulting from 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 related depreciation is 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 are 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.

## 18. 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 **48. 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.

Deferred income from network subsidies does 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.

Network subsidies – which constitute payments made by customers to cover previous investments by EVN in the upstream network – 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. Network and investment subsidies are released on a straight-line basis over the average useful life of the respective assets.

## 19. 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 applicable to the particular 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 an asset or cash from its customers, 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 network subsidies received by EVN fall in part under the scope of application of IFRIC 18. Network 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 the received network 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.

## 20. 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:

<b>Corporate income tax rates</b>	<b>2017/18</b>	<b>2016/17</b>
%		
<b>Country of residence</b>		
Austria	25.0	25.0
Albania	15.0	15.0
Bulgaria	10.0	10.0
Germany – Environment	30.3	30.3
Germany – Generation	34.0	32.4
Estonia <sup>1)</sup>	20.0	20.0
Croatia	18.0	18.0
Lithuania	20.0	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	19.0
Czech Republic	19.0	19.0
Cyprus	12.5	12.5

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 2018 (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 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 in liquidation 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.

### 21. 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, wind parks, 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 fair value is estimated in accordance with level 3 in the fair value hierarchy. 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 estimating the recoverable amount, EVN initially assesses the value in use. In cases where this amount is lower than the carrying amount of the asset, or the CGU, the fair value less costs of disposal is calculated if necessary.

## **22. 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 **21. 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 largest CGU's, based on the carrying amount, where a triggering event was identified and for which an impairment loss or reversal was recognised in the financial statements: **34. Intangible assets**, **7. Property, plant and equipment** and **36. 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 (MPZ1) 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. In a judgment issued on 26 January 2018, the Court of Arbitration rejected the action in principal claim. The parties did not agree on a second instance to review the arbitration decision. This decision had no further effects on the financial statements because the leasing receivable had been adjusted by an impairment loss in 2013/14.

The project company Steag-EVN Walsum 10 Kraftwerksgesellschaft mbH (SEK), 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, prefinanced repair costs and damages arising from the inability to receive allocations of CO<sub>2</sub> 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. On 4 July 2018, SEK and the Hitachi consortium reached a settlement which finally terminated these second arbitration proceedings and one remaining open point from the first arbitration proceedings (see note **35. 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 proceedings are pending. The outcome of these proceedings could lead to valuation adjustments in future reporting periods.

EVN and Verbund Thermal Power operated the Dürnrrohr 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 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 Dürnrrohr 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 Dürnröhr power plant and therefore remains unchanged and in force. The company filed an action for a declaratory judgment with the Commercial Court in Vienna which was subsequently terminated by an out-of-court settlement on 29 June 2018.

The valuation of the provisions for pensions, similar obligations 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 pension-related obligations (see note **50. 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 **17. Provisions**) as well as estimates for other obligations and risks (see note **64. 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 recognition of revenue (see note **19. Revenue recognition**). These estimates are based on historical data and other assumptions considered appropriate under the given circumstances.

### **23. 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 **58. Notes to segment reporting**).

## Notes to the consolidated statement of operations

### 24. Revenue

External revenue recorded by the individual business segments developed as follows:

<b>Revenue</b>	<b>2017/18</b>	<b>2016/17</b>
EURm		
Generation	69.8	53.7
Energy	459.3	512.0
Networks	489.6	497.9
South East Europe	902.0	957.5
Environment	136.9	181.0
All Other Segments	15.0	13.4
<b>Total</b>	<b>2,072.6</b>	<b>2,215.6</b>

### 25. Other operating income

<b>Other operating income</b>	<b>2017/18</b>	<b>2016/17</b>
EURm		
Income from the reversal of deferred income from network subsidies	47.9	45.4
Own work capitalised	20.8	20.7
Change in work in progress	8.5	-3.3
Interest on late payments	7.5	17.6
Rental income	3.4	2.2
Insurance compensation	3.2	5.8
Income from the disposal of intangible assets and property, plant and equipment	0.7	-1.6
Miscellaneous other operating income	13.1	15.2
<b>Total</b>	<b>105.0</b>	<b>101.9</b>

The decrease in the interest on late payments is attributable to the agreement reached in February 2017 between the supply company 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.

Miscellaneous other operating income consists, above all, of bonuses, subsidies and services that are not related to business activities.

### 26. Cost of materials and services

<b>Cost of materials and services</b>	<b>2017/18</b>	<b>2016/17</b>
EURm		
Electricity purchases from third parties and primary energy expenses	961.3	989.0
Third-party services and other materials and services	275.1	313.7
<b>Total</b>	<b>1,236.4</b>	<b>1,302.6</b>

The expenses for electricity purchase from third parties and primary energy carriers consist primarily of the costs for electricity, natural gas, hard coal and biomass. Also included here are costs of EUR 20.5m (previous year: EUR 15.3m) for the purchase of additional CO<sub>2</sub> 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.

## 27. Personnel expenses

<b>Personnel expenses</b>	<b>2017/18</b>	<b>2016/17</b>
EURm		
Salaries and wages	250.0	241.5
Severance payments	4.5	6.3
Pension costs	6.7	10.1
Compulsory social security contributions and payroll-related taxes	53.3	52.1
Other employee-related expenses	7.2	6.8
<b>Total</b>	<b>321.7</b>	<b>316.8</b>

Personnel expenses included contributions of EUR 6.6m (previous year: EUR 9.9m) to VBV Pensionskasse as well as contributions of EUR 1.1m (previous year: EUR 1.0m) to employee pension funds. The decline in the contributions to VBV Pensionskasse resulted from a non-recurring payment of EUR 3.8m in 2016/17, which was related to the sale of EVN Pensionskasse. The Austrian Pension Adjustment Act of 2018, Federal Gazette no. 2017/151, and the related provisions of § 711 of the Austrian Act on General Social Security resulted in lower pension adjustments compared with previous years. This, in turn, reduced pension costs by EUR 2.8m.

The average number of employees was as follows:

<b>Employees by segment<sup>1)</sup></b>	<b>2017/18</b>	<b>2016/17</b>
Generation	250	135
Networks	1,232	1,218
Energy	307	305
South East Europe	4,121	4,161
Environment	384	501
All Other Segments	536	521
<b>Total</b>	<b>6,831</b>	<b>6,840</b>

1) Average for the year

The average number of employees comprised 97.3% salaried and 2.7% wage employees (previous year: 97.3% salaried and 2.7% 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.

**28. Other operating expenses**

<b>Other operating expenses</b>	<b>2017/18</b>	<b>2016/17</b>
EURm		
Business operation taxes and duties	18.1	18.0
Write-off of receivables	17.6	23.1
Legal and consulting fees, expenses related to process risks	13.3	18.3
Advertising expenses	13.0	11.8
Transportation and travelling expenses, automobile expenses	12.2	11.2
Insurance	9.9	9.4
Maintenance	9.2	7.0
Telecommunications and postage	9.0	9.6
Rents	7.3	6.7
Employee training	2.3	2.0
Miscellaneous other operating expenses	23.8	22.1
<b>Total</b>	<b>135.7</b>	<b>139.0</b>

The position legal and consulting fees, expenses related to process risks also contains changes in the provision for process costs and risks. 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.

**29. Share of results from equity accounted investees with operational nature**

<b>Share of results from equity accounted investees with operational nature</b>	<b>2017/18</b>	<b>2016/17</b>
EURm		
EVN KG	114.3	96.1
RAG	39.8	43.4
Energie Burgenland	11.6	17.0
ZOV; ZOV UIP	10.1	12.5
Verbund Innkraftwerke	6.3	-11.4
Other companies	5.8	5.0
<b>Total</b>	<b>188.0</b>	<b>162.6</b>

The share of results from equity accounted investees with operational nature (see note **63. Disclosures of interests in other entities**) is 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 and write-ups (see note **36. 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 and Verbund Innkraftwerke.

The year-on-year increase in the earnings contribution from EVN KG is based on positive earnings effects in connection with hedges concluded for risk management.

The positive earnings contribution from Verbund Innkraftwerke resulted, among others, from an improvement in the forward quotations for electricity which led to a write-up of EUR 2.5m. In the previous year, a decline in the estimates for the long-term development of electricity prices led to the recognition of an impairment loss totalling EUR 13.1m (see note **36. Investments in equity accounted investees**).

The unrecognised cumulative losses for Ashta totalled EUR 5.6m (previous year: losses of EUR 5.4m).

### 30. Depreciation and amortisation and effects from impairment tests

The procedure used for impairment testing is described as part of the disclosures on accounting policies under **21. Procedures and effects of impairment tests**.

<b>Depreciation and amortisation and effects from impairment tests by items of the consolidated statement of financial position</b>		
EURm	<b>2017/18</b>	<b>2016/17</b>
Intangible assets	13.3	59.5
Property, plant and equipment	291.8	316.7
Write-up of intangible assets	-10.3	-
Write-up of property, plant and equipment	-16.0	-1.4
<b>Total</b>	<b>278.9</b>	<b>374.8</b>

<b>Depreciation and amortisation and effects from impairment tests</b>		
EURm	<b>2017/18</b>	<b>2016/17</b>
Scheduled depreciation and amortisation	258.3	262.3
Effects from impairment tests (impairment) <sup>1)</sup>	46.9	113.9
Effects from impairment tests (reversal of impairment) <sup>1)</sup>	-26.3	-1.4
<b>Total</b>	<b>278.9</b>	<b>374.8</b>

1) For details, see notes 34. Intangible assets and 35. Property, plant and equipment

**31. Financial results**

<b>Financial results</b>	<b>2017/18</b>	<b>2016/17</b>
EURm		
<b>Income from investments</b>		
WEEV Beteiligungs GmbH	–	12,1
Other companies	0.1	0.0 <sup>*)</sup>
<b>Share of results from equity accounted investees with financial nature</b>	<b>0.1</b>	<b>12.2</b>
Dividend payments	21.1	19.0
thereof Verbund AG	18.4	11.6
thereof other companies	2.7	7.3
Write-down/Disposals	–1.0	–0.1
<b>Results from other investments</b>	<b>20.1</b>	<b>18.8</b>
<b>Total income from investments</b>	<b>20.2</b>	<b>31.0</b>
<b>Interest results</b>		
Interest income on financial assets	6.5	8.8
Other interest income	4.2	10.7
<b>Total interest income</b>	<b>10.7</b>	<b>19.5</b>
Interest expense on financial liabilities	–43.8	–54.6
Interest expense personnel provisions	–7.2	–5.9
Other interest expense	–3.0	–4.9
<b>Total interest expense</b>	<b>–54.0</b>	<b>–65.4</b>
<b>Total interest results</b>	<b>–43.3</b>	<b>–45.9</b>
<b>Other financial results</b>		
Results from changes in exchange rates and the disposal of non-current financial assets	–1.8	–1.5
Results from changes in exchange rates and the disposal of current financial assets	–0.0 <sup>*)</sup>	–0.0 <sup>*)</sup>
Currency gains/losses	–10.5	0.0 <sup>*)</sup>
Other financial results	–1.8	–5.0
<b>Total other financial results</b>	<b>–14.0</b>	<b>–6.5</b>
<b>Financial results</b>	<b>–37.2</b>	<b>–21.4</b>

\*) Small amount

The share of results from equity accounted investees with financial nature (see note **63. Disclosures of interests in other entities**) is reported as part of 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 2010/11 financial year. WEEV was restructured in 2016/17, and its investment in Verbund was transferred to the parent companies EVN and Wiener Stadtwerke in June 2017. In October 2017, the WEEV stake held by Wiener Stadtwerke was transferred to EVN. WEEV is currently in liquidation and was deconsolidated during the first quarter of 2017/18 due to immateriality (see note **4. Scope of consolidation**). The unrecognised losses for WEEV total EUR 4.5m (previous year: loss of 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 financial assets that are not designated at fair value through profit or loss totalled EUR 9.4m (previous year: EUR 18.3m).

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 46.8m (previous year: EUR 59.5m).

### 32. Income tax expense

<b>Income tax expense</b>	<b>2017/18</b>	<b>2016/17</b>
EURm		
Current income tax income and expense	20.7	26.9
thereof Austrian companies	4.8	10.5
thereof foreign companies	15.9	16.4
Deferred tax income and expense	55.4	27.0
thereof Austrian companies	55.3	34.5
thereof foreign companies	0.1	-7.5
<b>Total</b>	<b>76.1</b>	<b>53.9</b>

The following table explains the reasons for the difference between the Austrian corporate income tax rate of 25.0% that applied in 2018 (previous year: 25.0%) and the tax expense based on the Group net result reported on the consolidated statement of operations for the 2017/18 financial year:

<b>Calculation of the effective tax rate</b>	<b>2017/18</b>		<b>2016/17</b>	
	%	EURm	%	EURm
<b>Result before income tax</b>		<b>355.7</b>		<b>325.5</b>
<b>Income tax rate/income tax expense at nominal tax rate</b>	<b>25.0</b>	<b>88.9</b>	<b>25.0</b>	<b>81.4</b>
- Different corporate income tax rates in other countries	-0.1	-0.2	-3.0	-9.6
- Effect of tax rate change	-0.2	-0.7	-	-
- Tax-free income from investments	-6.3	-22.6	-8.8	-28.6
+ Revaluation of deferred taxes	1.1	3.8	2.9	9.3
+/- Tax share valuations and impairment on Group receivables	0.8	2.8	-0.7	-2.3
+ Non-deductible expenses	0.7	2.6	0.9	3.0
- Other tax free income	-0.1	-0.4	-0.1	-0.3
+ Aperiodic tax increases	0.7	2.5	0.1	0.2
-/+ Other items	-0.2	-0.7	0.3	0.9
<b>Effective tax rate/effective income tax expense</b>	<b>21.4</b>	<b>76.1</b>	<b>16.6</b>	<b>53.9</b>

The tax share valuations are related primarily to the investment revaluation on the investments in EVN Nk BuB and OOO EVN Umwelt Service (previous year: impairment losses recognised on the investments in Hydro Power Company Gorna Arda, TEZ Plovdiv, EVN Nk BuB, EVN Bulgaria EAD, OOO EVN Umwelt Service and the investment revaluation in EVN Macedonia and Energie Allianz).

EVN's effective tax rate for the reporting year equalled 21.4% of the result before income tax (previous year: 16.6%). The effective tax rate represents the weighted average of the effective local corporate tax rates of all consolidated subsidiaries (see note **49. Deferred taxes**).

**33. 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 2017/18, i. e. 177,938,720 (previous year: 177,856,536). 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 the Group net result of EUR 254.6m for the 2017 /18 financial year (previous year: EUR 251.0m), earnings per share equalled EUR 1.43 (previous year: EUR 1.41).

## Notes to the consolidated statement of financial position

### Assets

#### 34. 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

##### 2017/18 financial year

EURm	Goodwill	Rights	Other intangible assets	Total
<b>Gross value 30.09.2017</b>	<b>216.7</b>	<b>381.2</b>	<b>102.4</b>	<b>700.3</b>
Additions	–	11.9	0.3	12.2
Disposals	–	–2.0	–	–2.0
Transfers	–	22.0	–26.7	–4.7
<b>Gross value 30.09.2018</b>	<b>216.7</b>	<b>413.1</b>	<b>76.0</b>	<b>705.8</b>
<b>Accumulated amortisation 30.09.2017</b>	<b>–160.9</b>	<b>–272.6</b>	<b>–89.8</b>	<b>–523.3</b>
Scheduled amortisation	–	–12.7	–0.6	–13.3
Impairment losses	–	–0.0 <sup>*)</sup>	–	–0.0 <sup>*)</sup>
Additions	–	10.3	–	10.3
Disposals	–	2.1	–	2.1
Transfers	–	–15.4	16.0	0.5
<b>Accumulated amortisation 30.09.2018</b>	<b>–160.9</b>	<b>–288.4</b>	<b>–74.4</b>	<b>–523.7</b>
<b>Net value 30.09.2017</b>	<b>55.8</b>	<b>108.6</b>	<b>12.6</b>	<b>177.1</b>
<b>Net value 30.09.2018</b>	<b>55.8</b>	<b>124.7</b>	<b>1.5</b>	<b>182.1</b>

##### 2016/17 financial year

EURm	Goodwill	Rights	Other intangible assets	Total
<b>Gross value 30.09.2016</b>	<b>216.7</b>	<b>372.8</b>	<b>99.6</b>	<b>689.1</b>
Additions	–	10.5	3.0	13.5
Disposals	–	–2.2	–0.0 <sup>*)</sup>	–2.2
<b>Gross value 30.09.2017</b>	<b>216.7</b>	<b>381.2</b>	<b>102.4</b>	<b>700.3</b>
<b>Accumulated amortisation 30.09.2016</b>	<b>–160.9</b>	<b>–220.1</b>	<b>–86.9</b>	<b>–467.9</b>
Scheduled amortisation	–	–12.0	–2.6	–14.5
Impairment losses	–	–44.8	–0.2	–45.0
Disposals	–	1.5	–0.0 <sup>*)</sup>	1.6
Transfers	–	2.8	–0.2	2.5
<b>Accumulated amortisation 30.09.2017</b>	<b>–160.9</b>	<b>–272.6</b>	<b>–89.8</b>	<b>–523.3</b>
<b>Net value 30.09.2016</b>	<b>55.8</b>	<b>152.7</b>	<b>12.7</b>	<b>221.2</b>
<b>Net value 30.09.2017</b>	<b>55.8</b>	<b>108.6</b>	<b>12.6</b>	<b>177.1</b>

<sup>\*)</sup> 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 CGU “other CGUs”.

