Smart Power.
Sustainable solutions for the future of energy.

Interim report quarters 1-2/2018

Verbund
Power for the Future

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At a glance

- Substantial earnings improvement due to good water supply and higher contributions from the grid business
- Lower debt and greater financial flexibility thanks to significantly improved cash flows
- VERBUND shares (+37.5%) markedly outperform both the ATX (–4.8%) and the DJ STOXX Utilities (–0.4%) in an improved energy market environment
- Lower revenue from flexibility products, particularly congestion management and control power
- Earnings forecast for 2018 raised: EBITDA projected to reach approx. €950m and the Group result approx. €370m

KPIs

	Unit	Q1–2/2017	**Q1–2/2018**	Change
Revenue	€m	1,476.4	**1,373.2**	–7.0%
EBITDA	€m	415.9	**503.7**	21.1%
EBITDA adjusted	€m	415.9	**502.9**	20.9%
Operating result	€m	243.3	**346.7**	42.5%
Group result	€m	154.5	**227.5**	47.3%
Group result adjusted	€m	154.5	**222.3**	43.9%
Earnings per share	€	0.44	**0.65**	47.3%
EBIT margin	%	16.5	**25.2**	–
EBITDA margin	%	28.2	**36.7**	–
Cash flow from operating activities	€m	385.1	**480.0**	24.7%
Additions to property, plant and equipment (excluding business acquisitions)	€m	71.1	**100.8**	41.8%
Free cash flow before dividends	€m	273.6	**355.9**	30.1%
Performance of VERBUND shares	%	10.0	**37.5**	–
Average number of employees		2,843	**2,737**	–3.7%
Electricity sales volume	GWh	28,415	**29,817**	4.9%
Hydro coefficient		0.89	**1.08**	–

	Unit	31/12/2017	**30/6/2018**	Change
Total assets	€m	11,283.6	**11,428.7**	1.3%
Equity	€m	5,690.8	**5,728.6**	0.7%
Equity ratio (adjusted)	%	52.4	**52.0**	–
Net debt	€m	2,843.8	**2,650.8**	–6.8%
Gearing	%	50.0	**46.3**	–

Report of the Executive Board

Dear Shareholders,

Developments in the energy market continued to be favourable in the first half of 2018 with respect to the operating conditions for our Group. Among other things, the recovery of electricity wholesale prices that started in mid-2016 continued – thanks in particular to higher prices for carbon certificates and ongoing robust prices for primary energy sources such as oil, coal and gas. In an energy environment that is volatile across Europe due to the massive expansion of new renewable energy sources, VERBUND has an ideal generation structure at its disposal based on the company's cost-effective, carbon-free run-of-river power plants as well as its flexible storage and pumped storage power plants and the Mellach thermal power plant. The Group's current good performance rests on a stable foundation consisting of Austria's regulated high-voltage grid and the low cost structure achieved in recent years through numerous programmes to increase efficiency and its reduced debt level. We plan to take advantage of new, forward-looking solutions – including electricity storage, comprehensive and environmentally friendly services for customers and systematic digitalisation of our value chain – to ensure that our future business model is on an optimal footing. The Group is benefitting from its strong position in the current energy market. The price of VERBUND shares climbed 37.5% in the first half, thus significantly outperforming both the Austrian ATX (–4.8%) and the European supplier index DJ STOXX Utilities (–0.4%).

The 13 June 2018 decision of the Supervisory Board concerning the new Executive Board team for the coming years represented one of the most significant events for the Group in quarter 2/2018. Dipl.-Ing. Wolfgang Anzengruber's appointment as CEO was extended for another two years. Dr. Peter F. Kollmann was re-appointed as CFO for three years, with an option to extend the appointment for another two years. New Executive Board members effective 1 January 2019 are Mag. Dr. Michael Strugl and Mag. Dr. Achim Kaspar, both of whom were likewise appointed for three years with an option to extend for another two years. Dr. Johann Sereinig and Dr. Günther Rabensteiner will be leaving the Board as planned at the end of 2018 for age-related reasons. The Supervisory Board decision ensures strategic continuity and successful continuation of the direction in which the Group is moving and also sends out a clear signal that VERBUND is focussing on renewal by adding expertise in forward-looking areas such as innovation and digitalisation.

Digitalisation is gaining rapidly in significance for the future of the energy market. In addition to the many projects already underway in the area of innovation, VERBUND launched an additional project in the first half of 2018 known as Hydropower 4.0 – Digital Hydropower Plant. In this context, VERBUND is testing several options for either implementing existing digital tools in its hydropower operations or developing new ones. Digitalisation will also improve transparency in future hydropower operations, as VERBUND is currently demonstrating at one of the Mur power plants in Styria as its first example.

In addition, digital optimisation measures are being continuously implemented at other stages of the value creation chain in trading, sales and grid operations. As part of a comprehensive digitalisation strategy, we addressed a variety of innovative technologies. This made it possible, for example, to process more than 600,000 digital transactions in the past year alone.

In addition to updating existing products and developing new business models, VERBUND also plans to increase its focus on forward-looking topics such as energy storage. At the start of quarter 2/2018, the

H2FUTURE project syndicate initiated construction of one of the world’s biggest pilot hydrogen plants at the voestalpine site in Linz.

The Group posted strong gains in quarters 1–2/2018 in an improved energy market environment. EBITDA increased by 21.1% to €503.7m, and the Group result was up by 47.3% on the prior-year period to €227.5m. The Group result after adjustment for non-recurring effects increased by 43.9%. The very good water supply in quarters 1–2/2018 had a significantly positive effect on the earnings trend. The hydro coefficient for the run-of-river power plants came to 1.08, or 19 percentage points above the prior-year figure and 8 percentage points above the long-term average. Generation from annual storage power plants also increased substantially. In addition, the higher earnings contribution from the Grid segment and the good results achieved through the programmes implemented in recent years to reduce costs and increase efficiency had a positive impact. By contrast, revenue from flexibility products saw another pronounced year-on-year decline – as already seen in quarter 1/2018 – given that quarters 1–2/2017 were both exceptionally good for flexibility products.

Assuming average own generation from hydropower and wind in the second half of 2018, we expect EBITDA to amount to around €950m and the Group result to amount to around €370m in financial year 2018. For financial year 2018, VERBUND plans a dividend payout ratio of between 40% and 45% of the projected Group result of €365m after adjustment for non-recurring effects.

We are looking with optimism to the second half of 2018 and will spare no effort in continuing to advance innovation and digitalisation at VERBUND.

Dipl-Ing. Wolfgang Anzengruber | Dr. Johann Sereinig | Dr. Peter F. Kollmann | Dr. Günther Rabensteiner

Investor relations

Although the year 2018 started with gains across the board on the international stock markets, concerns of rising inflation and interest rate hikes drove the markets downward in the ensuing period. During much of the first half, share prices were impacted by a nervous environment of sideways movement. Corporate gains in the US, especially in quarter 1/2018, were more than offset by heightened expectations of inflation and higher interest rates. Equally negative effects arose from intensifying international trade disputes and growing concerns about the performance of the world economy. The US Dow Jones Industrial index ended the first half of 2018 down 1.8% compared with the level at the end of 2017. The Euro Stoxx 50 closed the first half of 2018 down 3.1%. The Nikkei 225, the leading Japanese index, delivered a similar performance with a decrease of 2.0% on the year-end 2017 level as at 30 June 2018.

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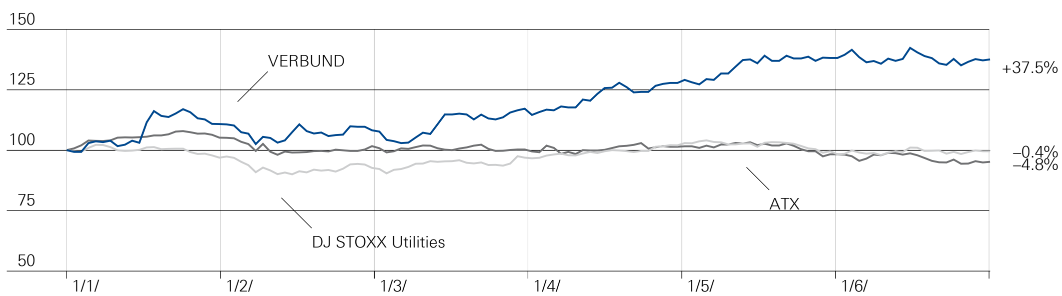
VERBUND share price: relative performance 2018



The price of VERBUND shares trended sharply upwards in the first half of 2018. The share price rose until mid-January 2018, followed by a price correction and volatile sideways movement until mid-March 2018. The shares subsequently posted significant upward movement until the middle of May 2018, after which they once again trended sideways until the end of June 2018. On 30 June 2018, VERBUND shares closed at €27.7, up 37.5% on the closing price as at 31 December 2017. The shares thus significantly outperformed both the ATX (–4.8%) and the sector index DJ STOXX Utilities (–0.4%). The Group's good strategic positioning combined with a considerably improved market climate for renewable energy producers were responsible for the shares' encouraging performance.

Upcoming dates:
Results for quarters 1–3/2018:
7 November 2018

KPIs – shares

	Unit	Q1–2/2017	Q1–2/2018	Change
Share price high	€	17.3	28.7	65.3%
Share price low	€	14.7	20.0	35.6%
Closing price	€	16.7	27.7	66.0%
Performance	%	10.0	37.5	–
Market capitalisation	€m	5,798.4	9,623.4	66.0%
ATX weighting	%	2.3	3.9	–
Value of shares traded	€m	576.8	795.6	37.9%
Shares traded per day	Shares	293,243	266,316	–9.2%

Interim Group management report

Business performance

Electricity supply and sales volume

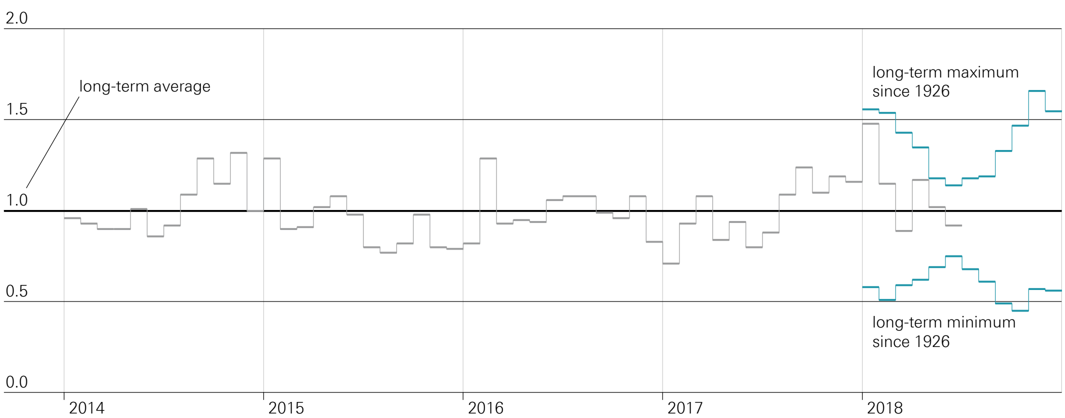
Group electricity supply GWh

	Q1–2/2017	Q1–2/2018	Change
Hydropower[1]	13,369	16,457	23.1%
Wind power	484	452	–6.6%
Thermal power	1,279	609	–52.4%
Own generation	15,132	**17,518**	15.8%
Electricity purchased for trading and sales	13,126	12,229	–6.8%
Electricity purchased for grid loss and control power volumes	2,774	2,573	–7.2%
Electricity supply	31,032	**32,320**	4.2%

[1] incl. purchase rights

VERBUND's own generation was up by 2,386 GWh to 17,518 GWh as at the end of quarters 1–2/2018, an increase of 15.8% compared with the prior-year period. Generation from hydropower rose by 3,088 GWh compared with the prior-year reporting period. At 1.08, the hydro coefficient for the run-of-river power plants was 19 percentage points above the prior-year figure and 8 percentage points higher than the long-term average. Generation from annual storage power plants increased by 24.4% in quarters 1–2/2018 due to strong natural water flow and high reservoir levels at 31 December 2017.

