Management report

Energy policy environment

European energy and climate policy

The energy policy objectives and targets set by the European Union provide a clear framework for Austria and all other member states to define their national climate goals and create the necessary legal basis to attain these goals. The European Council issued the following goals for the years up to 2030:

- A reduction of at least 40% in greenhouse gas emissions below the 1990 level, whereby an increase to at least 55% is currently under discussion
- An increase in the share of renewable energy in the total energy mix to at least 32%
- An improvement of at least 32.5% in energy efficiency
- The strengthening of market integration through cross-border electricity trading equalling at least 70% of the transmission capacity for exports, imports and transit

The European Union approved a package of measures entitled "Clean Energy for all Europeans" (Clean Energy Package) to meet these overriding goals. The measures are relevant for the energy sector, above all in the following areas: the organisation of the electricity market, supply security for electricity, the management of the future energy union, energy efficiency and renewable energy.

In reaction to the Covid-19 crisis, the EU Commission approved the "Next Generation EU". This reconstruction package contains numerous measures involving renewable energy and provides for the necessary financial assistance to implement these measures.

Austrian climate and energy goals

The goals set by the Austrian federal government call for electricity consumption to be covered in full (national balance) by renewable energy sources by 2030 and require climate neutrality by 2040. In order to meet these goals, state subsidies ranging up to EUR 1bn per year will be provided over the next ten years to support the expansion of renewable generation capacity. Plans call for an increase of 27 TWh in electricity generation from renewable sources by 2030: 11 TWh from photovoltaic, 10 TWh from wind, 5 TWh from hydropower and 1 TWh from biomass.

The Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology issued a draft of the Renewable Energy Expansion Act on 16 September 2020. It defines new framework conditions for the further expansion of renewable energies and for the implementation of the Clean Energy Package. This law will take effect in 2021 if it is passed by the Austrian Parliament and Federal Assembly and if the foreseen state subsidies for the expansion of renewable energy are approved by the European Commission. Based on the draft of the Austrian Renewable Expansion Act, the major changes for EVN's activities will be as follows:

- **New subsidy scheme for green electricity**
  - Support in the form of a market premium, which will be granted for 20 years beginning on the commissioning date, as a subsidy to a technology-specific reference electricity price.
  - The plant operator will be responsible for marketing the generated green electricity (direct marketing).
  - The subsidy for small hydropower plants will be defined by legal regulation.
  - The subsidy for wind power plants will also be defined annually up to 2023 by legal regulation. An analysis for 2024 and the following years will determine whether the subsidy will then be based on the best bidder principle for tenders involving new wind power plant projects.
  - For photovoltaic equipment (with an output of more than 20 kWp) and biomass plants, the subsidy will be determined according to the best bidder principle through tenders.
  - As an alternative, new smaller photovoltaic plants (with an output up to 500 kWp) will be supported by an investment subsidy.

- **Establishment of energy communities (renewable and citizens' energy communities)**
  - Creation of various models for households, associations, small- and medium-sized businesses and municipalities which will support the economical, energy-efficient and independent production, utilisation and marketing of the electricity generated by their own green electricity equipment.
  - Energy communities can reduce their public charges as well as store or market their surplus energy. On the other side, they will need solutions to cover peak loads.
  - The members of renewable energy communities will enjoy a reduction in network fees.

- **Network reserve**
  - Framework for the continuation of an output reserve for the management of shortages

Regulatory environment

Austria

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

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

The regulatory authority reduced the weighted average cost of capital with the start of the new regulatory periods for the natural gas distribution network and for the electricity distribution network on 1 January 2018 and 1 January 2019, respectively, to reflect the generally lower interest rate levels. However, a differentiation was made for the first time between the efficiency of the various network operators and between existing and new equipment in order to create incentives for further investments and efficiency improvements. This benefits network operators with higher productivity in industry comparison as well as with the slightly higher interest rates on the capital required for new investments. EVN's network company has received a very positive evaluation from the regulatory authority for its productivity in peer-group benchmarking.

Bulgaria

The electricity market for industrial customers in Bulgaria has been completely liberalised, and commercial customers will now receive gradual access to the free market. Commercial customers in the regulated market were still supplied by EVN Bulgaria EC in 2019/20, but the company will now only supply household customers and serve as a "supplier of last resort" for customers who do not select another supplier or cannot receive electricity from their chosen supplier through no fault of their own. Commercial customers joined the free market in October 2020 and are no longer supplied by EVN Bulgaria EC at regulated prices. Energy sales to customers in the regulated market segments and the procurement of the corresponding volumes are based on regulated prices. EVN Trading SEE serves as a supplier for customers in the liberalised market segment.

The Bulgarian regulatory authority set new energy tariffs for the regulated market segments as of 1 July 2020. The end customer prices for household customers in EVN's supply area were increased by 4.2% on average for electricity (previous year: average increase of 3.5% for electricity as of 1 July 2019).

The second year of the new three-year regulation period for the electricity network in Bulgaria began on 1 July 2019. The regulatory method for this network defines a revenue cap which covers recognised operating expenses, amortisation and depreciation as well as an adequate return on the regulatory asset base. The applied method also includes the projected network distribution volumes as well as an annually defined investment factor that covers planned future investments. EP Yug is responsible for the operation of the electricity distribution networks in EVN's Bulgarian supply area.

North Macedonia

In order to achieve the legally required unbundling of the individual fields in the energy business and meet the related requirements, EVN operates through various companies in North Macedonia. Network operations in the regulated market segment are the responsibility of Elektrodistribucija DOOEL, while customers in the liberalised market segment receive deliveries from the sales company EVN Macedonia Elektrosnabduvanje DOOEL. EVN Macedonia Elektrani DOOEL serves as a production company. Since 1 July 2019, EVN Home DOO has supplied electricity to all households and small businesses in the regulated market segments based on a license as the "supplier of universal service". This license has an initial term of five years.

The North Macedonian regulatory authority raised the end customer prices for the household customers of EVN Home DOO by roughly 7.4% as of 1 August 2020 (previous year: no adjustment), but these increases must be passed on to the state-owned electricity producers and the transmission network operator.

The final year of the current three-year regulation period for the electricity network began on 1 July 2020. Similar to the framework in Bulgaria, the regulatory method for the electricity network defines a revenue cap which covers recognised operating expenses, amortisation and depreciation as well as an adequate return on the regulatory asset base.

Croatia

The full liberalisation of the Croatian natural gas market has been postponed until 2021, but household customers have already received the right to change suppliers. The market for commercial and industrial customers has been liberalised since 2012, and this growing liberalisation has led to greater competition among the natural gas suppliers active in Croatia. The consolidation and takeover processes that have taken hold in the natural gas sector and the scheduled start of operations in the LNG terminal in 2021 lead to expectations of a further increase in competition.

General business environment

The Covid-19 pandemic and, above all, the measures to contain its spread had a severe negative impact on the global economy, especially during the first half of 2020. The gradual loosening of these restrictions in many countries during May led to a recovery that was supported by the extensive monetary and fiscal measures implemented to limit the related economic consequences. However, there is still substantial uncertainty over the further course of the pandemic. Rising unemployment combined with the current and recently intensified measures to contain the spread of the coronavirus could delay the economic recovery. In this environment, economists expect the growth of 1.3% for the European Union in 2019 will be followed by a drop of 7.4% to 8.3% in 2020 and then increase again by 4.2% to 5.6% in 2021.