The carrying amount of the net assets in the CGU “international project business” totalled EUR 227.6m. The recoverable amount was determined on the basis of the value in use and equalled EUR 340.2m. A WACC after tax of 5.80% (previous year: 5.92%) was used as the discount rate, which corresponds to an iteratively derived pre-tax WACC of 6.33% (previous year: 6.41%). The recoverable amount of the CGU was 49.5% higher than the carrying amount. An increase (decrease) of 0.5% in the WACC in 2017/18, ceteris paribus, would have led to a surplus cover of EUR 90.4m in the net assets of the CGU (surplus cover of EUR 138.6m). The recoverable amount would equal the carrying amount based on a WACC after tax of 9.47%.

In the Generation Segment, the increase in forward electricity prices led to a write-up of EUR 9.8m to electricity purchasing rights from the Freudenuh hydropower plant. EVN holds procurement rights of 12.5% to the electricity generated by the Donaukraftwerk Freudenuh during its operating life. The recoverable amount was determined on the basis of the value in use and equalled EUR 31.1m. A WACC after tax of 5.72% (previous year: 5.84%) was used as the discount rate, which corresponds to an iteratively derived pre-tax WACC of 7.17% (previous year: 6.40%). An increase (decrease) of 0.5% in the WACC in 2017/18, ceteris paribus, would have resulted in a write-up of EUR 7.4m (write-up of EUR 12.7m). An increase (decrease) of 5% in the underlying assumptions for the electricity price in 2017/18, ceteris paribus, would have resulted in a write-up of EUR 14.0m (write-up of EUR 5.7m).

In 2017/18, a total of EUR 3.4m (previous year: EUR 2.6m) was invested in research and development; EUR 2.0m thereof were capitalised (previous year: EUR 1.1m).

## 35. Property, plant and equipment

### Reconciliation of property, plant and equipment

<b>2017/18 financial year</b>							
EURm	Land and buildings	Lines	Technical equipment	Meters	Other plants, tools and equipment	Equipment under construction	Total
<b>Gross value 30.09.2017</b>	818.4	4,111.6	2,966.1	255.3	184.7	168.8	8,504.9
Currency translation differences	-0.0 <sup>*)</sup>	-0.0 <sup>*)</sup>	-7.5	-0.0 <sup>*)</sup>	-0.0 <sup>*)</sup>	0.0 <sup>*)</sup>	-7.5
Additions	20.5	110.5	66.8	24.1	22.8	109.0	353.7
Disposals	-2.2	-10.0	-33.0	-15.5	-13.4	-0.8	-74.9
Transfers	13.1	47.5	21.1	0.8	1.2	-80.9	2.8
<b>Gross value 30.09.2018</b>	849.6	4,259.7	3,013.6	264.7	195.1	196.2	8,778.9
<b>Accumulated amortisation 30.09.2017</b>	-479.1	-2,247.0	-2,091.5	-155.8	-139.5	-8.3	-5,121.3
Currency translation differences	0.0 <sup>*)</sup>	0.0 <sup>*)</sup>	5.9	0.0 <sup>*)</sup>	0.0 <sup>*)</sup>	-	6.0
Changes in the scope of consolidation	-	-	0.0 <sup>*)</sup>	-	0.0 <sup>*)</sup>	-	0.0 <sup>*)</sup>
Scheduled depreciation	-20.4	-107.7	-84.0	-16.4	-16.5	-	-245.0
Impairment losses	-10.1	-4.0	-32.0	-0.1	-0.0 <sup>*)</sup>	-0.6	-46.9
Revaluation	2.4	6.3	7.0	-	0.3	-	16.0
Disposals	2.0	9.8	15.6	14.4	13.0	-	54.9
Transfers	-4.1	0.0 <sup>*)</sup>	0.1	0.0 <sup>*)</sup>	0.0 <sup>*)</sup>	-	-3.9
<b>Accumulated amortisation 30.09.2018</b>	-509.3	-2,342.5	-2,178.9	-157.8	-142.7	-9.0	-5,340.2
<b>Net value 30.09.2017</b>	339.3	1,864.6	874.6	99.5	45.2	160.4	3,383.6
<b>Net value 30.09.2018</b>	340.3	1,917.2	834.7	106.9	52.4	187.2	3,438.7
<b>2016/17 financial year</b>							
EURm	Land and buildings	Lines	Technical equipment	Meters	Other plants, tools and equipment	Equipment under construction	Total
<b>Gross value 30.09.2016</b>	809.8	3,959.5	3,014.7	238.5	174.4	170.7	8,367.6
Currency translation differences	0.0 <sup>*)</sup>	0.2	2.3	0.0 <sup>*)</sup>	0.0 <sup>*)</sup>	0.0 <sup>*)</sup>	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
<b>Gross value 30.09.2017</b>	818.4	4,111.6	2,966.1	255.3	184.7	168.8	8,504.9
<b>Accumulated amortisation 30.09.2016</b>	-447.7	-2,144.8	-1,973.4	-148.7	-133.1	-7.4	-4,855.0
Currency translation differences	-0.0 <sup>*)</sup>	-0.1	-1.6	-0.0 <sup>*)</sup>	-0.0 <sup>*)</sup>	-	-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 <sup>*)</sup>	0.2
<b>Accumulated amortisation 30.09.2017</b>	-479.1	-2,247.0	-2,091.5	-155.8	-139.5	-8.3	-5,121.3
<b>Net value 30.09.2016</b>	362.1	1,814.8	1,041.3	89.8	41.3	163.3	3,512.5
<b>Net value 30.09.2017</b>	339.3	1,864.6	874.6	99.5	45.2	160.4	3,383.6

<sup>\*)</sup> Small amount

Land and buildings included land with a value of EUR 58.9m (previous year: EUR 56.1m). EVN held a mortgage with a maximum value of EUR 1.8m as of 30 September 2018, unchanged from the previous year.

Additions to property, plant and equipment included capitalised borrowing costs of EUR 1.4m (previous year: EUR 1.4m). The interest rate used for capitalisation ranged from 2.0% to 3.8% (previous year: 1.7% –3.8%).

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 3.0m as of the balance sheet date (previous year: EUR 10.4m). The year-on-year decline resulted from the termination of five lease agreements. The related lease and rental liabilities were recognised under other non-current liabilities (see note **52. Other non-current liabilities**).

As in the previous year, no property, plant and equipment or intangible assets were pledged as collateral as of 30 September 2018.

The impairment testing of assets in accordance with IAS 36 led to the recognition of the following impairment losses and write-ups in 2017/18:

Current market analyses and the related less favourable estimates for the development, in combination, of long-term electricity prices, primary energy prices and the prices for emission certificates (clean dark spread) led to the recognition of an impairment loss of EUR 25.4m to EVN's proportional interest in the jointly operated Walsum 10 power plant.<sup>1)</sup> The recoverable amount was determined on the basis of the value in use and amounted to EUR 109.3m. The applied discount rate equalled an after-tax WACC of 4.94% (previous year: 5.25%) and represents an iteratively derived pre-tax WACC of 6.63% (previous year: 6.79%). An increase (decrease) of 0.5% in the WACC in 2017/18, ceteris paribus, would have resulted in an impairment loss of EUR 28.9m (impairment loss of EUR 21.7m) 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 2017/18, ceteris paribus, would have resulted in a recovery in value of EUR 2.6m (impairment loss of EUR 53.9m).

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 2017/18 the district heating networks and the previously separate CGUs "Baden" and "Mödling" were connected by a pipeline and combined into the CGU "Baden-Mödling". The Guntramsdorf district heating network was also integrated in this new CGU. The new definition of the CGU and the assumption that the subsidised tariff will end as of May 2019 provided grounds for impairment testing. The impairment test of the CGU "Baden-Mödling" led to the recognition of an impairment loss of EUR 0.3m in the Energy Segment. The recoverable amount was determined on the basis of the value in use and amounted to EUR 47.2m. The applied discount rate equalled an after-tax WACC of 5.24%, and represents an iteratively derived pre-tax WACC of 6.96%.

Other impairment tests by EVN Wärme resulted in the recognition of impairment losses totalling EUR 3.7m 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 amounted to EUR 13.8m. The applied discount rate equalled an after-tax WACC of 5.70%, and represents an iteratively derived pre-tax WACC of 5.70% to 7.03%.

An impairment loss of EUR 2.1m, was recognised in the South East Europe Segment to reflect an increase in the WACC applied to the CGU "natural gas supplies Croatia". The recoverable amount was determined on the basis of the value in use and amounted to EUR 30.4m. The applied discount rate equalled an after-tax WACC of 7.14%, and represents an iteratively derived pre-tax WACC of 8.45%.

A relatively high carrying amount in relation to the shortage performance provided grounds for the recognition of an impairment loss to six small hydropower plants owned by EVN Naturkraft. The resulting impairment loss of EUR 0.9m was recorded in the Generation Segment. The recoverable amount was determined on the basis of the value in use and amounted to EUR 3.3m. The applied discount rate equalled an after-tax WACC of 5.72%, and represents an iteratively derived pre-tax WACC of 5.48% to 8.46%.

The new regulatory period which begins on 1 January 2019 provided grounds for an adjustment to the value of the CGU “electricity power line network Lower Austria”. A write-up of EUR 7.3m was recognised in the Networks Segment to reflect the maximum possible increase in the carrying amount to amortised cost. The recoverable amount was determined on the basis of the value in use and amounted to EUR 677.4m. The applied discount rate equalled an after-tax WACC of 4.47%, and represents an iteratively derived pre-tax WACC of 5.96%. A reduction of 0.5% in the WACC would have had no effect because amortised cost has been reached. An increase of 0.5% in the WACC, ceteris paribus, would have led to a shortfall of EUR 7.8m in the net assets of the CGU in 2017/18.

An improvement in the forward quotations for electricity and an increase in fixed steam delivery volumes provided substantial evidence for an adjustment to the carrying amount of the energy supply centre at the Dürnrrohr power plant. This led to a write-up of EUR 4.6m in the Generation Segment. The recoverable amount was determined on the basis of the value in use and amounted to EUR 15.8m. The applied discount rate equalled an after-tax WACC of 5.77% (previous year: 5.92%), and represents an iteratively derived pre-tax WACC of 6.96% (previous year: 4.65%).

EVN Naturkraft carried out numerous impairment tests as a result of the improvement in the forward quotations for electricity and the end of the subsidised tariff at various wind parks. These tests resulted in a write-up of EUR 3.7m in the Generation Segment for five wind parks and four small hydropower plants. The recoverable amount was determined on the basis of the value in use and amounted to EUR 29.3m. The applied discount rate equalled an after-tax WACC of 5.43% to 5.72%, and represents an iteratively derived pre-tax WACC of 0% to 30.83%.

### **36. 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 194. Note **63. 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 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****2017/18 financial year**

EURm

<b>Gross value 30.09.2017</b>	<b>911.0</b>
Additions	0.4
Disposals	-0.2
<b>Gross value 30.09.2018</b>	<b>911.2</b>
<b>Accumulated amortisation 30.09.2017</b>	<b>43.8</b>
Currency translation differences	-6.0
Disposals	-0.0 <sup>*)</sup>
Revaluation	2.5
Proportional share of results	185.7
Dividends	-144.4
Changes recognised in other comprehensive income	3.0
<b>Accumulated amortisation 30.09.2018</b>	<b>84.4</b>
<b>Net value 30.09.2017</b>	<b>954.8</b>
<b>Net value 30.09.2018</b>	<b>995.7</b>

**2016/17 financial year**

EURm

<b>Gross value 30.09.2016</b>	<b>934.7</b>
Additions	2.7
Disposals	-26.4
<b>Gross value 30.09.2017</b>	<b>911.0</b>
<b>Accumulated amortisation 30.09.2016</b>	<b>-8.9</b>
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
<b>Accumulated amortisation 30.09.2017</b>	<b>43.8</b>
<b>Net value 30.09.2016</b>	<b>925.8</b>
<b>Net value 30.09.2017</b>	<b>954.8</b>

\*) Small amount

A write-up of EUR 2.5m was recorded to Verbund Innkraftwerke in 2017/18 to reflect the improvement in the forward quotations for electricity. The recoverable amount of EVN's participation interest in Verbund Innkraftwerke was determined on the basis of the value in use and amounted to EUR 68.7m. The applied discount rate equalled an after-tax WACC of 5.20% (previous year: 5.32%) and represents an iteratively derived pre-tax WACC of 6.52% (previous year: 6.37%) (also see note **29. Share of results from equity accounted investees with operational nature**). An increase (decrease) of 0.5% in the WACC in 2017/18, ceteris paribus, would have resulted in an impairment loss of EUR 6.3m (write-up of EUR 13.1m) to the equity accounted Verbund Innkraftwerke. An increase (decrease) of 5% in the underlying assumptions for the electricity price in 2017/18, ceteris paribus, would have resulted in a write-up of EUR 11.2m (impairment loss of EUR 6.3m).

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 112.0m as of 30 September 2018 (previous year: EUR 103.1m).

### 37. 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 5.9m in 2017/18 (previous year: EUR 7.0m). The other investments classified as AFS consist primarily of shares in Verbund AG with a value of EUR 1,861.5m (previous year: EUR 875.2m) and miscellaneous other investments of EUR 76.8m (previous year: EUR 36.7m). The valuation adjustment which resulted from the increase in the price of the Verbund share was recorded under other comprehensive income

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 2017/18, the valuation of the investment in CEESEG AG based on the discounted cash flow method resulted in an impairment loss of EUR 0.4m. The recoverable amount was determined on the basis of fair value less costs to sell (level 3 according to IFRS 13) and amounted to EUR 16.9m. An after-tax WACC of 8.84% was used as the discount rate. The present value model underlying the valuation includes forecasted distributions for the coming year as well as a perpetual yield without a growth rate.

The valuation of the investment in Verbund Hydro Power AG in 2017/18 based on the discounted cash flow method resulted in a write-up of EUR 40.4m. The recoverable amount was determined on the basis of fair value less costs to sell (level 3 according to IFRS 13) and amounted to EUR 59.7m. An after-tax WACC of 5.72% 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 for electricity prices.

The valuation of the investment in AGGM Austrian Gas Grid Management AG in 2017/18 based on the discounted cash flow method resulted in a write-up of EUR 0.6m. The recoverable amount was determined on the basis of fair value less costs to sell (level 3 according to IFRS 13) and amounted to EUR 1.4m. An after-tax WACC of 4.47% was used as the discount rate. The present value model underlying the valuation was based on a perpetual yield without a growth rate which, in turn, was developed from the average trend of data from publicly available financial statements for 2014–2017 and a forecast for the 2018 financial year.

### 38. Other non-current assets

<b>Other non-current assets</b>	<b>30.09.2018</b>	<b>30.09.2017</b>
EURm		
Securities	135.1	58.4
Loans receivable	38.3	40.6
Lease receivables	28.7	86.9
Receivables arising from derivative transactions	35.7	9.0
Primary energy reserves	14.5	14.4
Remaining other non-current assets	0.2	0.5
<b>Total</b>	<b>252.4</b>	<b>209.9</b>

Securities reported under other non-current assets consist mainly of shares in investment funds and serve as coverage for the provisions for pensions and similar obligations 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 2017/18 is attributable to contractually agreed principal payments and, above all, to the reclassification to trade receivables of non-current leasing receivables totalling EUR 39.2m from the Budva wastewater treatment project following the claim for repayment of the entire amount.

The receivables from derivative transactions include the positive market values of derivatives in the energy business.

The reconciliation of the future minimum lease payments to their present value is as follows:

### Terms to maturity of non-current lease receivables

EURm

	Remaining term to maturity as of 30.09.2018			Remaining term to maturity as of 30.09.2017		
	Principal components	Interest components	Total	Principal components	Interest components	Total
< 5 years	15.2	2.1	17.3	45.4	9.8	55.2
> 5 years	13.4	1.4	14.8	41.5	6.9	48.4
<b>Total</b>	<b>28.6</b>	<b>3.5</b>	<b>32.0</b>	<b>86.9</b>	<b>16.7</b>	<b>103.7</b>

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 2017/18 were reported as interest income on non-current assets.

### Current assets

#### 39. Inventories

#### Inventories

EURm

	30.09.2018	30.09.2017
Primary energy inventories	49.6	60.3
CO <sub>2</sub> emission certificates	3.1	0.5
Raw materials, supplies, consumables and other inventories	29.0	31.1
Customer orders not yet invoiced	12.8	6.4
Aggregate components	0.2	0.2
<b>Total</b>	<b>94.6</b>	<b>98.4</b>

Primary energy reserves consist mainly of hard coal and natural gas supplies.

The CO<sub>2</sub> 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 **56. Current provisions**).

The inventory risk arising from low turnover and declining market prices for raw materials, supplies, consumables and other inventories was reflected in an increase of EUR 1.5m in the valuation allowance (previous year: EUR 0.0m). This was contrasted by write-ups of EUR 0.2m (previous year: EUR 1.2m). The inventories are not subject to any restrictions on disposal or other encumbrances.