Hydro coefficient (monthly averages)



VERBUND's wind farms generated 32 GWh less electricity (–6.6%) in quarters 1–2/2018 than in the prior-year period, mainly due to less windy conditions in Romania.

Generation from thermal power plants decreased by 671 GWh, or 52.4%, in quarters 1–2/2018. The Mellach combined cycle gas turbine power plant produced 613 GWh less electricity in the reporting period due to the significant reduction in the use of congestion management compared with the prior year. Generation at the Mellach coal-fired power plant decreased by 58 GWh. Purchases of electricity from third parties for trading and sales declined by 897 GWh in quarters 1–2/2018. Electricity purchased from third parties for grid losses and control power decreased by 201 GWh.

Group electricity sales volume and own use GWh

	Q1–2/2017	**Q1–2/2018**	Change
Consumers	5,853	6,246	6.7%
Resellers	13,628	13,754	0.9%
Traders	8,934	9,817	9.9%
Electricity sales volume	28,415	**29,817**	4.9%
Own use	1,934	1,598	–17.4%
Control power	683	905	32.5%
Electricity sales volume and own use	31,032	**32,320**	4.2%

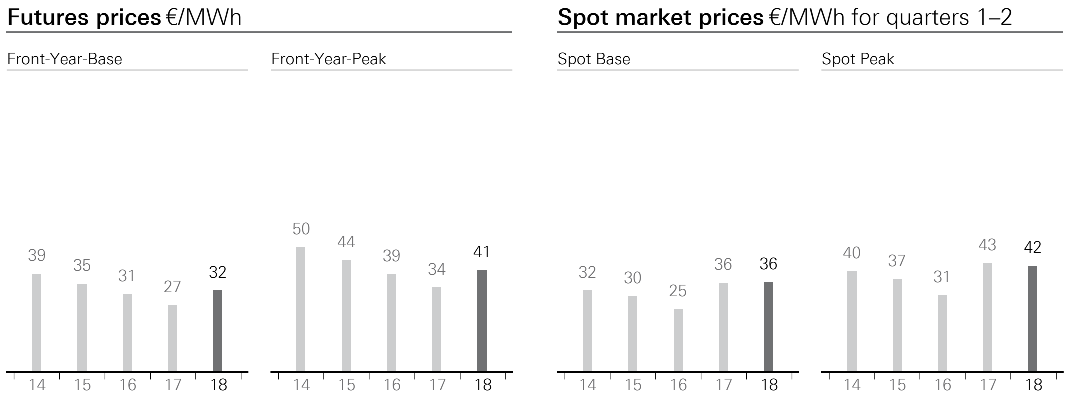
VERBUND's electricity sales volume rose by 1,402 GWh, or 4.9%, in quarters 1–2/2018. Most of the increase was attributable to higher sales to traders (+882 GWh) and consumers. Electricity volumes delivered to consumers rose by 394 GWh. Here, a significant increase in the Group's international business more than compensated for the slight decline in sales to domestic customers. As at 30 June 2018, our private customer base amounted to approximately 461,000 electricity and gas customers. Electricity deliveries to resellers were nearly unchanged at +126 GWh. Own use of electricity decreased by 336 GWh in quarters 1–2/2018. The decline was attributable to lower generation from turbining.

Electricity sales by country GWh

	Q1–2/2017	**Q1–2/2018**	Change
Austria	15,667	13,224	–15.6%
Germany	11,088	14,184	27.9%
France	1,338	1,684	25.8%
Others	322	725	125.0%
Electricity sales volume	28,415	**29,817**	4.9%

In quarters 1–2/2018, approximately 44% of the electricity sold by VERBUND went to the Austrian market. The German market accounted for around 85.5% of all volumes sold abroad, making it the focus of international trading and sales activities in quarters 1–2/2018.

Electricity prices



Futures prices traded in the year before the supply. The stated years are the years of supply respectively. Average prices *source: EEX, EPEX Spot*

At an average of €32.4/MWh, prices for electricity futures contracts (front-year base 2018, traded in 2017) were up 21.8% on the average level for the prior-year period. Based on its hedging strategy, VERBUND had already included most of its own generation for 2018 in its pricing calculations in 2016 and 2017 via the futures market. Spot market prices (base price) rose by 0.6% to €35.7/MWh in the reporting period.

Financial performance

Results €m

	Q1–2/2017	Q1–2/2018	Change
Revenue	1,476.4	1,373.2	–7.0%
EBITDA	415.9	503.7	21.1%
Operating result	243.3	346.7	42.5%
Group result	154.5	227.5	47.3%
Earnings per share in €	0.44	0.65	47.3%

Electricity revenue

VERBUND's electricity revenue dropped by €148.2m to €1,052.0m in quarters 1–2/2018. In terms of quantities, electricity sales volumes increased by 1,402 GWh, or 4.9%, year on year. The decline in electricity revenue was due in particular to the initial application of IFRS 15 (which had no impact on profit or loss). Under the new standard, recharged grid fees/levies are presented after offsetting against the corresponding procurement expenses (please refer to the notes to the consolidated financial statements for details on the initial application of IFRS 15). Lower sales prices were another factor contributing to the revenue decrease.

Grid revenue

Grid revenue increased by €37.4m to €248.1m in quarters 1–2/2018 compared with the prior-year period. The rise was largely attributable to higher domestic grid revenue as a result of tariff increases. However, grid revenue was negatively impacted by lower international revenue from the auctioning off of cross-border capacities and revenue declines relating to control power.

Other revenue and other operating income

Other revenue rose by €7.6m to €73.1m. The increase can be attributed to higher proceeds from the sale of green electricity certificates and from district heating deliveries. Other operating income rose slightly by €0.7m to €26.9m.

Expenses for electricity, grid, gas and certificate purchases

Expenses for electricity, grid, gas and certificate purchases decreased by €180.7m to €587.8m. The volume of electricity purchased from third parties for trading and sales as well as for grid losses and control power declined by a total of 1,098 GWh. Expenses were also reduced by the initial application of IFRS 15 (which had no impact on profit or loss) as well as lower purchase prices (please refer to the notes to the consolidated financial statements for details on the initial application of IFRS 15). Expenses for electricity purchases therefore declined by €135.5m compared with quarters 1–2/2017. Expenses for grid purchases decreased by €38.7m, primarily as a result of the initial application of IFRS 15 (which had no impact on profit or loss), and expenses for gas purchases fell by €9.9m.

Fuel expenses

Fuel and other usage-/revenue-dependent expenses decreased by €23.6m to €44.0m. The decline is mainly attributable to reduced use of the Mellach combined cycle gas turbine power plant for congestion management (for details please refer to the section entitled Electricity supply and sales volume).

Personnel expenses

Personnel expenses increased by €2.6m year on year to €164.1m. With respect to expenses for current employees, we were able to mitigate the 3% increase in pay rates under the collective bargaining agreement by systematically implementing our measures to reduce costs and increase efficiency. The rise in expenses for current employees was therefore only minimal (€1.1m). With respect to employee benefits relating to pensions and termination benefits ("Sozialkapital"), an increase of €1.5m was reported due to the allocation to provisions for the company's "Sozialplan" (an agreement concluded between management and the works council for the purpose of mitigating the impact of any employee layoffs) in the thermal segment.

Other operating expenses

Other operating expenses rose by €11.5m to €100.5m. The increase was mainly due to the increase in goods and services purchased from third parties (maintenance) and changes in provisions.

EBITDA

As a result of the above-mentioned factors, EBITDA rose by 21.1% to €503.7m.

Depreciation, amortisation and impairment losses

Amortisation of intangible assets and depreciation of property, plant and equipment declined by €9.4m to €163.2m. The reduction was mostly due to a decrease in the depreciation base for property, plant and equipment compared with the previous year, mainly as a result of fixed asset disposals and impairment losses.

Reversals of impairment losses

Reversals of impairment losses amounted to €6.2m in quarters 1–2/2018 (Q1–2/2017: €0.0m) and related primarily to the decommissioned power plants in Dürnrohr and Korneuburg. The impairment tests were performed in connection with conclusion of an agreement to sell.

Result from interests accounted for using the equity method

The result from interests accounted for using the equity method rose by €4.0m to €21.7m. The increase was mainly due to the earnings contribution from KELAG in the amount of €22.2m (Q1–2/2017: €17.9m).

Interest income and expenses

Interest income increased by €0.4m to €16.0m compared with quarters 1–2/2017. Interest expenses declined by €2.8m to €63.3m, due in particular to lower interest on credit facilities and bonds as a result of scheduled and early repayments of principal.

Other financial result

Other financial result improved by €1.3m to €0.1m in quarters 1–2/2018. This was primarily due to the fact that income from the measurement of a long position relating to VERBUND's share in Gemeinschaftskraftwerk Inn realised in the prior period did not recur in the current period.

Group result

After taking account of an effective tax rate of 22.2% and non-controlling interests in the amount of €25.1m, the Group result amounted to €227.5m. This represents an increase of 47.3% compared with the previous year. Earnings per share amounted to €0.65 (Q1–2/2017: €0.44) for 347,415,686 shares. The Group result after adjustment for non-recurring effects was €222.3m, an increase of 43.9% on the prior-year period.

