EVN

Letter to Shareholders Q.1 2017/18

Lasting Values.

1 October – 31 December 2017

Key figures

		2017/18 Q.1	2016/17 Q.1	+/– %	2015/16 Q.1	2016/17
Sales volumes						
Electricity generation volumes	GWh	1,687	1,936	–12.9	1,636	6,059
thereof from renewable energy	GWh	577	522	10.5	438	2,093
Electricity sales volumes to end customers	GWh	4,694	5,001	–6.1	4,982	18,544
Natural gas sales volumes to end customers	GWh	1,894	2,118	–10.5	1,796	5,744
Heat sales volumes to end customers	GWh	728	725	0.5	632	2,293
Consolidated statement of operations						
Revenue	EURm	590.9	607.4	–2.7	573.3	2,215.6
EBITDA	EURm	231.6	219.8	5.4	185.0	721.6
EBITDA margin[1]	%	39.2	36.2	3.0	32.3	32.6
Results from operating activities (EBIT)	EURm	166.0	125.2	32.5	119.4	346.9
EBIT margin[1]	%	28.1	20.6	7.5	20.8	15.7
Result before income tax	EURm	154.2	116.6	32.2	102.7	325.5
Group net result	EURm	112.2	95.3	17.7	78.8	251.0
Earnings per share	EUR	0.63	0.54	17.7	0.44	1.41
Statement of financial position						
Balance sheet total	EURm	6,627.5	6,599.5	0.4	6,481.9	6,454.9
Equity	EURm	3,276.5	2,888.4	13.4	2,668.9	3,150.1
Equity ratio[1]	%	49.4	43.8	5.6	41.2	48.8
Net debt[2]	EURm	1,132.5	1,433.2	–21.0	1,551.5	1,213.2
Gearing[1]	%	34.6	49.6	–15.0	58.1	38.5
Cash flow and investments						
Gross cash flow	EURm	233.1	199.0	17.2	182.1	572.3
Net cash flow from operating activities	EURm	115.4	25.3	–	93.2	508.9
Investments[3]	EURm	61.9	59.7	3.7	57.5	303.8
Share performance						
Share price at 31 December	EUR	16.70	11.21	49.0	10.50	13.22
Value of shares traded[4]	EURm	37.7	22.7	65.8	19.6	97.9
Market capitalisation at 31 December	EURm	3,004.0	2,016.0	49.0	1,889.0	2,377.0
Employees	Ø	6,824	6,858	–0.5	6,861	6,840

1) Changes reported in percentage points
2) Incl. non-current personnel provisions
3) In intangible assets and property, plant and equipment
4) Vienna Stock Exchange, single counting

Contents

Highlights

Positive earnings development despite decline in revenue

- Slight reduction in revenue (–2.7%)
- Improvement in EBITDA (+5.4%), EBIT (+32.5%) and Group net result (+17.7%)

Energy sector framework conditions

- Significantly milder temperatures in the core markets of Austria, Bulgaria and Macedonia
- Very good wind and water flows
- Average prices for natural gas, hard coal and CO_2 emission certificates over previous year
- Spot market prices for base load and peak load electricity on average below high prior year levels

Operations influenced by different factors

- Dynamic development of renewable generation
- Continuing high demand for electricity from thermal generation to support network stability
- Increase in earnings in the Networks Segment
- Temperature-related decline in revenue and earnings in South Eastern Europe
- Weaker development in the international project business
- Lower earnings contributions from Energie Burgenland and RAG

Natural gas distribution networks in Austria: new regulatory period

- Start of the new five-year regulatory period on 1 January 2018
- Continuation of incentive regulation as the basis for further investments and efficiency improvements in stable, regulated network activities
- Decline in interest rates reflected in lower weighted average cost of capital for interest-bearing capital base

Extensive investments

- Approximately EUR 400m annually planned for the coming financial years
- Thereof approximately EUR 300m for networks, renewable generation and drinking water supplies in Lower Austria

Strong growth in windpower capacity

- Commissioning of the Sommerein windpark in spring 2018 will raise installed capacity from 279 MW to 314 MW
- Increase to roughly 370 MW planned by the end of 2019/20 through the realisation of approved projects
- 500 MW as medium-term expansion target (subject to appropriate framework conditions)

International environmental business

- Completion of a wastewater treatment plant in Macedonia
- New general contractor assignment for a wastewater treatment plant project in Bahrain awarded in January 2018; contract value approximately EUR 170m (converted)
- Exclusive negotiating status for a wastewater project in Kuwait; final contract award still outstanding

Annual General Meeting approves dividend for 2016/17

- Dividend of EUR 0.44 plus bonus dividend of EUR 0.03 per eligible share approved on 18 January 2018

Outlook on the 2017/18 financial year

- Assuming average conditions in the energy business environment, Group net result for 2017/18 should return to a normal level that reflects the average of the 2015/16 and 2016/17 financial years.
- However, Group net result could be significantly influenced by the regulatory background, the proceedings currently in progress in Bulgaria and the remaining proceedings connected with the Walsum 10 power plant project as well as the progress on activities in Moscow.

Interim management report

Energy sector environment

Energy sector environment – indicators		2017/18 Q. 1	2016/17 Q. 1	2015/16 Q. 1
Temperature-related energy demand[1]				
Austria	%	101.8	117.6	91.1
Bulgaria	%	90.6	100.8	70.6
Macedonia	%	101.1	112.8	98.7
Primary energy and CO_2 emission certificates				
Crude oil – Brent	EUR/bbl	52.4	44.5	39.9
Natural gas – GIMP[2]	EUR/MWh	19.2	17.0	17.4
Hard coal – API#2[3]	EUR/t	79.4	79.1	47.0
CO_2 emission certificates	EUR/t	7.5	5.5	8.4
Electricity – EEX forward market[4]				
Base load	EUR/MWh	34.4	28.3	34.7
Peak load	EUR/MWh	44.3	36.4	44.9
Electricity – EPEX spot market[5]				
Base load	EUR/MWh	33.2	37.6	33.2
Peak load	EUR/MWh	46.4	47.3	43.0

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

Business development

EVN's key energy business indicators GWh	2017/18 Q. 1	2016/17 Q. 1	+/– nominal	%	2015/16 Q. 1
Electricity generation volumes	1,687	1,936	–250	–12.9	1,636
Renewable energy sources	577	522	55	10.5	438
Thermal energy sources	1,110	1,415	–305	–21.5	1,197
Network distribution volumes					
Electricity	5,871	5,957	–86	–1.4	5,592
Natural gas[1]	5,907	6,151	–244	–4.0	5,413
Energy sales volumes to end customers					
Electricity	4,694	5,001	–307	–6.1	4,982
thereof Central and Western Europe[2]	1,748	1,768	–20	–1.1	1,794
thereof South Eastern Europe	2,946	3,233	–287	–8.9	3,188
Natural gas	1,894	2,118	–223	–10.5	1,796
Heat	728	725	3	0.5	632
thereof Central and Western Europe[2]	660	643	17	2.6	574
thereof South Eastern Europe	68	82	–13	–16.3	58

1) Incl. network distribution volumes to EVN power plants
2) Central and Western Europe covers Austria and Germany.

Statement of operations

Highlights

- Revenue: –2.7% to EUR 590.9m
- EBITDA: +5.4% to EUR 231.6m
- EBIT: +32.5% to EUR 166.0m
- Financial results: –37.3% to EUR –11.8m
- Group net result: +17.7% to EUR 112.2m

Revenue recorded by the EVN Group declined by EUR 16.5m, or 2.7%, year-on-year to EUR 590.9m in the first quarter of 2017/18. This development was influenced by contrary factors. Increases were recorded in renewable electricity generation, the marketing of the thermal power plants for network stabilisation, heat sales and the regulated network business. However, this growth was unable to offset lower revenues from natural gas trading, the weather-related decline in energy and network distribution volumes in South Eastern Europe, valuation effects from hedges and lower revenue in the international project business.

Other operating income rose by EUR 2.3m, or 10.6%, to EUR 23.8m in the reporting period.

The cost of electricity purchases from third parties and primary energy expenses were lower as a result of the decline in natural gas trading and the weather-related reduction in energy sales volumes in South Eastern Europe. Expenses were also reduced by effects from the valuation of hedges as of 31 December 2017. This position totalled EUR 267.2m and was EUR 22.0m, or 7.6%, lower than the comparable prior year value.

The cost of materials and services was EUR 5.0m, or 7.4%, lower at EUR 62.9m due to the decline in the international project business.

Personnel expenses were slightly lower than the first quarter of the previous year and fell by EUR 0.5m, or 0.7%, to EUR 78.9m. The average number of employees equalled 6,824 (previous year: 6,858).

Other operating expenses fell by EUR 1.7m, or 5.1%, to EUR 31.7m, among others due to a reduction in legal and consulting fees.

The share of results from equity accounted investees with operational nature was EUR 3.4m, or 5.5%, lower at EUR 57.6m in the first quarter of 2017/18. The most important influencing factors were lower earnings contributions from EVN KG, RAG and Energie Burgenland. This was contrasted by a slight improvement in the earnings contribution from Verbund Innkraftwerke GmbH and the project company for the wastewater treatment plant in Prague.

