

Sustainable solutions  
for generations to come.  
Our drive. Our energy.



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# At a glance

- Substantial earnings improvement due to significant rise in average electricity sales prices, good water supply and higher contributions from the grid business
- Lower debt and greater financial flexibility thanks to significantly improved cash flows
- VERBUND shares continued to perform well in quarters 1–2/2019 (+23.5%), markedly outperforming both the ATX (+8.4%) and the DJ STOXX Utilities (+11.7%)
- Lower revenue from flexibility products, particularly from congestion management
- Earnings forecast for 2019 raised: EBITDA projected to reach between approx. €1,180m and €1,250m and the Group result between approx. €530m and €580m

## KPIs

|  | Unit | Q1–2/2018  | Q1–2/2019 | Change |
|--|------|------------|-----------|--------|
| Revenue                                    | €m   | 1,373.2    | 1,835.2   | 33.6%  |
| EBITDA                                     | €m   | 503.7      | 685.9     | 36.2%  |
| EBITDA adjusted                            | €m   | 502.9      | 685.9     | 36.4%  |
| Operating result                           | €m   | 346.7      | 505.8     | 45.9%  |
| Group result                               | €m   | 227.5      | 338.2     | 48.7%  |
| Group result adjusted                      | €m   | 222.3      | 340.3     | 53.1%  |
| Earnings per share                         | €    | 0.65       | 0.97      | 48.7%  |
| EBIT margin                                | %    | 25.2       | 27.6      | –      |
| EBITDA margin                              | %    | 36.7       | 37.4      | –      |
| Cash flow from operating activities        | €m   | 480.0      | 690.7     | 43.9%  |
| Additions to property, plant and equipment | €m   | 100.8      | 132.2     | 31.2%  |
| Free cash flow before dividends            | €m   | 355.9      | 533.6     | 49.9%  |
| Free cash flow after dividends             | €m   | 177.8      | 355.5     | 100.0% |
| Performance of VERBUND shares              | %    | 37.5       | 23.5      | –      |
| Average number of employees                |      | 2,737      | 2,754     | 0.6%   |
| Electricity sales volume                   | GWh  | 29,817     | 31,644    | 6.1%   |
| Hydro coefficient                          |      | 1.08       | 1.11      | –      |
|  | Unit | 31/12/2018 | 30/6/2019 | Change |
| Total assets                               | €m   | 11,704.8   | 11,957.2  | 2.2%   |
| Equity                                     | €m   | 5,941.0    | 6,235.9   | 5.0%   |
| Equity ratio (adjusted)                    | %    | 52.7       | 54.1      | –      |
| Net debt                                   | €m   | 2,560.7    | 2,433.2   | –5.0%  |
| Gearing                                    | %    | 43.1       | 39.0      | –      |

# Report of the Executive Board

Dear Shareholders,

The positive operating environment in the energy market during the first half of 2019 resulted not only in a substantial improvement in our Company's key performance indicators, but also in a raised outlook for full-year 2019. Based on expectations of average levels of own generation from hydropower and wind power in quarters 3-4/2019, as well as the opportunities and risks identified, we are now projecting EBITDA of between approximately €1,180m and €1,250m and a Group result of between approximately €530m and €580m in financial year 2019. In terms of the dividend for financial year 2019, VERBUND is planning a payout ratio of between 40% and 45% based on the Group result after adjustment for non-recurring effects.

The performance improvement was also reflected in our share price. VERBUND shares were up 23.5% at the end of June 2019, thus continuing the upward trend observed in 2018 thanks to the sustained favourable market environment for renewable energy.

Quarters 1-2/2019 were characterised by surging sales prices, above-average water supply levels and an optimistic mood in Europe as regards environmentally friendly electricity generation. As a producer of carbon-free electricity with a state-of-the-art regulated high-voltage grid and a broad product portfolio, VERBUND is extremely well positioned in the current market. The Group's reduced cost base and success in downsizing debt have strengthened VERBUND and created an excellent foundation for the Company's future development. One way in which this is evident is in the doubling of our investment plan for the coming three years. We plan to focus capital expenditure on the regulated high-voltage grid operated by Austrian Power Grid AG (APG) with the aim of ensuring the integration of increasingly volatile electricity generation from new renewable energy sources into the grid. We also plan to make additional investments in the area of hydropower with the goal of implementing measures to increase efficiency at selected power plants as well as realising selected new build projects. Moreover, solar and wind power are gaining in significance for us given the great potential ensuing from the increasing marketability of new renewable energy sources.

One highlight of quarter 2/2019 was the opening of the Gries hydropower plant, which was built as a joint venture between VERBUND and Salzburg AG with an aggregate investment of around €50m. The Gries plant will enable Salzburg AG and VERBUND to supply 10,000 households with electricity, thus making an important contribution to reaching climate and energy targets.

Another highlight was an intensification of the strategic alliance between VERBUND and OMV at the start of July 2019, with several memoranda of understanding being signed in the interest of the future of energy. The collaboration focuses on the evaluation and implementation of electricity generation facilities, storage systems and power-to-x plants, as well as on the construction of Austria's largest open-space photovoltaic installation and evaluation of options for establishing electrolytic hydropower production.

VERBUND also continued to work on digitalisation and green hydrogen research in quarter 2/2019. Our projects and alliances with partners in this area are proceeding successfully. In April 2019, we additionally presented the activities we are pursuing in connection with our Digital Hydropower Plant 4.0 project at the Rabenstein pilot plant in Styria. VERBUND introduced the future of electricity generation at the event, at which diving robots, anomaly detectors, intelligent sensor concepts and forecasting models were unveiled to the general public along with mobile assistance systems, innovative autonomous surveying

and inspection concepts, and networked platform solutions. These technologies are being tested around the clock at the pilot plant to determine their practical suitability in daily operations.

Storage technologies will be indispensable in implementing the energy transition. In addition to pumped storage power plants, the new storage technologies are designed to support VERBUND in balancing volatile renewable energy generation. Such technologies are being tested in the context of Project BlueBattery, for example, in which an industrial-scale battery is being integrated into an existing run-of-river hydropower plant.

In all of our operating projects as well as our research projects, environmental protection and nature play a key role. Nature restoration is a topic that motivates us. This year as well, we at VERBUND have already made major investments in fish ladders and fish passes. The fish pass at the Edling power plant was just recently put into operation, and ground was broken at the Abwinden-Asten plant for constructing a new fish pass.

The results posted by VERBUND for quarters 1-2/2019 were very encouraging. EBITDA increased by 36.2% to €685.9m and the Group result was up 48.7% on the previous year to €338.2m. The adjusted Group result rose by 53.1% to €340.3m. Higher prices on the futures and spot markets for wholesale electricity, which led to a sharp rise in average sales prices, made a significant contribution to our earnings growth. Water supply also showed a positive trend. The hydro coefficient for our run-of-river power plants came to 1.11, or 3 percentage points above the prior-year comparative and 11 percentage points above the long-term average. The earnings contribution from the Grid segment likewise improved in quarters 1-2/2019 compared with the prior-year reporting period thanks to higher revenue from auctioning off cross-border capacity and additional temporary revenue. The good results achieved through our programmes to reduce costs and increase efficiency are showing a sustained impact.

Based on expectations of the market environment remaining positive as well as our Company's strong foundation, the Executive Board of VERBUND is confident of achieving success in full-year 2019.



Dipl.-Ing. Wolfgang Anzengruber



Mag. Dr. Michael Strugl



Dr. Peter F. Kollmann



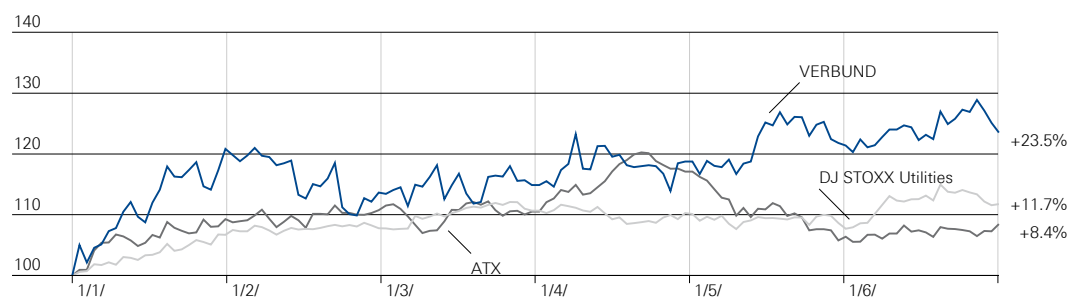
Mag. Dr. Achim Kaspar

# Investor relations

Quarters 1–2/2019 saw significant price gains on the international stock markets until a brief correction occurred in May, followed by a return to positive sentiment in June. The US stock markets performed especially well during the period under review. For example, the US benchmark index Dow Jones Industrial ended quarters 1–2/2019 up 14.0%. The main reason for the price gains was the sharp reversal of the US Federal Reserve’s stance regarding interest rate hikes. The Eurostoxx 50 also posted increases in quarters 1–2/2019 with a rise of 18.3% compared with the year-end figure. However, the Japanese benchmark index Nikkei 225 registered only a moderate increase of 6.3% due among other things to cautious forecasts of corporate earnings along with uncertainty regarding the economic outlook. The MSCI Emerging Markets Index also recorded growth in quarters 1–2/2019 with a rise of 9.2%.

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## VERBUND share price: relative performance 2019



In quarters 1–2/2019, VERBUND shares continued on the upward trend observed in 2018 thanks to the sustained favourable market environment for renewable energy producers. VERBUND shares ended the first half of 2019 at €46.0, a gain of 23.5% compared with the closing price on 31 December 2018. The Group’s shares thus significantly outperformed both the ATX (+8.4%) and the DJ STOXX Utilities sector index (+11.7%) in quarters 1–2/2019.