#### 40. Trade and other receivables

<b>Trade and other receivables</b>	<b>30.09.2018</b>	<b>30.09.2017</b>
EURm		
<b>Financial assets</b>		
Trade accounts receivable	301.3	280.8
Receivables from investments in equity accounted investees	64.1	15.9
Receivables from non-consolidated subsidiaries	7.9	3.7
Receivables from employees	0.3	9.3
Receivables arising from derivative transactions	47.5	18.0
Lease receivables	18.3	30.6
Other receivables and assets	27.8	27.6
	<b>467.0</b>	<b>385.8</b>
<b>Other receivables</b>		
Taxes and levies receivable	31.8	22.4
Prepayments	1.4	0.8
	<b>33.2</b>	<b>23.2</b>
<b>Total</b>	<b>500.3</b>	<b>409.0</b>

Trade accounts receivable relate mainly to electricity, natural gas and heating customers. This position also includes the receivable from the Budva wastewater treatment project.

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 loans receivable.

As of 30 September 2018, as in the previous year, no receivables were pledged as collateral for EVN's own liabilities.

<b>Allowances to receivables</b>	<b>30.09.2018</b>			<b>30.09.2017</b>		
EURm						
	<b>Gross receivables</b>	<b>Allowance</b>	<b>Net receivables</b>	<b>Gross receivables</b>	<b>Allowance</b>	<b>Net receivables</b>
Austria	43.4	6.1	37.3	66.8	10.6	56.2
Germany	17.1	–	17.1	27.2	1.4	25.8
Bulgaria	138.7	19.0	119.7	137.0	22.1	114.9
Macedonia	290.1	220.3	69.8	301.6	229.2	72.4
Others	67.4	10.0	57.4	14.0	2.6	11.4
<b>Total</b>	<b>556.7</b>	<b>255.4</b>	<b>301.3</b>	<b>546.7</b>	<b>265.9</b>	<b>280.8</b>

<b>Maturity of receivables not impaired</b>	<b>30.09.2018</b>	<b>30.09.2017</b>
EURm		
Not yet due	201.0	150.5
Past due 1–90 days	65.6	104.3
Past due 91–180 days	8.5	12.1
Past due 181–360 days	8.3	8.9
Past due >360 days	17.9	5.0
<b>Net receivables</b>	<b>301.3</b>	<b>280.8</b>

The allowances to receivables are related primarily to South Eastern Europe. The valuation allowance fell by EUR 10.5m in 2017/18 (previous year: increase of EUR 14.3m)

#### 41. Securities

<b>Composition of securities</b>	<b>30.09.2018</b>	<b>30.09.2017</b>
EURm		
Funds	139.8	0.5
thereof cash funds	139.4	–
thereof other fund products	0.4	0.5
Shares	0.0 <sup>*)</sup>	0.0 <sup>*)</sup>
<b>Total</b>	<b>139.8</b>	<b>0.5</b>

<sup>\*)</sup> Small amount

The decrease in the stock market prices led to a valuation adjustment of EUR –1.4m in 2017/18, which was recorded in equity without recognition through profit or loss (previous year: EUR 0.2m).

## Liabilities

### Equity

The development of equity in 2017/18 and 2016/17 is shown on page 125.

#### 42. 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.

#### 43. 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.

#### 44. Retained earnings

Retained earnings of EUR 2,297.0m (previous year: EUR 2,126.2m) 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

<b>Reported result for the period 2017/18</b>	<b>173.3</b>
Retained earnings from the 2016/17 financial year	0.1
Less additions to voluntary reserves	-89.6
<b>Distributable result for the period</b>	<b>83.7</b>
Proposed dividend	-83.7
Retained earnings for the 2018/19 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 2017/18 financial year which will be proposed to the Annual General Meeting.

The 89<sup>th</sup> Annual General Meeting on 18 January 2018 approved a proposal by the Executive Board and the Supervisory Board to distribute a dividend of EUR 83.6m, or EUR 0.44 per share plus a one-time bonus dividend of EUR 0.03, to the shareholders of EVN AG for the 2016/17 financial year. The dividend payment to shareholders was made on 26 January 2018.

#### 45. 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 0.5m (previous year: EUR -0.9m) for the share of changes in the valuation reserves that are attributable to non-controlling interests (see **Consolidated statement of comprehensive income**, page 123).

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 remeasurements in accordance with IAS 19 and the valuation of AFS instruments.

Valuation reserves EURm	30.09.2018			30.09.2017		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Items recognised under other comprehensive income from						
Available for sale financial instruments	1,477.9	-369.4	1,108.5	452.5	-113.1	339.4
Cash flow hedges	-24.6	8.1	-16.5	-32.0	10.5	-21.5
Remeasurements IAS 19	-118.2	29.4	-88.9	-103.9	25.8	-78.1
Investments in equity accounted investees	-9.8	-0.4	-10.2	-12.3	-1.4	-13.6
<b>Total</b>	<b>1,325.3</b>	<b>-332.4</b>	<b>992.9</b>	<b>304.4</b>	<b>-78.1</b>	<b>226.2</b>

In 2017/18, cash flow hedges totalling EUR 1.8m (previous year: EUR 1.7m) were transferred from other comprehensive income to the consolidated statement of operations. The effectiveness of the hedges was unchanged in comparison with the previous year and equalled nearly 100%. Consequently, no ineffective components from the cash flow hedge valuation were recognised in 2017/18.

#### 46. Treasury shares

The 87<sup>th</sup> 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 validity of the authorisation for the purchase of treasury shares expired on 21 July 2018. The Executive Board did not use this authorisation in the 2017/18 financial year.

A total of 67,030 treasury shares were sold during the reporting year to permit their issue as a special payment in accordance with a company agreement (previous year: 85,215 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
<b>30.09.2016</b>	<b>179,878,402</b>	<b>-2,036,069</b>	<b>177,842,333</b>
Purchase of treasury shares	-	-	-
Disposal of treasury shares	-	85,215	85,215
<b>30.09.2017</b>	<b>179,878,402</b>	<b>-1,950,854</b>	<b>177,927,548</b>
Purchase of treasury shares	-	-	-
Disposal of treasury shares	-	67,030	67,030
<b>30.09.2018</b>	<b>179,878,402</b>	<b>-1,883,824</b>	<b>177,994,578</b>

The weighted average number of shares outstanding, which is used as the basis for calculating earnings per share, equals 177,938,720 shares (previous year: 177,856,536 shares).

#### 47. Non-controlling interests

The item non-controlling interests comprises the non-controlling interests in the equity of fully consolidated subsidiaries.

The following table provides information on each fully consolidated subsidiary of EVN with material non-controlling interests before intragroup eliminations:

Financial information of subsidiaries with material non-controlling interests	30.09.2018			30.09.2017		
	RBG	BUHO	EVN Macedonia	RBG	BUHO	EVN Macedonia
EURm						
<b>Subsidiaries</b>						
Non-controlling interests in per cent	49.97%	26.37%	10.00%	49.97%	26.37%	10.00%
Carrying amount of non-controlling interests	198.5	38.9	22.0	198.2	39.5	20.0
Result attributable to non-controlling interests	19.9	3.1	2.1	21.7	4.5	2.1
Dividends attributable to non-controlling interests	21.0	2.7	–	19.0	2.5	–
<b>Statement of financial position</b>						
Non-current assets	396.8	185.5	301.0	396.2	186.3	295.7
Current assets	0.2	8.5	102.4	0.2	9.4	96.8
Non-current liabilities	–	0.5	101.2	–	0.5	104.8
Current liabilities	0.0 <sup>*)</sup>	0.0 <sup>*)</sup>	82.9	0.1	0.0 <sup>*)</sup>	89.5
<b>Statement of operations</b>						
Revenue	–	0.0 <sup>*)</sup>	308.6	–	0.0 <sup>*)</sup>	345.1
Result after income tax	39.8	11.7	21.1	43.4	17.2	21.1
<b>Net cash flows</b>						
Net cash flow from operating activities	41.9	9.3	34.0	38.1	10.6	45.8
Net cash flow from investing activities	–	–	–22.2	–	–	–22.8
Net cash flow from financing activities	–42.0	–10.4	–8.2	–38.0	–9.5	–20.2

<sup>\*)</sup> Small amount

#### Non-current liabilities

#### 48. Non-current loans and borrowings

Breakdown of non-current loans and borrowings	Nominal interest rate (%)	Term	Nominal amount	Carrying amount 30.09.2018 EURm	Carrying amount 30.09.2017 EURm	Fair value 30.09.2018 EURm
Bonds				504.5	532.0	591.9
EUR bond	5.250	2009–2019	EUR 30.0m	–	29.9	–
EUR bond	4.250	2011–2022	EUR 293.0m	287.7	286.2	331.7
JPY bond	3.130	2009–2024	JPY 12.0bn	94.2	93.5	102.9
EUR bond	4.125	2012–2032	EUR 100.0m	98.0	97.9	125.8
EUR bond	4.125	2012–2032	EUR 25.0m	24.6	24.6	31.5
Bank loans (incl. promissory note loans)	0.08–4.99	until 2047	–	536.0	593.3	593.7
<b>Total</b>				<b>1,040.5</b>	<b>1,125.4</b>	<b>1,193.5</b>

The EUR bond with a nominal value of EUR 30.0m will mature on 18 March 2019 and was therefore reclassified from non-current to current financial liabilities (see **53. Current loans and borrowings**).

The maturity structure of the non-current loans and borrowings is as follows:

EURm	Remaining term to maturity as of 30.09.2018			Remaining term to maturity as of 30.09.2017		
	< 5 years	> 5 years	Total	< 5 years	> 5 years	Total
<b>Maturity of non-current loans and borrowings</b>						
Bonds	287.7	216.8	504.5	316.1	216.0	532.0
thereof fixed interest	287.7	122.6	410.3	316.1	122.4	438.5
thereof variable interest	–	94.2	94.2	–	93.5	93.5
Bank loans	189.3	346.6	536.0	204.0	389.3	593.3
thereof fixed interest	180.4	346.0	526.4	199.2	381.2	580.4
thereof variable interest	8.9	0.7	9.6	4.8	8.1	12.9
<b>Total</b>	<b>477.0</b>	<b>563.5</b>	<b>1,040.5</b>	<b>520.1</b>	<b>605.3</b>	<b>1,125.4</b>

### 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 –0.2m in 2017/18 (thereof EUR –0.4m for valuation of the bond and EUR 0.2m for the valuation of the swap; previous year: EUR –1.1m earnings effect, thereof EUR 20.5m for valuation of the bond and EUR –21.6m 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.

## 49. Deferred taxes

<b>Deferred taxes</b>	<b>30.09.2018</b>	<b>30.09.2017</b>
EURm		
<b>Deferred tax assets</b>		
Employee-related provisions	-48.2	-45.1
Tax loss carryforwards	-14.8	-11.8
Investment depreciation	-38.6	-51.9
Property, plant and equipment	-38.2	-37.2
Financial instruments	-17.1	-17.5
Provisions	-4.5	-6.8
Other deferred tax assets	-9.3	-0.3
<b>Deferred tax liabilities</b>		
Property, plant and equipment	27.2	14.2
Intangible assets	0.7	0.1
Untaxed reserves	29.7	32.6
Financial instruments	379.5	116.6
Provisions	106.9	81.8
Other deferred tax liabilities	28.7	17.7
<b>Total</b>	<b>402.1</b>	<b>92.2</b>
thereof deferred tax assets	-68.8	-79.6
thereof deferred tax liabilities	471.0	171.8

Deferred taxes developed as follows:

<b>Changes in deferred taxes</b>	<b>2017/18</b>	<b>2016/17</b>
EURm		
<b>Deferred taxes on 01.10.</b>	<b>92.2</b>	<b>-7.3</b>
- Changes resulting from currency translation differences and other changes	0.3	0.1
- Changes in deferred taxes recognised through profit and loss	55.4	27.0
- Changes in deferred taxes recognised directly in equity from the valuation reserve	254.2	72.3
<b>Deferred taxes on 30.09.</b>	<b>402.1</b>	<b>92.2</b>

Projected tax results will permit the utilisation over the coming years of losses for which deferred tax assets were previously recorded. Deferred tax assets of EUR 95.4m (previous year: EUR 93.8m) related to loss carryforwards were not recognised because they are not expected to be used within the foreseeable future. Of this total, EUR 3.0m will expire during the next five years (previous year: EUR 2.7m). The remaining loss carryforwards that were not capitalised can be carried forward for an indefinite period of time.

Deferred tax liabilities of EUR 92.0m (previous year: EUR 97.8m) on temporary differences of EUR 373.6m (previous year: EUR 397.9m) 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).

**50. Non-current provisions**

<b>Non-current provisions</b>	<b>30.09.2018</b>	<b>30.09.2017</b>
EURm		
Provisions for pensions	253.7	250.4
Provisions for obligations similar to pensions	23.6	22.8
Provisions for severance payments	88.4	90.1
Other non-current provisions	115.1	89.3
<b>Total</b>	<b>480.8</b>	<b>452.6</b>

The amounts reported for the provisions for pensions, similar obligations and severance payments were generally calculated on the basis of the following parameters:

- Interest rate 1.85% p. a. (previous year: 1.85% 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 AVÖ 2018-P – Rechnungsgrundlagen für die Pensionsversicherung

<b>Reconciliation of provisions for pensions</b>	<b>2017/18</b>	<b>2016/17</b>
EURm		
<b>Present value of pension obligations (DBO) as of 01.10.</b>	<b>250.4</b>	<b>282.0</b>
+ Service costs	-1.0	-0.5
+ Interest costs	4.7	3.8
- Pension payments	-14.5	-14.9
+/- Actuarial loss/gain	14.1	-20.0
thereof		
demographic assumptions	9.0	-
financial assumptions	-0.0 <sup>*)</sup>	-17.3
assumptions based on experience	5.2	-2.6
<b>Present value of pension obligations (DBO) as of 30.09.</b>	<b>253.7</b>	<b>250.4</b>

\*) Small amount

As of 30 September 2018, the weighted average remaining term equalled 13.3 years for the pension obligations (previous year: 13.0 years). Pension payments are expected to total EUR 14.7m in 2018/19 (previous year: EUR 15.1m).

<b>Reconciliation of the provision for pension-related obligations</b>	<b>2017/18</b>	<b>2016/17</b>
EURm		
<b>Present value of the provision for pension-related obligations (DBO) as of 01.10.</b>	<b>22.8</b>	<b>24.8</b>
+ Service costs	0.5	0.6
+ Interest costs	0.4	0.3
- Payments	-0.9	-0.8
+/- Actuarial loss/gain	0.8	-2.0
thereof		
demographic assumptions	0.6	-
financial assumptions	-	-2.1
assumptions based on experience	0.2	0.2
<b>Present value of the provision for pension-related obligations (DBO) as of 30.09.</b>	<b>23.6</b>	<b>22.8</b>

As of 30 September 2018, the weighted average remaining term equalled 17.5 years for the pension-related obligations (previous year: 17.4 years). The payments for pension-related obligations are expected to total EUR 0.9m in 2018/19 (previous year: EUR 0.6m).

<b>Reconciliation of the provision for severance payments</b>		
EURm	2017/18	2016/17
<b>Present value of severance payment obligations (DBO) as of 01.10.</b>	<b>90.1</b>	<b>95.1</b>
– Currency translation differences	–0.0 <sup>*)</sup>	0.0 <sup>*)</sup>
+ Service costs	3.4	3.5
+ Interest costs	1.8	1.4
– Severance payments	–6.2	–6.0
+/- Actuarial loss/gain thereof	–0.6	–4.0
demographic assumptions	–1.3	–0.0 <sup>*)</sup>
financial assumptions	0.1	–3.2
assumptions based on experience	0.6	–0.8
<b>Present value of severance payment obligations (DBO) as of 30.09.</b>	<b>88.4</b>	<b>90.1</b>

\*) Small amount

As of 30 September 2018, the weighted average remaining term of the severance payment obligations equalled 9.5 years (previous year: 9.1 years). Severance payments are expected to total EUR 7.0m in 2018/19 (previous year: EUR 6.3m).

A change in the actuarial parameters (ceteris paribus) would have the following effect on the provisions for pensions, similar obligations and severance payments:

<b>Sensitivity analysis for provisions for pensions</b>					
%		30.09.2018		30.09.2017	
	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	7.13	–6.34	6.95	–6.18
Remuneration increases	1.00	–2.62	2.80	–2.68	2.88
Pension increases	1.00	–10.38	12.65	–10.20	12.42
Remaining life expectancy	1 year	–4.63	4.71	–4.79	4.89

<b>Sensitivity analysis for provisions for pension-related obligations</b>					
%		30.09.2018		30.09.2017	
	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	9.48	–8.26	9.40	–8.20
Remuneration increases	1.00	–	–	–	–
Pension increases	1.00	–12.70	15.91	–12.49	15.63
Remaining life expectancy	1 year	–3.88	3.91	–4.04	4.06

**Sensitivity analysis for provisions for severance payments**

%	30.09.2018		30.09.2017		
	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	4.89	-4.56	4.68	-4.37
Remuneration increases	1.00	-9.44	10.24	-9.38	10.62

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 method used to calculate 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
<b>Carrying amount 01.10.2017</b>	22.1	6.4	8.7	48.5	3.5	89.3
Currency translation differences	-0.0 <sup>*)</sup>	-	-0.0 <sup>*)</sup>	-	-0.0 <sup>*)</sup>	-0.0 <sup>*)</sup>
Interest expense	0.5	-	0.0 <sup>*)</sup>	0.7	-	1.1
Use	-0.1	-0.0 <sup>*)</sup>	-	-	-0.3	-0.5
Release	-	-	-1.0	-0.7	-	-1.7
Additions	1.9	-	0.7	19.0	4.4	25.9
Transfers	-	-	-	0.9	-0.9	-
Reclassification	-0.0 <sup>*)</sup>	0.2	0.2	-0.0 <sup>*)</sup>	0.5	0.9
<b>Carrying amount 30.09.2018</b>	24.3	6.6	8.6	68.3	7.2	115.1

<sup>\*)</sup> 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 28 years.

