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Letter to Shareholders HY.1 2016/17

Half-year financial report

1 October 2016 – 31 March 2017



Key figures

		2016/17 HY. 1	2015/16 HY. 1	+/- %	2016/17 Q. 2	2015/16 Q. 2	+/- %	2015/16
Sales volumes								
Electricity generation volumes	GWh	4,119	3,363	22.5	2,182	1,727	26.3	5,866
thereof from renewable energy	GWh	1,031	966	6.7	509	528	-3.6	2,026
Electricity sales volumes to end customers	GWh	10,425	10,239	1.8	5,424	5,256	3.2	18,292
Natural gas sales volumes to end customers	GWh	4,622	4,145	11.5	2,505	2,350	6.6	5,134
Heat sales volumes to end customers	GWh	1,615	1,432	12.7	890	800	11.2	2,082
Consolidated statement of operations								
Revenue	EURm	1,309.8	1,196.8	9.4	702.4	623.5	12.6	2,046.6
EBITDA	EURm	481.1	422.4	13.9	261.3	237.4	10.1	604.4
EBITDA margin ¹⁾	%	36.7	35.3	1.4	37.2	38.1	-0.9	29.5
Results from operating activities (EBIT)	EURm	319.6	290.7	10.0	194.4	171.2	13.5	260.4
EBIT margin ¹⁾	%	24.4	24.3	0.1	27.7	27.5	0.2	12.7
Result before income tax	EURm	294.3	251.1	17.2	177.7	148.4	19.7	198.9
Group net result	EURm	233.8	189.9	23.1	138.5	111.0	24.7	156.4
Earnings per share	EUR	1.31	1.07	23.1	0.77	0.62	24.7	0.88
Statement of financial position								
Balance sheet total	EURm	6,550.8	6,484.8	1.0	6,550.8	6,484.8	1.0	6,556.5
Equity	EURm	2,985.0	2,683.0	11.3	2,985.0	2,683.0	11.3	2,770.7
Equity ratio ¹⁾	%	45.6	41.4	4.2	45.6	41.4	4.2	42.3
Net debt	EURm	904.1	1,148.9	-21.3	904.1	1,148.9	-21.3	1,121.5
Gearing ¹⁾	%	30.3	42.8	-12.5	30.3	42.8	-12.5	40.5
Cash flow and investments								
Gross cash flow	EURm	422.5	384.6	9.8	223.5	202.5	10.4	537.9
Net cash flow from operating activities	EURm	262.4	236.0	11.2	169.2	142.8	18.5	463.0
Investments ²⁾	EURm	109.8	115.6	-5.0	50.1	58.2	-13.8	315.4
Share performance								
Share price at 31 March	EUR	11.95	10.10	18.3	11.95	10.10	18.3	10.56
Value of shares traded ³⁾	EURm	55.2	39.6	39.5	-	-	-	65.8
Market capitalisation at 31 March	EURm	2,150	1,817	18.3	2,150	1,817	18.3	1,899
Employees								
	∅	6,845	6,837	0.1	6,827	6,813	0.2	6,830

1) Changes reported in percentage points

2) In intangible assets and property, plant and equipment

3) Vienna Stock Exchange, single counting

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Highlights

Increase of 22.5% in electricity production

- Strong demand for thermal power plants to stabilise the networks in Austria and southern Germany
- Renewable generation benefits from better wind and water flows as well as the commissioning of the Paasdorf-Lanzendorf windpark in July 2016

Positive business development

- Increase in revenue (+9.4%), EBITDA (+13.9%), EBIT (+10.0%) and Group net result (+23.1%)
- Key earnings drivers: increase in electricity generation, temperature-related rise in network distribution volumes and developments in South Eastern Europe

Arbitration decision on the Walsum 10 power plant project in favour of the project company

- In November 2016 the arbitration court awarded the project company compensation of approximately EUR 200m, which leads primarily to a reduction of the acquisition cost for the power plant.

Settlement with state-owned Bulgarian electricity company NEK in February 2017

- Offset of outstanding receivables for the additional costs of renewable electricity, which were financed in advance by the supply company EVN Bulgaria EC, led to a positive non-recurring effect on Group net result from the reversal of valuation allowances to receivables in previous years and default interest.