The strict measures implemented in Austria during spring 2020 to contain the Covid-19 pandemic triggered a massive loss in added value. The loosening of these restrictions during the summer led to a strong rebound, the consumption backlog essentially disappeared and the massive drop from spring 2020 was, in part, recovered. The growth of about 1.4% recorded by the Austrian economy in 2019 is expected to be followed by a decline of 6.7% to 7.1% in 2020 and expectations of a renewed increase of 4.1% to 4.7% in 2021.

In Bulgaria, the economy remained on a growth course in 2019 with a plus of roughly 3.4%. Private consumption and public sector investments served as the main drivers. Since these two areas, together with exports, have been particularly hard hit by the corona pandemic, forecasts point to a GDP decline of 4.5% to 6.2% in 2020 due to the uncertain situation. The economy is expected to return to a growth course in 2021 with an increase of 2.6% to 4.3%.

The Croatian economy also followed a growth course up to 2019, but at a slower pace. The main growth drivers were private consumption, which benefited from rising household incomes and declining unemployment, as well as the strong tourism branch, which generates roughly one-fifth of Croatia's economic output. GDP growth equalled 2.9% in 2019. Croatia was hit by an earthquake at the end of March 2020 and the resulting effects combined with the corona pandemic were naturally reflected in growth forecasts. Under these conditions, the economy is expected to drop by 8.0% to 9.6% in 2020 but increase by 5.0% to 6.0% in 2021.

The Republic of North Macedonia, which was granted NATO membership in March 2020, is currently also in accession talks with the EU. Up to the outbreak of the corona pandemic, the country followed a strong growth course with a GDP increase of 3.6% in 2019. Positive impulses were provided, above all, by flourishing exports as well as private consumption, which benefited from measures that included an increase in the minimum wage and rising employment. In addition, ongoing structural reforms and a stable banking sector create incentives for long-term investment. However, the forecasts for North Macedonia were also revised downward due to the Covid-19 pandemic: The economy is expected to decline by 2.1% to 5.4% in 2020 and return to growth of 3.8% to 5.5% in 2021.

GDP growth	%	2021f	2020e	2019	2018	2017
EU-28 [1)2)]		4.2 to 5.6	–7.4 to –8.3	1.3	1.8	2.6
Austria [2)3)]		4.1 to 4.7	–6.7 to –7.1	1.4	2.5	2.5
Bulgaria [1)2)4)5)]		2.6 to 4.3	–4.5 to –6.2	3.4	3.1	3.5
Croatia [1)2)4)6)]		5.0 to 6.0	–8.0 to –9.6	2.9	2.7	3.1
North Macedonia [5)6)]		3.8 to 5.5	–2.1 to –5.4	3.6	2.7	1.1

1) Source: "European Economic Forecast, Autumn 2020", EU-Commission, November 2020
2) Source: "Prognose der österreichischen Wirtschaft 2020–2021", IHS, October 2020
3) Source: "Prognose für 2020 und 2021: Abschwächung der Konjunktur, aber keine Rezession", WIFO, October 2020
4) Source: "CEE Weekly_32_2020", Raiffeisen Research, October 2020
5) Source: "Global Economic Prospects", World Bank, June 2020
6) Source: "World Economic Outlook", International Monetary Fund, October 2020

Energy sector environment

EVN's energy business is significantly influenced by external factors: The weather plays a key role in the demand for electricity, natural gas and heat by household customers, while the general business environment represents a main driver for the energy requirements of industrial customers.

Temperatures in EVN's three core markets were above the long-term average during the 2019/20 financial year. In Austria, the heating degree total – which defines the temperature-related demand for energy – was 1.5 percentage points below the previous year. The heating degree total in Bulgaria and North Macedonia was also substantially lower due to the mild winter weather, with a decline of 10.0 percentage points in Bulgaria and 8.2 percentage points in North Macedonia.

The cooling-related demand for energy fell sharply by 45.1 percentage points in Austria and by 29.7 percentage points in North Macedonia during 2019/20. This decline was a result of the cooler weather during the summer months. In Bulgaria, the cooling degree total remained nearly constant at the prior year level.

The average EEX price for natural gas fell by half to nearly EUR 9.1 per MWh in 2019/20. Well-filled storage facilities due to the mild winter and higher liquid natural gas supplies in Europe were the main reasons for this development. The pressure on prices was further increased by the Covid-19-related drop in demand beginning in mid-March. This weaker demand was also responsible for a decline in the price of hard coal, which was 28.7% lower than the previous year at an average of EUR 44.6 per tonne. The price of CO_2 emission certificates followed a volatile course in 2019/20 and, at EUR 24.0 per tonne on average, was slightly higher than the previous year.

The market prices for base load and peak load electricity followed the development of primary energy prices. The declining prices for coal and natural gas, the sharp drop in CO_2 prices and reduced demand for electricity due to the Covid-19 pandemic led to a

Energy sector environment – indicators		2019/20	2018/19
Heating-related energy demand[1)]	%		
Austria		95.5	97.0
Bulgaria		83.9	93.9
North Macedonia		88.7	96.9
Cooling-related energy demand[1)]	%		
Austria		58.9	104.0
Bulgaria		105.4	105.0
North Macedonia		99.4	129.1
Primary energy and CO_2 emission certificates			
Crude oil – Brent	EUR/bbl	41.6	58.6
Natural gas – GIMP[2)]	EUR/MWh	9.1	17.1
Hard coal – API#2[3)]	EUR/t	44.6	62.6
CO_2 emission certificates	EUR/t	24.0	23.3
Electricity – EEX forward market[4)]			
Base load	EUR/MWh	45.8	45.7
Peak load	EUR/MWh	54.8	55.6
Electricity – EPEX spot market[5)]			
Base load	EUR/MWh	32.5	45.5
Peak load	EUR/MWh	38.7	52.4

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

year-on-year decrease in the average spot market prices for base load and peak load electricity, which fell by 28.5% to EUR 32.5 per MWh and by 26.2% to EUR 38.7 per MWh, respectively. On the forward market, the electricity price returned to the pre-corona level. The prices for base load electricity reflected the previous year at an average of EUR 45.8 per MWh (2018/19: EUR 45.7 per MWh). The average forward price for peak load electricity was slightly lower than the previous year at EUR 54.8 per MWh (–1.4% versus 2018/19).

Business development

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

Also see page 174f

Effects of the Covid-19 pandemic

The most important effects of the Covid-19 pandemic on EVN's business development in the 2019/20 financial year are described in the following section:

- As a critical infrastructure operator, EVN was very well prepared to deal with the pandemic. The corporate guideline "EVN Pandemic Prevention", which was prepared in 2009, served as a benchmark for the necessary activities. The installation of a crisis staff and special protective measures for critical infrastructure operations (generation, networks, thermal waste utilisation, heat and drinking water supplies, telecommunications) were essential in this respect.
- The influence of Covid-19 on wholesale prices was generally limited to the short-term range, but an increase has also been visible here in recent months. The decline in short-term prices resulted chiefly from the anticipated weaker demand for electricity in the near term, especially from industrial customers. However, the development of electricity futures prices in the coming periods, as suggested by current market trends, and estimates by well-known providers of electricity price forecasts now indicate that Covid-19 will not have a significant influence on wholesale prices over the longer term.
- Energy sales volumes to industrial and commercial customers declined during the lockdown in spring 2020, which also had a negative effect on the business development of EnergieAllianz.
- The decline in electricity consumption was also evident in network sales volumes; however, this volume effect will be offset through future tariffs according to the Austrian regulatory methodology.
- In line with our clear commitment to our investment programme, the individual delays caused by the lockdown in spring 2020 will be offset during 2020/21.
- The closing for the start of work on the Umm Al Hayman wastewater treatment project in Kuwait was only completed at the end of July 2020 due to the corona crisis; the earnings contribution expected for 2019/20 is therefore postponed to the following years.
- Impairment testing as of 30 September 2020 led to the revaluation of energy generation assets in South East Europe and to the customer base in North Macedonia. In the first half of 2019/20, the Covid-19-related increase in the country risk premiums had led to a higher discount rate and, consequently, to impairment losses of these assets. Apart from this effect, Covid-19 had no direct impact on the impairment testing of intangible assets or property, plant and equipment in 2019/20.
- EVN determines the impairment losses for trade receivables in accordance with IFRS 9B5.5.35 based on regionally differentiated analyses of historical default incidents. Covid-19 was responsible for an increase of EUR 4.7m in the impairment losses to trade receivables in 2019/20.
- The Covid-19 crisis also had an effect on the market value of the securities in the R 138 fund, which are carried at fair value through profit or loss. The initially recognised, substantial losses were recovered in part towards the end of the financial year following an improvement on the stock markets. The price declines recognised to profit or loss as of 30 September 2020 totalled approximately EUR 5.6m.
- EVN has succeeded in protecting its high financial flexibility and solid liquidity reserves due to low net debt and a comfortable base of contractually committed, undrawn credit lines of EUR 605m as of 30 September 2020.