Financial position

Consolidated balance sheet (short version) €m

	31/12/2017	Share	**30/6/2018**	**Share**	Change
Non-current assets	10,661.5	94%	10,581.7	93%	–0.7%
Current assets	622.1	6%	846.9	7%	36.2%
Total assets	11,283.6	100%	**11,428.7**	**100%**	1.3%
Equity	5,690.8	50%	5,728.6	50%	0.7%
Non-current liabilities	4,584.7	41%	4,622.9	40%	0.8%
Current liabilities	1,008.1	9%	1,077.1	9%	6.8%
Equity and liabilities	11,283.6	100%	**11,428.7**	**100%**	1.3%

Assets

VERBUND's non-current assets decreased slightly in quarters 1–2/2018. With respect to property, plant and equipment, additions of €100.8m were offset by depreciation of €159.8m. The main additions to property, plant and equipment related to investments in the Austrian transmission grid and investments at Austrian hydropower plants, such as the Tuxbach expansion project and the Gries new construction project. The increase in current assets resulted mainly from short- and medium-term investments of cash and cash equivalents as well as higher positive fair values for hedging transactions in energy trading. Lower trade receivables had a counteracting effect.

Equity and liabilities

Equity increased by 0.7% compared with 31 December 2017, due above all to the profit for the period generated in quarters 1–2/2018. Dividend distributions had an opposite effect, lowering equity. The increase in current and non-current liabilities was primarily the result of higher negative fair values for energy trading hedges, whereas trade payables decreased.

Cash flows

Cash flow statement (short version)

€m	Q1–2/2017	Q1–2/2018	Change
Cash flow from operating activities	385.1	480.0	24.7%
Cash flow from investing activities	–109.3	–311.2	184.7%
Cash flow from financing activities	–287.2	–174.8	–39.1%
Change in cash and cash equivalents	–11.4	–6.0	–47.7%
Cash and cash equivalents as at 30/6/	15.6	**22.6**	45.3%

Cash flow from operating activities

Cash flow from operating activities amounted to €480.0m in quarters 1–2/2018, up €95.0m on the prior-year figure. The increase was mainly the result of higher generation from run-of-river power plants (hydro coefficient of 1.08 in Q1–2/2018 compared with 0.89 in Q1–2/2017) and higher earnings from pumped storage power plant generation. The higher contribution from the Grid segment – due primarily to lower cash outflows for congestion management – also favourably impacted cash flow from operating activities. Higher income tax payments had a counteracting effect.

Cash flow from investing activities

Cash flow from investing activities amounted to €–311.2m in quarters 1–2/2018 (Q1–2/2017: €–109.3m). The change compared to quarters 1–2/2017 was mainly due to cash outflows representing capital expenditure for current investments (€–190.0m) and higher cash outflows representing capital expenditure for intangible assets and property, plant and equipment (€–15.6m).

Cash flow from financing activities

Cash flow from financing activities amounted to €–174.8m in quarters 1–2/2018, representing a change of €112.4m. The main reason for the change was lower repayments of financial liabilities (€165.3m) and the inclusion of a digital, green Schuldschein (€100.0m). Lower cash inflows from money market transactions (€–97.4m) and higher dividend payouts (€–55.5m) had a counteracting effect.

Opportunity and risk management

VERBUND's business model is based on the production of renewable base-load and peak-load energy using competitive hydropower resources in the centre of Europe. VERBUND also contributes to stabilising the transmission grid by means of its Mellach combined cycle gas turbine power plant. The transmission grid is operated by Austrian Power Grid (APG), the Group's wholly owned subsidiary, which is also responsible for grid development and expansion. VERBUND thus makes a key contribution to maintaining the security of supply in Austria.

The participation of VERBUND in the currently ongoing tender process concerning the provision of capacity to ensure grid stability entails both risks and opportunities for the Group in the area of thermal operations. Austria's climate and energy strategy for the period up to 2030 calls for changes in the legal framework that are generally to be seen as positive for VERBUND. Significant judicial proceedings are still underway in connection with the flooding on the Drau River in 2012 and on the Danube in 2013. The Bidding Zone Review Report published by the Transmission System Operator (TSO) recommends retaining the existing pricing zones (i.e. including the AT/DE zone) while at the same time respecting the decisions of local regulators regarding the German/Austrian bidding zones. On the basis of this Review Report, the member states or regional regulatory authorities now have until September 2018 to reach a decision on whether to retain the current zones or change them.

Operating result

Electricity generation from hydropower is the main factor that could potentially impact the operating result, particularly because hydrological conditions cannot be controlled. Potential successes in the marketing of control power and in congestion management may increase earnings volatility. Changes in the operating environment and ongoing judicial proceedings could necessitate measurement-related adjustments to VERBUND's assets as well as changes in provisions.

Financial result

The potential extent of fluctuation in the financial result is determined by the volatility of investment income, measurement effects on the balance sheet arising from changes in market prices and interest rates, and potential expenses from collateral provided being called in.

Sensitivities

All else remaining equal, a change in the factors shown below would be reflected in the projected Group result for full-year 2018 as follows (based on the hedging status as at 30 June 2018 for generation volumes and interest rates):

- +/–1% in generation from hydropower plants: €+/–4.0m
- +/–1% in generation from wind power: €+/–0.2m
- €+/–1/MWh in wholesale electricity prices (renewable generation): €+/–1.9m
- +/–1 percentage point in interest rates: €+/–0.3m

The required disclosures of significant transactions with related parties are presented in the selected explanatory notes.

Outlook

VERBUND's earnings performance is significantly influenced by the following factors: ongoing developments in the energy market, changes in wholesale prices for electricity, the Group's own generation from hydropower and wind power and the earnings contribution from flexibility products.

The upward trend in wholesale electricity prices compared with the prior-year period continued with respect to electricity futures contracts (annual generation) for the 2018 supply year. Compared with the prior-year period, spot market prices for base-load power remained the same in 2018, and peak-load prices fell slightly.

In line with our hedging strategy for own generation, we had already contracted for around 90% of our planned own generation of electricity from hydropower for 2018 as at 30 June 2018. The average price obtained was €29.3/MWh. For those volumes not yet hedged, we have based our planning on the current market prices. The performance of own generation will depend largely on the water supply. In the first half of 2018, the hydro coefficient was up 8% over the long-term average.

Assuming an average level of own generation from hydropower and an average wind supply in the second half of the year, we expect EBITDA for financial year 2018 to amount to approximately €950m and the Group result to amount to approximately €370m.

Segment report

Renewable generation segment

Hydropower and wind generation technologies are brought together under the Renewable generation segment.

KPIs – Renewable generation segment

	Unit	Q1–2/2017	**Q1–2/2018**	Change
Total revenue	€m	424.8	**506.2**	19.2%
EBITDA	€m	244.6	**308.8**	26.2%
Result from interests accounted for using the equity method	€m	0.3	**0.1**	–45.6%
Capital employed	€m	7,017.6	**6,679.7**	–4.8%

EBITDA for the Renewable generation segment rose by €64.2m to €308.8m. The increase was due mainly to the significant rise in generation from hydropower compared with the previous year. The hydro coefficient for quarters 1–2/2018 was 1.08, up from 0.89 in quarters 1–2/2017. Proceeds from storage power plant generation also rose, and grid expenses declined. The result from interests accounted for using the equity method of the Renewable generation segment was slightly below the prior-year level and was largely made up of the earnings contribution from Ashta Beteiligungsverwaltung GmbH. Capital employed for the Renewable generation segment fell by €337.8m to €6,679.7m, due in particular to the impairment losses recognised as at 31 December 2017.

Current information on the Renewable generation segment

Projects in the area of hydropower

Assembly work at the main structure of the Gries new construction project is proceeding as planned, and construction was completed on both sides of the banks in quarter 2/2018. Regarding the Tuxbach expansion project, the cement work was likewise finalised at the Elsbach weir during the reporting period, and the tunnel boring machine is about to break through in the direction of Zemmbach. Tender proceedings began with respect to the Töging/Jettenbach expansion and renovation project for the purpose of preparing the motion to approve construction. VERBUND expects the official approval notice to be issued in quarter 4/2018.

Sales segment

The Sales segment comprises VERBUND's trading and sales activities.

KPIs – Sales segment

	Unit	Q1–2/2017	Q1–2/2018	Change
Total revenue	€m	1,161.2	999.3	–13.9%
EBITDA	€m	50.2	40.8	–18.8%
Result from interests accounted for using the equity method	€m	0.0	0.0	–
Capital employed	€m	268.7	162.6	–39.5%

EBITDA for the Sales segment decreased by €9.5m to €40.8m as a result of lower earnings contributions from the control power business. Capital employed in the Sales segment was down €106.0m on the prior-year level, mainly due to significant changes in working capital.

Current information on the Sales segment

VERBUND's trading activities focus on continuing to expand the Group's portfolio of innovative green electricity and flexibility products, the direct marketing of renewable energy sources (especially wind power and small-scale hydropower) and taking advantage of short-term market opportunities. Owing to constantly changing market requirements, VERBUND continuously adapts its comprehensive portfolio of products and services. The new products and services currently included in the VERBUND portfolio range from plant use optimisation and market access services to flexible marketing and hedging products, and forecasting and regulatory services. Equal emphasis is placed on innovative products designed to meet individual customer needs including green electricity products, virtual power plants and the direct marketing of renewable energy. We regard all of these products and services as growth areas in a dynamic energy market that is undergoing rapid change. Renewables comprise a continually growing share of the total electricity market. Short-term electricity trading is of notable significance, as is the optimum marketing of flexible generation units – including in the area of control power products and grid services. Areas that present a challenge while at the same time representing the main focus of electricity/energy trading are flexibility marketing for the Group's own plants as well as for customers in the areas of generation management (e.g. with the aid of virtual power plants or demand side management), optimisation of balancing energy operations, intraday trading and the marketing of balancing services. This area also includes the issues arising from the increasing digitalisation of the energy market. VERBUND takes a proactive stance in facing these challenges by developing the relevant customer products such as its VISION communication and service platform.

Grid segment

The Grid segment comprises the activities of Austrian Power Grid AG (APG).

KPIs – Grid segment

	Unit	Q1–2/2017	Q1–2/2018	Change
Total revenue	€m	410.4	368.8	–10.1%
EBITDA	€m	88.1	138.5	57.2%
Result from interests accounted for using the equity method	€m	0.2	0.0	–
Capital employed	€m	1,234.0	1,276.6	3.4%

EBITDA for the Grid segment rose by €50.4m to €138.5m, mainly due to the higher contribution margin arising from lower congestion management expenses. Capital employed increased to €1,276.6m, primarily as a result of net capital expenditure for intangible assets and property, plant and equipment.

Current information on the Grid segment

Security of supply and congestion management

Frequent interventions in power plant operations were once again required to ensure system operations in quarter 2/2018. These extensive measures at power plants were necessary to maintain the security of supply in the APG control area on the one hand and to manage congestion occurring outside of the APG grid (mostly in Germany) on the other. Repeated recourse had to be taken to the "summer reserve" power plants contracted in Austria in order to maintain security of supply.

Tariff regulation

The tariff review process is proceeding on schedule, and all data has been collected. The draft of the official decision on costs is expected in July 2018.