Developments in the international environmental services business

- Contract-based transfer of the South-West Moscow drinking water project at the end of December 2016
- Best bidder for a wastewater project in Kuwait after the opening of offers in March 2017; contract still to be awarded
- Negative non-recurring non-cash effect on EBITDA through valuation allowance recognised to aggregate components from the former thermal waste utilisation plant no. 1 project in Moscow

Further improvement in balance sheet indicators over 30 September 2016

- Reduction of EUR 217.3m in net debt to EUR 904.1m
- Increase in equity ratio from 42.3% to 45.6%

Rating upgrades in April 2017

- Moody's: from A3 to A2, stable outlook
- Standard & Poor's: from BBB+ to A-, stable outlook

Sustainable investments

- Continuation of network, renewable generation and drinking water projects as part of the EUR 1bn investment programme for Lower Austria that was launched in 2013

Outlook on the 2016/17 financial year

- The Group net result is expected to increase over the previous year on the order of the non-recurring effect from the settlement in Bulgaria. In this connection, the reversal of valuation allowances to receivables recorded in previous years and default interest totalling approximately EUR 38m after tax were recognised.
- The outlook is based on the assumption of average conditions in the energy business environment. Other factors that could influence the Group net result include the regulatory environment, developments in the proceedings in Bulgaria, the remaining proceedings related to the Walsum 10 power plant project and the progress of activities in Moscow.

Interim management report

Overall business and energy sector environment

GDP growth	%	2018f	2017e	2016	2015	2014
EU-28 ¹⁾²⁾		1.6–1.9	1.7–1.9	1.9	2.2	1.6
Austria ²⁾³⁾		1.5–1.8	1.7–2.0	1.5	1.0	0.4
Bulgaria ¹⁾²⁾⁴⁾⁵⁾		2.8–3.3	2.9–3.3	3.4–3.5	3.6	1.3
Croatia ¹⁾²⁾⁴⁾⁶⁾		2.6–2.8	2.9–3.3	2.9	1.6	–0.5
Macedonia ⁵⁾⁶⁾		3.4–3.7	3.2–3.3	2.0–2.4	3.8	3.6

1) Source: "European Economic Forecast, Spring 2017", EU-Commission, May 2017

2) Source: "Prognose der österreichischen Wirtschaft 2017–2018", IHS, March 2017

3) Source: "Prognose für 2017 bis 2018: Konjunkturaufschwung in Österreich", WIFO, March 2017

4) Source: "Strategie Österreich & CEE 2. Quartal 2017", Raiffeisen Research, April 2017

5) Source: "Global Economic Prospects", World Bank, January 2017

6) Source: "World Economic Outlook", International Monetary Fund, April 2017

General business environment

The global economy followed a slow start into 2016 with steady improvement during the remainder of the year. Based on current indicators – which show a further increase in momentum – this positive trend is expected to continue. Further stimulus will be provided, not least, by current monetary and fiscal policies. The projections for economic growth in the EU currently point to an increase ranging from 1.6% to 1.9% each in 2017 and 2018.

The Austrian economy also ended 2016 on a positive note after momentum increased during the second half-year. Current sentiment leads to expectations of continuing solid development in the future. In addition to steady and strong domestic demand, which has benefited from the stabilisation of the labour market, foreign trade should also make a more substantial contribution to growth. Experts are currently forecasting an increase ranging from 1.7% to 2.0% in 2017 and from 1.5% to 1.8% in 2018, which would place Austria roughly at the EU level.

Energy sector environment – indicators		2016/17 HY. 1	2015/16 HY. 1	2016/17 Q. 2	2015/16 Q. 2
Temperature-related energy demand¹⁾		%			
Austria		112.3	94.8	108.0	97.7
Bulgaria		108.7	84.2	107.2	88.7
Macedonia		109.8	95.5	107.6	93.1
Primary energy and CO₂ emission certificates					
Crude oil – Brent	EUR/bbl	47.3	35.2	50.1	30.4
Natural gas – NCG ²⁾	EUR/MWh	18.3	15.3	19.7	13.3
Hard coal – API#2 ³⁾	EUR/t	77.7	44.0	76.3	41.0
CO ₂ emission certificates	EUR/t	5.3	7.0	5.2	5.6
Electricity – EEX forward market⁴⁾					
Base load	EUR/MWh	28.3	34.0	29.6	33.2
Peak load	EUR/MWh	36.4	43.9	37.5	42.9
Electricity – EPEX spot market⁵⁾					
Base load	EUR/MWh	39.4	29.1	41.3	25.1
Peak load	EUR/MWh	50.3	37.6	53.3	32.1

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

Bulgaria generated stronger-than-expected real GDP growth in 2016 and, from the current perspective, is also expected to see positive development in 2017 and 2018. This assessment is based on the sound increase in net exports of goods and services and on private consumption, which should strengthen due to the low level of interest rates and rising wages. The current record demand for tourism services is also expected to support further growth. Forecasts for the Bulgarian economy show an increase ranging from 2.8% to 3.3% each in 2017 and 2018.