**51. Deferred income from network subsidies**

The investment subsidies are related primarily to heating plants, facilities operated by evn wasser, small hydropower plants and wind power plants operated by EVN Naturkraft and facilities operated by Netz NÖ.

**Deferred income from network subsidies**

EURm	Network subsidies	Investment subsidies	Total
<b>Carrying amount 01.10.2017</b>	517.4	66.7	584.1
Currency translation differences	-0.0 <sup>*)</sup>	-	-0.0 <sup>*)</sup>
Additions	66.0	4.1	70.0
Transfers	-45.8	-5.7	-51.5
<b>Carrying amount 30.09.2018</b>	537.6	65.0	602.6

<sup>\*)</sup> Small amount

## 52. Other non-current liabilities

<b>Other non-current liabilities</b>	<b>30.09.2018</b>	<b>30.09.2017</b>
EURm		
Leases	4.8	12.7
Accruals from financial transactions	0.6	1.1
Liabilities from derivative transactions	49.7	32.2
Remaining other non-current liabilities	20.3	12.4
<b>Total</b>	<b>75.4</b>	<b>58.3</b>

Leases are related mainly to the long-term utilisation of heating networks and heat generation plants. The accruals from financial transactions involve 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, non-current prepayments made by customers and long-term compensation payment received.

### Term to maturity of other non-current liabilities

	Remaining term to maturity as of 30.09.2018			Remaining term to maturity as of 30.09.2017		
	< 5 years	> 5 years	Total	< 5 years	> 5 years	Total
Leases	3.4	1.4	4.8	6.6	6.1	12.7
Accruals from financial transactions	0.6	–	0.6	1.1	–	1.1
Liabilities from derivative transactions	41.7	8.0	49.7	26.4	5.8	32.2
Remaining other non-current liabilities	9.0	11.2	20.3	3.8	8.6	12.4
<b>Total</b>	<b>54.8</b>	<b>20.6</b>	<b>75.4</b>	<b>37.9</b>	<b>20.5</b>	<b>58.3</b>

## Current liabilities

### 53. Current loans and borrowings

Bank overdrafts are included under cash and cash equivalents in the consolidated statement of cash flows.

<b>Current loans and borrowings</b>	<b>30.09.2018</b>	<b>30.09.2017</b>
EURm		
Bank loans	59.1	49.2
Bond liabilities	30.0	–
Bank overdrafts and other current loans	0.0 <sup>*)</sup>	1.3
<b>Total</b>	<b>89.1</b>	<b>50.5</b>

<sup>\*)</sup> Small amount

Loans of EUR 59.1m were reclassified to current financial liabilities because they are now due within one year (previous year: EUR 49.2m).

**54. Taxes payable and levies**

Taxes payable and levies as of the balance sheet date comprise the following:

<b>Taxes payable and levies</b>	<b>30.09.2018</b>	<b>30.09.2017</b>
EURm		
Energy taxes	28.2	30.8
Value added tax	14.1	18.7
Corporate income tax	33.6	10.1
Other taxes and duties	9.7	8.1
<b>Total</b>	<b>85.6</b>	<b>67.6</b>

**55. Trade payables**

Trade payables include obligations resulting from outstanding invoices amounting to EUR 98.3m (previous year: EUR 80.7m).

**56. Current provisions****Reconciliation of current provisions**

	Personnel entitlements	Onerous contracts	Rents for network access	Process risks	Other current provisions	<b>Total</b>
<b>Carrying amount 01.10.2017</b>	<b>75.0</b>	<b>1.1</b>	<b>2.7</b>	<b>3.1</b>	<b>9.7</b>	<b>91.6</b>
Currency translation differences	-0.0 <sup>*)</sup>	-	-	-0.0 <sup>*)</sup>	-0.0 <sup>*)</sup>	-0.0 <sup>*)</sup>
Use	-9.6	-	-0.4	-1.3	-1.0	-12.4
Release	-	-2.3	-	-0.3	-3.9	-6.6
Additions	8.9	1.2	0.7	0.5	8.4	19.7
Reclassification	-	-	-0.2	-0.2	-0.5	-0.9
<b>Carrying amount 30.09.2018</b>	<b>74.2</b>	<b>0.0</b>	<b>2.8</b>	<b>1.7</b>	<b>12.7</b>	<b>91.4</b>

<sup>\*)</sup> 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 6.0m as of the balance sheet date (previous year: EUR 7.8m).

## 57. Other current liabilities

<b>Other current liabilities</b>	<b>30.09.2018</b>	<b>30.09.2017</b>
EURm		
<b>Financial liabilities</b>		
Liabilities to investments in equity accounted investees	225.4	149.8
Liabilities to non-consolidated subsidiaries	1.8	2.8
Deferred interest expenses	15.5	15.5
Liabilities arising from derivative transactions	72.6	33.3
Other financial liabilities	50.0	77.2
	<b>365.3</b>	<b>278.6</b>
<b>Other liabilities</b>		
Prepayments received	35.4	45.5
Deferred income from network subsidies	49.5	47.8
Liabilities relating to social security	14.8	17.0
	<b>99.7</b>	<b>110.3</b>
<b>Total</b>	<b>464.9</b>	<b>388.9</b>

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 26.5m (previous year: EUR 36.2m) 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 employee-related liabilities and deposits received.

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

<b>Segment reporting</b>								
EURm	Energy		Generation		Networks		South East Europe	
	<b>2017/18</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2016/17</b>
External revenue	459.3	512.0	69.8	53.7	489.6	497.9	902.0	957.5
Internal revenue (between segments)	19.4	8.4	200.8	186.3	64.7	68.8	0.8	0.5
<b>Total revenue</b>	<b>478.6</b>	<b>520.5</b>	<b>270.6</b>	<b>240.0</b>	<b>554.4</b>	<b>566.7</b>	<b>902.8</b>	<b>958.0</b>
Operating expenses	-514.8	-518.1	-153.5	-125.1	-301.0	-273.8	-798.2	-790.6
Share of results from equity accounted investees operational	117.0	99.4	6.6	-11.1	-	-	-	-
<b>EBITDA</b>	<b>80.8</b>	<b>101.8</b>	<b>123.7</b>	<b>103.7</b>	<b>253.4</b>	<b>292.9</b>	<b>104.6</b>	<b>167.3</b>
Depreciation and amortisation	-23.4	-27.9	-45.3	-110.7	-110.8	-115.2	-64.4	-86.3
thereof impairment losses	-3.8	-9.7	-14.8	-61.1	-	-	-2.1	-24.0
thereof revaluation	0.1	1.3	18.2	0.2	7.3	-	-	-
<b>Results from operating activities (EBIT)</b>	<b>57.4</b>	<b>73.9</b>	<b>78.4</b>	<b>-7.0</b>	<b>142.6</b>	<b>177.6</b>	<b>40.2</b>	<b>81.0</b>
EBIT margin (%)	12.0	14.2	29.0	-2.9	25.7	31.3	4.5	8.5
Share of results from equity accounted investees financial	-	-	-	-	-	-	-	-
Interest income	0.2	0.2	0.8	8.0	0.2	0.2	0.0 <sup>1)</sup>	0.4
Interest expense	-2.5	-2.9	-14.3	-15.8	-17.4	-16.9	-20.7	-21.6
Financial results	-3.3	-2.7	-14.0	-10.0	-17.1	-16.6	-20.6	-23.0
<b>Result before income tax</b>	<b>54.2</b>	<b>71.2</b>	<b>64.4</b>	<b>-17.0</b>	<b>125.4</b>	<b>161.0</b>	<b>19.6</b>	<b>58.0</b>
Goodwill	-	-	1.2	-	1.8	1.8	-	-
Carrying value of investments in equity accounted investees	218.9	190.7	75.1	70.1	-	-	-	-
Total assets	862.7	696.3	1,056.8	923.4	1,944.7	1,921.3	1,207.7	1,161.1
Liabilities	764.6	599.2	804.5	662.6	1,332.1	1,317.2	956.5	937.6
Investments <sup>1)</sup>	19.5	20.0	58.9	26.3	173.0	153.3	86.4	92.0

1) In intangible assets and property, plant and equipment

\*) Small amount

## Segment reporting

EURm	Environment		All Other Segments		Consolidation <sup>2)</sup>		Total	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
External revenue	136.9	181.0	15.0	13.4	–	–	2,072.6	2,215.6
Internal revenue (between segments)	13.1	16.5	61.0	59.5	–359.9	–340.0	–	–
<b>Total revenue</b>	<b>150.0</b>	<b>197.5</b>	<b>76.0</b>	<b>73.0</b>	<b>–359.9</b>	<b>–340.0</b>	<b>2,072.6</b>	<b>2,215.6</b>
Operating expenses	–133.0	–207.7	–87.2	–80.7	398.8	339.6	–1,588.8	–1,656.6
Share of results from equity accounted investees operational	13.0	13.9	51.4	60.4	–	–	188.0	162.6
<b>EBITDA</b>	<b>30.1</b>	<b>3.7</b>	<b>40.2</b>	<b>52.7</b>	<b>39.0</b>	<b>–0.4</b>	<b>671.8</b>	<b>721.6</b>
Depreciation and amortisation	–20.8	–24.9	–0.9	–1.4	–13.2	–8.4	–278.9	–374.8
thereof impairment losses	–0.8	–	–	–0.0 <sup>1)</sup>	–25.4	–19.1	–46.9	–113.9
thereof revaluation	–	–	0.7	–	–	–	26.3	1.4
<b>Results from operating activities (EBIT)</b>	<b>9.3</b>	<b>–21.2</b>	<b>39.3</b>	<b>51.2</b>	<b>25.7</b>	<b>–8.8</b>	<b>392.9</b>	<b>346.9</b>
EBIT margin (%)	6.2	–10.7	51.8	70.2	–0.0 <sup>1)</sup>	–0.0 <sup>1)</sup>	19.0	15.7
Share of results from equity accounted investees financial	–	–	0.1	12.2	–	–	0.1	12.2
Interest income	5.5	8.1	27.8	28.6	–23.9	–25.9	10.7	19.5
Interest expense	–5.5	–9.9	–17.5	–24.2	23.9	25.9	–54.0	–65.4
Financial results	8.7	–1.6	43.8	45.6	–34.8	–13.0	–37.2	–21.4
<b>Result before income tax</b>	<b>18.0</b>	<b>–22.8</b>	<b>83.1</b>	<b>96.8</b>	<b>–9.0</b>	<b>–21.8</b>	<b>355.7</b>	<b>325.5</b>
Goodwill	52.9	54.0	–	–	–	–	55.8	55.8
Carrying value of investments in equity accounted investees	114.5	106.7	587.1	587.3	–	–	995.7	954.8
Total assets	644.1	816.4	4,374.4	3,040.0	–2,259.3	–2,103.7	7,831.1	6,454.9
Liabilities	498.4	637.1	1,670.8	1,265.8	–2,288.5	–2,114.8	3,738.4	3,304.8
Investments <sup>1)</sup>	20.7	11.6	4.0	2.3	–6.0	–1.7	356.4	303.8

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	2017/18	2016/17
Electricity	1,459.1	1,548.2
Natural gas	190.4	219.3
Heat	136.1	135.1
Environmental services	136.9	181.0
Others	150.2	132.0
<b>Total</b>	<b>2,072.6</b>	<b>2,215.6</b>

**Segment information by country – revenue<sup>1)</sup>**

EURm	2017/18	2016/17
Austria	1,113.8	1,169.4
Germany	38.9	66.1
Bulgaria	535.6	571.4
Macedonia	365.8	384.9
Others	18.5	23.9
<b>Total</b>	<b>2,072.6</b>	<b>2,215.6</b>

1) The allocation of segment information by countries is based on the location of the companies.

**Segment information by country – non-current assets<sup>1)</sup>**

EURm	30.09.2018		30.09.2017	
	Intangible assets	Property, plant and equipment	Intangible assets	Property, plant and equipment
Austria	111.6	2,469.5	107.1	2,381.7
Germany	45.1	147.6	45.1	197.0
Bulgaria	20.8	486.2	20.6	470.6
Macedonia	4.6	296.9	4.3	293.4
Others	0.0 <sup>*)</sup>	38.5	0.0 <sup>*)</sup>	40.8
<b>Total</b>	<b>182.1</b>	<b>3,438.7</b>	<b>177.1</b>	<b>3,383.6</b>

1) The allocation of segment information by countries is based on the location of the companies.

\*) Small amount

## 58. Notes to segment reporting

The segments of business cover the following activities:

<b>Business areas</b>	<b>Segments</b>	<b>Major activities</b>
<b>Energy business</b>	<b>Energy</b>	<ul style="list-style-type: none"> <li>→ Marketing of electricity produced in the Generation Segment</li> <li>→ Procurement of electricity, natural gas and primary energy carriers</li> <li>→ Trading with and sale of electricity and natural gas to end customers and on wholesale markets</li> <li>→ Production and sale of heat</li> <li>→ 45.0% investment in ENERGIEALLIANZ Austria GmbH<sup>1)</sup></li> <li>→ Investment as sole limited partner in EVN Energievertrieb GmbH &amp; Co KG (EVN KG)<sup>1)</sup></li> </ul>
	<b>Generation</b>	<ul style="list-style-type: none"> <li>→ Generation of electricity from thermal production capacities and renewable energy sources at Austrian and international locations</li> <li>→ Operation of a thermal waste utilisation plant in Lower Austria<sup>2)</sup></li> <li>→ 13.0% investment in Verbund Innkraftwerke GmbH (Germany)<sup>1)</sup></li> <li>→ 49.0% investment in Walsum 10 hard coal-fired power plant (Germany)<sup>3)</sup></li> <li>→ 49.99% investment in Ashta run-of-river power plant (Albania)<sup>1)</sup></li> </ul>
	<b>Networks</b>	<ul style="list-style-type: none"> <li>→ Operation of distribution networks and network infrastructure for electricity and natural gas in Lower Austria</li> <li>→ Cable TV and telecommunication services in Lower Austria and Burgenland</li> </ul>
	<b>South East Europe</b>	<ul style="list-style-type: none"> <li>→ Operation of distribution networks and network infrastructure for electricity in Bulgaria and Macedonia</li> <li>→ Sale of electricity to end customers in Bulgaria and Macedonia</li> <li>→ Generation of electricity from hydropower in Macedonia</li> <li>→ Generation, distribution and sale of heat in Bulgaria</li> <li>→ Construction and operation of natural gas networks in Croatia</li> <li>→ Energy trading for the entire region</li> </ul>
<b>Environmental services business</b>	<b>Environment</b>	<ul style="list-style-type: none"> <li>→ Water supply and wastewater disposal in Lower Austria</li> <li>→ 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</li> </ul>
<b>Other business activities</b>	<b>All Other Segments</b>	<ul style="list-style-type: none"> <li>→ 50.03% investment in RAG-Beteiligungs-Aktiengesellschaft, which holds 100% of the shares in RAG Austria AG (RAG)<sup>1)</sup></li> <li>→ 73.63% investment in Burgenland Holding AG, which holds a stake of 49.0% in Energie Burgenland AG<sup>1)</sup></li> <li>→ 12.63% investment in Verbund AG<sup>4)</sup></li> <li>→ Corporate services</li> </ul>

1) The earnings contribution represents the share of results from equity accounted investees with operational nature and is included in EBITDA.

2) The components of the thermal power plants in Dürnrohr and Korneuburg, which were previously held by EVN AG and operated together with Verbund Thermal Power, as well as the thermal power plant in Theiss were transferred to EVN Abfallverwertung NÖ GmbH as of 1 July 2018 and are now managed as EVN Wärmekraftwerke GmbH. This company (including the thermal waste utilisation plant in Zwentendorf/Dürnrohr which was previously reported under the Environment Segment) was assigned to the Generation Segment in the fourth quarter of 2017/18.

3) The investment in Steag-EVN Walsum 10 Kraftwerksgesellschaft is accounted for as a joint operation.

4) 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 for the Walsum 10 power plant is required from the Group's point of view. These circumstances led to a transition of EUR 25.7m (previous year: EUR –8.8m) 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

### 59. 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.

<b>Cash and cash equivalents</b>	<b>30.09.2018</b>	<b>30.09.2017</b>
EURm		
Cash	214.5	223.1
thereof cash on hand	0.4	0.6
thereof cash at banks	214.1	222.4
Bank overdrafts	0.0 <sup>*)</sup>	-1.3
<b>Total</b>	<b>214.5</b>	<b>221.8</b>

\*) Small amount

Of the total deposits with financial institutions, EUR 1.8m (previous year: EUR 0.2m) represent pledges.