In summary, the corona crisis had a selective negative influence on EVN's operating results in 2019/20. Stabilising effects were provided, above all, by EVN's integrated business model and widely diversified customer base.

Statement of operations

Highlights 2019/20

- → Solid Group net result of EUR 199.8m at upper end of expected range
- → Individual negative effects from corona crisis; stabilisation through diversified business model
- → Return of EVN KG to positive contributions as key earnings driver
- → Earnings development negatively influenced by decline in electricity generation, impairment losses (especially in the power plants) and price and volume effects in the Networks Segment

Results of operations

Revenue recorded by the EVN Group totalled EUR 2,107.5m in 2019/20. The 4.4% year-on-year decline resulted chiefly from substantial reductions in thermal generation: The hard coal-fired power plant in Dürnrohr was in operation up to the beginning of August in the previous financial year, while the thermal power plants in Theiss (for network stabilisation) and Walsum 10 were used less frequently in 2019/20. Other major factors included a decline in revenue from network operations and natural gas trading as well as lower valuation effects in the reporting year from hedges for electricity production. In contrast, positive development was recorded in energy revenue from Bulgaria and revenue from the international project business.

The revenue generated by EVN outside Austria amounted to EUR 1,082.9m (previous year: EUR 978.7m). This represents an increase in the share of Group revenue from 44.4% in the previous year to 51.4% in 2019/20.

Other operating income declined by 45.4% to EUR 64.4m due to changes in inventories caused by the invoicing of customer projects.

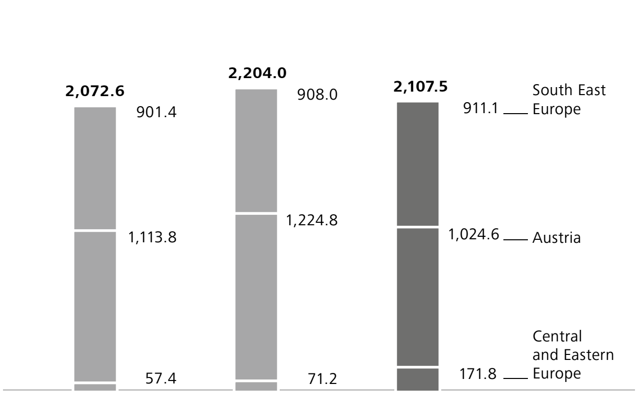
The cost of electricity purchases from third parties and primary energy expenses reflected the development of energy revenue with a decline of 17.9% to EUR 888.3m in 2019/20. This reduction was based, above all, on the lower use of primary energy carriers due to the reduction in thermal generation, a decline in wholesale prices and lower electricity purchases. Moreover, the comparable prior year value was negatively influenced by the valuation of hedges and a resulting increase in expenses.

The cost of materials and services increased by 13.1% to EUR 316.9m due to contract performance in the international project business.