Similar to Bulgaria, Croatia is expected to see a continuation of the strong growth trend from the second half of 2016 into 2017 and 2018. The positive effects of tax relief and the planned gradual increase in public sector salaries should provide further impulses for private consumption. Added support for the sustainable development of the economy is also expected from the booming tourism sector. In this favourable environment, GDP growth is projected to range from 2.9% to 3.3% in 2017 and from 2.6% to 2.8% in 2018.

The Macedonian economy is also returning to a growth course. The robust GDP increase of more than 3% in each of 2014 and 2015 was slowed to between 2.0% and 2.4% in 2016 by the political crisis which has gripped the country since the beginning of 2015. Positive trends on the labour market and an increase in real incomes should support a slight improvement in private consumption. The export sector, which is an extremely important factor for the country, has remained generally untouched by potential negative effects to date. GDP growth is therefore expected to reach 3.2% to 3.3% in 2017 and 3.4% to 3.7% in 2018.

Energy sector environment

The winter months in all three of EVN's core markets brought temperatures below the long-term average during the first half of 2016/17. In Austria, the heating degree total – which shows the temperature-related energy requirements for heating purposes – was 17.5 percentage points higher than the previous year and 12.3 percentage points over the long-term average. The weather was also substantially colder than the previous year in EVN's markets in South Eastern Europe: The heating degree total was 24.4 percentage points higher than the very mild winter 2015/16 in Bulgaria and 14.3 percentage points higher in Macedonia.

The average EEX price for natural gas rose by 19.5% year-on-year to EUR 18.3 per MWh in the first half of 2016/17. This increase was caused, not least, by the colder winter temperatures and the resulting higher demand on the spot markets. The average prices for coal were a significant 76.5% higher than the previous year at

EUR 77.7 per tonne, above all due to the very high demand across Europe. In contrast, the downward trend in the price of CO₂ emission certificates continued during the reporting period. The average price per tonne was 23.9% lower than the previous year at EUR 5.3.

The forward and spot market prices for base load and peak load electricity applicable to the reporting period followed contrary trends. Forward prices fell by 16.6% to EUR 28.3 per MWh for base load electricity and by 17.0% to EUR 36.4 per MWh for peak load electricity. However, spot market prices were higher year-on-year because of a temporary production standstill in France and the cold weather. Spot market prices rose by an average of 35.3% year-on-year to EUR 39.4 per MWh for base load electricity and by 33.9% to EUR 50.3 per MWh for peak load electricity.

