Smart Power.
Sustainable solutions for the future of energy.

Interim report quarters 1-3/2018

Verbund
Power for the Future

Contents

At a glance

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- VERBUND shares performed extremely well with gains of 110.6% in quarters 1–3/2018
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- Earnings forecast for 2018 adjusted due to poor water supply in quarter 3/2018: EBITDA projected to reach approx. €870m and the Group result approx. €340m

KPIs

	Unit	Q1–3/2017	**Q1–3/2018**	Change
Revenue	€m	2,161.6	2,080.7	–3.7%
EBITDA	€m	663.5	678.4	2.3%
EBITDA adjusted	€m	663.5	677.7	2.1%
Operating result	€m	429.5	439.9	2.4%
Group result	€m	269.5	282.8	4.9%
Group result adjusted	€m	252.1	277.6	10.1%
Earnings per share	€	0.78	0.81	4.9%
EBIT margin	%	19.9	21.1	–
EBITDA margin	%	30.7	32.6	–
Cash flow from operating activities	€m	483.8	542.1	12.0%
Additions to property, plant and equipment (excluding business acquisitions)	€m	135.5	166.5	22.9%
Free cash flow before dividends	€m	320.2	389.0	21.5%
Average number of employees		2,829	2,739	–3.2%
Electricity sales volume	GWh	44,161	44,365	0.5%
Hydro coefficient		0.94	0.96	–

	Unit	31/12/2017	**30/9/2018**	Change
Total assets	€m	11,283.6	11,679.3	3.5%
Equity	€m	5,690.8	5,692.9	0.0%
Equity ratio (adjusted)	%	52.4	50.5	–
Net debt	€m	2,843.8	2,633.2	–7.4%
Gearing	%	50.0	46.3	–

Report of the Executive Board

Dear Shareholders,

During recent years, VERBUND has implemented the changes necessary to align our Group with the market environment, which affords us a solid base for the coming financial years. First of all, we focused on our core business: the environmentally friendly generation of electricity from hydropower in Austria and Germany and the expansion and operation of the Austrian high-voltage grid along with international electricity trading and the sale of electricity within Austria. In addition, we developed a number of new business activities – particularly in the area of customer-focused services – in response to the new customer needs arising from the energy transition.

To make our Group stronger for the future and more resilient to increasing market volatility, we restructured our foreign equity interests as well as our thermal power plant portfolio. We succeeded in significantly cutting costs and made progress in reducing the Group's debt level by implementing several programmes to reduce costs and increase efficiency but also by adjusting our investment programme. Implementation of these measures, which were rolled out some time ago, has put us in a strong position to benefit in the future from the energy market environment, which is undergoing positive changes.

The overall energy market has improved in recent months from a VERBUND perspective. A key factor in the Group's performance is the wholesale price for electricity in Europe, which is driven in particular by the trend in prices for primary energy sources such as coal, oil and gas and prices for CO_2 emission rights, all of which have risen sharply this year. Moreover, the supply and demand curve has shifted in Europe with respect to electricity. While secure electricity supply is decreasing due to power plant closures, the planned exit of Germany from nuclear power and Germany's gradual exit from coal-fired electricity generation, an increase is being seen in the highly fluctuating supply of electricity as a result of the continued development of new renewable electricity sources such as wind and solar power.

Thanks to its cost-effective, flexible and nearly carbon-free power plant portfolio, VERBUND benefits from an optimum generation structure in the current market environment. VERBUND's performance also profits significantly from Austria's regulated high-voltage grid, which is playing an increasingly important role in Europe due to its geographical location, the necessity of integrating new renewable electricity production and the rapid increase in market integration in Europe. Our Group is thus benefitting from a strong position in the current favourable energy market.

The capital markets are rewarding the major improvement in both internal and external conditions. VERBUND shares have delivered unprecedented performance this year, with the share price rising more than 110% in quarters 1–3/2018. This made our shares the top performer on Austria's stock exchange (ATX) in the first nine months of 2018 – after having already performed very well in 2017 – as well as the top performer among all European utilities.

VERBUND's rating likewise improved as an expression of the Group's financial resilience. In September 2018, both Moody's and Standard & Poor's (S&P) upgraded our rating, from Baa2/positive outlook to Baa1/positive outlook and from BBB+/stable outlook to A–/stable outlook, respectively. In explaining their rationale for the upgrade, the credit rating agencies underlined the measures implemented in the past to lower debt and strengthen free cash flow along with the Group's current strong financial position and its maintenance of financial discipline as the energy market climate improves. Both ratings improvements increase the strategic flexibility and resilience of our Group.

In this positive energy market environment, VERBUND also improved its performance in quarters 1–3/2018 compared with the prior-year reporting period. EBITDA increased by 2.3% to €678.4m in the reporting period, and the Group result was up by 4.9% year-on-year to €282.8m. The Group result after adjustment for non-recurring effects rose by 10.1% to €277.6m. The hydro coefficient for the run-of-river power plants came to 0.96, or 2 percentage points above the prior-year figure and 4 percentage points below the long-term average. Notable in this context was the extremely low water supply in quarter 3/2018 with a hydro coefficient of 0.74 (Q3/2017: 1.07). Generation from annual storage power plants increased by 6.2% in quarters 1–3/2018. 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 a pronounced year-on-year decline, given that financial year 2017 was heavily impacted by positive effects.

Due to the unusually low water supply in quarter 3/2018, we anticipate EBITDA of around €870m and a Group result of approximately €340m in financial year 2018 based on expectations of average levels of own generation from hydropower and wind power in quarter 4/2018. VERBUND is planning a dividend payout ratio of between 40% and 45% of the projected Group result of approximately €335m for financial year 2018 after adjustment for non-recurring effects.

We are optimistic about the remainder of 2018. We are highly confident about the coming years as well thanks to our newly acquired flexibility and vigour.

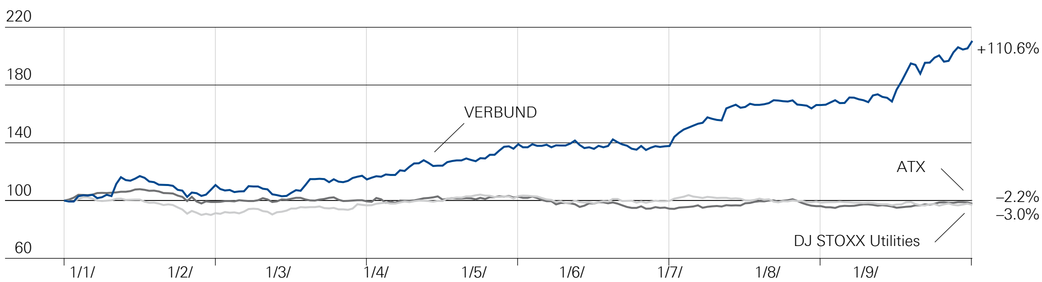
Dipl.-Ing. Wolfgang Anzengruber | Dr. Johann Sereinig | Dr. Peter F. Kollmann | Dr. Günther Rabensteiner

Investor relations

The financial markets were shaped by a friendly stock market climate in quarter 3/2018 thanks to rising corporate profits and favourable economic data. However, pronounced differences were observed in the different regions. The US stock markets performed particularly well. The US Dow Jones Industrial index ended quarters 1–3/2018 up 7.0% compared with the level at the end of 2017. Most European markets moved inversely with the US exchanges, especially those with a strong export component. The Euro Stoxx 50 closed the reporting period down 3.0%. Japan's leading index, the Nikkei 225, achieved an overall turnaround with a gain of 6.0% over the year-end 2017 figure as of 30 September 2018 thanks to its strong performance in quarter 3/2018.

