

Energie
vernünftig
nutzen

EVN

**Sustainability Report
2004/05**



Responsibility

Contents

Key sustainability indicators	▶
Highlights und key indicators 2004/05	1
Company profile	2
Responsibility leads the way (Foreword)	3
EVN corporate responsibility management	5
Economy	
Responsibility to owners and customers	8
Economic standing of the EVN Group	9
The EVN share – an investment in sustainability	12
Corporate Governance	14
Open dialogue with stakeholders	15
Our customers	17
EVN environmental services	20
Investments in the future – R&D	28
Supplier relations	31
Ecology	
A responsible approach to the environment and resources	32
Integrated management system and accreditation	33
Electricity and heat generation	38
Climate protection/CO ₂	48
Sustainable energy distribution	50
Events of environmental significance	53
Society	
A responsible approach towards employees and the public	54
Employee health service	55
Occupational safety and accident prevention	56
EVN as an attractive and responsible employer	59
Initiatives for quality of life	67
Initial initiatives in Bulgaria	72
Statement of the environmental verifiers	76
Verifiers' report	76
EVN corporate policy statement	back flap
EVN environmental policy statement	back flap

Scope of the report

With regard to the financial key indicators, this report incorporates the consolidated EVN Group, which including EVN AG as the parent company, consists of 40 fully consolidated and four pro rata consolidated companies (please see the EVN Annual Report 2004/05, page 87).

The key indicators in the personnel sector relate to EVN AG, including all consolidated subsidiaries. Should, in individual cases, some of these companies be excluded, a separate reference to this fact is made in the report.

The ecological section of the report contains information and key indicators relating to EVN AG and subsidiaries of environmental relevance (AVN, evn wasser, evn naturkraft, WTE). The subsidiaries in Bulgaria, which were acquired in January 2005, are not included. These are the subject of a brief summary containing the main integration measures taken in recent months and a preview of future, sustainability-oriented measures at the end of the report.

If in the past financial year, the functional and business management integration of the new subsidiaries was the main focus of attention, the intention is that sustainability reporting be subsequently extended to the entire Group.

Editorial deadline: November 25, 2005

Key sustainability indicators

Economy (EVN Group)

Business management¹⁾			2004/05	2003/04	2002/03	2001/02	2000/01
Electricity sales volumes	GWh		15,883	10,442	9,656	8,624	7,773
Gas sales volumes ²⁾	m m ³		707	716	1,072	1,895	1,322
Heating sales volumes	GWh		1,033	967	877	786	721
Sales revenues	EUR m		1,609.5	1,207.3	1,082.1	1,113.9	1,014.7
Operating result (EBIT)	EUR m		131.0	114.6	102.5	127.9	121.0
Result before tax	EUR m		186.2	135.9	145.4	137.6	126.3
Return on equity (ROE)	%		8.2	8.7	9.3	8.7	9.4
Equity ratio	%		48.2	41.7	38.8	38.0	40.5

¹⁾ The data provided relates to all companies contained within the scope of consolidation of the EVN Group. Financial year from October 1 – September 30; key indicators according to IFRS.

²⁾ From January 1, 2003, excluding sales to large customers and gas trading following transfer to EconGas.

Info Centre visitor numbers

		2004/05	2003/04	2002/03	2001/02	2000/01
Persons	Number p.a.	21,760	21,995	16,197	10,597	8,949

Ecology (EVN AG)

Water consumption

		2004/05	2003/04	2002/03	2001/02	2000/01
Power stations						
Drinking water	m ³	16,133	16,739	14,790	12,974	n.e. ¹⁾
Process water	m ³	1,395,054	1,419,796	1,267,389	1,228,334	n.e.
District heating plants						
Drinking water	m ³	57,067	69,269	26,790	28,769	n.e.
Process water	m ³	55,229	57,134	58,066	54,849	n.e.
Head office and customer centres						
Drinking water	m ³	20,972	25,463	29,146	26,431	n.e.
Process water	m ³	23,654	32,354	31,593	31,249	n.e.

¹⁾ n.e. = not established

Waste volumes¹⁾

		2004/05	2003/04	2002/03	2001/02	2000/01
Hazardous waste	t	275	253	192	215	379
Non-hazardous waste	t	5,767	5,272	5,888	4,990	7,580

¹⁾ Excluding building waste and power station by-products

evn naturkraft eco-electricity production

		2004/05	2003/04	2002/03	2001/02	2000/01
Hydropower	GWh	185.9	160.9	139.9	116.4	89.0
Wind power	GWh	63.5	63.3	37.3	11.1	9.0

Flue gas by-products from thermal power stations

		2004	2003	2002	2001	2000
Dürnrrohr power station: fly ash	t	44,608	41,477	31,093	28,272	22,220
Dürnrrohr power station: flue gas desulphurisation products	t	25,116	26,752	20,729	19,324	17,465
Dürnrrohr power station: coarse ash	t	8,327	7,743	5,803	5,278	4,148
Theiss power station: flue gas desulphurisation products	t	0	0	0	0	1,561

Heat production¹⁾			2004/05	2003/04	2002/03	2001/02	2000/01
Heating oil	GWh		25.6	25.8	25.5	17.1	15.3
Biomass	GWh		183.2	157.7	128.9	108.0	100.5
Cogeneration/power station bleeding	GWh		258.7	284.1	239.2	252.1	255.3
Natural gas	GWh		632.1	595.3	586.8	534.3	478.2
Total	GWh		1,099.6	1,062.9	980.4	911.5	849.3

¹⁾ Local and district heating production.

Specific electricity generation and district heating plant emissions			2004/05	2003/04	2002/03	2001/02	2000/01
CO	kg/MWh		0.038	0.044	0.046	0.039	0.052
NO _x	kg/MWh		0.396	0.392	0.338	0.348	0.288
SO ₂	kg/MWh		0.101	0.129	0.123	0.107	0.090
Dust	kg/MWh		0.034	0.047	0.023	0.021	0.020
CO ₂ ¹⁾	t/MWh		0.482	0.516	0.517	0.508	0.444

¹⁾ Due to the CO₂ neutrality of biomass, emissions from biomass firing are rated as zero.

Society (EVN AG)

Fire statistics¹⁾			2004	2003	2002	2001	2000
Fires	Number		4	14	15	3	4
Damage value	TEUR		23	493	133	50	15

¹⁾ The data provided relates to EVN AG, AVN, evn naturkraft, evn wasser and Kabelsignal.

Accident rate¹⁾			2004	2003	2002	2001	2000
Accidents/100 employees	Number		1.3	2.0	1.9	1.9	2.3

¹⁾ The data provided relates to EVN AG, AVN, evn naturkraft, evn wasser and Kabelsignal.

Working accidents¹⁾			2004 ²⁾	2003	2002	2001	2000
Working accidents ³⁾	Number		41	42	39	39	51
Days lost	Number		401	766	964	1,220	1,168

¹⁾ The data provided relates to EVN AG, AVN, evn naturkraft, evn wasser and Kabelsignal.

²⁾ Excluding road, including minor accidents.

³⁾ Subject to report: slight, quite serious, serious, and fatal accidents.

Workforce¹⁾			2004/05	2003/04	2002/03	2001/02	2000/01
EVN AG	Number		1,906	1,944	1,966	1,997	2,041
Other business areas	Number		4,748	664	351	202	163
EVN Group	Number		6,654	2,608	2,317	2,199	2,204
thereof apprentices	Number		71	61	54	31	11

¹⁾ Full-time employee (FTE) basis

Educational structure as at September 30, 2005¹⁾	
University graduates	8%
A-level graduates	18%
Advanced technical college graduates	7%
Employees with a completed apprenticeship	40%
Employees with a master's certificate	17%
Others	10%

¹⁾ The data provided relates to all EVN Group companies in Austria.

Further training 2004/05		
	Events	Attendees
Computer courses	52	548
Specialist seminars	175	2,453
Behavioural coaching	22	174
Total internal training	249	3,175
External further training	322	472
Total further training	571	3,647

Highlights 2004/05

- ▶ In November, EVN receives award as Austria's most responsible company in 2005.
- ▶ New CR management organisational structure.
- ▶ Accession to the UN Global Compact.
- ▶ Numerous new projects in the water and wastewater area.
- ▶ Development of an integrated management system at locations with environmental accreditation.
- ▶ Marked increase in electricity generation using renewable primary energy.
- ▶ Climate protection – intensified use of wind power and biomass.
- ▶ New EVN health guidelines.
- ▶ Lowest accident rate since 1990.
- ▶ EVN Collection celebrates its tenth birthday.
- ▶ New subsidiaries in Bulgaria.

Key indicators 2004/05

		2004/05	+/- %
Economy			
Sales revenues	EUR m	1,609.5	+33.3
EBIT	EUR m	131.0	+14.3
Group net result	EUR m	144.4	+22.9
Ecology			
Electricity production from wind power plants	GWh	63.5	+0.3
Electricity production from hydropower plants	GWh	803.0	+10.2
Heat generation using biomass	GWh	183.2	+16.2
Society			
Employees	Total	6,654	+155.1
Sales revenues/employee	EUR	241,889	-47.7
Days lost due to working accidents	Total	401	-47.7

www.responsibility.evn.at

Company profile

EVN: a leading energy and environmental services group

EVN is a leading, listed Austrian energy and environmental services group with headquarters in Lower Austria, the nation's largest federal province. The EVN Group provides its customers with electricity, gas, heating, water, waste incineration and related services on a one-stop shop basis by means of a highly advanced infrastructure.

As a growth-oriented company, EVN is endeavouring to share in the dynamic growth potential of the Central and Eastern European markets. By obtaining majority holdings in two regional electricity suppliers in South-Eastern Bulgaria, EVN successfully participated in the privatisation of the country's electricity industry.

EVN is also active in the water and waste incineration areas within Austria and in ten other CEE countries, through its network of fully-owned subsidiaries.

As a result of the realisation of synergies among the various business areas within the Group both in Austria and in other markets, sustainable value is to be created in the interests of EVN's shareholders, customers and employees.

Responsibility leads the way

Dear Reader,

As an energy and environmental services supplier, the EVN Group consciously assumes the responsibilities relating to its business activities and exercises prudence, not only in an economic regard, but also with respect to ecological and social matters. It is our conviction that long-term success can only be secured by acting responsibly and thus achieving sustainability in its truest sense.

Alone day-to-day activities in the interests of our customers bring a high degree of responsibility for reliable, high-quality performance. In the meantime, some 6,700 EVN employees in eleven CEE countries provide millions of people with essential services in the areas of electricity, gas, heating, water, wastewater, waste incineration and telecommunications, as well as operating the infrastructure of our modern, industrial society. In addition, our investments result in value added and the creation of employment.

However, our concerns regarding the sustainable nature of our activities extend beyond security of supply and high technical standards. For many years, a diversity of initiatives has highlighted EVN's efforts to balance the interests of individual stakeholder groups. This report shows a selection of measures initiated during the past financial year in the areas of energy consulting, the intensified use of renewable energy sources, emission reduction, the protection of the landscape, flora and fauna, employee benefits and activities within EVN's social environment.

We regard the No.1 ranking received in Austria's first "Companies with Responsibility" (CSR) awards as a special gesture of recognition for EVN's activities in the sustainability area. In mid-November, 70 major Austrian companies were assessed by a highly respected jury, which awarded EVN first place. This judgement was based on the company's overall commitment with a focus on employees, society, the environment and the capital market.



From l. to r. Herbert Pöttschacher,
Burkhard Hofer, Peter Layr

Starting in Lower Austria, the traditional EVN AG supply area, the concept of sustainability-oriented company management is to be more firmly anchored throughout the Group, which has grown markedly in recent years. To this end, as part of Group restructuring, new CR (corporate responsibility) management was established during the past financial year, which is the direct responsibility of the Executive Board. The intention is to achieve a uniform CR strategy for the entire EVN Group.

Through our accession to the UN Global Compact in September 2005, we wish to secure universal economic, social and environmental standards for the entire Group and provide a signal to the general public. Even though, as a result of its active assumption of responsibility, EVN already adheres to the ten basic principles of the Compact, we nonetheless see it as an incentive to improve and to gradually integrate all Group companies into this declaration.

Almost 20 years ago, EVN repositioned itself with the competence claim "Using energy wisely", a credo, which in the context of the current energy industry framework, is more topical than ever. The rise in energy prices has provided dramatic evidence of the need to save energy, a philosophy propagated by EVN for many years in the course of energy consulting, and has also led to an increased readiness among customers to preserve resources. Moreover, tougher environmental legislation has had a positive effect in the water, wastewater and waste incineration areas, where for some time EVN has been supplying a comprehensive services range. EVN contributes to the sustainable use of resources in other ways, as exemplified by investments in renewable energy amounting to EUR 130 m in the period between the beginning of 2005 and mid-2006. From the middle of 2006 onwards, some 60% of the municipal district heating supplied by EVN will derive from biomass.

For the energy industry there exists a conflict of objectives between climate protection on the one hand, and the demand for security of supply on the other. Increasing electricity demand and ageing European power plants have resulted in a need for replacement and additional capacity. A requirement, that can only be met partially by the use of alternative energy sources and the upgrading of the efficiency of existing plant. EVN's awareness of its major responsibilities means that it is closely considering every aspect of this question, but it is clear that there is no alternative to the creation of additional generation capacity.

"Responsibility leads the way" is a particularly apposite title when applied to the path towards sustainability-oriented corporate management. For following the creation of a new CR management structure, the 2005/06 financial year will witness further progress regarding the preparation of a Group-wide sustainability strategy and its structured implementation.



Burkhard Hofer



Peter Layr



Herbert Pöttschacher

Maria Enzersdorf,
November 2005

EVN corporate responsibility management

For many years, EVN has felt an obligation to achieve the objective of sustainable corporate management. For this reason, company corporate responsibility (CR) management places special emphasis on sustainability. Thus, EVN underlines its responsibility to take every condition of relevance to long-term, balanced development into appropriate account. By CR, the company understands a commitment to dynamic development targeted on the progressive improvement of company performance in every area. A main factor in this equation is the uniform attention paid to the three elements comprised by economic, ecological and social matters.

In 2002, EVN became the first Austrian company to issue a Sustainability Report and in the meantime, it also provides detailed information concerning its initiatives in this area online under www.responsibility.evn.at.

A new organisational structure for CR management

During the period under review, EVN CR management was provided with a new structure. This organisational anchorage occurred in the course of the restructuring of the EVN Group, which took effect at the beginning of October 2005. As CR represents a topic of Group-wide relevance, which affects a diversity of cross-sectional issues, it has been located among the responsibilities of the Executive Board. The Board determines the CR strategy and programme for the EVN Group.

With immediate effect, a separate CR advisory team is responsible for the strategic orientation and co-ordination of CR activities within the Group. If required, temporary working groups will assist this permanent body with specific matters, in order to ensure that all the relevant areas in the Group are involved. The task of the working groups is to prepare proposed measures and then supervise the implementation of the activities agreed.

Particularly in view of increasing EVN internationalisation, this new organisation should lead to a structured approach for the whole Group and by means of a concentration and co-ordination of activities result in the efficient realisation of the approved course of action.

Corporate responsibility (CR) management structure

CR management (complete Board)					
■ Determines EVN Group CR strategy and programme					
CR advisory team					
■ Strategic orientation and co-ordination of all CR activities					
Temporary working groups					
■ Support of the CR advisory team					
■ Preparation of suggestions for new activities and supervision of the implementation of previously agreed measures					
Group services	Production	Networks	Sales	Bulgaria	Environment

New CR management will promote the structured, Group-wide implementation of the EVN sustainability strategy.

Accession to the UN Global Compact

In connection with the restructuring of its CR management, in September 2005, EVN joined the UN Global Compact. This move corresponded with a trend among companies like EVN, which are steadily adopting a more global approach in order to bring their decision-making processes into line with international conventions. Not least, such developments are due to the growing interest of sustainability-oriented investors and the existence of sustainability indices and rankings. Apart from economic success, the ethical and ecological approach of a company is of increasing significance, not just to the general public, but also the capital market. This is the reason why EVN as a listed, international supplier of energy and environmental services decided to sign up to the UN Global Compact.

The UN Global Compact was launched in 2002 at the initiative of the Secretary-General of the United Nations, Kofi Annan. At present, the UN Global Compact has over 2,400 participants worldwide, including six Austrian companies.

The initiative's ten guiding principles derived from the Human Rights Convention of the United Nations, the declaration of the International Labour Organisation (ILO) concerning fundamental working rights, the Rio Declaration regarding the environment and development and the UN's anti-corruption declaration. The principles define the central demands of the international community represented by the United Nations with respect to sustainable corporate governance in the interests of all stakeholders.

+25 \triangleq
windmills

-74,000
t CO₂

Every year, EVN's 25 windmills, which are located in four Lower Austrian wind farms, prevent the emission of 74,000 t of CO₂. This reflects EVN's use of sustainable power generation on the basis of renewable primary energy sources, wherever this is technically possible and economically viable.

Responsibility leads the way.

As a result of the active assumption of its responsibilities, EVN already adheres to all ten guiding principles.

The principles of the UN Global Compact in detail

Human Rights

Businesses should:

- **Principle 1:** support and respect the protection of internationally proclaimed human rights; and
- **Principle 2:** make sure that they are not complicit in human rights abuses.

Labour Standards

Businesses should:

- **Principle 3:** uphold the freedom of association and the effective recognition of the right to collective bargaining;
- **Principle 4:** the elimination of all forms of forced and compulsory labour;
- **Principle 5:** the effective abolition of child labour; and
- **Principle 6:** the elimination of discrimination in respect of employment and occupation.

Environment

Businesses should:

- **Principle 7:** support a precautionary approach to environmental challenges;
- **Principle 8:** undertake initiatives to promote greater environmental responsibility; and
- **Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

- **Principle 10:** businesses should work against all forms of corruption, including extortion and bribery.

Targets for 2005/06

Following the installation of new CR management, EVN has defined the following main targets and target areas for the 2005/06 financial year:

- Sustainable sourcing.
- The integration of both Bulgarian subsidiaries.
- Equilibrium between the economic and ecological aspects of the environmental management systems at EVN production plants in the light of the competition in the energy market.
- Increased electricity and heat generation from renewable energy sources.

Economy

Responsibility to owners and customers

Sustainable economic success is the only means of securing value added for shareholders. At the same time, long-term service excellence is essential to a company's ability to attain a strong market position through attractive and competitive products. Therefore, EVN recognises its responsibility to provide appropriately positive business performance in the interests of shareholders, customers, society and the environment. This commitment to sustainable performance also forms the basis for investments in environmental protection. The optimisation of EVN's capital structure, ongoing growth, sustained increases in cost efficiency and a related improvement in operative development, all contribute to the achievement of this objective.

For an energy and environmental services supplier like EVN, security of supply is a vital element in sustainability-oriented management.

EVN has put its claims in the customer service sector into a nutshell with the slogan, "Always at your service". In other words, EVN's customer performance should be as attractive and individual as possible, and to this end the company relies on quality products and services in combination with professional customer support.

EVN's intensification of its activities in the environmental services and research and development areas also constitutes a contribution to the protection and conservation of the environment for future generations. In particular, the company has long been one of the international leaders in the field of power station technology and gas supply and is constantly involved in EU research projects. An important factor in this regard is formed by ongoing increases in efficiency and reductions in emissions at all generation plants.

Economic standing of the EVN Group

In the course of the systematic implementation of its corporate strategy, during recent years EVN has evolved from being purely a power supplier to a customer-oriented provider of energy and environmental services. Apart from the integrated supply of electricity, gas and heating, EVN competence now includes water and waste incineration, and supplementary services, which all represent business areas with high growth potential.

At the same time, the Group has expanded its business in a geographical sense, extending its activities from its original core area in Lower Austria to create a market presence in ten other CEE countries. A decisive step towards internationalisation was taken during the past financial year with the acquisition of majority holdings in two regional electricity distribution companies in Bulgaria.

EVN development in the 2004/05 financial year

EVN can look back on a 2004/05 financial year, which was significant in both a strategic and economic sense. The main highlight was entry into the Bulgarian electricity industry through the acquisition of majority holdings in two regional electricity distribution companies. Moreover, in addition to the positive impulses derived from this expansion, the environmental sector with its water and waste business areas provided significant contributions to sales revenues and results and a further internationalisation of the EVN Group. All in all, during the past financial year, the share of sales revenues emanating from Central and Eastern Europe rose from 8% to just under 25%.

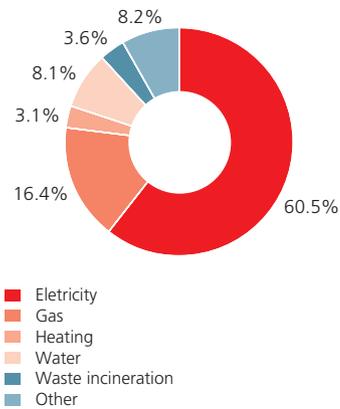
Sales revenues up on the preceding year

The solid figures of the past year represent confirmation of the sustained success of EVN Group development. On the basis of higher revenues in all areas, total sales revenues were up by 33.3% at EUR 1.6 bn. The main reasons for this rise were the initial inclusion of the two Bulgarian subsidiaries, increased electricity production and expanded project business in the water and waste areas.

The following description of EVN business development in the 2004/05 financial year does not replace the detailed economic and financial presentation provided in the Management Report. This can be read in the EVN Annual Report 2004/05.



Sales revenues by business area



Suppliers

During 2004/05, EVN spent EUR 1,011.6 m, or 52.7% more, on energy supplies and services than in the preceding year. The main factors in this rise were the initial inclusion of the two Bulgarian subsidiaries, the sharp increase in the prices of primary energy and electricity purchases, expenditure on the purchase of CO₂-emission certificates and additional external services in connection with water and waste projects.