Business development

Statement of operations

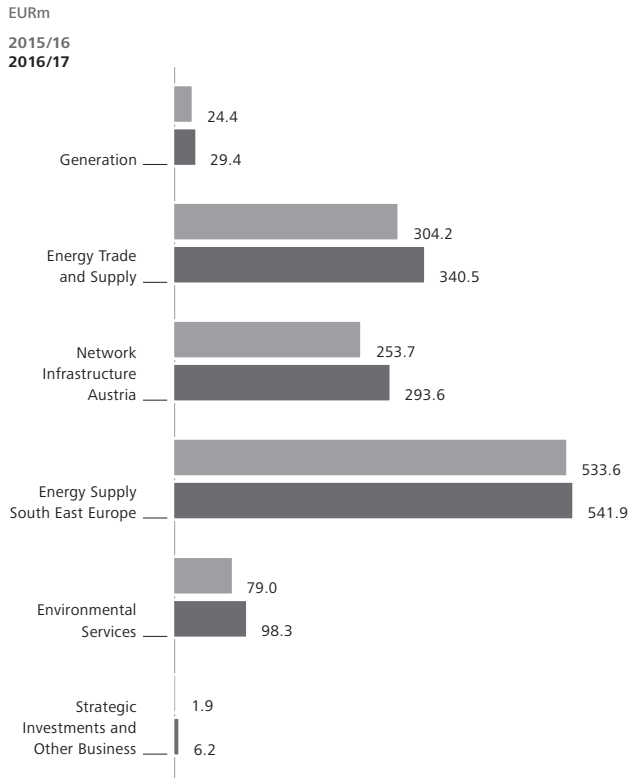
Highlights

- Revenue: +9.4% to EUR 1,309.8m
 - EBITDA: +13.9% to EUR 481.1m
 - EBIT: +10.0% to EUR 319.6m
 - Financial results: +35.9% to EUR –25.4m
 - Group net result: +23.1% to EUR 233.8m
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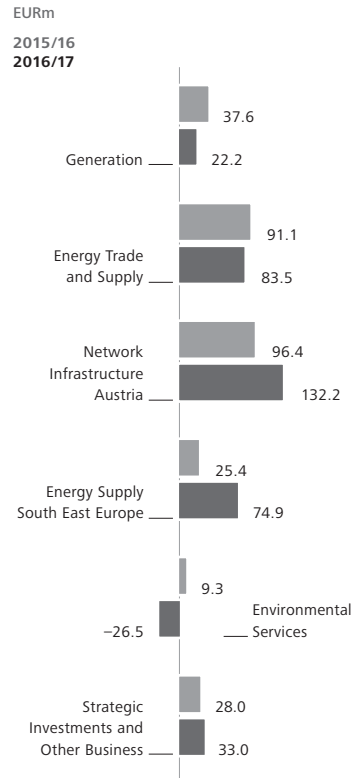
Revenue recorded by the EVN Group rose by EUR 113.0m, or 9.4%, to EUR 1,309.8m in the first half of 2016/17. This development was supported, above all, by the increased use of the thermal power plants to stabilise the networks in Austria and southern Germany, temperature-related higher electricity and natural gas network distribution volumes in Lower Austria and a temperature-related rise in revenue in South Eastern Europe. Further positive impulses were provided by renewable generation as well as the international project business in the Environmental Services Segment.

Other operating income rose by EUR 10.7m, or 25.3%, year-on-year to EUR 53.1m. Also included here are earnings effects of the settlement between EVN's Bulgarian supply company and the Bulgarian state-owned electricity company NEK.

External revenue by segments HY. 1



EBIT by segments HY. 1



The cost of electricity purchases from third parties and primary energy expenses rose by EUR 16.0m, or 2.8%, to EUR 597.2m in the first half of 2016/17. The increase resulting from the weather-related higher demand for energy and the additional use of the thermal power plants for network stabilisation was offset in part by the settlement reached in Bulgaria.

The cost of materials and services was EUR 56.5m, or 50.7%, higher at EUR 167.9m. This increase resulted primarily from a valuation allowance recognised to the remaining aggregate components from the former thermal waste utilisation plant no. 1 project in Moscow, which are reported under inventories, and to the positive development of revenue in the international project business.

Personnel expenses were slightly higher than the first half of the prior year, with an increase of EUR 1.0m, or 0.6%, to EUR 155.9m. The average number of employees remained nearly unchanged at 6,845 (previous year: 6,837).

The share of results from equity accounted investees with operational nature rose by EUR 9.6m, or 9.7%, to EUR 108.3m. This increase reflected the earnings improvement at Energie

Burgenland and, above all, the absence of an impairment loss recognised to the Ashta hydropower plant in Albania during the previous year. In total, these developments led to an increase of EUR 58.8m, or 13.9%, in EBITDA to EUR 481.1m.

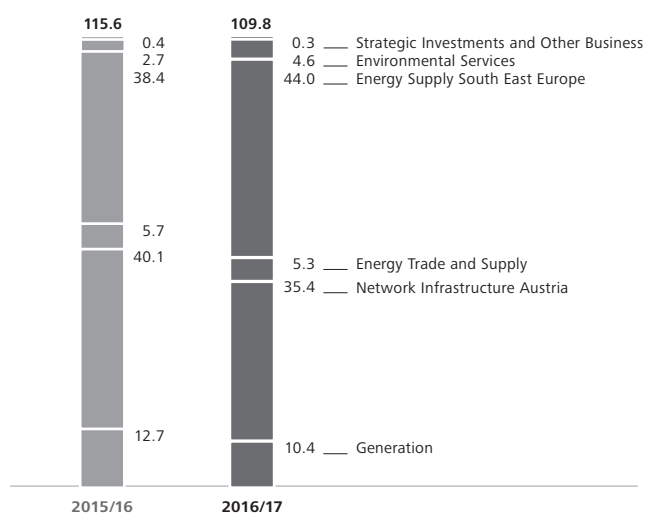
Scheduled depreciation and amortisation remained nearly unchanged at EUR 131.4m (previous year: EUR 131.7m). The effects of impairment testing totalled EUR 30.1m and were related primarily to an impairment loss recognised to the Gorna Arda hydropower plant project in Bulgaria during the first quarter of 2016/17. The results from operating activities (EBIT) rose by EUR 29.0m, or 10.0%, to EUR 319.6m in the first half of 2016/17.