Contact:
Andreas Wollein
Head of Group Finance, M&A and Investor Relations
Tel.: +43 (0)50 313-52604
E-mail: investor-relations@verbund.com

VERBUND share price: relative performance 2018



VERBUND shares posted strong gains in quarters 1–3/2018. The share price rose until mid-January 2018, followed by a price correction and volatile sideways movement until mid-March 2018. The shares subsequently trended sharply upwards until the middle of May 2018, after which they once again moved sideways until the end of June 2018. Quarter 3/2018, however, saw nearly constant strong upward movement in the share price. On 30 September 2018, VERBUND shares closed at €42.4, up 110.6% on the closing price as at 31 December 2017. The shares thus significantly outperformed both the ATX (–2.2%) and the DJ STOXX Utilities sector index (–3.0%). The Group's good strategic positioning combined with a considerably improved market climate for renewable energy producers was responsible for the shares' encouraging performance.

Upcoming dates:
Annual result 2018
13 March 2019

KPIs – shares

	Unit	Q1–3/2017	Q1–3/2018	Change
Share price high	€	19.9	42.4	112.7%
Share price low	€	14.7	20.0	35.6%
Closing price	€	19.9	42.4	112.7%
Performance	%	31.4	110.6	–
Market capitalisation	€m	6,929.2	14,737.4	112.7%
ATX weighting	%	2.6	5.8	–
Value of shares traded	€m	786.7	1,575.3	100.3%
Shares traded per day	Shares	255,262	291,827	14.3%

Interim Group management report

Business performance

Electricity supply and sales volume

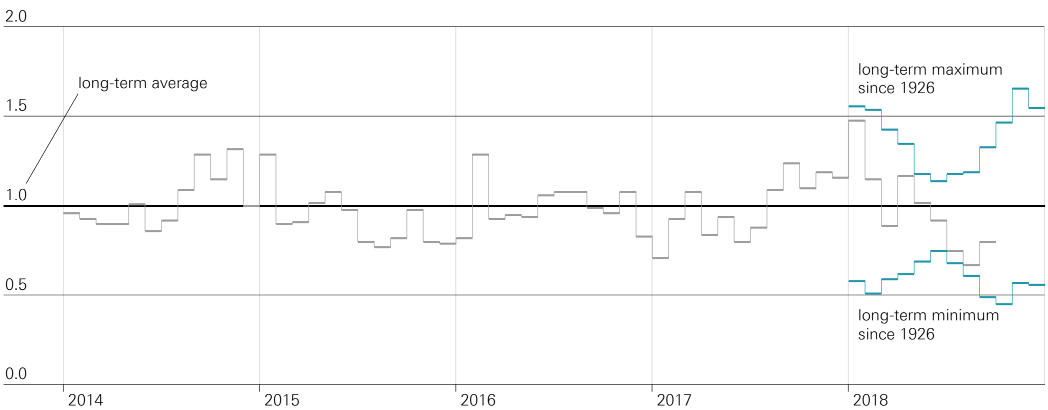
Group electricity supply GWh

	Q1–3/2017	Q1–3/2018	Change
Hydropower[1]	22,437	22,893	2.0%
Wind power	680	584	–14.2%
Thermal power	1,667	870	–47.8%
Own generation	24,785	**24,347**	–1.8%
Electricity purchased for trading and sales	18,500	19,521	5.5%
Electricity purchased for grid loss and control power volumes	4,528	4,197	–7.3%
Electricity supply	47,812	**48,065**	0.5%

[1] incl. purchase rights

VERBUND's own generation dropped by 437 GWh, or 1.8%, compared with quarters 1–3/2017 to 24,347 GWh as at the end of quarter 3/2018. Generation from hydropower rose by 455 GWh compared with the prior-year reporting period. The hydro coefficient for the run-of-river power plants came to 0.96, or 2 percentage points above the prior-year figure and 4 percentage points below the long-term average. The extremely low water supply (hydro coefficient of 0.74) impacted generation from hydropower in quarter 3/2018. Despite lower generation from turbining, generation from annual storage power plants increased by 6.2% in quarters 1–3/2018 due to the high reservoir levels as at 31 December 2017.

Hydro coefficient (monthly averages)



VERBUND's wind farms generated 96 GWh less electricity (–14.2%) in quarters 1–3/2018 than in the prior-year period, mainly due to less windy conditions in quarter 3/2018.

Generation from thermal power plants decreased by 796 GWh, or 47.8%, in quarters 1–3/2018. The Mellach combined cycle gas turbine power plant produced 717 GWh less electricity in the reporting period due to the significant reduction in the use for congestion management compared with the prior year. Generation at the Mellach coal-fired power plant decreased by 80 GWh. Purchases of electricity from third parties for trading and sales rose by 1,021 GWh in quarters 1–3/2018. Electricity purchased from third parties for grid losses and control power decreased by 331 GWh.

Group electricity sales volume and own use GWh

	Q1–3/2017	**Q1–3/2018**	Change
Consumers	8,894	9,424	6.0%
Resellers	21,310	20,768	–2.5%
Traders	13,956	14,174	1.6%
Electricity sales volume	44,161	**44,365**	0.5%
Own use	2,582	2,272	–12.0%
Control power	1,070	1,427	33.4%
Electricity sales volume and own use	47,812	**48,065**	0.5%

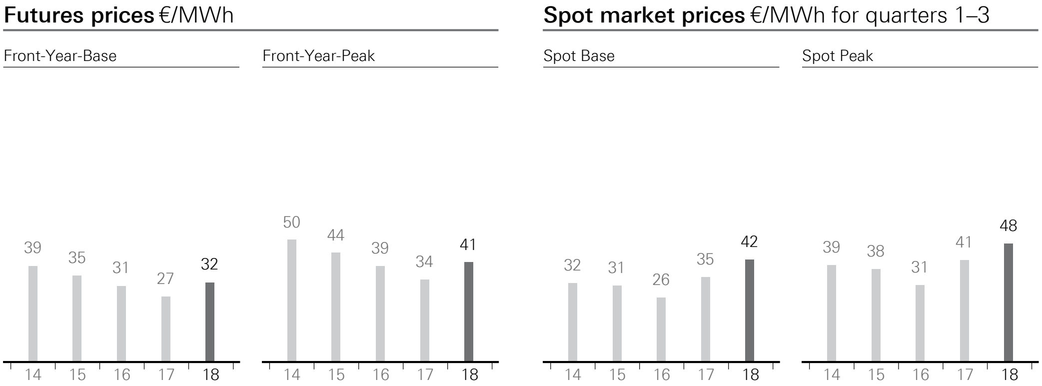
VERBUND's electricity sales volume rose by 205 GWh, or 0.5%, in quarters 1–3/2018. Most of the increase was attributable to higher sales to traders (+218 GWh) and consumers, with electricity volumes delivered to consumers rising by 529 GWh. Here, a significant increase in the Group's international business more than compensated for the slight decline in sales to domestic customers. As at 30 September 2018, our private customer base amounted to approximately 464,000 electricity and gas customers. By contrast, electricity deliveries to resellers fell by 542 GWh. Own use of electricity decreased by 309 GWh in quarters 1–3/2018. The decline was attributable above all to lower generation from turbining.