Employees

While as a consequence of the takeover of the two Bulgarian electricity supply companies, the average size of the EVN Group workforce rose by 155.1% to 6,654 during the 2004/05 financial year, personnel costs only increased by 15.9% to EUR 232.3 m. This was due mainly to the lower income levels at the Bulgarian subsidiaries as compared with Austrian standards. During the period under review, EVN personnel costs accounted for around 14.4% of sales revenues. At the beginning of the 1990s, this figure stood at 26.7%.

Marked improvement in results

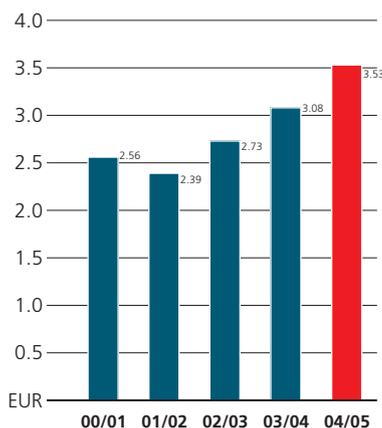
The operating result (EBIT) for the 2004/05 financial year was 14.3% higher than in the preceding year at EUR 131.0 m. This upturn stemmed from the successful counterbalancing of the negative effects of continued increases in primary energy and electricity sourcing prices, the costs for the purchase of CO₂-emission certificates and falling network income in Austria, by means of the positive contributions of the two Bulgarian power supply companies, the high level of electricity production and the positive developments in the water and waste business areas.

Due largely to the tangible growth among EVN Group investments, there was also a marked improvement in the financial result, which led to a 37.0% rise in the result before tax as compared to the preceding year.

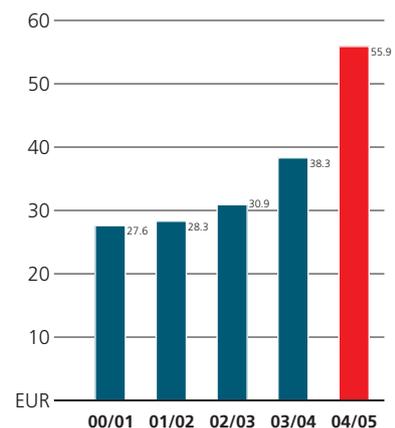
Net result

Following income tax and minority interests, the Group net result rose by EUR 26.9 m, or 22.9%, to EUR 144.4 m.

Earnings/share



Book value/share



Society

EVN paid a total of EUR 29.2 m in taxes on profit for the 2004/05 financial year. In addition to numerous activities within the company's social environment, this represented a contribution to its public assignment in the interests of Austrian society.

Solid balance sheet

EVN activities continue to be based on a very solid balance sheet structure. Not least due to the inclusion of the two Bulgarian subsidiaries, the consolidated balance sheet total of the EVN Group increased by 27.0% to EUR 4,739.6 m. At the end of September 2005, the equity ratio stood at 48.2% and gearing amounted to 29.5%, which was well below the average in the energy sector. This clearly illustrates a steady and healthy balance sheet structure as confirmed by the ratings from the Standard & Poor's and Moody's agencies, which both point to a stable future.

Security through long-term investment

Investments form a platform for sales and profits in years to come. With total spending of EUR 192.6 m on tangible and intangible assets, during the 2004/05 financial year, EVN again invested considerable sums in its future. This funding was used first and foremost for the enlargement of electricity, gas and heating transport and distribution networks and their adjustment to the needs of the liberalised electricity and gas market. An extensive investment programme was also launched in Bulgaria for the strengthening of the grid and a reduction in grid losses. Another focal point was expansion in the biomass, small-scale hydropower and wind power plant segments in Lower Austria.

The backdrop to these investments is largely furnished by a marked increase in consumption. For example, since 1998, electricity demand in Austria has risen by an average of 2.5% annually and there is a growing need for electrical power throughout Europe. In 2000, Austria became a net importer of electricity, importing more power than it exports. A fact, which means that additional generation capacity will be required for the future.

In such a situation, one of the most important prerequisites for the energy and water industries is a reliable, long-term framework. This presupposes the existence of the necessary political will and prompt economic decisions relating to infrastructure maintenance and expansion. Such decisiveness is imperative, due to the extremely lengthy timespans involved. For example, an average of seven years is required from the investment decision to plant availability and a further thirty for power station amortisation.

The EVN share – an investment in sustainability



During past years, EVN has systematically positioned its share as an investment in sustainability, thus gaining access to the steadily growing number of investors in this area. As a consequence, in the capital increase completed during the summer of 2004, a considerable part of the newly issued EVN shares was taken up by sustainability funds and this investor segment continues to demonstrate a constantly high level of interest in EVN.



Although currently at a low level, the market for sustainable investments demonstrates ongoing expansion and for a listed company represents an attractive supplement to the conventional capital market. Since the end of 2004, the purchases made by sustainability-oriented public funds on behalf of institutional and private investors in the German-speaking region have risen by 25% to approximately EUR 5.3 bn. This increase reflects the recognition on the part of many investors that companies with a sustainability orientation offer higher long-term earnings potential due to the minimisation of environmental and social risks.



VÖNIX acceptance, and FTSE4Good and Ethibel reconfirmation

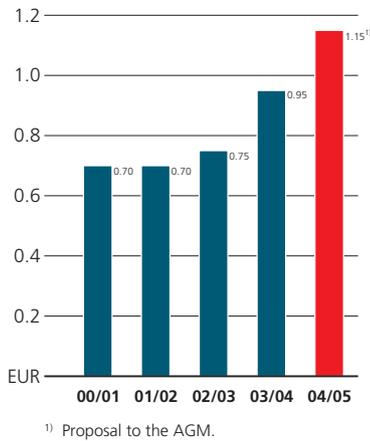
EVN's efforts in line with sustainability-oriented corporate management have been underlined more than once by acceptance into related, special indices. For example, in October 2005, EVN was inducted into the recently prepared Austrian VÖNIX sustainability index. This contains Austria's leading listed companies in accordance with their social and ecological performance.



In August 2005, EVN's membership of the FTSE4Good index was again confirmed and therefore EVN is quoted on both the FTSE4Good Europe index and the FTSE4Good Global index. The FTSE4Good offers sustainability-oriented investors the possibility for targeted investments in companies, which meet globally recognised standards in connection with responsibilities appertaining to the environment and stakeholders. The companies listed in the index are subjected to regular comprehensive audits. The EVN share is also represented in the Ethibel Sustainability Index Group (ESI), which is formed by the ESI Global and ESI Europe.



Dividend/share



Strong performance in 2004/05

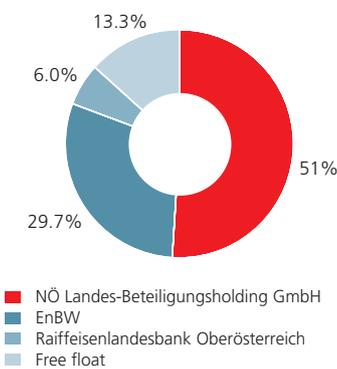
During the past financial year, the EVN share demonstrated great dynamism. With a price gain of 80.7% between October 2004 and September 2005, it was able to outperform both the ATX and the average values of the European suppliers shown in the Dow Jones Euro Stoxx Utilities branch index. Following a series of all-time highs, on September 22, 2005, the price of the EVN share reached a record value of EUR 78.5. As at September 30, 2005, the price had only decreased slightly to EUR 75.0 and at the end of the financial year, EVN market capitalisation amounted to EUR 3.1 bn. The turnover in EVN shares also rose considerably. In the past financial year, on average over 19,000 shares were traded daily and the total sales value attained a value of EUR 541 m. This represented an increase of 224% over the preceding year and thus the highest figure for five years.

EVN share price – relative development

Base: October 1, 2004



Shareholder structure



Base: filings according to Austrian stock exchange regulations and representation at the AGM.

Shareholders

EVN is committed to a consistent and sustained dividend policy. This takes into account long-term growth prospects and the future investment and financing needs of EVN, as well as a reasonable return on shareholder capital. Accordingly, EVN aims to gradually increase the payout ratio.

Following a rise in dividends in the previous year, the Executive Board will propose a further increase in the dividend for the 2004/05 financial year by 21.1% to EUR 1.15 to the General Shareholders' Meeting. This corresponds with a payout ratio of 32.6%.

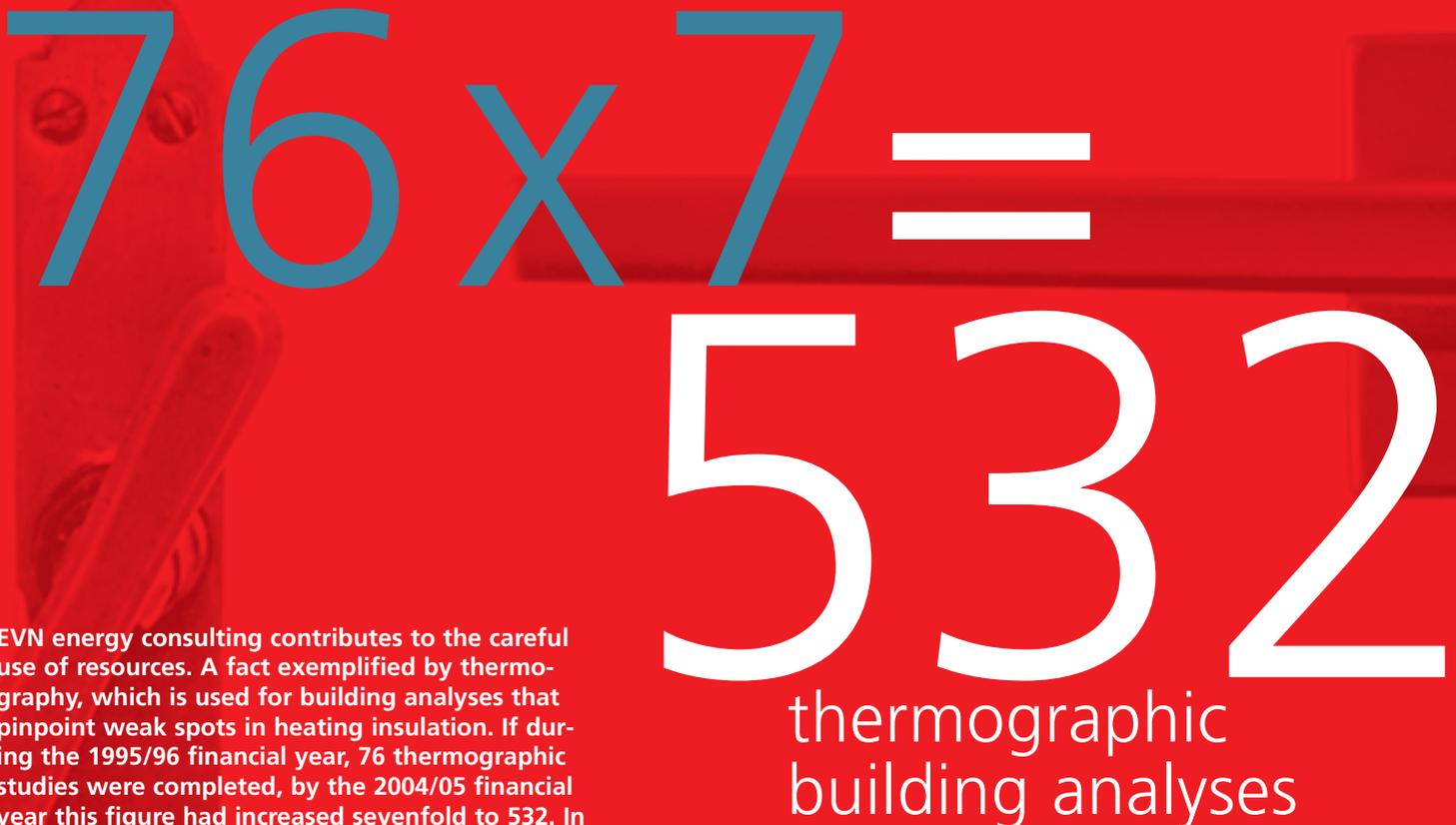
Corporate Governance – transparent corporate management

As a market-oriented and transparent company, EVN feels an obligation to comply with the principles of corporate governance. Accordingly, the company recognises the regulatory objectives of the Austrian Corporate Governance Code, which orientate company management and controlling towards long-term, sustainable value added and create high levels of transparency for all stakeholders.

EVN has possessed its own Corporate Governance code since September 2003. This contains 67 obligatory regulations, which match conditions at EVN and in the energy industry. Thus, all the basic principles have been combined, which are suitable for securing and optimising responsible corporate management and controlling targeted on long-term value added. This year, adherence to the stipulations of the code was again the subject of an external audit.

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

Detailed information concerning business development and the topic of Corporate Governance within the EVN Group is provided in the 2004/05 Annual Report, which is published at the same time as this Sustainability Report. The current Annual Report is available online at www.investor.evn.at. For questions relating to EVN business development or the company share, please send an e-mail to: investor.relations@evn.at.



76 x 7 =
532
thermographic
building analyses

EVN energy consulting contributes to the careful use of resources. A fact exemplified by thermography, which is used for building analyses that pinpoint weak spots in heating insulation. If during the 1995/96 financial year, 76 thermographic studies were completed, by the 2004/05 financial year this figure had increased sevenfold to 532. In addition, in 2004/05, the 30 EVN energy advisors held 3,123 detailed customer consultations, free of charge.

Responsibility leads the way.

Open dialogue with stakeholders

EVN endeavours to seek an active dialogue with all its stakeholders. The company regards ongoing contacts at local government and NGO level in the supply area, as well as the involvement of the general public in EVN projects, as standard practice. For example, during the completion of the waste incineration plant in Zwentendorf/Dürnröhr, a consultative citizens committee was formed, which continues to receive regular information and is included in the corporate decision-making process. At the same time, EVN offers the general public possibilities to gather information concerning the company at first hand, e.g. at the visitor centres at the Theiss thermal power station, the storage power station in Ottenstein and the AVN waste incineration plant.

Customers and employees are also provided with information on a periodic basis via customer and employee journals, newsletters, etc.

Moreover, in line with EVN's open communications policy, the interests of capital market participants are accounted for by means of extensive reporting.

Transparency in communications with the financial community

EVN investor relations are aimed at the maintenance of active, regular and sustained communications with investors and analysts. The basis for a fair valuation of the EVN share is created by means of an up-to-date and comprehensive supply of information to this target group and its long-term confidence. The basic principles involved consist of synchronised, candid and comprehensive communications with all capital market players, a high degree of transparency and proactive reporting. Accordingly, apart from comprehensive quarterly reporting, EVN relies on online information, capital market publications, road shows, analyst presentations and retail investor events.

In order to cultivate its relations with retail investors, in 2005, EVN again held an event at which this target group was provided with specific information concerning current developments within the EVN Group. In September 2005, all shareholders were invited to the "MuseumsQuartier" (a large cultural complex) in Vienna. Subsequently, there was an opportunity to view the EVN Collection, which to mark its tenth birthday, was exhibited in the Vienna Museum of Modern Art (please see page 70).

This year's retail shareholder meeting in the Viennese "MuseumsQuartier" also met with a highly positive response.



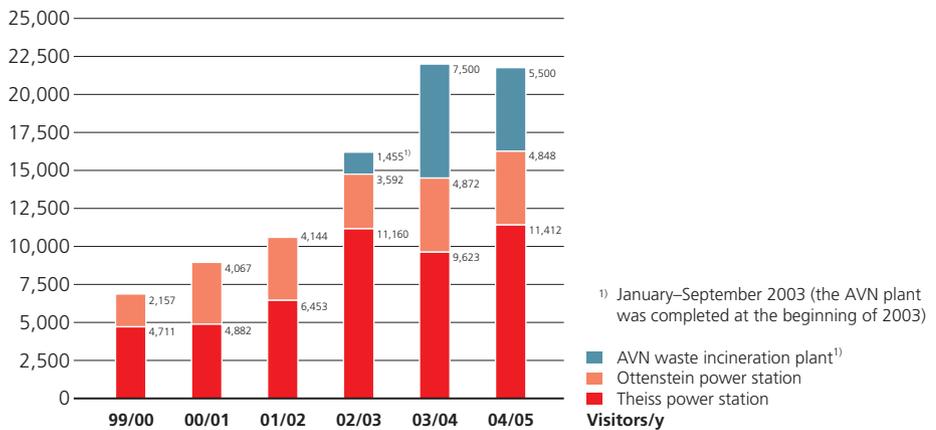
The Marchfeld North wind farm – redimensioning and waivers in dialogue with the local population

The major importance of an open dialogue with NGOs and public initiative groups is clearly demonstrated by a wind power farm planned by EVN and its eco-electricity subsidiary, evn naturkraft, in the “Weinviertel”. The scheme was to complete eight wind farms with a total of 50 windmills in the Auersthal-Bockfließ area in teamwork with two partner companies.

Following the completion of the planning phase and the positive reception given to detailed information events held in the five surrounding municipalities, the project was submitted for an environmental compatibility examination. However, shortly afterwards, a fresh debate broke out concerning the scale and sense of the project.

Subsequently, EVN once again subjected the concerns expressed by the public to an open examination. In teamwork with the affected municipalities, a local citizens group and the partner company, the planning of the wind farm was adapted in such a way that an acceptable solution for the citizens involved was achieved. However, in the course of the negotiations, evn naturkraft waived the realization of its windmills. Nonetheless, intensive dialogue with the local pressure groups meant that at least part of the wind farm scheme could be realised. In the meantime, the project is under completion, but without the participation of evn naturkraft, and should become operational in June 2006.

Number of visitors in the EVN Group visitor centres



Our customers

In the highly competitive energy market, a durable and positive relationship with satisfied customers is precisely the basis required for continued corporate success and, therefore, represents a top EVN priority. The EVN clientele is comprised by household, municipal and industrial customers, public facilities and other energy supply companies.

“EVN is always at your service”

EVN sees its responsibilities as not only including the provision of optimised technical economic solutions, but also the minimisation of any negative environmental impact in co-operation with customers. Therefore, EVN offers a wide range of consulting and other services, which promote an intelligent combination of economic and environmental objectives and contribute to the attainment of environmental and climate protection goals. In addition to an initial, free advisory meeting with EVN experts, these services consist mainly of the preparation of individual energy concepts, construction and energy engineering consulting, and advice in connection with environmental grants and boiler exchange promotions.

In general, the services can be summed up under the heading “demand-side management”, in which the careful use of energy and the preparation of low-cost, efficient and environmentally compatible solutions predominate. The services offered by EVN consulting are in great demand by private households, commercial and industrial companies. A particularly important role is played by the co-operation with local authorities, for which EVN provides tailor-made services.



In line with the claim, “Always at your service”, EVN is a competent and reliable partner to its customers.

EVN consulting helps to save energy and thus achieve climate protection targets

Household energy services

- Free, initial energy advice
- Construction and energy engineering consulting
- Heat pumps
- Heat recovery ventilation
- Condensing gas furnace technology
- Solar energy-based water heating systems
- District heating from biomass
- Natural gas
- Ice storage cooling units
- Home loans
- Building renovation NEW
- Completion of air leakage measurements
- Thermography

Municipal energy services

- Energy contracting
- Lighting service
- Energy concepts

The EVN lighting service – a contribution to safety and the efficient use of resources

A special focal point of the 2004/05 financial year was formed by the topic of lighting in public places. One of the most important tasks of local government is the provision of sufficient lighting, which on the one hand, raises safety levels and on the other, is part of the design of local land- and townscapes.

The EVN range, which has been combined under the designation, "Lighting Service", extends from refurbishment and replacement, operational management and power supply, to servicing, maintenance and fault repair. In the course of these activities, the company works exclusively with local commercial enterprises within the framework of the Power Partner programme, thus securing value added and employment in the respective region involved.

One central aspect of the optimisation of public lighting is the energy question. As an environmentally conscious energy supplier, EVN places special emphasis on resource conservation and environmental protection. During the selection of the correct lighting system, the use of high-pressure sodium vapour lamps, which emit a yellow light, has been found to be ideal. These not only enhance contrast levels for the human eye and thus the general quality of vision, but with up to 100% higher light output and a life that is double as long as that of conventional lights, also furnish a marked reduction in energy consumption.

Through the optimisation of street lighting, EVN facilitates considerable energy savings and a simultaneous improvement in safety.



The energy certificate pinpoints both the energy consumption of a building and possible savings potential.

Energy certificates for residential buildings

For many years, in their advisory capacity, EVN's experts have assisted during the assessment of building energy requirements and the identification of possibilities for energy savings. Up to now, this service was mainly provided in connection with grants from the Lower Austrian government for new buildings and renovation projects. However, as a result of the switch to the EU building guideline, which is planned for Austria in January 2006, this service has now gained greatly in importance. The new regulation is targeted on the identification of a building's energy requirements and savings potential and clarification of these matters in the form of an energy certificate.

The energy certificate is comparable with car type certification and contains data concerning all the energy-related characteristics of the building, including insulation and the heating, hot water and ventilation systems. Among other uses, these values serve as a basis for the calculation of the so-called "overall energy efficiency" of the building. This key indicator is evidenced in the form of a "medal", which resembles the energy label on new household appliances, and is thus easily understandable even for non-experts.

According to the new directive, in future an energy certificate must be presented for every new building, or the sale of a house, as well as during all rental transactions. The intention is that along with the previous standard considerations such as materials, flooring, fixtures and fittings, purchase price and location, energy consumption will play an increasing role as a major assessment criterion. The aim of this new regulation is the early and comprehensive completion of energy saving measures and building methods.