Financial results improved by EUR 14.2m, or 35.9%, year-on-year to EUR -25.4m due to positive non-recurring effects in the current financial year as well as the absence of the negative earnings contribution from WEEV Beteiligungs GmbH in the previous year.

The result before income tax equalled EUR 294.3m for the first half of 2016/17, which represents an improvement of EUR 43.1m, or 17.2%, over the previous year. After the deduction of

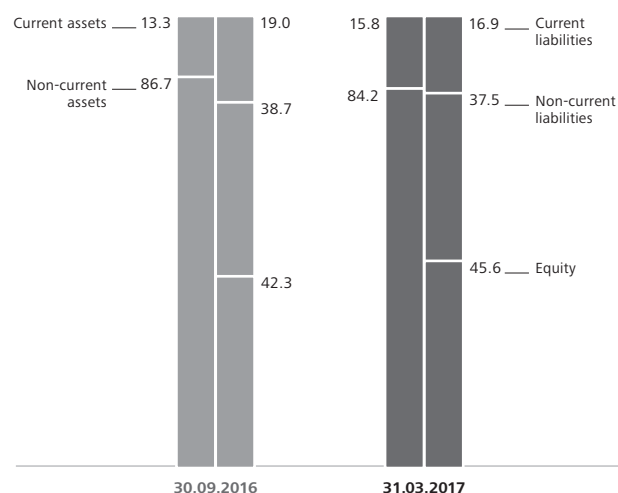
Structure of investments HY. 1

%, total in EURm



Balance sheet structure as of the balance sheet date

%



EUR 53.8m (previous year: EUR 47.7m) in income tax expense and the earnings attributable to non-controlling interests, the Group net result for the period amounted to EUR 233.8m and was EUR 43.9m, or 23.1%, higher than the first half of the previous year.

Statement of cash flows

Gross cash flow rose by EUR 37.9m, or 9.8%, to EUR 422.5m in the first half of 2016/17. This increase resulted primarily from the improvement in the result before income tax, while the changes in the non-cash components of comprehensive income were largely offset by an increase in depreciation and amortisation and a higher share of non-cash results from equity-accounted investees.

The changes in cash flow from operating activities were attributable, above all, to the reduction of liabilities related to the arbitration decision for the Walsum 10 power plant project. Other effects included a year-on-year decline in working capital requirements and changes in current provisions. In total, these developments led to an increase of EUR 26.4m, or 11.2%, in cash flow from operating activities to EUR 262.4m.

In contrast, the arbitration decision for the Walsum 10 power plant project had a positive effect on cash flow from investing activities – at an amount similar to the above-mentioned effect on cash flow from operating activities. Cash flow from investing activities therefore amounted to EUR 0.8m for the first half of 2016/17.

Cash flow from financing activities totalled EUR –162.8m for the reporting period (previous year: EUR –173.3m) and includes the dividend payment for the 2016/17 financial year as well as the scheduled repayment of financial liabilities.

In total, cash flow amounted to EUR 100.3m in the first half of 2016/17. Cash and cash equivalents totalled EUR 323.8m as of 31 March 2017. The EVN Group also has undrawn credit lines of EUR 522.0m at its disposal to service potential short-term financing requirements.

Statement of financial position

EVN's balance sheet total equalled EUR 6,550.8m as of 31 March 2017. This represents a decrease of EUR 5.7m, or 0.1%, below the level on 30 September 2016.

Non-current assets declined by EUR 167.4m, or 2.9%, to EUR 5,518.4m and equalled 84.2% of total assets (30 September 2016: 86.7%). Property, plant and equipment and intangible assets were primarily responsible for this development: The arbitration decision issued during the first quarter of 2016/17 in favour of the project company for the Walsum 10 power plant project led to a reduction in the acquisition cost of the power plant. In addition, other non-current assets were reduced by the settlement of outstanding receivables due from the Bulgarian national electricity company NEK. These declines were contrasted by the share of results from equity-accounted investees which

EVN's key energy business indicators	GWh	2016/17	2015/16	+/-		2016/17	2015/16	+/-
		HY. 1	HY. 1	nominal	%	Q. 2	Q. 2	%
Electricity generation volumes		4,119	3,363	756	22.5	2,182	1,727	26.3
Renewable energy sources		1,031	966	65	6.7	509	528	-3.6
Thermal energy sources		3,088	2,397	691	28.8	1,673	1,199	39.5
Network distribution volumes								
Electricity		12,408	11,625	783	6.7	6,451	6,033	6.9
Natural gas ¹⁾		13,351	11,254	2,097	18.6	7,200	5,852	0.4
Energy sales volumes to end customers								
Electricity		10,425	10,239	186	1.8	5,424	5,256	3.2
thereof Central and Western Europe ²⁾		3,548	3,507	41	1.2	1,780	1,713	3.9
thereof South Eastern Europe		6,877	6,731	145	2.2	3,644	3,543	2.8
Natural gas		4,622	4,145	477	11.5	2,505	2,350	6.6
Heat		1,615	1,432	182	12.7	890	800	11.2
thereof Central and Western Europe ²⁾		1,415	1,276	139	10.9	772	703	9.8
thereof South Eastern Europe		200	156	44	28.1	118	97	21.3

1) Incl. network distribution volumes to EVN power plants.