Market trend

The European cross-border intraday (XBID) solution went live on 12 June 2018 after five years of intense project development. The XBID solution creates an integrated market that represents 70% of electricity consumption in the EU. Using the solution, market participants from a wide range of EU countries (e.g. Finland and Spain) can engage directly in continuous, cross-zonal intraday electricity trading. The project was made possible through an alliance of 47 project partners (electricity exchanges and transmission system operators).

General overhaul of the 220-kV St. Peter–Ernsthofen line

After a provisional line was successfully put into operation, the first construction phase of the project to overhaul the 220-kV St. Peter–Ernsthofen line was initiated in April 2018 by removing the old line.

New construction to replace the Weinviertel line

The state government of Lower Austria issued the EIA approval notice for the "new construction to replace the APG Weinvertelleitung" on 20 February 2018. Isolated objections to the notice were raised.

As a result, proceedings have been pending before the Federal Administrative Court (BVwG) since May 2018.

All other segments

"All other segments" is a combined heading under which the Energy services segment, Thermal generation segment, Services segment and Equity interests segment are brought together given that they are below the quantitative thresholds.

KPIs – All other segments

	Unit	Q1–2/2017	Q1–2/2018	Change
Total revenue	€m	144.6	106.9	–26.1%
EBITDA	€m	45.5	28.7	–36.9%
Result from interests accounted for using the equity method	€m	17.3	21.6	25.1%
Capital employed	€m	394.4	470.2	19.2%

EBITDA for All other segments decreased by €16.8m to €28.7m. The decline was mainly the result of the lower EBITDA reported in the Thermal generation segment (€–17.2m) due to the decreased use of congestion management. The result for All other segments from interests accounted for using the equity method was up slightly on the prior-year level and related primarily to KELAG-Kärntner Elektrizitäts-Aktiengesellschaft. Capital employed rose by €75.8m to €470.2m compared with the previous year, mainly due to reversals of impairment losses that had been recognised for the Mellach combined cycle gas turbine power plant in the second half of 2017.

Current information on the Energy services segment

Marketing VERBUND's energy services products

With respect to the demand response power pool, preparations are now being made for launching day-ahead marketing in the German and Austrian secondary and tertiary reserve (TR) market from mid-2018 onwards following the completion of the technical changes necessary to meet the regulatory requirements ensuing from the merger of the German and Austrian tertiary control reserve (TCR) market.

With regard to VERBUND's Eco-Home product, we continue to focus on expanding sales alliances with energy supply companies and property suppliers and creating combined offers that include VERBUND electricity products.

Flexibility and storage

As part of the EU-sponsored H2FUTURE project, construction is underway on a proton exchange membrane (PEM) electrolyser installation at voestalpine in Linz. At a capacity of 6 MW, this is currently one of the world's largest PEM electrolysers. In connection with the subsidised hydrogen initiative Model Region Austria, requests for funding have been submitted – with VERBUND participation – for two customer projects.

Additional plans involve an alliance between municipalities to supply Zillertal public transport operators with hydrogen from the Zillertal power plant group.

Photovoltaics and electromobility

SOLAVOLTA (VERBUND share: 50%) succeeded in increasing sales of large-scale photovoltaic systems by 20% in quarter 2/2018 compared with the prior year. Sales of energy storage units were also up significantly in the reporting period. In addition, a 340-kWp installation was put into operation on the grounds of the FK Austria Wien football stadium. Revenue from sales based on the system of subsidisation for solar power remained below expectations in the first half of 2018.

SMATRICS (VERBUND share: 40%) continued to develop its managed infrastructure portfolio in quarter 2/2018. The company obtained its biggest contract from railway operator ÖBB to equip all ÖBB rail stations across Austria with charging infrastructure. The public charging network has been further concentrated in two EU projects: EVA+ (20 charging stations with output of 50 kW) and ULTRA-E (four locations with output of up to 350 kW).

Current information on the Thermal generation segment

The Mellach combined cycle gas turbine power plant is currently being operated solely for the purpose of guaranteeing the security of supply in connection with congestion management. On 10 April 2018, APG put out a call for expressions of interest in maintaining reserve capacities to prevent congestion for the period between 1 October 2018 and 30 September 2023. The conditions of the tender process were announced on 5 June 2018, with more details following on 10 July 2018 and 12 July 2018.

Current information on the Services segment

The new General Data Protection Regulation took effect across the EU at the end of May 2018. VERBUND amended its own regulations to reflect the new legislation in a timely manner and has spent the past few months defining roles and responsibilities. VERBUND also conducted all of the required training courses in due time and entered into the necessary order processing agreements.

The first German installations were certified as “critical public infrastructure” under ISO 27001 in quarter 2/2018.

Current information on the Equity interests segment

KELAG-Kärntner Elektrizitäts-Aktiengesellschaft

KELAG's contribution to the result from interests accounted for using the equity method was €22.2m in quarters 1–2/2018 (Q1–2/2017: €17.9m). The increase on the figure from the prior-year reporting period was due above all to the improved energy market environment. KELAG is expected to report stable performance during the remainder of financial year 2018.

Events after the reporting date

There were no events requiring disclosure between the reporting date of 30 June 2018 and approval for issue on 19 July 2018.

Consolidated interim financial statements

of VERBUND

Income statement

€m

In accordance with IFRSs	Notes	Q1–2/2017	**Q1–2/2018**	Q2/2017	**Q2/2018**
Revenue		1,476.4	**1,373.2**	666.2	**624.8**
Electricity revenue	1	1,200.2	1,052.0	559.6	494.9
Grid revenue	2	210.7	248.1	86.8	108.5
Other revenue		65.5	73.1	19.8	21.4
Other operating income		26.2	26.9	16.6	16.7
Expenses for electricity, grid, gas and certificates purchases	3	–768.5	–587.8	–339.8	–242.9
Fuel expenses and other usage-/revenue-dependent expenses	4	–67.6	–44.0	–25.1	–19.4
Personnel expenses	5	–161.5	–164.1	–83.6	–88.8
Other operating expenses		–89.0	–100.5	–45.9	–56.9
EBITDA		415.9	**503.7**	188.4	**233.6**
Amortisation of intangible assets and depreciation of property, plant and equipment		–172.6	–163.2	–86.5	–81.2
Impairment losses		0.0	0.0	0.0	0.0
Reversal of impairment losses	6	0.0	6.2	0.0	6.2
Operating result		243.3	**346.7**	102.0	**158.6**
Result from interests accounted for using the equity method	7	17.7	21.7	10.7	14.5
Other result from equity interests		5.5	3.6	1.4	2.4
Interest income	8	15.6	16.0	7.9	8.0
Interest expenses	9	–66.2	–63.3	–32.2	–31.4
Other financial result	10	–1.2	0.1	1.4	1.0
Financial result		–28.6	**–22.0**	–11.0	**–5.5**
Profit before tax		214.7	**324.7**	91.0	**153.1**
Taxes on income		–47.0	–72.1	–21.2	–32.8
Profit for the period		167.7	**252.6**	69.8	**120.3**
Attributable to the shareholders of VERBUND AG (Group result)		154.5	227.5	61.0	105.9
Attributable to non-controlling interests		13.2	25.1	8.8	14.4
Earnings per share in €[1]		0.44	**0.65**	0.18	**0.30**

[1] Diluted earnings per share correspond to basic earnings per share.

Statement of comprehensive income

€m

In accordance with IFRSs	Notes	Q1–2/2017	**Q1–2/2018**	Q2/2017	**Q2/2018**
Profit for the period		167.7	**252.6**	69.8	**120.3**
Remeasurements of net defined benefit liability		–7.2	–7.0	–7.1	–7.0
Other comprehensive income from interests accounted for using the equity method		2.3	–3.6	0.0	0.0
Total of items that will not be reclassified subsequently to the income statement		–4.9	**–10.7**	–7.1	**–7.0**
Differences from currency translation		–0.4	–0.2	0.0	–0.2
Measurements of available-for-sale financial instruments		1.8	–	0.3	–
Measurements of cash flow hedges		71.4	–38.1	–10.6	–98.1
Other comprehensive income from interests accounted for using the equity method		–0.1	0.1	0.0	0.0
Total of items that will be reclassified subsequently to the income statement		72.7	**–38.1**	–10.3	**–98.3**
Other comprehensive income before tax		67.8	**–48.8**	–17.4	**–105.3**
Taxes on income relating to items that will not be reclassified subsequently to the income statement		1.9	1.8	1.8	1.8
Taxes on income relating to items that will be reclassified subsequently to the income statement		–18.3	9.5	2.6	24.5
Other comprehensive income after tax		51.4	**–37.5**	–13.0	**–79.0**
Total comprehensive income for the period		219.1	**215.1**	56.8	**41.3**
Attributable to the shareholders of VERBUND AG		206.3	190.2	48.4	27.2
Attributable to non-controlling interests		12.8	24.9	8.4	14.2

Balance sheet

€m

In accordance with IFRSs	Notes	31/12/2017	**30/6/2018**
Non-current assets		10,661.5	**10,581.7**
Intangible assets		675.6	680.4
Property, plant and equipment		8,871.3	8,818.1
Interests accounted for using the equity method		313.0	316.8
Other equity interests	12	137.5	137.1
Investments and other receivables	12	664.1	629.4
Current assets		622.1	**846.9**
Inventories	11	10.5	16.9
Trade receivables, other receivables and securities	12	583.0	807.4
Cash and cash equivalents	12	28.6	22.6
Total assets		11,283.6	**11,428.7**

€m

In accordance with IFRSs	Notes	31/12/2017	**30/6/2018**
Equity		5,690.8	**5,728.6**
Attributable to the shareholders of VERBUND AG		5,064.1	5,109.2
Attributable to non-controlling interests		626.8	619.5
Non-current liabilities		4,584.7	**4,622.9**
Financial liabilities	12	2,141.6	2,148.0
Provisions		821.8	822.6
Deferred tax liabilities		558.4	600.7
Contributions to building costs and grants		747.5	741.8
Deferred income – cross-border leasing		45.6	40.0
Other liabilities	12	269.7	269.9
Current liabilities		1,008.1	**1,077.1**
Financial liabilities	12	214.0	213.3
Provisions		53.6	39.8
Current tax liabilities		95.8	64.7
Trade payables and other liabilities	12	644.8	759.3
Total equity and liabilities		11,283.6	11,428.7