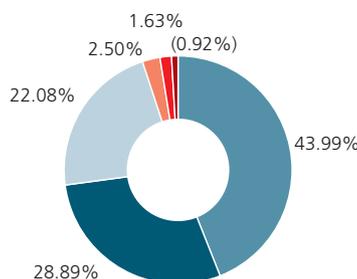


Photo: Peter Schackl

Electricity origin and sale

Since October 2001, all Austrian power suppliers are subject to a statutory obligation to reveal the source of the electricity that they provide. The basis for this information is furnished by checks made by independent experts, who consider electricity delivery contracts and the in-company energy generation of the respective supplier. All EVN consumer invoices also carry such electricity certification. In the 2003/04 financial year, the electricity supplied to consumers by the EVN Group derived from the following sources:

EVN KG¹⁾ primary energy mix



- Hydropower
- Coal
- Natural gas
- AVN waste incineration
- Wind- and solar power
- Solid or liquid biomass (0.60%)
- Landfill and wastewater treatment plant off-gas (0.15%)
- Biogas (0.16%)
- Geothermal energy (0.01%)

¹⁾ EVN Energievertrieb GmbH & Co KG, EVN KG for short, is a fully owned EVN subsidiary, which within the framework of the EnergieAllianz, is responsible for the sale of electricity and gas to end consumers.

EVN environmental services

For some years, the EVN Group has offered a portfolio of environmental services as a supplement to its energy supply activities. These services focus on the supply of drinking water, the treatment and disposal of wastewater and waste incineration.

As a response to the significance of this area and its growth, at the beginning of the 2005/06 financial year, the water and waste business areas were combined to form the environment strategic business unit.

Sustainable water management

If the Brundtland definition is applied to sustainable development in the water industry, water resources may only be used to an extent, which ensures that water (oceans, seas, rivers, lakes, ground water) will be available to future generations in quantities and quality equal to those of today. However, at present the world's reserves of drinking water are shrinking. The growth in global population is linked to increasing water demand and in countries with strong economic growth, rising agricultural and industrial production also leads to higher water consumption. At the same time, in international terms, water quality is deteriorating, primarily as a consequence of human influences. The most important factors in water quality are acidification, salinisation and eutrophisation (excessive use of fertilisers), as well as the impact of organic and inorganic trace elements.

According to estimates, at present around 1.1–1.2 bn people, or one-sixth of the world's population, have no access to quality drinking water. Nonetheless, unlike oil or metals, water is only traded in regional markets and therefore, water savings in countries with high precipitation levels and effective infrastructures are of no benefit to regions suffering from shortages. These can only be helped by local investments, for which, according to the World Bank, a sum of USD 60 bn would be required annually.

10 m >> 1
inhabitants

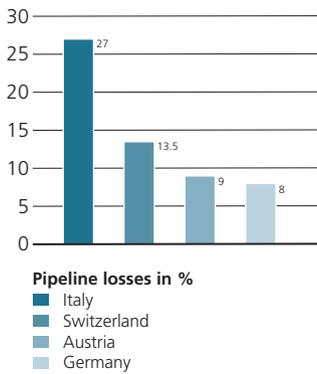
The 70 treatment plants already built by WTE deal with over 1 bn m³ of wastewater annually. This important daily disposal task for approximately 10 m people in eleven European countries takes place in state-of-the-art plants, which make a major contribution to reduced environmental impact.

Responsibility leads the way.

Via its subsidiaries, evn wasser and WTE Wassertechnik, EVN is active in both the drinking water supply area in Lower Austria and in European drinking water and wastewater business. In Lower Austria, evn wasser furnishes a water supply that is both reliable and protective of resources, while at international level, the WTE Group serves as a partner to cities, towns, districts and industry, planning, building, financing and operating waste- and drinking water plants.

Especially in EU competition, it has been demonstrated that the greatest optimisation potential from an ecological and economic standpoint derives from innovative organisational models. Therefore, WTE seeks to operate projects that cross political boundaries at both local and national level. In this way, overheads, which constitute a major factor in the assessment of a wastewater project, can be kept to a minimum.

Average pipeline losses in an international comparison



Source: Federal Ministry of Agricultural and Forestry, Environment and Water Management

evn wasser – drinking water supply and wastewater disposal in Lower Austria

In order to be able to supply customers in Lower Austria with high-quality drinking water at all times and in sufficient volumes, evn wasser is constantly investing in the modernisation and enlargement of its supply systems. In the 2004/05 financial year, company investment totalled around EUR 4.23 m, 70% of which was spent on expansion to the drinking water and wastewater piping network. As a result of this ongoing investment in network standards, evn wasser showed low, overland line losses of just 2.13% in the 2004/05 financial year.

bn m³
 of wastewater

>> 70

treatment plants

Tapping of new water reserves

In order to secure the supply of its customers, evn wasser constantly endeavours to enlarge its water reserves and to tap into additional sources. At the same time, the company makes every effort to link existing water supply plants, in order to cover future increases in demand. Thus, evn wasser recognises its responsibility for the long-term maintenance and opening up of high-quality, domestic water reserves and therefore plays a role in the Lower Austrian water cycle, which is of similar importance to that occupied in the field of wastewater plant construction and operation.

One important project with regard to security of supply is the planned construction of a well field in Mollersdorf, a borough of the town of Tulln. Initial pumping tests have shown that a flow of around 250 l/s can be expected from four wells. In addition, evn wasser plans to build an approximately 30 km link between the new well field in Tulln and that in Bisamberg. This will mean that the entire well fields to the north of the Danube and the southerly Tulln field will be networked and operated in an optimum manner. Furthermore, should a well be out of action, water can be supplied from the other sources.

The first evn wasser wastewater treatment plant has been in operation at Blumau in the Waldviertel since April 2005. It is designed for around 600 p.e. and cleans the wastewater from 115 households in the boroughs of Blumau and Oedt using six bioreactors. The sewage sludge is dewatered in a special filter bag plant, dried and then disposed of as legally prescribed. During the opening, employees demonstrated the purity of the treated water.



evn wasser facts & figures						
		2004/05	2003/04	2002/03	2001/02	2000/01
Drinking water						
Transport and distribution pipelines						
	km	1,490	1,450	1,410	1,390	1,370
Persons supplied	Number	470,000	468,000	467,500	462,000	460,000
Drinking water volumes sourced						
	m ³	24,776,000	24,629,000	26,951,000	24,573,000	23,920,000
Pipeline system losses	%	2.13	3.59	3.69	2.92	3.04
Wastewater 2005						
		Blumau¹⁾	WISAK²⁾	Total		
Pollutant freight inflow						
	kg/y	2,413.00	348,940.00	351,353.00		
	kg/y	2,585.00	191,260.00	193,845.00		
	kg/y	–	–	–		
	kg/y	104.70	4,927.50	5,032.20		
Pollutant freight outflow						
	kg/y	88.20	9,745.50	9,833.70		
	kg/y	42.40	1,408.90	1,451.30		
	kg/y	–	2,098.75	2,098.75		
	kg/y	19.51	171.55	191.06		
Cleaning performance						
	%	96	97	–		
	%	98	99	–		
	%	–	94	–		
	%	81	97	–		

- ¹⁾ CSB from August – October 2005; BSB₅ und P_{total} from March – October 2005 (at present, phosphate precipitation only occurs in the optimisation phase).
²⁾ Unter-Tullnerbach treatment plant of the Wiental-Sammelkanal GmbH. Values were extrapolated on the basis of the expertise required for the prescribed annual wastewater audit.
³⁾ Chemical oxygen requirement.
⁴⁾ Biochemical oxygen requirement.
⁵⁾ Total nitrogen.
⁶⁾ Total phosphorus.

WTE Group – clean drinking water and wastewater treatment for Central and Eastern Europe

WTE is a leading European supplier of services in the area of drinking water and wastewater treatment. The company plans, builds, finances and operates municipal and industrial water and wastewater installations and has established itself as partner to local government and industry. WTE is currently active in Austria and ten other CEE countries and has already completed 70 wastewater plants for around 10 million people. WTE is also responsible for the management of 23 of these plants, which is otherwise transferred to the customer.

Quality management with ISO 9001 accreditation

WTE underlined its high standards at an early stage through the implementation of a company-wide quality management system (QMS), which secures transparent and manageable structures and procedures, uniform high performance and targeted know-how exchange within the Group. The QMS has also been ISO 9001 accredited since 1996.

Successful projects

During the past financial year, the WTE Group made decisive progress with the construction of a drinking water supply plant for the city of Moscow, as well as the start of the second expansion phase of the central wastewater treatment plant of the city of Zagreb in Croatia, which is being completed in a joint venture. The modification and enlargement of the central wastewater treatment plant in Vienna with WTE in the role of the general planner was also concluded and the city now possesses one of the most modern facilities in Europe.

The first expansion phase of the central wastewater treatment plant in Zagreb, involving mechanical cleaning, went into operation in April 2004.



Significant advances were also achieved with regard to a series of further projects at international level:

- **Integrated wastewater system in Laško**

WTE has developed an especially innovative wastewater disposal system for the municipality of Laško in Slovenia. The particular challenge relating to this project derived from the integration of a local brewery into the wastewater system. Accordingly, apart from the construction and subsequent operation of a central wastewater treatment plant, WTE also completed a special preparation plant, in order to largely clean the brewery wastewater of organic impurities on the spot by means of anaerobic pre-treatment. As a result, not only is the organic freight in the wastewater from the brewery reduced to a minimum, but in addition, the biogas from pre-treatment is recycled for energetic purposes during the brewing process. This plant is currently undergoing test operation.

The innovative wastewater disposal system for the Slovenian municipality of Laško was put into operation in 2005.



- **Wastewater treatment plant with drying system for Szczecin-Zdroje**

During the 2004/05 financial year, WTE was awarded a contract for the construction of a turnkey wastewater treatment plant in the western half of the Polish city of Szczecin (Stettin). The special feature of this project is formed by integrated, multi-phase sludge treatment, which extends to drying and incineration. As a result, the sewage sludge derived from biological wastewater treatment will be disposed of in its entirety and only a minimal quantity of ash residues will require landfill dumping. Following the completion of this wastewater treatment plant, the city of Szczecin will possess a closed wastewater treatment cycle.

• **Numerous, additional international orders**

In 2004/05, WTE also made considerable progress with a water-wastewater project in Windeck, North Rhine-Westphalia, Germany. This project involves the reconstruction of four treatment plants, as well as the relaying of around 140 km of sewers and drinking water piping.

The new contracts received during the year involve the completion and turnkey handover of plants and partly include operational management following order completion. For example, in Poland WTE has received three more orders for EU-sponsored projects with a total value of around EUR 32 m, which apart from the Szczecin-Zdroje contract, include wastewater plants in Bolesławiec and Orzegów. In Estonia, WTE won an order involving investment of EUR 25 m for a turnkey wastewater treatment plant, including sewerage and a pumping station, for the town of Kohtla-Järve.

At the beginning of the new 2005/06 financial year, a further order was received from Lithuania for the completion of a wastewater plant for the town of Kaunas. In addition, WTE captured an order from the Cypriot capital of Nicosia for the construction and operative management of a wastewater plant.

Additional information concerning WTE activities is available under www.wte.at.

WTE facts & figures 2004¹⁾							
		Austria	Germany	Slovenia	Russia	Croatia²⁾	Total
Wastewater treatment plants							
Population equiv. Number		113,167	318,603	6,355	650,000	1,000,000	2,088,125
Wastewater	m ³	4,823,137	12,677,869	318,448	68,065,159	97,285,658	183,170,272
Sewage sludge	t _{D5} /y	700.94	3,543.68	9.04	5,542	–	9,759.96
Sewage sludge recycling							
		Austria	Germany	Slovenia	Russia³⁾	Croatia²⁾	
Agriculture	%	1	59	–	–	–	–
Composting	%	11	14	–	–	–	–
Incineration	%	87	22	–	–	–	–
Landfill	%	–	–	100	–	–	–
Recultivation	%	–	5	–	–	–	–
Pollutant freight by country							
Outflow							
T_{so}⁴⁾	kg/y	12,887.58	–	–	–	–	–
CSB⁵⁾	kg/y	82,201.64	494,607.26	7,326.75	1,239,467.94	–	41,370,283.70
BSB₅⁶⁾	kg/y	12,846.45	112,867.15	1,141.72	75,549.76	–	16,575,857.90
N_{total}⁷⁾	kg/y	12,255.40	13,403.91	3,169.19	8,826.96	–	1,238,114.60
P_{total}⁸⁾	kg/y	1,352.02	13,619.29	362.25	68,334.57	–	1,024,817.80
Cleaning capacity							
		T_{so}⁴⁾	CSB⁵⁾	BSB₅⁶⁾	N_{total}⁷⁾	P_{total}⁸⁾	Average
Austria	%	98	96	99	92	95	96
Germany	%	–	95	98	98	88	95
Croatia⁹⁾	%	–	0	0	0	0	0
Russia	%	–	94	99	99	89	95
Slovenia	%	–	95	98	76	85	88

¹⁾ All the data provided relates to the 2004 calendar year.
²⁾ Exclusively mechanical cleaning, therefore no residual sludge at present.
³⁾ Disposal is completed by the customer Mosvodo Kanal.
⁴⁾ Solids.
⁵⁾ Chemical oxygen requirement.

⁶⁾ Biochemical oxygen requirement.
⁷⁾ Total nitrogen.
⁸⁾ Total phosphorus.
⁹⁾ The mechanical cleaning stage was completed in 2004.

Waste incineration

The waste incineration segment is steadily becoming an important element in EVN's business portfolio. The starting-point for EVN activities in this area is formed by the close connection between thermal electricity generation and waste incineration. As the AVN parent company, EVN Umweltholding provides the planning, construction and operation of waste incineration plants throughout Europe, in combination with energy recycling from waste and the necessary transport logistics. In line with the "Waste-to-Energy" concept, it is AVN's objective to subject waste to optimum treatment and recycling in both an ecological and economic sense.

- **Waste incineration Zwentendorf/Dürnrohr**

The waste incineration plant built by AVN in Zwentendorf/Dürnrohr is not only regarded as one of the largest and most modern of its type in Austria, but also serves EVN as a reference model for all future projects in the waste utilisation area. The plant, which has been in full-scale operation since January 2004, handles the residual household and bulk waste from virtually all the municipalities in Lower Austria, as well as commercial and industrial waste from private collection companies. The plant has an annual capacity in excess of 300,000 t.

The plant concept demonstrates two special features, which from the outset, created lively interest among both national and international visitors. The use of all the energy contained in the waste by means of an innovative, integrated energy system with the neighbouring power station, is globally unique and serves to considerably reduce emissions. Equally unusual is the innovative logistics concept, which facilitates both the delivery of 90% of the waste in special containers and the removal of all residues by rail.

Following an extensive audit by TÜV Bavaria in the summer of 2005, the Zwentendorf/Dürnrohr waste incineration plant also possesses accreditation as a specialist disposal operation in accordance with the requirements of the Austrian Association of Specialist Waste Management Companies (VEFB).

90% of the waste handled in Dürnrohr is delivered by train in special containers.





From 2007 onwards, the Moscow waste incineration plant, which is currently under construction, will deal with 360,000 t of domestic waste every year.

• **Completion of a new waste incineration plant in Moscow**

EVN has been able to capture an interesting follow-up project for its “Waste-to-Energy” know-how with a large order from Moscow. After winning an international tendering process, the company was awarded a contract for the construction and operational management of a waste incineration plant for the Russian capital. The capacity of the plant, which will be the most modern of the three facilities in Moscow, was originally set at 330,000 t, but in the meantime, has been raised to 360,000 t. Consequently, the plant will deal with around one-sixth of the approximately 2.1 m tonnes of household waste, which accumulate in Moscow in a year.

The plant is due to go into operation in the summer of 2007 on the site of an existing, outdated plant, construction work having commenced on schedule at the beginning of 2005. The steam produced in the Moscow plant will also be used for electricity generation in a newly installed turbine, as well as being fed into the public district heating network as heat energy. Thus, the overall design of the plant will result in a considerable reduction in environmental impact. EVN will operate the plant up to 2019, when it will become the property of the city of Moscow.

More information concerning AVN activities is available under www.avn.at.

AVN facts & figures 2004/05		
Atmospheric emissions		
Dust	g/t waste	1.7
CO	g/t waste	55
CO ₂	kg/t waste	802
NO _x	g/t waste	185
SO ₂	g/t waste	31
HCl ¹⁾	g/t waste	0.06
C _{total}	g/t waste	3.3
Hg ²⁾	g/t waste	0.01
Energy balance		
Input		
Waste	t	324,961
Natural gas (ancillary firing)	m ³	877,980
Output		
Waste	t	107,112
thereof hazardous	t	10,986
thereof non-hazardous	t	96,126
Supplies of steam to the Dürnrrohr power station		
	t	947,732

¹⁾ Hydrogen chloride (HCl)

²⁾ Mercury (Hg)

Investments in the future – R&D

EVN concentrates its research activities on the power generation sector, with the aim of launching new technologies for efficient energy conversion and application within its own area. The emphasis is on further increases in efficiency and emission reductions at all production plants. In the course of its R&D activities, the company undertakes research in co-operation with engineering colleges, advanced technical colleges and universities of technology.

Civitas Nova – electricity generated from biomass

During the period under review, EVN pushed ahead with the research project in the new Wiener Neustadt suburb of “Civitas Nova”. This project involves electricity generation using biomass as an energy source and has already been reported upon in previous Sustainability Reports. Together with partners from universities and the plant building industry, an innovative pilot plant has been built with the purpose of using forestry chippings to generate wood gas, which is then utilised in a gas engine for electricity production.

In 2004/05, the plant continued its trial runs. In conjunction with basic scientific research, the operational experience gathered thus far has led to significant technological advances. Nonetheless, up to now, the project has not attained industrial maturity, with the result that the plant continues to be used exclusively as a demonstration model for technical and scientific purposes.

In addition, EVN employs biomass for conventional electricity generation. Indeed, two new biomass-fired, combined heat and power plants, which use the conventional water-steam cycle, are currently undergoing completion in Mödling and Baden.

FENCO – European research alliance for emission reductions

Europe's energy industry is facing the challenge of increasing its power generation capacity, while at the same time reducing its greenhouse gas emissions. One possibility for solving this conundrum is the development of technologies, which permit the use of fossil fuels in power stations with low or no emissions. In order to co-ordinate efforts in this field, with the support of ten other European countries, Austria, Germany and the UK have founded the Fossil Energy Coalition (FENCO).

The foundation of FENCO, an ERA-NET project funded by the European Commission, is to be seen as a preparatory step towards the creation of a European initiative for CO₂-free electricity generation using fossil fuels. In concrete terms, FENCO has the task of assessing and networking all national and European research programmes in this area. As a result, all the possible synergies between individual programmes and areas should be revealed and topics pinpointed, which in future could be the object of joint research activities.

Austrian Fenco Initiative and the Austrian Fossil Fuel Fund as an Austrian contribution

In Austria, the plant building industry and electricity producers have created an appropriate platform in the form of the Austrian Fenco Initiative (AFI), in which EVN is playing an active role. The aim of this initiative is to prepare a new research concept. As a registered association, the AFI task force not only includes EVN, but also Alstom, Energie AG, Linz Strom, Siemens, the Austrian Association of Electricity Companies (VEÖ), Verbund-ATP and Wienstrom. Research activities are financed by the Austrian Fossil Fuel Fund (AFFF), a research and development fund that has been earmarked for plants fired with low-emission fossil fuels. With this fund, which was initiated by EVN and AFI, Austria has formed the national sponsoring reserve required for participation in ERA-NET projects.

Within the scope of FENCO, the AFI has received the initial assignment of preparing and communicating the role of fossil fuels in the energy supply of the enlarged EU, as well as their importance to security of supply and price, added value and environmental protection. Here, it is evident that in the foreseeable future, the use of fossil energy sources is indispensable, not only for energy supply, but also the steel industry and other energy-intensive branches in Europe. For example, around 30% of the electricity generated in the EU-15 currently derives from fossil fuels, while among the new EU states, which joined in 2004, roughly half of electricity generation is coal-based and fossil fuels account for 60% of total power generation. These figures show the importance of the task of the AFI and FENCO, involving active participation in the shaping of the EU's energy future and the exertion of a positive influence through the most efficient and low-emission use of primary energy.

175.5
+ 29.6%

227.4
MW

of generating capacity
on the basis of
renewable energy

If at the end of 1994/95, EVN generated around 175.5 MW of electricity on the basis of renewable primary energy, by the end of October 2005, this figure had risen by a third. Today, EVN supplies some 250,000 households with eco-electricity.

Responsibility leads the way.

Supplier relations

As a company, which is under the majority ownership of the Lower Austrian government, EVN is subject to both Lower Austrian tender legislation and the 2002 Austrian federal law on tendering. Accordingly, its sourcing should take questions of sustainability into the greatest possible account. As a rule, contracts are allocated to authorised, efficient and reliable companies at reasonable prices in accordance with the basic provisions of EU legislation, the principles of free and fair competition and equal treatment of all applicants and tenderers.

In addition, the work safety and environmental aspects of services and supplies are also considered during the tender allocation process. In particular, this occurs through the determination of the technical specifications, or the establishment of definitive award criteria with an ecological connection.

Resource conservation through selective sourcing

In order to assess the environmental impact of the materials required by EVN, over the years catalogues of both technical and ecological factors, as well as minimum requirements and exclusion criteria have been established and applied with regard to a number of product groups, e.g. paints, washing and cleaning agents, copy paper and devices, plastic gas pipes, de-icing agents and office articles.