EBITDA recorded by the EVN Group rose by EUR 11.8m, or 5.4%, to EUR 231.6m in the first quarter of 2017/18. The EBITDA margin improved from 36.2% to 39.2%.

Scheduled depreciation and amortisation remained nearly stable at EUR 65.0m (previous year: EUR 65.7m) and depreciation and amortisation including the effects of impairment testing declined by EUR 28.9m, or 30.6%, to EUR 65.6m. The prior year value of EUR 94.6m included an impairment loss recognised to the Gorna Arda hydropower plant project in Bulgaria. EVN generated EBIT of EUR 166.0m in the first quarter of 2017/18, a year-on-year increase of EUR 40.7m or 32.5%.

Financial results declined to EUR –11.8m (previous year: EUR –8.6m), above all due to the absence of positive non-recurring effects in interest result in the previous year.

The result before income tax equalled EUR 154.2m, which represents an increase of EUR 37.5m, or 32.2%, over the previous year. After the deduction of EUR 35.1m (previous year: EUR 20.9m) in income tax expense and the earnings attributable to non-controlling interests, Group net result for the period amounted to EUR 112.2m and was EUR 16.9m, or 17.7%, higher than the first quarter of the previous year.

Statement of cash flows

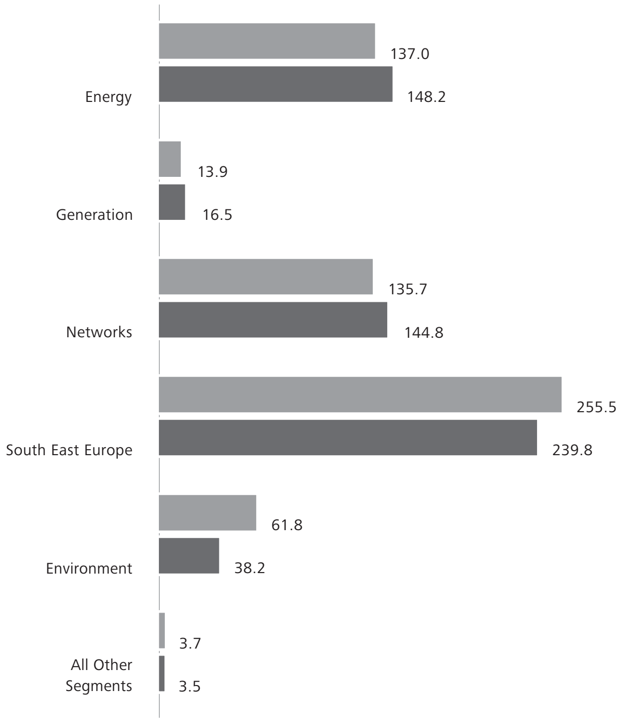
Gross cash flow rose by EUR 34.2m, or 17.2%, to EUR 233.1m in the first quarter of 2017/18, primarily due to the improvement in the result before income tax. In contrast, the changes in the non-cash components of comprehensive income generally balanced out: lower non-cash earnings contributions from equity accounted investees were offset by a decline in depreciation and amortisation.

Cash flow from operating activities rose by EUR 90.1m year-on-year to EUR 115.4m. This increase was supported, above all, by other changes in working capital and the absence of a non-recurring effect. The comparable prior year value was influenced primarily by the reduction in liabilities resulting from the arbitration decision for the Walsum 10 power plant.

External revenue by segments
Q. 1

EURm

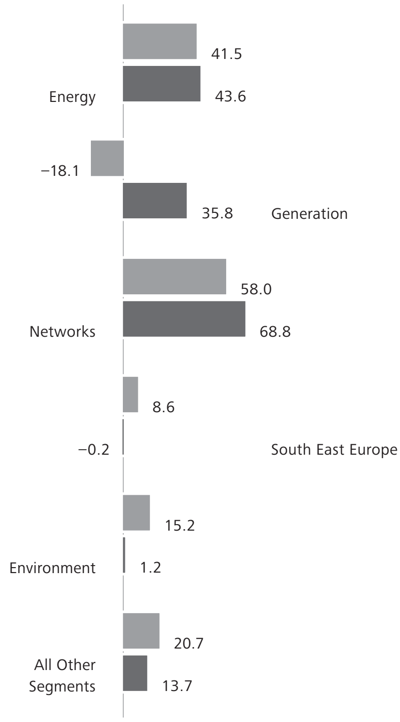
2016/17
2017/18



EBIT by segments
Q. 1

EURm

2016/17
2017/18



The above-mentioned arbitration decision also had an influence on cash flow from investing activities through a subsequent reduction in the acquisition cost for the Walsum 10 power plant in 2016/17. Other dampening effects in the first quarter of the reporting year included an increase in the share of non-current securities in the R 138 fund and an increase in current securities. In total, cash flow from investing activities fell to EUR –163.2m (previous year: EUR 68.5m).

Cash flow from financing activities totalled EUR –10.1m (previous year: EUR –34.6m) and reflected the scheduled repayment of financial liabilities during the reporting period.

Cash flow amounted to EUR –57.9m in the first quarter of 2017/18, and cash and cash equivalents totalled EUR 164.0m as of 31 December 2017. The EVN Group also has undrawn credit lines of EUR 487.0m at its disposal to service potential short-term financing requirements.

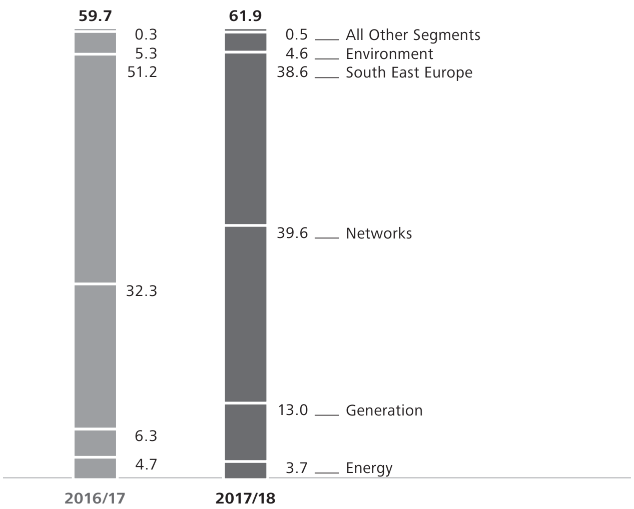
Statement of financial position

EVN's balance sheet total equalled EUR 6,627.5m as of 31 December 2017. This represents an increase of EUR 172.6m, or 2.7%, over the level on 30 September 2017.

The increase resulted almost entirely from changes in current assets, while the development of non-current assets was generally constant in the first quarter of 2017/18. This was, however, the result of opposite effects: a slight decline in property, plant and equipment and a distribution-related reduction in equity accounted investees were contrasted by an increase in other non-current assets which, in turn, was based on a higher share of non-current securities in the R 138 fund. In addition, the higher market price of the Verbund shares on 31 December 2017 led to an increase in other investments. In total, non-current assets rose by EUR 2.7m over the level on 30 September 2017 to EUR 5,726.5m and represented 86.4% of total assets (30 September 2017: 88.7%).

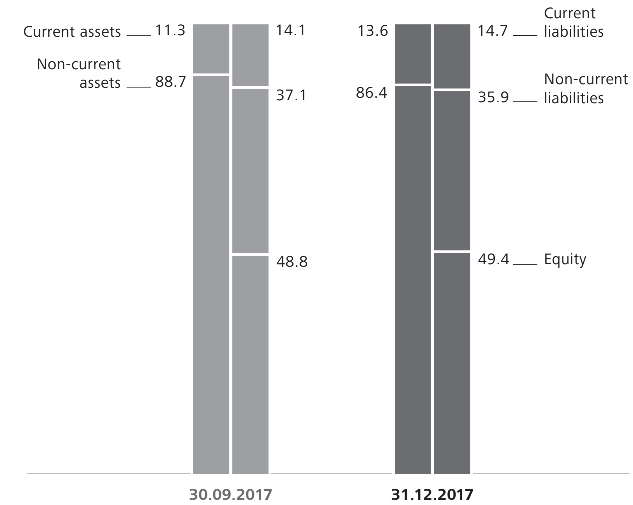
Structure of investments
Q. 1

%, total EURm



Balance sheet structure
as of the balance sheet date

%



Current assets increased by EUR 169.9m, or 23.2%, to EUR 900.9m, chiefly due to a seasonal rise in receivables as of 31 December 2017. This position was also positively influenced by an increase in current securities through cash fund investments.

Equity rose by EUR 126.4m, or 4.0%, to EUR 3,276.5m based on the sound development of earnings during the reporting period and positive measurement effects that were not recognised through profit or loss. Not included here is the dividend of EUR 0.47 per share (which includes a one-time bonus dividend of EUR 0.03 per share) for the 2016/17 financial year, which was approved by the 89th Annual General Meeting on 18 January 2018 and distributed to shareholders on 26 January 2018.

Non-current liabilities fell by EUR 15.8m, or 0.7%, to EUR 2,376.4m in the first quarter of 2017/18, primarily due to the reclassification of financial liabilities from non-current to current. This was contrasted by an increase in non-current tax liabilities.