2) Central and Western Europe covers Austria and Germany.

exceeded the level of dividend payments and by a valuation-related increase in the carrying amount of the investment in Verbund AG.

In contrast, current assets rose by EUR 161.7m, or 18.6%, to EUR 1,032.4m. This increase resulted, above all, from a strong cash flow-based increase in liquid funds during the reporting period and a seasonal rise in receivables. This was contrasted by a valuation allowance recognised to the aggregate components from the former thermal waste utilisation plant no. 1 in Moscow, which are reported under inventories.

Notwithstanding the dividend payment in January 2017, equity rose by EUR 214.4m, or 7.7%, to EUR 2,985.0m due to the results recorded for the reporting period and positive measurement effects that were not recognised through profit or loss. The equity ratio equalled 45.6% on 31 March 2017 (30 September 2016: 42.3%).

Non-current liabilities fell by EUR 80.5m, or 3.2%, to EUR 2,460.2m, chiefly due to the reclassification of financial liabilities from non-current to current. A bank loan was also repaid prematurely during the reporting period.

Current liabilities were EUR 139.6m, or 11.2%, lower at EUR 1,105.5m. This development resulted chiefly from a decline in other current liabilities following the arbitration decision on the Walsum 10 power plant project. Specifically, it involved the derecognition of a liability recorded in 2013 following the utilisation of the contract performance guarantee by the project company. The development of current liabilities was also influenced by the scheduled repayment of financial liabilities and a decrease in trade payables, which were contrasted by an increase in current taxes payable as of 31 March 2017.

EVN's net debt totalled EUR 904.1m as of 31 March 2017 and was EUR 217.3m lower than on 30 September 2016. This decline supported an improvement in gearing to 30.3% (30 September 2016: 40.5%).

Risk management report

pursuant to § 87 (4) of the Austrian Stock Exchange Act (“Börsegesetz”)

Risk profile

The risk profile of the EVN Group is influenced primarily by normal industry risks and uncertainties and, above all, by political, legal and regulatory challenges. At the present time, no future risks can be identified that could endanger the continued existence of the EVN Group.

The overall risk profile has not changed significantly since the end of the previous financial year on 30 September 2016 and is therefore applicable to the remaining six months of the 2016/17 financial year. The major risks and uncertainties to which the Group is exposed are summarised in the following section, whereby the categorisation is based on the EVN risk management process.

Market and competition risks

Energy trading and sales

EVN's revenues can be negatively affected by a decline in demand due to weather conditions or climate change, demographic, political or technological factors and/or the loss of customers and sales volumes for image-related or competitive reasons. In addition, the development of market prices and market volatility, a suboptimal procurement strategy and declining margins can lead to lower profit margins in the energy business.

Generation/supply

Production that is increasingly decentralised and cannot be precisely planned as well as fluctuations in wind levels, water flows, sunshine hours and weather conditions can have a negative influence on earnings from the generation business (price and volume effects). The economic viability and intrinsic value of generation equipment is dependent to a significant degree on electricity and primary energy prices, the respective efficiencies, energy sector framework conditions and locations. Adverse developments can therefore lead to the recognition of an impairment loss. The creation of or addition to provisions for long-term (procurement) contracts may also be necessary. In spite of the measures implemented to date, these types of risks still exist for thermal generation plants, hydropower plants and generation plants that use renewable energies.

Environment

EVN is exposed to risks in the environmental services business from possible fluctuations in the demand, volume and/or costs of drinking water supplies, wastewater treatment systems and thermal waste utilisation facilities. The project volume in this business can also be negatively affected by market saturation or limited resources for infrastructure projects as well as non-inclusion in or the failure to win tenders. EVN is also exposed to various risks in connection with suppliers and the realisation of projects, which

include the defective fulfilment or non-fulfilment of contractually agreed performance.