Auditing of external suppliers

In order to extend EVN's high standards with regard to employee health and safety, fire and environmental protection to partner companies, since the beginning of 2004, adherence to the appropriate quality and safety criteria is the object of checks at a variety of suppliers. In the meantime, over 900 service orders from a diversity of external companies have been appropriately assessed.

In the course of these audits, EVN ascertained order completion deficiencies in around 20% of cases. The majority of these problems were rapidly corrected and only a fraction (approx. 3%) consumed rather more time. This auditing resulted in a sharpening of the awareness among suppliers with regard to work safety and quality of performance.

Biological alternative for the cleaning of heat exchangers and boilers

During the period under review, EVN successfully tested a new system for the removal of boiler scale. Depending on water quality, in the course of time, deposits on the heating surfaces in hot water systems can cause a dramatic deterioration in heat transmission and thus in the efficiency of the system as a whole. For both economic and ecological reasons, this inefficiency, which for EVN as the operator of over 900 local heating plants represents a frequent problem, should be removed quickly and for as long as possible.

Conventional decalcifying methods function on the basis of extremely caustic and aggressive acids, which are frequently used to remove deposits with a thickness of several millimetres. However, the handling of such substances is problematic and demands adherence to the appropriate safety measures.

In the interest of the protection of both the environment and employees, alternatives were sought and eventually found in the shape of a bio-technological process. The basis of this process is provided by whey, which is a by-product of cheesemaking and is fermented by means of microorganisms. This provides excellent cleaning performance without the disadvantages of standard products. Following the successful completion of a test phase, this new method is to be employed throughout the Group.



A heat exchanger before and after cleaning with the environment-friendly system recently introduced by EVN.

Ecology

A responsible approach towards the environment and natural resources

One central corporate goal of the EVN Group is the minimisation of the environmental impact of its activities. In this regard, the company goes far further than merely adhering to international and national environmental protection regulations and endeavours to continually improve its environmental performance. In general, this takes place in the course of weighing up with the economic objectives. Climatic protection plays a major role in this regard, not least against the background of CO₂-emission trading in the EU.

At a very early stage, EVN also established a comprehensive environmental management system, in order to accommodate environmental protection factors in all its managerial decisions. This is now being gradually developed into an integrated management structure.

In its core business area, EVN has also undertaken numerous environmental initiatives, which include the use of renewable energy sources for the generation of electricity and heat, as well as systematic increases in efficiency at its thermal power stations.

Integrated management system and accreditation

As a result of the integration of environmental protection as a Group function at the highest management level, over the years EVN has initiated major impulses in the environmental protection area. These included the implementation of environmental management systems according to ISO 14001 and EMAS, the refurbishing of the Theiss power station with the latest environmental technology, the construction of numerous biomass-fuelled district heating plants, diverse initiatives in the area of alternative energies and participation in climate conferences, etc.

In 1995, Theiss became the first thermal power station in Central Europe to receive ISO 14001 accreditation. It was followed in 1996 by the Dürnrrohr power station and during 1998 and 1999, by all of EVN's district heating plants. These included the first biomass-fired, district heating plants in Austria to have an accredited environmental management system.

In the meantime, the four accredited EVN locations and location groups have been adapted to the ever-stricter requirements of the new EMAS II regulations.

Ongoing improvements – transition to an integrated management system

The continuous improvement process demanded by EMAS and ISO 14001 represents both the nucleus of, and the guarantee for, the ongoing optimisation of EVN's environmental protection performance.

The existing EVN environmental management system offers an excellent platform for this purpose. However, in order to be equipped for the mastery of future challenges, including those relating to sustainability questions, EVN is currently working on the further development of the environmental management system in the direction of an integrated management system (IMS).

Ten years of active, environmental management experience have shown that existing systems must be concentrated and simplified, in order that they can continue to fulfil their function in an optimum manner. Accordingly, at present they are undergoing modernisation and adaptation. At the same time, in line with optimisation and standardisation, other important areas such as sustainability, economic viability, safety and fire protection have been integrated to form a complete system.

As a result, a gradual transition from the existing system to an integrated management system is taking place, which is aimed at achieving a number of positive effects:

- Use of structured procedures and environmental management documentation in other areas (general operations and in particular employee and fire protection, etc.).
- Improved integration of environmental protection into existing structures.
- Elimination or avoidance of overlaps.
- Use of the continuous improvement cycle for other areas, particularly with regard to operational optimisation.
- Improved definition of functions and responsibilities, as well as simplified controls.

Within the framework of this transformation, up to now a continuous improvement process has been installed in the power stations with a suggestions system for all topic areas. At the same time, the functions and responsibilities at the power stations have been redefined.

Information concerning the environmental statements for the EMAS locations can be obtained under umweltcontrolling@evn.at.

Major audits at the Theiss power station and all EVN district heating plants

January 2005 saw the prescribed regular, triennial re-accreditations (so-called major audits) at the Theiss thermal power station and in the East and West heating groups. For two days, external auditors checked if the requirements of the environmental management system were being met at these locations and implemented during day-to-day working. In addition, the Dürnrrohr power station was subjected to the mandatory annual monitoring audit.

The generally positive result of these audits confirmed the realisation of the environmental management system at all plants. Nonetheless, potential for improvement was identified in some areas. The main deficiencies pinpointed by the auditing team were corrected within the given deadline of six months with the result that accreditation according to EMAS and ISO 14001 continues to be secured.



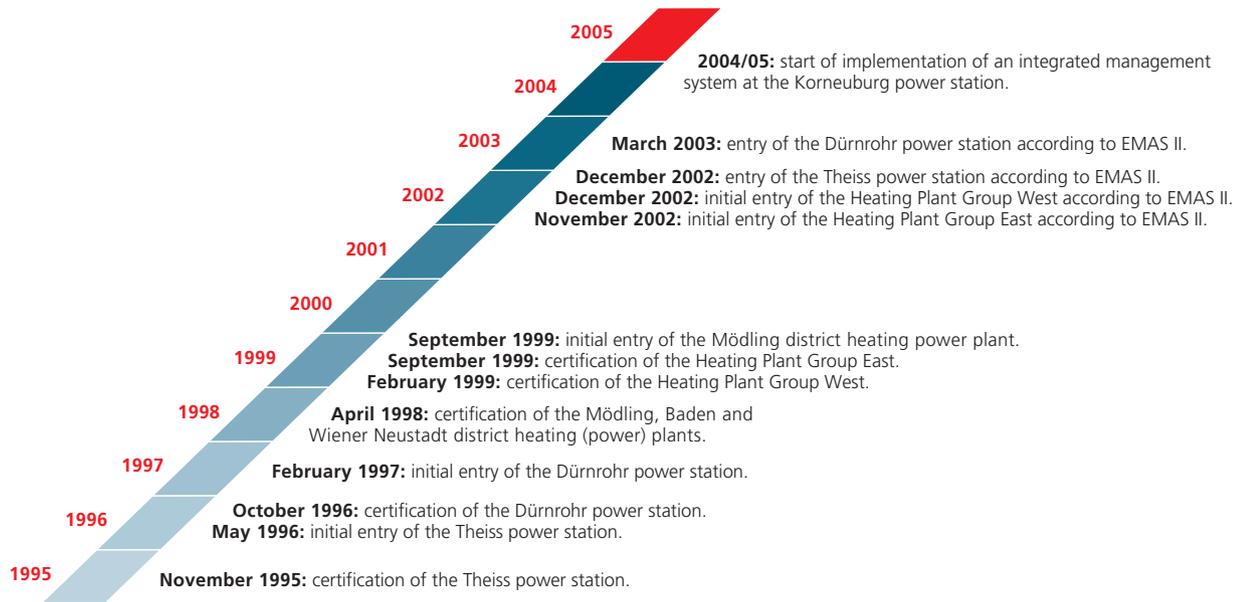
Messrs Maurer, Messner, Reindl and Aumüller (from l. to r.) are pleased with the certificates for the successful environmental audits at the East and West heating groups and the Theiss power station.

Accreditation of new heating plants pursuant to EMAS and ISO 14001

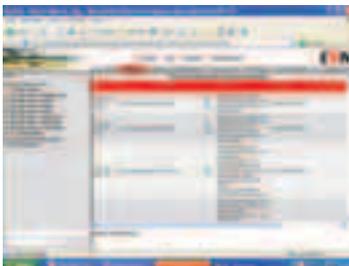
As a result of the dynamic expansion of heating business, both EVN district heating plant groups have been constantly enlarged with new capacity. These additional plants have been steadily integrated into the existing environmental management system and subsequently subjected to an accreditation process. If during initial accreditation according to EMAS and ISO 14001 in 1999, a total of 19 plants were affected, the two location groups now include 30 heating plants. All the remaining plants are to be incorporated into the scope of the next external audit, which is planned for the beginning of 2006.

The accreditation of the refurbished Korneuburg thermal power station according to EMAS and ISO 14001 was not concluded in the period under review as scheduled. Although preparations, including legal compliance checks, were already commenced in the second half of 2004, in view of the imminent introduction of the new and simplified integrated management system, the external accreditation foreseen for the autumn of 2005 was postponed until 2006.

Accreditation of EVN plants



Legal compliance focal point – electronic management of official orders



The electronic file and official order management system greatly simplifies administrative activities.

At present, the focal point of further optimisation is on the reduction of administrative activities. The flood of official orders in all business areas, innumerable statutory and order stipulations, as well as agreements derived from contracts, led to a decision by EVN to develop an electronic file and official notice management system in co-operation with an external partner. The software tool, which has been specifically designed to match conditions at EVN, guarantees maximum security by means of documentation, the clear allocation of responsibilities and an automatic prompt function, which gives the respective responsible person a timely reminder to complete the required action. This eases the employee workload, while simultaneously ensuring smooth and safe plant operation.

During the past financial year, all the data from existing contracts and official notices with regard to the EMAS audited locations of the East and West district heating plant groups and the Theiss thermal power station was integrated into the official order management system. In addition, in a recent development, all approval procedures in connection with medium and low voltage lines are now stored, processed and administered as electronic files. Moreover, submissions to the Lower Austrian government for statutory approval with regard to electricity matters and the resultant official orders are also dealt with in purely electronic form. Subsequently, other areas, as well as EVN's subsidiaries, are to be integrated into the system.

Environmental programme 2004 – successful implementation

Last year's EVN Sustainability Report presented a number of highlights from the current environmental programme. Many of these projects were subsequently completed as scheduled during the past financial year.

Two examples:

- **Gedersdorf district heating plant: optimisation of the biomass firing system through ash recycling**

Measure. The integration of an ash recycling system into the biomass-fired boiler, meant that several improvements could be carried out simultaneously.

Implementation. Through the recycling of ash from the cyclone and the electrofilter for repeat incineration in the fire box, the fuel, comprised of veneer laminates from the production of a local sawmill mixed with forestry chippings, can be burnt in its entirety. No unburned residues remain and the ash containers only collect fully incinerated ash, which greatly reduces the danger of fire outside the boiler. The integration of ash incineration was coupled with the optimisation of the incineration process in the boiler. As a result of slower incineration and the complete burn-out of the fuel, equal performance is achieved with less primary energy. Following the implementation of these measures in the late summer of 2005, intervening operations have shown that the planned targets have been achieved. The emissions of dust, NO_x and CO from the modified biomass-fired boiler are well below the prescribed levels. The ash recycling system cost EUR 30,000.

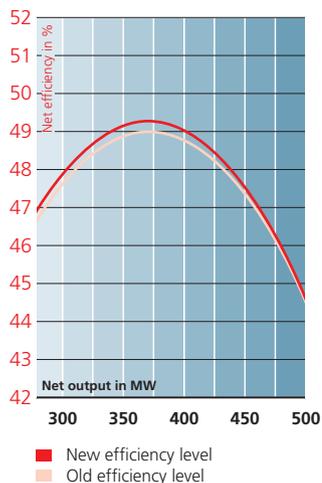
- **Theiss power station: optimisation of start-up and shut-down operations by means of unit control technology upgrading**

Measure. Enhancement of overall plant efficiency through adjustments to unit control technology.

Implementation. When starting up the combined cycle plant (Unit B and gas turbine), the steam system is now actuated before the gas turbine, with the result that following the start, the plant can be immediately operated via the boiler. As a result, 4,300 m³ of natural gas, which corresponds to emissions of 8.6 t of CO₂, can be saved during each start-up. Similar potential for economies is also created during plant shutdown. In the past, a switch had to be made to solo operation, but now the gas turbine can be simply slowed and the boiler shut off at the same time. This saves 18 t CO₂ per shutdown. Calculated on the basis of the starts and shutdowns in the 2004/05 financial year, a total of 1,120 t of CO₂ and fuel costs of EUR 84,500 could be saved.

The total of 13,300 m³ surpassed the planned target for natural gas savings of 10,000 m³ per start and shutdown. In addition, the start-up and shutdown procedures have been standardised, thus facilitating the planning of energy provisions. Net plant efficiency in every load segment has thus been raised by approximately 0.3% and all gaseous emissions cut by around 0.3%. With yearly natural gas consumption of some 272 m³ (financial year 2004/05), this represents a fuel saving of 816,000 m³.

Efficiency improvement at the Theiss power station



Optimisation of start-up and shut-down operations at the Theiss power station has provided an increase of approx. 0.3% in the net efficiency of the plant in all load areas.

Highlights of the EVN environmental programme 2005/06

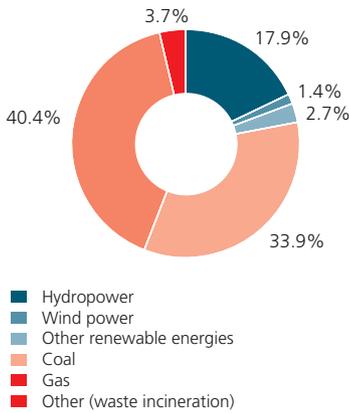
Improvement	Date
Reduction of water losses from the district heating network of the Mödling district heating plant (especially condensate from the north steam cycle) by approx. 6,000 m ³ /a and thus of the correlated losses of heating energy by approx. 600 MWh/a, through the retrofitting of a strongly acid cationic exchanger for condensate cleaning. This allows the use of all the backflow water in the network as feed water for steam generation, which up to now was not possible with the water derived from the north steam cycle.	Autumn 2005
Minimisation of starts and faults and the related prevention of start-up emissions in transitional operation through the installation of thermostats and the appropriate programming of the control technology in the Neunkirchen and Ternitz cogeneration plants .	Autumn 2005
Reduction in dust emissions from the de-ashing systems at further biomass plants by approx. 90% through partial primary air extraction from the ash ducts.	Civitas Nova, Krumbach, Bad Schönau, Bad Vöslau already modified, alterations at other plants planned in 2006
Maintenance of efficiency and availability levels at the Mank district heating plant through the optimisation of the firing of biomass boiler 2 by means of the fireclay refractory lining of the domed roof and the central wall in one operation.	Spring 2006
Avoidance at all biomass plants of the considerable water losses via the emergency cooling system due to false releases, by means of the retrofitting of cooling water meters in the lines and integration into the defect registration systems.	End of December 2005
Reduction in defects and downtimes, improved availability and monitoring of fuel consumption in Unit A of the Theiss power station due to modifications to the operating and surveillance systems.	Long-term project, likely completion at the end of 2007 (currently 25% finished)
Increased availability, reduced fire hazard and improved surveillance of the two older M1 and M4 gas turbines at the Theiss power station by means of the substitution of the electrical and control technology systems.	Project start at the beginning of October 2005, realisation for M4 in autumn 2006/for M1 in spring 2007

Electricity and heat generation

The EVN electricity and heating generation plants



EVN electricity generation 2004/05 by primary energy sources



Generation plants/generation mix

In the **electricity generation** area, the EVN Group disposes over total generation capacity of around 1,580 MW, which derives from its own power stations and sourcing rights at hydropower plants. This serves the optimisation of EVN power sourcing, while simultaneously guaranteeing security of supply. Apart from three thermal power stations in Dürnrohr (coal/gas), Theiss (gas) and Korneuburg (gas), via its eco-power subsidiary evn naturkraft, EVN operates five storage power stations, 62 small-scale hydropower plants and four wind farms. EVN also sources its own electricity from the Danube power stations of Melk, Greifenstein and Freudenau on the basis of purchasing rights.

In the 2004/05 financial year, EVN produced a total of 4,484 GWh of electricity. As a result of the ongoing enlargement of hydropower and biomass-fired heating plants and the addition of new capacity and expansion in the area of wind power, the EVN Group continues to rely to the greatest possible extent on the use of environment-friendly, renewable energy sources. In the medium-term, these should provide 30–35% of EVN power generation in Austria.

EVN power generation capacity ¹⁾	
	MW
Thermal power ²⁾	1,353
Hydropower	183
Wind power	44
Total	1,580

¹⁾ As at October 31, 2005.

²⁾ Including cogeneration and combined heat and power plants.

35% + 25%
= 60%

35% of the district heating supplied by EVN already stems from biomass, a renewable source of primary energy. However, following the completion of the two biomass-fired district heating plants in Mödling and Baden in 2006, this figure will rise to a remarkable 60%.

biomass share of district heating generation

EVN **heating generation** takes place in the Group's own district heating plants and local heating and cogeneration facilities, and is largely based on natural gas as a primary energy source. In addition, waste heat is bled from the Group's thermal power stations. Since 1993, EVN has used biomass to an increasing extent for heat generation and with 39 plants, the company is currently the largest producer of heat from biomass in Austria.

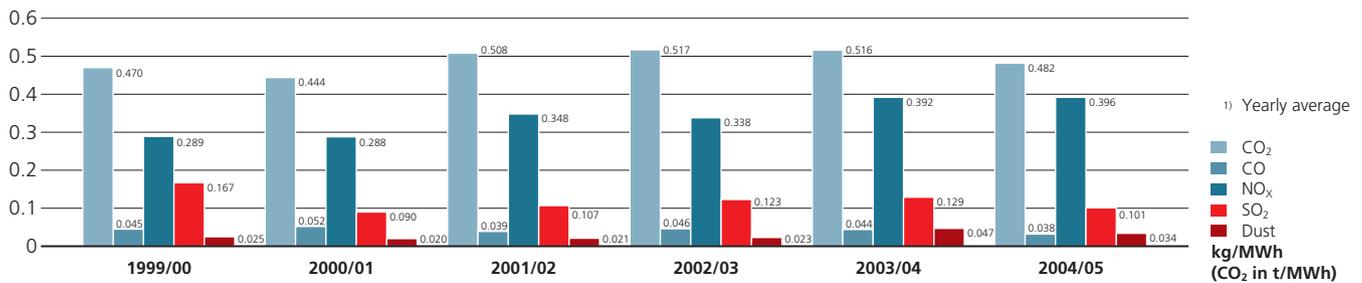
Specific emission trend

The comprehensive EVN services portfolio naturally leads to a diverse range of influences on the environment, although these are kept to an absolute minimum. The main factors with regard to environmental impact are:

- The type and quality of the fuels employed.
- The type of plant used.
- Plant efficiency.

The most significant effects on the environment derived from the operation of combustion plants relate to pollutant atmospheric emissions. Differing plant use also partially results in major fluctuations in yearly emission volumes. However, a study of specific plant emissions can nevertheless provide an evaluation of their environmental performance irrespective of the operational period.

Specific emissions from EVN's thermal electricity and heating plants¹⁾



As shown in the preceding diagram, most of the specific pollutant emissions were reduced during the period under review. Only NO_x emissions remained virtually at the level of the previous year.

A major factor in this positive development was a reduction in the use of the coal-fired Dürnrrohr power station in favour of the gas-fired Theiss and Korneuburg power stations. In particular, the Korneuburg power station was utilised to a far greater extent during the past year. The extended operation periods of these plants, which have a higher efficiency level, also led to an improvement in the overall efficiency of EVN production and a simultaneous cut in specific emissions.

An increase in the separating capacity of the flue gas cleaning installation at the Dürnrrohr power station also resulted in a further fall in specific SO₂ and dust emissions. In the case of specific CO emissions, a reduction was achieved by improvements to the M5 gas turbine at the Theiss power station. These consisted of the optimisation of turbine start-up and shut-down, during which high CO emissions are caused in the course of unstable operation.

Renewable energy sources

The traditional focus of EVN power generation using renewable fuels is hydro-power. The share of hydroelectric power in total EVN energy production (including the rights to source electricity from three Danube power stations) varies between 18% and 29%. During the period under review this share amounted to around 18%. In recent years, EVN has also invested considerably in wind power. In the heating area, EVN is increasingly using biomass as a renewable source of primary energy.

Numerous new plants on the basis of eco-electricity funding

The EU directive relating to the financing of electricity generation from renewable energy sources and national implementation in the form of the Austrian Eco-Electricity Act obliges Austria to increase its share of power generation from renewable energy sources from 70% to 78% by the year 2010.

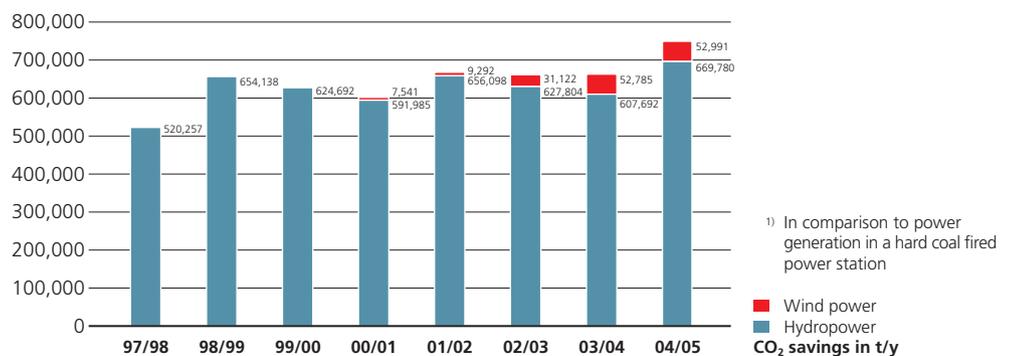
According to the Eco-Electricity Act, this target should be achieved by means of the targeted funding of the appropriate plants. In concrete terms, this funding takes place through officially determined energy tariffs, which are higher than the market price and mean that, in the final analysis, the costs are borne by electricity customers in the form of eco-electricity surcharges.