Statement of changes in equity

In accordance with IFRSs	Called and paid-in share capital	Capital reserves	Retained earnings	Remeasure-ments of net defined benefit liability
Notes				
As at 1/1/2017	347.4	954.3	3,987.2	–273.3
Profit for the period	–	–	154.5	–
Other comprehensive income	–	–	–0.2	–2.6
Total comprehensive income for the period	–	–	154.3	–2.6
Dividends	–	–	–100.8	–
Other changes in equity	–	–	–0.4	0.0
As at 30/6/2017	347.4	954.3	4,040.4	–275.9
As at 1/1/2018	**347.4**	**954.3**	**4,187.5**	**–263.7**
Initial application of IFRS 9	–	–	49.9	–
As at 1/1/2018 adjusted	**347.4**	**954.3**	**4,237.4**	**–263.7**
Profit for the period	–	–	227.5	–
Other comprehensive income	–	–	0.0	–8.6
Total comprehensive income for the period	**–**	**–**	**227.5**	**–8.6**
Dividends	–	–	–145.9	–
Other changes in equity	–	–	1.0	0.0
As at 30/6/2018	**347.4**	**954.3**	**4,320.0**	**–272.3**

€m

Difference from currency translation	Measure-ments of financial instruments	Measure-ments of cash flow hedges	Equity attributable to the share-holders of VERBUND AG	Equity attributable to non-controlling interests	Total equity
−3.9	30.3	−160.4	4,881.6	647.9	5,529.5
–	–	–	154.5	13.2	167.7
−0.4	1.3	53.6	51.8	−0.4	51.4
−0.4	1.3	53.6	206.3	12.8	219.1
–	–	–	−100.8	−21.8	−122.6
0.0	0.0	0.0	−0.4	0.0	−0.4
−4.3	31.6	−106.8	4,986.7	638.9	5,625.6
−7.2	**53.3**	**−207.6**	**5,064.1**	**626.8**	**5,690.8**
–	−50.1	–	−0.2	0.0	−0.2
−7.2	**3.1**	**−207.6**	**5,063.9**	**626.7**	**5,690.6**
–	–	–	227.5	25.1	252.6
−0.2	0.1	−28.5	−37.3	−0.2	−37.5
−0.2	**0.1**	**−28.5**	**190.2**	**24.9**	**215.1**
–	–	–	−145.9	−32.2	−178.1
0.0	0.0	0.0	1.0	0.0	1.0
−7.4	**3.2**	**−236.1**	**5,109.2**	**619.5**	**5,728.6**

Cash flow statement

€m

In accordance with IFRSs	Notes	Q1–2/2017	Q1–2/2018
Profit for the period		167.7	252.6
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		172.6	157.0
Impairment losses on investments (net of reversals of impairment losses)		0.0	1.5
Result from interests accounted for using the equity method (net of dividends received)		–3.5	–7.6
Result from the disposal of non-current assets		–0.9	–0.3
Change in non-current provisions and deferred tax liabilities		24.5	48.5
Change in contributions to building costs and grants		–0.7	–5.6
Other non-cash expenses and income		6.2	4.5
Subtotal		365.9	**450.6**
Change in inventories		0.4	–6.4
Change in trade receivables and other receivables		122.1	–0.9
Change in trade payables and other liabilities		–104.5	81.5
Change in current provisions and current tax liabilities		1.1	–44.9
Cash flow from operating activities[1]		385.1	**480.0**

[1] Cash flow from operating activities includes income taxes paid of €51.2m (Q1–2/2017: €12.1m), interest paid of €15.8m (Q1–2/2017: €21.6m), interest received of €0.2m (Q1–2/2017: €0.2m) and dividends received of €18.0m (Q1–2/2017: €19.6m).

In accordance with IFRSs	Notes	Q1–2/2017	Q1–2/2018
			€m
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		–110.3	–125.9
Cash inflow from the disposal of intangible assets and property, plant and equipment		0.9	1.8
Cash outflow from capital expenditure for investments		–0.8	–0.1
Cash inflow from the disposal of investments		3.0	3.0
Cash outflow from capital expenditure for interests accounted for using the equity method and other equity interests		–2.1	0.0
Cash outflow from capital expenditure for current investments		0.0	–190.0
Cash flow from investing activities		–109.3	**–311.2**
Cash inflow from money market transactions		97.4	0.0
Cash outflow from money market transactions		0.0	0.0
Cash inflow from the assumption of financial liabilities (excluding money market transactions)		0.0	100.0
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		–262.0	–96.7
Dividends paid		–122.6	–178.1
Cash flow from financing activities		–287.2	**–174.8**
Change in cash and cash equivalents		–11.4	**–6.0**
Cash and cash equivalents as at 1/1/		28.0	**28.6**
Change in cash and cash equivalents		–11.4	–6.0
Classification as “held for sale”		–1.0	0.0
Cash and cash equivalents as at 30/6/		15.6	**22.6**

Selected explanatory notes

Financial reporting principles

Basic principles

These consolidated interim financial statements of VERBUND for the period ended 30 June 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial statements as adopted by the European Union.

The condensed format of VERBUND's consolidated interim financial statements is consistent with IAS 34 "Interim Financial Reporting"; for further information and disclosures please refer to VERBUND's consolidated financial statements for the year ended 31 December 2017, which form the basis for these consolidated interim financial statements of VERBUND.

Accounting policies

With the exception of the IASB's new accounting standards described below, the same accounting policies were applied in these consolidated interim financial statements of VERBUND as in VERBUND's consolidated financial statements as at 31 December 2017.

The addition of rounded amounts and the calculation of percentages may lead to rounding differences as a result of the use of computing software.

Newly applicable or applied accounting standards

Newly applicable or applied accounting standards

Standard or interpretation		Published by the IASB (endorsed by the EU)	Mandatory application for VERBUND	Material effects on the consolidated interim financial statements of VERBUND
IAS 40	Amendments: Transfers of Investment Property	8/12/2016 (14/3/2018)	1/1/2018	None
IFRS 2	Amendments: Classification and Measurement of Share-based Payment Transactions	20/6/2016 (26/2/2018)	1/1/2018	None
IFRS 4	Amendments: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	12/9/2016 (3/11/2017)	1/1/2018	None
IFRS 9	Financial Instruments	24/7/2014 (22/11/2016)	1/1/2018	See below
IFRS 9	Amendments: Prepayment Features with Negative Compensation	12/10/2017 (22/3/2018)	1/1/2019	None
IFRS 15	Revenue from Contracts with Customers	28/5/2014 and 11/9/2015 (22/9/2016)	1/1/2018	See below
IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers	12/4/2016 (31/10/2017)	1/1/2018	See below
IFRIC 22	Foreign Currency Transactions and Advance Consideration	8/12/2016 (28/3/2018)	1/1/2018	None

The IASB published the final version of IFRS 9 on 24 July 2014 and amendments to IFRS 9 regarding prepayment features with negative compensation on 12 October 2017. The new provisions of IFRS 9 (including amendments) have been applied since 1 January 2018. IFRS 9 reforms the classification and measurement of financial instruments. The new categories specify recognition at cost or fair value (either through profit or loss for the period or through other comprehensive income) depending on the type of financial instrument or business model. The recognition of impairment losses on financial assets was also revised. In accordance with IFRS 9, impairment losses are to be recognised based on an expected credit loss model. In comparison with the rules under IAS 39 (incurred loss model), provisions are to be recognised earlier under the new rules. In the area of hedge accounting, many restrictions under IAS 39 were lifted, with a stronger emphasis on the economic aspect of the hedging relationship.

Compared with the previously applied accounting policies, there are differences with respect to subsequent measurement of shares of investment funds. In the past, such interest was accounted for as securities under the available-for-sale category (FAAFS). Changes in fair value were thus recognised in other comprehensive income. In accordance with IFRS 9, shares of investment funds are to be classified as measured at fair value through profit or loss (FVPL) because the payments made in connection with the fund do not constitute solely payments of principal and interest. Changes in fair value are therefore recognised under the other financial result. In addition, equity instruments from the “at amortised cost” (FAAC) and “available for sale” (FAAFS) categories were classified as “at fair value through other comprehensive income” (FVOCI) under IFRS 9 because they are held over a longer term for strategic reasons. All measurement and disposal gains or losses for these equity instruments are recognised in other comprehensive income. However, dividends received in connection with these equity instruments must still be reported in the other result from equity interests. Financial assets from the loans and receivables (LAR) category were classified as measured at amortised cost (AC) under IFRS 9, because the payments in connection with these financial assets constitute solely payment of principal and interest and they are held to collect contractual cash flows. As at 1 January 2018 the recognition of impairment losses for these financial assets based on the expected credit loss model led to a decrease in the carrying amount of the securities – closed items on the balance sheet (€0.1m), other loans – closed items on the balance sheet (€0.1m) and loans to investees (€0.0m). With respect to the other financial assets and liabilities, there was no change in the subsequent measurement as a result of the new classification rules of IFRS 9. The cash flow hedges recognised as at 31 December 2017 were carried forward starting 1 January 2018 in compliance with the transition provisions.

The table below shows the original measurement category and the carrying amount that was determined under IAS 39, the new measurement category and the carrying amount that was determined under IFRS 9 when IFRS 9 was applied for the first time:

Measurement categories and carrying amounts as at 1/1/2018

€m

	Measurement category in accordance with IAS 39	Measurement category in accordance with IFRS 9	Carrying amount IAS 39	Carrying amount IFRS 9
Interests in unconsolidated subsidiaries	FAAC	FVOCI	1.0	1.0
Interests in unconsolidated subsidiaries	FAAFS	FVOCI	10.8	10.8
Other equity interests	FAAFS	FVOCI	123.8	123.8
Other equity interests	FAAC	FVOCI	1.9	1.9
Securities	FAAFS	FVPL	138.3	138.3
Securities	FAAFS	FVOCI	7.5	7.5
Securities	FAAC	FVOCI	1.0	1.0
Securities – closed items on the balance sheet	LAR	AC	59.7	59.5
Other loans – closed items on the balance sheet	LAR	AC	274.9	274.7
Derivatives in the finance area – closed items on the balance sheet	FAHFT	FVPL	89.8	89.8
Loans to investees	LAR	AC	58.3	58.2
Other loans	LAR	AC	5.1	5.1
Trade receivables	LAR	AC	345.7	345.7
Receivables from investees	LAR	AC	27.9	27.9
Loans to investees	LAR	AC	4.9	4.9
Other loans	LAR	AC	0.2	0.2
Derivatives in the energy area	FAHFT	FVPL	104.7	104.7
Long position: Gemeinschaftskraftwerk Inn GmbH	FAHFT	FVPL	19.2	19.2
Cash and cash equivalents	LAR	AC	28.6	28.6
Other	LAR	AC	44.8	44.8
Total financial assets			**1,348.2**	**1,347.9**
Bonds	FLAAC	AC	1,395.0	1,395.0
Financial liabilities to banks and to others	FLAAC	AC	533.4	533.4
Financial liabilities to banks – closed items on the balance sheet	FLAAC	AC	106.3	106.3
Financial liabilities to banks – closed items on the balance sheet	FLAFVPL	FVPL	318.0	318.0
Obligation to return an interest	FLAAC	AC	78.3	78.3
Trade payables	FLAAC	AC	1.5	1.5
Other	FLAAC	AC	27.0	27.0
Trade payables	FLAAC	AC	171.5	171.5
Derivatives in the energy area	FLHFT	FVPL	264.0	264.0
Derivatives in the finance area	FLHFT	FVPL	18.6	18.6
Other	FLAAC	AC	115.1	115.1
Total financial liabilities			**3,028.7**	**3,028.7**