Financial risks

In managing credit and default risk, EVN distinguishes between receivables due from end customers, on the one hand, and receivables from financial and energy trading transactions and major projects/plants, on the other hand. The default risk associated with end customer receivables is limited primarily by efficient receivables management, the evaluation of credit standings based on ratings and experience and the regular monitoring of payment behaviour. However, a lack of purchasing power or deteriorating payment behaviour can have a negative effect on revenue in the energy segment.

Credits risks, above all in the treasury and energy trading areas and in project and procurement management, are countered with credit monitoring and credit limit systems, hedging instruments (e.g. bank guarantees) and a targeted strategy to diversify business partners.

EVN holds investments in areas related to the core business (above all Verbund AG, Rohöl-Aufsuchungs Aktiengesellschaft, Burgenland Holding AG and ENERGIEALLIANZ Austria GmbH). The difficult energy policy environment creates a risk that the unfavourable development of earnings and equity in these companies can also have a substantial impact on EVN.

In connection with active management of the risks related to liquidity, interest rates, foreign currencies and market prices, the current low interest rate environment represents an increasing challenge for the short- to medium-term investment of liquid funds. This can lead to opportunity losses and have a negative effect on the valuation of employee-related provisions and on future tariffs.

Operating risks

The energy and network businesses are particularly vulnerable to operating risks such as operational disruptions and stoppages as well as IT and safety-related problems that can cause supply interruptions and lead to liability and reputation risks. The environmental services business is also exposed to the risk of operating disruptions or interruptions in drinking water supplies, wastewater systems and thermal waste utilisation facilities. Risks can also arise from the suboptimal design and use of technical equipment and the assessment and implementation of technological innovations. Further operational risks are related to organisation, planning, personnel and compliance.

External risks (legal, political and macroeconomic risks)

The regulatory environment, energy and environmental protection laws and the changing political and public positions on energy and infrastructure projects are major risk drivers. A change in the

subsidy system, the failure to receive anticipated subsidies or a change in the legally defined tariffs can have a negative effect on the company's future asset, financial and earnings position.

Political and economic instability, arbitrary legal and regulatory measures as well as changes in the legal framework represent further challenges. EVN is exposed to the risk that necessary permits and licenses are not granted, may be withdrawn or not extended. Specific mention should be made of the license withdrawal proceedings initiated by the Bulgarian regulatory authority (EWRC) against EVN's electricity distribution company in Bulgaria (EVN Bulgaria Electrosnabdiavane EAD).

Contractual and legal risks can arise in connection with pending or potential court, arbitration and investment protection proceedings as well as audits by supervisory or regulatory authorities.

Segment reporting

Overview

The structure of the EVN Group is based on three general categories: the energy business, the environmental services business as well as the strategic investments and other business. The energy business covers the entire electricity and heat value chain from generation and distribution to networks and supply, while the natural gas business is concentrated on the distribution and supply. This product portfolio is supplemented by the activities of EVN subsidiaries in related areas

as well as regional cable TV and telecommunication services. The environmental services business involves activities in the areas of drinking water supply, wastewater disposal and thermal waste utilisation.

The definition of the operating segment is done in accordance with the requirements of IFRS 8 "Business Segments" and is therefore based exclusively on the internal organisational and reporting structure of the EVN Group. The following section describes the operating performance of EVN's six segments and the effects of energy sector indicators on their development.

Business areas	Segments	Activities
Energy business	Generation	Electricity generation from thermal sources and renewable energies at Austrian and international locations
	Energy Trade and Supply	Procurement of electricity and primary energy carriers, trading and sale of electricity and natural gas to end customers and on wholesale markets as well as heat generation and sale
	Network Infrastructure Austria	Operation of regional electricity and natural gas networks as well as cable TV and telecommunications networks
	Energy Supply South East Europe	Operation of electricity networks and electricity sales to end customers in Bulgaria and Macedonia, heat generation and sale in Bulgaria, electricity generation in Macedonia, construction and operation of natural gas networks in Croatia, energy trading throughout the entire region
Environmental services business	Environmental Services	Drinking water supply, wastewater disposal and thermal waste utilisation in Austria, operation of combined cycle heat and power co-generation plants in Moscow as well as international project business
Other business activities	Strategic Investments and Other Business	Strategic and other investments, corporate services

Generation

The Generation Segment covers the generation of electricity from thermal production capacities and renewable energy sources in Austria, Germany, Bulgaria and Albania as well as projects for the construction of power generation plants in Austria and Bulgaria. The sale of the generated electricity and the procurement of primary energy are reported under the Energy Trade and Supply Segment.