On the basis of this financing, in the period up to mid-2006, EVN is to build and start-up a series of new, eco-electricity generation plants. Wind power and biomass plants will predominate in this connection.

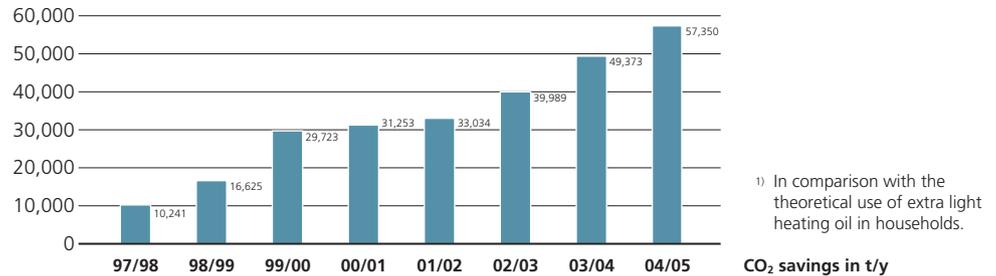
At the beginning of 2005 EVN disposed over generating capacity of 30 MW in three wind farms, while additional plants with a capacity of 80 MW are currently under construction. Accordingly, EVN will soon have total generating capacity of 110 MW derived from Lower Austrian wind power. As a result, from the beginning of 2006, 70,000 households will be provided with environment-friendly wind power.

At the same time, EVN is building two new biomass-fired combined power and heat plants in Mödling and Baden, in order to supply the existing district heating networks, which currently employ natural gas, with a parallel supply based on a renewable energy source. The plants have a combined electricity output of 10 MW and heat output of 24 MW.

CO₂ emission savings due to the use of hydro- and wind power (electricity generation)¹⁾



CO₂ emission savings due to the use of biomass district heating¹⁾



The Nussdorf small-scale hydropower plant became operational in May 2005, supplying around 7,000 households with environment-friendly electricity.

Hydropower

Within the EVN Group, the fully owned subsidiary, evn naturkraft, is responsible for sustainable electricity generation from hydro- and wind power. In the period under review, the company had 64 hydropower plants, of which 56 are located in Lower Austria and eight in Styria. With output of around 36 MW, some 186 GWh of electricity was generated during the 2004/05 financial year.

evn naturkraft is constantly interested in expanding its production capacity and during the period under review, pushed on with a series of new construction and modernisation projects. In particular, the company is seeking to contribute to the attainment of the targets of the Austrian Eco-Electricity Act by means of the refurbishing of small-scale hydropower plants.

- **The Nussdorf small-scale hydropower plant goes on line**

The Nussdorf power plant, which was built jointly by evn naturkraft, Wienstrom and Verbund-Austrian Hydro Power became operational in June 2005 and was opened officially on August 31, 2005. Twelve matrix turbines with a maximum capacity of 4.8 MW now produce around 24.6 m kWh of electricity annually on the Nussdorf weir of the Vienna Danube Canal. As a result, some 7,000 households are provided with environment-friendly power. Each of the three operating companies contributed one-third of the total construction costs of approximately EUR 15 m.

The matrix turbine represents a completely new concept for hydropower generation in existing weirs with low fall heights. The installation of these turbines requires minimum building work and alterations to the existing banks. As compared to conventional thermal power stations, the new power plant saves some 17,900 t of CO₂ emissions and thus makes a considerable contribution to the fulfilment of the Kyoto Protocol. This is also the reason why the project was awarded the 2004 Climate Star by the European Climate Alliance.

• **Small-scale hydropower plant modernisation**

evn naturkraft either initiated or proceeded with modernisation projects at a number of existing small-scale hydropower plants. For example, the Kollnitzgraben plant on the River Thaya is to be provided with a fish ladder, while at the Erlauf plant, the installation of a residual water turbine commenced in October 2005. This is intended to secure the ecological functionality of the waters in the outflow stretch and supplement the fish ladder, which was erected some years ago. In addition, evn naturkraft is planning to provide the Salzhammer power plant in Gusswerk with a fish ladder during the winter of 2005/06.

Wind power

In the area of electricity generation using wind power, since October 2005 evn naturkraft has had more than 25 windmills in four wind parks at its disposal. These have a capacity totalling 44 MW. During the period under review, the yearly generation volume using wind power rose to 88 GWh and thus corresponds with the electricity requirement of around 25,000 Lower Austrian households.

As a consequence of the extensive projects initiated during the period under review, evn naturkraft electricity generating capacity on the basis of wind power plants is set to more than double to 110 MW. This figure corresponds with roughly two-thirds of the capacity of the Vienna-Freudenau power station on the Danube and from 2006, around 70,000 Lower Austrian homes will be supplied with electricity from environment-friendly wind power.

Over half of this additional output of 66 MW derives from the construction of the Kettlasbrunn wind farm with 20 windmills, while the remainder will result from the enlargement of existing or building of new capacity. In concrete terms, this means the new Obritzberg-Statzendorf wind farm with eight windmills (15 MW) and the enlargement of the Gänserndorf wind farm with the Gänserndorf North section, containing five windmills with production capacity of 9 MW. A total of some EUR 85 m is to be invested in new wind power plant capacity.

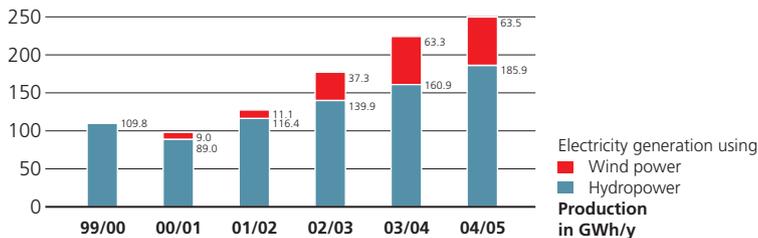
Japons wind farm becomes operational

The latest evn naturkraft project involved the completion of the Japons wind farm. This is located in the district of Horn in the "Weinviertel" and contains seven wind power plants with an output of 2 MW each. The windmills each have a propeller boss height of 100 m and a rotor diameter of 80 m. The wind farm became operational in October 2005 and annual production will amount to around 24.4 GWh. evn naturkraft has invested a sum of EUR 14.0 m in the new facility.



Extensive investments have facilitated massive expansion of environment-friendly electricity generation using wind power.

evn naturkraft production development



Biomass

EVN is also continually initiating new projects in the biomass sector. This allows the forestry chippings, sawmill by-products and bark from Austrian sources to be put to good use, while simultaneously preventing CO₂ emissions. This is due to the fact that during the combustion of biomass, the volumes of CO₂ emitted are only equal to those absorbed by the plant from the air during growth. Therefore, biomass is regarded as CO₂-neutral.

Today, EVN already operates 39 heating plants fired with biomass in Lower Austria and is Austria's largest producer of heat from biomass, using some 390,000 piled cubic metres of biomass per year. Numerous projects in the biomass sector have either been recently completed or initiated. In general, EVN seeks professional solutions in co-operation with partners from the agricultural and wood processing industries.

- **Eco-electricity and district heating for the towns of Mödling and Baden**

In view of the positive environmental effects of the use of biomass for the supply of energy, in recent years EVN has prepared extensive feasibility studies and pre-projects for a number of possible biomass-fired power plant locations. Finally, the focus of these analyses settled on the Mödling and Baden region, where EVN already operates district heating networks. On the basis of this preparatory work, at the beginning of 2005 a decision was taken to build two new biomass-fired power plants, which have received official approval as eco-electricity plants.

Both plants possess a uniform technical concept. A biomass-fired steam boiler supplies high-pressure steam, which is used for the generation of electricity in a multi-stage steam turbine, and heat in a condenser. The electricity is fed into the public grid and the heat into the respective district heating network. The annual fuel requirement of each plant amounts to around 200,000 piled cubic metres of biomass and the power output amounts to 5 MW per plant. In addition, up to 12 MW of waste heat is fed into the Baden and Mödling district heating networks. As a result, a total of around 8 m³ of natural gas and 45,000 t of CO₂ can be saved yearly. Construction commenced at both plants in spring 2005 and start-up is scheduled for mid-June 2006. The combined investment volume for the plants amounts to EUR 40 m.



In May 2005, the earth-breaking ceremony was held for the new EVN biomass-fired heating plant in Mödling.

387,151 m³ x 2

With yearly biomass input of around 390,000 piled cubic metres in 39 plants, EVN is already Austria's largest supplier of natural heating. However, once the two biomass-fired heating plants in Mödling and Baden and the plant currently under construction in Stockerau go into production, from 2006 onwards the biomass requirement will double to approximately 750,000 piled cubic metres.

Responsibility leads the way.

- **Diverse new biomass plants**

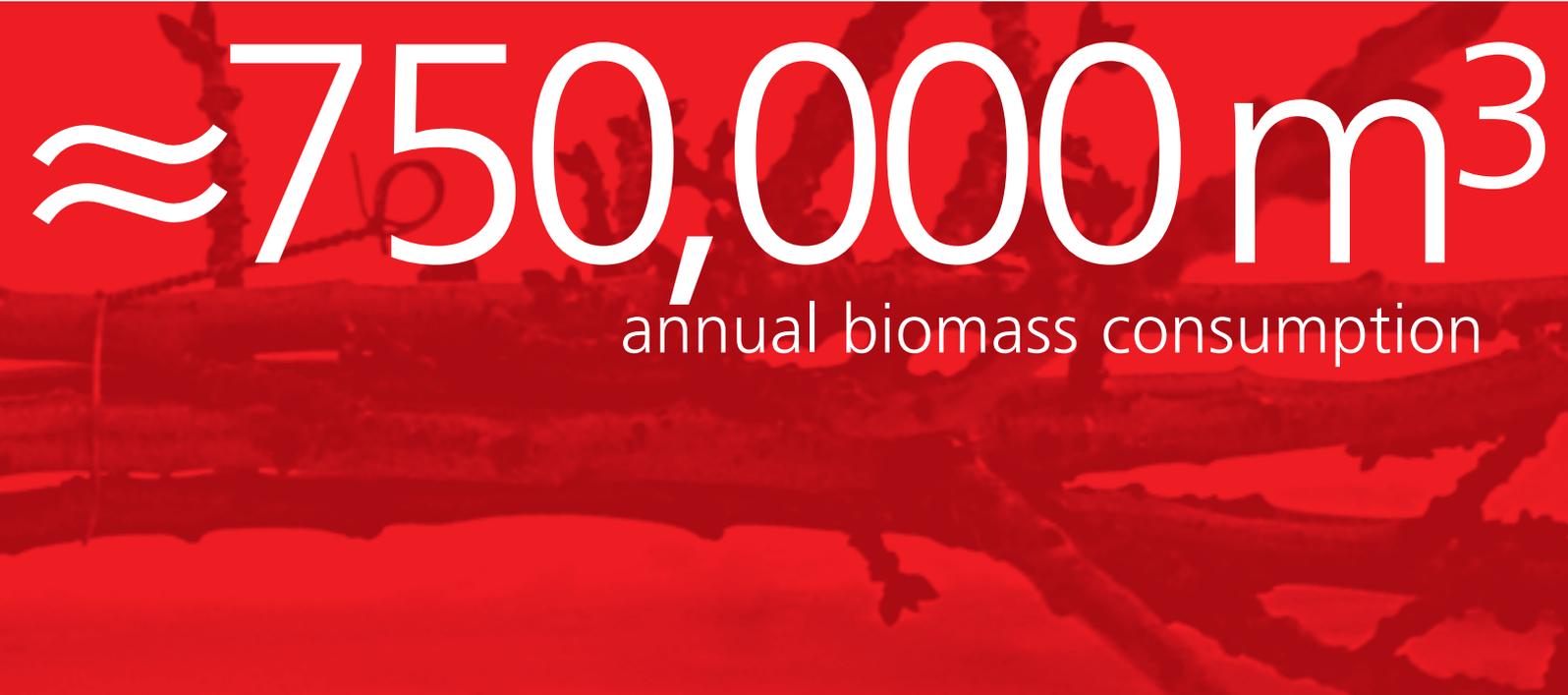
At the end of 2004, EVN commenced the supply of heat to the town of **Tulln** and since the beginning of the 2004/05 heating period, the **Harbach Moorheilbad** (peat spa bath) has also been covering its heating requirements with supplies of natural heat from EVN. Here, the supply of forestry chippings from the region is guaranteed by the "ÖkoWärme Moorheilbad Harbach" farming group, which manages the new biomass heating plant in conjunction with EVN. As opposed to heating using conventional energy sources, the supply of the health spa with heat from biomass provides a reduction in CO₂ emissions of around 600 t/y.

During the period under review, a further project went into operation in **Bad Vöslau**, where EVN has also built a biomass heating plant in teamwork with a local, agricultural district heating co-operative. The plant has been producing natural heat since the autumn of 2004, using material from the surrounding forestry areas, whereby part of the chippings comes from the municipality's own woodlands. As a result of the planned use of around 18,000 piled cubic metres of biomass, approximately 3,200 t/y of CO₂ can be saved in Bad Vöslau.

In the past financial year, biomass-fired heating plants were built in the climate protection municipalities of **Horn** and **Eggenburg**. The supply of heat on the basis of forestry chippings from the region is scheduled to begin in the current year.

In the autumn of 2005, local heating plants using biomass, which are employed for the supply of large individual objects and residential buildings, became operational at the **Wiener Neustadt** Forestry School, in the municipality of **Öd-Öhling** near Amstetten, and in **Waidhofen/Ybbs**.

During the period under review, EVN was able to acquire a new biomass-fired district heating plant project for the urban district of **Stockerau**. In 2006, a biomass-fired plant with a capacity of over 11 MW and a network of approximately 7 km are to be built in teamwork with a local company.



≈ 750,000 m³
annual biomass consumption

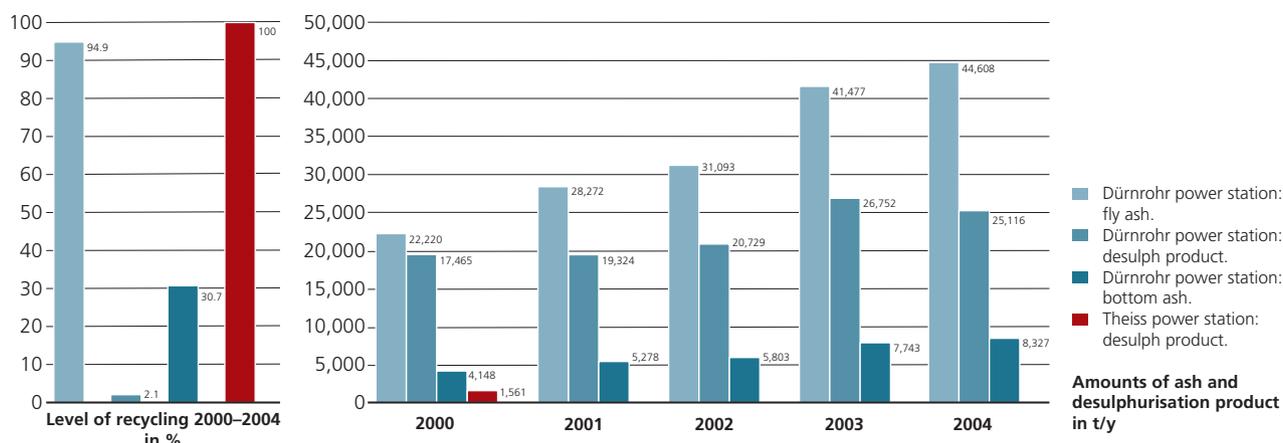
Conventional electricity generation

In spite of all the efforts aimed at sustainable power generation, from an economic viewpoint, the use of conventional power stations remains essential, because even in future, production from renewable energy sources will be insufficient to meet electricity demand. Due to the fact that electricity imports do not represent a desirable solution for Austria, the efficient use of fossil fuels in the domestic power supply is of major significance. In line with the objective of the maximum conservation of limited resources, the main EVN goal is the optimisation of the efficiency of its plants and the minimisation of pollutant emissions.

A central example of EVN's initiatives in this direction is the combined cycle unit at the Theiss power station, which with an efficiency level of well over 50%, achieves a top international rating. In addition, district heating is bled from both the Dürnrrohr and Theiss power stations, in particular for the town of Krems. This not only raises the degree of annual plant utilisation, but also simultaneously reduces emissions through the use of numerous, small furnaces.

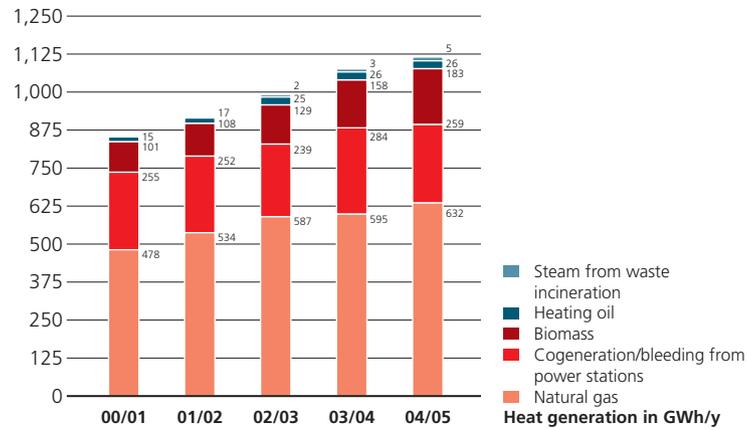
Apart from efficiency optimisation and the most extensive use of waste heat possible through the bleeding of district heating, EVN makes every effort to reduce the atmospheric emissions from its plants. To this end, the company employs the very latest flue gas cleaning installations and all of its thermal power stations are equipped with desulphurisation and dedusting systems, DeNO_x installations or low-NO_x burners.

Sustainable handling of by-products from flue gas cleaning at thermal power stations



Operation of the Dürnrrohr and Theiss power stations with coal and heating oil results in coarse ash, fly ash and gypsum from flue gas desulphurisation. EVN makes every effort to recycle these by-products and at present, the entire fly ash, as well as part of the coarse ash and the gypsum, are utilised by the construction industry. The remaining by-products are deposited on power station landfills. All in all, the volume of by-products is dependent upon power station use and the quantity of recycled materials upon the needs of the construction industry.

EVN heat generation



Dirt was removed from the honeycomb, ceramic tiles of the catalytic converters at the Dürnröhr power station by means of washing using ultrasound.

Catalytic converter regeneration at the Dürnröhr power station

In order to maintain the environmental performance of the Dürnröhr power station, it became necessary to carry out catalytic converter regeneration in the DeNO_x installation. Prior to its start-up in 1986/87, the plant was fitted with Japanese multi-layer catalytic converters, which capture the nitrogen oxide contained in waste gas emissions. The last regeneration of the converters took place in 1995 and in 2004/05, after a remarkably long period, a second module service was required.

Regeneration was completed using a new system, which had already been proven in Germany. The “washing” of the individual catalyst layers involves the removal of dirt from the surfaces and pores by means of ultrasound. The results of regeneration have proved highly satisfactory with catalyst activity reaching the required high level.

Climate protection/CO₂

As an energy supplier, the topic of climate protection is at the very top of EVN's agenda. Accordingly, wherever technically and economically viable, the company does everything in its power to prevent or reduce emissions of relevance to the climate. This involves a focus on the systematic maximisation of efficiency levels and emission minimisation at thermal power stations, the operation of which naturally causes CO₂ emissions. Moreover, as already mentioned, EVN is promoting the generation of electricity and heat from renewable energy sources.

Apart from the maximum possible employment of hydropower, wind power, biomass and the utilisation of industrial waste heat are all of growing significance.

The waste incineration plant adjacent to the Dürnrrohr power station represents one important EVN contribution to climate protection. All the heat generated in this plant, which has been in operation since 2004, is used for electricity generation in the neighbouring power station, thus facilitating corresponding fuel savings. Waste utilisation prevents CO₂ equivalents amounting to around 500,000 t per year.

CO₂-certificate trading

On the basis of an EU directive, in every member state, CO₂-emission limits have been established for fossil fuel fired plants with outputs in excess of 20 MW. One tonne of CO₂ emissions (CO₂ equivalents) represents one CO₂ certificate and up to the predetermined upper limit, these certificates were distributed free for the period 2005–2007. However, should a company cause more emissions than those permitted through the certificate allocation, additional certificates have to be purchased from other companies with emissions below the apportioned amounts. The aim of this trading system is to encourage investments in climate protection, where in ratio to the result attained, the costs are at their lowest.

Due to the fact that EVN commenced contractual negotiations with various partners as early as February 2004, it was able to complete the timely acquisition on the market of the additional certificates required. In addition, future certificate purchases were accommodated in medium-term corporate planning. Thus for EVN, the risk of fluctuating certificate prices is largely calculable.