The table below shows the effects of the initial application of IFRS 9 on the components of equity:

Effects of the initial application of IFRS 9 €m

	Retained earnings	Measure-ments of financial instruments	Equity attributable to the share-holders of VERBUND AG	Equity attributable to non-controlling interests	Total equity
Reclassification of shares of investment funds from FAAFS to the FVPL category	11.4	–11.4	0.0	0.0	0.0
Reclassification of equity instruments from FAAFS/FAAC to the FVOCI category	38.7	–38.7	0.0	0.0	0.0
Recognition of impairment losses based on the expected credit loss model	–0.2	0.0	–0.2	0.0	–0.2
Total	49.9	–50.1	–0.2	0.0	–0.2

The IASB published the final version of IFRS 15 on 28 May 2014. The mandatory date of initial application was shifted with the publication dated 11 September 2015 to financial years beginning on or after 1 January 2018. In addition, clarifications to the rules under IFRS 15 were provided on 12 April 2016. IFRS 15 replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. The new standard provides for a five-step model for the recognition of revenue. First the contract(s) with a customer are to be identified, followed by the company's own performance obligations. Afterwards, the transaction price is determined and allocated to the performance obligations in the contract. Revenue is recognised in the fifth step when the entity has satisfied its performance obligation. A large number of VERBUND's contracts entered into with customers fall under the scope of IFRS 9 because they are not own-use contracts. As a general rule, these contracts are excluded from the scope of IFRS 15. However, they will be treated as revenue as defined under IFRS 15 upon physical settlement. IFRS 15 has resulted in a change with respect to own-use transactions for which VERBUND bears the risk of default for the grid fees and levies charged to the customers. Since VERBUND bears the risk of default associated with these payments, VERBUND was classified as the principal based on the risk and rewards approach under IAS 18; therefore, revenue was recognised and presented as a gross amount. Under IFRS 15, however, control over the goods or services before they are transferred to the customers is the crucial factor determining whether an entity is acting as a principal or as an agent. In this assessment, risk of default no longer plays a role. Therefore, VERBUND is more likely to be considered an agent with respect to these payments. This means that revenue has no longer been realised for these payments since 1 January 2018 (net presentation). Beyond that, there have been no significant effects on the scope or timing of revenue recognition as a result of the initial application of IFRS 15. The initial application of IFRS 15 was carried out retrospectively, with the cumulative adjustments as of the date of initial application being recognised. The table below shows the effects of the initial application of IFRS 15 on these consolidated interim financial statements:

Effects of the initial application of IFRS 15

	€m
	Q1–2/2018
Electricity revenue	–104.0
Expenses for electricity, grid, gas and certificate purchases	104.0
EBITDA	**0.0**

New accounting standards not yet applicable or applied

The IASB published the final version of IFRS 16 on 13 January 2016. This standard will replace IAS 17, IFRIC 4, SIC 15 and SIC 27 in the future. The new standard sets out that all leases and the associated contractual rights and obligations are to be recognised on the lessee's balance sheet. As part of the Group-wide IFRS 16 transition project, work was carried out in quarter 1/2018 on the integration of a centralised database solution for the management and future recognition of leases in VERBUND's IT landscape. In parallel, progress is also being made on the assessment of the leases based on the criteria set out in IFRS 16. The new rules of IFRS 16 will lead to an increase in total assets, lower other operating expenses and, at the same time, higher depreciation charges and interest expenses, as well as to a shift of the expense from leases to the commencement of the respective lease term. An exact quantification of the effects on the consolidated financial statements of VERBUND is not possible at this time due to the current status of the implementation project. However, based on current information, it is assumed that the application of IFRS 16 will not have a significant effect on the reported net debt of VERBUND. The initial application of IFRS 16 will be carried out retrospectively, with the cumulative adjustments as of the date of initial application being recognised.

Segment reporting

EBITDA in the total column corresponds to EBITDA in the income statement. Therefore, the reconciliation to profit before tax can be taken from the income statement. Transactions between segments are carried out at arm's length. All segment data are measured in accordance with IFRSs.

€m

	Renewable generation	Sales	Grid	All other segments	Reconciliation/ consolidation	Total Group
Q1–2/2018						
External revenue	93.8	917.1	342.5	17.1	2.7	1,373.2
Internal revenue	412.4	82.3	26.3	89.8	–610.8	0.0
Total revenue	506.2	999.3	368.8	106.9	–608.0	1,373.2
EBITDA	**308.8**	**40.8**	**138.5**	**28.7**	**–13.1**	**503.7**
Depreciation and amortisation	–116.7	–0.6	–40.4	–5.3	–0.2	–163.2
Effects from impairment tests (operating result)	0.0	0.0	0.0	6.2	0.0	6.2
Other material non-cash items	24.2	–5.4	5.8	8.6	0.9	34.2
Result from interests accounted for using the equity method	0.1	0.0	0.0	21.6	0.0	21.7
Capital employed	6,679.7	162.6	1,276.6	470.2	78.2	8,667.3
of which carrying amount of interests accounted for using the equity method	2.7	0.0	1.4	312.8	0.0	316.8
Additions to intangible assets and property, plant and equipment	42.4	0.8	58.2	8.4	0.3	110.1
Additions to interests accounted for using the equity method	0.0	0.0	0.0	0.0	0.0	0.0

€m

	Renewable generation	Sales	Grid	All other segments	Recon-ciliation/ consoli-dation	Total Group
Q1–2/2017						
External revenue	77.9	1,007.9	374.4	13.4	2.7	1,476.4
Internal revenue	346.9	153.3	36.0	131.1	−667.4	0.0
Total revenue	424.8	1,161.2	410.4	144.6	−664.7	1,476.4
EBITDA	**244.6**	**50.2**	**88.1**	**45.5**	**−12.5**	**415.9**
Depreciation and amortisation	−128.6	−0.5	−38.7	−4.6	−0.2	−172.6
Effects from impairment tests (operating result)	0.0	0.0	0.0	0.0	0.0	0.0
Other material non-cash items	22.3	−8.8	6.2	11.2	0.9	31.8
Result from interests accounted for using the equity method	0.3	0.0	0.2	17.3	0.0	17.7
Capital employed	**7,017.6**	**268.7**	**1,234.0**	**394.4**	**−114.0**	**8,800.7**
of which carrying amount of interests accounted for using the equity method	2.6	0.0	1.3	284.6	0.0	288.5
Additions to intangible assets and property, plant and equipment	48.6	0.3	31.4	2.1	0.7	83.1
Additions to interests accounted for using the equity method	0.0	0.0	0.0	1.1	0.0	1.1

Notes to the income statement

(1) Electricity revenue

Electricity revenue by customer area €m

	Q1–2/2017 Domestic	**Q1–2/2018 Domestic**	Change	Q1–2/2017 Foreign	**Q1–2/2018 Foreign**	Change
Electricity deliveries to resellers	289.8	219.6	–24.2%	253.6	278.3	9.7%
Electricity deliveries to consumers[1]	134.5	107.4	–20.1%	191.3	104.4	–45.4%
Electricity deliveries to traders	46.7	68.2	46.2%	284.3	274.1	–3.6%
Electricity revenue by customer area[2]	471.0	**395.2**	–16.1%	729.2	**656.8**	–9.9%

[1] IFRS 15 was applied for the first time in quarters 1–2/2018. As a result, VERBUND was classified as an agent in connection with recharged grid fees/cost allocations, and electricity revenue in the amount of €104.0m was therefore shown as netted with the corresponding procurement costs (for further details see the section entitled Newly applied or applicable accounting standards). // [2] To present business performance more accurately, revenue from energy trading is shown as a net amount, i.e. amounts realised and measured are each presented net of expenses. Without this net presentation, electricity revenue (and expenses for the purchase of electricity) would have been €861.6m higher in quarters 1–2/2018 (Q1–2/2017: €1,584.0m).

(2) Grid revenue

Grid revenue by customer area €m

	Q1–2/2017 Domestic	**Q1–2/2018 Domestic**	Change	Q1–2/2017 Foreign	**Q1–2/2018 Foreign**	Change
Electric power companies	125.8	188.5	49.7%	2.3	7.3	n.a.
Industrial clients	5.3	5.7	5.9%	0.0	0.0	n.a.
Other	26.1	12.6	–51.6%	51.2	34.1	–33.4%
Grid revenue	157.3	**206.7**	31.4%	53.5	**41.3**	–22.8%

(3) Expenses for electricity, grid, gas and certificates purchases

Expenses for electricity, grid, gas and certificates purchases €m

	Q1–2/2017	**Q1–2/2018**	Change
Expenses for electricity purchases (including control power)	686.5	551.0	–19.7%
Expenses for grid purchases (system use)	48.4	9.7	–80.0%
Expenses for gas purchases	33.4	23.5	–29.6%
Purchases of emission rights (trade)	–0.3	2.4	n.a.
Purchases of proof of origin and green certificates	0.4	1.2	195.5%
Expenses for electricity, grid, gas and certificates purchases[1]	768.5	**587.8**	–23.5%

[1] IFRS 15 was applied for the first time in quarters 1–2/2018. As a result, VERBUND was classified as an agent in connection with recharged grid fees/cost allocations, and electricity revenue in the amount of €104.0m was therefore shown as netted with the corresponding procurement costs (for further details see the section entitled Newly applied or applicable accounting standards).

**(4)
Fuel expenses and other usage-dependent expenses**

Fuel expenses and other usage-/revenue-dependent expenses

€m

	Q1–2/2017	Q1–2/2018	Change
Fuel expenses	52.0	30.7	–41.0%
Emission rights acquired in exchange for consideration	4.3	3.0	–30.5%
Other revenue-dependent expenses	11.3	10.3	–8.6%
Fuel expenses and other usage-/revenue-dependent expenses	67.6	**44.0**	–34.9%

**(5)
Personnel expenses**

Personnel expenses

€m

	Q1–2/2017	Q1–2/2018	Change
Wages and salaries	121.7	122.8	0.9%
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	28.1	28.2	0.3%
Other social expenses	1.8	1.7	–3.6%
Subtotal	151.6	**152.7**	0.7%
Expenses for termination benefits	2.1	3.3	55.9%
Expenses for pensions and similar obligations	7.8	8.1	4.1%
Personnel expenses	161.5	**164.1**	1.6%

**(6)
Reversals of impairment losses**

The reversals of impairment losses in quarters 1–2/2018 related mainly to the closed down Dürnrohr and Korneuburg power plants. The reason for the impairment test was the conclusion of an agreement to sell.