Electricity sales by country GWh

	Q1–3/2017	**Q1–3/2018**	Change
Austria	24,510	20,437	–16.6%
Germany	17,290	20,644	19.4%
France	1,900	2,310	21.6%
Others	460	974	–
Electricity sales volume	44,161	**44,365**	0.5%

Approximately 46% of the electricity sold by VERBUND in quarters 1–3/2018 went to the Austrian market. The German market accounted for around 86% of all volumes sold abroad, making it the focus of international trading and sales activities in quarters 1–3/2018. The decline in Austria resulted mainly from a shift in electricity sales volumes to the German market.

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 20.7% to €41.7/MWh in the reporting period.

Financial performance

Results

€m	Q1–3/2017	Q1–3/2018	Change
Revenue	2,161.6	2,080.7	–3.7%
EBITDA	663.5	678.4	2.3%
Operating result	429.5	439.9	2.4%
Group result	269.5	282.8	4.9%
Earnings per share in €	0.78	0.81	4.9%

Electricity revenue

VERBUND's electricity revenue dropped by €165.9m to €1,613.8m in quarters 1–3/2018. In terms of quantities, electricity sales volumes increased slightly, rising by 205 GWh, or 0.5%, 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). The price difference was slightly positive compared with the prior-year period.

Grid revenue

Grid revenue increased by €74.7m to €371.7m in quarters 1–3/2018 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 auctioning off of cross-border capacities and revenue declines relating to control power.

Other revenue and other operating income

Other revenue rose by €10.3m to €95.2m. The increase is mainly attributable to higher proceeds from the sale of green electricity certificates and higher revenue from district heating deliveries. Other operating income rose slightly by €1.0m to €44.6m.

Expenses for electricity, grid, gas and certificate purchases

Expenses for electricity, grid, gas and certificate purchases decreased by €110.3m to €984.9m. A total of 690 GWh more electricity was purchased from third parties for trading and sales as well as for grid losses and control power. However, expenses were reduced by the initial application of IFRS 15 (which had no impact on profit or loss; please refer to the notes to the consolidated financial statements for details on the initial application of IFRS 15). Expenses for electricity purchases thus decreased by €48.9m compared with quarters 1–3/2017. Expenses for grid purchases were down €52.0m, 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 €15.4m.

Fuel expenses

Fuel and other usage-/revenue-dependent expenses decreased by €6.3m to €73.8m. 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 rose by €4.4m to €236.2m. With respect to expenses for current employees, which rose by €3.7m, we were able to mitigate the 3% increase in pay rates under the collective bargaining agreement by systematically implementing our programme to reduce costs and increase efficiency. With respect to employee benefits relating to pensions and termination benefits ("Sozialkapital"), additional expenses of €0.7m were reported due to the use of new mortality tables and the resulting remeasurement of provisions.

Other operating expenses

Other operating expenses rose by €17.3m to €152.1m. 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 2.3% to €678.4m.

Depreciation, amortisation and impairment losses

Amortisation of intangible assets and depreciation of property, plant and equipment declined by €12.5m to €244.7m. 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.

Impairment losses

In quarters 1–3/2017, impairment losses amounting to €15.0m had resulted primarily from the loss recognised on the Mellach district heating plant (€10.5m). No impairment losses were recognised in quarters 1–3/2018.

Reversals of impairment losses

Reversals of impairment losses in quarters 1–3/2018 amounted to €6.2m and related primarily to the decommissioned power plants in Dürnrohr and Korneuburg. Impairment testing was performed due to the anticipated sale of the plants, which then occurred in quarter 3/2018. The reversals of impairment losses in quarters 1–3/2017 had amounted to €38.2m and were due entirely to the reversal of the impairment loss on the Mellach combined cycle gas turbine power plant.

Result from interests accounted for using the equity method

The result from interests accounted for using the equity method rose by €5.1m to €27.7m. The increase was mainly due to the earnings contributions from KELAG in the amount of €29.0m (Q1–3/2017: €23.2m).

Interest income and expenses

Interest income decreased by €0.5m to €22.9m compared with quarters 1–3/2017. Interest expenses declined by €4.0m to €94.0m, 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 €2.7m to €2.3m in quarters 1–3/2018. The improvement was primarily due to the fact that income from the measurement of a long position relating to VERBUND's share in Gemeinschaftskraftwerk Inn – which had been recognised in the prior period – did not recur in the current period.

Group result

After taking account of an effective tax rate of 21.9% and non-controlling interests in the amount of €32.1m, the Group result amounted to €282.8m. This represents an increase of 4.9% compared with the previous year. Earnings per share amounted to €0.81 (Q1–3/2017: €0.78) for 347,415,686 shares. The Group result after adjustment for non-recurring effects was €277.6m, an increase of 10.1% on the prior-year period.

Financial position

Consolidated balance sheet (short version)

€m

	31/12/2017	Share	**30/9/2018**	**Share**	Change
Non-current assets	10,661.5	94%	10,538.0	90%	– 1.2%
Current assets	622.1	6%	1,141.3	10%	–
Total assets	11,283.6	100%	**11,679.3**	**100%**	3.5%
Equity	5,690.8	50%	5,692.9	49%	0.0%
Non-current liabilities	4,584.7	41%	3,969.4	34%	– 13.4%
Current liabilities	1,008.1	9%	2,017.0	17%	100.1%
Equity and liabilities	11,283.6	100%	**11,679.3**	**100%**	3.5%

Assets

VERBUND's non-current assets decreased slightly in quarters 1–3/2018. With respect to property, plant and equipment, additions of €166.5m were offset by depreciation of €239.7m. The main additions to property, plant and equipment related to investments in the Austrian transmission grid and replacement investments at Austrian hydropower plants. 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 derivative hedging transactions in electricity trading.

Equity and liabilities

Equity was nearly unchanged compared with 31 December 2017. Net profit for the period in quarters 1–3/2018 was reduced by dividend distributions as well as by the effects on other comprehensive income of measuring hedging transactions in electricity trading and applying updated actuarial reports to pensions and similar obligations, which reduced equity. The increase in current and non-current liabilities was primarily the result of higher negative fair values for hedging transactions in electricity trading. In addition, a change in presentation arising from the maturity date for a bond led to a reclassification from non-current to current liabilities.

Cash flows

Cash flow statement (short version) €m

	Q1–3/2017	Q1–3/2018	Change
Cash flow from operating activities	483.8	542.1	12.0%
Cash flow from investing activities	–156.8	–339.3	–
Cash flow from financing activities	–341.5	–181.2	–46.9%
Change in cash and cash equivalents	–14.5	21.6	–
Cash and cash equivalents as at 30/9/	13.0	**50.2**	286.4%

Cash flow from operating activities

Cash flow from operating activities amounted to €542.1m in quarters 1–3/2018, up €58.3m on the prior-year figure. The increase was mainly due to lower cash outflows for congestion management in the Grid segment and lower interest payments. Higher income tax payments and lower revenue in the Renewable generation segment due to lower average achieved prices for electricity had a counteracting effect.

Cash flow from investing activities

Cash flow from investing activities amounted to €–339.3m in quarters 1–3/2018 (Q1–3/2017: €–156.8m). The change compared with quarters 1–3/2017 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 (€–33.7m). The cash outflows were counteracted by higher cash inflows from the disposal of intangible assets and property, plant and equipment (€+42.0m), mainly due to the disposal of rights to purchase electricity from Gemeinschaftskraftwerk Inn.