Monitoring CO₂ emissions

In order to assess whether the actual CO₂ emissions from a plant correspond with the CO₂-certificate allocation, the federal Minister of Agriculture, Forestry, Environment and Water Management has installed a monitoring system. This foresees the provision of CO₂-emission documentation in a separate annual report for every plant subject to emission trading. Apart from CO₂-monitoring methods, which must be agreed with the responsible authority, an independent auditor has to confirm the completeness and correctness of this data. Accordingly, as early as September 2005, EVN had its documentation methodology verified by an independent auditor. On this basis it can be anticipated that EVN's annual reports, which will be presented for the first time at the beginning of 2006, will receive an appropriately positive certification.

EVN promotes gas powered vehicles

The promotion of natural gas as an alternative to standard fuels has long been an EVN priority. EVN and Shell Austria jointly opened Lower Austria's first public, natural gas filling station in Maria Enzersdorf during 1997. In the meantime, the company operates a further gas filling station at the Wiener Neustadt Stadtwerke (municipal utilities company) and eight other stations at its customer centres. EVN currently runs twelve natural gas powered vehicles and in the period since 1997, the company's fleet has covered over 1.25 million "natural gas kilometres".

Within the scope of a filling station offensive supported by the Austrian gas industry, EVN has now stepped up its efforts with regard to an increase in the number of public filling stations in Austria. In concrete terms this is to be raised from 28 at present to around 50 in the next few years. In Lower Austria, EVN has opened public stations in Wiener Neustadt and St. Pölten. Further stations are planned for the towns of Amstetten, Stockerau and Krems. This means that the supply network will attain a density, which will make natural gas powered vehicles far more attractive, particularly in conurbations. The main areas of employment are the local transport of people and goods, e.g. taxis, commuter cars, delivery vans, company buses and municipal vehicle fleets.

The utilisation of natural gas instead of conventional fuels offers considerable environmental advantages. Due to the high level of hydrogen in the gas, its combustion results primarily in the production of harmless steam and the emissions of harmful carbon compounds are well below those of other fossil fuels. As a result of the more frequent use of natural gas in the transport sector, which has a growing energy need, negative health and ecological factors such as fine dust, summer smog and deforestation can be markedly restricted. Moreover, the far lower price of natural gas as compared to petrol and diesel makes gas-powered vehicles an increasingly attractive alternative.



The first natural gas filling station was opened near EVN headquarters in Maria Enzersdorf during 1997. Since then, the local authority has joined EVN in using this environment-friendly alternative for the fuelling of its vehicles. All in all, EVN currently operates ten natural gas filling stations.

Sustainable energy distribution

Security of supply is a major EVN priority within the scope of its responsibilities as an energy supplier. In the past, the electricity supply field was dominated by technological considerations. However, in recent years, these have been joined by the necessity of ensuring the best possible guarantees of supply in a liberalised market.



Power lines are regularly serviced in order to guarantee optimum supply.

High security of supply level

The efficient and secure distribution of line-bound energy such as electricity, gas and heat requires technology of a correspondingly high standard. The optimisation of transmission performance, the avoidance of energy losses and minimisation of environmental impact constitute the main parameters with regard to security of supply.

In order to be able to guarantee sufficient supplies of energy even in crisis situations, EVN is constantly concerned with the servicing and upgrading of its own generation plants and supply networks. All power plants are regularly inspected and maintained at a state-of-the-art level, in order to secure reliable operation and minimise the likelihood of failures. In addition, the enlargement of generating capacity and the construction of additional links to the high-voltage network are under permanent scrutiny as a means of meeting the rise in electricity demand. As a rule, EVN also plans sufficient failure reserves for emergencies.

Apart from energy generation, distribution plays a significant role in security of supply. Strong lines and their optimum networking constitute an important prerequisite in this regard. In Lower Austria alone, the EVN Group operates over 46,000 km of power lines and some 10,000 km of gas piping. Furthermore, at present, 76 transformer substations are in operation and five more are under construction and will go on line in 2006 at the latest. These new stations are to be used primarily for the feeding of electricity from new wind power plants.

No line losses in the EVN gas network

All EVN's gas pipelines and the related systems in the high-, medium- and low-pressure sectors guarantee high levels of quality and gas-tightness. The lines are regularly monitored by EVN specialists, which among other benefits, means that any deficiencies can be quickly identified and corrected. Such speed of response, protects both the environment and the population.

New regulative system as a solid framework for power network operators and consumers

For a branch with such long investment cycles as the energy industry, planning, investment and legal security are vital prerequisites for successful, sustainability-oriented business activities. The introduction on January 1, 2006, of a new regulative model, which takes these requirements into account, represents a major step forward in this regard.

This regulatory system, which has already been proven at international level, involves the reward of network operators for increased productivity and should replace the current annual tariff checks and guarantee fair charges.

A mobile transformer substation for security of supply in emergencies and during construction work

In order to be able to react with speed and flexibility when confronted by major network failures, e.g. during natural disasters, EVN has become the first energy supply company in Central Europe to purchase a mobile 110/20 kV substation. This can be used to restore supply to the affected customers within a very short space of time. Two mobile units can also be employed to replace capacity during line modification and installation.

Line construction in the “Weinviertel”

EVN is making a significant contribution to long-term security of supply in the eastern “Weinviertel” region through the substitution of the existing 110 kV line between Mistelbach and Neusiedl/Zaya, which was carried on concrete masts erected during the 1940s. By the end of 2005, a modern 110 kV, lattice tower double line will replace the old line, which no longer corresponded with current requirements. Moreover, during the course of the construction work, an interesting nature and landscape protection project is being completed in the Steinbergwald conservation area.

Protection of the landscape, flora and fauna

Within the scope of its activities, EVN also attaches great importance to landscape conservation. This takes the form of both the conscious design of the surroundings of its hydroelectric power stations as leisure areas for people and a natural habitat for the indigenous fauna and flora, as well as the planning and realisation of minimum impact network construction.

Safeguarding of the Steinbergwald biotope

As around 400 m of the route of the new connecting line between Mistelbach and Neusiedl/Zaya passes through the Steinbergwald Natura 2000 landscape conservation area, during line construction EVN is also implementing a range of protective safeguards.



The stocks of pheasant's eye (*Adonis vernalis*), which is also known as the sweet vernal, along with a diversity of other plants, are to be protected by EVN's conservation measures.

The Steinbergwald Natura 2000 landscape conservation area is part of the "Weinviertler Klippenzone" FHH (flora-fauna-habitat) protected area and is famous for its heathland grass with its diversity of species. However, due to the fact that this special grass is neither grazed nor cut, in the course of time it has been put under pressure by the growth of bushes and trees.

In teamwork with the nature protection authority, EVN is now carrying out a variety of cultivation measures in an area of 20,000 m². The grassland is to be mown, the cuttings removed, bushes and trees trimmed to a density of around 10% and new heathland grass created through the appropriate seed mixture. With these measures, costing some EUR 15,000, EVN is making an important contribution to the retention of this unique biotope.



Carefree swimming pleasure is secured by the regular quality checks of the water in EVN's reservoirs.



Ecological testing of the waters in EVN's reservoirs

The EVN hydropower portfolio not only includes run-of-river plants, but also some storage power plants. In particular, these consist of the Wienerbruck and Erlaufboden plants on the River Erlauf and the Ottenstein, Krumau and Wegscheid plants on the River Kamp. The reservoirs of these power plants have characterised the landscape of the surrounding countryside for many years and have developed into valuable natural leisure areas, which are enjoyed by both local people and tourists. This applies in particular to the Ottenstein reservoir, which was created in 1957 and with its aquatic sports and swimming possibilities has long been a permanent fixture in the leisure range of the "Waldviertel".

In order to secure the quality of the water of the reservoir for the future, EVN completes yearly, ecological monitoring. Algae and zooplankton growth is examined, as this provides information concerning the range of nutrients in the water available to fish such as pike-perch, carp and pike. The tests carried out by an independent testing institute prove that the quality of the water is first class and thus ideal for swimming.

Events of environmental significance

Despite all the technical and organisational measures taken, not only can defects and accidents occur within the scope of EVN's extensive activities, but also incidents of relevance to the environment such as oil leaks or fires. The first priority in such cases is a quick and competent company response, in order that damage is kept to an absolute minimum.

Accordingly, over ten years ago, EVN introduced a binding directive on this subject, which defines exactly the measures to be taken by employees in the case of an incident of relevance to the environment. This ensures that immediate, professional action is initiated and that appropriate measures are implemented. In addition, employees who might potentially be involved in such situations are trained for emergencies on a regular basis.

The lines of communication within the company are also precisely established. Depending on the significance of the event, this means that the relevant person responsible is informed without delay and can initiate the necessary response and issue suitable instructions.

Happily, during the period under review, there were no events of environmental significance at EVN. This positive situation can be traced to both the prudence of the workforce and the fact that external factors, e.g. flooding or lightning, which can trigger incidents, did not occur.

No environmental penalties were incurred by EVN during the 2004/05 financial year.



103 - 62 = 41
working accidents

EVN seeks to minimise working accidents by means of preventive measures and comprehensive employee training. With success, as evidenced by the fact that if in 1990 there were 103 working accidents, by 2004 this figure had been cut by more than half to 41.

Responsibility leads the way.

Society

A responsible approach towards employees and the public

As an energy and environmental services supplier, with responsibilities for the fulfilment of important, basic, day-to-day needs, EVN is well aware of the significance of its social environment. Since its foundation, EVN has lived up to this task and contributes, as far as possible, to the enhancement of living conditions in Lower Austria.

EVN's range of initiatives in this area extends from the care of the company workforce, which is provided with an attractive working environment, targeted educational and further training opportunities, careers with interesting perspectives and a comprehensive medical service, to charitable, cultural and sporting initiatives.

Accordingly, EVN supports a range of charitable institutions and apart from building up a company collection of contemporary art, contributes to both exhibitions and cultural projects in its supply area and also sponsors sporting and other events of broad public interest.

Employee health service

Long before the introduction of a statutory obligation to provide corporate medical care, EVN already had a practice at its headquarters headed by a doctor and staffed by a nurse. In the meantime, EVN has considerably expanded this service, making medical care available to employees throughout Lower Austria. Today, there is a physician at both the Theiss and Dürnröhr power stations, as well as one doctor for each of the other areas of Lower Austria. All Group subsidiaries also provide medical care in line with the mandatory regulations.

With this service the EVN Group not only fulfils relevant EU directives and the corresponding national employee protection regulations. Above all, the company demonstrates its concern for the welfare and safety of its workforce and provides occupational medical care that generally goes far beyond the stipulated requirements.

New EVN health care programme

Active health management constitutes an expression of corporate culture and the orientation of EVN towards sustainability. The aim of the initiatives in this sector is to maintain and promote the performance capacity and motivation of the workforce, as well as to additionally enhance productivity and service quality on a lasting basis. At the same time, an increase in health consciousness should encourage a critical approach among employees towards risk factors in general and obesity, nicotine and alcohol in particular. Apart from the positive results for the employees themselves, this also helps to cut the levels of sick leave and last, but not least, health measures offer considerable support to the employment of older personnel.

In order to extend and consolidate its measures and initiatives in the health sector, EVN started to prepare a binding, internal directive during the 2003/04 financial year, a process that was concluded during the period under review. Within the framework of the implementation of this directive, EVN has undertaken to carry out the following measures, which are to be co-ordinated by the newly created health working group.

- Direct employee information from the respective occupational physician.
- Regular health-related information in the employee journal, which is published several times yearly.
- Information concerning adherence to the inoculation schedule.
- Support of fitness and exercise programmes (in particular the EVN Culture and Sport Association).
- Enlarged range of preventive medicine examinations.
- Nutritional recommendations from the company doctors on the basis of these preventive medicine examinations.
- Involvement of the occupational medicine team in the preparation of the menus for the company canteen.
- Ergonomic and workplace optimisation through regular checks on procedures and working conditions and the preparation of improvement measures.

The positive response among the workforce to the EVN occupational medicine service is reflected by the extensive use of the enlarged preventive medical examination programme. During the past financial year, some 400 people participated in the programme.



EVN employees have access to their own fitness studio.

Occupational safety and accident prevention

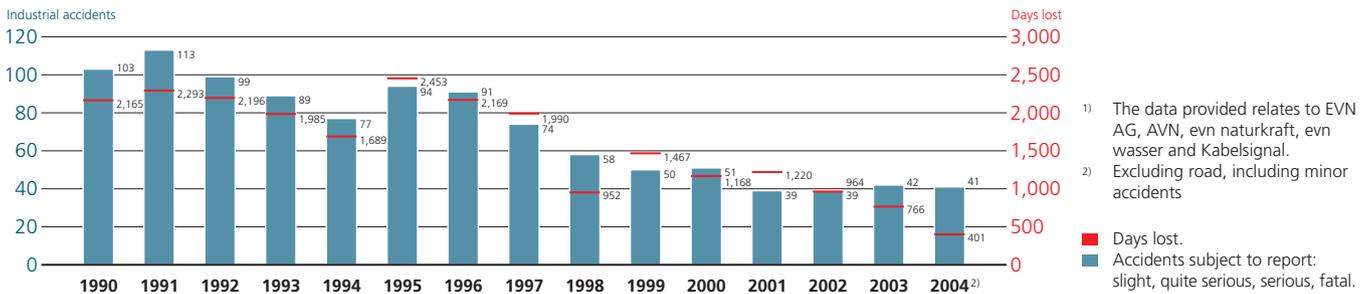
Occupational safety and accident prevention constitute a major priority throughout the EVN Group, as in addition to the usual hazards involved in manual work, numerous employees are also subject to the dangers posed by electrical power, natural gas, hot water and steam (in the power station and heating supply areas). EVN attaches great importance to measures aimed at securing optimum safety levels for its employees in every area of the company. First and foremost, it relies on training and the systematic creation of a high level of safety awareness.

A detailed, internal manual containing business directives and guidelines supplements the statutory safety regulations. As an additional aid to the work force and as part of the evaluation process, a special manual has been prepared, the "Safety Handbook", which refers to the individual working conditions in the energy industry. Moreover, apart from accident prevention, EVN cuts the number of working days lost due to accidents by means of an extensive range of work safety measures.

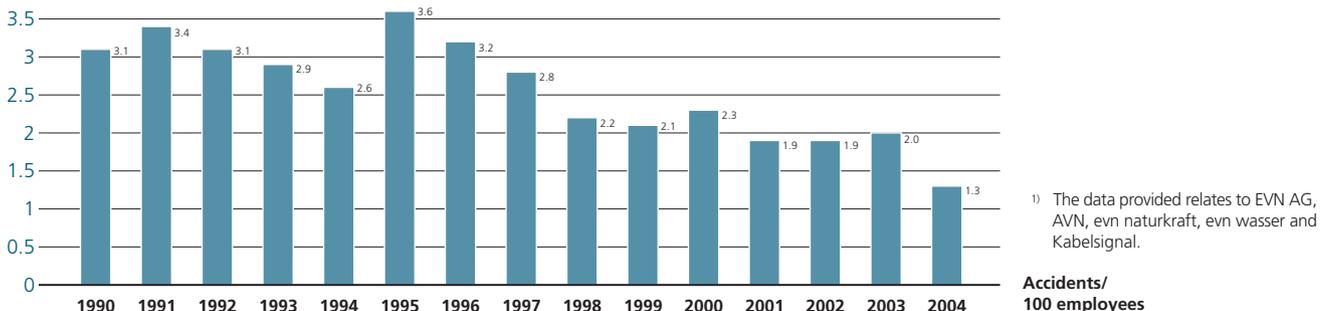
Accident statistics 2004 – best result since 1990

Every twelve months, EVN prepares accident statistics for the preceding calendar year, which not only catalogue all accidents, but also give a detailed analysis of the causes. This evaluation serves as a platform for the further development of the existing range of preventive measures and thus accident prevention. The success of these initiatives is evidenced by the accident statistics for 2004.

Industrial accident trend and days lost¹⁾



Accidents in ratio to work force numbers¹⁾



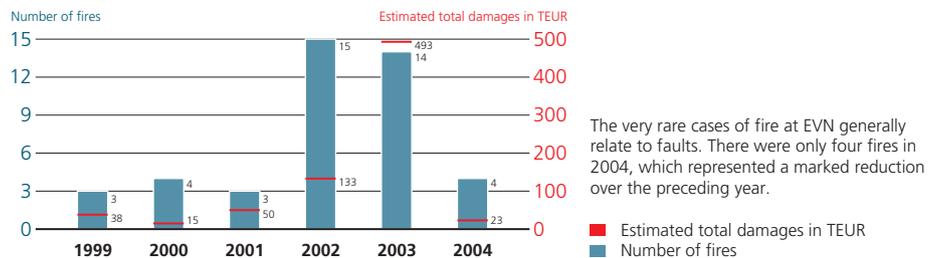
During 2004, there were a total of 48 accidents (including minor and road accidents), which was the lowest figure since 1990. The accident rate (the number of accidents per 100 employees) thus amounted to 1.3, which was down on the preceding year and the best result since 1988. In total, during the past year there were 14 minor accidents, seven road accidents, 20 quite serious and, very pleasingly, no serious or fatal accidents. Falls were the main cause of accidents followed by manual working.

Following the loss of 766 working days in the preceding year due to accidents, during the period under review, this figure was reduced clearly to 401.

Preventive fire protection

At EVN, trained fire officers and fire protection points ensure fire protection and adherence to mandatory fire regulations. EVN also attaches the greatest importance to the regular fire safety instruction of its employees, e.g. in the use of extinguishers, and periodic fire drills are organised. For example, at the EVN headquarters in Maria Enzersdorf, an annual exercise is held to ensure that safe and quick evacuation would take place in an emergency.

Reduced incidents of fire at EVN



Fire brigade training

EVN completes regular, theoretical and practical fire-fighting exercises with the Lower Austrian fire brigades stationed in the vicinity of its substations and power plants. The correct response by the emergency services in the case of fire is illustrated in a number of ways, which include the use of an instructive video. In addition, practical training takes place in the form of a "wet attack" on a live 110 kV plant component with the aim of minimising the danger in a genuine emergency. During 2004, a total of more than 80 fire-fighters received EVN training.

Safety at Work Oscar

The "Safety at Work Oscar", which was launched in the 1980s, is awarded annually to those EVN organisational units with an accident rate below 1 (i.e. one working accident per 100 employees). EVN thus rewards employee efforts regarding accident prevention and simultaneously underlines the importance of all initiatives in this direction.



On February 25, 2005, a total of 22 EVN organisational units were able to collect a "Safety at Work Oscar" from the Central Work and Safety Committee.

In 2004, this award was presented to an unprecedented 22 EVN Group organisational units, which was the best result in the history of the prize and a marked improvement on the eight winners of the previous year.



The new EVN overalls for working with gas are safer and more comfortable.

Working with gas – new overalls improve working conditions and safety

Working with gas is just as much part of the daily routine of EVN's fitters as is dealing with electricity. High levels of concentration and strict adherence to the prescribed safety procedures are vital for the prevention of undesirable incidents during these activities.

One important safety measure during working with gas is the wearing of a protective overall, which in the case of a gas explosion offers flame protection for several seconds. During the period under review, the protective overalls previously used by EVN were upgraded with a number of additional features such as improved wearer comfort, greater breathability and padding in the knee and elbow areas. Working in the overalls is thus easier and together with safety eyewear, a NOMEX cap and gloves, the clothing provides optimum protection against burns.

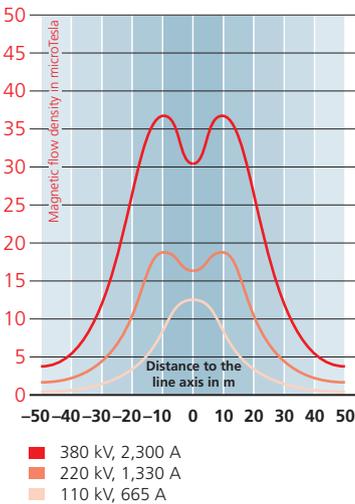
Minimisation of the effects of "electrosmog"

The topic of "electrosmog", the electromagnetic fields found in the area of power lines and transformer substations, is also the object of intensive consideration by EVN. On the one hand, the aim is the protection of all employees, who are subjected to the effects of electromagnetic fields during their work. On the other, the factual determination of the actual intensity of electrosmog and its effects should lead to an objective dialogue with the workforce, authorities and the general public.

To this end, in September 2005, EVN organised an information day for representatives of the Lower Austrian authorities and the federal administration, the work inspectorate, and the affected company employees. Around 50 people attended this event and were provided with presentations from a variety of angles by highly qualified speakers, concerning current physical know-how and medical thinking and the legal framework.

In order to be able to precisely assess the risk to Group employees and fitters from external companies, EVN completed extensive measurements in 20 kV, 110 kV and 380 kV transformer substations, which are typical of its operations. In virtually every case, the measurements were well below the valid reference value for persons subject to electromagnetism during their work contained in the EU directive on electromagnetic fields (2004/40/EG).

High-voltage overland lines – magnetic flow density (characteristic pattern)



The characteristic flow of the magnetic field in the vicinity of 110 kV high-voltage lines shows a sharp fall in field strength with distance. The magnetic flow density is already less than 2 microTesla at a distance of only 25 m. By comparison, the reference value for persons exposed to electromagnetism during their work, contained in the EU directive on electromagnetic fields (2004/40/EG), is set at 500 microTesla.

EVN as an attractive and responsible employer

As a company oriented towards sustainability, EVN makes every effort to offer its employees attractive working conditions and a positive climate of motivation. The company regards itself as a fair and reliable employer that both challenges and supports its personnel.