Upcoming dates:  
 Results for  
 quarters 1–3/2019:  
 6 November 2019

## KPIs – shares

|                        | Unit   | Q1–2/2018 | Q1–2/2019 | Change |
|------------------------|--------|-----------|-----------|--------|
| Share price high       | €      | 28.7      | 48.0      | 67.5%  |
| Share price low        | €      | 20.0      | 38.0      | 90.2%  |
| Closing price          | €      | 27.7      | 46.0      | 66.1%  |
| Performance            | %      | 37.5      | 23.5      | –      |
| Market capitalisation  | €m     | 9,623.4   | 15,981.1  | 66.1%  |
| ATX weighting          | %      | 3.9       | 7.0       | –      |
| Value of shares traded | €m     | 795.6     | 2,290.6   | 187.9% |
| Shares traded per day  | Shares | 266,316   | 423,065   | 58.9%  |

# Interim Group management report

## Business performance

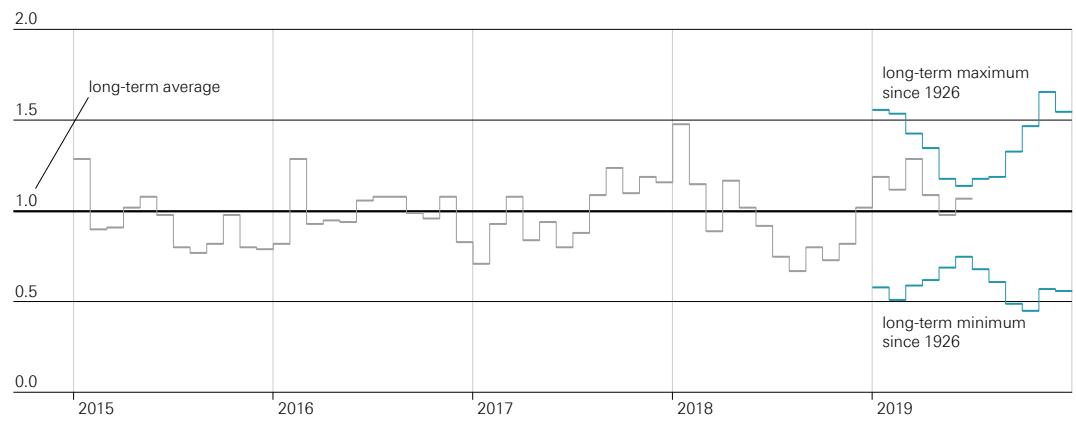
### Electricity supply and sales volumes

| Group electricity supply                                      | GWh           |               |             |
|---|---------------|---------------|-------------|
|   | Q1-2/2018     | Q1-2/2019     | Change      |
| Hydropower <sup>1</sup>                                       | 16,457        | 16,689        | 1.4%        |
| Wind power  | 452           | 515           | 13.9%       |
| Thermal power   | 609           | 497           | -18.3%      |
| Own generation  | 17,518        | 17,700        | 1.0%        |
| Electricity purchased for trading and sales                   | 12,229        | 14,304        | 17.0%       |
| Electricity purchased for grid loss and control power volumes | 2,573         | 1,647         | -36.0%      |
| <b>Electricity supply</b>                                     | <b>32,320</b> | <b>33,651</b> | <b>4.1%</b> |

<sup>1</sup> incl. purchase rights

VERBUND's own generation rose by 183 GWh, or 1.0%, to 17,700 GWh in quarters 1-2/2019 compared with the first six months of 2018. Generation from hydropower increased by 231 GWh compared with the prior-year reporting period. The hydro coefficient for the run-of-river power plants came to 1.11, or 3 percentage points above the prior-year figure and 11 percentage points above the long-term average. By contrast, generation from annual storage power plants decreased by 8.6% in quarters 1-2/2019 due to reduced lowering of water levels and reduced turbinning.

### Hydro coefficient (monthly averages)



VERBUND's wind power installations generated 63 GWh more electricity in quarters 1-2/2019 than in the prior-year period due to windier conditions throughout Austria, Germany and Romania.



Generation from thermal power plants decreased by 112 GWh in quarters 1-2/2019. The Mellach combined cycle gas turbine power plant produced 35 GWh less electricity in the reporting period due to reduced use for congestion management compared with the prior year. Generation at the Mellach coal-fired power plant declined by 77 GWh.

Purchases of electricity from third parties for trading and sales increased by 2,075 GWh in quarters 1-2/2019, and electricity purchased from third parties for grid losses and control power declined by 926 GWh.

| Group electricity sales volume and own use | GWh       |               |        |
|--|-----------|---------------|--------|
|  | Q1-2/2018 | Q1-2/2019     | Change |
| Consumers                                  | 6,246     | 6,787         | 8.7%   |
| Resellers                                  | 13,754    | 14,080        | 2.4%   |
| Traders                                    | 9,817     | 10,777        | 9.8%   |
| Electricity sales volume                   | 29,817    | <b>31,644</b> | 6.1%   |
| Own use                                    | 1,598     | 1,537         | -3.8%  |
| Control power                              | 905       | 470           | -48.1% |
| Electricity sales volume and own use       | 32,320    | <b>33,651</b> | 4.1%   |

VERBUND's electricity sales volume rose by 1,827 GWh, or 6.1%, in quarters 1-2/2019. Most of the increase was attributable to higher sales to traders (+961 GWh) and consumers. Electricity volumes delivered to consumers rose by 540 GWh due to higher international sales. As at 30 June 2019, our residential customer base amounted to approximately 478,000 electricity and gas customers. Electricity deliveries to resellers increased by 326 GWh despite the sharp drop in trading volumes for grid losses. Own use of electricity declined by 61 GWh in quarters 1-2/2019. The decline was attributable above all to lower generation from turbinning.

| Electricity sales by country | GWh       |               |        |
|------------------------------|-----------|---------------|--------|
|                              | Q1-2/2018 | Q1-2/2019     | Change |
| Austria                      | 13,224    | 17,569        | 32.9%  |
| Germany                      | 14,184    | 12,138        | -14.4% |
| France                       | 1,684     | 1,611         | -4.3%  |
| Others                       | 725       | 326           | -55.0% |
| Electricity sales volume     | 29,817    | <b>31,644</b> | 6.1%   |

Approximately 56% of the electricity sold by VERBUND in quarters 1-2/2019 went to the Austrian market. The increase compared with the previous year's figure of 44% was due to the trend towards selling within the Austrian price zone. International trading and sales activities focused on the German market, which accounted for around 86% of all volumes sold abroad in the first half.

## Electricity prices

### Futures prices €/MWh

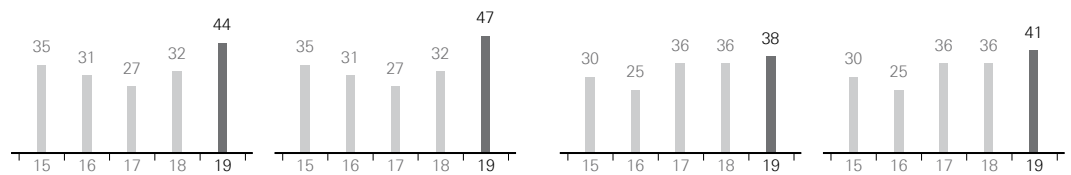
Front Year Base DE

Front Year Base AT

### Spot market prices €/MWh for quarters 1–2

Spot Base DE

Spot Base AT



Futures prices traded in the year before supply. The years stated are the respective years of supply. 2015–2018: Market area Germany/Austria. 2019: Market area Germany or Austria respectively.  
 Spot prices 2015–2018: Market area Germany/Austria. 2019: Market area Germany or Austria respectively. Average prices.

Source: EEX, EPEX Spot

VERBUND contracted for most of its own generation for 2019 on the futures market back in 2017 and 2018. Ever since the split of the joint German-Austrian price zone in October 2018, separate, higher prices have prevailed in Austria. Prices for AT 2019 front-year base load contracts (traded in 2018) averaged €46.6/MWh in 2018, and prices for DE 2019 front-year base load contracts averaged €43.8/MWh. This represents an increase of 44.0% (AT) and 35.4% (DE) compared with the previous year, in which a joint price was calculated in futures trading (€32.4/MWh).

Front-year peak load (AT) contracts averaged €56.8/MWh in 2018 and front-year peak load (DE) contracts traded at an average of €54.0/MWh. Prices on the futures market were therefore up 40.3% and 33.2%, respectively, compared with the prior year (€40.5/MWh).

On both the Austrian and German spot markets, wholesale trading prices for electricity in quarters 1–2/2019 exceeded the prior-year levels. Prices for base load electricity increased by an average of 14.3% to €40.9/MWh in Austria and by 7.2% to €38.3/MWh in Germany. Prices for peak load rose by 10.4% to €46.7/MWh in Austria and by 5.4% to €44.6/MWh in Germany.

## Financial performance

| Results                 | €m        |           |        |
|-------------------------|-----------|-----------|--------|
|                         | Q1-2/2018 | Q1-2/2019 | Change |
| Revenue                 | 1,373.2   | 1,835.2   | 33.6%  |
| EBITDA                  | 503.7     | 685.9     | 36.2%  |
| Operating result        | 346.7     | 505.8     | 45.9%  |
| Group result            | 227.5     | 338.2     | 48.7%  |
| Earnings per share in € | 0.65      | 0.97      | 48.7%  |

### Electricity revenue

VERBUND's electricity revenue rose by €421.8m to €1,473.9m in quarters 1-2/2019. In terms of quantities, electricity sales volumes increased by 1,827 GWh, or 6.1%, year-on-year. Revenue also benefitted significantly from the sharp rise in average sales prices resulting from higher prices on the futures and spot markets for wholesale electricity.

### Grid revenue

Grid revenue increased by €40.4m to €288.5m in quarters 1-2/2019 compared with the prior-year period. The revenue increase was largely attributable to higher proceeds from international auctions for cross-border capacity and higher domestic grid revenue as a result of tariff increases. By contrast, one of the primary negative factors was lower rates for system services fees.

### Other revenue and other operating income

Other revenue decreased slightly (by €0.3m) to €72.8m. Higher revenue from the sale of green electricity certificates was counteracted by lower revenue from gas sales. At €27.5m, other operating income was at approximately the prior-year level.

### Expenses for electricity, grid, gas and certificates purchases

Expenses for electricity, grid, gas and certificates purchases increased by €278.1m to €865.9m. A total of 1,149 GWh more electricity was purchased from third parties for trading and sales as well as for grid loss and control power volumes. Higher procurement prices arising from higher price levels for wholesale electricity also caused expenses to rise. Expenses for electricity purchases thus increased by €261.8m compared with quarters 1-2/2018. Expenses for grid purchases rose by €21.3m, while expenses for gas purchases fell by €4.3m.

**Fuel expenses**

Fuel and other usage-/revenue-dependent expenses rose by €1.7m to €45.7m. The increase in expenses was due in particular to higher expenses for emission rights resulting from the surge in CO<sub>2</sub> prices. By contrast, lower use of natural gas had a positive impact. The decline is 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 volumes). Coal expenses remained unchanged despite the rise in procurement prices for coal due to the reduced generation.

**Personnel expenses**

Personnel expenses increased by €5.8m year-on-year to €169.9m. The rise in expenses for current employees resulted from the increase of 3.4%, or €3.3m, in pay rates under the collective bargaining agreement, expenses of €2.3m for new hires at APG and additions to provisions for unused leave in the amount of €0.8m. An update of the assumptions used in the calculation of provisions also caused personnel expenses to rise. With respect to employee benefits relating to pensions and termination benefits (“Sozialkapital”), the increase in personnel expenses was mitigated by the absence of 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 (€+1.5m).

**Other operating expenses**

Other operating expenses declined by €5.2m to €95.3m. The initial application of IFRS 16 (please refer to the notes to the consolidated financial statements for details on the initial application of IFRS 16) along with lower expenses for goods and services purchased from third parties had a positive effect on other operating expenses. However, higher IT expenses had a negative impact.

**EBITDA**

As a result of the above-mentioned factors, EBITDA rose by 36.2% to €685.9m.

**Depreciation and amortisation**

Amortisation of intangible assets and depreciation of property, plant and equipment rose by €16.6m to €179.8m. The increase was primarily due to depreciation of right-of-use assets as required by the newly applied IFRS 16 (please refer to the notes to the consolidated financial statements for details on the initial application of IFRS 16). Depreciation of property, plant and equipment declined slightly compared with the prior year as a result of the lower depreciation base.

**Reversals of impairment losses**

Reversals of impairment losses in quarters 1–2/2018 amounted to €6.2m and related primarily to the decommissioned power plants in Dürnröhr and Korneuburg. Impairment testing was performed in connection with the conclusion of a disposal agreement. No reversals of impairment losses were recognised in quarters 1–2/2019.