Management report

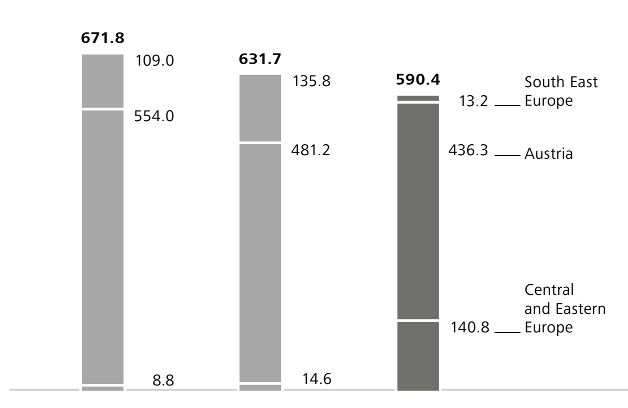
Revenue by region

EURm

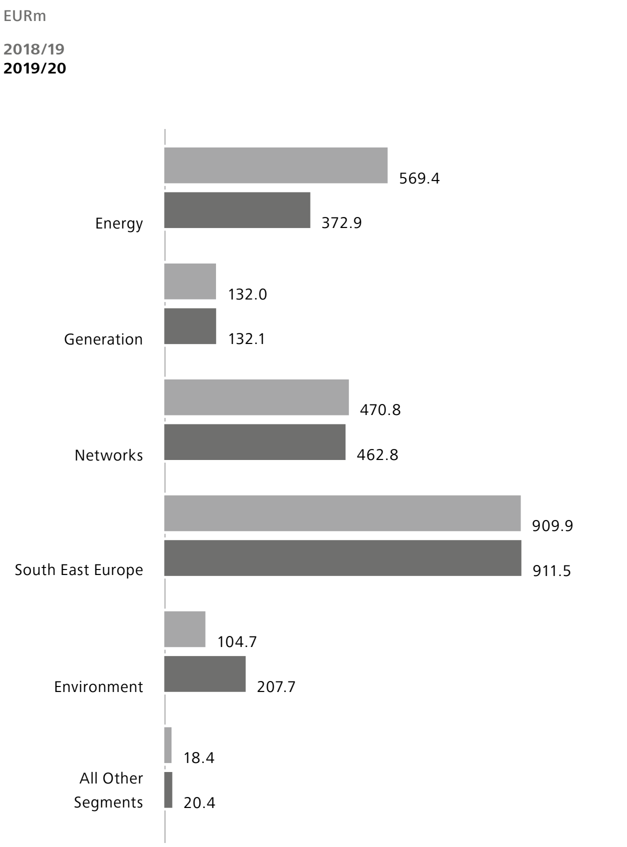


EBITDA by region

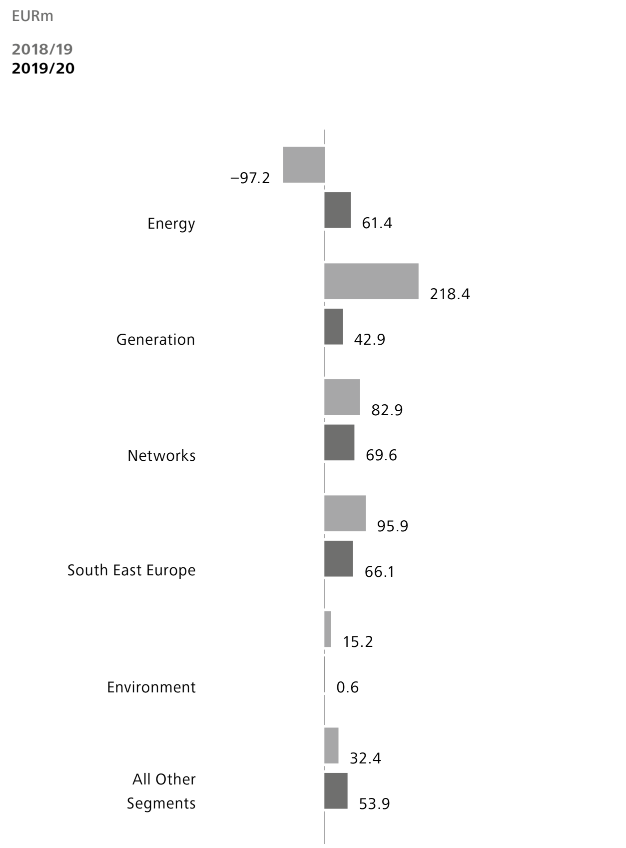
EURm



External revenue by segment



EBIT by segment



Personnel expenses were 3.1% higher than the previous year at EUR 349.3m. In addition to adjustments required by collective bargaining agreements, this increase resulted, among others, from additional hiring for the realisation by WTE Wassertechnik of the large-scale project in Kuwait. The EVN Group had an average workforce of 7,007 in 2019/20 (previous year: 6,908 employees).

Other operating expenses nearly matched the previous year at EUR 121.1m in 2019/20 (previous year: EUR 120.2m).

The share of results from equity accounted investees with operational nature was influenced by contrary developments and fell by 27.8% year-on-year to EUR 94.1m. Positive factors included the normalisation of the earnings contribution from EVN KG and positive non-recurring effects at RAG and Energie Burgenland. Adverse factors included the decline caused by the effects of impairment testing, above all at Verbund Innkraftwerke GmbH: A revaluation of EUR 92.2m in the previous year was contrasted by an impairment loss of EUR 20.7m as of 30 September 2020 which resulted chiefly from an increase in the discount rate. In addition, an impairment loss of EUR 4.9m was recognised to the Ashta hydropower plant in the second quarter of 2019/20 (previous year: revaluation of EUR 0.9m) because of the Covid-19-related increase in the country risk premium. The development of business at EnergieAllianz was also negatively influenced by the corona crisis.

Based on these developments, EBITDA declined by 6.5% year-on-year to EUR 590.4m in 2019/20.

Higher investments, the capitalisation of rights of use following the initial application of IFRS 16 and revaluations to property, plant and equipment as of 30 September 2019 led to an increase of 10.0% in scheduled depreciation and amortisation to EUR 296.7m. In comparing the effects of impairment testing, it is important to note the positive effect of EUR 41.6m in the previous year which

Condensed consolidated statement of operations	2019/20 EURm	2018/19 EURm	+/– Nominal	%	2017/18 EURm
Revenue	2,107.5	2,204.0	–96.5	–4.4	2,078.7
Other operating income	64.4	117.8	–53.4	–45.4	98.9
Electricity purchases and primary energy expenses	–888.3	–1,081.3	193.1	17.9	–961.3
Cost of materials and services	–316.9	–280.3	–36.6	–13.1	–275.1
Personnel expenses	–349.3	–338.7	–10.6	–3.1	–321.7
Other operating expenses	–121.1	–120.2	–0.9	–0.8	–135.7
Share of results from equity accounted investees with operational nature	94.1	130.5	–36.3	–27.8	188.0
EBITDA	590.4	631.7	–41.3	–6.5	671.8
Depreciation and amortisation	–296.7	–269.8	–26.9	–10.0	–258.3
Effects from impairment tests	–20.6	41.6	–62.2	–	–20.6
Results from operating activities (EBIT)	273.1	403.5	–130.4	–32.3	392.9
Financial results	–15.8	–29.9	14.1	47.3	–37.2
Result before income tax	257.3	373.5	–116.2	–31.1	355.7
Income tax	–28.7	–46.7	18.0	38.6	–76.1
Result for the period	228.6	326.9	–98.3	–30.1	279.6
thereof result attributable to EVN AG shareholders (Group net result)	199.8	302.4	–102.7	–33.9	254.6
thereof result attributable to non-controlling interests	28.9	24.5	4.4	18.0	25.0
Earnings per share in EUR[1]	1.12	1.70	–0.6	–34.0	1.43

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

resulted, among others, from revaluations to renewable generation assets, electricity procurement rights and district heating assets and to customer bases in Bulgaria and North Macedonia. Impairment testing as of 30 September 2020 resulted in impairment losses of EUR 22.1m which were related, above all, to EVN's investment in the Walsum 10 power plant (EUR 16.8m). The remaining impairment losses primarily involved electricity generation and district heating assets. Revaluations amounted to EUR 1.5m and were related chiefly to the Kavarna wind park in Bulgaria.

In the second quarter of 2019/20, impairment losses were recognised to energy generation equipment in South East Europe and to the customer base in North Macedonia to reflect the Covid-19-related increase in country risk premiums. These impairment losses are not included as of 30 September 2020 because the country risk premiums have declined in recent months and the framework conditions have improved.

EBIT for the 2019/20 financial year totalled EUR 273.1m (previous year: EUR 403.5m).

The result before income tax was 31.1% lower than the previous year at EUR 257.3m. After the deduction of EUR 28.7m in income tax expense (previous year: EUR 46.7m) and the earnings attributable to non-controlling interests, Group net result for the 2019/20 financial year equalled EUR 199.8m. Group net result in the previous year amounted to EUR 302.4m and was influenced by non-cash, non-recurring effects.

Statement of financial position

Asset and financial position

EVN's balance sheet total rose by 2.2% over the level on 30 September 2019 to EUR 8,365.7m as of 30 September 2020. The increase was based on non-current as well as current assets.

Non-current assets increased by 1.3% to EUR 7,427.6m based, for example, on the initial application of IFRS 16 and the related capitalisation of rights of use. Intangible assets and property, plant and equipment also increased as the result of higher investments during the reporting year and equity accounted investees. The latter resulted from the payment of the equity contribution to the project company for the Umm Al Hayman wastewater treatment plant in Kuwait and a higher earnings contribution from EVN KG. The other investments declined during the reporting year due to the decrease in the Verbund share price (EUR 46.68 as of 30 September 2020 versus EUR 50.20 as of 30 September 2019). Other non-current assets increased, above all due to the capitalisation of project costs for the wastewater treatment plant project in Kuwait, and were contrasted by a lower balance of non-current securities in the R 138 fund and a reduction in non-current receivables from hedges.

Current assets grew by 9.4% to EUR 938.1m, supported by an increase in cash fund investments. In contrast, declines were recorded in inventories and receivables, in particular trade receivables and receivables from hedges, and in current tax receivables. The reduction in trade receivables resulted, above all, from the guarantee payment received in the first quarter of 2019/20 from the Republic of Montenegro for the wastewater treatment project in Budva.

Equity totalled EUR 4,543.3m as of 30 September 2020 (30 September 2019: EUR 4,552.1m). The positive effect from Group net result after tax was contrasted by the dividend payment in January 2020 for the 2018/19 financial year and a negative, share price-related effect from the valuation of the Verbund investment. The equity ratio equalled 54.3% as of 30 September 2020 (30 September 2019: 55.6%).