Current liabilities rose by EUR 62.0m, or 6.8%, to EUR 974.6m. This development was related, above all, to a rise in financial liabilities following the above-mentioned reclassification, higher current tax liabilities as of 31 December 2017 and an increase in other current liabilities. These increases were partially offset by a reduction in trade payables as of 31 December 2017.

EVN's net debt fell by EUR 80.7m, or 6.7%, below the level on 30 September 2017 to EUR 1,132.5m. As a result, gearing declined from 38.5% to EUR 34.6%.

Segment reporting

Overview

EVN's corporate structure comprises six reportable segments. In accordance with IFRS 8 "Operating Segments", they are differentiated and defined solely on the basis of the internal organisational and reporting structure. Business activities which cannot be reported separately because they are below the quantitative thresholds are aggregated under "All Other Segments".

Business areas	Segments	Major activities
Energy business	Energy	→ Marketing of electricity produced in the Generation Segment → Procurement of electricity, natural gas and primary energy carriers → Trading with and sale of electricity and natural gas to end customers and on wholesale markets → Production and sale of heat → 45.0% investment in ENERGIEALLIANZ Austria GmbH[1)] → Investment as sole limited partner in EVN Energievertrieb GmbH & Co KG (EVN KG)[1]
	Generation	→ Generation of electricity from thermal production capacities and renewable energy sources at Austrian and international locations → 13.0% investment in Verbund Innkraftwerke GmbH (Germany)[1)] → 49.0% investment in Walsum 10 hard coal power plant (Germany)[2)] → 49.99% investment in Ashta run-of-river power plant (Albania)[1)]
	Networks	→ Operation of distribution networks and network infrastructure for electricity and natural gas in Lower Austria → Cable TV and telecommunication services in Lower Austria and Burgenland
	South East Europe	→ Operation of distribution networks and network infrastructure for electricity in Bulgaria and Macedonia → Sale of electricity to end customers in Bulgaria and Macedonia → Generation of electricity from hydropower in Macedonia → Generation, distribution and sale of heat in Bulgaria → Construction and operation of natural gas networks in Croatia → Energy trading for the entire region
Environmental services business	Environment	→ Water supply and wastewater disposal in Lower Austria → Operation of a thermal waste utilisation plant in Lower Austria → International project business: planning, construction, financing and/or operation (depending on the project) of plants for drinking water supplies, wastewater treatment and thermal waste utilisation
Other business activities	All Other Segments	→ 50.03% investment in RAG-Beteiligungs-Aktiengesellschaft, which holds 100% of the shares in Rohöl-Aufsuchungs Aktiengesellschaft (RAG)[1)] → 73.63% investment in Burgenland Holding AG, which holds a stake of 49.0% in Energie Burgenland AG[1)] → 12.63% investment in Verbund AG[3)] → Corporate services

1) The earnings contribution represents the share of results from equity accounted investees with operational nature and is included in EBITDA.
2) The investment in Steag-EVN Walsum 10 Kraftwerksgesellschaft is accounted for as a joint operation.
3) Dividends are included under financial results.

Energy

Highlights

- Decline in electricity and natural gas sales volumes
- Increase in heat sales volumes
- Improvement in EBITDA, EBIT and result before income tax

Electricity sales volumes declined by 20 GWh, or 1.1%, to 1,748 GWh in the first quarter of 2017/18, while natural gas sales volumes were 237 GWh, or 11.2%, lower at 1,871 GWh than the previous year due to the milder temperatures. In contrast, heat sales volumes rose by 17 GWh, or 2.6%, to 660 GWh in spite of negative temperature effects due to the ongoing expansion of the networks and network consolidation measures.

Revenue in the Energy Segment rose by EUR 11.1m, or 8.0%, year-on-year to EUR 150.2m. This increase was supported largely by higher revenue from heat sales and positive effects from the measurement of hedges as of 31 December 2017, but was partly offset by lower revenue from natural gas trading.

Operating expenses were EUR 8.7m, or 6.7%, higher at EUR 138.0m. The primary reasons for this development were the absence of positive non-recurring effects recorded in the first quarter of the previous year, which resulted from the recalculation of internal cost allocations following the arbitration decision on the Walsum 10 power plant project, and effects from the valuation of hedges as of 31 December 2017. Lower primary energy costs had an opposite effect.

The share of results from equity accounted investees with operational nature was nearly stable at EUR 36.3m and declined slightly by EUR 0.1m or 0.3%. EBITDA amounted to EUR 48.5m (previous year: EUR 46.2m).

Depreciation and amortisation, including the effects of impairment testing, rose by EUR 0.2m, or 3.8%, year-on-year to EUR 4.9m. In total, EBIT rose by EUR 2.1m, or 5.2%, over the previous year to EUR 43.6m.

Key indicators – Energy		2017/18 Q. 1	2016/17 Q. 1	+/– nominal	%	2015/16 Q. 1
Key energy business indicators	GWh					
Energy sales volumes to end customers						
Electricity		1,748	1,768	–20	–1.1	1,794
Natural gas		1,871	2,108	–237	–11.2	1,788
Heat		660	643	17	2.6	574
Key financial indicators	EURm					
External revenue		148.2	137.0	11.2	8.2	149.6
Internal revenue		2.0	2.1	–0.1	–4.8	2.5
Total revenue		**150.2**	**139.1**	**11.1**	**8.0**	**152.2**
Operating expenses		–138.0	–129.3	–8.7	–6.7	–139.8
Share of results from equity accounted investees with operational nature		36.3	36.4	–0.1	–0.3	27.0
EBITDA		**48.5**	**46.2**	**2.3**	**5.0**	**39.4**
Depreciation and amortisation including effects from impairment tests		–4.9	–4.7	–0.2	–3.8	–4.4
Results from operating activities (EBIT)		**43.6**	**41.5**	**2.1**	**5.2**	**35.0**
Financial results		–0.6	–0.8	0.1	16.2	–0.9
Result before income tax		**43.0**	**40.7**	**2.3**	**5.6**	**34.1**
Total assets		714.0	708.9	5.1	0.7	603.7
Total liabilities		607.7	614.3	–6.6	–1.1	510.9
Investments[1]		2.3	2.8	–0.5	–19.5	3.2

1) In intangible assets and property, plant and equipment

Financial results in this segment improved slightly to EUR –0.6m, compared with EUR –0.8m in the previous year. The result before income tax for the first quarter of 2017/18 equalled EUR 43.0m, which represents an increase of EUR 2.3m or 5.6%.

Investments in this segment were EUR 0.5m, or 19.5%, lower year-on-year at EUR 2.3m and focused solely on the expansion of the heating plants and network.

Generation

Highlights

- Increase in renewable, reduction in thermal electricity generation
- Ongoing intensive use of the thermal power plants for network stabilisation
- Improvement in EBITDA, EBIT and result before income tax

Electricity generation was 232 GWh, or 13.4%, lower than the comparable prior year period at 1,493 GWh in the first quarter of 2017/18. The production of electricity from renewable energy rose by 56 GWh, or 13.2%, to 479 GWh. This growth reflected the very good wind and water flows during the reporting period as well as the further expansion of windpower capacity, specifically due to the commissioning of the Oberwaltersdorf windpark in October 2017. Electricity generation from the thermal power plants fell by 288 GWh, or 22.1%, year-on-year to 1,014 GWh. The decline is primarily attributable to a high level in the first quarter of the previous year when the demand for electricity was favourably influenced by the unusually cold weather, while inspections in French power plants reduced European electricity production and led to the use of additional capacity. Another negative factor was the special inspection at the Walsum 10 power plant during the reporting period.

At the Group level, EVN covered 35.9% of the electricity sold during the reporting period with its own production (previous year: 38.7%). The share of renewable energy in the Group's electricity production equalled 34.2% in the first quarter of 2017/18 (previous year: 27.0%).

For the first time, all EVN thermal power plants in Lower Austria, which have a combined generation capacity of 1,090 MW, were under contract to serve as reserve capacity for southern Germany in the winter half-year 2017/18. Their actual use for network stabilisation within the framework of these contracts remains at a high level.

Revenue in the Generation Segment rose by EUR 17.2m, or 29.9%, year-on-year to EUR 74.8m. However, it should be noted that the comparable prior year value was negatively influenced by the adjustment of internal cost allocations following the arbitration decision on the Walsum 10 power plant. The revenue increase was also supported by higher revenue from electricity production from renewable energy and the supply of reserve capacity to stabilise the networks.

Operating expenses decreased by EUR 5.5m, or 16.1%, to EUR 28.7m, in particular due to lower primary energy costs.

The share of results from equity accounted investees with operational nature amounted to EUR 1.8m (previous year: EUR 0.0m) and was based primarily on the earnings contribution from Verbund Innkraftwerke GmbH. EBITDA in the Generation Segment totalled EUR 48.0m in the first quarter of 2017/18 and was EUR 24.5m higher than the first quarter of the previous year.

Depreciation and amortisation, including the results of impairment testing, fell to EUR 12.2m, whereby the prior year value of EUR 41.5m included an impairment loss recognised to the Gorna Arda hydropower plant project in Bulgaria. Segment EBIT rose to EUR 35.8m (previous year: EUR –18.1m).

Conversely, the absence of positive non-recurring effects in the reporting period led to negative financial results of EUR –3.5m (previous year: EUR 2.0m). The result before income tax equalled EUR 32.3m in the first quarter of 2017/18 (previous year: EUR –16.2m).