Cash flow from financing activities

Cash flow from financing activities amounted to €–181.2m in quarters 1–3/2018, a difference of €160.3m. The main reason for the change was lower repayments of financial liabilities (€169.5m) and the inclusion of a digital, green Schuldschein (€100.0m). Lower cash inflows from money market transactions (€–53.7m) 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. The Group implements measures to improve the efficiency of its existing plants and ensures the efficiency of its new construction projects according to the results of performance audits. VERBUND also contributes to stabilising the transmission grid with its Mellach combined cycle gas turbine power plant. The transmission grid is operated by Austrian Power Grid (APG), the Group's wholly owned subsidiary, and is being expanded in connection with the implementation of APG's network development plan. VERBUND thus makes a key contribution to maintaining the security of supply in Austria.

VERBUND is also improving its flood protection installations in order to protect local residents and facilities from damage that could arise in extreme weather conditions. Moreover, VERBUND – a company that is majority-owned by the Republic of Austria – takes active part in implementing the EU's energy strategy policies as a proponent of sustainable energy. VERBUND is responding to increasing demand for flexibility products and storage facilities in the electricity market by carrying out selected pilot projects, which are being successively developed and scaled up based on their success. The extent of the Group's innovative capacity can also be seen in VERBUND's status as an "early mover" in the area of green hydrogen. Within the bounds of its possibilities, VERBUND takes calculated risks with these projects in order to leverage promising and future opportunities over the long term.

Operating result

Electricity generation from hydropower and wind power is the main factor that could potentially impact the operating result, particularly because weather conditions cannot be controlled. Potential developments in the marketing of control power and in congestion management could also lead to considerable fluctuations in earnings. In addition, 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 September 2018 for generation volumes and interest rates):

- +/–1% in generation from hydropower plants: €+/–2.2m
- +/–1% in generation from wind power: €+/–0.1m
- €+/–1/MWh in wholesale electricity prices (renewable generation): €+/–0.7m
- +/– 1 percentage point in interest rates: €+/–0.1m

Segment report

Renewable generation segment

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

KPIs – Renewable generation segment

	Unit	Q1–3/2017	**Q1–3/2018**	Change
Total revenue	€m	708.8	697.6	–1.6%
EBITDA	€m	436.4	418.9	–4.0%
Result from interests accounted for using the equity method	€m	0.3	–0.3	–
Capital employed	€m	6,959.5	6,527.1	–6.2%

EBITDA for the Renewable generation segment declined by €17.5m to €418.9m, mainly due to the decrease in revenue resulting from lower average achieved prices for electricity. Lower grid expenses had a counteracting effect. The result from interests accounted for using the equity method of the Renewable generation segment was largely made up of the earnings contribution from Ashta Beteiligungsverwaltung GmbH. Capital employed for the Renewable generation segment fell by €432.4m to €6,527.1m. The decrease was 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

In the project to build a new power plant in Gries, generator set 2 went into test operation on 5 September 2018. As things stand today, the new power plant will therefore be able to commence operations around five months earlier than the planned February 2019 start date.

With regard to the Tuxbach expansion project, tunnel boring towards Zemmbach was completed in quarter 3/2018. However, heavy water ingress due to geological conditions will require additional injections along with an additional inner lining of approximately 1,000 meters in length. The impact on the project costs and scheduling are currently being evaluated. All other work on the project is proceeding as planned.

Preparations for the Töging/Jettenbach expansion and renovation project in Bavaria commenced on 18 September 2018 after having been moved up on the basis of approval from the authorities. The provisional motion to approve construction has likewise already been prepared in light of expectations of project approval by the authorities.

Work on the new Graz power plant is going very well, which means that it will be possible to bring forward the commissioning date by one year to June 2019.

Sales segment

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

KPIs – Sales segment

	Unit	Q1–3/2017	Q1–3/2018	Change
Total revenue	€m	1,711.6	1,524.0	–11.0%
EBITDA	€m	74.1	81.2	9.6%
Result from interests accounted for using the equity method	€m	0.0	0.0	–
Capital employed	€m	202.2	232.9	15.2%

EBITDA for the Sales segment increased by €7.1m to €81.2m, mainly due to the measurement of hedging transactions at fair value through profit or loss (€20.3m). This positive effect was counteracted by lower earnings contributions from the balancing services business (€–13.0m). Capital employed in the Sales segment was up €30.8m 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 as well as 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. Added to this are the issues that arise from the increasing digitalisation of the energy market. VERBUND takes a proactive stance in facing these challenges by developing 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	Q1–3/2017	Q1–3/2018	Change
Total revenue	€m	580.0	602.4	3.9%
EBITDA	€m	93.5	157.5	68.5%
Result from interests accounted for using the equity method	€m	0.2	0.0	–
Capital employed	€m	1,237.8	1,276.6	3.1%

EBITDA for the Grid segment rose by €64.0m to €157.5m, mainly due to the higher contribution margin arising from the combination of lower expenses and higher revenue from congestion management. 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

Austrian Power Grid (APG) again had to intervene in Austrian power plant operations on multiple occasions in quarter 3/2018 in order to ensure an uninterrupted supply of electricity in Austria. These extensive measures in critical situations 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.

Tariff regulation

In July 2018, APG was sent a draft of the cost decision relating to this year’s tariff review and submitted its written comments on the draft. Securing a return on capital employed continues to represent the primary objective.

Market trend

Preparations for the planned separation of the joint German-Austrian bidding zone as at 1 October 2018 were completed on schedule in quarter 3/2018. APG has thus implemented the provisions agreed by the regulators for introducing a congestion management procedure at the German-Austrian border. In recent months, the project has focused on updating the technical systems and processes and performing the necessary tests and simulations in cooperation with a number of external project partners. In the end, it was possible to obtain all necessary regulatory approvals in due time. The first long-term auction for cross-border capacities between Germany and Austria in October 2018 was held successfully on 12 September 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	Q1–3/2017	Q1–3/2018	Change
Total revenue	€m	199.6	162.6	–18.5%
EBITDA	€m	78.0	39.8	–48.9%
Result from interests accounted for using the equity method	€m	22.2	28.0	26.2%
Capital employed	€m	450.2	456.9	1.5%

EBITDA for All other segments decreased by €38.1m to €39.8m. The decline was mainly the result of the lower EBITDA reported in the Thermal generation segment (€–38.4m) due to the decreased use of congestion management procedures. The result for All other segments from interests accounted for using the equity method related primarily to KELAG-Kärntner Elektrizitäts-Aktiengesellschaft and was up approximately 25% on the prior-year level on account of the improved energy market environment. Capital employed rose slightly year-on-year to €456.9m, mainly due to reversals of impairment losses that had been recognised for the Mellach combined cycle gas turbine power plant in quarter 4/2017. A reduction in working capital had a counteracting effect.

Current information on the Energy services segment

Marketing VERBUND's energy services products

With respect to VERBUND's demand response power pool, preparations for launching day-ahead marketing in the German and Austrian secondary and tertiary reserve market were successfully completed in quarter 3/2018 in line with 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 will continue to focus in the coming months on expanding sales alliances and marketing combined offers in connection with VERBUND electricity products.