Non-current liabilities rose by 2.4% to EUR 2,798.3m as a result of different developments: Non-current financial liabilities were increased by the issue of a green promissory note loan (nominal

Condensed consolidated statement of financial position	30.09.2020 EURm	30.09.2019 EURm	+/– Nominal	%	30.09.2018 EURm
Assets					
Non-current assets					
Intangible assets and property, plant and equipment	3,920.3	3,798.0	122.3	3.2	3,620.8
Investments in equity accounted investees and other investments	3,170.9	3,297.5	–126.6	–3.8	2,939.9
Other non-current assets	336.4	235.4	101.0	42.9	321.2
	7,427.6	**7,330.9**	**96.7**	**1.3**	**6,881.9**
Current assets	**938.1**	**857.7**	**80.4**	**9.4**	**949.1**
Non-current assets held for sale	–	–	–	–	–
Total assets	**8,365.7**	**8,188.6**	**177.1**	**2.2**	**7,831.1**
Equity and liabilities					
Equity					
Issued capital and reserves attributable to shareholders of EVN AG	4,282.1	4,295.6	–13.6	–0.3	3,832.8
Non-controlling interests	261.2	256.5	4.8	1.9	259.9
	4,543.3	**4,552.1**	**–8.8**	**–0.2**	**4,092.6**
Non-current liabilities					
Non-current loans and borrowings	1,045.3	990.0	55.3	5.6	1,040.5
Deferred tax liabilities and non-current provisions	996.4	1,081.2	–84.9	–7.8	951.8
Deferred income from network subsidies and other non-current liabilities	756.6	661.9	94.7	14.3	678.0
	2,798.3	**2,733.2**	**65.1**	**2.4**	**2,670.3**
Current liabilities					
Current loans and borrowings	110.0	68.8	41.3	60.0	89.1
Other current liabilities	914.1	834.6	79.5	9.5	979.1
	1,024.1	**903.3**	**120.8**	**13.4**	**1,068.1**
Total equity and liabilities	**8,365.7**	**8,188.6**	**177.1**	**2.2**	**7,831.1**

value: EUR 100.0m; term: 10 years) and reduced by the reclassification of loans from non-current to current. Other liabilities increased due to the recognition of non-current lease liabilities following the initial application of IFRS 16. The lower market price of the Verbund share led to a decrease in deferred taxes and the application of a higher discount rate to a decline in non-current employee-related provisions.

Current liabilities rose by 13.4% to EUR 1,024.1m, chiefly due to an increase in current financial liabilities, current tax liabilities and other current liabilities.

Value analysis

The weighted average cost of capital (WACC) after tax – including EVN's specific company and country risks – was set at 5.5% for the purpose of corporate management. The operating return on capital employed (OpROCE) amounted to 6.2% for the reporting year (previous year: 5.2%). The economic value added (EVA®) generated in 2019/20 totalled EUR 32.3m (previous year: EUR –42.1m).

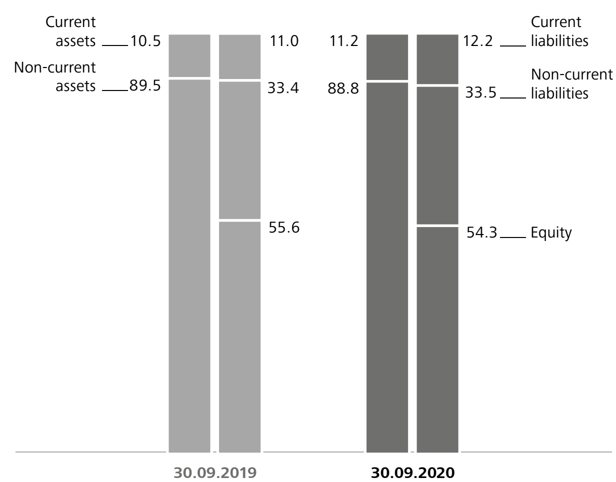
Liquidity position

EVN's net debt has remained constant at approximately EUR 1bn for three years, with fluctuations as of the respective balance sheet dates (net debt including non-current employee-related provisions as of 30 September 2020: EUR 1,037.7m; previous year: EUR 999.5m). The gearing ratio increased slightly from 22.0% to 22.8%.

In order to safeguard its financial flexibility, the EVN Group holds a syndicated credit line of EUR 400.0m as well as contractually agreed bilateral credit commitments of approximately EUR 205.0m.

Balance sheet structure

%



These bilateral commitments were not drawn as of 30 September 2020 and were therefore available in full. The syndicated credit line is seen as a strategic liquidity reserve: The second extension option included in the contract was exercised in May 2020, and the term was therefore extended from May 2024 to May 2025. The remaining terms of the bilateral credit lines concluded with nine banks range up to five years. These solid liquidity reserves underscore the EVN Group's financial stability and flexibility.

Value analysis		2019/20	2018/19	+/– %	2017/18
Average equity	EURm	4,547.7	4,322.4	5.2	3,621.4
WACC after income tax 1) 2)	%	5.5	6.3	–0.8	6.3
Operating ROCE (OpROCE) 1) 3)	%	6.2	5.2	1.0	7.7
Average capital employed 3)	EURm	4,405.7	4,135.4	6.5	4,094.2
Net operating profit after tax (NOPAT) 3)	EURm	274.6	216.3	26.9	314.8
EVA®	EURm	32.3	–42.1	–	58.9

1) Changes reported in percentage points
2) The WACC given (exact value previous years: 6.25%) is used for the purpose of corporate management.
3) Adjusted for impairment losses and one-off effects. The market value of the investment in Verbund AG is not included in capital employed in order to consistently determine the value contribution.

Capital structure indicators	30.09.2020 EURm	30.09.2019 EURm	+/− Nominal	%	30.09.2018 EURm
Non-current loans and borrowings	1,045.3	990.0	55.3	5.6	1,040.5
Current loans and borrowings	110.0	68.8	–41.3	–60.0	89.1
Cash and cash equivalents	–140.0	–246.2	106.3	43.2	–214.5
Non-current and current securities	–325.8	–187.2	–138.5	–74.0	–274.8
Non-current and current loans receivable	–36.8	–36.8	0.0	0.1	–42.2
Financial net debt	656.2	592.0	64.2	10.8	598.0
Net debt	1,037.7	999.5	38.2	3.8	963.7
Equity	4,543.3	4,552.1	–8.8	–0.2	4,092.6
Gearing (%)[1]	22.8	22.0	–	0.9	23.5

1) Changes reported in percentage points

Statement of cash flows

Gross cash flow was 9.7% lower year-on-year at EUR 497.1m in 2019/20. The main factors for the decline included the reduction in the result before income tax and a higher non-cash earnings contribution from equity accounted investees. The increase in depreciation and amortisation was only able to partly offset these effects.

Cash flow from operating activities fell to EUR 412.0m (previous year: EUR 429.7m) due to the development of working capital as of 30 September 2020. However, the year-on-year decline was lower than the change in gross cash flow despite an increase in income tax payments.

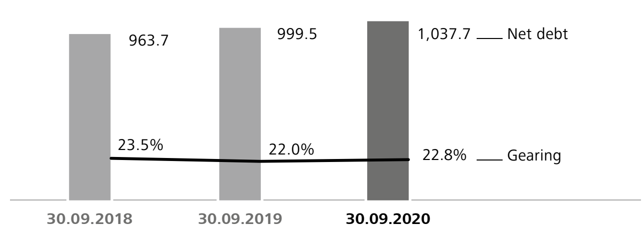
Cash flow from investing activities totalled EUR –428.6m (previous year: EUR –207.1m) and was influenced by investments in property, plant and equipment as well as the investment of liquidity in cash funds. In contrast, the volume of investments in the R 138 fund, which is also included in this position, was reduced during 2019/20. Other factors included the guarantee payment from the Republic of Montenegro for the wastewater treatment project in Budva and – as a contrasting aspect – the payment of the equity contribution to the project company for the Umm Al Hayman wastewater treatment assignment in Kuwait.