Investments in the Generation Segment were EUR 4.7m higher year-on-year at EUR 8.5m in the first quarter of 2017/18. This

Key indicators – Generation		2017/18 Q. 1	2016/17 Q. 1	+/– nominal	%	2015/16 Q. 1
Key energy business indicators	GWh					
Electricity generation volumes		1,493	1,725	–232	–13.4	1,458
thereof renewable energy sources		479	423	56	13.2	350
thereof thermal energy sources		1,014	1,302	–288	–22.1	1,108
Key financial indicators	EURm					
External revenue		16.5	13.9	2.6	18.7	9.7
Internal revenue		58.4	43.7	14.6	33.4	48.4
Total revenue		74.8	57.6	17.2	29.9	58.0
Operating expenses		–28.7	–34.2	5.5	16.1	–25.1
Share of results from equity accounted investees with operational nature		1.8	0.0*)	1.8	–	–4.2
EBITDA		48.0	23.4	24.5	–	28.8
Depreciation and amortisation including effects from impairment tests		–12.2	–41.5	29.4	70.7	–13.6
Results from operating activities (EBIT)		35.8	–18.1	53.9	–	15.1
Financial results		–3.5	2.0	–5.5	–	–6.0
Result before income tax		32.3	–16.2	48.4	–	9.2
Total assets		934.5	990.8	–56.3	–5.7	1,131.3
Total liabilities		659.3	761.1	–101.8	–13.4	923.4
Investments[1]		8.5	3.8	4.7	–	5.4

1) In intangible assets and property, plant and equipment
*) Small amount

primarily reflects the expansion of windpower capacity, above all through the progress of construction on the Sommerein windpark.

EVN will increase its windpower generation capacity from the current level of 279 MW to 314 MW during the current financial year through the planned commissioning of the Sommerein windpark in spring 2018. In a next step, the realisation of projects already approved by the authorities will raise this generation capacity to roughly 370 MW by the end of the 2019/20 financial year. EVN is using a special quota of subsidies for the implementation of projects previously accepted by the public authorities, which was approved by the Austrian Parliament within the framework of an amendment to the Austrian Green Electricity Act ("Kleine Ökostromnovelle"). EVN's target is to expand windpower capacity to 500 MW over the medium term through the realisation of projects which, in part, have already been approved by the authorities. However, this will depend on appropriate legal framework conditions.

Networks

Highlights

- Differing developments:
  Increase in electricity network distribution volumes, decline in natural gas distribution volumes
- Improvement in EBITDA, EBIT and result before income tax
- Continuing high investments in supply security

EVN's network distribution volumes were characterised by different developments during the reporting period: electricity distribution volumes rose slightly by 30 GWh, or 1.3%, year-on-year to 2,261 GWh, while natural gas distribution volumes were 265 GWh, or 4.3%, lower at 5,864 GWh for weather-related reasons.

Key indicators – Networks		2017/18 Q. 1	2016/17 Q. 1	+/– nominal	%	2015/16 Q. 1
Key energy business indicators	GWh					
Network distribution volumes						
Electricity		2,261	2,231	30	1.3	2,147
Natural gas		5,864	6,130	–265	–4.3	5,395
Key financial indicators	EURm					
External revenue		144.8	135.7	9.1	6.7	116.3
Internal revenue		15.3	15.6	–0.3	–1.8	11.7
Total revenue		**160.1**	**151.2**	**8.9**	**5.9**	**127.9**
Operating expenses		–61.7	–64.7	2.9	4.5	–54.5
Share of results from equity accounted investees with operational nature		–	–	–	–	–
EBITDA		**98.3**	**86.6**	**11.8**	**13.6**	**73.5**
Depreciation and amortisation including effects from impairment tests		–29.6	–28.6	–1.0	–3.6	–27.3
Results from operating activities (EBIT)		**68.8**	**58.0**	**10.8**	**18.5**	**46.2**
Financial results		–4.3	–4.0	–0.3	–6.3	–4.3
Result before income tax		**64.5**	**54.0**	**10.5**	**19.5**	**41.9**
Total assets		1,894.2	1,867.7	26.5	1.4	1,796.7
Total liabilities		1,325.1	1,358.4	–33.3	–2.5	1,291.1
Investments [1]		24.5	19.3	5.2	27.0	23.0

1) In intangible assets and property, plant and equipment

Revenue in the Networks Segment rose by EUR 8.9m, or 5.9%, to EUR 160.1m in the reporting period based on the increase in electricity and natural gas network tariffs approved for 2017. Operating expenses were EUR 2.9m, or 4.5%, lower year-on-year at EUR 61.7m due to a decline in upstream network costs.

EBITDA increased by EUR 11.8m, or 13.6%, to EUR 98.3m. After the deduction of an investment-related rise of EUR 1.0m, or 3.6%, in depreciation and amortisation to EUR 29.6m, EBIT amounted to EUR 68.8m. This represents an increase of EUR 10.8m, or 18.5%, over the previous year.

Financial results totalled EUR –4.3m and were nearly stable at the prior year level. The Networks Segment generated result before income tax of EUR 64.5m in the first quarter of 2017/18, an increase of EUR 10.5m or 19.5%.

Segment investments rose by EUR 5.2m, or 27.0%, to EUR 24.5m. This growth underscores EVN's continuing focus on investments in the Lower Austrian network to protect and improve supply security and quality over the long term. Projects concluded during the first quarter of 2017/18 include the new construction of the transformer stations in Eggenburg and Neusiedl an der Zaya and the expansion of the transformer stations in Herzogenburg and Horn. Other plant and network expansion projects are currently in progress. This segment also includes the investments by kabelplus to continuously expand and improve its telecommunications infrastructure.

The new five-year regulatory period for the natural gas distribution network began on 1 January 2018 – notwithstanding the appeal filed by several parties against the decision of E-Control – and includes the application of a lower weighted average cost of capital. Moreover, the E-Control Commission approved an average increase of 2.4% in the electricity network tariffs for household customers and an average reduction of 16.2% in natural gas network tariffs as of 1 January 2018 within the framework of the incentive regulation. The increase in electricity tariffs reflects the investments and higher costs for network stabilisation, while the reduction in natural gas tariffs resulted from the application of new parameters (above all, a lower weighted average cost of capital) during the new regulatory period and higher network sales volumes in comparison with the reference period.

Key indicators – South East Europe		2017/18 Q. 1	2016/17 Q. 1	+/– nominal	%	2015/16 Q. 1
Key energy business indicators	GWh					
Electricity generation volumes		100	128	–27	–21.3	94
thereof renewable energy		27	37	–9	–25.9	26
thereof thermal power plants		73	91	–18	–19.5	68
Network distribution volumes		3,611	3,726	–115	–3.1	3,445
Energy sales volumes to end customers		3,037	3,324	–287	–8.6	3,254
thereof electricity		2,946	3,233	–287	–8.9	3,188
thereof natural gas		23	10	13	–	7
thereof heat		68	82	–13	–16.3	58
Key financial indicators	EURm					
External revenue		239.8	255.5	–15.7	–6.1	252.4
Internal revenue		0.2	0.1	0.1	–	0.1
Total revenue		239.9	255.5	–15.6	–6.1	252.4
Operating expenses		–224.4	–231.3	7.0	3.0	–237.7
Share of results from equity accounted investees with operational nature		–	–	–	–	–
EBITDA		15.6	24.2	–8.6	–35.6	14.7
Depreciation and amortisation including effects from impairment tests		–15.8	–15.5	–0.2	–1.5	–15.5
Results from operating activities (EBIT)		–0.2	8.6	–8.8	–	–0.8
Financial results		–5.4	–5.7	0.3	5.3	–5.8
Result before income tax		–5.6	3.0	–8.5	–	–6.6
Total assets		1,177.6	1,208.4	–30.8	–2.6	1,256.2
Total liabilities		953.9	1,025.5	–71.6	–7.0	1,101.8
Investments[1]		23.9	30.5	–6.7	–21.8	24.4

1) In intangible assets and property, plant and equipment

South East Europe

Highlights

- Temperature-related decline in network distribution and energy sales volumes
- EBITDA, EBIT and result before income tax below previous year

The cold winter 2016/17 was followed by substantially milder temperatures also in South Eastern Europe during the first quarter of 2017/18. The heating degree total, which measures the temperature-related energy demand, was 9.4 percentage points below the long-term average and 10.2 percentage points lower than the previous year in Bulgaria. Temperatures in Macedonia were somewhat colder than the long-term average, but the heating degree total here was also 11.6 percentage points lower than the previous year. These weather effects were reflected in a decline of 115 GWh, or 3.1%, in electricity distribution volumes to 3,611 GWh in the South East Europe Segment, and electricity sales to end customers were 287 GWh, or 8.9%, below the prior year at 2,946 GWh. Heat sales to end customers also declined to 68 GWh (previous year: 82 GWh).

In South Eastern Europe, both renewable generation and thermal generation were lower during the first quarter of 2017/18. The decline of 9 GWh, or 25.9%, in renewable production to 27 GWh resulted chiefly from lower water flows in Macedonia which, however, were still substantially higher than the long-term average. Thermal generation fell by 18 GWh, or 19.5%, to 73 GWh because the co-generation plant in Plovdiv was offline for some time during the reporting period due to a special inspection.