**(7)
Result from interests accounted for using the equity method**

Result from interests accounted for using the equity method

€m

	Q1–2/2017 Domestic	Q1–2/2018 Domestic	Change	Q1–2/2017 Foreign	Q1–2/2018 Foreign	Change
Income or expenses	17.9	**21.6**	20.7%	–0.2	**0.1**	140.6%

**(8)
Interest income**

Interest income

€m

	Q1–2/2017	Q1–2/2018	Change
Interest from investments under closed items on the balance sheet	14.6	14.8	1.6%
Other interest and similar income	1.0	1.2	15.0%
Interest income	15.6	**16.0**	–13.8%

(9) Interest expenses

Interest expenses

€m	Q1–2/2017	**Q1–2/2018**	Change
Interest on bonds	25.0	**24.7**	–1.5%
Interest on financial liabilities under closed items on the balance sheet	14.6	**14.8**	1.6%
Interest on other liabilities from electricity supply commitments	8.4	**8.1**	–3.6%
Interest on bank loans	8.0	**5.9**	–26.6%
Net interest expense on personnel-related liabilities	5.6	**5.4**	–3.4%
Interest on a share redemption obligation	3.2	**2.4**	–24.4%
Interest on other non-current provisions	0.9	**1.0**	7.3%
Profit or loss attributable to limited partners	–0.2	**0.1**	147.0%
Borrowing costs capitalised in accordance with IAS 23	–2.3	**–2.0**	10.6%
Other interest and similar expenses	3.0	**3.1**	4.5%
Interest expenses	66.2	**63.3**	–4.2%

(10) Other financial result

Other financial result

€m	Q1–2/2017	**Q1–2/2018**	Change
Measurement of derivatives in the finance area	2.0	**0.5**	–72.7%
Income from securities and loans	1.2	**1.1**	–1.1%
Foreign exchange gains	0.1	**0.2**	138.6%
Foreign exchange losses	–0.1	**–0.1**	20.0%
Change in expected credit losses	0.0	**0.1**	n.a.
Measurement of non-derivative financial instruments	0.0	**–1.8**	n.a.
Measurement of long position: Gemeinschaftskraftwerk Inn GmbH	–4.3	**0.0**	100.0%
Other	0.0	**0.0**	11.8%
Other financial result	–1.2	**0.1**	139.6%

Notes to the balance sheet

(11)
Inventories

Inventories €m

	31/12/2017	30/6/2018	Change
Inventories of primary energy sources held for generation	2.6	**4.9**	89.9%
Emission rights held for trading	1.6	1.5	–2.8%
Measurements of emission rights held for trading	1.5	4.0	173.5%
Fair value of emission rights held for trading	3.1	**5.6**	82.4%
Proof of origin and green electricity certificates	0.9	**2.6**	180.1%
Other	3.9	**3.7**	–4.0%
Inventories	10.5	**16.9**	60.8%

The measurement benchmark for inventories of natural gas and emission rights held for trading by VERBUND is the fair value less costs to sell in accordance with the exception provided for raw materials and commodity broker-traders (brokerage exemption). The stock exchange price for front-month gas forwards on the Central European Gas Hub (CEGH) or NetConnect Germany (NCG) is the relevant price for inventories of natural gas held for trading. The fair value of emission rights held for trading corresponds to the price quoted on the European Energy Exchange (EEX). The fair values are thus based on Level 1 measurements.

(12) Additional disclosures regarding financial instruments

Carrying amounts and fair values by measurement category 30/6/2018

€m

Assets – balance sheet items	Measurement category in accordance with IFRS 9 or measurement in accordance with other IFRSs	Level	Carrying amount	Fair value
Interests in unconsolidated subsidiaries	FVOCI	2	10.4	10.4
Interests in unconsolidated subsidiaries	FVOCI	AC	1.0	1.0
Other equity interests	FVOCI	1	20.5	20.5
Other equity interests	FVOCI	2	98.6	98.6
Other equity interests	FVOCI	AC	6.7	6.7
Other equity interests			**137.1**	
Securities	FVPL	1	136.9	136.9
Securities	FVOCI	3	7.5	7.5
Securities	FVOCI	AC	1.0	1.0
Securities – closed items on the balance sheet	AC	2	59.9	56.9
Other loans – closed items on the balance sheet	AC	2	278.7	299.4
Derivatives in the finance area – closed items on the balance sheet	FVPL	2	71.1	71.1
Loans to investees	AC	2	39.5	41.3
Other loans	AC	2	5.1	5.0
Other	–	–	29.7	–
Other non-current investments and non-current other receivables			**629.4**	
Trade receivables	AC	–	277.7	–
Receivables from investees	AC	–	29.6	–
Loans to investees	AC	2	21.3	21.6
Other loans	AC	2	0.2	0.2
Derivatives in the energy area	FVPL	1	0.1	0.1
Derivatives in the energy area	FVPL	2	198.2	198.2
Long position: Gemeinschaftskraftwerk Inn GmbH	FVPL	3	18.6	18.6
Securities	FVPL	1	69.7	69.7
Money market transactions	AC	2	119.9	120.0
Emission rights	IAS 38, IAS 2	–	0.8	–
Other	AC	–	38.8	–
Other	–	–	32.6	–
Trade receivables and current other receivables			**807.4**	
Cash and cash equivalents	**AC**	**–**	**22.6**	**–**
Aggregated by measurement category				
Financial assets at amortised costs	AC		893.4	
Financial assets at fair value through profit or loss	FVPL		494.5	
Financial assets at fair value through other comprehensive income	FVOCI		145.6	

Carrying amounts and fair values by measurement category 30/6/2018

€m

Liabilities – balance sheet items	Measurement category in accordance with IFRS 9 or measurement in accordance with other IFRSs	Level	Carrying amount	Fair value
Bonds	AC	2	1,411.2	1,460.7
Financial liabilities to banks and to others	AC	2	537.5	571.3
Financial liabilities to banks – closed items on the balance sheet	AC	2	109.3	140.1
Financial liabilities to banks – closed items on the balance sheet	FVPL	2	300.4	300.4
Capital shares attributable to limited partners	IAS 32	–	2.8	–
Non-current and current financial liabilities			**2,361.3**	
Electricity supply commitment	–	–	159.4	–
Obligation to return an interest	AC	3	80.7	128.0
Trade payables	AC	–	2.6	–
Deferred income for grants (emission rights)	IAS 20	–	0.3	–
Other	AC	–	26.8	–
Non-current other liabilities			**269.9**	
Trade payables	AC	–	127.7	–
Derivatives in the energy area	FVPL	1	0.6	0.6
Derivatives in the energy area	FVPL	2	435.2	435.2
Derivatives in the finance area	FVPL	2	17.1	17.1
Other	AC	–	85.6	–
Other	–	–	93.1	–
Trade payables and current other liabilities			**759.3**	
Aggregated by measurement category				
Financial liabilities at amortised costs	AC		2,381.5	
Financial liabilities at fair value through profit or loss	FVPL		753.3	

Carrying amounts and fair values by measurement category 31/12/2017 €m

Assets – balance sheet items	Measurement category in accordance with IAS 39 or measurement in accordance with other IFRSs	Level	Carrying amount	Fair value
Interests in unconsolidated subsidiaries	FAAC	–	1.0	–
Interests in unconsolidated subsidiaries	FAAFS	2	10.8	10.8
Other equity interests	FAAFS	1	20.5	20.5
Other equity interests	FAAFS	2	103.4	103.4
Other equity interests	FAAC	–	1.9	–
Other equity interests			137.5	
Securities	FAAFS	1	138.3	138.3
Securities	FAAFS	3	7.5	7.5
Securities	FAAC	–	1.0	–
Securities – closed items on the balance sheet	LAR	2	59.7	57.1
Other loans – closed items on the balance sheet	LAR	2	274.9	304.8
Derivatives in the finance area – closed items on the balance sheet	FAHFT	2	89.8	89.8
Loans to investees	LAR	2	58.3	60.4
Other loans	LAR	2	5.1	5.0
Other	–	–	29.5	–
Other non-current investments and non-current other receivables			664.1	
Trade receivables	LAR	–	345.7	–
Receivables from investees	LAR	–	27.9	–
Loans to investees	LAR	2	4.9	5.1
Other loans	LAR	2	0.2	0.2
Derivatives in the energy area	FAHFT	2	104.7	104.7
Long position: Gemeinschaftskraftwerk Inn GmbH	FAHFT	3	19.2	19.2
Emission rights	IAS 38, IAS 2	–	7.9	–
Other	LAR	–	44.8	–
Other	–	–	27.5	–
Trade receivables and current other receivables			583.0	
Cash and cash equivalents	LAR	–	28.6	28.6
Aggregated by measurement category				
Financial assets at amortised costs	FAAC		3.9	
Loans and receivables	LAR		850.1	
Financial assets available for sale	FAAFS		280.5	
Financial assets held for trading	FAHFT		213.8	

Carrying amounts and fair values by measurement category 31/12/2017 €m

Liabilities – balance sheet items	Measurement category in accordance with IAS 39 or measurement in accordance with other IFRSs	Level	Carrying amount	Fair value
Bonds	FLAAC	2	1,395.0	1,499.2
Financial liabilities to banks and to others	FLAAC	2	533.4	570.0
Financial liabilities to banks – closed items on the balance sheet	FLAAC	2	106.3	141.3
Financial liabilities to banks – closed items on the balance sheet	FLAFVPL	2	318.0	318.0
Capital shares attributable to limited partners	IAS 32	–	2.8	–
Non-current and current financial liabilities			2,355.5	
Electricity supply commitment	–	–	163.0	–
Obligation to return an interest	FLAAC	3	78.3	125.1
Trade payables	FLAAC	–	1.5	–
Other	FLAAC	–	27.0	–
Non-current other liabilities			269.7	
Trade payables	FLAAC	–	171.5	–
Derivatives in the energy area	FLHFT	2	264.0	264.0
Derivatives in the finance area	FLHFT	2	18.6	18.6
Other	FLAAC	–	115.1	–
Other	–	–	75.6	–
Trade payables and current other liabilities			644.8	
Aggregated by measurement category				
Financial liabilities at amortised costs	FLAAC		2,428.2	
Financial liabilities at fair value through profit or loss	FLAFVPL		318.0	
Financial liabilities held for trading	FLHFT		282.6	

Of the derivative financial instruments in the energy area classified as FVPL/FAHFT and FVPL/FLHFT in the above tables, positive fair values of €58.8m (31 December 2017: €40.7m) and negative fair values of €383.3m (31 December 2017: €326.7m) relate to hedging relationships designated as cash flow hedges. These fair values represent gross amounts; following the inter-portfolio netting carried out in accordance with VERBUND's accounting policies, cash flow hedges can no longer be isolated.