Flexibility and storage

As part of the H2FUTURE project, construction is currently underway on what will be one of the world's largest proton exchange membrane (PEM) electrolyser installation at voestalpine in Linz. The project is being implemented under the coordination of voestalpine, Siemens and VERBUND, who are testing the use of green hydrogen in steel production and its interplay with the control power market. Another project involves converting the Zillertal Railway to run on green hydrogen starting in 2022. The electricity for generating the hydrogen will come from the Zillertal power plant group. In the area of Power Solutions, the first high-capacity battery for e-mobility applications (0.5 MW/0.5 MWh) was delivered to VERBUND's Mellach location in connection with the EU-sponsored SYNERG-E project.

Photovoltaics and electromobility

SOLAVOLTA (VERBUND share: 50%) succeeded in increasing sales of photovoltaic systems by 13% (+27% for business customers; +5% for household customers) in the first three quarters of 2018 compared with the prior year. Sales of energy storage units rose by 52%.

SMATRICS (VERBUND share: 40%) continued to develop its managed infrastructure portfolio in quarter 3/2018, thus enabling the company to win a number of major contracts. These included the operation of charging stations for Österreichische Post AG and the installation of charging solutions at “Erste Bank Campus”, the new campus-like headquarters of Erste Bank Group AG in Vienna, for staff, company car drivers and the general public. In addition, the first Austrian railway (ÖBB) train stations have been equipped with charging infrastructures based on a tender won. A managed infrastructure project relating to high-power charging infrastructures (HPCs) is likewise being implemented in cooperation with Stadtwerke Uelzen, a German municipal utility. The public charging network was expanded during the reporting period as part of two EU-subsidised 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. Austrian Power Grid (APG) requested that the costs for maintaining reserve capacities to prevent congestion for the period between 1 October 2018 and 30 September 2021 be announced by 23 July 2018. APG contracted the VERBUND Thermal Power (VTP) power plants (Mellach combined cycle gas turbine power plant and Mellach district heating power plant) at the end of September 2018. On 25 September 2018, E-Control announced its non-prohibition of the contract under certain conditions.

Current information on the Services segment

On 1 July 2018, structural changes were implemented in the IT area based on the results of a comprehensive internal analysis on adapting the IT structure to meet the requirements of digitalisation. The new IT structure aims to enable VERBUND’s IT area to focus more effectively on the requirements of the individual stages of the value chains at VERBUND and the Group’s subsidiaries. The increasing digitalisation of VERBUND’s production and services units has made it necessary to align the Group’s IT area more closely with the operating business and to integrate the two areas. The structural reorganisation makes use of agile methodology with the goal of enabling faster development and expansion of IT solutions in the future.

Current information on the Equity interests segment

KELAG-Kärntner Elektrizitäts-Aktiengesellschaft

In quarters 1–3/2018, KELAG’s contribution to the result from interests accounted for using the equity method was €29.0m (Q1–3/2017: €23.2m). The year-on-year increase 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 September 2018 and authorisation for issue on 23 October 2018.

Consolidated interim financial statements

of VERBUND

Income statement

€m

In accordance with IFRSs	Notes	Q1–3/2017	Q1–3/2018	Q3/2017	Q3/2018
Revenue		2,161.6	**2,080.7**	685.2	**707.5**
Electricity revenue	1	1,779.7	1,613.8	579.5	561.8
Grid revenue	2	297.0	371.7	86.3	123.6
Other revenue		84.9	95.2	19.4	22.1
Other operating income		43.7	44.6	17.5	17.8
Expenses for electricity, grid, gas and certificates purchases	3	–1,095.2	–984.9	–326.7	–397.0
Fuel expenses and other usage-/revenue-dependent expenses	4	–80.1	–73.8	–12.5	–29.8
Personnel expenses	5	–231.7	–236.2	–70.2	–72.1
Other operating expenses		–134.8	–152.1	–45.7	–51.6
EBITDA		663.5	**678.4**	247.6	**174.8**
Amortisation of intangible assets and depreciation of property, plant and equipment		–257.2	–244.7	–84.5	–81.5
Impairment losses[1]	6	–15.0	0.0	–15.0	0.0
Reversal of impairment losses[1]	6	38.2	6.2	38.2	0.0
Operating result		429.5	**439.9**	186.2	**93.2**
Result from interests accounted for using the equity method	7	22.6	27.7	4.9	6.0
Other result from equity interests		7.8	4.3	2.3	0.7
Interest income	8	23.4	22.9	7.8	6.9
Interest expenses	9	–98.0	–94.0	–31.9	–30.7
Other financial result	10	–0.4	2.3	0.8	2.3
Financial result		–44.6	**–36.8**	–16.1	**–14.8**
Profit before tax		384.9	**403.2**	170.2	**78.5**
Taxes on income		–86.7	–88.3	–39.7	–16.2
Profit for the period		298.1	**314.9**	130.4	**62.3**
Attributable to the shareholders of VERBUND AG (Group result)		269.5	282.8	115.0	55.3
Attributable to non-controlling interests		28.6	32.1	15.4	7.0
Earnings per share in €[2]		0.78	**0.81**	0.33	**0.16**

[1] The impairment losses and reversals of impairment losses have been reduced by the amount of the change in related deferred contributions to building costs and government grants. // [2] Diluted earnings per share correspond to basic earnings per share.

Statement of comprehensive income

In accordance with IFRSs	Notes	Q1–3/2017	Q1–3/2018	Q3/2017	Q3/2018
					€m
Profit for the period		298.1	**314.9**	130.4	**62.3**
Remeasurements of net defined benefit liability	11	–7.2	–58.1	0.0	–51.0
Other comprehensive income from interests accounted for using the equity method		4.6	–3.8	2.3	–0.2
Total of items that will not be reclassified subsequently to the income statement		–2.6	**–61.9**	2.4	**–51.2**
Differences from currency translation		–1.5	–0.2	–1.2	0.0
Measurements of available-for-sale financial instruments		2.5	–	0.7	–
Measurements of cash flow hedges		–18.0	–118.2	–89.4	–80.1
Other comprehensive income from interests accounted for using the equity method		0.2	0.1	0.2	0.0
Total of items that will be reclassified subsequently to the income statement		–16.9	**–118.3**	–89.6	**–80.1**
Other comprehensive income before tax		–19.5	**–180.1**	–87.3	**–131.3**
Taxes on income relating to items that will not be reclassified subsequently to the income statement		1.9	14.7	0.0	12.9
Taxes on income relating to items that will be reclassified subsequently to the income statement		3.9	29.5	22.2	20.0
Other comprehensive income after tax		–13.7	**–135.9**	–65.1	**–98.4**
Total comprehensive income for the period		284.4	**178.9**	65.3	**–36.2**
Attributable to the shareholders of VERBUND AG		256.2	151.1	49.9	–39.2
Attributable to non-controlling interests		28.3	27.9	15.4	3.0

Balance sheet

€m

In accordance with IFRSs	Notes	31/12/2017	30/9/2018
Non-current assets		10,661.5	**10,538.0**
Intangible assets		675.6	643.2
Property, plant and equipment		8,871.3	8,797.5
Interests accounted for using the equity method		313.0	323.4
Other equity interests	13	137.5	137.1
Investments and other receivables	13	664.1	636.7
Current assets		622.1	**1,141.3**
Inventories	12	10.5	25.0
Trade receivables, other receivables and securities	13	583.0	1,066.1
Cash and cash equivalents	13	28.6	50.2
Total assets		11,283.6	**11,679.3**