The change in financial liabilities, which is primarily attributable to cash flow from financing activities, is shown in the following table:

<b>Cash flow from financing activities</b>	Current financial liabilities	Non-current financial liabilities	Total
EURm			
<b>Balance on 01.10.2017</b>	<b>50.5</b>	<b>1,125.4</b>	<b>1,175.9</b>
Payments received	-	2.0	2.0
Payments made	-49.2	-	-49.2
Reclassification of liquid funds	-1.3	-	-1.3
Currency translation	-	-0.1	-0.1
Change in fair value	-	0.4	0.4
Change in costs for the procurement of funds	-	1.8	1.8
Reclassification	89.1	-89.1	-
<b>Balance on 30.09.2018</b>	<b>89.1</b>	<b>1,040.5</b>	<b>1,129.5</b>

### 60. 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 **62. Reporting on financial instruments**).

EVN monitors interest rate risk through sensitivity analyses and, 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 2.7m as of 30 September 2018 (previous year: EUR 4.5m). The lower volatility of interest rates during the reporting year was 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 (i. e. 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 currency through cross currency swaps (see notes **9. Financial instruments** and **48. 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 75.6 (previous year: TEUR 2.4) 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<sub>2</sub> 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<sub>2</sub> 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 which are subject to possible further optimisation and contracts which are lower than the expected purchase, sale or usage requirements for the supply of customers and EVN's facilities or the marketing of energy produced in EVN's facilities (own use). The table on page 186 shows the outstanding contracts from optimisation as of 30 September 2018 (also see note **62. Reporting on financial instruments**). An increase or decrease of 5% in the price would have resulted in an aggregated commodity price risk of EUR 3.5m for EVN as of 30 September 2018.

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 69.8m (previous year: EUR 28.1m), 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.

The liquidity reserve as of 30 September 2018 comprised cash and cash equivalents of EUR 214.5m (previous year: EUR 223.1m) and current securities of EUR 139.8m (previous year: EUR 0.5m) which can be sold at any time. 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 92.0m of contractually agreed and unused bilateral lines of credit (previous year: EUR 97.0m) as of the balance sheet date. The liquidity risk was therefore extremely low. The gearing ratio equalled 23.5% as of the balance sheet date (previous year: 38.5%) and underscores EVN's sound capital structure.

## Expected occurrence of cash flows of loans and borrowings and other liabilities

### 2017/18 financial year

EURm	Carrying amount	Total payment flows	Contractually stipulated payment flows		
			< 1 year	1–5 years	> 5 years
Bonds	534.5	674.9	52.3	357.9	264.6
Bank loans	595.1	718.9	71.8	234.6	412.5
Lease liabilities	6.4	8.4	2.8	4.3	1.3
Liabilities arising from derivative transactions	122.3	126.2	72.3	42.6	11.4
<b>Total</b>	<b>1,258.2</b>	<b>1,528.4</b>	<b>199.1</b>	<b>639.4</b>	<b>689.8</b>

### 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
<b>Total</b>	<b>1,254.8</b>	<b>1,560.7</b>	<b>118.4</b>	<b>684.9</b>	<b>757.4</b>

## 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 experience-based values. 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	30.09.2018	30.09.2017
<b>Write-offs/value adjustments</b>		
<b>Non-current assets</b>		
Non-financial assets	1.0	0.1
	<b>1.0</b>	<b>0.1</b>
<b>Current assets</b>		
Trade and other receivables	17.6	23.1
Securities	0.0 <sup>*)</sup>	–
<b>Total</b>	<b>18.6</b>	<b>23.2</b>

<sup>\*)</sup> Small amount

The Group's maximum default risk for the items reported on the consolidated statement of financial position as of 30 September 2018 and 30 September 2017 reflect the carrying amounts shown in notes **38. Other non-current assets**, **40. Trade and other receivables** and **41. Securities**, excluding financial guarantees.

The maximum default risk for derivative financial instruments equals the positive fair value (see note **62. Reporting on financial instruments**).

The maximum risk from financial guarantees is described in note **64. Other obligations and risks**.

### 61. 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 2018, the equity ratio equalled 52.3% (previous year: 48.8%). Net debt coverage, which represents the ratio of funds from operations to net debt equalled 63.8% (previous year: 48.7%). 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 loans receivable and plus non-current personnel provisions.

<b>Capital management</b>	<b>30.09.2018</b>	<b>30.09.2017</b>
EURm		
Non-current loans and borrowings	1,040.5	1,125.4
Current loans and borrowings <sup>1)</sup>	89.1	49.2
Cash and cash equivalents	-214.5	-221.8
Non-current and current securities	-274.8	-59.0
Non-current and current loans receivable	-42.2	-43.9
<b>Net financial debt</b>	<b>598.0</b>	<b>849.9</b>
Non-current personnel provisions <sup>2)</sup>	365.8	363.3
<b>Net debt</b>	<b>963.7</b>	<b>1,213.2</b>
<b>Funds from operations</b>	<b>665.1</b>	<b>591.2</b>
<b>Equity</b>	<b>4,092.6</b>	<b>3,150.1</b>
<b>Gearing (%)</b>	<b>23.5</b>	<b>38.5</b>
<b>Net debt coverage (%)</b>	<b>69.0</b>	<b>48.7</b>

1) Excluding bank overdrafts contained in cash and cash equivalents.

2) Excluding service 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.

### 62. 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)	30.09.2018		30.09.2017	
			Carrying amount	Fair value	Carrying amount	Fair value
<b>Non-current assets</b>						
<b>Other investments</b>						
Investments	AFS	Level 3	76.8	76.8	36.8	36.8
Miscellaneous investments	AFS	Level 1	1,861.5	1,861.5	875.2	875.2
<b>Other non-current assets</b>						
Securities	@FVTPL	Level 1	135.1	135.1	58.4	58.4
Loans receivable	LAR	Level 2	38.3	44.7	40.6	48.4
Lease receivables	LAR	Level 2	28.7	31.8	86.9	99.6
Receivables arising from derivative transactions	@FVTPL	Level 2	35.1	35.1	8.0	8.0
Receivables arising from derivative transactions	Hedging	Level 2	0.6	0.6	1.0	1.0
Remaining other non-current assets	LAR		0.2	0.2	0.5	0.5
<b>Current assets</b>						
<b>Current receivables and other current assets</b>						
Trade and other receivables	LAR		419.5	419.5	367.8	367.8
Receivables arising from derivative transactions	@FVTPL	Level 2	47.5	47.5	18.0	18.0
Securities	AFS	Level 1	139.8	139.8	0.5	0.5
<b>Cash and cash equivalents</b>						
Cash on hand and cash at banks	LAR		214.5	214.5	223.1	223.1
<b>Non-current liabilities</b>						
<b>Non-current loans and borrowings</b>						
Bonds	FLAC	Level 2	504.5	591.9	532.0	637.1
Bank loans	FLAC	Level 2	536.0	593.7	593.3	651.5
<b>Other non-current liabilities</b>						
Leases	FLAC	Level 2	4.8	5.6	12.7	14.6
Accruals of financial transactions	FLAC		0.6	0.6	1.1	1.1
Other liabilities	FLAC		20.3	20.3	12.4	12.4
Liabilities arising from derivative transactions	@FVTPL	Level 2	29.9	29.9	9.8	9.8
Liabilities arising from derivative transactions	Hedging	Level 2	19.9	19.9	22.4	22.4
<b>Current liabilities</b>						
<b>Current loans and borrowings</b>						
Trade payables	FLAC		89.1	89.1	50.5	50.5
<b>Other current liabilities</b>						
Other financial liabilities	FLAC		292.7	292.7	245.3	245.3
Liabilities arising from derivative transactions	@FVTPL	Level 2	67.4	67.4	25.9	25.9
Liabilities arising from derivative transactions	Hedging	Level 2	5.1	5.1	7.4	7.4
<b>thereof aggregated to measurement categories</b>						
Available for sale financial assets	AFS		2,078.0		912.5	
Loans and receivables	LAR		701.2		718.9	
Financial assets designated at fair value in profit or loss	@FVTPL		217.6		84.4	
Financial liabilities at amortised cost	FLAC		1,785.0		1,761.3	
Financial liabilities designated at fair value in profit or loss	@FVTPL		97.3		35.7	

<b>Net results by measurement category</b>				
EURm				
Classes	2017/18		2016/17	
	Net result	Of which impairment losses	Net result	Of which impairment losses
Available for sale financial assets (AFS)	-0.0 <sup>*)</sup>	-0.0 <sup>*)</sup>	-0.1	-
Loans and receivables (LAR)	-29.8	-17.6	-28.0	-23.1
Financial assets and liabilities at fair value through profit or loss (@FVTPL)	-6.9	-	-5.8	-
Financial assets and liabilities (Hedging)	0.2	-	-21.6	-
Financial liabilities at amortised cost (FLAC)	-0.4	-	20.5	-
<b>Total</b>	<b>-36.9</b>	<b>-17.6</b>	<b>-35.0</b>	<b>-23.1</b>

\*) Small amount

### 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	30.09.2018					30.09.2017				
	Nominal value <sup>1)</sup>		Fair values <sup>2)</sup>			Nominal value <sup>1)</sup>		Fair values <sup>2)</sup>		
	Purchases	Disposals	Positive	Negative	Net	Purchases	Disposals	Positive	Negative	Net
<b>Currency swaps</b>										
JPYm (> 5 years) <sup>3)</sup>	-	12,000.0	-	-4.7	-4.7	-	12,000.0	-	-5.0	-5.0
<b>Interest rate swaps</b>										
EURm (< 5 years) <sup>3)</sup>	18.0	-	-	-1.7	-1.7	20.2	-	-	-2.4	-2.4
EURm (> 5 years) <sup>3)</sup>	153.4	-	0.6	-17.8	-17.2	169.3	-	1.0	-22.5	-21.5
<b>Derivatives energy</b>										
Swaps	59.6	-0.9	23.0	-0.1	22.9	65.0	-26.8	15.0	-1.7	13.4
Futures	30.9	-37.8	46.8	-24.9	21.9	17.5	-35.5	5.0	-6.0	-1.0
Forwards	30.9	-137.3	12.8	-72.3	-59.5	34.2	-113.3	5.9	-27.9	-22.0

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 **60. 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****2017/18 financial year**

EURm	Total payment flows	Contractually stipulated payment flows		
		< 1 year	1–5 years	> 5 years
Cash flows of hedged items	-179.2	-18.7	-86.2	-74.2
Cash flows from hedging instruments	-21.3	-5.6	-13.1	-2.7

**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

**63. Disclosures of interests in other entities**

An overview of the companies included in the consolidated financial statements is provided beginning on page 194 under **EVN's investments**.

Information on the joint ventures and associates that were included in EVN's consolidated financial statements at equity in 2017/18 is provided below.

The share of results from equity accounted investees with operational nature is 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:

<b>Joint ventures that were included at equity in the consolidated financial statements as of 30.09.2018 in accordance with IFRS 11</b>	Operational nature	Financial nature
<b>Company</b>		
Bioenergie Steyr GmbH	●	
Degremont WTE Wassertechnik Praha v.o.s.	●	
e8i EDV Dienstleistungsgesellschaft m.b.H.		●
EnergieAllianz	●	
EVN KG	●	
EVN-WE Wind KG	●	
Fernwärme St. Pölten GmbH	●	
Fernwärme Steyr GmbH	●	
RAG	●	
Ashta	●	
sludge2energy GmbH	●	
ZOV	●	
<b>Associates that were included at equity in the consolidated financial statements as of 30.09.2018 in accordance with IAS 28</b>	Operational nature	Financial nature
<b>Company</b>		
Energie Burgenland	●	
Verbund Innkraftwerke	●	
ZOV UIP	●	

The following table provides summarised financial information on each individually material joint venture included in the consolidated financial statements:

<b>Financial information of material joint ventures</b>						
EURm	<b>30.09.2018</b>			<b>30.09.2017</b>		
<b>Joint venture</b>	<b>EVN KG</b>	<b>RAG</b>	<b>ZOV</b>	<b>EVN KG</b>	<b>RAG</b>	<b>ZOV</b>
<b>Statement of financial position</b>						
Non-current assets	17.4	551.5	235.5	14.8	627.1	245.1
Current assets	364.7	184.7	62.3	209.4	71.4	52.4
Non-current liabilities	0.0 <sup>1)</sup>	317.3	40.7	0.0 <sup>1)</sup>	350.7	61.2
Current liabilities	208.9	170.8	34.6	77.3	109.5	24.2
<b>Reconciliation of the carrying amount of the share of EVN in the joint venture</b>						
Net assets	173.2	248.2	222.6	146.9	238.2	212.1
Share of EVN in net assets in per cent	100.0%	100.0%	48.50%	100.00%	100.00%	48.50%
Share of EVN in net assets	173.2	248.2	112.0	146.9	238.2	102.9
+/- Revaluations <sup>1)</sup>	-	156.2	0.0 <sup>1)</sup>	-	165.7	0.2
Carrying amount of the share of EVN in the joint venture	173.2	404.4	112.0	146.9	403.9	103.1
<b>Statement of operations</b>						
Revenue	450.5	470.5	16.1	444.7	468.6	21.3
Scheduled depreciation and amortisation	-0.0 <sup>1)</sup>	-37.2	-0.0 <sup>1)</sup>	-0.0 <sup>1)</sup>	-50.2	-0.0 <sup>1)</sup>
Interest income	0.0 <sup>1)</sup>	0.3	0.1	0.4	-	0.4
Interest expense	-0.4	-3.8	-4.9	-0.0 <sup>1)</sup>	-4.0	-6.9
Income tax	-	-5.4	-4.1	-	-20.3	-5.4
Result for the period	114.3	45.1	18.8	96.1	50.6	23.5
Other comprehensive income	-4.6	2.7	0.7	0.1	-3.2	1.0
Comprehensive income	109.7	47.9	19.4	96.2	47.4	24.5
Dividends received by EVN	83.3	42.0	1.3	54.1	38.0	4.7

1) Corresponds to goodwill

<sup>1)</sup> Small amount

The following table provides summarised financial information on the individually immaterial joint ventures included in the consolidated financial statements:

<b>Financial information of individually immaterial joint ventures (EVN share)</b>		
EURm	<b>2017/18</b>	<b>2016/17</b>
Carrying value of the joint ventures as of the balance sheet date	53.4	55.5
Result for the period	5.6	20.8
Other comprehensive income	0.8	-10.7
Comprehensive income	6.4	10.1

The following table provides summarised financial information on each individually material associate included in the consolidated financial statements:

**Financial information of material associates**

EURm

	30.09.2018			30.09.2017		
	Verbund IKW	ZOV UIP	Energie Burgenland	Verbund IKW	ZOV UIP	Energie Burgenland
<b>Associate</b>						
<b>Statement of financial position</b>						
Non-current assets	1,053.2	0.2	695.7	1,225.8	0.2	658.1
Current assets	45.1	3.0	172.4	22.5	3.8	195.6
Non-current liabilities	27.0	–	172.0	64.2	–	170.0
Current liabilities	6.8	0.6	371.6	6.8	1.5	362.2
<b>Reconciliation of the carrying amount of the share of EVN in the associate</b>						
Net assets	1,064.4	2.6	324.6	1,177.2	2.6	321.4
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	138.4	0.8	117.1	153.0	0.8	116.0
+/- Revaluations <sup>1)</sup>	–69.5	–	65.5	–89.2	–	67.4
Carrying amount of the share of EVN in the associate	68.8	0.8	182.6	63.8	0.8	183.3
	2017/18			2016/17		
<b>Statement of operations</b>						
Revenue	75.6	13.2	318.5	68.7	15.7	311.4
Result for the period	–102.6	3.4	19.8	–2.1	3.4	21.1
Other comprehensive income	–	–	–6.4	–	–	2.4
Comprehensive income	–102.6	3.4	13.4	–2.1	3.4	23.4
Dividends received by EVN	1.3	1.0	9.3	1.0	1.1	10.3

1) Corresponds to goodwill

The consolidated financial statements include no associates that are individually immaterial.

**64. Other obligations and risks**

The commitments entered into by EVN and the related risks are as follows:

	30.09.2018	30.09.2017
<b>Other obligations and risks</b>		
EURm		
Guarantees in connection with energy transactions	50.9	77.6
Guarantees in connection with projects in the Environment Segment	53.6	52.5
Guarantees related to the construction and operation of		
energy networks	3.0	5.3
power plants	104.5	101.4
Order obligations for investments in intangible assets and property, plant and equipment	112.8	94.8
Further obligations arising from guarantees or other contractual contingent liabilities	0.1	0.3
<b>Total</b>	<b>324.9</b>	<b>331.9</b>
thereof in connection with equity accounted investees	74.0	120.4

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 32.8m (previous year: EUR 41.3m).

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 8.5m as of 30 September 2018. The nominal volume of the guarantees underlying this assessment was EUR 254.5m. As of 31 October 2018, the market price risk was EUR 7.8m based on an underlying nominal volume of EUR 259.5m.

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.

#### **65. 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, 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 194 under **EVN's investments**.

The province of Lower Austria holds 51.00% of the shares of EVN AG through NÖ Landes-Beteiligungsholding GmbH, St. Pölten. Therefore, the province of Lower Austria and companies under its control or significant influence are classified as related parties of the EVN Group. Since the province of Lower Austria is a government-related entity which has control over EVN AG due to its majority shareholding, EVN has elected to apply the exemption provided by IAS 24.25. This exemption releases EVN from the requirement to disclose business transactions and outstanding balances with related parties when the related party is a government-related 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 2018, EnBW Trust held an investment of 30.0% in EVN AG.

#### **Transactions with related parties**

##### **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. This resulted in a current liability of EUR 16.2m to NÖ Landes-Beteiligungsholding GmbH, St. Pölten, as of 30 September 2018 (previous year: EUR 7.5m). All other business relationships with the main shareholder or companies attributable to the main shareholder are carried out at arm's length.

##### **EnBW Trust e.V.**

There were no material business relations with EnBW Energie Baden-Württemberg AG or EnBW Trust e.V. in 2017/18, with the exception of the dividend payment.