Valuation techniques and input factors for determining fair values

Level	Financial instruments	Valuation technique	Input factor
1	Energy forwards	Market approach	Settlement price published by the stock exchange
1	Securities, other equity interest in Burgenland Holding AG	Market approach	Stock exchange price
2	Securities and other loans under closed items on the balance sheet, long-term loans, liabilities to banks, bonds and other financial liabilities	Net present value approach	Payments associated with the financial instruments, yield curve, credit risk of the contracting parties (credit default swaps or credit spread curves)
2	Interests in unconsolidated subsidiaries, other equity interest in Energie AG Oberösterreich	Market approach	Trading multiple, transaction price
2	Non-listed energy forwards	Net present value approach	Forward price curve derived from stock exchange, yield curve, credit risk of the contracting parties
2	Other financial assets and liabilities measured at fair value through profit or loss in the finance area	Net present value approach	Cash flows already fixed or determined via forward rates, yield curve, credit risk of the contracting parties
3	Return obligation (obligation to transfer back the 50% interest acquired in Donaukraftwerk Jochenstein AG)	Net present value approach	Price forecasts for electricity, weighted average cost of capital after taxes
3	Long position: Gemeinschaftskraftwerk Inn GmbH (GKI)	Net present value approach	Price forecast for electricity and discount rate for calculating the value of the underlying asset (weighted average cost of capital after taxes)
3	Securities (shares of CEESEG AG)	Net present value approach	Expected distribution of profits, cost of equity
AC	Other interests in unconsolidated subsidiaries, other equity interests and other securities	–	Carrying amounts as best estimate of fair value
–	Cash and cash equivalents, trade receivables and payables, current other receivables, other borrowing within current credit lines as well as current other liabilities	–	Carrying amounts as a best estimate of fair value

Level 3 measurement of financial instruments: long position: GKI		€m
	2017	**2018**
Carrying amount as at 1/1/	4.3	**19.2**
Measurement gains or losses (recognised in other financial result)	–4.3	0.0
Measurement gains or losses (recognised as a measurement of cash flow hedges)	0.5	–0.6
Carrying amount as at 30/6/	0.5	**18.6**

Effective 22 August 2014, VERBUND sold 40% of its 50% equity interest in Gemeinschaftskraftwerk Inn GmbH to TIWAG-Tiroler Wasserkraft AG. As part of this transaction, TIWAG-Tiroler Wasserkraft AG granted VERBUND a put and a call option: VERBUND could sell its remaining 10% equity interest in Gemeinschaftskraftwerk Inn GmbH to TIWAG-Tiroler Wasserkraft AG or increase its 10% equity interest to 25% between 1 June 2018 and 30 June 2018 by acquiring shares from TIWAG-Tiroler Wasserkraft AG. The strike price for the two options corresponds to the investment costs incurred up to that point plus interest for the power plant joint venture on the Inn River. The put option is treated as a hedging instrument for the hedging of a highly probable forecast transaction (cash flow hedge). VERBUND exercised the put option on 4 June 2018 and will therefore also sell the remaining 10% interest in Gemeinschaftskraftwerk Inn GmbH to TIWAG-Tiroler Wasserkraft AG. The transaction will close in July 2018 after it has been approved by competition authorities.

Other note disclosures

Dividends paid

Dividends paid	Total (€m)	Number of ordinary shares	Per share (€)
Dividend paid in 2018 for financial year 2017	145.9	347,415,686	0.42
Dividend paid in 2017 for financial year 2016	100.8	347,415,686	0.29

Purchase commitments

Purchase commitments for property, plant and equipment, intangible assets and other services			€m
	30/6/2018	of which due in 2018	of which due 2019–2023
Total commitment	**476.2**	324.7	151.2

Contingent liabilities

VERBUND's last remaining cross-border leasing transaction has an off-balance sheet financing structure. As at 30 June 2018, VERBUND's subsidiary liability for the non-redeemed portion of lease liabilities from cross-border leasing transactions amounted to €494.4m (31 December 2017: €504.1m). Of the rights of recourse against primary debtors, a total of €307.8m (31 December 2017: €327.9m) was secured through counter-guarantees from financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €253.4m (31 December 2017: €240.2m) was covered by off-balance sheet investments.

Court proceedings pending

In connection with the proceedings between VERBUND and EVN AG (shutdown of the power plant block at the Dürnrohr site), outstanding issues were settled in quarters 1–2/2018. The provision recognised in the past in the amount of €12.0m was utilised as intended.

There were no significant developments compared with the status described as of 31 December 2017 in connection with the claims for damages asserted in the wake of the flooding of the Drau River in 2012. No disclosures have been provided in respect of any contingent liabilities or provisions that may arise in relation to these claims for damages because it is likely that such note disclosures would seriously prejudice VERBUND's position in the proceedings.

In connection with the amortisation of goodwill for the investment in VERBUND Innkraftwerke GmbH claimed for tax purposes for the years 2014–2023, the appeal against the 2014 notice of assessment for the group parent remains pending. The tax benefit for these years (reduction of future tax payments in the amount of €8.2m per year) is recognised in accordance with VERBUND's accounting policies if it is reasonably likely.

Transactions with related parties

Transactions with investees accounted for using the equity method €m

	Q1–2/2017	**Q1–2/2018**	Change
Income statement			
Electricity revenue	27.6	32.5	17.8%
Grid revenue	12.6	17.8	41.2%
Other revenue	0.0	0.1	174.4%
Other operating income	0.5	0.4	–27.4%
Expenses for electricity, grid, gas and certificates purchases	–7.5	–7.5	0.9%
Other operating expenses	–0.2	–1.8	n.a.
Interest income	0.8	0.8	5.3%
Interest expenses	0.0	0.0	99.8%
Other financial result	1.0	1.0	–6.3%

Transactions with investees accounted for using the equity method €m

	31/12/2017	30/6/2018	Change
Balance sheet			
Investments and other non-current receivables	33.6	32.2	–3.9%
Trade receivables and other current receivables	29.8	33.8	13.3%
Contributions to building costs and grants	282.9	278.5	–1.6%
Trade payables and other current liabilities	1.4	1.4	4.3%

Electricity revenue with equity-accounted investees primarily came from KELAG-Kärntner Elektrizitäts-AG (€26.2m; Q1–2/2017: €19.5m) and OeMAG Abwicklungsstelle für Ökostrom AG (€5.9m; Q1–2/2017: €7.0m). The electricity revenue was offset by electricity purchases from KELAG-Kärntner Elektrizitäts-AG in the amount of €7.2m (Q1–2/2017: €7.1m).

Electricity revenue with companies controlled or significantly influenced by the Republic of Austria in quarters 1–2/2018 totalled €29.6m (Q1–2/2017: €25.8m). Electricity was purchased mainly by Österreichische Bundesbahnen (ÖBB), OMV, Telekom Austria Group and Bundesbeschaffung GmbH.

Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €0.6m in quarters 1–2/2018 (Q1–2/2017: €7.9m). The electricity was supplied by Österreichische Bundesbahnen (ÖBB). Gas trading contracts with OMV and gas deliveries on the part of OMV resulted in a total expense of €17.0m in other revenue and purchased gas, respectively (Q1–2/2017: €2.0m).

VERBUND's expenses for monitoring by E-Control in quarters 1–2/2018 amounted to a total of €4.6m (Q1–2/2017: €6.9m).

Audit and/or review

These consolidated interim financial statements of VERBUND have been neither audited nor reviewed by an auditor.

Events after the reporting date

There were no events requiring disclosure between the reporting date of 30 June 2018 and authorisation for publication on 19 July 2018.

Vienna, 19 July 2018
Executive Board

Dipl.-Ing. Wolfgang Anzengruber
Chairman of the Executive Board

Dr. Johann Sereinig
Vice-Chairman of the Executive Board

Dipl.-Ing. Dr. Günther Rabensteiner
Member of the Executive Board

Dr. Peter F. Kollmann
Member of the Executive Board

Responsibility statement of the legal representatives

We confirm according to the best of our knowledge that the condensed consolidated interim financial statements of VERBUND as at 30 June 2018, prepared in accordance with the accounting standards for interim financial reports under International Financial Reporting Standards (IFRSs), give a true and fair view of the assets and liabilities, financial position and profit or loss of the Group as required under stock exchange regulations.

We also confirm that the Group interim management report of VERBUND gives a true and fair view of the assets and liabilities, financial position and profit or loss of the Group as required under stock exchange regulations with respect to the important events during the first six months of the financial year and their effects on the condensed consolidated interim financial statements of VERBUND as at 30 June 2018 as well as with respect to the principal risks and uncertainties in the remaining six months of the financial year and with respect to the related party transactions which must be disclosed.

Vienna, 19 July 2018
Executive Board

Dipl.-Ing. Wolfgang Anzengruber
Chairman of the Executive Board

Dr. Johann Sereinig
Vice-Chairman of the Executive Board

Dipl.-Ing. Dr. Günther Rabensteiner
Member of the Executive Board

Dr. Peter F. Kollmann
Member of the Executive Board

Notes

EDITORIAL DETAILS

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Am Hof 6a, 1010 Vienna

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Shareholder structure:
– Republic of Austria (51.0%)
– Syndicate (>25.0%) consisting of EVN AG (the shareholders of which are: Niederösterreichische Landes-Beteiligungsholding GmbH, 51%, EnBW Energie Baden-Württemberg AG, 30.6%) and Wiener Stadtwerke (the sole shareholder is the City of Vienna)
– TIWAG-Tiroler Wasserkraft AG (>5.0%, the sole shareholder is the province of Tyrol)
– Free float (<20.0%): no further information is available concerning owners of shares in free float.

Legal and statutory limitations of voting rights:
With the exception of regional authorities and companies in which regional authorities hold an interest of at least 51%, the voting rights of each shareholder in the Annual General Meeting are restricted to 5% of the share capital.

Regulatory body/trade associations:
E-Control GmbH/E-Control Kommission
Bundesministerium für Finanzen
Wirtschaftskammer Österreich
Oesterreichs Energie

Object of the Group:
The Group focus is the generation, transportation, trading with and sale of electrical energy and energy from other sources as well as the provision and performance of energy services.

Executive Board:
Wolfgang Anzengruber (Chairman),
Johann Sereinig (Vice-Chairman),
Peter F. Kollmann,
Günther Rabensteiner

Supervisory Board:
Gerhard Roiss (Chairman), Michael Süß (1st Vice-Chairman), Elisabeth Engelbrechtsmüller-Strauß (2nd Vice-Chairwoman), Harald Kaszanits, Werner Muhm, Susanne Riess, Jürgen Roth, Stefan Szyszkowitz, Christa Wagner, Peter Weinelt, Doris Dangl, Isabella Hönlinger, Kurt Christof, Wolfgang Liebscher, Hans Pfau

Purpose of publication:
Information for customers, partners and the general public about the utilities sector and the Group.

Specific laws applicable:
Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG) with associated regulations and implemented laws. The legal bases listed can be accessed via the legal information system of the Federal Chancellery of the Republic of Austria at www.ris.bka.gv.at.

Verbund
Power for the Future