**Result from interests accounted for using the equity method**

The result from interests accounted for using the equity method rose by €3.6m to €25.4m. The increase was mainly due to earnings contributions from KELAG in the amount of €22.7m (Q1-2/2018: €22.2m).

**Interest income and expenses**

Interest income increased by €0.7m to €16.6m compared with quarters 1-2/2018. Interest expenses declined by €0.9m to €62.4m, due in particular to lower interest on credit facilities as a result of both scheduled and early repayments of principal.

**Other financial result**

The other financial result improved by €6.5m to €6.6m in quarters 1-2/2019, mainly as a result of the measurement of securities through profit or loss in accordance with IFRS 9. Measurement of an obligation to return an interest had a counteracting effect.

**Group result**

After taking account of an effective tax rate of 22.1% and non-controlling interests in the amount of €47.0m, the Group result amounted to €338.2m. This represents an increase of 48.7% compared with the previous year. Earnings per share amounted to €0.97 (Q1-2/2018: €0.65) for 347,415,686 shares. The Group result after adjustment for non-recurring effects was €340.3m, an increase of 53.1% on the prior-year period.

## Financial position

### Consolidated balance sheet (condensed)

|                               | 31/12/2018      | Share       | 30/6/2019       | Share       | Change      |
|-------------------------------|-----------------|-------------|-----------------|-------------|-------------|
| Non-current assets            | 10,702.7        | 91%         | 10,840.6        | 91%         | 1.3%        |
| Current assets                | 1,002.1         | 9%          | 1,116.6         | 9%          | 11.4%       |
| <b>Total assets</b>           | <b>11,704.8</b> | <b>100%</b> | <b>11,957.2</b> | <b>100%</b> | <b>2.2%</b> |
| Equity                        | 5,941.0         | 51%         | 6,235.9         | 52%         | 5.0%        |
| Non-current liabilities       | 3,968.0         | 34%         | 3,980.2         | 33%         | 0.3%        |
| Current liabilities           | 1,795.8         | 15%         | 1,741.1         | 15%         | -3.0%       |
| <b>Equity and liabilities</b> | <b>11,704.8</b> | <b>100%</b> | <b>11,957.2</b> | <b>100%</b> | <b>2.2%</b> |

### Assets

VERBUND's non-current assets increased slightly from the level as at 31 December 2018. With respect to property, plant and equipment, additions of €132.2m were offset by depreciation of €158.9m. The main additions to property, plant and equipment related to investments in the Austrian transmission grid and replacement investments at Austrian hydropower plants. Non-current assets rose by €141.9m as at 30 June 2019 due to the initial application of IFRS 16. The increase in current assets resulted mainly from short- and medium-term investments of cash and cash equivalents. Lower positive fair values for derivative hedging transactions had a counteracting effect.

### Equity and liabilities

The increase in equity compared with 31 December 2018 was mainly attributable to the profit for the period generated in quarters 1-2/2019 as well as the positive impact of the measurement of cash flow hedges on other comprehensive income. These factors were counteracted by dividend distributions and the negative impact on other comprehensive income of the interest rate adjustment in connection with employee benefits relating to pensions and termination benefits (Sozialkapital), which reduced equity. The net decrease in current and non-current liabilities was primarily the result of lower negative fair values for derivative hedging transactions, whereas the initial application of IFRS 16 and higher provisions for employee benefits relating to pensions and termination benefits (Sozialkapital) had a counteracting effect.

## Cash flows

| Cash flow statement (condensed)       |           | €m        |        |
|---------------------------------------|-----------|-----------|--------|
|                                       | Q1-2/2018 | Q1-2/2019 | Change |
| Cash flow from operating activities   | 480.0     | 690.7     | 43.9%  |
| Cash flow from investing activities   | -311.2    | -361.3    | 16.1%  |
| Cash flow from financing activities   | -174.8    | -225.7    | 29.2%  |
| Change in cash and cash equivalents   | -6.0      | 103.7     | -      |
| Cash and cash equivalents as at 30/6/ | 22.6      | 143.0     | -      |

### Cash flow from operating activities

Cash flow from operating activities amounted to €690.7m in quarters 1-2/2019, up €210.7m on the prior-year figure. The increase was largely fuelled by the significant rise in the average prices obtained for electricity sales. Moreover, the hydro coefficient was up 3 percentage points over the prior-year figure to 1.11.

### Cash flow from investing activities

Cash flow from investing activities amounted to €-361.3m in quarters 1-2/2019 (Q1-2/2018: €-311.2m). The change compared with quarters 1-2/2018 was mainly due to higher cash outflows representing capital expenditure for intangible assets and property, plant and equipment (€-33.8m) and higher net cash outflows for investments (€-17.1m).

### Cash flow from financing activities

Cash flow from financing activities amounted to €-225.7m in quarters 1-2/2019, representing a change of €-51.0m. The decrease in cash flows resulted from lower repayments of financial liabilities and a lower level of borrowings (€-23.2m), higher cash outflows associated with money market transactions (€-11.0m) and cash outflows for the repayment of lease liabilities (€-16.7m), which have been presented in cash flows from financing activities since 1 January 2019 based on the initial application of IFRS 16 Leases. At €178.1m, dividend payouts were at the prior-year level.

## Opportunity and risk management

### Operating result

Electricity generation from hydropower is the main factor that could potentially impact the operating result for the current reporting period, particularly because hydrological conditions cannot be controlled. Fluctuations in the marketing of control power and congestion management can also lead to higher earnings volatility, as can the revenue fluctuations arising from regulatory impacts on grid operations. 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.

For instance, 2019 has thus far seen significant fluctuations in the water supply between different months and regions compared with the long-term average. Water supply has been positive on the whole in 2019, although short-term electricity prices have fluctuated – at times massively. In addition, the unplanned disconnection of German wind power plants jeopardised the stability of the European electricity market on multiple occasions in June 2019. Conventional grid reserves – including the Mellach combined cycle gas turbine power plant – had to be activated across the EU to prevent a blackout.

Furthermore, the planned signing of a resolution concerning the Austrian energy market regulatory regime has been delayed due to premature cessation of the Austrian federal government's legislative session.

### Financial result

The potential extent of fluctuation in the financial result is determined by the following factors: 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, any changes in the factors shown below would be reflected in the projected Group result for full-year 2019 as follows (based on the hedging status as at 30 June 2019 for generation volumes and interest rates):

- +/-1% in generation from hydropower plants: €+/-3.6m
- +/-1% in generation from wind power: €+/-0.2m
- +/-1€/MWh in wholesale electricity prices (renewable generation): €+/-2.1m
- +/-1 percentage point in interest rates: €+/-0.2m



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 2019 supply year. Spot market prices also registered a year-on-year increase for both base-load and peak-load power in 2019.

In line with our hedging strategy for own generation, we already contracted for around 89% of our planned own generation of electricity from hydropower for 2019 as at 30 June 2019. The average price obtained was €38.5/MWh. For those volumes not yet hedged, we have based our planning on current market prices. The performance of own generation will depend largely on the water supply. In the first half of 2019, the hydro coefficient was up 11% 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, and in light of the opportunities and risks identified, we expect EBITDA for financial year 2019 to amount to between approximately €1,180m and €1,250m and the Group result to between approximately €530m and €580m. In terms of the dividend for financial year 2019, VERBUND is planning a payout ratio of between 40% and 45% based on the Group result after adjustment for non-recurring effects.

## Segment report

### Renewable generation segment

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

#### KPIs – Renewable generation segment

|   | Unit | Q1–2/2018 | Q1–2/2019 | Change |
|---|------|-----------|-----------|--------|
| Total revenue   | €m   | 506.2     | 653.5     | 29.1%  |
| EBITDA  | €m   | 308.8     | 488.3     | 58.1%  |
| Result from interests accounted for using the equity method | €m   | 0.1       | 3.4       | –      |
| Capital employed  | €m   | 6,679.7   | 6,537.6   | –2.1%  |

EBITDA for the Renewable generation segment rose by €179.5m to €488.3m. The increase was due mainly to the significant rise in the average prices obtained for electricity sales compared with the previous year. The hydro coefficient for quarters 1–2/2019 was 1.11, up from 1.08 in quarters 1–2/2018. The result from interests accounted for using the equity method for 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 €142.2m to €6,537.6m. The reduction was chiefly due to lower intangible assets (transfer of rights to purchase electricity from Gemeinschaftskraftwerk Inn in the second half of 2018) and a decline in property, plant and equipment as well as lower working capital.

#### Current information on the Renewable generation segment

##### Hydropower projects

The Gries power plant was commissioned for commercial operation back at the start of the year, and a report of completion was sent to the environmental impact assessment authorities at the end of May 2019. The plant celebrated its inauguration on 13 June 2019.

Regarding the Tuxbach expansion project, a tunnelling breakthrough was achieved on 8 May 2019 in the Zemm-Stillupp branch, thus signalling the end of tunnel boring operations at this location. In the Zemm-Tux branch, water ingress from mountain streams has increased in past months due to snowmelt. A seal inspection aimed at assessing the need for additional sealing measures has been completed. Based on the results, VERBUND is anticipating additional project costs of around €9.0m and a delay in commissioning until May 2020.

Regarding the Töging/Jettenbach expansion and renovation project in Bavaria, the local authorities in Mühldorf issued a draft of the official notice as part of the planning approval process. The notice, which covers all aspects of the project, conveys approval of all components as detailed in the application documents. After reviewing all opinions submitted, the Mühldorf authorities approved prompt finalisation and issuance of an official notice approving the entire project, thus providing for immediate implementation. Moreover, construction continued as planned in quarter 2/2019 at all three sites: the Töging power plant, the canal upstream of the Jettenbach plant and the Jettenbach weir.

Regarding the project to build a new power plant in Graz, work on impounding the Mur River started in March 2019. Work to assemble the two generators is proceeding on schedule, which will allow trial operations to commence in summer 2019 for both generators.

Regarding the Häusling rehabilitation project, assembly work was largely completed in quarter 2/2019 and the commissioning process was initiated on 24 June 2019. Regarding the Ybbs rehabilitation project, preparations for renewing main generator 2 likewise began in the quarter just ended. All of VERBUND's other rehabilitation projects are currently in the tendering or engineering phases.

### Sales segment

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

#### KPIs – Sales segment

|   | Unit | Q1–2/2018 | Q1–2/2019 | Change  |
|---|------|-----------|-----------|---------|
| Total revenue   | €m   | 999.3     | 1,447.4   | 44.8%   |
| EBITDA  | €m   | 40.8      | 35.0      | – 14.1% |
| Result from interests accounted for using the equity method | €m   | 0.0       | 0.0       | –       |
| Capital employed  | €m   | 162.6     | 186.3     | 14.6%   |

EBITDA for the Sales segment declined by €5.8m year-on-year to €35.0m. The main reason for the decrease was the effect on profit or loss of measuring hedging transactions at fair value.

Capital employed in the Sales segment was up €23.7m on the prior-year level, primarily due to changes in working capital.

#### Current information on the Sales segment

VERBUND's trading activities currently focus on continuing to expand the Group's portfolio of innovative green electricity and flexibility products, on the direct marketing of renewable energy (especially wind power and small-scale hydropower) and on taking advantage of short-term market opportunities. Added to this are the challenges arising from increasing digitalisation in the energy market. VERBUND strives to proactively face these challenges by developing the relevant customer products, such as its VISION communication and service platform. At present, the platform is being upgraded/expanded to enable it to function as an acquisition platform.