### 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 for electricity.

The value of services provided to investments in equity accounted investees is as follows:

<b>Transactions with joint ventures included at equity</b>		
EURm	2017/18	2016/17
Revenue	335.0	365.7
Cost of services received	-100.7	-112.9
Trade accounts receivable	23.6	5.9
Other receivables	40.5	10.0
Trade accounts payable	24.9	17.6
Other liabilities	116.7	64.2
Loans	19.9	20.5
Liabilities from cash pooling	83.1	67.3
Interest income from loans	0.9	0.6

<b>Transactions with associates included at equity</b>		
EURm	2017/18	2016/17
Revenue	-	-
Cost of services received	-7.3	-6.0
Trade accounts receivable	-	-
Trade accounts payable	0.6	0.7

### 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 2017/18 totalled TEUR 1,160.3 (including compensation in kind and contributions to pension funds; previous year: TEUR 1,106.9).

<b>Remuneration of the active Executive Board</b>			2017/18			2016/17		
TEUR	Fixed remuneration	Variable remuneration	Compensation in kind	Fixed remuneration	Variable remuneration	Compensation in kind		
Stefan Szyszkowitz	401.7	184.4	14.3	365.8	128.1	14.2		
Franz Mittermayer	346.2	83.1	13.8	-	-	-		

The pension fund contributions in 2017/18 equalled TEUR 60.7 for Stefan Szyszkowitz (previous year: TEUR 54.8) and TEUR 56.1 for Franz Mittermayer.

An addition of TEUR 823.2 (thereof TEUR 72.8 of interest expense and TEUR 593.1 of actuarial gains/losses) was made to the provision for pension obligations on behalf of Stefan Szyszkowitz in 2017/18. In the previous year, a change of TEUR -354.5 was recorded (thereof TEUR 58.2 of interest expense and TEUR -592.3 of actuarial gains/losses). The addition to the provision for pension obligations on behalf of Franz Mittermayer amounted to TEUR 4,223.1 (thereof TEUR 33.7 of interest expense and TEUR 4,119.3 of actuarial gains/losses).

In 2017/18 contributions of TEUR 9.2 (previous year: TEUR 7.8) were made to an external employee fund on behalf of Stefan Szyszkowitz and TEUR 6.8 on behalf of Franz Mittermayer.

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. Franz Mittermayer has been a member of the Executive Board since 1 October 2017. His variable remuneration therefore only includes preliminary payments on account for the 2017/18 financial year and no remuneration for the previous 2016/17 financial year.

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 existing pension agreement was taken over in principle for Franz Mittermayer, and the resulting salary-based adjustment led to an addition to the provision for pension obligations.

The payments to former members of the Executive Board or their surviving dependents amounted to TEUR 1,972.0 in 2017/18 (previous year: TEUR 1,201.7).

Expenses for severance payments and pensions for active members of senior management totalled TEUR 533.3 in 2017/18 (thereof TEUR 94.3 of interest expense and TEUR 603.2 of actuarial gains/losses) and TEUR 18.9 in the previous year (thereof TEUR 157.4 of interest expense and TEUR –1,244.8 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 0.1m in 2017/18 (previous year: EUR 0.2m). The members of the Advisory Committee for Environmental and Social Responsibility received remuneration of EUR 0.1m during the reporting year (previous year: EUR 0.1m).

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 because they are immaterial.

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 2017/18. The resulting items outstanding as of 30 September 2018 are reported under trade accounts receivable.

#### **66. Significant events after the balance sheet date**

No material events occurred between the balance sheet date on 30 September 2018 and the editorial deadline for the consolidated financial statements on 20 November 2018.

#### **67. 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)

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

Reinhard Meißl

Angela Stransky

Susanne Scharnhorst

Friedrich Zibuschka

Johannes Zügel

Philipp Gruber

**Employee representatives**

Franz Hemm

Monika Fraißl

Paul Hofer

Friedrich Bußlehner

Manfred Weinrichter

**68. Approval of the 2017/18 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 12 December 2018 for examination, and the Supervisory Board will also be asked to approve the individual financial statements.

**69. Auditing fees**

EVN's consolidated financial statements and annual financial statements for the 2017/18 financial year were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. The costs for KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, totalled EUR 0.5m (previous year: EUR 0.5m) and were distributed as follows: 49% for auditing services, 46.6% for audit-related services and 4.4% for other consulting services. Auditing and consulting fees for the Group amounted to EUR 1.6m for the reporting year (previous year: EUR 1.6m), whereby 34.1% are attributable to auditing, 17.5% to audit-related services, 39.8% to tax advising and 8.6% to other consulting services. All companies in the scope of consolidation were included.

Maria Enzersdorf, 20 November 2018

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 $\geq 20.0\%$ as of 30 September 2018

#### 1.1. Included in the consolidated financial statements of EVN

Company, registered office	Shareholder	Interest %	Balance sheet date	Method of consolidation 2017/18
Ashta Beteiligungsverwaltung GmbH, Vienna	EVN	49.99	31.12.2017	E
Bioenergie Steyr GmbH, Behamberg	EVN Wärme	51.00	30.09.2018	E
Biowärme Amstetten-West GmbH, Amstetten	EVN Wärme	49.00	31.12.2017	E
Elektrozapredelenie Yug EAD ("EP Yug"), Plovdiv, Bulgaria	BG SN Holding	100.00	31.12.2017	V
ENERGIEALLIANZ Austria GmbH ("EnergieAllianz"), Vienna	EVN	45.00	30.09.2018	E
EVN Bulgaria Elektrosnabdiavane EAD ("EVN Bulgaria EC"), Plovdiv, Bulgaria	BG SV Holding	100.00	31.12.2017	V
EVN Bulgaria EAD ("EVN Bulgaria"), Sofia, Bulgaria	EVN	100.00	31.12.2017	V
EVN Bulgaria Fernwärme Holding GmbH ("BG FW Holding"), Maria Enzersdorf	EVN	100.00	30.09.2018	V
EVN Bulgaria RES Holding GmbH ("EVN Bulgaria RES"), Maria Enzersdorf	EVN Naturkraft	100.00	30.09.2018	V
EVN Bulgaria Stromerzeugung Holding GmbH ("BG SE Holding"), Maria Enzersdorf	EVN	100.00	30.09.2018	V
EVN Bulgaria Stromnetz Holding GmbH ("BG SN Holding"), Maria Enzersdorf	EVN	100.00	30.09.2018	V
EVN Bulgaria Stromvertrieb Holding GmbH ("BG SV Holding"), Maria Enzersdorf	EVN	100.00	30.09.2018	V
EVN Bulgaria Toplofikatsia EAD ("TEZ Plovdiv"), Plovdiv, Bulgaria	BG FW Holding	100.00	31.12.2017	V
EVN Croatia Plin d.o.o, Zagreb, Croatia	Kroatien Holding	100.00	31.12.2017	V
EVN Elektroistribucija DOOEL, Skopje, Macedonia	EVN Macedonia	100.00	31.12.2017	V
EVN Energievertrieb GmbH & Co KG ("EVN KG"), Maria Enzersdorf	EVN	100.00	30.09.2018	E
EVN Geoinfo GmbH ("EVN Geoinfo"), Maria Enzersdorf	Utilitas	100.00	30.09.2018	V
EVN Kavarna EOOD ("EVN Kavarna"), Plovdiv, Bulgaria	EVN Bulgaria RES	100.00	31.12.2017	V
EVN Kraftwerks- und Beteiligungsgesellschaft mbH ("EVN Kraftwerk"), Maria Enzersdorf	EVN	100.00	30.09.2018	V
EVN Kroatien Holding GmbH ("Kroatien Holding"), Maria Enzersdorf	EVN	100.00	30.09.2018	V
EVN Liegenschaftsverwaltung Gesellschaft m.b.H. ("EVN LV"), Maria Enzersdorf	EVN/Utilitas	100.00	30.09.2018	V
EVN Macedonia AD ("EVN Macedonia"), Skopje, Macedonia	EVN	90.00	31.12.2017	V
EVN Macedonia Elektrani DOOEL, Skopje, Macedonia	EVN Macedonia	100.00	31.12.2017	V
EVN Macedonia Elektrosnabduvanje DOOEL, Skopje, Macedonia	EVN Macedonia	100.00	31.12.2017	V
EVN Macedonia Holding DOOEL, Skopje, Macedonia	EVN	100.00	31.12.2017	V
EVN Mazedonien GmbH ("EVN Mazedonien"), Maria Enzersdorf	EVN	100.00	30.09.2018	V
evn naturkraft Beteiligungs- und Betriebs-GmbH ("EVN Nk BuB"), Maria Enzersdorf	EVN Naturkraft	100.00	30.09.2018	V
evn naturkraft Erzeugungsgesellschaft m.b.H. ("EVN Naturkraft"), Maria Enzersdorf	EVN	100.00	30.09.2018	V
EVN Service Centre EOOD, Plovdiv, Bulgaria	EVN Bulgaria	100.00	31.12.2017	V
EVN Trading d.o.o. Beograd, Belgrade, Serbia	EVN Trading SEE	100.00	31.12.2017	V
EVN Trading DOOEL, Skopje, Macedonia	EVN Trading SEE	100.00	31.12.2017	V
EVN Trading South East Europe EAD ("EVN Trading SEE"), Sofia, Bulgaria	EVN Bulgaria	100.00	31.12.2017	V
EVN Wärme GmbH ("EVN Wärme"), Maria Enzersdorf	EVN	100.00	30.09.2018	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

<b>1.1. Included in the consolidated financial statements of EVN</b>				
Company, registered office	Shareholder	Interest %	Balance sheet date	Method of consolidation 2017/18
EVN-WIEN ENERGIE Windparkentwicklungs- und Betriebs GmbH & Co KG ("EVN-WE Wind KG"), Vienna	EVN Naturkraft	50.00	30.09.2018	E
Fernwärme St. Pölten GmbH, St. Pölten	EVN	49.00	31.12.2017	E
Fernwärme Steyr GmbH, Steyr	EVN Wärme	49.00	30.09.2018	E
Hydro Power Company Gorna Arda AD, Sofia, Bulgaria	EVN	70.00	31.12.2017	V
kabelplus GmbH, ("kabelplus"), Maria Enzersdorf	Utilitas	100.00	30.09.2018	V
Netz Niederösterreich GmbH ("Netz NÖ"), Maria Enzersdorf	EVN	100.00	30.09.2018	V
Steag-EVN Walsum 10 Kraftwerksgesellschaft mbH ("SEK"), Essen, Germany	EVN Kraftwerk	49.00	31.12.2017	JO
Verbund Innkraftwerke GmbH, ("Verbund Innkraftwerke"), Töging, Germany <sup>1)</sup>	EVN Nk BuB	13.00	31.12.2017	E
Wasserkraftwerke Trieb und Krieglach GmbH ("WTK"), Maria Enzersdorf	EVN Naturkraft	70.00	30.09.2018	V

1) This company is included in the consolidated financial statements at equity and presented in the above table despite a participation interest  $\leq$  20.0% because of special contractual arrangements that allow for the exercise of significant influence.

<b>1.2. Not included in the consolidated financial statements of EVN due to immateriality</b>						
Company, registered office	Shareholder	Interest %	Shareholders' equity TEUR	Last year's profit/loss TEUR	Balance sheet date	Method of consolidation 2017/18
ARGE Coop Telekom, Maria Enzersdorf	EVN Geoinfo	50.00	110 (110)	49 (49)	31.12.2017 (31.12.2016)	NE
ARGE Digitaler Leitungskataster NÖ, Maria Enzersdorf	EVN Geoinfo	30.00	276 (208)	68 (-46)	31.12.2017 (31.12.2016)	NE
Bioenergie Wiener Neustadt GmbH, Wiener Neustadt	EVN Wärme	90.00	474 (501)	-27 (-38)	31.12.2017 (31.12.2016)	NV
Energiespeicher Sulzberg GmbH, Maria Enzersdorf	EVN Sulzberg	51.00	43 (44)	-36 (-49)	30.09.2018 (30.09.2017)	NV
EVN Asset Management EOOD, Plovdiv, Bulgaria	EVN Bulgaria	100.00	6 (6)	0 (0)	31.12.2017 (31.12.2016)	NV
EVN Energiespeicher Sulzberg Beteiligungs GmbH ("EVN Sulzberg"), Maria Enzersdorf	EVN Naturkraft	100.00	58 (60)	-37 (-49)	30.09.2018 (30.09.2017)	NV
EVN Gorna Arda Development EOOD, Sofia, Bulgaria	EVN Bulgaria	100.00	77 (166)	-89 (-80)	31.12.2017 (31.12.2016)	NV
EVN TRADING L.L.C., Pristina, Kosovo	EVN Trading SEE	100.00	- (-)	- (-)	- (-)	NV
EVN-WIEN ENERGIE Windparkentwicklungs- und Betriebs GmbH ("EVN-WE Wind GmbH"), Vienna	EVN Naturkraft	50.00	43 (43)	0 (1)	30.09.2017 (30.09.2016)	NE
Fernwärme Mariazellerland GmbH, Mariazell	EVN Wärme	48.86	-10 (66)	-76 (-92)	31.12.2017 (31.12.2016)	NE
FWG-Fernwärmeversorgung Amstetten registrierte Genossenschaft mit beschränkter Haftung, Amstetten	EVN Wärme	100.00	184 (743)	-9 (88)	30.06.2018 (30.06.2017)	NE
IN-ER Erömu Kft., Nagykanizsa, Hungary	EVN	70.00	365 (389)	-8 (-1,375)	31.12.2017 (31.12.2016)	NV
Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH, Vienna	EVN Naturkraft	33.33	39 (47)	3 (3)	31.12.2017 (31.12.2016)	NE
Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH & Co KG, Vienna	EVN Naturkraft	33.33	7,547 (7,243)	304 (364)	31.12.2017 (31.12.2016)	NE

## 1.2. Not included in the consolidated financial statements of EVN due to immateriality

Company, registered office	Shareholder	Interest %	Shareholders' equity TEUR	Last year's profit/loss TEUR	Balance sheet date	Method of consolidation 2017/18
EVN Beteiligung 60 GmbH ("EVN Bet. 60"), Maria Enzersdorf	Utilitas	100.00	1,784 (1,786)	-2 (-1)	30.09.2018 (30.09.2017)	NV
EVN Grundstücksverwaltung Bergern GmbH, Maria Enzersdorf	EVN Bet. 60	100.00	1,789 (1,783)	6 (5)	30.09.2018 (30.09.2017)	NV
Netz Niederösterreich Beteiligung 31 GmbH ("Netz Bet. 31"), Maria Enzersdorf	Netz NÖ	100.00	1,999 (-)	-3 (-)	30.09.2018 (-)	NV
Netz Niederösterreich Liegenschaftsbesitz 31 GmbH, Maria Enzersdorf	Netz Bet. 31	100.00	1,954 (-)	-29 (-)	30.09.2018 (-)	NV

## 2. EVN's investments in the environmental services business ≥ 20.0% as of 30 September 2018

### 2.1. Included in the consolidated financial statements of EVN

Company, registered office	Shareholder	Interest %	Balance sheet date	Method of consolidation 2017/18
Cista Dolina – SHW Komunalno podjetje d.o.o., Kranjska Gora, Slovenia	WTE Betrieb	100.00	30.09.2018	V
Degremont WTE Wassertechnik Praha v.o.s., Prague, Czech Republic	WTE Wassertechnik	35.00	31.12.2017	E
EVN Wärmekraftwerke GmbH ("EVN Wärmekraftwerke"), Maria Enzersdorf	EVN/EVN Bet. 52	100.00	30.09.2018	V
EVN Beteiligung 52 GmbH ("EVN Bet. 52"), Maria Enzersdorf	EVN	100.00	30.09.2018	V
EVN Projektgesellschaft Müllverbrennungsanlage Nr. 1 mbH ("EVN MVA1"), Essen, Germany	WTE Wassertechnik	100.00	30.09.2018	V
EVN Projektgesellschaft Müllverbrennungsanlage Nr. 3 mbH ("EVN MVA3"), Maria Enzersdorf	EVN Umwelt/Utilitas	100.00	30.09.2018	V
EVN Umwelt Beteiligungs und Service GmbH ("EVN UBS"), Maria Enzersdorf	EVN Umwelt	100.00	30.09.2018	V
EVN Umwelt Finanz- und Service-GmbH ("EVN UFS"), Maria Enzersdorf	EVN Umwelt	100.00	30.09.2018	V
EVN Umweltholding und Betriebs-GmbH ("EVN Umwelt"), Maria Enzersdorf	EVN	100.00	30.09.2018	V
evn wasser Gesellschaft m.b.H. ("evn wasser"), Maria Enzersdorf	EVN/Utilitas	100.00	30.09.2018	V
AO Budapro-zavod No. 1, Moscow, Russia	EVN MVA1	100.00	31.12.2017	V
AO EVN MSZ 3 ("AO MVA3"), Moscow, Russia	EVN MVA3	100.00	31.12.2017	V
OOO EVN Umwelt Service, Moscow, Russia	EVN UBS	100.00	31.12.2017	V
OOO EVN Umwelt, Moscow, Russia	EVN UBS	100.00	31.12.2017	V
sludge2energy GmbH, Berching, Germany	WTE Wassertechnik	50.00	31.12.2017	E
Storitveno podjetje Lasko d.o.o., Lasko, Slovenia	WTE Wassertechnik	100.00	30.09.2018	V
WTE Abwicklungsgesellschaft Russland mbH ("Abwicklung"), Essen, Germany	International	100.00	30.09.2018	V
WTE Betriebsgesellschaft mbH ("WTE Betrieb"), Hecklingen, Germany	WTE Wassertechnik	100.00	30.09.2018	V
WTE desalinizacija morske vode d.o.o., Budva, Montenegro	WTE Wassertechnik	100.00	31.12.2017	V