Cash flow from financing activities amounted to EUR –88.8m (previous year: EUR –191.0m). This amount includes the dividend for the 2018/19 financial year to the shareholders of EVN AG and to non-controlling interests as well as the scheduled repayment of financial liabilities and the issue of a green promissory note loan (nominal value: EUR 100.0m).

In total, cash flow amounted to EUR –105.4m in 2019/20 and cash and cash equivalents equalled EUR 140.0m as of 30 September 2020. The EVN Group also had contractually agreed, undrawn credit lines of approximately EUR 605.0m at its disposal to service potential short-term financing requirements.

Net debt and gearing

EURm and %



For additional information on the composition and terms of non-current financial liabilities, see page 211f

Investments

Capital expenditure was 6.0% lower year-on-year at EUR 367.9m in 2019/20, primarily because the lockdown implemented in spring 2020 to contain the Covid-19 pandemic led to delays in some projects. Plans call for the offset of the resulting individual delays during 2020/21. In line with its strategy, EVN's investments focused on the electricity and gas networks, renewable generation, natural heat and drinking water in Lower Austria.

Investments in the Energy Segment included, in particular, an increase in heating equipment and the expansion of the district heating networks. One project involved the start of construction on a new biomass heating plant in Klosterneuburg and the parallel expansion of the local district heating network.

In the Generation Segment, investments were lower than the previous year but continued to concentrate on the expansion of wind power capacity in Lower Austria.

Investments in the Lower Austrian network infrastructure were particularly affected by the above-mentioned Covid-19-related delays and were therefore also lower than the previous year. However, nearly half of EVN's total investments in 2019/20 were directed to the Networks Segment. This weighting confirms the company's strategic focus on massive investments in the expansion and strengthening of the pipeline networks and in the construction of new transformer stations and substations. The related projects are intended to support the integration of the growing volume of decentralised renewable generation while protecting supply security and quality.

EVN's investments in the South East Europe Segment increased over the previous year and concentrated mainly on new connections, the replacement of meters and the expansion of the distribution networks to support supply security. A new office building was acquired in Skopje to consolidate three offices which were previously located in different areas of the city.

Condensed consolidated statement of cash flows	2019/20 EURm	2018/19 EURm	+/– Nominal	+/– %	2017/18 EURm
Result before income tax	257.3	373.5	–116.2	–31.1	355.7
Non-cash items	239.8	176.9	62.9	35.5	204.6
Gross cash flow	**497.1**	**550.5**	**–53.4**	**–9.7**	**560.3**
Changes in current and non-current balance sheet items	–40.7	–114.2	73.5	64.3	45.2
Income tax paid	–44.3	–6.6	–37.7	–	–2.0
Net cash flow from operating activities	**412.0**	**429.7**	**–17.6**	**–4.1**	**603.5**
Changes in intangible assets and property, plant and equipment incl. deferred income from network subsidies	–300.1	–321.8	21.8	6.8	–262.3
Changes in financial assets and other non-current assets	34.0	65.4	–31.4	–48.0	–54.3
Changes in current securities	–162.5	49.3	–211.8	–	–140.6
Net cash flow from investing activities	**–428.6**	**–207.1**	**–221.5**	**–**	**–457.1**
Net cash flow from financing activities	**–88.8**	**–191.0**	**102.2**	**53.5**	**–153.5**
Net change in cash and cash equivalents	**–105.4**	**31.5**	**–136.9**	**–**	**–7.1**
Cash and cash equivalents at the beginning of the period	**246.2**	**214.5**	**31.7**	**14.8**	**221.8**
Currency translation differences on cash and cash equivalents	–0.9	0.2	–1.1	–	–0.1
Cash and cash equivalents at the end of the period	**140.0**	**246.2**	**–106.3**	**–43.2**	**214.5**

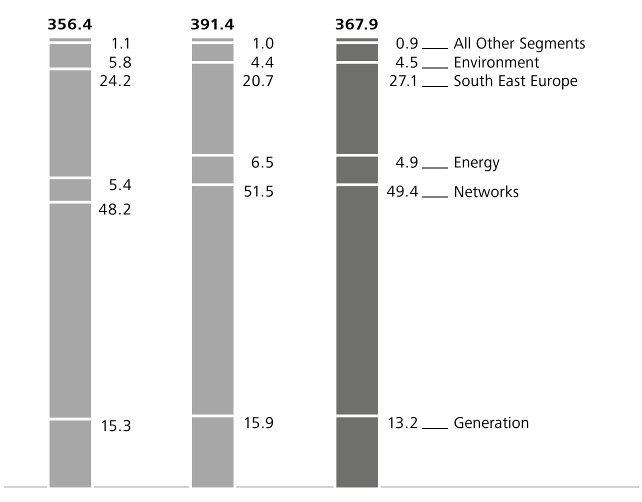
Investment priorities[1]	2019/20 EURm	2018/19 EURm	+/– Nominal	+/– %	2017/18 EURm
Energy	17.9	25.6	–7.7	–30.2	19.2
Generation	48.4	62.2	–13.7	–22.1	54.6
thereof renewable energy Lower Austria	17.8	51.7	–33.9	–65.5	43.3
thereof thermal power plants	30.3	10.5	19.9	–	11.1
Networks	181.8	201.7	–19.9	–9.9	171.6
thereof electricity networks	130.7	134.6	–3.9	–2.9	108.6
thereof natural gas networks	30.3	43.7	–13.4	–30.7	40.6
thereof cable TV and telecommunications networks	20.8	23.4	–2.6	–11.1	22.3
South East Europe	99.7	81.1	18.5	22.9	86.4
Environment	16.8	17.4	–0.6	–3.5	20.7
thereof cross-regional supply pipelines and local networks for drinking water	15.4	14.8	0.5	3.6	17.3
All Other Segments	3.3	3.5	–0.1	–4.0	4.0
Total	367.9	391.4	–23.5	–6.0	356.4

1) After consolidation

GRI indicator: GRI 203-1

Structure of investments

%, total in EURm



In agreement with EVN's strategic orientation, investments in the Environment Segment concentrate on improving the security and quality of drinking water supplies in Lower Austria. The investment volume remained nearly unchanged in year-on-year comparison, and projects focused on the expansion of the cross-regional pipeline networks – for example, the construction of the first section of the new transport pipeline from Krems to Zwettl. At Petronell, EVN is also constructing its fifth natural filter plant in the Lower Austrian supply area to reduce the hardness of the water by natural means.

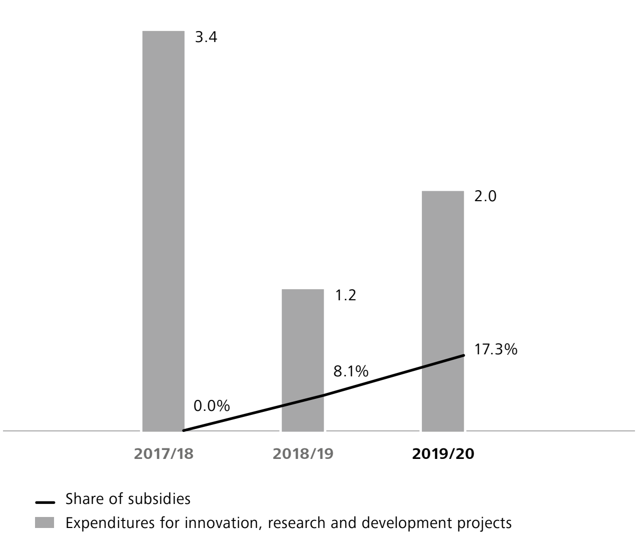
Innovation, research and development

The areas of activity in the EVN materiality matrix also define the framework for our innovation, research and development activities. Our projects are focused primarily on safeguarding supply security, protecting the environment and resources, and strengthening the company's competitive position. In 2019/20 we spent EUR 2.0m (of which 17.3% was financed through public subsidies; previous year: EUR 1.2m) on innovation, research and development projects.