These energy sector developments were reflected in a reduction of EUR 15.6m, or 6.1%, in revenue in the South East Europe Segment to EUR 239.9m in the first quarter of 2017/18.

Operating expenses declined by EUR 7.0m, or 3.0%, to EUR 224.4m during the reporting period, primarily due to lower energy purchases from third parties and a reduction in personnel expenses. EBITDA amounted to EUR 15.6m and was EUR 8.6m, or 35.6% lower year-on-year. Depreciation and amortisation remained nearly stable at EUR 15.8m (previous year: EUR 15.5m), and EBIT equalled EUR –0.2m (previous year: EUR 8.6m).

Financial results were also nearly constant at EUR –5.4m (previous year: EUR –5.7m). In total, the South East Europe Segment recorded result before income tax of EUR –5.6m for the first quarter of 2017/18 (previous year: EUR 3.0m).

Investments in this segment declined by EUR 6.7m, or 21.8%, year-on-year to EUR 23.9m.

In the international arbitration proceedings initiated by EVN against the Republic of Bulgaria at the World Bank's International Centre for the Settlement of Investment Disputes (ICSID), the arbitration decision is expected during the 2017/18 financial year. EVN is currently confronted with administrative proceedings over trivial matters in Bulgaria. Moreover, the Bulgarian competition authority has accused EVN of numerous alleged violations related to the abuse of a dominating market position. EVN has filed appeals against the fines levied in these proceedings.

Environment

Highlights

- → Revenue and results from the international project business below previous year
- → Completion of a wastewater treatment plant in Macedonia
- → Decline in EBITDA, EBIT and result before income tax

Revenue and earnings in the Environment Segment are influenced to a significant degree by the acquisition of new contracts in the international project business and the status of project realisation as of the reporting date. The activities in this area remained below the prior year level in the first quarter of 2017/18 and, consequently, led to a year-on-year decline in revenue. Revenue from thermal waste utilisation were also lower than the previous year. In contrast, revenue from drinking water supplies in Lower Austria was slightly higher during the reporting period. In total, revenue

Key financial indicators – Environment	EURm	2017/18 Q. 1	2016/17 Q. 1	+/– nominal	%	2015/16 Q. 1
External revenue		38.2	61.8	–23.6	–38.2	43.6
Internal revenue		3.6	4.1	–0.5	–11.3	4.5
Total revenue		**41.8**	**65.9**	**–24.1**	**–36.5**	**48.2**
Operating expenses		–39.1	–47.0	7.9	16.7	–39.0
Share of results from equity accounted investees with operational nature		4.3	2.9	1.4	49.9	2.8
EBITDA		**7.0**	**21.8**	**–14.8**	**–67.8**	**11.9**
Depreciation and amortisation including effects from impairment tests		–5.8	–6.6	0.7	11.1	–6.5
Results from operating activities (EBIT)		**1.2**	**15.2**	**–14.0**	**–92.3**	**5.5**
Financial results		–0.3	0.3	–0.6	–	0.4
Result before income tax		**0.9**	**15.5**	**–14.6**	**–94.1**	**5.9**
Total assets		815.0	866.5	–51.5	–5.9	914.7
Total liabilities		634.1	644.5	–10.4	–1.6	723.1
Investments [1]		2.9	3.2	–0.3	–9.6	1.4

1) In intangible assets and property, plant and equipment

in the Environment Segment declined by EUR 24.1m, or 36.5%, to EUR 41.8m.

The developments of the international project business were also reflected in operating expenses, which were EUR 7.9m, or 16.7%, lower than the previous year at EUR 39.1m.

The share of results from equity accounted investees with operational nature increased by EUR 1.4m, or 49.9%, to EUR 4.3m due to the progress on the wastewater treatment plant project in Prague. These factors, in total, resulted in a decline of EUR 14.8m, or 67.8%, in segment EBITDA to EUR 7.0m. After the inclusion of slightly lower depreciation and amortisation of EUR 5.8m (previous year: EUR 6.6m), EBIT amounted to EUR 1.2m (previous year: EUR 15.2m).

Financial results equalled EUR –0.3m (previous year: EUR 0.3m). The Environment Segment recorded result before income tax of EUR 0.9m for the first quarter of 2017/18, compared with EUR 15.5m in the previous year.

EVN's investments in this segment – which amounted to EUR 2.9m and were EUR 0.3m, or 9.6%, lower than the previous year – continued to concentrate on the improvement of supply security and quality for drinking water supplies in Lower Austria. The focal points included the expansion of the cross-regional pipeline networks and the construction of a further natural filter plant southeast of Vienna to reduce the hardness of the water by natural means. EVN also took over the management of the local drinking water networks in two additional Lower Austrian communities at the beginning of January 2018.

In the international project business, the plant in Strumica, the first of four wastewater treatment plant projects in Macedonia, was completed and transferred to the customer in the first quarter of 2017/18. Activities in EVN's international project business included work on six general contractor assignments for the construction of wastewater treatment plants in Croatia, Macedonia, Poland and the Czech Republic as of 31 December 2017.

The tender proceedings for a wastewater treatment project in Kuwait are still in progress. The consortium formed by WTE Wassertechnik and a Kuwaiti financial investor submitted the best tender offer in March 2017 and now enjoy exclusive negotiating status. The final awarding of the contract by the tendering authorities is expected to take place in 2018.

In January 2018, WTE Wassertechnik was awarded a contract as the general contractor for the expansion of the Tubli wastewater treatment plant in the capital city of Bahrain. The contract has a value of approximately EUR 170m (converted) and is expected to be signed in the coming months. This project will double the capacity of the existing plant to service roughly 1.6m residents. This contract also covers the construction of a sludge drying and sewage sludge incineration plant with a performance of approximately 15 MW. The construction of the entire project is expected to take 36 months and, after that time, WTE Wassertechnik will operate the plant for a period of ten years.

All Other Segments

Highlights

- → Lower earnings contributions from Energie Burgenland and RAG
- → Decline in EBITDA and EBIT
- → Increase in financial results

Revenue in this segment rose by EUR 0.6m, or 3.1%, to EUR 18.8m in the first quarter of 2017/18, while operating expenses increased by EUR 1.1m, or 5.7%, to EUR 20.0m.

The share of results from equity accounted investees amounted to EUR 15.2m and was EUR 6.5m, or 29.9%, lower year-on-year (previous year: EUR 21.7m). This decline is attributable, above all,

Key financial indicators – All Other Segments	EURm	2017/18 Q.1	2016/17 Q.1	+/– nominal	%	2015/16 Q.1
External revenue		3.5	3.7	–0.2	–4.2	1.7
Internal revenue		15.3	14.6	0.7	5.0	15.2
Total revenue		**18.8**	**18.3**	**0.6**	**3.1**	**16.9**
Operating expenses		–20.0	–18.9	–1.1	–5.7	–16.2
Share of results from equity accounted investees with operational nature		15.2	21.7	–6.5	–29.9	16.6
EBITDA		**14.1**	**21.1**	**–7.0**	**–33.3**	**17.3**
Depreciation and amortisation including effects from impairment tests		–0.4	–0.4	0.0*)	1.1	–0.4
Results from operating activities (EBIT)		**13.7**	**20.7**	**–7.0**	**–33.9**	**16.9**
Financial results		**17.9**	**12.6**	**5.3**	**42.4**	**13.2**
Result before income tax		**31.6**	**33.3**	**–1.7**	**–5.0**	**30.1**
Total assets		3,161.8	2,870.4	291.4	10.2	2,634.0
Total liabilities		1,252.7	1,237.6	15.1	1.2	1,073.0
Investments[1]		0.3	0.2	0.2	94.9	0.0*)

1) In intangible assets and property, plant and equipment
*) Small amount

to the absence of positive non-recurring effects recognised in the first quarter of the previous year for Energie Burgenland and to a lower earnings contribution from RAG.

These developments led to EBITDA of EUR 14.1m (previous year: EUR 21.1m) and EBIT of EUR 13.7m (previous year: EUR 20.7m).