### Grid segment

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

#### KPIs – Grid segment

|   | Unit | Q1–2/2018 | Q1–2/2019 | Change |
|---|------|-----------|-----------|--------|
| Total revenue   | €m   | 368.8     | 391.6     | 6.2%   |
| EBITDA  | €m   | 138.5     | 156.0     | 12.6%  |
| Result from interests accounted for using the equity method | €m   | 0.0       | 0.0       | –      |
| Capital employed  | €m   | 1,276.6   | 1,392.5   | 9.1%   |

EBITDA for the Grid segment rose by €17.5m to €156.0m. The increase was mainly attributable to higher revenue from auctioning off of cross-border capacity as well as additional temporary revenue, whereas contributions from control power business decreased.

Capital employed was up €115.9m on the prior-year level to €1,392.5m. The primary cause of the increase was the net investment in property, plant and equipment and the recognition of right-of-use assets based on the initial application of IFRS 16 Leases from 1 January 2019. The changes in working capital had a counteracting effect on capital employed.

#### Current information on the Grid segment

##### Security of supply and congestion management

As in preceding quarters, interventions in power plant operations were once again required to ensure system operations in quarter 2/2019. The interventions were necessary both within the APG control area and to manage congestion outside of the APG grid, particularly in Germany. Repeated recourse had to be taken to the reserve capacity contracted by APG for congestion management purposes to maintain security of supply.

##### Tariff regulation

In quarter 2/2019, the cost calculation process for 2019 focused on timely submission of the documents requested by E-Control Austria (ECA). No preliminary calculation notices have been announced thus far, but APG expects them by August 2019. With regard to the tariff notice from the 2018 proceedings that was appealed by the Austrian Economic Chambers (WKO), it was possible to inspect the files at the Federal Administrative Court (BVwG) at the end of June 2019. The deadline for submitting comments was extended until quarter 3/2019.

##### 380-kV Salzburg line

Following the Federal Administrative Court's denial of the petition for suspensory effect of the appeal against approval of the 380-kV Salzburg line, the Austrian Constitutional Court (VfGH) has now likewise rejected the appeal. APG will therefore be preparing a motion for approval of construction over the summer and plans to commence construction of the €800m project in autumn 2019.

### Reschenpass line

Italian TSO Terna has received approval for the Italian section of the interconnector project (the Reschenpass line) and will be initiating its implementation in autumn 2019. The approval process on the Austrian side is expected to be completed in summer 2019 and further details of the Nauders substation will be planned.

### 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 | Q1-2/2018 | Q1-2/2019 | Change |
|---|------|-----------|-----------|--------|
| Total revenue   | €m   | 106.9     | 98.7      | -7.6%  |
| EBITDA  | €m   | 28.7      | 20.1      | -29.8% |
| Result from interests accounted for using the equity method | €m   | 21.6      | 21.9      | 1.5%   |
| Capital employed  | €m   | 470.2     | 510.9     | 8.6%   |

EBITDA of All other segments decreased by €8.6m to €20.1m. The decline was mainly due to the lower EBITDA (€-6.8m) recorded in the Thermal generation segment. The result from interests accounted for using the equity method of All other segments matched the prior-year level and was generated mainly by KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.

Capital employed rose by €40.6m year-on-year to €510.9m, mainly due to changes in working capital and an increase in the equity interest held in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft as a result of equity-method accounting.

### Current information on the Energy services segment

#### Marketing VERBUND's energy services products

Introduction of a mixed price calculation for automatic Frequency Restoration Reserves (aFRR) resulted in lower revenue for the VERBUND Power Pool's demand response business in quarters 1-2/2019 compared with the prior-year period, since lower unit rates have made this market less attractive for industrial customers. Despite taking recourse to the manual Frequency Restoration Reserves (mFRR), it was not possible to fully attain the good revenue achieved in the prior-year reporting period.

In the field of hydrogen and electrolysis, one of the world's largest proton exchange membrane (PEM) electrolyser installations will be put into operation at voestalpine in Linz during the current financial year. The PEM electrolyser is rated at 6 MW and is part of the EU-sponsored H2FUTURE project with funding of €12.0m.

In the SYNERG-E industrial-scale battery project, which is likewise subsidised by the EU, the first battery storage units will be operational in quarter 3/2019. The units will be used to help balance out future power peaks and compensate for the effects of high-speed e-mobility charging stations on the grid.

### **SOLAVOLTA and SMATRICS**

SOLAVOLTA (VERBUND share: 50%) succeeded in increasing sales by around 60% in quarters 1-2/2019 compared with the prior-year period in its photovoltaic systems customer segment (small-scale and large-scale systems). The sales figures for storage units doubled in the reporting period compared with the prior year.

SMATRICS (VERBUND share: 40%) added high-profile customers to its managed infrastructure portfolio in quarters 1-2/2019. In addition to equipping the ERSTE Bank Campus in Vienna with charging solutions for employees, delivery vehicles and the public, charging stations for customers will be installed at all of the Hornbach DIY stores throughout Austria. In addition, the Genol petrol station operator will provide Raiffeisen's Lagerhaus DIY stores/garden centres with branded charging infrastructures ("Powered by SMATRICS"). A total of 43 ÖBB Park & Ride locations across Austria have been equipped with charging infrastructures to date. Currently, 271 charging stations are in operation as part of a joint project with Siemens on behalf of VW Kraftwerk GmbH. The SMATRICS approach to the German market focuses on municipal utilities. For instance, two utility customers – the municipal utility companies in Uelzen and Bühl – have been acquired to date for managed infrastructure services. With respect to the public charging network, three new locations with output of up to 350 kW will be added in 2019 as part of the EU-sponsored ULTRA-E project.

In addition, the connection of SMATRICS' charging network with those of partner companies from the Austrian Federal Electromobility Association (BEÖ) and other international partners in Italy and Germany was completed in quarter 2/2019.

### **Current information on the Thermal generation segment**

The Mellach CGGT has been operated for the sole purpose of guaranteeing security of supply in connection with congestion management. The gas boiler plant was put into operation in quarter 2/2019 to fulfil the district heating supply commitment for the Graz metropolitan area. The Mellach district heating plant is only used for the purpose of avoiding congestion outside of the heating season. Establishment of the Mellach site as a centre of innovation is continuing by implementing a variety of additional projects (battery storage units, high-temperature electrolysis, fast-charging stations, etc.).

### **Current information on the Services segment**

VERBUND Services GmbH carried out a project to review VERBUND's shared services strategy in the period from September 2018 to March 2019. The project objective was to update the strategy for shared services, which was last amended in 2015, by adding measures designed to optimise processes and improve quality. The primary objectives identified were to become more competitive, to improve expertise levels, to take customer requirements into account, to ensure safety in operations and to meet compliance requirements.

In line with the shared services strategy, a new service centre platform has also been successfully developed for the intranet in the interest of customer centricity. The platform has been up and running since April 2019.

In quarter 4/2018, the Austrian parliament adopted the Network and Information Security Act (NISG), which transposes the EU Directive on security of network and information systems (NIS Directive) into Austrian law. The Austrian Network and Information Security Act will considerably impact the process of guaranteeing information security by operators of critical infrastructure. Group companies with

installations rated over the 340 MW threshold will be receiving official notices in this regard. The key prerequisites were already established in a VERBUND Group project in 2018. A successor project in 2019 aimed at meeting the specifications in the approval notice coordinated the prescribed certification of 13 VERBUND installations to ISO 27001 in Austria (German certification was obtained in 2018). Certification was completed with success.

**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 €22.7m in quarters 1-2/2019 (Q1-2/2018: €22.2m). KELAG is expected to continue to report stable performance during the remainder of financial year 2019.

## Events after the reporting date

There were no events requiring disclosure between the reporting date of 30 June 2019 and authorisation for issue on 23 July 2019.





# Consolidated interim financial statements

of VERBUND

## Income statement

|  |       | €m           |                |              |              |
|--|-------|--------------|----------------|--------------|--------------|
| In accordance with IFRSs                                       | Notes | Q1-2/2018    | Q1-2/2019      | Q2/2018      | Q2/2019      |
| Revenue  |       | 1,373.2      | <b>1,835.2</b> | 624.8        | <b>872.0</b> |
| Electricity revenue  | 1     | 1,052.0      | 1,473.9        | 494.9        | 709.1        |
| Grid revenue   | 1     | 248.1        | 288.5          | 108.5        | 136.0        |
| Other revenue  | 1     | 73.1         | 72.8           | 21.4         | 26.9         |
| Other operating income   |       | 26.9         | 27.5           | 16.7         | 17.3         |
| Expenses for electricity, grid, gas and certificates purchases | 2     | -587.8       | -865.9         | -242.9       | -392.3       |
| Fuel expenses and other usage-/revenue-dependent expenses      | 3     | -44.0        | -45.7          | -19.4        | -17.0        |
| Personnel expenses   | 4     | -164.1       | -169.9         | -88.8        | -89.9        |
| Other operating expenses                                       |       | -100.5       | -95.3          | -56.9        | -52.1        |
| <b>EBITDA</b>  |       | <b>503.7</b> | <b>685.9</b>   | <b>233.6</b> | <b>337.9</b> |
| Depreciation and amortisation                                  | 5     | -163.2       | -179.8         | -81.2        | -90.1        |
| Impairment losses  |       | 0.0          | -0.3           | 0.0          | -0.3         |
| Reversal of impairment losses                                  |       | 6.2          | 0.0            | 6.2          | 0.0          |
| <b>Operating result</b>  |       | <b>346.7</b> | <b>505.8</b>   | <b>158.6</b> | <b>247.6</b> |
| Result from interests accounted for using the equity method    | 6     | 21.7         | 25.4           | 14.5         | 12.7         |
| Other result from equity interests                             |       | 3.6          | 2.5            | 2.4          | 1.4          |
| Interest income  | 7     | 16.0         | 16.6           | 8.0          | 8.1          |
| Interest expenses  | 8     | -63.3        | -62.4          | -31.4        | -31.7        |
| Other financial result   | 9     | 0.1          | 6.6            | 1.0          | 0.3          |
| <b>Financial result</b>  |       | <b>-22.0</b> | <b>-11.3</b>   | <b>-5.5</b>  | <b>-9.1</b>  |
| <b>Profit before tax</b>                                       |       | <b>324.7</b> | <b>494.5</b>   | <b>153.1</b> | <b>238.4</b> |
| Taxes on income  |       | -72.1        | -109.2         | -32.8        | -52.4        |
| <b>Profit for the period</b>                                   |       | <b>252.6</b> | <b>385.2</b>   | <b>120.3</b> | <b>186.0</b> |
| Attributable to the shareholders of VERBUND AG (Group result)  |       | 227.5        | 338.2          | 105.9        | 160.1        |
| Attributable to non-controlling interests                      |       | 25.1         | 47.0           | 14.4         | 25.9         |
| <b>Earnings per share in €<sup>1</sup></b>                     |       | <b>0.65</b>  | <b>0.97</b>    | <b>0.30</b>  | <b>0.46</b>  |

<sup>1</sup> Diluted earnings per share correspond to basic earnings per share.