One of the major projects in 2019/20 was the Green Energy Lab. EVN is a founding member and active participant in this Austrian innovation project in support of green energy. The Green Energy Lab includes over 200 participating partners from research, business and the public sector – together with four energy supply companies, including EVN – which are developing customer- and demand-oriented scalable solutions from the prototype up to market maturity. EVN is currently responsible for two Green Energy Lab projects.

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

EURm and %



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

- **R2EC (regional renewable energy cells):** The project is designed to raise the share of renewable energy in local energy communities. Its goal is to promote the direct use of regionally generated energy by the communities and, in this way, support the decentralised expansion of renewable energy. Consequently, the concept is also part of the Austrian federal government's draft of the Renewable Energy Expansion Act that is expected to take effect in 2021. EVN's specific responsibility is the design, testing and measurement of a renewable energy cell in the Tulln region together with selected end customers and prosumers who utilise their own decentralised generation equipment.

- **Open Data Platform (open data platform for research in the energy sector):** All results generated in the Green Energy Lab flow into this central interface. The project's goal is to consolidate findings and insights on connections in the energy systems. Users from households as well as small and medium-sized businesses, in particular, will benefit from this project in the future. The data collected from end users provides information on equipment with high energy consumption (e. g. heat pump systems, warm water boilers or e-charging stations) which creates a better understanding for energy costs. Efficiency data from photovoltaic equipment is also collected. As the only industrial partner in this project, EVN serves as the central interface between participants. Each of them receives EVN's joulie optimisation assistant which visualises the energy flows from the locally generated energy in the individual users' households, increases the own consumption rate and makes it possible for participants to operate on the energy market.

Risk management

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

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

- **Identification:** The survey and/or revision of risks based on the latest risk inventory (review of risk inventory) and the identification of new risk positions and appropriate risk management countermeasures

- **Assessment and analysis:** The qualitative and quantitative evaluation of the identified risks; the aggregation of risks from different points of view; and the modelling of earnings and cash flow distributions

- **Reporting:** Discussion and evaluation of the risk profile by the Risk Working Committee and the Group Risk Committee; the implementation of further risk management measures where necessary; reporting on risk issues to the Audit Committee

- **Process review:** Definition of the organisational units that must submit to an explicit risk assessment; regular reviews to determine whether the methods used to identify and assess risks should be modified to reflect changed conditions; routine reviews by the internal audit department

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

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

△ GRI indicator: GRI 102-30

Risk profile
In addition to the normal industry risks and uncertainties, EVN's risk profile is influenced primarily by political, legal and regulatory challenges and changes in the competitive environment. EVN carries out an annual risk inventory that is updated as needed through ad-hoc risk reports. This inventory includes the following categorisation of risks: market and competition risks, financial risks, operating risks, external risks, strategic and planning risks and other risks. The following table shows the risks classified under the above categories and the measures designated for their minimisation.

Sustainability has high priority for EVN, and sustainability risks therefore represent interdisciplinary material in all risk categories and are the subject of integrated reporting. The risk analysis in 2019/20 focused, in particular, on the identification of climate risks as interdisciplinary material together with their classification as transition or physical risks with assignment to EVN's individual risk categories.

Analysis of potential risks for EVN from the Covid-19 pandemic
The announcement of the first official measures to combat the further spread of Covid-19 in Austria at the end of February and beginning of March 2020 immediately led to a Group-wide analysis

by EVN's central risk management of the potential risks and effects of the corona crisis. The results indicated that the relevant uncertainties and effects of a pandemic for EVN could be assigned to the existing risk categories. The risks identified in connection with the corona crisis were then assessed from a qualitative and quantitative standpoint according to the risk categories listed in the table on the following pages.

The following major uncertainties were identified: the future development of primary energy prices, the cost of capital, economic growth and potential impairment losses to trade receivables in EVN's relevant markets. The increase in primary energy prices and country risk premiums caused by the Covid-19 crisis initially led to a higher discount rate but signs of normalisation were visible during the second half of 2019/20. Higher valuation adjustments were also recorded to trade receivables based on regional analyses.

For information on the major effects of Covid-19 on EVN's business development in 2019/20, also see page 134

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

Prior to the enactment of the Sustainability and Diversity Improvement Act, the potential effects of sustainability aspects on the individual risk categories were also identified and analysed (e. g. risks involving supply security, employees or the environment). The risk inventory was expanded during 2017/18 in line with the Sustainability and Diversity Improvement Act to systematically identify potential risks and effects of EVN's business activities and business relations on areas of environmental, social and employee-related issues, the observance of human rights and the fight against corruption. Their financial impact on the EVN Group was then assessed. The identified risks and their impact were dealt with in accordance with the steps defined by the risk management process.

For information on the most important effects of the Sustainability and Diversity Improvement Act, see page 23ff

Overall risk profile

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

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

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

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

Control environment

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

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

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

EVN's major risks and related risk management measures

Risk category	Description	Measure
Market and competition risks		
Profit margin risk (price and volume effects)	Energy sales and production: failure to meet profit margin targets → Procurement and selling prices (esp. for energy carriers) that are volatile and/or deviate from forecasts → Weaker demand (above all due to weather/climate change, politics, reputation or competition) → Decline in own generation → Reduced project volume in the environmental services business (in particular due to market saturation, limited resources for infrastructure projects, non-inclusion in or failure to win tenders) → Potential climate risk	Procurement strategy tailored to the market environment; hedging strategies; diversification of customer segments and business areas; product portfolio that reflects customer demands; longer-term sale of power plant capacity
Supplier risk	Cost overruns on planned projects; incomplete performance of contracted services or failure to meet contract obligations	Partnerships; contractual controls wherever possible; third party expert opinions
Financial risks		
Foreign currency risks	Transaction risks (foreign exchange losses) and translation risks on the conversion of foreign currency amounts in the consolidated financial statements; financing for Group companies that does not reflect the respective foreign exchange situation	Monitoring; limits; hedging instruments
Liquidity, cash flow and financing risk	Failure to repay liabilities on schedule or to obtain the required liquidity/funds when needed at the expected conditions; potential climate risk	Long-term, centrally managed financial planning; safeguarding financing requirements (e.g. through credit lines)
Market price risks	Decline in the value of investments (e.g. funds) and listed strategic holdings (e.g. Verbund AG, Burgenland Holding AG); potential climate risk	Monitoring of loss potential via daily value-at-risk calculations; investment guidelines
Counterparty/credit risks (default risks)	Complete or partial failure of a business partner or customer to provide the agreed performance	Contractual construction; credit monitoring and credit limit systems; regular monitoring of customer behaviour; hedging instruments; insurance; systematic diversification of business partners
Investment risks	Failure of a core subsidiary or holding company to meet profit targets; potential climate risk	Representation on corporate bodies of the respective company
Rating changes	Higher refinancing costs due to rating downgrades; potential climate risk	Ensuring compliance with key financial indicators
Interest rate risks	Changes in market rates; increase in interest expense; negative effects of low interest rates on the valuation of assets and provisions and on future tariffs	Use of hedging instruments; fixed interest rates in financing contracts