Financial results in this segment increased by EUR 5.3m, or 42.4%, to EUR 17.9m, above all due to higher intragroup dividend distributions as well as positive effects from the continuing low level of interest rates and lower net debt. The result before income tax amounted to EUR 31.6m (previous year: EUR 33.3m)

Consolidated interim report

according to IAS 34

Consolidated statement of operations

EURm	2017/18 Q. 1	2016/17 Q. 1	+/– nominal	%	2016/17
Revenue	590.9	607.4	–16.5	–2.7	2,215.6
Other operating income	23.8	21.5	2.3	10.6	101.9
Electricity purchases and primary energy expenses	–267.2	–289.2	22.0	7.6	–989.0
Cost of materials and services	–62.9	–68.0	5.0	7.4	–313.7
Personnel expenses	–78.9	–79.5	0.5	0.7	–316.8
Other operating expenses	–31.7	–33.5	1.7	5.1	–139.0
Share of results from equity accounted investees with operational nature	57.6	60.9	–3.4	–5.5	162.6
EBITDA	**231.6**	**219.8**	**11.8**	**5.4**	**721.6**
Depreciation and amortisation	–65.0	–65.7	0.7	1.1	–262.3
Effects from impairment tests	–0.7	–28.9	28.2	97.6	–112.5
Results from operating activities (EBIT)	**166.0**	**125.2**	**40.7**	**32.5**	**346.9**
Share of results from equity accounted investees with financial nature	0.1	–0.1	0.2	–	12.2
Results from other investments	–0.1	–	–0.1	–	18.8
Interest income	2.6	11.0	–8.5	–76.8	19.5
Interest expense	–13.6	–17.8	4.2	23.5	–65.4
Other financial results	–0.8	–1.8	1.0	57.4	–6.5
Financial results	**–11.8**	**–8.6**	**–3.2**	**–37.3**	**–21.4**
Result before income tax	**154.2**	**116.6**	**37.5**	**32.2**	**325.5**
Income tax expense	–35.1	–20.9	–14.1	–67.6	–53.9
Result for the period	**119.1**	**95.7**	**23.4**	**24.4**	**271.5**
thereof result attributable to EVN AG shareholders (Group net result)	112.2	95.3	16.9	17.7	251.0
thereof result attributable to non-controlling interests	6.9	0.4	6.5	–	20.5
Earnings per share in EUR [1]	0.63	0.54	0.1	17.7	1.41

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

Consolidated statement of comprehensive income

EURm	2017/18 Q. 1	2016/17 Q. 1	+/– nominal	%	2016/17
Result for the period	119.1	95.7	23.4	24.4	271.5
Other comprehensive income from					
Items that will not be reclassified to profit or loss	0.8	0.9	–0.1	–11.5	12.3
Remeasurements IAS 19	–2.6	–2.1	–0.5	–21.9	26.6
Investments in equity accounted investees	2.8	2.4	0.4	15.0	–7.6
thereon apportionable income tax expense	0.6	0.6	–0.0*)	–0.6	–6.6
Items that may be reclassified to profit or loss	6.6	21.1	–14.5	–68.7	190.6
Currency translation differences	–0.4	1.2	–1.7	–	0.9
Available for sale financial instruments	8.8	13.1	–4.3	–32.9	245.3
Cash flow hedges	1.7	5.4	–3.7	–68.8	13.8
Investments in equity accounted investees	–1.2	9.6	–10.9	–	–3.7
thereon apportionable income tax expense	–2.2	–8.3	6.1	73.8	–65.7
Total other comprehensive income after tax	7.4	22.0	–14.6	–66.3	203.0
Comprehensive income for the period	126.5	117.7	8.8	7.5	474.5
thereof income attributable to EVN AG shareholders	118.2	117.3	0.9	0.8	454.9
thereof income attributable to non-controlling interests	8.3	0.4	7.9	–	19.6

*) Small amount

Consolidated statement of financial position

EURm	31.12.2017	30.09.2017	+/– nominal	%
Assets				
Non-current assets				
Intangible assets	172.5	177.1	–4.5	–2.6
Property, plant and equipment	3,376.8	3,383.6	–6.7	–0.2
Investments in equity accounted investees	929.7	954.8	–25.1	–2.6
Other investments	927.7	919.0	8.7	1.0
Deferred tax assets	82.8	79.6	3.2	4.0
Other non-current assets	237.0	209.9	27.1	12.9
	5,726.5	5,723.8	2.7	0.0*)
Current assets				
Inventories	105.2	98.4	6.7	6.9
Trade and other receivables	536.2	409.0	127.3	31.1
Securities	95.5	0.5	95.0	–
Cash and cash equivalents	164.0	223.1	–59.1	–26.5
	900.9	731.0	169.9	23.2
Total assets	6,627.5	6,454.9	172.6	2.7
Equity and liabilities				
Equity				
Share capital	330.0	330.0	–	–
Share premium and capital reserves	253.0	253.0	–	–
Retained earnings	2,238.3	2,126.2	112.1	5.3
Valuation reserve	232.7	226.2	6.5	2.9
Currency translation reserve	–22.5	–22.1	–0.4	–2.0
Treasury shares	–21.3	–21.2	–0.0*)	–0.1
Issued capital and reserves attributable to shareholders of EVN AG	3,010.2	2,892.1	118.1	4.1
Non-controlling interests	266.3	258.0	8.3	3.2
	3,276.5	3,150.1	126.4	4.0
Non-current liabilities				
Non-current loans and borrowings	1,088.9	1,125.4	–36.5	–3.2
Deferred tax liabilities	185.0	171.8	13.2	7.7
Non-current provisions	453.8	452.6	1.2	0.3
Deferred income from network subsidies	587.9	584.1	3.8	0.6
Other non-current liabilities	60.9	58.3	2.6	4.4
	2,376.4	2,392.2	–15.8	–0.7
Current liabilities				
Current loans and borrowings	74.2	50.5	23.7	47.0
Taxes payable and levies	116.3	67.6	48.7	72.0
Trade payables	272.6	314.0	–41.4	–13.2
Current provisions	88.1	91.6	–3.5	–3.8
Other current liabilities	423.4	388.9	34.5	8.9
	974.6	912.6	62.0	6.8
Total equity and liabilities	6,627.5	6,454.9	172.6	2.7

*) Small amount

Consolidated statement of changes in equity

EURm	Issued capital and reserves of EVN AG shareholders	Non-controlling interests	Total
Balance on 30.09.2016	2,510.8	259.8	2,770.7
Comprehensive income for the period	117.3	0.4	117.7
Other changes/Changes in the scope of consolidation	0.0*)	–	0.0*)
Balance on 31.12.2016	2,628.2	260.2	2,888.4
Balance on 30.09.2017	2,892.1	258.0	3,150.1
Comprehensive income for the period	118.2	8.3	126.5
Other changes/Changes in the scope of consolidation	–0.1	–	–0.1
Balance on 31.12.2017	3,010.2	266.3	3,276.5

*) Small amount

Condensed consolidated statement of cash flows

EURm	2017/18 Q. 1	2016/17 Q. 1	+/– nominal	+/– %	2016/17
Result before income tax	154.2	116.6	37.5	32.2	325.5
+ Depreciation and amortisation of intangible assets and property, plant and equipment	65.6	94.6	–28.9	–30.6	374.8
– Non-cash share of results of equity accounted investees and other investments	–57.6	–60.9	3.3	5.4	–193.6
+ Dividends from equity accounted investees and other investments	84.1	54.7	29.4	53.8	129.2
+ Interest expense	13.6	17.8	–4.2	–23.5	65.4
– Interest paid	–10.9	–11.9	1.0	8.5	–55.6
– Interest income	–2.6	–11.0	8.5	76.8	–19.5
+ Interest received	2.0	10.9	–8.9	–81.7	17.3
+/– Other non-cash financial results	–0.4	1.0	–1.5	–	2.3
– Release of deferred income from network subsidies	–11.6	–11.2	–0.3	–3.0	–45.4
– Decrease in non-current provisions	–3.8	–2.2	–1.5	–68.1	–29.6
+/– Other non-cash expenses/gains	0.3	0.5	–0.2	–34.0	1.6
Gross cash flow	**233.1**	**199.0**	**34.2**	**17.2**	**572.3**
– Changes in assets and liabilities arising from operating activities	–117.6	–175.7	58.0	33.0	–52.8
+/– Income tax paid	–0.1	2.0	–2.1	–	–10.5
Net cash flow from operating activities	**115.4**	**25.3**	**90.1**	**–**	**508.9**
+/– Changes in intangible assets and property, plant and equipment	–38.4	43.8	–82.2	–	–144.5
+/– Changes in financial assets and other non-current assets	–29.8	24.4	–54.2	–	–1.0
+/– Changes in current securities	–95.0	0.2	–95.2	–	74.9
Net cash flow from investing activities	**–163.2**	**68.5**	**–231.7**	**–**	**–70.6**
– Dividends paid to EVN AG shareholders	–	–	–	–	–74.7
– Dividends paid to non-controlling interests	–	–	–	–	–21.5
+/– Decrease/increase in nominal capital	–	–	–	–	0.1
+/– Sales/repurchase of treasury shares	–	–	–	–	1.0
– Changes in financial liabilities	–10.1	–34.6	24.6	71.0	–344.8
Net cash flow from financing activities	**–10.1**	**–34.6**	**24.6**	**71.0**	**–439.9**
Net change in cash and cash equivalents	**–57.9**	**59.1**	**–117.0**	**–**	**–1.6**
Cash and cash equivalents at the beginning of the period[1)]	**221.8**	**223.5**	**–1.7**	**–0.8**	**223.5**
Currency translation differences on cash and cash equivalents	0.1	–	0.1	–	–0.1
Cash and cash equivalents at the end of the period[1)]	**164.0**	**282.7**	**–118.6**	**–42.0**	**221.8**

1) By adding bank overdrafts this results in cash and cash equivalents according to the consolidated statement of financial position.

Notes to the consolidated interim report

Accounting and valuation methods

This consolidated interim report as of 31 December 2017, of EVN AG, taking into consideration § 245a Austrian Commercial Code (UGB), was prepared in accordance with the guidelines set forth in the International Accounting Standards (IFRS) by the International Accounting Standards Board (IASB) as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that were applicable at the balance sheet date and adopted by the European Union (EU).