## Statement of comprehensive income

|  |       | €m           |              |               |              |
|--|-------|--------------|--------------|---------------|--------------|
| In accordance with IFRSs   | Notes | Q1-2/2018    | Q1-2/2019    | Q2/2018       | Q2/2019      |
| Profit for the period  |       | 252.6        | <b>385.2</b> | 120.3         | <b>186.0</b> |
| Remeasurements of net defined benefit liability  | 10    | -7.0         | -87.9        | -7.0          | -90.1        |
| Measurements of financial instruments  |       | 0.0          | 0.0          | -             | 0.0          |
| Other comprehensive income from interests accounted for using the equity method                      |       | -3.6         | -4.9         | 0.0           | 0.2          |
| <b>Total of items that will not be reclassified subsequently to the income statement</b>             |       | <b>-10.7</b> | <b>-92.8</b> | <b>-7.0</b>   | <b>-89.9</b> |
| Differences from currency translation  |       | -0.2         | -2.4         | -0.2          | 0.8          |
| Measurements of cash flow hedges   |       | -38.1        | 213.6        | -98.1         | 0.8          |
| Other comprehensive income from interests accounted for using the equity method                      |       | 0.1          | 0.0          | 0.0           | 0.0          |
| <b>Total of items that will be reclassified subsequently to the income statement</b>                 |       | <b>-38.1</b> | <b>211.2</b> | <b>-98.3</b>  | <b>1.6</b>   |
| <b>Other comprehensive income before tax</b>   |       | <b>-48.8</b> | <b>118.4</b> | <b>-105.3</b> | <b>-88.3</b> |
| Taxes on income relating to items that will not be reclassified subsequently to the income statement |       | 1.8          | 22.5         | 1.8           | 23.0         |
| Taxes on income relating to items that will be reclassified subsequently to the income statement     |       | 9.5          | -53.4        | 24.5          | -0.2         |
| <b>Other comprehensive income after tax</b>  |       | <b>-37.5</b> | <b>87.5</b>  | <b>-79.0</b>  | <b>-65.5</b> |
| <b>Total comprehensive income for the period</b>   |       | <b>215.1</b> | <b>472.7</b> | <b>41.3</b>   | <b>120.5</b> |
| Attributable to the shareholders of VERBUND AG   |       | 190.2        | 432.0        | 27.2          | 101.1        |
| Attributable to non-controlling interests  |       | 24.9         | 40.7         | 14.2          | 19.4         |

## Balance sheet

|   |       | €m         |                 |
|---|-------|------------|-----------------|
| In accordance with IFRSs                            | Notes | 31/12/2018 | 30/6/2019       |
| <b>Non-current assets</b>                           |       | 10,702.7   | <b>10,840.6</b> |
| Intangible assets                                   |       | 644.3      | 644.9           |
| Property, plant and equipment                       |       | 8,957.1    | 8,926.2         |
| Right-of-use assets                                 |       | –          | 141.9           |
| Interests accounted for using the equity method     |       | 323.3      | 326.4           |
| Other equity interests                              | 12    | 130.3      | 130.3           |
| Investments and other receivables                   | 12    | 647.7      | 670.8           |
| <b>Current assets</b>                               |       | 1,002.1    | <b>1,116.6</b>  |
| Inventories   | 11    | 36.0       | 47.3            |
| Trade receivables, other receivables and securities | 12    | 926.8      | 926.3           |
| Cash and cash equivalents                           | 12    | 39.3       | 143.0           |
| <b>Total assets</b>                                 |       | 11,704.8   | <b>11,957.2</b> |

|  |       | €m         |                 |
|--|-------|------------|-----------------|
| In accordance with IFRSs                       | Notes | 31/12/2018 | 30/6/2019       |
| <b>Equity</b>                                  |       | 5,941.0    | <b>6,235.9</b>  |
| Attributable to the shareholders of VERBUND AG |       | 5,305.3    | 5,591.7         |
| Attributable to non-controlling interests      |       | 635.7      | 644.3           |
| <b>Non-current liabilities</b>                 |       | 3,968.0    | <b>3,980.2</b>  |
| Financial liabilities                          | 12    | 1,472.8    | 1,244.6         |
| Provisions                                     |       | 816.8      | 880.8           |
| Deferred tax liabilities                       |       | 634.5      | 712.1           |
| Contributions to building costs and grants     |       | 746.9      | 743.2           |
| Other liabilities                              | 12    | 296.9      | 399.4           |
| <b>Current liabilities</b>                     |       | 1,795.8    | <b>1,741.1</b>  |
| Financial liabilities                          | 12    | 753.5      | 965.9           |
| Provisions                                     |       | 42.9       | 34.1            |
| Current tax liabilities                        |       | 46.5       | 85.7            |
| Trade payables and other liabilities           | 12    | 952.9      | 655.4           |
| <b>Total equity and liabilities</b>            |       | 11,704.8   | <b>11,957.2</b> |

## 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  |                                  |                  |                   | 10  |
| 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  |
| <b>Total comprehensive income for the period</b> | -                                | -                | 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  |
| As at 1/1/2019                                   | <b>347.4</b>                     | <b>954.3</b>     | <b>4,525.4</b>    | <b>-284.8</b>                                   |
| Profit for the period                            | -                                | -                | 338.2             | -   |
| Other comprehensive income                       | -                                | -                | 0.0               | -64.0   |
| <b>Total comprehensive income for the period</b> | -                                | -                | <b>338.2</b>      | <b>-64.0</b>                                    |
| Dividends  | -                                | -                | -145.9            | -   |
| Other changes in equity                          | -                                | -                | 0.2               | 0.0   |
| As at 30/6/2019                                  | <b>347.4</b>                     | <b>954.3</b>     | <b>4,718.0</b>    | <b>-348.8</b>                                   |

|  |  |   |  |   |                | €m |
|--|--|---|--|---|----------------|----|
| Difference from<br>currency<br>translation | Measure-<br>ments of<br>financial<br>instruments | Measure-<br>ments<br>of cash flow<br>hedges | Equity<br>attributable<br>to the<br>share-<br>holders of<br>VERBUND AG | Equity<br>attributable to<br>non-controlling<br>interests | Total equity   |    |
| -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        |    |
| <b>-7.4</b>                                | <b>-1.3</b>                                      | <b>-228.4</b>                               | <b>5,305.3</b>   | <b>635.7</b>  | <b>5,941.0</b> |    |
| -  | -  | -   | 338.2  | 47.0  | 385.2          |    |
| -2.4                                       | 0.0  | 160.2                                       | 93.8   | -6.3  | 87.5           |    |
| <b>-2.4</b>                                | <b>0.0</b>                                       | <b>160.2</b>                                | <b>432.0</b>   | <b>40.7</b>   | <b>472.7</b>   |    |
| -  | -  | -   | -145.9   | -32.2   | -178.1         |    |
| 0.0  | 0.0  | 0.0   | 0.2  | 0.0   | 0.2            |    |
| <b>-9.9</b>                                | <b>-1.3</b>                                      | <b>-68.1</b>                                | <b>5,591.7</b>   | <b>644.3</b>  | <b>6,235.9</b> |    |

## Cash flow statement

|   |              | €m               |                  |
|---|--------------|------------------|------------------|
| <b>In accordance with IFRSs</b>   | <b>Notes</b> | <b>Q1-2/2018</b> | <b>Q1-2/2019</b> |
| Profit for the period   |              | 252.6            | 385.2            |
| Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses) |              | 157.0            | 180.1            |
| Impairment losses on investments (net of reversals of impairment losses)  |              | 1.5              | -8.7             |
| Result from interests accounted for using the equity method (net of dividends received)                                     |              | -7.6             | -11.2            |
| Result from the disposal of non-current assets  |              | -0.3             | 0.0              |
| Change in non-current provisions and deferred tax liabilities   |              | 48.5             | 20.8             |
| Change in contributions to building costs and grants  |              | -5.6             | -3.7             |
| Other non-cash expenses and income  |              | 4.5              | 3.5              |
| <b>Subtotal</b>   |              | <b>450.6</b>     | <b>566.1</b>     |
| Change in inventories   |              | -6.4             | -11.3            |
| Change in trade receivables and other receivables   |              | -0.9             | 178.7            |
| Change in trade payables and other liabilities  |              | 81.5             | -73.2            |
| Change in current provisions and current tax liabilities  |              | -44.9            | 30.4             |
| <b>Cash flow from operating activities<sup>1</sup></b>  |              | <b>480.0</b>     | <b>690.7</b>     |

<sup>1</sup> Cash flow from operating activities includes income taxes paid of €29.6m (Q1-2/2018: €51.2m), interest paid of €16.9m (Q1-2/2018: €15.8m), interest received of €0.1m (Q1-2/2018: €0.2m) and dividends received of €16.9m (Q1-2/2018: €18.0m).

|  |              | €m               |                  |
|--|--------------|------------------|------------------|
| <b>In accordance with IFRSs</b>  | <b>Notes</b> | <b>Q1-2/2018</b> | <b>Q1-2/2019</b> |
| Cash outflow from capital expenditure for intangible assets and property, plant and equipment                                |              | -125.9           | -159.7           |
| Cash inflow from the disposal of intangible assets and property, plant and equipment   |              | 1.8              | 2.4              |
| Cash outflow from capital expenditure for investments  |              | -0.1             | -19.1            |
| Cash inflow from the disposal of investments   |              | 3.0              | 19.9             |
| Cash inflow from the disposal of subsidiaries and interests accounted for using the equity method and other equity interests |              | 0.0              | 0.1              |
| Cash outflow from capital expenditure for current investments  |              | -190.0           | -205.0           |
| <b>Cash flow from investing activities</b>   |              | <b>-311.2</b>    | <b>-361.3</b>    |
| Cash outflow from money market transactions  |              | 0.0              | -11.1            |
| Cash inflow from the assumption of financial liabilities (excluding money market transactions)                               |              | 100.0            | 0.0              |
| Cash outflow from the repayment of financial liabilities (excluding money market transactions)                               |              | -96.7            | -19.9            |
| Cash outflow from the repayment of lease liabilities   |              | -                | -16.7            |
| Dividends paid   |              | -178.1           | -178.1           |
| <b>Cash flow from financing activities</b>   |              | <b>-174.8</b>    | <b>-225.7</b>    |
| <b>Change in cash and cash equivalents</b>   |              | <b>-6.0</b>      | <b>103.7</b>     |
| Cash and cash equivalents as at 1/1/   |              | 28.6             | 39.3             |
| Change in cash and cash equivalents  |              | -6.0             | 103.7            |
| Cash and cash equivalents as at 30/6/  |              | 22.6             | 143.0            |

## Selected explanatory notes

### Basic principles

#### Financial reporting principles

These consolidated interim financial statements of VERBUND for the period ended 30 June 2019 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 2018, 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 2018.