€m

In accordance with IFRSs	Notes	31/12/2017	30/9/2018
Equity		5,690.8	**5,692.9**
Attributable to the shareholders of VERBUND AG		5,064.1	5,070.5
Attributable to non-controlling interests		626.8	622.4
Non-current liabilities		4,584.7	**3,969.4**
Financial liabilities	13	2,141.6	1,466.5
Provisions		821.8	860.8
Deferred tax liabilities		558.4	589.4
Contributions to building costs and grants		747.5	747.9
Deferred income – cross-border leasing		45.6	36.0
Other liabilities	13	269.7	268.8
Current liabilities		1,008.1	**2,017.0**
Financial liabilities	13	214.0	878.4
Provisions		53.6	43.6
Current tax liabilities		95.8	65.1
Trade payables and other liabilities	13	644.8	1,029.9
Total equity and liabilities		11,283.6	**11,679.3**

Statement of changes in equity

In accordance with IFRSs	Called and paid-in share capital	Capital reserves	Retained earnings	Remeasurements of net defined benefit liability	
Notes				11	
As at 1/1/2017	347.4	954.3	3,987.2	–273.3	
Profit for the period	–	–	269.5	–	
Other comprehensive income	–	–	0.0	–0.3	
Total comprehensive income for the period	–	–	269.5	–0.3	
Dividends	–	–	–100.8	–	
Other changes in equity	–	–	–0.7	0.0	
As at 30/9/2017	347.4	954.3	4,155.3	–273.5	
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	–	–	282.8	–	
Other comprehensive income	–	–	0.0	–43.0	
Total comprehensive income for the period	**–**	**–**	**282.8**	**–43.0**	
Dividends	–	–	–145.9	–	
Other changes in equity	–	–	1.5	0.0	
As at 30/9/2018	**347.4**	**954.3**	**4,375.7**	**–306.7**	

€m

Difference from currency translation	Measurements of financial instruments	Measurements of cash flow hedges	Equity attributable to the shareholders 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
–	–	–	269.5	28.6	298.1
–1.6	1.8	–13.3	–13.3	–0.3	–13.7
–1.6	1.8	–13.3	256.2	28.3	284.4
–	–	–	–100.8	–21.8	–122.6
0.0	0.0	0.0	–0.7	0.0	–0.7
–5.5	32.1	–173.7	5,036.4	654.3	5,690.7
–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**
–	–	–	282.8	32.1	314.9
–0.2	0.1	–88.6	–131.7	–4.2	–135.9
–0.2	**0.1**	**–88.6**	**151.1**	**27.9**	**178.9**
–	–	–	–145.9	–32.2	–178.1
0.0	0.0	0.0	1.5	0.0	1.5
–7.4	**3.2**	**–296.1**	**5,070.5**	**622.4**	**5,692.9**

Cash flow statement

In accordance with IFRSs	Notes	Q1–3/2017	**Q1–3/2018**
			€m
Profit for the period		298.1	314.9
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		233.0	238.5
Impairment losses on investments (net of reversals of impairment losses)		0.0	0.8
Result from interests accounted for using the equity method (net of dividends received)		–8.4	–13.5
Result from the disposal of non-current assets		–6.5	–1.2
Change in non-current provisions and deferred tax liabilities		23.9	57.3
Change in contributions to building costs and grants		1.5	0.4
Other non-cash expenses and income		–15.4	–20.9
Subtotal		526.0	**576.2**
Change in inventories		–8.8	–14.6
Change in trade receivables and other receivables		69.3	–250.7
Change in trade payables and other liabilities		–105.9	271.8
Change in current provisions and current tax liabilities		3.2	–40.7
Cash flow from operating activities[1]		483.8	**542.1**

[1] Cash flow from operating activities includes income taxes paid of €58.5m (Q1–3/2017: €33.9m), interest paid of €49.1m (Q1–3/2017: €54.3m), interest received of €0.2m (Q1–3/2017: €0.1m) and dividends received of €18.9m (Q1–3/2017: €19.6m).

€m

In accordance with IFRSs	Notes	Q1–3/2017	**Q1–3/2018**
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		–165.9	–199.5
Cash inflow from the disposal of intangible assets and property, plant and equipment		4.5	46.4
Cash outflow from capital expenditure for investments		–0.1	–0.1
Cash inflow from the disposal of investments		6.9	3.9
Cash outflow from capital expenditure for interests accounted for using the equity method and other equity interests		–2.2	0.0
Cash outflow from capital expenditure for current investments		0.0	–190.0
Cash flow from investing activities		–156.8	**–339.3**
Cash inflow from money market transactions		53.7	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)		–272.6	–103.1
Dividends paid		–122.6	–178.1
Cash flow from financing activities		–341.5	**–181.2**
Change in cash and cash equivalents		–14.5	**21.6**
Cash and cash equivalents as at 1/1/		28.0	**28.6**
Change in cash and cash equivalents		–14.5	21.6
Classification as "held for sale"		–0.5	0.0
Cash and cash equivalents as at 30/9/		13.0	**50.2**

Selected explanatory notes

Financial reporting principles

Basic principles

These consolidated interim financial statements of VERBUND for the period ended 30 September 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 use of computing software may lead to rounding differences in the addition of rounded amounts and the calculation of percentages.

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 issued 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. IFRS 9 sets out that impairment losses must be recognised using an expected credit loss model. This results in provisions being recognised earlier than under IAS 39, which stipulated the use of an incurred credit loss model. 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 units in investment funds. In the past, such units were accounted for as securities under the available-for-sale category (FAAFS). Changes in fair value were thus recognised in other comprehensive income. IFRS 9 provides that units in investment funds must be classified as 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 payments of principal and interest and they are held to collect contractual cash flows. As at 1 January 2018 the recognition of impairment losses on these financial assets using 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	Measurements of financial instruments	Equity attributable to the shareholders 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 issued the final version of IFRS 15 on 28 May 2014. On 11 September 2015, the IASB published “Effective Date of IFRS 15” deferring the effective date 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 must 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 recognised 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	Q1–3/2018
Electricity revenue	–155.2
Expenses for electricity, grid, gas and certificates purchases	155.2
EBITDA	**0.0**