EVN has exercised the option stipulated in IAS 34 to present condensed notes. Accordingly, the consolidated interim report contains merely condensed reporting compared to the Annual report, pursuant to IAS 34, as well as selected information and details pertaining to the period under review. For this reason, it should be read together with the Annual report of the 2016/17 financial year (balance sheet date: 30 September 2017).

The accounting and valuation methods applied in preparing the consolidated financial statements as of 30 September 2017 remain unchanged. The preparation of a consolidated interim report according to IFRS requires EVN to make assumptions and estimates which influence the reported figures. Actual results can deviate from these estimates.

In order to improve clarity and comparability, all amounts in the notes and tables are generally shown in millions of euros (EURm) unless indicated otherwise. Immaterial mathematical differences may arise from the rounding of individual items or percentage rates. The financial statements of companies included in this consolidated interim report are prepared on the basis of unified accounting and valuation methods.

Reporting in accordance with IFRS

The following standards and interpretations require mandatory application beginning with the 2017/18 financial year:

Standards and interpretations applied for the first time		Effective[1]
New standards and interpretations		
–	–	–
Revised standards and interpretations		
IAS 7	Disclosure Initiative	01.01.2017
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	01.01.2017

1) In accordance with the Official Journal of the EU, these standards are applicable to financial years beginning on or after the effective date.

The initial obligatory application of the revised standards and interpretations did not have any impact on the consolidated interim report.

Seasonally-related effects on business operations

In particular, the energy business is subject to weather-related fluctuations in power generation and sales, thus lower revenue and earnings are typically achieved in the second half of the financial year. The environmental business is also subject to seasonal effects. The construction of many large projects is usually scheduled to begin in the springtime due to weather conditions. For this reason, the Environment Segment usually generates lower revenues in the first half of the financial year than in the second half. Accordingly, business in the Environment Segment serves to principally counteract the seasonable nature of the energy business. However, the volatile nature of large construction projects results in fluctuations in revenue and earnings, which depend on the progress made in the particular projects.

Auditor’s review

The consolidated interim report was neither subject to a comprehensive audit nor subject to an auditor’s review by chartered accountants.

Scope of consolidation

The scope of consolidation is established in accordance with the requirements contained in IFRS 10. Accordingly, including the parent company EVN AG, a total of 31 domestic and 32 foreign subsidiaries (30 September 2017: 27 domestic and 36 foreign subsidiaries) were fully consolidated as of 31 December 2017. As of 31 December 2017, a total of 20 subsidiaries were not consolidated due to their immaterial influence on the assets, liabilities, cash flows and profit and loss, both in detail and altogether (30 September 2017: 19).

Changes in the scope of consolidation	Fully	Line-by-line (Joint Operation)	Equity	Total
30.09.2016	67	1	17	85
First consolidation	1	–	–	1
Deconsolidation	–2	–	–	–2
Reorganisation[1)]	–3	–	–	–3
30.09.2017	63	1	17	81
First consolidation	–	–	–	–
Deconsolidation	–	–	–1	–1
31.12.2017	63	1	16	80
thereof foreign companies	32	1	5	38

1) Internal reorganisation

WEEV Beteiligungs GmbH was restructured in 2016/17, whereby the Verbund shares held by WEEV were transferred to the parent companies, EVN and Wiener Stadtwerke, in June 2017. In October 2017, the WEEV stake held by Wiener Stadtwerke was transferred to EVN. WEEV is currently in liquidation and was deconsolidated during the first quarter of 2017/18 due to immateriality.

During the reporting period there was no new acquisition of companies according to IFRS 3.

Selected notes to the consolidated statement of operations

The share of results from equity accounted investees with operational nature developed as follows:

Share of results from equity accounted investees with operational nature EURm	2017/18 Q. 1	2016/17 Q. 1
EVN KG	33.9	35.6
RAG	9.9	12.0
Energie Burgenland	5.3	9.7
ZOV; ZOV UIP	2.8	2.9
Ashta	–	–
Verbund Innkraftwerke	1.3	–0.1
Other companies	4.4	0.8
Share of results from equity accounted investees with operational nature	57.6	60.9

The income from investments, which encompasses the share of results from equity accounted investees with financial nature and the results from other investments, developed as follows:

Income from investments EURm	2017/18 Q. 1	2016/17 Q. 1
WEEV Beteiligungs GmbH	–	–0.1
Other companies	0.1	0.0*)
Share of results of equity accounted investees with financial nature	0.1	–0.1
Verbund AG	–	–
Other companies	–0.1	–
Results from other investments	–0.1	–
Total income from investments	–0.0*)	–0.1

*) Small amount

Earnings per share are calculated by dividing the Group net result (= net profit for the period attributable to EVN AG shareholders) by the weighted average number of shares outstanding, i. e. 177,927,548 as of 31 December 2017 (31 December 2016: 177,842,333 shares). There is no difference between basic earnings per share and diluted earnings per share. Calculated on the basis of a Group net result amounting to EUR 112.2m (previous year: EUR 95.3m), earnings per share at the balance sheet date 31 December 2017 totalled EUR 0.63 (previous year: EUR 0.54 per share).

Selected notes to the consolidated statement of financial position

In the first quarter of 2017/18, EVN acquired intangible assets and property, plant and equipment to the sum of EUR 61.9m (previous year: EUR 59.7m). Property, plant and equipment with a net carrying amount (book value) of EUR 4.6m were disposed of (previous year EUR 93.8m), with a capital gain of EUR 0.01m (previous year: capital loss of EUR 0.4m).

The item investments in equity accounted investees decreased by EUR 25.1m, or 2.6%, to EUR 929.7m. This decline resulted primarily from the distributions made by at equity consolidated companies, which totalled EUR 84.1m. This reduction was contrasted by current earnings contributions of EUR 57.6m and valuation changes not recognised in profit and loss that amounted to EUR 1.6m.

The other investments of EUR 927.7m classified as available for sale include shares in listed companies with a market value of EUR 884.0m, which had increased by EUR 8.8m since the last balance sheet date. In accordance with IAS 39, the adjustments to the changed market values were offset with the valuation reserve after the deduction of deferred taxes.

The number of EVN shares in circulation developed as follows:

Development of the number of shares in circulation

Number	2017/18 Q.1
Balance 30.09.2017	177,927,548
Purchase of treasury shares	–
Total 31.12.2017	177,927,548

The 87th Annual General Meeting of EVN AG on 21 January 2016 authorised the Executive Board to repurchase the company's bearer shares during a period of 30 months (i) for distribution to employees of the company or its subsidiaries and (ii) in accordance with § 65 (1) no. 8 of the Austrian Stock Corporation Act (acquisition with no specific purpose) at an amount equalling up to 10% of EVN's share capital. The Executive Board is not utilising this authorisation at the present time.

As of 31 December 2017, the number of treasury shares amounted to 1,950,854 (or 1.08% of the share capital) with an acquisition value of EUR 21.3m. The treasury shares held by EVN are not entitled to any rights, and in particular, they are not entitled to dividends.

The 89th Annual General Meeting of EVN AG on 18 January 2018 approved the recommendation by Executive Board and Supervisory Board to distribute a dividend of EUR 0.44 per share plus a one-off bonus dividend of EUR 0.03 for the 2016/17 financial year, which comprises a total dividend payout of EUR 83.6m. Ex-dividend date was 24 January 2018, and the dividend payment to shareholders of EVN took place on 26 January 2018.

The non-current loans and borrowings are composed as follows:

Break-down of non-current loans and borrowings

EURm	31.12.2017	30.09.2017
Bonds	530.8	532.0
Bank loans	558.1	593.3
Total non-current loans and borrowings	1,088.9	1,125.4

The reduction of EUR 1.2m in the bonds resulted primarily from a change in the value of hedged foreign exchange risk. This was contrasted by an opposite movement in the market value of the hedges.

The issue of the EUR 121.5m promissory note loans in October 2012 is also reflected in the bank loans.

Segment reporting

EURm	Energy		Generation		Networks		South East Europe	
	2017/18 Q.1	2016/17 Q.1	2017/18 Q.1	2016/17 Q.1	2017/18 Q.1	2016/17 Q.1	2017/18 Q.1	2016/17 Q.1
External revenue	148.2	137.0	16.5	13.9	144.8	135.7	239.8	255.5
Internal revenue (between segments)	2.0	2.1	58.4	43.7	15.3	15.6	0.2	0.1
Total revenue	**150.2**	**139.1**	**74.8**	**57.6**	**160.1**	**151.2**	**239.9**	**255.5**
Operating expenses	–138.0	–129.3	–28.7	–34.2	–61.7	–64.7	–224.4	–231.3
Share of results from equity accounted investees operational	36.3	36.4	1.8	0.0*)	–	–	–	–
EBITDA	**48.5**	**46.2**	**48.0**	**23.4**	**98.3**	**86.6**	**15.6**	**24.2**
Depreciation and amortisation	–4.9	–4.7	–12.2	–41.5	–29.6	–28.6	–15.8	–15.5
Results from operating activities (EBIT)	**43.6**	**41.5**	**35.8**	**–18.1**	**68.8**	**58.0**	**–0.2**	**8.6**
Financial results	–0.6	–0.8	–3.5	2.0	–4.3	–4.0	–5.4	–5.7
Result before income tax	**43.0**	**40.7**	**32.3**	**–16.2**	**64.5**	**54.0**	**–5.6**	**3.0**
Total assets	714.0	708.9	934.5	990.8	1,894.2	1,867.7	1,177.6	1,208.4
Investments 1)	2.3	2.8	8.5	3.8	24.5	19.3	23.9	30.5