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 19<br>Amendments:<br>Plan Amendment,<br>Curtailment or Settlement               | 7/2/2018<br>(13/3/2019)                    | 1/1/2019                          | None   |
| IAS 28<br>Amendments:<br>Long-term Interests in<br>Associates and<br>Joint Ventures | 12/10/2017<br>(8/2/2019)                   | 1/1/2019                          | None   |
| IFRS 16<br>Leases   | 13/1/2016<br>(31/10/2017)                  | 1/1/2019                          | See below  |
| IFRIC 23<br>Uncertainty over Income<br>Tax Treatments                               | 7/6/2017<br>(23/10/2018)                   | 1/1/2019                          | None   |
| Various<br>Annual Improvements to<br>IFRS Standards<br>2015–2017 Cycle              | 12/12/2017<br>(14/3/2019)                  | 1/1/2019                          | None   |

The IASB published the final version of IFRS 16 on 13 January 2016. This standard replaces IAS 17, IFRIC 4, SIC 15 and SIC 27. 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. The new rules of IFRS 16 lead to an increase in total assets, an increase in EBITDA 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. VERBUND's leases include mainly arrangements regarding the provision of power



plants, buildings, land, lines and vehicles. The initial application of IFRS 16 was carried out retrospectively, whereby the cumulative adjustments as at the initial application date were recognised. IFRS 16 was not applied to agreements that were classified as an arrangement not containing a lease under IAS 17 and IFRIC 4.

The marginal borrowing rate was applied as the discount rate at the initial application date. The weighted average interest rate was 1.2%. A single discount rate was applied to portfolios of leases with reasonably similar characteristics on initial application. In addition, the opportunity was taken to forego impairment testing for leases. Instead, an assessment was conducted to determine whether a contract is onerous and the right-of-use asset was subsequently adjusted at most by the amount of any existing provision. Lease payments for leases whose contractual term or whose remaining term at the initial application date is twelve months or less, as well as for leases for which the underlying asset is of low value, will continue to be recognised in part as an expense. The following table shows the reconciliation of the minimum lease payments presented as at 31 December 2018 to the lease liability recognised on 1 January 2019.

| <b>Reconciliation of the minimum lease payments to the recognised lease liability</b> | €m           |
|---|--------------|
| Commitment for less than one year   | 32.2         |
| Commitment for longer than one year and up to five years                              | 72.2         |
| Commitment for longer than five years   | 76.5         |
| <b>Total commitments arising from rental agreements and leases</b>                    | <b>180.9</b> |
| Commitments arising from short-term leases and leases of low-value assets             | -0.2         |
| <b>Total commitments for the determination of the lease liability</b>                 | <b>180.6</b> |
| Effect of discounting at the marginal borrowing rate                                  | -24.9        |
| <b>Lease liability as at 1/1/2019</b>   | <b>155.7</b> |

### 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.

|   | Renewable generation | Sales        | Grid           | All other segments | Reconciliation/consolidation | Total Group    |
|---|----------------------|--------------|----------------|--------------------|------------------------------|----------------|
| €m  |                      |              |                |                    |                              |                |
| <b>Q1-2/2019</b>  |                      |              |                |                    |                              |                |
| External revenue  | 95.9                 | 1,343.5      | 376.1          | 16.9               | 2.7                          | 1,835.2        |
| Internal revenue  | 557.5                | 103.9        | 15.6           | 81.8               | -758.8                       | 0.0            |
| Total revenue   | 653.5                | 1,447.4      | 391.6          | 98.7               | -756.1                       | 1,835.2        |
| EBITDA  | 488.3                | 35.0         | 156.0          | 20.1               | -13.6                        | 685.9          |
| Depreciation and amortisation   | -114.4               | -0.5         | -57.8          | -6.1               | -0.9                         | -179.8         |
| Effects from impairment tests (operating result)                            | 0.0                  | 0.0          | 0.0            | -0.3               | 0.0                          | -0.3           |
| Other material non-cash items   | 28.4                 | -0.6         | 6.0            | 12.5               | 1.2                          | 47.5           |
| Result from interests accounted for using the equity method                 | 3.4                  | 0.0          | 0.0            | 21.9               | 0.0                          | 25.4           |
| <b>Capital employed</b>   | <b>6,537.6</b>       | <b>186.3</b> | <b>1,392.5</b> | <b>510.9</b>       | <b>434.9</b>                 | <b>9,062.2</b> |
| of which carrying amount of interests accounted for using the equity method | 2.9                  | 0.0          | 1.4            | 322.2              | 0.0                          | 326.4          |
| Additions to intangible assets and property, plant and equipment            | 70.0                 | 0.3          | 62.6           | 3.6                | 0.5                          | 137.1          |
| 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 | Reconciliation/consolidation | Total Group    |
| <b>Q1-2/2018</b>  |                      |              |                |                    |                              |                |
| 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        |
| <b>EBITDA</b>   | <b>308.8</b>         | <b>40.8</b>  | <b>138.5</b>   | <b>28.7</b>        | <b>-13.1</b>                 | <b>503.7</b>   |
| 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           |
| <b>Capital employed</b>   | <b>6,679.7</b>       | <b>162.6</b> | <b>1,276.6</b> | <b>470.2</b>       | <b>78.2</b>                  | <b>8,667.3</b> |
| 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            |

## Notes to the income statement

| (1)<br>Revenue  | Revenue               |                       |                      |                      |                    |                    | €m      |
|---|-----------------------|-----------------------|----------------------|----------------------|--------------------|--------------------|---------|
|   | Q1-2/2018<br>Domestic | Q1-2/2019<br>Domestic | Q1-2/2018<br>Foreign | Q1-2/2019<br>Foreign | Q1-2/2018<br>Total | Q1-2/2019<br>Total | Change  |
| Electricity revenue resellers                         | 26.9                  | 37.0                  | 39.9                 | 31.8                 | 66.8               | 68.9               | 3.1%    |
| Electricity revenue traders                           | 12.3                  | 9.4                   | 5.0                  | 5.3                  | 17.3               | 14.7               | -14.6%  |
| Electricity revenue –<br>Renewable generation segment | 39.2                  | 46.5                  | 44.9                 | 37.1                 | 84.1               | 83.6               | -0.5%   |
| Electricity revenue resellers                         | 158.3                 | 267.7                 | 183.7                | 168.4                | 341.9              | 436.1              | 27.6%   |
| Electricity revenue traders                           | 53.1                  | 202.8                 | 269.2                | 340.3                | 322.4              | 543.1              | 68.5%   |
| Electricity revenue consumers                         | 107.4                 | 202.4                 | 104.4                | 126.4                | 211.8              | 328.8              | 55.3%   |
| Electricity revenue –<br>Sales segment                | 318.8                 | 672.9                 | 557.3                | 635.1                | 876.1              | 1,308.0            | 49.3%   |
| Electricity revenue resellers                         | 34.5                  | 52.8                  | 54.7                 | 26.5                 | 89.2               | 79.3               | -11.1%  |
| Electricity revenue traders                           | 2.8                   | 2.1                   | -0.1                 | 0.9                  | 2.7                | 3.0                | 8.8%    |
| Electricity revenue –<br>Grid segment                 | 37.3                  | 54.8                  | 54.6                 | 27.4                 | 91.9               | 82.3               | -10.5%  |
| Electricity revenue resellers                         | 0.0                   | 0.0                   | 0.0                  | 0.0                  | 0.0                | 0.0                | -100.0% |
| Electricity revenue –<br>All other segments           | 0.0                   | 0.0                   | 0.0                  | 0.0                  | 0.0                | 0.0                | -100.0% |
| Electricity revenue –<br>reconciliation               | 0.0                   | 0.0                   | 0.0                  | 0.0                  | 0.0                | 0.0                | -100.0% |
| Total electricity sales revenue                       | 395.2                 | 774.2                 | 656.8                | 699.7                | 1,052.0            | 1,473.9            | 40.1%   |
| Grid revenue electric utilities                       | 188.5                 | 189.9                 | 7.3                  | 12.0                 | 195.7              | 201.9              | 3.2%    |
| Grid revenue industrial<br>customers                  | 5.7                   | 3.6                   | 0.0                  | 0.0                  | 5.7                | 3.6                | -36.2%  |
| Grid revenue other                                    | 12.6                  | 18.3                  | 34.1                 | 64.7                 | 46.7               | 83.0               | 77.6%   |
| Total grid revenue –<br>Grid segment                  | 206.7                 | 211.8                 | 41.3                 | 76.7                 | 248.1              | 288.5              | 16.3%   |
| Other revenue –<br>Renewable generation segment       |                       |                       |                      |                      | 9.8                | 12.3               | 26.1%   |
| Other revenue – Sales segment                         |                       |                       |                      |                      | 41.0               | 35.5               | -13.3%  |
| Other revenue – Grid segment                          |                       |                       |                      |                      | 2.5                | 5.3                | 109.3%  |
| Other revenue –<br>All other segments                 |                       |                       |                      |                      | 17.1               | 16.9               | -0.7%   |
| Other revenue – reconciliation                        |                       |                       |                      |                      | 2.7                | 2.7                | 0.3%    |
| Total of other revenue                                |                       |                       |                      |                      | 73.1               | 72.8               | -0.4%   |
| Total revenue   |                       |                       |                      |                      | 1,373.2            | 1,835.2            | 33.6%   |

| <b>Expenses for electricity, grid, gas and certificates purchases</b> | €m           |              |              |
|---|--------------|--------------|--------------|
|   | Q1-2/2018    | Q1-2/2019    | Change       |
| Expenses for electricity purchases (including control power)          | 551.0        | 812.8        | 47.5%        |
| Expenses for grid purchases (system use)                              | 9.7          | 31.0         | n.a.         |
| Expenses for gas purchases  | 23.5         | 19.2         | -18.4%       |
| Purchases of emission rights (trade)                                  | 2.4          | -0.1         | -102.1%      |
| Purchases of proof of origin and green certificates                   | 1.2          | 3.0          | 141.7%       |
| <b>Expenses for electricity, grid, gas and certificates purchases</b> | <b>587.8</b> | <b>865.9</b> | <b>47.3%</b> |

(2)  
Expenses for electricity, grid, gas and certificates purchases

| <b>Fuel expenses and other usage-/revenue-dependent expenses</b> | €m          |             |             |
|--|-------------|-------------|-------------|
|  | Q1-2/2018   | Q1-2/2019   | Change      |
| Fuel expenses  | 30.7        | 25.4        | -17.3%      |
| Emission rights acquired in exchange for consideration           | 3.0         | 9.5         | n.a.        |
| Other revenue-dependent expenses                                 | 10.3        | 10.7        | 4.0%        |
| <b>Fuel expenses and other usage-/revenue-dependent expenses</b> | <b>44.0</b> | <b>45.7</b> | <b>3.8%</b> |

(3)  
Fuel expenses and other usage-/revenue-dependent expenses

| <b>Personnel expenses</b>  | €m           |              |             |
|--|--------------|--------------|-------------|
|  | Q1-2/2018    | Q1-2/2019    | Change      |
| Wages and salaries   | 122.8        | 131.3        | 6.9%        |
| Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions | 28.2         | 28.4         | 0.6%        |
| Other social expenses  | 1.7          | 1.9          | 9.4%        |
| <b>Subtotal</b>  | <b>152.7</b> | <b>161.5</b> | <b>5.8%</b> |
| Expenses for termination benefits  | 3.3          | -0.3         | -109.3%     |
| Expenses for pensions and similar obligations  | 8.1          | 8.7          | 7.3%        |
| <b>Personnel expenses</b>  | <b>164.1</b> | <b>169.9</b> | <b>3.5%</b> |