New accounting standards not yet applicable or applied

The IASB issued the final version of IFRS 16 on 13 January 2016. This standard will replace IAS 17, IFRIC 4, SIC 15 and SIC 27. The new standard sets out that all leases and the associated contractual rights and obligations must be recognised on the lessee's balance sheet. As part of the Group-wide IFRS 16 transition project, work was carried out in quarters 1–3/2018 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 requirements 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
Q1–3/2018						
External revenue	135.8	1,358.0	565.6	18.5	2.8	2,080.7
Internal revenue	561.8	166.0	36.7	144.0	–908.6	0.0
Total revenue	697.6	1,524.0	602.4	162.6	–905.8	2,080.7
EBITDA	**418.9**	**81.2**	**157.5**	**39.8**	**–19.0**	**678.4**
Depreciation and amortisation	–173.2	–0.9	–61.8	–8.5	–0.3	–244.7
Effects from impairment tests (operating result)	0.0	0.0	0.0	6.2	0.0	6.2
Other material non-cash items	37.0	14.3	8.9	5.7	1.2	67.1
Result from interests accounted for using the equity method	–0.3	0.0	0.0	28.0	0.0	27.7
Capital employed	6,527.1	232.9	1,276.6	456.9	329.8	8,823.3
of which carrying amount of interests accounted for using the equity method	2.7	0.0	1.4	319.4	0.0	323.4
Additions to intangible assets and property, plant and equipment	61.5	1.0	102.7	12.6	0.4	178.2
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
Q1–3/2017						
External revenue	125.3	1,491.9	526.3	15.3	2.9	2,161.6
Internal revenue	583.5	219.7	53.7	184.3	–1,041.2	0.0
Total revenue	708.8	1,711.6	580.0	199.6	–1,038.3	2,161.6
EBITDA	436.4	74.1	93.5	78.0	–18.4	663.5
Depreciation and amortisation	–191.2	–0.8	–58.0	–6.9	–0.3	–257.2
Effects from impairment tests (operating result)	0.0	0.0	0.0	23.2	0.0	23.2
Other material non-cash items	34.8	–6.1	9.2	26.8	1.6	66.3
Result from interests accounted for using the equity method	0.3	0.0	0.2	22.2	0.0	22.6
Capital employed	6,959.5	202.2	1,237.8	450.2	–76.1	8,773.6
of which carrying amount of interests accounted for using the equity method	2.6	0.0	1.4	291.8	0.0	295.8
Additions to intangible assets and property, plant and equipment	71.0	0.3	61.5	4.7	0.8	138.3
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

	Q1–3/2017 Domestic	Q1–3/2018 Domestic	Change	Q1–3/2017 Foreign	Q1–3/2018 Foreign	Change
Electricity deliveries to resellers	442.7	364.5	–17.7%	363.9	457.3	25.7%
Electricity deliveries to consumers[1]	187.5	156.0	–16.8%	291.3	170.9	–41.3%
Electricity deliveries to traders	68.2	123.5	81.0%	426.1	341.6	–19.8%
Electricity revenue by customer area[2]	698.5	**644.0**	–7.8%	1,081.2	**969.8**	–10.3%

[1] IFRS 15 was applied for the first time in quarters 1–3/2018. As a result, VERBUND was classified as an agent in connection with recharged grid fees/cost allocations and electricity revenue in the amount of €155.2m 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 €1,076.3m higher in quarters 1–3/2018 (Q1–3/2017: €1,976.7m).

(2) Grid revenue

Grid revenue by customer area

€m

	Q1–3/2017 Domestic	Q1–3/2018 Domestic	Change	Q1–3/2017 Foreign	Q1–3/2018 Foreign	Change
Electric power companies	185.0	283.6	53.3%	3.7	10.4	181.0%
Industrial clients	9.5	8.5	–10.2%	0.0	0.0	n.a.
Other	35.0	19.5	–44.3%	64.0	49.8	–22.2%
Grid revenue	229.4	**311.5**	35.8%	67.7	**60.1**	–11.2%

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

Expenses for electricity, grid, gas and certificates purchases

€m

	Q1–3/2017	Q1–3/2018	Change
Expenses for electricity purchases (including control power)	980.5	931.6	–5.0%
Expenses for grid purchases (system use)	71.5	19.5	–72.7%
Expenses for gas purchases	40.8	25.4	–37.8%
Purchases of emission rights (trade)	1.7	5.3	n.a.
Purchases of proof of origin and green certificates	0.7	3.0	n.a.
Expenses for electricity, grid, gas and certificates purchases[1]	1,095.2	**984.9**	–10.1%

[1] IFRS 15 was applied for the first time in quarters 1–3/2018. As a result, VERBUND was classified as an agent in connection with recharged grid fees/cost allocations and electricity revenue in the amount of €155.2m 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-/revenue-dependent expenses

Fuel expenses and other usage-/revenue-dependent expenses €m

	Q1–3/2017	Q1–3/2018	Change
Fuel expenses	61.6	56.1	–9.0%
Emission rights acquired in exchange for consideration	3.2	2.9	–9.1%
Other revenue-dependent expenses	15.3	14.8	–3.1%
Fuel expenses and other usage-/revenue-dependent expenses	80.1	**73.8**	–7.9%

(5)
Personnel expenses

Personnel expenses €m

	Q1–3/2017	Q1–3/2018	Change
Wages and salaries	174.7	177.7	1.7%
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	39.9	40.8	2.1%
Other social expenses	2.7	2.6	–3.4%
Subtotal	217.4	**221.1**	1.7%
Expenses for termination benefits	3.8	4.1	9.1%
Expenses for pensions and similar obligations	10.6	10.9	3.3%
Personnel expenses	231.7	**236.2**	1.9%

(6)
Impairment losses and reversals of impairment losses

The reversals of impairment losses in quarters 1–3/2018 related mainly to the decommissioned Dürnrohr and Korneuburg power plants. Impairment testing was performed due to the anticipated sale of the plants, which then occurred in quarter 3/2018.

The reversals of impairment losses in quarters 1–3/2017 had concerned the Mellach combined cycle gas turbine power plant, while the impairment losses had related primarily to the Mellach district heating power plant.

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

Result from interests accounted for using the equity method €m

	Q1–3/2017 Domestic	Q1–3/2018 Domestic	Change	Q1–3/2017 Foreign	Q1–3/2018 Foreign	Change
Income or expenses	23.2	**28.1**	21.0%	–0.6	**–0.4**	37.1%

(8)
Interest income

Interest income €m

	Q1–3/2017	Q1–3/2018	Change
Interest from investments under closed items on the balance sheet	21.9	22.3	1.6%
Other interest and similar income	1.4	0.6	–55.7%
Interest income	23.4	**22.9**	–13.8%

(9) Interest expenses

Interest expenses

€m	Q1–3/2017	Q1–3/2018	Change
Interest on bonds	37.7	37.2	–1.4%
Interest on financial liabilities under closed items on the balance sheet	21.9	22.3	1.6%
Interest on other liabilities from electricity supply commitments	12.5	12.0	–3.7%
Interest on bank loans	11.0	9.0	–18.6%
Net interest expense on personnel-related liabilities	8.3	8.0	–3.4%
Interest on a share redemption obligation	4.8	3.6	–24.4%
Interest on other non-current provisions	1.4	1.2	–15.8%
Profit or loss attributable to limited partners	–0.3	0.1	119.9%
Borrowing costs capitalised in accordance with IAS 23	–3.6	–2.8	22.0%
Other interest and similar expenses	4.2	3.4	–19.3%
Interest expenses	98.0	**94.0**	–4.1%

(10) Other financial result

Other financial result

€m	Q1–3/2017	Q1–3/2018	Change
Income from securities and loans	1.7	1.7	–2.6%
Measurement of derivatives in the finance area	2.2	1.5	–32.7%
Foreign exchange gains	0.1	0.2	15.5%
Change in expected credit losses	0.0	0.1	n.a.
Measurement of long position: Gemeinschaftskraftwerk Inn GmbH	–4.3	0.0	100.0%
Foreign exchange losses	–0.1	–0.1	37.9%
Measurement of non-derivative financial instruments	0.0	–1.1	n.a.
Other	–0.1	0.0	112.2%
Other financial result	–0.4	**2.3**	139.6%

Notes to the statement of comprehensive income

(11) Remeasurements of net defined benefit liability

Provisions for pensions and similar obligations and for termination benefits were measured as at 30 September 2018 based on an updated actuarial report. The remeasurements of the net defined benefit liability were largely attributable to the consideration of the recently published AVÖ 2018-P mortality tables.