Human resources principles

EVN recognises a number of basic principles with regard to its workforce:

- **Equal treatment and opportunities**

As a result of the differing working conditions in the growing number of countries in which the Group is represented, EVN has undertaken to implement the principles of the International Labour Organisation (ILO). EVN has also expressly committed itself to the joint declaration from Eurelectric and EPSU (European Federation of Public Service Unions)/EMCEF (European Mine, Chemical and Energy Workers Federation) on the topic of equal opportunity and diversity. Furthermore, in September 2005, EVN joined the UN Global Compact and therefore adheres to the global principles of ethical business behaviour.

In practical terms this means that no employee may be discriminated against for reasons of age, health, nationality, ethnic origin, or gender. In other words, persons with identical professional and personal qualifications must be treated equally with regard to further training and personal development, working conditions and pay. EVN believes that apart from ensuring balanced and fair dealings with all employees, this approach also secures a higher level of business performance.

As a result of EVN's technical orientation as a supplier of energy, the company employs comparatively few women. Nonetheless, in the past ten years, the numbers of female personnel have steadily increased and currently constitute 24% of the workforce.

- **Transparency**

The supply of the workforce with up-to-date and comprehensive information concerning ongoing company development is one of the most important communications assignments within EVN. For many years, employees have been able to obtain an extensive overview of current issues affecting the company, the energy supply and staff representation, etc. via the company journal "EVN Intern" and more recently via the EVN Intranet. In addition, the Intranet provides information about seminars and educational opportunities, as well as personal flexitime data.

Transparency is also applied to the advertising and occupation of vacant posts. Accordingly, all vacancies are advertised on the Intranet and can be accessed by the entire work force. The filling of posts internally takes priority over the recruitment of external applicants, while the exchange and employment of personnel throughout the Group is the object of special attention.

- **Treatment of older employees**

One important aspect of EVN personnel management is the consideration of the age structure within the company. Due to rationalisation, vacant posts have not been filled and therefore EVN employees have an average age of around 43. This already represents a relatively high figure and is set to rise still further in the course of increases to the statutory retirement age.

In view of this scenario, EVN attaches special importance to further training measures for older employees. In addition, it currently offers 132 employees the possibility to utilise age-related, part-time working models.

The average length of service in the EVN Group is around 15 years and approximately 23 years in EVN AG. These figures and the extremely low fluctuation rate of less than 1%, represent clear evidence of the high levels of employee loyalty and job satisfaction at EVN AG.

- **Company social partnership**

All major EVN business decisions are taken in a transparent manner on the basis of the standard legal statutes and the information and integration of staff representatives. This practice also applies to strategic decisions and changes and adjustments in the personnel sector. In general, the motto, "persuasion not compulsion" has long described EVN's guiding principle in the area of social partnership within the company.

For example, during the organisational changes of recent years, staff representatives and the affected employees were supplied with information that went far beyond the statutory requirements. Apart from EVN itself, the larger companies within the Group have their own employee representatives, who are all regarded as partners in a constructive company management.



300,000 t ≙
household and commercial waste

As a result of the innovative "Waste-to-Energy" linkage between the Dürnrrohr waste incineration plant and the adjacent power station, where the steam from waste incineration is used in the power generating process, some 250 m kWh of electricity can be produced annually. Every year, this prevents the emission of around 500,000 t of CO₂ (or CO₂-equivalents).

Responsibility leads the way.

- **Flexitime working**

As one of just a few Austrian companies, EVN offers its work force a flexitime model without core time, i.e. without a fixed period of obligatory attendance. Employees have an opportunity to organise their working hours independently and freely, although naturally company and statutory requirements must be taken into consideration. Employees discuss their wishes within their team and then adjust their individual work time to the respective working situation and customer requirements. Flexitime facilitates re-entry to employment following maternity leave and thus plays an important role in career possibilities for women.

During the past financial year, the “Flexitime Without Core Time” model used within EVN was extended to the Group subsidiary, grafotech, and in the interests of a flexibilisation of working hours, flexitime was introduced and shift agreements were concluded at AVN.

In addition to the generally valid flexitime model, EVN endeavours to accommodate individual employee needs, e.g. through part-time working.

- **Work-life balance**

In the modern world of work, the balance between professional and family life is an increasingly important issue. In order to furnish employees with family responsibilities with the best possible balance between their professional and private lives, EVN offers a range of special arrangements and services. The employees in question have access to flexi- and part time working, as well as special support during the maternity and paternity period and following the return to work. Apart from the statutory period, EVN's personnel may take maternity leave up to the third birthday of the child.



250 m kWh
of electricity generated from waste



Contented and motivated employees form the basis for EVN's success.

These benefits offer a variety of advantages to both the company and employees. EVN can retain the knowledge of qualified staff and use its entire investment in education and further training beyond the phase of intensive parental care. For their part, employees have a chance to keep their professional expertise up to date and thus ease their return to full employment.

Active human resources management

Within the scope of its human resources management, EVN makes every effort to cover both its qualitative and quantitative requirements with regard to personnel. In order to meet the constant flow of new demands from the dynamic corporate environment, measures extend from comprehensive personnel requirement planning to targeted training and further training.

Creation of new jobs

Over the years, EVN has created numerous new jobs. This is due primarily to the opening up of additional business areas and the international expansion of the Group.

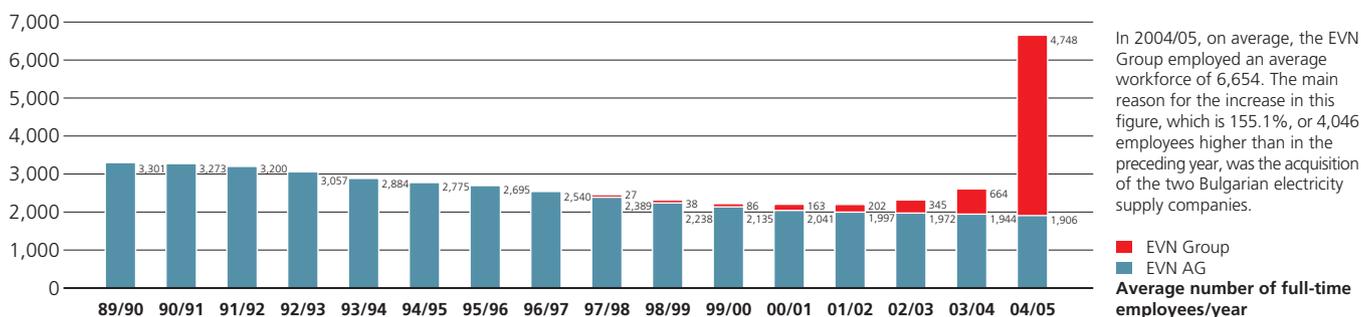
For example, since the 2003/04 financial year, AVN has recruited a total of 60 new employees in the course of the start-up of its waste incineration plant in Dürnröhr. Moreover, through the acquisition of WTE, the EVN Group workforce increased by a further 302 persons. In the 2004/05 financial year, the acquisition of a majority holding in the two Bulgarian electricity supply companies resulted in a massive rise in employee numbers by around 4,050.



The unusual workforce growth of the past three years is also the reason why at the end of September 2005, EVN was rated among the 500 best job-creating companies in Europe. This ranking was determined with the support of Microsoft and KPMG by "Entrepreneurs for Growth", a European association of growth enterprises.

During the 2004/05 business year, on average the EVN Group employed a total workforce of 6,654. 2,364 employees are located in Austria, 4,049 in Bulgaria, 200 in Germany and 41 in other European states and Russia. As opposed to the preceding year, this represented an increase in workforce numbers of 4,046 or 155.1%.

Employee numbers (EVN AG and EVN Group)



International postings

As a consequence of EVN's increasing involvement in Central and Eastern Europe, there is a growing number of foreign postings in the personnel area, which are necessary in order to secure the required local human resources capacity. For example, several EVN Group employees have been seconded to Moscow for the completion of the waste incineration plant in the Russian capital. In addition, within the course of the integration of the two electricity supply companies acquired in January 2005, numerous EVN employees have assumed long-term appointments in Bulgaria.

Against this background, during the past financial year, the EVN Group prepared binding standards for international employee postings. In order to encourage personnel mobility and the related know-how transfer, EVN laid special emphasis on the guarantee of comparable living standards and the compensation of disadvantages in a financial or social security regard. The readiness to undertake foreign assignments will also be rewarded in connection with future career decisions.

Employee suggestion system

From their daily activities, employees know best where EVN's operational sequences, products and services can be further improved. Therefore, good ideas from the workforce can serve as important contributions to corporate success. Apart from concrete advantages such as cost savings and optimisation, the active involvement of employees in the further development of the company is a logical source of positive impulses for motivation and commitment.

For these reasons, EVN possesses a structured employee suggestion system, which is intended to motivate as many employees as possible to submit suggestions through simple access possibilities, transparent evaluation and attractive bonuses. Apart from the ideas derived from all areas of the working day, which can be continually proposed, special competitions provide a regular opportunity for the submission of proposals relating to special topics. For example, during the past financial year, a competition was held concerning the topic, "Work Safety and Environment".

After five years, the balance of the new EVN employee suggestion system is highly positive. Since August 2000, more than 900 improvement proposals have been submitted and approximately 400 rewarded. In total, EVN distributed over EUR 50,000 in bonuses.

Human resources development

EVN's services are backed by qualified and motivated employees. They represent a guarantee for the continued success of the company, not only due to their knowledge, but also their personal commitment and willingness to learn. Accordingly, EVN provides numerous training and further training possibilities.

EVN's personnel development programme has a modular structure. Depending on the specific development target, "educational event", "e-learning" or "training on the job" modules are employed. The range of activities on offer incorporates IT training, specialist workshops, sales seminars, product and sector information, special technical training, language courses, environment and safety schooling, presentation and communications workshops, and seminars in negotiating skills and team building. Topics and examples, which have been specifically related to company activities, also serve to secure the immediate integration of training content into day-to-day EVN business.

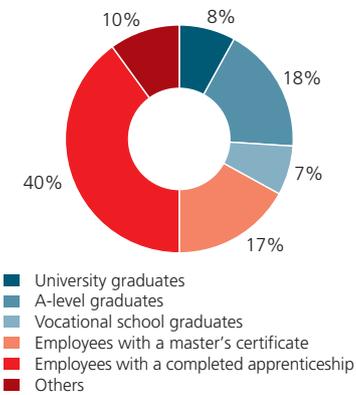


One of the most outstanding ideas for improvement is the grinding device designed by Rudolf Schoisengeier (r.) and Thomas Weiß (l.), which facilitates the on-the-spot repair of turbine bearings without disassembly.

An additional factor in the increased effectiveness of EVN's educational and further educational measures is learning and training within the concrete, social working environment of the employees. In this manner, communicative groups with intensive social and emotional ties are created, which secure corresponding workplace productivity.

In order to integrate new employees into the working process as quickly and efficiently as possible, EVN has developed a specific package of seminar, training and introductory events, as well as a welcome folder. In addition, a personal "mentor" is available for all internal questions. Among the tasks of the mentors are the joint design of the first working day and the introduction into the world of work at EVN.

Educational structure of the Austrian companies within the EVN Group



Further training

As part of the realisation of the "One-Face-to-the-Customer" concept, wherever possible EVN employees should be able to provide comprehensive information concerning all of the company's energy activities and its complete services range and be able to work in any of these areas. For this reason, EVN supports double and multiple qualifications in the energy sector in Lower Austria. Accordingly, the completion of second and third apprenticeships, as well as master certificates, is actively supported through grants. During the past financial year, 39 employees completed additional training (as electricity, gas or heating fitters). In total, over 400 staff members, around 20% of the current EVN AG work force, possess multiple qualifications.

With expenditure of around EUR 1.0 m, EVN AG spent more on further training (seminar charges, trainers, e-learning) during the 2004/05 financial year than in the comparable period of 2003/04. On average, during the period under review, every EVN Group employee undertook eleven hours of training.



Employee training and further training represent a major EVN priority.

EVN AG further training 2004/05		
	Events	Attendees
Computer training	52	548
Specialist seminars	175	2,453
Behavioural training	22	174
Total internal further training	249	3,175
External further training	322	472
Total further training	571	3,647

Apprentice training

In the interests of medium- and long-term personnel planning, as well as the fulfilment of its responsibilities as a regional employer, EVN traditionally offers apprenticeships in the industrial sector with a primary focus on electrical fitters. EVN works closely with partners, such as various electrical installation companies, and apprentices can also gain experience at EVN subsidiaries.

87 young people are currently undergoing schooling and are employed in various areas of the company. Training at EVN is varied and has changed markedly in recent years due to the altered demands made on the company. Apart from professional skills, the educational programme also incorporates customer-orientation and social competence, while interdisciplinary know-how and networked thinking are also promoted in a targeted manner. The quality of EVN training is evidenced by the fact that following their courses, the majority of apprentices remain in the company. In addition, after the completion of apprenticeships, EVN offers further training in other areas of its product portfolio, such as gas and heating engineering apprenticeships.



At EVN, young women can also complete an apprenticeship as an electrical fitter.

Social welfare benefits

The EVN pension fund – a “second pillar” for retirement benefits

Since September 1995, EVN has offered its workforce a supplement to the statutory state pension in the form of the EVN pension fund. Apart from EVN AG, five other Group companies are included in this scheme.

The EVN pension scheme provides an opportunity to create an additional private pillar for retirement benefits on the basis of private initiative supported by the company. EVN is thus making a sizeable contribution to safeguarding its employees’ retirement income. The EVN pension fund is a contribution-oriented pension scheme, in which the amount of the future pension to be paid derives from the annuity on employer and employee contributions up to the date of retirement. Retirement benefits were deliberately not transferred to an inter-company pension fund, but instead a separate company pension fund was founded in which the right of employees to a share in the decision-making process is guaranteed via their representatives. All the bodies in the EVN pension scheme work on an unpaid basis, in order that staff contributions are not additionally burdened with administrative costs.

As at December 31, 2004, the pension fund comprised around 2,060 people with pension rights and some 221 with an entitlement to payments. The annual volume of ongoing employer and employee contributions currently amounts to some EUR 5.5 m.

Supplementary health insurance

Another voluntary social benefit offered by EVN to its employees is comprised by the possibility to take out supplementary health insurance at a preferential charge. A master agreement has been concluded with an Austrian insurance company, which is intended to ensure optimum medical treatment for all the personnel participating in the scheme. Almost 1,000 EVN employees have taken advantage of this offer.

Integration of people with special needs

Within the scope of its socio-political responsibilities, EVN sees the integration of people with special needs into the company on an equal footing as a priority. In this regard, special attention is paid to the individual design of workplaces and working processes in line with the requirements of the handicapped and if necessary, additional possibilities for extended flexitime are provided. Modifications during the building and renovation of EVN customer centres are also made to assist disabled staff and customers.

During the 2004/05 financial year, the EVN Group employed 144 people with special needs, who represent 2% of the total workforce. Furthermore, every year EVN allocates orders to an amount of some EUR 200,000 to sheltered workshops and thus makes a further contribution to the employment of the handicapped.

EVN Group workforce – key indicators		
		2004/05
Employees	Total	6,654
thereof women	%	24
thereof men	%	76
Persons with special needs	Total	144
Apprentices	Total	71
Employee fluctuation	%	<4
Average length of service	Years	15
Average age	Years	43
Sick leave/employee	Days/year	12
Sales/employee	EUR	241,889
Personnel expenses in ratio to sales	%	14
Further training expenditure	EUR m	1

Initiatives for quality of life

Involvement in social, cultural, sporting and local matters

As a significant economic player, EVN accepts its responsibility to become engaged in social matters in a manner appropriate to the company and its activities. Therefore, within the scope of its possibilities, EVN contributes to both social and charitable initiatives in its supply area and thus underlines its regional roots.

EVN is also active in the cultural sector. Since the mid-1990s, the nucleus of these activities has been formed by the EVN Collection, within the scope of which, the company has purchased works of international contemporary art and thus supported young artists.

Numerous other EVN initiatives within its social environment such as the support of diverse sporting events, co-operation with schools and technical colleges and involvement with current developments in the fields of science, technology and the energy industry round off the company's activities in this area.

Drinking water treatment plants for the victims of the tsunami disaster in Sri Lanka

In the aftermath of the unprecedented, South-East Asian tsunami flood disaster of December 2004, EVN decided to provide spontaneous and non-bureaucratic help to those in need. The company wished to not only make a financial donation to an aid organisation, but also to make a concrete contribution within the scope of its corporate competence. Therefore, it provided two drinking water treatment plants and a water bagging machine, worth a total of around EUR 150,000 for use in this crisis situation. This equipment was used immediately after the catastrophe in Sri Lanka and with a production capacity of around 150,000 l of drinking water per day, was able to meet the requirements of around 15,000 people.

In addition to a conventional treatment plant, the equipment provided by EVN consisted of an efficient reverse osmosis system, which is able to turn salt and brackish water into high-quality drinking water by means of the latest membrane technology. Moreover, this plant is even capable of decontaminating water subjected to atomic radiation. Thus EVN made a small contribution to the rapid supply of people with drinking water in the areas hardest hit by the tsunami.

In the meantime, the plants have been flown back from Sri Lanka and are now available to the Austrian federal army for other emergencies both at home and in other countries. For example, they were recently in action in the earthquake-struck region of Pakistan.

EVN's support of selected social initiatives during the 2004/05 financial year

As in the preceding years, during the period under review, EVN supported numerous social and charitable initiatives within its supply area. Among those to receive donations were the Hilfsgemeinschaft der Blinden und Sehschwachen Österreichs (Austrian Association for the Blind and Partially Sighted), the Austrian Red Cross and the Leopold-Figl-Stiftung, a trust dedicated to the professional training and further training of the socially underprivileged in Lower Austria. In addition, the Austrian Civil Defence Association also received support from EVN for its 2005 Safety Tour (Children's Safety Olympics).



In the case of both supply failures and disasters, the EVN drinking water treatment plants make an important contribution to the securing of supply.



Children at a preliminary round of the 2005 Safety Tour 2005 at the EVN Theiss power station.



The clown doctors, "Dr. Camilla Bigfeet" and "Dr. Franz Cleverclogs" receive a donation from EVN in the form of a cheque.

Support for the RED NOSE clown doctors

For over 10 years, the RED NOSE clown doctors have sought to bring a smile to the faces of sick and suffering children. Through their slapstick cheerfulness they bring the children courage, strength and moments of joy during their stays in hospital. In order to ensure that the clown doctors continue their weekly appearances at Krems Hospital, EVN presented the RED NOSES with the net box office takings from a children's musical and a "Schlager" concert held at the Theiss power station, which amounted to EUR 2,350.

One form of co-operation, from which both the environment and sick children benefit, was agreed between EVN and the RED NOSE clown doctors at the beginning of 2005. As a result of company participation in the "recycling4smile" programme, with immediate effect, part of the revenues from the sale of recycled toner cartridges will go to the RED NOSES. Within the scope of "recycling4smile" all EVN's empty cartridges are now collected and recycled by a RED NOSE partner. In turn, EVN makes a donation of EUR 1 to the RED NOSES for every recycled cartridge. Such recycling not only saves costs, but also conserves resources.



The EVN school service supports creative projects

For many years, the EVN school service has facilitated the access of teachers and students in Lower Austria to the topic of energy by means of an extensive range of teaching and learning aids and special school visitors. This objective is supported by numerous classroom presentations, excursions to EVN plants and the provision of ten thousand teaching aids per year. In addition, during the 2004/05 school year, EVN also supported various special projects relating to energy.



The EVN class planner, which was launched in 2002/03, enjoys unbroken popularity.

The EVN school service in figures

- During the 2004/05 school year, the 27 EVN school visitors held a total of 737 presentations in Lower Austrian schools.
- In the past academic year, 35,000 school students used EVN teaching aids on the topic of energy.
- 6,500 classes received the EVN class planner.



The winners! Class 3b from Breitenfurt primary school at the Ottenstein reservoir.



The winning drawing in the "Music and Energy" competition, submitted by the 11-year-old Angelika Kessler from Neunkirchen.

- **"Thunder and Lightning" primary school competition**

The "Thunder and Lightning" primary school competition, which was initiated by the "Learning with a Future" association, was provided with support by EVN throughout the project period. Teacher workshops and regional award ceremonies were held on EVN premises. The EVN school visitors with their specialist competence and personal commitment were available to lend a helping hand to both the organisers and the participants. EVN employees also formed part of the juries adjudging the submitted entries. The winning class received an exciting adventure day at the Ottenstein reservoir and power station organised by EVN.

- **Concerts with the Tonkünstler-Orchester Niederösterreich**

The EVN-supported Tonkünstler-Orchester Niederösterreich is one of Austria's most important symphony orchestras. Among the various initiatives launched within the framework of this co-operation are the "Sound Games", which consist of regular school workshops for children and young people as an accompaniment to concerts. On the basis of the "Sound Games", during the past school year, young visitors were also able to tackle the links between energy and music in creative fashion in the course of the drawing competition "Music and Energy". EVN provided an MP3 player as a prize for the winning work.

- **Photographic competition**

EVN not only encourages children and young people to involve themselves with the topic of energy during school time, but also in the holidays. In summer 2005, young photographers were invited to send in their best shots on the themes of "Energy in Lower Austria", "Energy in the Household" and "My Energy". The photos could be seen and judged on the www.young.evn.at homepage for schools and young people. The favourite photos in three age groups were initially chosen by means of voting. Then at the end of the summer vacation, a specialist jury adjudged this initial selection and picked the winners.



The prize-winning pictures from the EVN photographic competition.