(4)  
Personnel expenses

| <b>Depreciation and amortisation</b>          | €m           |              |              |
|---|--------------|--------------|--------------|
|   | Q1-2/2018    | Q1-2/2019    | Change       |
| Depreciation of property, plant and equipment | 159.8        | 158.9        | -0.6%        |
| Depreciation of right-of-use assets           | -            | 17.2         | n.a.         |
| Amortisation of intangible assets             | 3.4          | 3.6          | 8.0%         |
| <b>Depreciation and amortisation</b>          | <b>163.2</b> | <b>179.8</b> | <b>10.2%</b> |

(5)  
Depreciation and amortisation

| <b>Result from interests accounted for using the equity method</b> | €m                    |                       |        |                      |                      |        |
|--|-----------------------|-----------------------|--------|----------------------|----------------------|--------|
|  | Q1-2/2018<br>Domestic | Q1-2/2019<br>Domestic | Change | Q1-2/2018<br>Foreign | Q1-2/2019<br>Foreign | Change |
| Income or expenses   | 21.6                  | 22.1                  | 2.0%   | 0.1                  | 3.3                  | n.a.   |

(6)  
Result from interests accounted for using the equity method

| (7)<br>Interest income  | €m          |             |               |
|---|-------------|-------------|---------------|
| <b>Interest income</b>  | Q1–2/2018   | Q1–2/2019   | Change        |
| Interest from investments under closed items on the balance sheet | 14.8        | 15.1        | 1.7%          |
| Other interest and similar income                                 | 1.2         | 1.6         | 35.3%         |
| <b>Interest income</b>  | <b>16.0</b> | <b>16.6</b> | <b>–13.8%</b> |

| (8)<br>Interest expenses   | €m          |             |              |
|--|-------------|-------------|--------------|
| <b>Interest expenses</b>   | Q1–2/2018   | Q1–2/2019   | Change       |
| Interest on bonds  | 24.7        | 24.7        | 0.0%         |
| Interest on financial liabilities under closed items on the balance sheet  | 14.8        | 15.1        | 1.7%         |
| Interest on other liabilities from electricity supply commitments  | 8.1         | 7.7         | –4.1%        |
| Net interest expense on personnel-related liabilities  | 5.4         | 6.2         | 15.9%        |
| Interest on bank loans   | 5.9         | 4.6         | –21.4%       |
| Interest on a share redemption obligation  | 2.4         | 2.3         | –3.8%        |
| Interest on other non-current provisions   | 1.0         | 1.1         | 15.9%        |
| Interest on leases   | –           | 0.5         | n.a.         |
| Profit or loss attributable to limited partners  | 0.1         | 0.1         | 3.4%         |
| Borrowing costs capitalised in accordance with IAS 23  | –2.0        | –1.7        | 15.4%        |
| Repayment of non-current financial liabilities from capital shares attributable to limited partners <sup>1</sup> | 0.0         | –1.0        | n.a.         |
| Other interest and similar expenses  | 3.1         | 1.7         | –43.7%       |
| <b>Interest expenses</b>   | <b>63.3</b> | <b>62.4</b> | <b>–1.5%</b> |

<sup>1</sup> In quarters 1–2/2019 VERBUND acquired interests in the ten wind farms and two infrastructure companies in the Hunsrück area of Rhineland-Palatinate previously held by the other limited partners. This reduced the capital shares attributable to limited partners presented under non-current financial liabilities.

| (9)<br>Other financial result                       | €m         |            |               |
|---|------------|------------|---------------|
| <b>Other financial result</b>                       | Q1–2/2018  | Q1–2/2019  | Change        |
| Measurement of non-derivative financial instruments | –1.8       | 8.4        | n.a.          |
| Income from securities and loans                    | 1.1        | 1.1        | –7.6%         |
| Foreign exchange gains                              | 0.2        | 0.1        | –39.9%        |
| Change in expected credit losses                    | 0.1        | –0.1       | –189.7%       |
| Foreign exchange losses                             | –0.1       | –0.1       | –78.3%        |
| Measurement of derivatives in the finance area      | 0.5        | –0.6       | n.a.          |
| Measurement of an obligation to return an interest  | 0.0        | –2.4       | n.a.          |
| Other   | 0.0        | 0.2        | n.a.          |
| <b>Other financial result</b>                       | <b>0.1</b> | <b>6.6</b> | <b>139.6%</b> |

### Notes to the statement of comprehensive income

Provisions for pensions and similar obligations and for statutory termination benefits were measured based on an actuarial report updated on 30 June 2019. The discount rate applied was 1.50% instead of 2.00% (obligations similar to pensions) and 1.25% instead of 1.75% (pensions and termination benefits). Furthermore the measurement reflects future salary increases of 2.75% to 3.25% instead of 1.75% and future pension increases of 1.00% to 2.50% instead of 1.00% to 2.00%.

(10)  
Remeasurements of  
the net defined  
benefit liability

### Notes to the balance sheet

| Inventories   | €m         |             |        |
|---|------------|-------------|--------|
|   | 31/12/2018 | 30/6/2019   | Change |
| Inventories of primary energy sources held for generation | 18.3       | <b>23.2</b> | 27.0%  |
| Emission rights held for trading                          | 3.7        | <b>8.9</b>  | 137.7% |
| Measurements of emission rights held for trading          | 8.2        | <b>9.5</b>  | 16.8%  |
| Fair value of emission rights held for trading            | 11.9       | <b>18.4</b> | 54.8%  |
| Proof of origin and green electricity certificates        | 1.8        | <b>1.3</b>  | -27.4% |
| Other   | 3.9        | <b>4.3</b>  | 8.0%   |
| Inventories   | 36.0       | <b>47.3</b> | 31.4%  |

(11)  
Inventories

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.

(12)  
Additional  
disclosures regarding  
financial instruments

**Carrying amounts and fair values by measurement category 30/6/2019**

€m

| <b>Assets – balance sheet items</b>                                    | <b>Measurement category in accordance with IFRS 9</b> | <b>Level</b> | <b>Carrying amount</b> | <b>Fair value</b> |
|--|---|--------------|------------------------|-------------------|
| Interests in unconsolidated subsidiaries                               | FVOCI   | 2            | 12.9                   | 12.9              |
| Interests in unconsolidated subsidiaries                               | FVPL  | 3            | 0.7                    | 0.7               |
| Interests in unconsolidated subsidiaries                               | FVOCI   | AC           | 0.6                    | 0.6               |
| Other equity interests   | FVOCI   | 1            | 22.0                   | 22.0              |
| Other equity interests   | FVOCI   | 2            | 87.5                   | 87.5              |
| Other equity interests   | FVOCI   | AC           | 6.6                    | 6.6               |
| <b>Other equity interests</b>  |   |              | <b>130.3</b>           |                   |
| Securities   | FVPL  | 1            | 141.3                  | 141.3             |
| Securities   | FVOCI   | 3            | 8.5                    | 8.5               |
| Securities   | FVOCI   | AC           | 1.0                    | 1.0               |
| Securities – closed items on the balance sheet                         | AC  | 2            | 62.2                   | 59.9              |
| Other loans – closed items on the balance sheet                        | AC  | 2            | 286.0                  | 321.2             |
| Derivatives in the finance area – closed items on the balance sheet    | FVPL  | 2            | 82.2                   | 82.2              |
| Loans to investees   | AC  | 2            | 55.2                   | 57.5              |
| Other loans  | AC  | 2            | 5.2                    | 5.6               |
| Other  | –   | –            | 29.2                   | –                 |
| <b>Other non-current investments and non-current other receivables</b> |   |              | <b>670.8</b>           |                   |
| Trade receivables  | AC  | –            | 349.1                  | –                 |
| Receivables from investees   | AC  | –            | 42.8                   | –                 |
| Loans to investees   | AC  | 2            | 3.5                    | 3.7               |
| Other loans  | AC  | 2            | 0.1                    | 0.1               |
| Other loans – closed items on the balance sheet                        | AC  | 2            | 4.5                    | 6.0               |
| Derivatives in the energy area   | FVPL  | 1            | 1.9                    | 1.9               |
| Derivatives in the energy area   | FVPL  | 2            | 139.8                  | 139.8             |
| Securities   | FVPL  | 1            | 69.4                   | 69.4              |
| Money market transactions  | AC  | 2            | 224.9                  | 225.1             |
| Emission rights  | –   | –            | 14.0                   | –                 |
| Other  | AC  | –            | 43.6                   | –                 |
| Other  | –   | –            | 32.7                   | –                 |
| <b>Trade receivables and current other receivables</b>                 |   |              | <b>926.3</b>           |                   |
| <b>Cash and cash equivalents</b>                                       | <b>AC</b>   | <b>–</b>     | <b>143.0</b>           | <b>–</b>          |
| <b>Aggregated by measurement category</b>                              |   |              |                        |                   |
| Financial assets at amortised cost                                     | AC  |              | 1,220.2                |                   |
| Financial assets at fair value through profit or loss                  | FVPL  |              | 435.2                  |                   |
| Financial assets at fair value through other comprehensive income      | FVOCI   |              | 139.2                  |                   |



**Carrying amounts and fair values by measurement category 30/6/2019**

€m

| Liabilities – balance sheet items                                       | Measurement category in accordance with IFRS 9 | Level | Carrying amount | Fair value |
|---|--|-------|-----------------|------------|
| Bonds   | AC   | 2     | 1,413.4         | 1,465.8    |
| Financial liabilities to banks and to others                            | AC   | 2     | 362.2           | 404.6      |
| Financial liabilities to banks – closed items on the balance sheet      | AC   | 2     | 114.4           | 153.2      |
| Financial liabilities to banks – closed items on the balance sheet      | FVPL – D                                       | 2     | 320.5           | 320.5      |
| Capital shares attributable to limited partners                         | –  | –     | –0.1            | –          |
| <b>Non-current and current financial liabilities</b>                    |  |       | <b>2,210.5</b>  |            |
| Electricity supply commitment   | –  | –     | 151.8           | –          |
| Obligation to return an interest  | AC   | 3     | 80.1            | 135.0      |
| Trade payables  | AC   | –     | 2.9             | –          |
| Deferred income for grants (emission rights)                            | –  | –     | 0.6             | –          |
| Lease liabilities   | –  | –     | 106.2           | –          |
| Deferred income – cross-border leasing                                  | –  | –     | 24.0            | –          |
| Other   | AC   | –     | 33.8            | –          |
| <b>Non-current other liabilities</b>                                    |  |       | <b>399.4</b>    |            |
| Trade payables  | AC   | –     | 212.6           | –          |
| Derivatives in the energy area  | FVPL   | 2     | 219.9           | 219.9      |
| Derivatives in the finance area   | FVPL   | 2     | 16.6            | 16.6       |
| Lease liabilities   | –  | –     | 36.7            | –          |
| Other   | AC   | –     | 80.5            | –          |
| Other   | –  | –     | 89.1            | –          |
| <b>Trade payables and current other liabilities</b>                     |  |       | <b>655.4</b>    |            |
| <b>Aggregated by measurement category</b>                               |  |       |                 |            |
| Financial liabilities at amortised cost                                 | AC   |       | 2,299.9         |            |
| Financial liabilities at fair value through profit or loss              | FVPL   |       | 236.5           |            |
| Financial liabilities at fair value through profit or loss – designated | FVPL – D                                       |       | 320.5           |            |