EVN's major risks and related risk management measures

Risk category	Description	Measure
Impairment risks	Recognition of impairment losses to receivables, goodwill, investments, generation equipment and other assets (profitability/value significantly dependent on electricity and primary energy prices and energy sector framework conditions); potential climate risk	Monitoring via sensitivity analyses
Guarantee risk	Financial loss due to claim of contingent liabilities; potential climate risk	Limit volume of guarantees as far as possible; routine monitoring
Strategy and planning risks		
Technology risk	Late identification of and reaction to new technologies (delayed investments) or to changes in customer needs; investments in "wrong" technologies; potential climate risk	Active participation in external research projects; own demonstration facilities and pilot projects; ongoing adjustments to keep technologies at the latest level
Planning risk	Model risks; incorrect or incomplete assumptions; lost opportunities	Feasibility studies by experienced, highly qualified employees; monitoring of parameters and regular updates; four-eyes principle
Organisational risks	Inefficient or ineffective processes and interfaces; duplication; potential climate risk	Process management; documentation; internal control system (ICS)
Operating risks		
Infrastructure risks	Incorrect design and use of technical facilities; potential climate risk	Elimination of technical weaknesses; regular inspections and reviews of current and planned infrastructure
Service disruptions/network breakdowns (own and third party), accidents	Supply interruptions; physical danger to persons or infrastructure through explosions/accidents; potential climate risk	Technical upgrading at interfaces of the different networks; expansion and maintenance of network capacity
IT/security risks (incl. cybersecurity)	System losses; data loss or unintended transfer; hacker attacks	Strict system and risk monitoring (internal control system); backup systems; technical maintenance; external audits; occupational safety and health measures; crisis training
Workforce risks	Loss of highly qualified employees; absence due to work accidents; surplus or shortfall of personnel; communication problems; cultural barriers; fraud; intentional or unintentional misrepresentations of transactions or items in the annual financial statements	Attractive work environment; occupational health care and safety measures; flexible working time models; training; events for employees for the exchange of information and networking purposes; internal control system (ICS)
External risks		
Legislative, regulatory and political risks	Change in political and legal parameters and/or the regulatory environment (e.g. environmental laws, changes in the legal framework, shifting subsidy scheme, market liberalisation in South East Europe); political and economic instability; network operations: non-inclusion of actual operating costs in the network tariffs established by regulatory authority; potential climate risk	Cooperation with interest groups, associations and government agencies on a regional, national and international level; appropriate documentation and service charges

EVN's major risks and related risk management measures

Risk category	Description	Measure
Legal and litigation risks	Non-compliance with contracts; litigation risk from various lawsuits; regulatory and supervisory audits	Representation in local, regional, national and EU-wide interest groups; legal consulting
Social and general economic environment	Macroeconomic developments; debt/financial crisis; stagnating or declining purchasing power; rising unemployment; potential climate risk	Best possible utilisation of (anti-)cyclical optimisation potential
Contract risks	Failure to identify legal, economic or technical problems; contract risks under financing agreements	Extensive legal due diligence; involvement of external experts/legal advisors; contract database and ongoing monitoring
Other risks		
Granting of undue advantages, non-compliance, data protection incidents	Distribution of confidential internal information to third parties and the granting of undue advantages/corruption; violation of regulations for the protection of personal data	Internal control systems; uniform guidelines and standards; Code of Conduct; compliance organisation
Project risk	Cost overruns on the construction of new capacity; potential climate risk	Contractual agreement on economic parameters
Co-investment risk	Risks related to the implementation of major projects jointly with partners; potential climate risk	Contractual safeguards; efficient project management
Sabotage	Sabotage, e. g. to natural gas lines, wastewater treatment plants or waste incineration plants	Suitable security measures; regular measurement of water quality and emissions
Image risk	Reputational damage; potential climate risk	Transparent and proactive communications; sustainable management

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

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

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

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

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

GRI indicators: GRI 102-31, GRI 102-33

Consolidated non-financial report

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

See page 1ff

Disclosures required by § 243a of the Austrian Commercial Code

1. The share capital of EVN AG totalled EUR 330,000,000 as of 30 September 2020 and was divided into 179,878,402 zero par value bearer shares, each of which represents an equal stake in share capital. Shareholders are not entitled to the issue of individual share certificates. There is only one class of shares, and all shares carry the same rights and responsibilities. EVN AG shares are traded in the Prime Market segment of the Vienna Stock Exchange.

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

3. Based on these constitutional requirements, the province of Lower Austria is the major shareholder of EVN AG with a stake of 51.0%. The second largest shareholder is Wiener Stadtwerke GmbH, Vienna, with a stake of 28.4%; this company is wholly owned by the city of Vienna. As of 30 September 2020, EVN AG held treasury shares representing 1.0% of share capital and free float equalled 19.6%.

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

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

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

7. There were no authorisations as defined by § 243a (1) no. 7 of the Austrian Commercial Code in effect during the 2019/20 financial year which entitled the Executive Board, in particular, to issue the company's shares. However, the possibility of issuing previously repurchased treasury shares to employees remains intact.

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

9. There are no agreements to provide compensation to the members of corporate bodies or employees in the event of a public takeover.

Outlook for the 2020/21 financial year

Against the backdrop of the uncertainties and economic distortions caused by the Covid-19 pandemic, EVN's integrated and diversified business model has proven to be robust. The focus on regulated and stable business areas, in particular, has been very successful.

The recent intensification of the corona crisis in autumn 2020 and the renewed implementation of restrictions on public life with consequences for the entire economy make it clear that EVN's business development in 2020/21 could be influenced by developments that are difficult to plan and quantify at the present time. Included here, above all, are future trends for energy prices and the demand for energy in EVN's markets. Volume-based fluctuations in the Austrian network business have, however, only a temporary effect on earnings because they are offset by tariff adjustments in subsequent periods based on the regulatory methodology.

EVN remains committed to its ambitious investment programme for the future – irrespective of the Covid-19 pandemic. Plans call for a continued increase in annual investments over the coming years to an average of up to EUR 450m, depending on the projects in progress. Roughly three-fourths of this investment volume will be directed to projects in the areas of renewable generation, networks, district heating and drinking water in Lower Austria. Wind and photovoltaic projects will also be developed in the core markets outside Lower Austria.

The basis for this investment programme is EVN's Strategy 2030. The existing strategy was updated by management during the reporting year as part of a Group-wide process and approved by the Executive Board and Supervisory Board in October 2020. The revision of the strategy was decisively influenced by the social and political developments which currently have the greatest impact on the European energy sector. These developments include, above all, the transformation to a functioning CO_2-free energy system, the advancement of the circular economy and digitalisation.

In the international project business, EVN intends to concentrate on existing contracts. These assignments include the large-scale project in Kuwait as well as strategically important projects for the construction of thermal sewage sludge treatment plants in Germany, Lithuania and Bahrain which will serve as references for future assignments. However, the intensification of the corona crisis could influence the realisation of international projects through its impact on the economic development in the countries where WTE Wassertechnik is currently active and through its effects on international suppliers.

Assuming average conditions in the energy business environment, Group net result is expected to range from approximately EUR 200m to EUR 230m in 2020/21. However, the further course of the corona crisis and the resulting macroeconomic effects could have a negative influence on individual business areas at EVN and, in turn, on the development of earnings for the entire Group. The focus of investments in the regulated and stable business areas of network infrastructure, renewable generation and drinking water supplies is designed to protect the solid operating basis and drive continued growth.

Maria Enzersdorf, 16 November 2020

Stefan Szyszkowitz
Spokesman of the Executive Board

Franz Mittermayer
Member of the Executive Board