“Nach Rokytník” – 10 years of the EVN Collection

In 2005, the EVN Collection celebrated its tenth birthday. Founded in 1995, the company collection set itself the task of accumulating works of contemporary art in an open and free manner. As the initiator of the collection, Dr. Rudolf Gruber, stated at its launch, in this context art should be understood as an “analytical instrument of today, which points to tomorrow.” In the meantime, the collection has grown to 152 items and around ten more are added yearly. The claim of the company, which over the past decade has established itself as a supraregional services supplier, is also mirrored by the multinational nature of the artists represented within the collection.



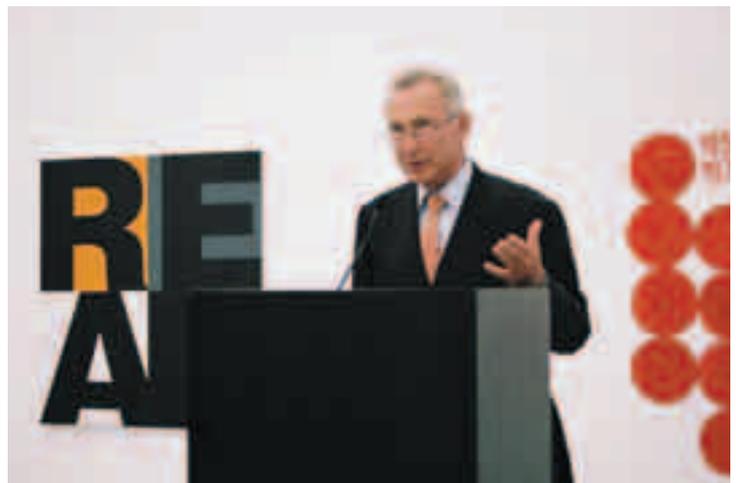
From the outset, a major objective was the gradual integration of the EVN Collection into the daily working environment and the encouragement of a critical approach on the part of employees to the works and the themes addressed. To this end, a large part of the collection is exhibited in the communication zones at EVN headquarters and the EVN FORUM in Maria Enzersdorf. Moreover, in the summer of 2005, the EVN Collection was exhibited in the Vienna Museum of Modern Art (MUMOK). The exhibition, which bore the title “Nach Rokytník”, was well frequented, receiving over 25,000 visitors.

The newly published, complete catalogue “EVN Collection 95–05” also documents the tenth birthday of the Collection and is available from booksellers. The entire EVN Collection can also be viewed online under www.evn-sammlung.at.

On the occasion of its tenth birthday, the EVN Collection was the subject of an exhibition at the Vienna Museum of Modern Art under the title “Nach Rokytník”. Below right: Speaker of the EVN Executive Board, Burkhard Hofer at the opening.



©MUMOK/photo: Lisa Rastl



©MUMOK/photo: Lena Deinhardstein

104
artists

x 152
works

10
years of the EVN Collection

Since its foundation in 1995, the EVN Collection has grown to include 152 works. The intention is that contemporary art should sharpen the vision and encourage the active and critical assessment of current developments in the economic and cultural fields.
Responsibility leads the way.

Initial initiatives in Bulgaria

In January 2005, EVN took a decisive step forward with regard to future company development with the purchase of a 67% holding in both of the South-East Bulgarian electricity distribution companies, ERP Plovdiv und ERP Stara Zagora. As a power supplier to around 1.5 million customers and an employer of some 4,050 people, the EVN Group has thus assumed an important role in the Bulgarian economy.

EVN is well aware of its related responsibilities to both people and the environment and therefore, as in Austria, has launched start initiatives aimed at achieving a balanced approach to economic, ecological and social objectives. The background to these activities is formed by the economic and functional integration of the two companies into the EVN Group, which progressed rapidly during the period under review. Subsequently, EVN's strategy of sustainability will also be increasingly implemented in Bulgaria.

However, in view of the widely different circumstances, the sustainability initiatives in Bulgaria for the 2004/05 financial year are reported separately.

An overview of ERP Plovdiv and ERP Stara Zagora

The ERP Plovdiv and ERP Stara Zagora companies supply a total of around 1.5 million people, and thus roughly a third of all Bulgarian end customers, with electrical power. In 2004, between them, the power suppliers sold 6,597 GWh of electricity. As a result of the majority acquisition of the two companies, the EVN Group has tripled the size of its customer basis in the electricity sector and doubled its sales volumes to consumers. With an area of over 42,000 km², the companies' supply region is about the size of Switzerland. The Stara Zagora region offers major potential derived from Black Sea tourism and the trading activities at the port of Burgas, while Plovdiv is the second largest city in Bulgaria and is an important business and trade fair centre.

Through this acquisition, EVN has not only markedly expanded its existing energy business, but it has also gained access to the major potential offered by the dynamically expanding economy of an EU candidate country. It is EVN's intention to upgrade its business in the Bulgarian energy industry, which will be fully liberalised from 2007/08 onwards, on the basis of competitive structures and thus ensure a reliable and reasonably priced supply of electricity to Bulgarian customers. Investments in network modernisation, the substitution of meters and the reduction of technical line losses, will contribute to the attainment of this goal. In the medium- and long-term, EVN also intends to extend its multi-service utility concept to Bulgaria.

Electricity generation

At present, Bulgaria uses a single-buyer-model for electricity sourcing, which means that every power import, export and inter-regional transport transaction must be completed via the national electricity company, NEK. As far as national generation is concerned, all the large electricity producers, which were previously the property of NEK, have been discontinued and should now be partially privatised. However, around 85% of production must still be sold to NEK, which then sells its electricity at a fixed price to the regional distribution companies. Nonetheless, since July 1, 2005, all customers with annual consumption of over 20 GWh have been classified as "privileged" and can purchase power directly from the producers. The market should be fully opened by 2007 or 2008 at the latest to coincide with the planned accession of Bulgaria to the EU.

In 2004/05 (October 2004-September 2005), 96.4% of the electricity provided by ERP Plovdiv and ERP Stara Zagora derived from NEK.

Initial measures – reductions in network losses

One focus of investment for the two companies now belonging to the EVN Group is a reduction in network losses, which in Bulgaria are still high. EVN is intent on cutting these losses, which in 2004 amounted to 19.7% at ERP Plovdiv and 13.5 % at ERP Stara Zagora to a European average of 10%, not just for economic reasons, but also from the perspective of the efficient use of resources.

The main reasons for these sizeable losses are old and insufficiently dimensioned transformer, distribution and transmission systems and illegal electricity tapping not registered by meters. An extensive investment programme costing EUR 19.4 m envisages the replacement and upgrading of network distributions systems, the expansion of network capacity, the intensified use of new meters, the lead sealing or relocation of meters, and the expansion of network capacity. By September 2005, 663,500 new meters had already been installed.

Reduction of environmental risks

EVN has also introduced a measure at its Bulgarian subsidiaries aimed at minimising the risk to the environment derived from transformer oil leaks. The networks of both companies contain a number of old secondary network transformers. Should these start to leak, small quantities of insulation oil can escape and partially flow into the soil. The related environmental risk is now to be reduced considerably by means of improved maintenance, the exchange of obsolete transformers and the construction of cable transformer substations with oil sumps.

Protection of the landscape, fauna and flora

Both ERP Plovdiv and ERP Stara Zagora play an active role in the protection of nature and the landscape. This extends to active contributions by both companies to programmes aimed at the conservation of protected species.

In 1999, the companies joined the environmental company “Zeleni Balkani” in a project aimed at safeguarding white storks nesting in the districts of Plovdiv and Stara Zagora. In order to protect this rare species against the dangers of electrical current, platforms have been mounted on electricity pylons on which the birds can build nests in safety. This project won an award from the Bulgarian Ministry of the Environment and Water Protection and in 2004 alone, involved the installation of 475 such platforms.

Integration into the EVN Group – extensive measures in the human resources sector

One major challenge faced by EVN in the past financial year was the integration of the two new Bulgarian subsidiaries.

Special attention was paid to corporate culture as the basis and backdrop for the interaction between employees and their work, and thus for Group success. As a result of increasing internationalisation, for some years EVN’s corporate culture has been in a state of permanent flux. Every new subsidiary means an enrichment derived from fresh impulses, which at the same time, must be integrated into the context of the existing company culture and appropriately harmonised. In this connection, the size of the new Bulgarian subsidiaries alone makes their accession to the Group of special importance.



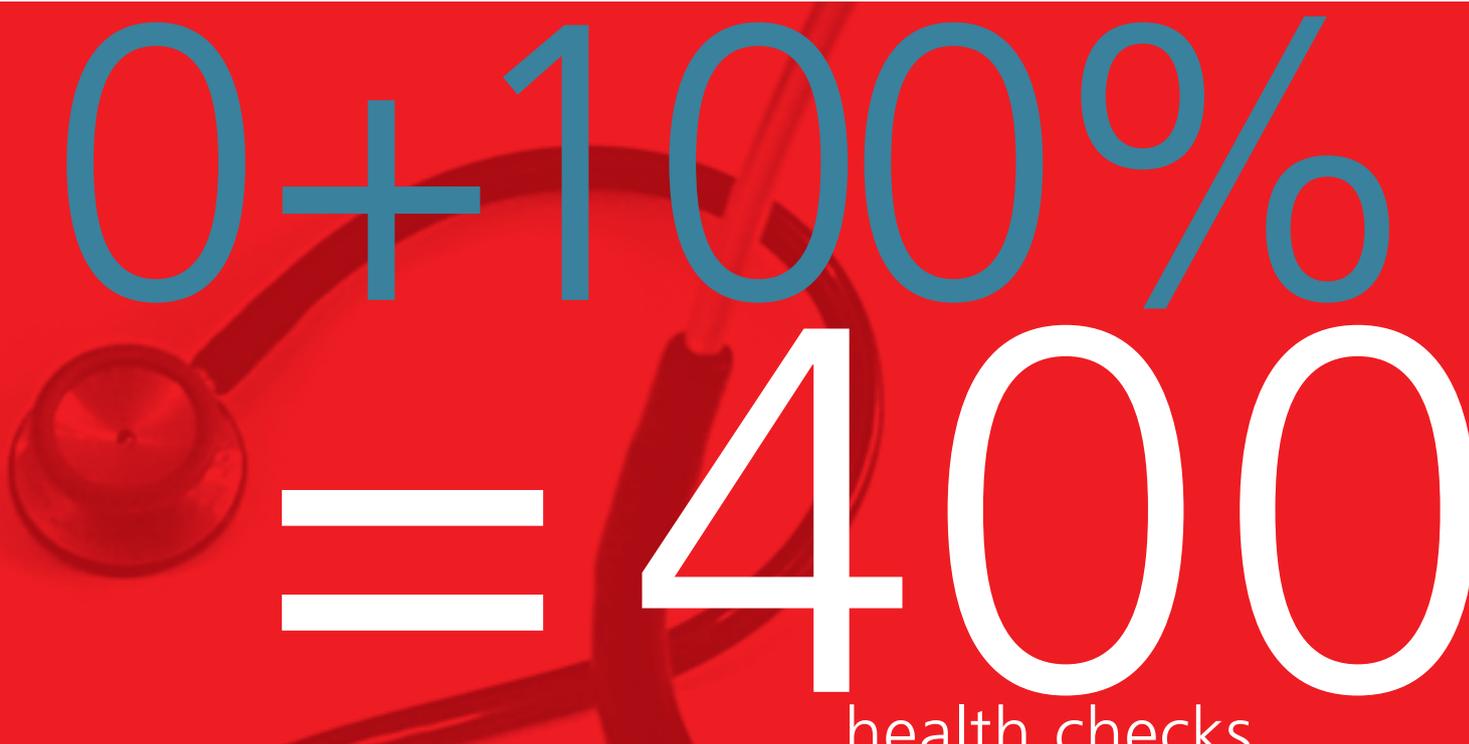
ERP Stara Zagora and ERP Plovdiv are supporting the protection of the white stork.

EVN endeavours to integrate the differing companies to a maximum extent and thus concentrate the strengths of all the enterprises within the Group and simultaneously facilitate the exploitation of synergy potential. Within the scope of its social responsibilities, EVN makes every effort to take the needs of employees into account during programmes aimed at increasing efficiency.

The exchange of experience and know-how and the promotion of an understanding of others, represent key elements in this integration concept. One major aspect of EVN's integration strategy is therefore the systematic exchange of employees, who like the Group as a whole, obtain additional opportunities through expansion.

- **Employee exchanges**

An exchange programme has been created for the Bulgarian companies for precisely this purpose. This envisages the posting of Bulgarian employees to Austria and vice versa, in order that personal contacts can be established, reciprocal learning can occur and that mutual best practice can be adopted. During the past financial year, around 70 Austrian employees spent a considerable amount of their working time in Bulgaria, while a further 50 supported the integration project from Austria. Conversely, some 50 Bulgarian employees came to EVN in Austria for specialist stays.

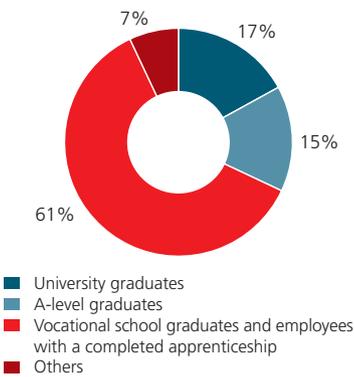


0 + 100%
= 400
health checks

In its first year of existence, the new company health check-up system was used by around 400 EVN employees. Moreover, the EVN health service, which has been in operation for many years, continued to enjoy great popularity. Apart from an extensive range of examination and consulting offers, some 600 inoculations are provided annually.
Responsibility leads the way.

The excellent co-operation in the integration team, in which 44 Bulgarian co-ordinators worked closely with Austrian coaches, represented a decisive factor in the major progress already made towards the integration of the two new Group companies during the period under review. This teamwork is to be maintained during the second phase of the integration project, which will focus primarily on the external organisation. During the 2005/06 financial year, it is planned to restructure the entire external organisation of ERP Plovdiv and ERP Stara Zagora, in line with the example of the customer centres in Lower Austria. Four model centres are to be installed for this purpose, in which the heads of the Austrian customer centres will serve as coaches to their Bulgarian colleagues.

**Educational structure
 ERP Plovdiv/Stara Zagora**



• **A focus on human resources development**

The integration of the new companies also represents a challenge in the human resources development area. EVN has therefore implemented a range of measures aimed at improving employee qualifications in areas such as networks and energy (e.g. regulation management, sales, planning/sourcing), and diverse, cross-sectional administrative areas (e.g. accounting, controlling). Training and further training are targeted on the provision of support for the fulfilment of specific tasks. In this regard, inter-cultural training was also carried out. In addition, EVN employees have an opportunity to attend language courses in Bulgarian.

At the beginning of 2005 management audits were completed involving around 110 employees from the second and third management levels at ERP Plovdiv and ERP Stara Zagora. In the course of these human resources development measures, individual profiles of all the participants were prepared, which were used subsequently as a basis for company reorganisation and an important criterion for the reallocation of managerial positions.

During the 2005/06 financial year, the foundation of an ERP Academy in Bulgaria is planned, which among other activities will offer language courses in English and German. In addition, safety training, e.g. for working with electricity, management seminars and personality training will all be part of the programme.

EVN Bulgaria workforce – key indicators		
		2004/05
Employees	Total	4,049
thereof women	%	29
thereof men	%	71
Employee fluctuation	%	4
Average length of service	Years	13
Average age	Years	43
Sick leave/employee	Days/year	12

Statement of the environmental verifiers

As lead verifiers of the Lloyd's Register environmental verifying organisation we have examined the content of the „Ecology“ and „Society“ sections of the EVN Sustainability Report 2004/05 and following the completion of an audit at the EVN AG location in Maria Enzersdorf on November 10 and 11, 2005 can verify both the content of the Sustainability Report 2004/05 and the derivative sustainable effects.

Vienna, November 11, 2005



Lloyd's Register Group
Environmental verifying organisation
Registration Number: A-V-022

Hans Kitzweger
Lead verifier

Harald Ketzner
Lead verifier

Verifiers' report

We were instructed by EVN AG to verify the figures contained in the EVN AG Sustainability Report for the 2004/05 financial year. The Sustainability Report itself is the responsibility of the EVN AG management.

On the basis of the assignment allocated to us, we express the following opinion:

The financial figures contained in the „Economy“ section of this report are taken from the consolidated financial statements of EVN AG as at September 30, 2005, September 30, 2004 and September 30, 2003, which were prepared in accordance with the International Accounting Standards, respectively the International Financial Reporting Standards, and received our unqualified auditors' opinion. The financial data in the aforementioned section is correctly repeated.

In addition, we would like to point out that for an understanding of the financial figures, the consolidated financial statements of EVN AG for the 2004/05, 2003/04 and 2002/03 financial years should be read together with the notes to the financial statements.

Vienna, November 24, 2005



KPMG Alpen-Treuhand GmbH
Accounting and tax consultancy company

Johann Perthold m.p.
Chartered accountant and tax consultant

Maximilian Schreyvogel m.p.
Chartered accountant and tax consultant

EVN corporate policy statement

The company

We are an energy and environmental services group based in the federal province of Lower Austria. We cooperate with both national and international partners and also carry out assignments via affiliated companies.

We intend to fulfil customer expectations and needs through our range of products and services in the energy, water, waste incineration and infrastructure services areas. As a result, we also contribute to the general quality of life.

We compete in the market as a quality supplier.

Our customers

Customer satisfaction is our top priority. Therefore, we deliver high-quality products and prompt service in a customer-friendly manner.

Our business range primarily involves the supply of electricity, natural gas, heat and water, as well as the treatment of wastewater and waste. Apart from these activities, we also provide numerous related services.

Our competence and infrastructure furnish us with opportunities for the expansion of our range of activities into additional, related areas of business and the supply of our services in new markets.

Together with our customers, we realise the basic principle of "Using energy wisely". Consequently, we offer extensive consulting and customised solutions.

Our shareholders

We have an obligation to provide our owners with sustained corporate success.

This not only includes the generation of adequate earnings and the payment of appropriate dividends, but also the focused further development of our business.

We aim for an open and long-term relationship with both our Austrian and international shareholders. To this end, we endeavour to achieve transparency through a comprehensive flow of information.

Our employees

Our claim with regard to the excellent quality of our products and services requires responsible, well informed and highly qualified employees, who are prepared to provide outstanding performance even under demanding circumstances.

High levels of personal initiative, mutual respect and team spirit contribute to sustained corporate success. Employee health care, safety, training and further training represent a company priority.

Our conduct and commitment play a major role in shaping the company's public image.

Our responsibilities

We are answerable to our customers, owners and employees. Therefore, economic prudence and sustainability constitute the business principles governing every aspect of company activity.

We have a responsibility to society. The intelligent use of energy and renewable energy sources, as well as a careful approach to nature, represent the benchmarks for our activities. The highest possible energy efficiency and innovative environmental protection systems are our goal.

We have a responsibility towards the general public. Accordingly, we feel obliged to pursue a policy of transparency, open communications and active corporate governance.

EVN meets its social responsibilities by opposing every form of discrimination in the workplace and day-to-day business.

We contribute to the sciences, arts and culture in a manner appropriate to our company.

Through the implementation of this corporate policy, we fulfil our claim to competence, "Using energy wisely."

EVN environmental policy statement

Minimisation of environmental impact

EVN seeks to minimise the environmental impact of its activities and strives to make an important contribution to the maintenance of the general ecological balance.

Sustainable development

We feel an obligation to the principle of sustainability and adopt a responsible approach to the resources entrusted to us. Our aim is to secure the long-term quality of the environment for future generations. We endeavour to balance ecological, economic and social objectives.

Improved environmental performance

EVN ensures compliance with all statutory requirements through the use of the very latest technology.

In addition, the company is committed to constant improvements in the standard of its environmental performance. Accordingly, plants causing emissions are accredited according to EMAS and ISO 14001 and subjected to annual external audits.

State-of-the-art environmental engineering

All of EVN's energy generation plants are of state-of-the-art design. In this connection, the environmental upgrading of existing capacity and installation of new plants at established locations are of special importance. At the same time, the company endeavours to husband resources through the highest possible efficiency levels and further the development of innovative, environmental protection technologies.

Resource conservation and climate protection

EVN employs a flexible generation mix comprised of energy from water, heat and renewable sources. Resource conservation constitutes a yardstick for our activities and therefore, the use of renewable fuels is an established feature in our strategies. Through increased efficiency, the utilisation of alternative energy sources and waste treatment, we make a valuable contribution to the climate protection targets of the EU, the Austrian Republic and the federal province of Lower Austria.

Landscape conservation

In the course of its energy transmission activities, EVN pays close attention to landscape conservation. Local network cabling projects and optimum line routing are two examples of this policy.

Waste management

The flows of material within our company are carefully monitored and controlled, facilitating waste prevention, recycling and correct disposal, in that order. The company also applies ecological criteria when selecting its material and equipment suppliers, and waste disposal contractors.

Energy consulting

Efficient, customer-oriented energy consulting is a matter of key importance to EVN. In addition to economic considerations, this also involves ecological aspects. Energy saving is one of the core principles of EVN consulting.

Work force motivation

The comprehensive range of tasks for an ecologically oriented company is so wide, that only well-informed and motivated employees can accomplish it. Therefore, EVN regards staff training and identification with the company's ecological policy as a major priority.

EVN AG

Head Office

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

Corporate Communications

Renate Lackner-Gass
Phone +43 2236 200-12799
Fax +43 2236 200-82799
E-mail renate.lackner-gass@evn.at

Investor Relations

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

Human Resources

Karl Huber
Phone +43 2236 200-12092
Fax +43 2236 200-84714
E-mail karl.huber@evn.at

Environmental Controlling and Safety

Hans-Georg Rych
Phone +43 2236 200-12526
Fax +43 2236 200-82526
E-mail umweltcontrolling@evn.at

Information on the Internet

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

leads the way.