Notes to the balance sheet

(12)
Inventories

Inventories

€m

	31/12/2017	30/9/2018	Change
Inventories of primary energy sources held for generation	2.6	**10.6**	n.a.
Emission rights held for trading	1.6	1.5	–2.8%
Measurements of emission rights held for trading	1.5	6.4	n.a.
Fair value of emission rights held for trading	3.1	**7.9**	158.0%
Proof of origin and green electricity certificates	0.9	**2.9**	n.a.
Other	3.9	**3.7**	–6.0%
Inventories	10.5	**25.0**	138.8%

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 based on Level 1 measurements.

(13) Additional disclosures regarding financial instruments

Carrying amounts and fair values by measurement category 30/9/2018

€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	6.6	6.6
Other equity interests			**137.1**	
Securities	FVPL	1	137.6	137.6
Securities	FVOCI	3	7.5	7.5
Securities	FVOCI	AC	1.0	1.0
Securities – closed items on the balance sheet	AC	2	61.4	59.7
Other loans – closed items on the balance sheet	AC	2	285.9	307.6
Derivatives in the finance area – closed items on the balance sheet	FVPL	2	69.4	69.4
Loans to investees	AC	2	38.2	39.8
Other loans	AC	2	5.1	5.0
Other	–	–	30.6	–
Other non-current investments and non-current other receivables			**636.7**	
Trade receivables	AC	–	376.3	–
Receivables from investees	AC	–	24.2	–
Loans to investees	AC	2	21.3	21.5
Other loans	AC	2	0.2	0.2
Derivatives in the energy area	FVPL	2	364.8	364.8
Securities	FVPL	1	69.7	69.7
Money market transactions	AC	2	120.0	120.1
Emission rights	IAS 38, IAS 2	–	0.8	–
Other	AC	–	50.5	–
Other	–	–	38.4	–
Trade receivables and current other receivables			**1,066.1**	
Cash and cash equivalents	**AC**	**–**	**50.2**	**–**
Aggregated by measurement category				
Financial assets at amortised costs	AC		1,033.2	
Financial assets at fair value through profit or loss	FVPL		641.5	
Financial assets at fair value through other comprehensive income	FVOCI		145.6	

Carrying amounts and fair values by measurement category 30/9/2018

€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	1,391.6	1,459.1
Financial liabilities to banks and to others	AC	2	533.6	562.2
Financial liabilities to banks – closed items on the balance sheet	AC	2	112.2	141.4
Financial liabilities to banks – closed items on the balance sheet	FVPL	2	304.7	304.7
Capital shares attributable to limited partners	IAS 32	–	2.8	–
Non-current and current financial liabilities			2,344.9	
Electricity supply commitment	–	–	157.6	–
Obligation to return an interest	AC	3	82.0	129.5
Trade payables	AC	–	2.3	–
Deferred income for grants (emission rights)	IAS 20	–	0.3	–
Other	AC	–	26.6	–
Non-current other liabilities			268.8	
Trade payables	AC	–	164.2	–
Derivatives in the energy area	FVPL	2	655.0	655.0
Derivatives in the finance area	FVPL	2	15.2	15.2
Other	AC	–	99.6	–
Other	–	–	96.0	–
Trade payables and current other liabilities			1,029.9	
Aggregated by measurement category				
Financial liabilities at amortised costs	AC		2,412.1	
Financial liabilities at fair value through profit or loss	FVPL		974.8	

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 table, positive fair values of €87.2m (31 December 2017: €40.7m) and negative fair values of €474.1m (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	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)	0.4	–0.6
Disposals	–	–18.6
Carrying amount as at 30/9/	0.4	**0.0**

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 corresponded to the investment costs incurred up to that point plus interest for the power plant joint venture on the Inn River. The put option was 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 sold the remaining 10% interest in Gemeinschaftskraftwerk Inn GmbH to TIWAG-Tiroler Wasserkraft AG. The transaction closed on 19 July 2018.

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
	30/9/2018	of which due in 2018	of which due 2019-2023
Total commitment	**443.2**	180.2	262.7

Contingent liabilities

VERBUND's last remaining cross-border leasing transaction has an off-balance sheet financing structure. As at 30 September 2018, VERBUND's subsidiary liability for the non-redeemed portion of lease liabilities from cross-border leasing transactions amounted to €510.2m (31 December 2017: €504.1m). Of the rights of recourse against primary debtors, a total of €316.3m (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, €258.4m (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 1–3/2018. 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

	Q1–3/2017	**Q1–3/2018**	Change
Income statement			
Electricity revenue	41.3	48.3	17.0%
Grid revenue	17.9	26.0	45.9%
Other revenue	2.6	0.2	–92.4%
Other operating income	1.1	1.6	51.0%
Expenses for electricity, grid, gas and certificates purchases	–10.0	–11.1	–10.6%
Other operating expenses	–0.3	–2.0	n.a.
Interest income	1.1	1.1	2.1%
Interest expenses	0.0	0.0	99.8%
Other financial result	1.6	1.5	–6.4%

Transactions with investees accounted for using the equity method €m

	31/12/2017	**30/9/2018**	Change
Balance sheet			
Investments and other non-current receivables	33.6	30.9	–7.9%
Trade receivables and other current receivables	29.8	29.6	–0.8%
Contributions to building costs and grants	282.9	276.5	–2.3%
Trade payables and other current liabilities	1.4	1.3	–6.8%

Electricity revenue with equity-accounted investees was generated mainly with KELAG (€41.3m; Q1–3/2017: €31.0m) and with OeMAG (€6.5m; Q1–3/2017: €8.8m). The electricity revenue was offset by electricity purchases from KELAG in the amount of €10.6m (Q1–3/2017: €9.3m). Grid revenue was only realised with KELAG.

Electricity revenue with companies controlled or significantly influenced by the Republic of Austria in quarters 1–3/2018 totalled €44.9m (Q1–3/2017: €38.1m). Electricity was purchased mainly by Österreichische Bundesbahnen (ÖBB), OMV, Telekom Austria and Bundesbeschaffung GmbH. Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €1.2m in quarters 1–3/2018 (Q1–3/2017: €11.9m). 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 €25.4m in other revenue and purchased gas, respectively (Q1–3/2017: €6.8m).

VERBUND's expenses for monitoring by E-Control in quarters 1–3/2018 amounted to a total of €8.1m (Q1–3/2017: €10.4m).

Audit 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 September 2018 and authorisation for issue on 23 October 2018.

Vienna, 23 October 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 September 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.

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 with respect to the important events during the first nine months of the financial year and their effects on the condensed consolidated interim financial statements report of VERBUND as at 30 September 2018 as well as with respect to the principal risks and uncertainties in the remaining three months of the financial year.

Vienna, 23 October 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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Contact: VERBUND AG
Am Hof 6a, 1010 Vienna, Austria
Phone: +43 (0)50 313-0
Fax: +43 (0)50 313-54191
Email: information@verbund.com
Homepage: www.verbund.com
Commercial register number: FN 76023z
Commercial register court:
Commercial Court of Vienna
VAT No: ATU14703908
DPR No: 0040771
Registered office: Vienna, Austria

Investor Relations:
Andreas Wollein
Phone: +43 (0)50 313-52604
Email: investor-relations@verbund.com

Group Communications:
Beate McGinn
Phone: +43 (0)50 313-53702
Email: media@verbund.com

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 Trust e.V., 30.1%) 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.