<b>2.1. Included in the consolidated financial statements of EVN</b>				
Company, registered office	Shareholder	Interest %	Balance sheet date	Method of consolidation 2017/18
WTE International GmbH ("International"), Essen, Germany	WTE Wassertechnik	100.00	30.09.2018	V
WTE otpadne vode Budva DOO, Podgorica, Montenegro	WTE Wassertechnik	100.00	31.12.2017	V
WTE Projektgesellschaft Natriumhypochlorit mbH ("WTE Hyp"), Essen, Germany	EVN UFS/ WTE Wassertechnik	100.00	30.09.2018	V
WTE Projektna druzba Bled d.o.o., Bled, Slovenia	WTE Wassertechnik	100.00	30.09.2018	V
WTE Wassertechnik GmbH ("WTE Wassertechnik"), Essen, Germany	EVN Bet. 52	100.00	30.09.2018	V
WTE Wassertechnik (Polska) Sp.z.o.o., Warsaw, Poland	WTE Wassertechnik	100.00	30.09.2018	V
Zagrebacke otpadne vode d.o.o. ("ZOV"), Zagreb, Croatia	WTE Wassertechnik	48.50	31.12.2017	E
Zagrebacke otpadne vode – upravljanje i pogon d.o.o. ("ZOV UIP"), Zagreb, Croatia	WTE Wassertechnik	33.00	31.12.2017	E

<b>2.2. Not included in the consolidated financial statements of EVN due to immateriality</b>						
Company, registered office	Shareholder	Interest %	Shareholders' equity TEUR	Last year's profit/loss TEUR	Balance sheet date	Method of consolidation 2017/18
ABeG Abwasserbetriebsgesellschaft mbH, Offenbach am Main, Germany	WTE Wassertechnik	49.00	107 (644)	-4 (20)	30.09.2018 (30.09.2017)	NE
Abwasserbeseitigung Kötschach-Mauthen Errichtungs- und Betriebsgesellschaft mbH, Kötschach-Mauthen	EVN Wärme- kraftwerke	26.00	37 (37)	0 (0)	31.12.2017 (31.12.2016)	NE
OOO EVN-Ekotechprom MSZ3, Moscow, Russia	AO MVA3	70.00	-8,904 (-7,564)	-2,124 (-7,900)	31.12.2017 (31.12.2016)	NV
Saarberg Hölter Projektgesellschaft Süd Butowo mbH ("Süd Butowo"), Essen, Germany	WTE Wassertechnik	100.00	26 (27)	-1 (-57)	30.09.2018 (30.09.2017)	NV
SHW Hölter Projektgesellschaft Zelenograd mbH ("Zelenograd"), Essen, Germany	WTE Wassertechnik	100.00	16 (17)	-1 (-2)	30.09.2018 (30.09.2017)	NV
SHW/RWE Umwelt Aqua Vodogradnja d.o.o., Zagreb, Croatia	WTE Wassertechnik	50.00	566 (432)	156 (11)	31.12.2017 (31.12.2016)	NE
Wasserver- und Abwasserentsorgungsgesellschaft Märkische Schweiz mbH, Buckow, Germany	WTE Wassertechnik	49.00	550 (546)	3 (3)	31.12.2017 (31.12.2016)	NE
Wiental-Sammelkanal Gesellschaft m.b.H, Untertullnerbach	evn wasser	50.00	866 (866)	0 (-2)	31.12.2017 (31.12.2016)	NE
WTE Abwicklungsgesellschaft Kuwait mbH ("Kuwait"), Essen, Germany	International	100.00	23 (23)	0 (0)	30.09.2018 (30.09.2017)	NV
WTE Baltic UAB, Kaunas, Lithuania	WTE Wassertechnik	100.00	141 (109)	32 (-52)	30.09.2018 (30.09.2017)	NV
WTE Projektgesellschaft Kurjanovo mbH ("Kurjanovo"), Essen, Germany	WTE Wassertechnik	100.00	19 (20)	-1 (-1)	30.09.2018 (30.09.2017)	NV
WTE Projektgesellschaft Trinkwasseranlage d.o.o., Beograd-Vracar, Serbia	WTE Wassertechnik	100.00	97 (99)	-2 (-2)	30.09.2017 (30.09.2016)	NV

**3. EVN's investments in other business activities ≥ 20.0%  
as of 30 September 2018**

**3.1. Included in the consolidated financial statements of EVN**

Company, registered office	Shareholder	Interest %	Balance sheet date	Method of consolidation 2017/18
Burgenland Holding Aktiengesellschaft ("Burgenland Holding" respectively "BUHO"), Eisenstadt	EVN	73.63	30.09.2018	V
Energie Burgenland AG, Eisenstadt	BUHO	49.00	30.09.2018	E
EVN Business Service GmbH ("EVN Business"), Maria Enzersdorf	Utilitas	100.00	30.09.2018	V
EVN Finanzservice GmbH, Maria Enzersdorf	EVN	100.00	30.09.2018	V
EVN WEEV Beteiligungs GmbH ("EVN WEEV"), Maria Enzersdorf	EVN	100.00	31.08.2018	V
e&i EDV Dienstleistungsgesellschaft m.b.H., Vienna	EVN	50.00	30.09.2018	E
R 138-Fonds, Vienna	EVN/Netz NÖ/ evn wasser	100.00	30.09.2018	V
RAG-Beteiligungs-Aktiengesellschaft ("RBG"), Maria Enzersdorf	EVN	50.03	31.03.2018	V
RAG Austria AG ("RAG"), Vienna	RBG	100.00	31.12.2017	E
UTILITAS Dienstleistungs- und Beteiligungs-Gesellschaft m.b.H. ("Utilitas"), Maria Enzersdorf	EVN	100.00	30.09.2018	V

**3.2. Not included in the consolidated financial statements of EVN due to immateriality**

Company, registered office	Shareholder	Interest %	Shareholders' equity TEUR	Last year's profit/loss TEUR	Balance sheet date	Method of consolidation 2017/18
EVN Beteiligung 40 GmbH ("EVN Bet. 40"), Maria Enzersdorf	EVN	100.00	22 (24)	-2 (-2)	30.09.2018 (30.09.2017)	NV
EVN Fremdenverkehr Ottenstein GmbH, Maria Enzersdorf	EVN Business	100.00	- (-)	- (-)	- (-)	NV
WEEV Beteiligungs GmbH in liquidation, Maria Enzersdorf	EVN/EVN WEEV	100.00	3,005 (53,776)	2,028 (27,344)	30.06.2018 (30.06.2017)	NV

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# Auditors' report

## Report on the consolidated financial statements

### Audit opinion

We have audited the **consolidated financial statements** of

**EVN AG,  
Maria Enzersdorf,**

and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 September 2018, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 30 September 2018, 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 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Auditors' Responsibility" section of our report. We are independent of the audited Group in accordance with Austrian company 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. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

### Impairment of property, plant and equipment

Refer to notes 21, 30 and 35 to the consolidated financial statements and the 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 3,438.7 million account for 43.9% 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 that therefore, 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 at the level of the cash generating unit (CGU). In testing impairment, the Company first determines the value in use and if necessary, the fair value less costs of disposal. The value in use as well as fair value less costs of disposal are calculated as the present value of the future cash flows using 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 Company's assessment of whether there is any indication that property, plant and equipment may be impaired or whether an impairment loss recognized in prior periods may need to be reversed, and compared the assessment with our understanding gained during the audit of the consolidated financial statements.

In consultation with our valuation specialists, we assessed the measurement technique model, planning assumptions and measurement parameter for selected issues. 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 19 and 24 to the consolidated financial statements and the 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 2,076.6 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 effect of continuous changes on the business, pricing and tariff models. Revenue is derived from the billings systems based on statistical methods and deferred based on the power 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 estimate 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**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, 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, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

### Auditors' responsibility

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could 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 AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations 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 Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, 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, amongst 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 during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i. e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

## Report on other legal requirements

### **Group management report**

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian company law.

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 is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. 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 our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

### **Other information**

Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report, and the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

**Additional information in accordance with Article 10 EU Regulation**

At the Annual General Meeting dated 18 January 2018, we were elected as group auditors. We were appointed by the Supervisory Board on 18 May 2018. We have been the Group's auditors from the year ended 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 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

**Engagement partner**

The engagement partner is Mr. Rainer Hassler.

Vienna, 20 November 2018

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.

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# 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 194ff.

## **Austrian Sustainability and Diversity Improvement Act**

An Austrian law enacted in 2017 which implements EU Directive 2014/95/EU to create European minimum standards for greater transparency and better comparability in the non-financial reporting by capital market-oriented companies and financial institutions with more than 500 employees. These companies are required to disclose their identified risks, strategies, achieved results and non-financial performance indicators on a variety of social and ecological issues.

## **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.

## **Biomass**

Organic material (dead organisms, organic metabolic products and residual materials); certain parts can be used as fuel in combined heat and power plants to generate electricity and heat or cooling.

## **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.

## **CIP (Continuous Improvement Process)**

The CIP is designed to support a steady improvement in the quality of products, processes and service through independent efforts by employees in their departments and teams to realise continuous improvements in their areas of responsibility and working environments. The focus here is on all types of small improvements.

## **CO<sub>2</sub> (carbon dioxide)**

Chemical compound consisting of carbon and oxygen which is largely created by the combustion of fossil fuels.

## **CO<sub>2</sub>e**

The unit CO<sub>2</sub>e or CO<sub>2</sub>-equivalent indicates the relative greenhouse gas potential. 1 t CO<sub>2</sub>e equals the quantity of a material with the same mean heating effect on the atmosphere as one tonne of CO<sub>2</sub>.

## **CO<sub>2</sub> emission certificate**

CO<sub>2</sub> 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 greenhouse gas emissions. The certificates are allocated within the framework of the "National Allotment Plan", depending on the level of a company's previous emissions.

## **CO<sub>2</sub> emission certificate trading/EU emission trading**

As part of the EU's emission certificate trading system, the member states distribute CO<sub>2</sub> emission rights to companies. Firms whose actual CO<sub>2</sub> 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 by avoiding the desired behaviour.

## **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.

## **Control area**

A control area represents a geographically distinct group of high voltage and extra-high voltage networks, whose stability is guaranteed by a responsible transmission network operator.

## **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).

## **Dividend yield**

Ratio of the distributed dividend to the share price.

## **Due diligence audit**

This type of audit is designed to analyse the strengths and weaknesses as well as the related risks of a project, property or company, and thereby plays an important role in its valuation.

**Earnings per share**

Group net result 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 business operations.

**EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation)**

Earnings before interest, taxes, depreciation and amortisation of property, plant and equipment and intangible assets, or operating results before 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<sup>3</sup>

Megawatt hour MWh:

1 Wh × 10<sup>6</sup>

Gigawatt hour GWh:

1 Wh × 10<sup>9</sup>

Natural gas energy content:

1 Nm<sup>3</sup>

1 m<sup>3</sup> 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; it 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 or limit 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.

**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 employee-related 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.

**Power-to-gas (P2G)**

A P2G storage system initially converts electricity from renewable energy into hydrogen (H<sub>2</sub>), which is then converted into methane through so-called "methanation" with CO<sub>2</sub>. The resulting hydrogen can be used for industrial processes and mobility. A P2G system consists, as a minimum, of one renewable electricity source and an electrolyser. A CO<sub>2</sub> storage facility is also needed for the operation of the methanation equipment.

**Power-to-heat**

Under the power-to-heat concept, surplus electricity from renewable energy is converted into heat. This heat can be collected, in part, in buffer storage facilities and fed into a district heating network as needed.

**PPP project (Public Private Partnership)**

PPP projects involve the construction and financing of plants for public 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.

**REALIT**

A by-product from flue gas cleaning which is 100% recycled by EVN.

**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**

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 the 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.

**Sector contractor**

The Austrian Federal Procurement Act of 1 February 2006 defines sector contractors as companies which provide supplies to the general public in the areas of natural gas, heat, water, transportation, postal services and power generation.

**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.

**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**

The electricity sector is generally divided into four value creation phases: generation, distribution, sale and consumption.

**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.

**Wind-to-hydrogen**

Electricity that is generated in wind power plants is converted into hydrogen and then fed into the natural gas network.

# GRI Content Index

The GRI Content Index forms the underlying structure for EVN's Full Report 2017/18. It shows – according to the requirements of the Global Reporting Initiative (“comprehensive standards”) – where in this report 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](http://www.evn.at/GRI-Content-Index)

△ GRI indicator: GRI 102-55

GRI standard	Disclosure	Reference to report page and online information or omission
<b>General disclosures</b>		
<b>GRI 102: General disclosures 2016</b>		
<b>Organisational profile</b>		
102-1	Name of the organisation	EVN AG as the parent company of the EVN Group (EVN)
102-2	Activities, brands, products, and services	18. No products are offered that would be prohibited in EVN's main markets.
102-3	Location of headquarters	2344 Maria Enzersdorf, Austria
102-4	Location of operations	19. The company's main operating locations are Austria, Bulgaria, Macedonia and Germany.
102-5	Ownership and legal form	19. Listed stock corporation
102-6	Markets served	19
102-7	Scale of the organisation	20. As of 30 September 2018, EVN AG, as the parent company, and 63 subsidiaries were included through full consolidation in the consolidated financial statements.
102-8	Information on employees and other workers	49ff
102-9	Supply chain	59
102-10	Significant changes to the organisation and its supply chain	59ff. No material changes in the organisation or supply chain
102-11	Precautionary principle or approach	Editorial, 39, 100ff (Risk management report)
102-12	External initiatives	23, 64
102-13	Membership of associations	64
<b>Strategy</b>		
102-14	Statement from senior decision-maker	Editorial, 24ff
102-15	Key impacts, risks, and opportunities	30ff, 47
<b>Ethics and integrity</b>		
102-16	Values, principles, standards, and norms of behaviour	24, 49, 57
102-17	Mechanisms for advice and concerns about ethics	58
<b>Governance</b>		
102-18	Governance structure	25f
102-19	Delegating authority	26
102-20	Executive-level responsibility for economic, environmental, and social topics	26

GRI standard	Disclosure	Reference to report page and online information or omission
102-21	Consulting stakeholders on economic, environmental, and social topics	25f, 62ff
102-22	Composition of the highest governance body and its committees	75ff (Corporate governance report)
102-23	Chair of the highest governance body	75ff (Corporate governance report)
102-24	Nominating and selecting the highest governance body	75ff (Corporate governance report)
102-25	Conflicts of interest	75ff (Corporate governance report)
102-26	Role of highest governance body in setting purpose, values, and strategy	26
102-27	Collective knowledge of highest governance body	25. 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	75ff (Corporate governance report)
102-29	Identifying and managing economic, environmental, and social impacts	26
102-30	Effectiveness of risk management processes	100 (Risk management report)
102-31	Review of economic, environmental, and social topics	25ff, 40, 73 (Supervisory Board report), 104 (Risk management report). Annual review of the non-financial report by the Supervisory Board in accordance with the Austrian Sustainability and Diversity Improvement Act
102-32	Highest governance body's role in sustainability reporting	Members of the Executive Board
102-33	Communicating critical concerns	104 (Risk management report)
102-34	Nature and total number of critical concerns	No critical concerns
102-35	Remuneration policies	82f (Corporate governance report)
102-36	Process for determining remuneration	82f (Corporate governance report)
102-37	Stakeholders' involvement in remuneration	No involvement of stakeholders in EVN's remuneration policy
102-38	Annual total compensation ratio	54f. Information currently not available due to insufficient data quality
102-39	Percentage increase in annual total compensation ratio	Information currently not available due to insufficient data quality
<b>Stakeholder engagement</b>		
102-40	List of stakeholder groups	25
102-41	Collective bargaining agreements	54
102-42	Identifying and selecting stakeholders	25f, 62ff
102-43	Approach to stakeholder engagement	25ff, 62ff
102-44	Key topics and concerns raised	26ff
<b>Reporting practice</b>		
102-45	Entities included in the consolidated financial statements	132 (Notes). The non-financial report covers the fully consolidated companies included in EVN's scope of consolidation, which required reporting as of 30 September 2018 based on the consolidation principles. The calculations on the key issue of the environment and climate include, in particular, the Walsum 10 hard coal-fired power plant.
102-46	Defining report content and topic boundaries	26, About this report
102-47	List of material topics	26ff
102-48	Restatements of information	In comparison with the previous year (EVN Full Report 2016/17) there were no major changes in the presentation of information or the scope of the report.

GRI standard	Disclosure	Reference to report page and online information or omission
102-49	Changes in reporting	About this report. No major changes
102-50	Reporting period	The reporting period covers the financial year: 01.10.2017 to 30.09.2018.
102-51	Date of most recent report	EVN Full Report 2016/17, published on 14.12.2017
102-52	Reporting cycle	About this report. Annual reporting
102-53	Contact point for questions regarding the report	Imprint
102-54	Claims of reporting in accordance with the GRI standards	This report was prepared in agreement with GRI Standards, "comprehensive option".
102-55	GRI content index	208ff
102-56	External assurance	70f. External review of the non-financial report by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

## Material topics

### Supply security

#### GRI 103: Management approach 2016

103-1	Explanation of the material topic and its boundary	33ff
103-2	The management approach and its components	33ff
103-3	Evaluation of the management approach	33ff

#### Company-specific supplementary indicators

EU1	Installed capacity	34
EU2	Energy generation by primary energy source	109 (Segment reporting)
EU4	Total length of transmission and distribution lines	20. The length of the power lines in digitally documented networks is determined by a geo-information system. In all other cases, the respective values were taken from the fixed asset accounting system.
EU5	CO <sub>2</sub> emission certificates	60
EU12	Efficiency of long-distance lines and distribution networks	35. There is no further breakdown of the long-distance lines or distribution networks.
EU26	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.
EU28, EU29	Frequency and duration of a power failure	35
EU30	Average availability of power plants	35. Due to the implementation of new operating software, availability statistics on the wind parks can only be reported again beginning with the 2018/19 financial year.