**Carrying amounts and fair values by measurement category 31/12/2018**

€m

| <b>Assets – balance sheet items</b>                                    | <b>Measurement category in accordance with IFRS 9</b> | <b>Level</b> | <b>Carrying amount</b> | <b>Fair value</b> |
|--|---|--------------|------------------------|-------------------|
| Interests in unconsolidated subsidiaries                               | FVOCI   | 2            | 12.9                   | 12.9              |
| Interests in unconsolidated subsidiaries                               | FVPL  | 3            | 0.7                    | 0.7               |
| Interests in unconsolidated subsidiaries                               | FVOCI   | AC           | 0.6                    | 0.6               |
| Other equity interests   | FVOCI   | 1            | 22.0                   | 22.0              |
| Other equity interests   | FVOCI   | 2            | 87.5                   | 87.5              |
| Other equity interests   | FVOCI   | AC           | 6.6                    | 6.6               |
| <b>Other equity interests</b>  |   |              | <b>130.3</b>           |                   |
| Securities   | FVPL  | 1            | 132.7                  | 132.7             |
| Securities   | FVOCI   | 3            | 8.5                    | 8.5               |
| Securities   | FVOCI   | AC           | 1.0                    | 1.0               |
| Securities – closed items on the balance sheet                         | AC  | 2            | 63.2                   | 59.7              |
| Other loans – closed items on the balance sheet                        | AC  | 2            | 292.5                  | 313.2             |
| Derivatives in the finance area – closed items on the balance sheet    | FVPL  | 2            | 78.0                   | 78.0              |
| Loans to investees   | AC  | 2            | 34.7                   | 36.2              |
| Other loans  | AC  | 2            | 5.2                    | 5.1               |
| Other  | –   | –            | 31.9                   | –                 |
| <b>Other non-current investments and non-current other receivables</b> |   |              | <b>647.7</b>           |                   |
| Trade receivables  | AC  | –            | 394.3                  | –                 |
| Receivables from investees   | AC  | –            | 29.6                   | –                 |
| Loans to investees   | AC  | 2            | 21.6                   | 21.8              |
| Other loans  | AC  | 2            | 0.2                    | 0.2               |
| Derivatives in the energy area   | FVPL  | 1            | 10.1                   | 10.1              |
| Derivatives in the energy area   | FVPL  | 2            | 283.1                  | 283.1             |
| Securities   | FVPL  | 1            | 69.3                   | 69.3              |
| Money market transactions  | AC  | 2            | 20.0                   | 20.0              |
| Emission rights  | –   | –            | 19.9                   | –                 |
| Other  | AC  | –            | 51.9                   | –                 |
| Other  | –   | –            | 26.9                   | –                 |
| <b>Trade receivables and current other receivables</b>                 |   |              | <b>926.8</b>           |                   |
| <b>Cash and cash equivalents</b>                                       | <b>AC</b>   | <b>–</b>     | <b>39.3</b>            | <b>–</b>          |
| <b>Aggregated by measurement category</b>                              |   |              |                        |                   |
| Financial assets at amortised cost                                     | AC  |              | 952.5                  |                   |
| Financial assets at fair value through profit or loss                  | FVPL  |              | 573.8                  |                   |
| Financial assets at fair value through other comprehensive income      | FVOCI   |              | 139.2                  |                   |

**Carrying amounts and fair values by measurement category 31/12/2018**

€m

| Liabilities – balance sheet items                                       | Measurement category in accordance with IFRS 9 | Level | Carrying amount | Fair value |
|---|--|-------|-----------------|------------|
| Bonds   | AC   | 2     | 1,397.1         | 1,458.4    |
| Financial liabilities to banks and to others                            | AC   | 2     | 392.5           | 422.5      |
| Financial liabilities to banks – closed items on the balance sheet      | AC   | 2     | 113.6           | 145.5      |
| Financial liabilities to banks – closed items on the balance sheet      | FVPL – D                                       | 2     | 320.2           | 320.2      |
| Capital shares attributable to limited partners                         | –  | –     | 2.9             | –          |
| <b>Non-current and current financial liabilities</b>                    |  |       | <b>2,226.4</b>  |            |
| Electricity supply commitment   | –  | –     | 155.8           | –          |
| Obligation to return an interest  | AC   | 3     | 75.4            | 118.7      |
| Trade payables  | AC   | –     | 1.3             | –          |
| Deferred income – cross-border leasing                                  | –  | –     | 32.0            | –          |
| Other   | AC   | –     | 32.4            | –          |
| <b>Non-current other liabilities</b>                                    |  |       | <b>296.9</b>    |            |
| Trade payables  | AC   | –     | 188.0           | –          |
| Derivatives in the energy area  | FVPL   | 2     | 528.8           | 528.8      |
| Derivatives in the finance area   | FVPL   | 2     | 15.8            | 15.8       |
| Other   | AC   | –     | 145.7           | –          |
| Other   | –  | –     | 74.6            | –          |
| <b>Trade payables and current other liabilities</b>                     |  |       | <b>952.9</b>    |            |
| <b>Aggregated by measurement category</b>                               |  |       |                 |            |
| Financial liabilities at amortised cost                                 | AC   |       | 2,346.1         |            |
| Financial liabilities at fair value through profit or loss              | FVPL   |       | 544.7           |            |
| Financial liabilities at fair value through profit or loss – designated | FVPL – D                                       |       | 320.2           |            |

Of the derivative financial instruments in the energy area classified as FVPL in the above tables, positive fair values of €57.3m (31 December 2018: €73.7m) and negative fair values of €140.1m (31 December 2018: €370.5m) 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 interests in Energie AG Oberösterreich and HGRT   | Market approach            | Trading multiple, transaction price  |
| 2     | Non-listed energy forwards   | Net present value approach | Forward price curve derived from stock exchange prices, 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  | –                          | Cost as a 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  |

## Other note disclosures

| Dividends paid                                | Total<br>(€m) | Number of<br>ordinary shares | Per share<br>(€) |
|---|---------------|------------------------------|------------------|
| Dividend paid in 2019 for financial year 2018 | 145.9         | 347,415,686                  | 0.42             |
| Dividend paid in 2018 for financial year 2017 | 145.9         | 347,415,686                  | 0.42             |

## Dividends paid

| Purchase commitments for property, plant and equipment,<br>intangible assets and other services | €m           |                         |                           |
|---|--------------|-------------------------|---------------------------|
|   | 30/6/2019    | of which due in<br>2019 | of which due<br>2020-2024 |
| Total commitment  | <b>752.9</b> | 445.4                   | 307.3                     |

## Purchase commitments

VERBUND's last remaining cross-border leasing transaction has an off-balance sheet financing structure. As at 30 June 2019, VERBUND's subsidiary liability for the non-redeemed portion of lease liabilities from cross-border leasing transactions amounted to €497.2m (31 December 2018: €519.3m). Of the rights of recourse against primary debtors, a total of €295.0m (31 December 2018: €324.0m) was secured through counter-guarantees from financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €273.1m (31 December 2018: €264.7m) was covered by off-balance sheet investments.

## Contingent liabilities

There were no significant developments compared with the status described as of 31 December 2018 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 because it is likely that such note disclosures would seriously prejudice VERBUND's position in the proceedings.

## Court proceedings pending

In connection with the amortisation of goodwill for the investment in VERBUND Innkraftwerke GmbH claimed for tax purposes for the years 2014-2023, the appeals against the 2014, 2015 and 2016 notices of assessment for the group parent remain 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**

| <b>Transactions with investees accounted for using the equity method</b> |           |           | €m     |
|--|-----------|-----------|--------|
|  | Q1-2/2018 | Q1-2/2019 | Change |
| <b>Income statement</b>  |           |           |        |
| Electricity revenue  | 32.5      | 40.1      | 23.6%  |
| Grid revenue   | 17.8      | 18.9      | 6.6%   |
| Other revenue  | 0.1       | 0.3       | 176.6% |
| Other operating income   | 0.4       | 0.7       | 94.3%  |
| Expenses for electricity, grid, gas and certificates purchases           | -7.5      | -12.7     | -70.8% |
| Other operating expenses   | -1.8      | -0.2      | 90.5%  |
| Interest income  | 0.8       | 0.7       | -6.5%  |
| Interest expenses  | 0.0       | 0.0       | 93.5%  |
| Other financial result   | 1.0       | 0.9       | -6.7%  |

| <b>Transactions with investees accounted for using the equity method</b> |            |           | €m     |
|--|------------|-----------|--------|
|  | 31/12/2018 | 30/6/2019 | Change |
| <b>Balance sheet</b>   |            |           |        |
| Investments and other non-current receivables                            | 27.1       | 28.7      | 5.7%   |
| Trade receivables and other current receivables                          | 33.4       | 39.0      | 16.8%  |
| Contributions to building costs and grants                               | 276.3      | 273.9     | -0.9%  |
| Trade payables and other current liabilities                             | 1.3        | 1.6       | 22.3%  |

Electricity revenue with equity-accounted investees was generated mainly with KELAG (€31.6m; Q1-2/2018: €26.2m) and with OeMAG (€8.3m; Q1-2/2018: €5.9m). The electricity revenue was offset by electricity purchases from KELAG in the amount of €12.2m (Q1-2/2018: €7.2m). Grid revenue was only realised with KELAG.

Electricity revenue with companies controlled or significantly influenced by the Republic of Austria amounted to a total of €30.8m (Q1-2/2018: €29.6m). Electricity was purchased mainly by ÖBB, OMV and Telekom Austria. Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €1.3m (Q1-2/2018: €0.6m). The electricity was supplied primarily by ÖBB. Gas trading contracts with OMV and gas deliveries on the part of OMV resulted in a total expense of €11.6m in other revenue and purchased gas, respectively (Q1-2/2018: €17.0m).

VERBUND's expenses for monitoring by E-Control amounted to €5.0m (Q1-2/2018: €4.6m).

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

**Audit and/or review**

There were no events requiring disclosure between the reporting date of 30 June 2019 and authorisation for issue on 23 July 2019.

**Events after the reporting date**

Vienna, 23 July 2019

Executive Board



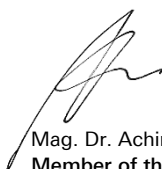
Dipl.-Ing. Wolfgang Anzengruber  
Chairman of the Executive Board



Mag. Dr. Michael Strugl  
Vice-Chairman of the Executive Board



Dr. Peter F. Kollmann  
Member of the Executive Board



Mag. Dr. Achim Kaspar  
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 2019, 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 interim Group 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 as at 30 June 2019 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 to be disclosed.

Vienna, 23 July 2019

Executive Board



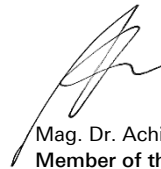
Dipl.-Ing. Wolfgang Anzengruber  
Chairman of the Executive Board



Mag. Dr. Michael Strugl  
Vice-Chairman of the Executive Board



Dr. Peter F. Kollmann  
Member of the Executive Board



Mag. Dr. Achim Kaspar  
Member of the Executive Board



## EDITORIAL DETAILS

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### **Charts and table concept:**

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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 Trust e.V., 30.0%) 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),

Michael Strugl (Vice-Chairman),

Peter F. Kollmann,

Achim Kaspar

### **Supervisory Board:**

Thomas Schmid (Chairman), Martin Ohneberg

(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, Veronika Neugeboren

### **Purpose of publication:**

Information of 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, EIWOG) 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](http://www.ris.bka.gv.at).