	Environment		All Other Segments		Consolidation		Total	
	2017/18 Q.1	2016/17 Q.1	2017/18 Q.1	2016/17 Q.1	2017/18 Q.1	2016/17 Q.1	2017/18 Q.1	2016/17 Q.1
External revenue	38.2	61.8	3.5	3.7	–	–	590.9	607.4
Internal revenue (between segments)	3.6	4.1	15.3	14.6	–94.8	–80.2	–	–
Total revenue	**41.8**	**65.9**	**18.8**	**18.3**	**–94.8**	**–80.2**	**590.9**	**607.4**
Operating expenses	–39.1	–47.0	–20.0	–18.9	95.0	76.8	–416.9	–448.5
Share of results from equity accounted investees operational	4.3	2.9	15.2	21.7	–	–	57.6	60.9
EBITDA	**7.0**	**21.8**	**14.1**	**21.1**	**0.2**	**–3.4**	**231.6**	**219.8**
Depreciation and amortisation	–5.8	–6.6	–0.4	–0.4	3.0	2.7	–65.6	–94.6
Results from operating activities (EBIT)	**1.2**	**15.2**	**13.7**	**20.7**	**3.2**	**–0.7**	**166.0**	**125.2**
Financial results	–0.3	0.3	17.9	12.6	–15.7	–13.0	–11.8	–8.6
Result before income tax	**0.9**	**15.5**	**31.6**	**33.3**	**–12.5**	**–13.7**	**154.2**	**116.6**
Total assets	815.0	866.5	3,161.8	2,870.4	–2,069.5	–1,913.1	6,627.5	6,599.5
Investments 1)	2.9	3.2	0.3	0.2	–0.4	–	61.9	59.7

1) In intangible assets and property, plant and equipment
*) Small amount

The results shown in the total column represent the results reported on the consolidated statement of operations. The consolidation column reflects the elimination of intersegment transactions. Also included are transition amounts, which result from the difference between the viewpoints of the Energy and Generation Segments and the Group with respect to the inclusion of Steag-EVN Walsum as a joint operation. The Generation Segment has not identified any signs of impairment to its proportional investment in the power plant resulting from the inclusion of Steag-EVN Walsum as a joint operation, and the Energy Segment has already recognised provisions for onerous contracts connected with the marketing of its electricity production. In contrast, an impairment charge is required for the Walsum 10 power plant from the Group's point of view.

Selected notes on financial instruments

Information on classes and categories of financial instruments

EURm

Classes	Measurement category	Fair value hierarchy (IFRS 13)	31.12.2017 Carrying amount	31.12.2017 Fair value	30.09.2017 Carrying amount	30.09.2017 Fair value
Non-current assets						
Other investments						
Investments	AFS	Level 3	36.8	36.8	36.8	36.8
Miscellaneous investments	AFS	Level 1	884.0	884.0	875.2	875.2
Other non-current assets						
Securities	@FVTPL	Level 1	90.1	90.1	58.4	58.4
Loans receivable	LAR	Level 2	41.1	48.5	40.6	48.4
Lease receivables	LAR	Level 2	82.4	93.1	86.9	99.6
Receivables arising from derivative transactions	@FVTPL	Level 2	7.6	7.6	8.0	8.0
Receivables arising from derivative transactions	Hedging	Level 2	0.8	0.8	1.0	1.0
Remaining other non-current assets	LAR		0.5	0.5	0.5	0.5
Current assets						
Current receivables and other current assets						
Trade and other receivables	LAR		498.2	498.2	367.8	367.8
Receivables arising from derivative transactions	@FVTPL	Level 2	24.8	24.8	18.0	18.0
Securities	AFS	Level 1	**95.5**	**95.5**	**0.5**	**0.5**
Cash and cash equivalents						
Cash on hand and cash at banks	LAR		164.0	164.0	223.1	223.1
Non-current liabilities						
Non-current loans and borrowings						
Bonds	FLAC	Level 2	530.8	639.4	532.0	637.1
Bank loans	FLAC	Level 2	558.1	627.5	593.3	651.5
Other non-current liabilities						
Leases	FLAC	Level 2	11.7	13.1	12.7	14.6
Accruals of financial transactions	FLAC		1.0	1.0	1.1	1.1
Other liabilities	FLAC		12.5	12.5	12.4	12.4
Liabilities arising from derivative transactions	@FVTPL	Level 2	12.3	12.3	9.8	9.8
Liabilities arising from derivative transactions	Hedging	Level 2	23.4	23.4	22.4	22.4
Current liabilities						
Current loans and borrowings	FLAC		**74.2**	**74.2**	**50.5**	**50.5**
Trade payables	FLAC		**272.6**	**272.6**	**314.0**	**314.0**
Other current liabilities						
Other financial liabilities	FLAC		292.4	292.4	245.3	245.3
Liabilities arising from derivative transactions	@FVTPL	Level 2	30.2	30.2	25.9	25.9
Liabilities arising from derivative transactions	Hedging	Level 2	5.8	5.8	7.4	7.4
thereof aggregated to measurement categories						
Available for sale financial assets	AFS		1,016.3		912.5	
Loans and receivables	LAR		786.2		718.9	
Financial assets designated at fair value in profit or loss	@FVTPL		122.5		84.4	
Financial liabilities at amortised cost	FLAC		1,753.2		1,761.3	

The previous table shows the financial instruments carried at fair value and their classification in the fair value hierarchy according to IFRS 13.

Level 1 input factors are observable parameters such as quoted prices for identical assets or liabilities. These prices are used for valuation purposes without modification.

Level 2 input factors represent other observable parameters which must be adjusted to reflect the specific characteristics of the valuation object. Examples of the parameters used to measure the financial instruments classified under level 2 are forward price curves derived from market prices, exchange rates, interest structure curves and the counterparty credit risk.

Level 3 input factors are non-observable factors which reflect the assumptions that would be used by a market participant to determine an appropriate price.

There were no reclassifications between the various levels during the reporting period.

Information on transactions with related parties

There were no changes in the group of individuals and companies who are considered as related parties compared to the Annual report of 2016/17.

The value of services provided to investments in equity accounted investees is as follows:

Transactions with investments in equity accounted investees EURm	2017/18 Q. 1	2016/17 Q. 1
Revenue	96.0	109.1
Cost of materials and services	23.5	34.0
Trade accounts receivable	127.9	85.0
Trade accounts payable	22.2	22.5

Other obligations and risks

Other obligations and risks decreased by EUR 31.9m to EUR 299.9m compared to 30 September 2017. This change was mainly due to the reduction in guarantees for subsidiaries in connection with energy transactions. This reduction was in contrast to the increase in scheduled orders for investments in intangible assets and property, plant and equipment.

Contingent liabilities related to guarantees for subsidiaries for energy transactions are recognised on the basis of the guarantees issued by EAA at an amount equalling the risk exposure of EVN AG. This risk is measured by the changes between the stipulated price and the actual market price, whereby EVN is only exposed to procurement risks when market prices decline and to selling risks when market prices increase. Accordingly, fluctuations in market prices may lead to a change in the risk exposure after the balance sheet date. The risk assessment resulted in a contingent liability of EUR 5.7m as of 31 December 2017. The nominal volume of the guarantees underlying this assessment was EUR 264.0m.

Significant events after the balance sheet date

The following events occurred after the balance sheet date for the quarterly financial statements on 31 December 2017 and the editorial deadline for this consolidated interim financial report on 21 February 2018:

The Austrian E-Control Commission approved an average increase of 2.4% in the electricity network tariffs and an average reduction of 16.2% in the natural gas network tariffs for household customers as of 1 January 2018.

The 89th Annual General Meeting of EVN AG on 18 January 2018 approved the dividend recommendation by the Executive Board, which calls for the distribution of a dividend of EUR 0.44 plus a one-off bonus dividend of EUR 0.03 per eligible share for the 2016/17 financial year. The ex-dividend day was 24 January 2018, and payment was made to shareholders on 26 January 2018.

In connection with the implementation of an out-of-court settlement, the project company for the Walsum 10 power plant project and the insurer withdrew their reciprocal lawsuits in January 2018.

In January 2018, WTE Wassertechnik being responsible for the international project business in the Environment Segment was awarded a new general contractor assignment with a value of approximately EUR 170m (converted) for a wastewater treatment plant project in Bahrain.

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Financial calendar[1]	
Results HY. 2017/18	30.05.2018
Results Q. 1–3 2017/18	23.08.2018
Annual results 2017/18	13.12.2018

EVN share – Basic information[2]	
Share capital	EUR 330,000,000.00
Denomination	179,878,402 shares
ISIN security code number	AT0000741053
Tickers	EVNV.VI (Reuters); EVN AV (Bloomberg); EVN (Dow Jones); EVNVY (ADR)
Listing	Vienna
ADR programme; depositary	Sponsored Level I ADR programme (5 ADR = 1 share); The Bank of New York Mellon
Ratings	A2, stable (Moody's); A–, stable (Standard & Poor's)

1) Preliminary
2) As of 31 December 2017

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