GRI standard	Disclosure	Reference to report page and online information or omission
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## Customer satisfaction

### GRI 103: Management approach 2016

103-1	Explanation of the material topic and its boundary	36ff
103-2	The management approach and its components	36ff
103-3	Evaluation of the management approach	36ff

### GRI 203: Indirect economic impacts 2016

203-1	Infrastructure investments and services supported	96f (Group management report). All infrastructure investments are commercial.
203-2	Significant indirect economic impacts	30ff, 38

### GRI 416: Customer health and safety 2016

416-1	Assessment of the health and safety impacts of product and service categories	39
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No relevant incidents

### 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

### GRI 418: Customer privacy 2016

418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No justified complaints
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## Sustainable increase in corporate value

### GRI 103: Management approach 2016

103-1	Explanation of the material topic and its boundary	49ff
103-2	The management approach and its components	49ff
103-3	Evaluation of the management approach	49ff

### GRI 201: Economic performance 2016

201-1	Direct economic value generated and distributed	62
201-2	Financial implications and other risks and opportunities due to climate change	30ff, 100ff (Risk management report)
201-3	Defined benefit plan obligations and other retirement plans	51f
201-4	Financial assistance received from government	98f (Management report). Additional subsidies are related, for example, to activities in the areas of district heating and drinking water supplies. This data is published in the EU Transparency Register in the year following the respective reporting period.

GRI standard	Disclosure	Reference to report page and online information or omission
<b>Responsible management</b>		
<b>GRI 103: Management approach 2016</b>		
103-1	Explanation of the material topic and its boundary	49ff
103-2	The management approach and its components	49ff
103-3	Evaluation of the management approach	49ff
<b>GRI 202: Market presence 2016</b>		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	49ff
202-2	Proportion of senior management hired from the local community	56. Austria, Bulgaria and Macedonia are the main locations of the EVN Group. Employees from these countries are designated as "local". Management: All members of the management of fully consolidated companies (Executive Board, managing directors, authorised officers etc.), including investments which are immaterial but controlled
<b>GRI 205: Anti-corruption 2016</b>		
205-1	Operations assessed for risks related to corruption	57. 100% of the business locations were evaluated as part of the Group-wide risk inventory.
205-2	Communication and training about anti-corruption policies and procedures	58f. There is no further breakdown of salaried employees by category because this information is not relevant for EVN's management and human resources development policies.
205-3	Confirmed incidents of corruption and actions taken	58
<b>GRI 206: Anti-competitive behaviour 2016</b>		
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	59
<b>GRI 401: Employment 2016</b>		
401-1	New employee hires and employee turnover	50f
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	52
401-3	Parental leave	51
<b>GRI 402: Labour/Management relations 2016</b>		
402-1	Minimum notice periods regarding operational changes	There are no minimum notice periods under Austrian law or company agreements.

GRI standard	Disclosure	Reference to report page and online information or omission
<b>GRI 403: Occupational health and safety 2018</b>		
403-1	Occupational health and safety management system	53f
403-2	Hazard identification, risk assessment, and incident investigation	52f
403-3	Occupational health services	52f
403-4	Worker participation, consultation, and communication on occupational health and safety	52f
403-5	Worker training on occupational health and safety	52f
403-6	Promotion of worker health	52f
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	No safety or health risks are directly linked to business relationships with EVN.
403-8	Workers covered by an occupational health and safety management system	53f
403-9	Work-related injuries	53. The calculation of the LTIF is based on an average of 1,700 working hours.
403-10	Work-related ill health	53f. EVN is not active in countries which have an increased risk of contagious diseases or working conditions that could permanently endanger the health of its employees.
<b>GRI 404: Training and education 2016</b>		
404-1	Average hours of training per year per employee	EVN does not classify salaried employees by category because this information is not relevant for management or human resources development policies. There is no breakdown by gender because training is dependent on the occupational profile.
404-2	Programmes for upgrading employee skills and transition assistance programmes	EVN currently has no established programmes for transition assistance.
404-3	Percentage of employees receiving regular performance and career development reviews	See GRI 404-1
<b>GRI 405: Diversity and equal opportunity 2016</b>		
405-1	Diversity of governance bodies and employees	50, 52, 56, 77 (Corporate governance report)
405-2	Ratio of basic salary and remuneration of women to men	49f. Information not available due to the lack of a database
<b>GRI 406: Non-discrimination 2016</b>		
406-1	Incidents of discrimination and corrective actions taken	58
<b>GRI 407: Freedom of association and collective bargaining 2016</b>		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	For EVN and its subsidiaries at all locations, the right to the freedom of association and collective bargaining represents a central aspect in the implementation of the Universal Declaration of Human Rights and the core labour standards of the International Labour Organisation (ILO).

GRI standard	Disclosure	Reference to report page and online information or omission
<b>GRI 410: Security practices 2016</b>		
410-1	Security personnel trained in human rights policies or procedures	This information is not available in total.
<b>GRI 412: Human rights assessment 2016</b>		
412-1	Operations that have been subject to human rights reviews or impact assessments	57f. The risk inventory covers 100% of the business locations.
412-2	Employee training on human rights policies or procedures	58f
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	EVN defines significant investment agreements as individual new projects with a total investment amount > EUR 50m which are realised in countries with a less developed understanding of human rights issues. There were no such cases during the reporting period.
<b>GRI 415: Public policy 2016</b>		
415-1	Political contributions	Internal guidelines prohibit contributions to political parties and related organisations.
<b>GRI 419: Socioeconomic compliance 2016</b>		
419-1	Non-compliance with laws and regulations in the social and economic area	No relevant incidents

## Environmental and climate protection

<b>GRI 103: Management approach 2016</b>		
103-1	Explanation of the material topic and its boundary	40ff
103-2	The management approach and its components	40ff
103-3	Evaluation of the management approach	40ff
<b>GRI 301: Materials 2016</b>		
301-1	Materials used by weight or volume	43f
301-2	Recycled input materials used	Not applicable. EVN generally does not use recycled input materials. However, the company supports, for example, the use of recycled building materials.
301-3	Reclaimed products and their packaging materials	Not applicable due to the company's business activities
<b>GRI 302: Energy 2016</b>		
302-1	Energy consumption within the organisation	43. Due to the plant structure, the information required for a breakdown into renewable and non-renewable energy carriers is not available.
302-2	Energy consumption outside of the organisation	Not applicable due to the company's business activities
302-3	Energy intensity	43
302-4	Reduction of energy consumption	43
302-5	Reductions in energy requirements of products and services	42f. Calculation method: 0.6% of the respective previous year's energy sales volume

GRI standard	Disclosure	Reference to report page and online information or omission
<b>GRI 303: Water and effluents 2018</b>		
303-1	Interactions with water as a shared resource	43ff. No plants in “areas of water stress” according to the GRI definition.
303-2	Management of water discharge-related impacts	43ff
303-3	Water withdrawal	43ff
303-4	Water discharge	43ff
303-5	Water consumption	43ff
<b>GRI 304: Biodiversity 2016</b>		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	47
304-2	Significant impacts of activities, products, and services on biodiversity	47f. This information is not available; the data on changes in biodiversity is incomplete.
304-3	Habitats protected or restored	48. Detailed information on the status of these areas is not available.
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	48
<b>GRI 305: Emissions 2016</b>		
305-1	Direct (Scope 1) GHG emissions	40f. Global Warming Potential (GWP) = 1
305-2	Energy indirect (Scope 2) GHG emissions	41. Global Warming Potential (GWP) = 1
305-3	Other indirect (Scope 3) GHG emissions	41. Global Warming Potential (GWP) = 1
305-4	GHG emissions intensity	41
305-5	Reduction of GHG emissions	40f
305-6	Emissions of ozone-depleting substances (ODS)	All EVN plants are closed units.
305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions	42. No relevant emissions of persistent organic pollutants (POP), volatile organic compounds (VOC), hazardous air pollutants (HAP); no other relevant categories; source of emission factors: measurements (annual, continuous, extrapolation); calculation method: continuous measurements based on the specific value mg/Nm <sup>3</sup> ; flue gas volume in freight converted
<b>GRI 306: Effluents and waste 2016</b>		
306-1	Water discharge by quality and destination	This indicator is covered by GRI 303-4 (GRI 303: Water and effluents 2018).
306-2	Waste by type and disposal method	46
306-3	Significant spills	46
306-4	Transport of hazardous waste	46
306-5	Water bodies affected by water discharges and/or runoff	43ff
<b>GRI 307: Environmental compliance 2016</b>		
307-1	Non-compliance with environmental laws and regulations	No incidents

GRI standard	Disclosure	Reference to report page and online information or omission
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## Stakeholder involvement

### GRI 103: Management approach 2016

103-1	Explanation of the material topic and its boundary	25f, 62ff
103-2	The management approach and its components	25f, 62ff
103-3	Evaluation of the management approach	25f, 62ff

### GRI 413: Local communities 2016

413-1	Operations with local community engagement, impact assessments and development programmes	63f
413-2	Operations with significant actual and potential negative impacts on local communities	30ff, 63f

## Supply chain responsibility

### GRI 103: Management approach 2016

103-1	Explanation of the material topic and its boundary	59ff
103-2	The management approach and its components	59ff
103-3	Evaluation of the management approach	59ff

### GRI 204: Procurement practices 2016

204-1	Proportion of spending on local suppliers	60. Austria, Bulgaria and Macedonia are the main locations of the EVN Group. Suppliers from these countries are designated as "local".
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### GRI 308: Supplier environmental assessment 2016

308-1	New suppliers that were screened using environmental criteria	60f. EVN's integrity clause is binding for all suppliers in the Group
308-2	Negative environmental impacts in the supply chain and actions taken	This information is not available.

### GRI 414: Supplier social assessment 2016

414-1	New suppliers that were screened using social criteria	60f. EVN's integrity clause is binding for all suppliers in the Group.
414-2	Negative social impacts in the supply chain and actions taken	This information is not available.

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# 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](mailto:investor.relations@evn.at)

## Contact partners regarding sustainability

Andrea Edelmann (Group representative for environmental protection and sustainability)  
Alexander Sipek (Deputy Group representative for sustainability)  
Doris Lohwasser (Deputy Group representative for sustainability)

**E-mail:** [nachhaltigkeit@evn.at](mailto:nachhaltigkeit@evn.at)

**Service telephone for customers:** 0800 800 100, **for investors:** 0800 800 200

### Information on the Internet

[www.evn.at](http://www.evn.at)  
[www.investor.evn.at](http://www.investor.evn.at)  
[www.responsibility.evn.at](http://www.responsibility.evn.at)

### Online report

EVN online Full Report 2017/18  
[www.investor.evn.at/gb/gb2018](http://www.investor.evn.at/gb/gb2018)

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### Financial calendar 2018/19<sup>1)</sup>

Record date Annual General Meeting	07.01.2019	Results Q. 1 2018/19	28.02.2019
90 <sup>th</sup> Annual General Meeting	17.01.2019	Results HY. 1 2018/19	29.05.2019
Ex-dividend day	23.01.2019	Results Q. 1–3 2018/19	22.08.2019
Record date	24.01.2019	Annual results 2018/19	12.12.2019
Dividend payment	25.01.2019		

1) Preliminary

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### Basic information<sup>1)</sup>

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; depository	Sponsored Level I ADR programme (5 ADR = 1 share); The Bank of New York Mellon
Ratings	A2, positive (Moody's); A-, stable (Standard & Poor's)

1) As of 30 September 2018

#### **Editorial information**

##### **Published by:**

EVN AG, EVN Platz, 2344 Maria Enzersdorf, Austria

T +43 2236 200-0

F +43 2236 200-2030

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We have put together this full report with the greatest possible diligence, and have checked the data. Nevertheless, rounding off, compositor's or printing errors cannot be excluded. In the summing up of rounded amounts and percentages, the application of automatic calculating devices could result in rounding-off differences. This full report also contains forward-looking statements, estimates and assumptions which are based on all the information available to us at the time when this document was completed. Such statements are typically made in connection with terms such as "expect", "estimate", "plan", "anticipate" etc. We would like to point out that, due to a variety of different factors, the performance and results achieved by the company may differ from the expectations and forward-looking statements contained in this report.

EVN 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.

This full report is also available in German. In case of doubt, the definitive version is the German one.

**Print:** 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.

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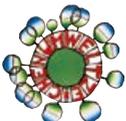
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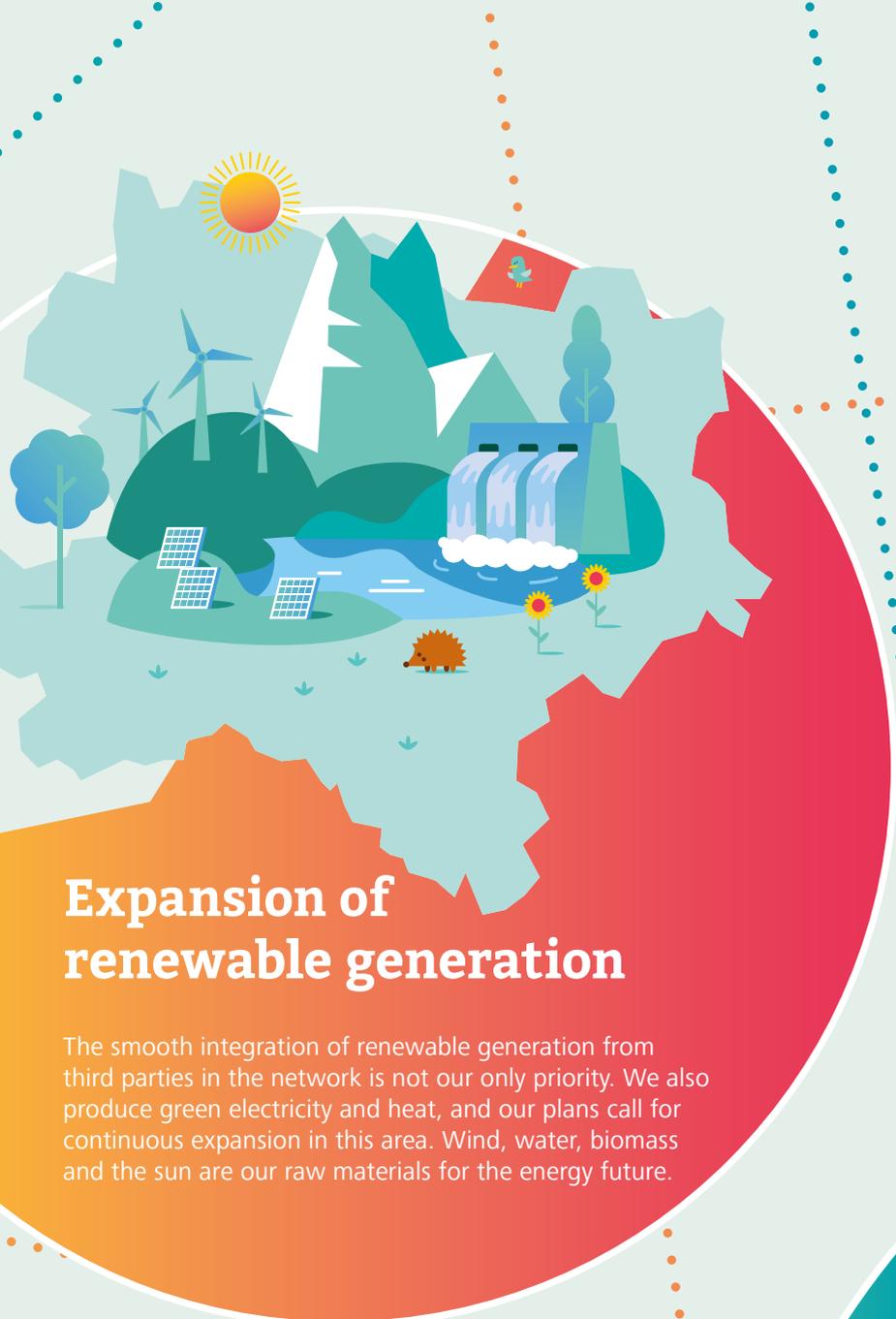


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## Intelligent networks

Intelligent management is a key requirement not only for generation and storage, but also for transport and distribution in the complex energy systems of the future. The rising share of volatile renewable generation, increasing population density and growing demand by households (e.g. due to e-mobility) are creating substantial challenges in this area.



## Expansion of renewable generation

The smooth integration of renewable generation from third parties in the network is not our only priority. We also produce green electricity and heat, and our plans call for continuous expansion in this area. Wind, water, biomass and the sun are our raw materials for the energy future.

## Supply security and network stability

Through the supply of reserve capacity and balancing energy along with the continuous development of our networks, we are supporting the expansion of renewable generation and, at the same time, making a decisive contribution to supply security.