The earnings contributions from EVN's investments in Verbund Innkraftwerke GmbH and EVN-WIEN ENERGIE Windparkentwicklungs- und Betriebs GmbH & Co KG are reported under the share of equity accounted investees with operational nature as part of EBITDA. The investment in Steag-EVN Walsum 10 Kraftwerksgesellschaft is included through proportionate consolidation.

Highlights

- Increase in electricity production from renewable and thermal energy
- Supply of balancing energy and reserve capacity for Austria and southern Germany
- Impairment loss to planned Gorna Arda hydropower plant in Q. 1 2016/17
- EBIT and result before income tax below previous year

Electricity generation rose by 742 GWh, or 25.2%, over the previous year to 3,684 GWh in the first half of 2016/17. The production of electricity from renewable energy was 71 GWh, or 9.2%, higher at 839 GWh, chiefly due to the year-on-year increase in water and wind flows and the commissioning of the Paasdorf-Lanzendorf windpark in summer 2016. EVN's thermal power plants were again frequently used to stabilise the networks in Austria and Germany during the winter months 2016/17. This was reflected in an increase of 671 GWh, or 30.9%, in generation to 2,845 GWh.

Key indicators – Generation		2016/17	2015/16	+/-		2016/17	2015/16	+/-
		HY. 1	HY. 1	nominal	%	Q. 2	Q. 2	%
Key energy business indicators	GWh							
Electricity generation volumes		3,684	2,942	742	25.2	1,960	1,484	32.0
thereof renewable energy sources		839	768	71	9.2	417	419	-0.5
thereof thermal energy sources		2,845	2,174	671	30.9	1,543	1,065	44.8
Key financial indicators	EURm							
External revenue		29.4	24.4	5.0	20.4	15.5	14.7	5.3
Internal revenue		114.3	95.6	18.7	19.6	70.6	47.2	49.4
Total revenue		143.7	120.0	23.7	19.8	86.1	61.9	38.9
Operating expenses		-66.4	-51.0	-15.4	-30.2	-32.3	-25.9	-24.4
Share of results from equity accounted investees with operational nature		-0.1	-4.1	4.0	97.7	-0.1	0.1	-
EBITDA		77.1	64.8	12.3	19.0	53.7	36.0	49.0
Depreciation and amortisation including effects from impairment tests		-54.9	-27.3	-27.7	-	-13.4	-13.6	1.5
Results from operating activities (EBIT)		22.2	37.6	-15.4	-40.9	40.3	22.4	79.6
Financial results		-2.2	-11.7	9.5	80.9	-4.2	-5.7	26.7
Result before income tax		20.0	25.9	-5.9	-22.9	36.1	16.7	-
Total assets		994.0	1,245.2	-251.2	-20.2	994.0	1,245.2	-20.2
Total liabilities		714.8	934.4	-219.6	-23.5	714.8	934.4	-23.5
Investments ¹⁾		11.4	14.7	-3.3	-22.7	7.6	9.3	-17.9

1) In intangible assets and property, plant and equipment

At the Group level, EVN covered 39.5% of the electricity sold during the reporting period with its own production (previous year: 32.8%). The share of renewable energy in the Group's electricity production equalled 25.0% in the first half of 2016/17.

Revenue in the Generation Segment rose by EUR 23.7m, or 19.8%, to EUR 143.7m for the reporting period. This improvement resulted, above all, from a year-on-year increase in revenue from the supply of balancing energy and reserve capacity to stabilise the networks in Austria and southern Germany. The operation of the Paasdorf-Lanzendorf windpark, which was included for the first time in the current reporting period, also had a positive influence on revenue.

Operating expenses increased by EUR 15.4m, or 30.2%, to EUR 66.4m, chiefly due to the higher use of primary energy carriers for higher thermal electricity generation for network stabilisation.

The share of results from equity accounted investees with operational nature improved by EUR 4.0m, or 97.7%, to EUR –0.1m. In the comparable prior year period, this position was negatively influenced by an impairment loss recognised to Shkodra Region Beteiligungsholding GmbH in connection with the Ashta power plant.

EBITDA in the Generation Segment totalled EUR 77.1m in the first half of 2016/17, which represents an increase of EUR 12.3m, or 19.0%, over the previous year. Depreciation and amortisation, including the results of impairment testing, rose by EUR 27.7m to EUR 54.9m. This development reflected the previously reported impairment loss to the planned hydropower plant in Gorna Arda, Bulgaria, which was recognised in the first quarter of 2016/17. Segment EBIT therefore fell by EUR 15.4m, or 40.9%, to EUR 22.2m.

Financial results improved by EUR 9.5m to EUR –2.2m due to positive one-off effects in interest results. The result before income tax amounted to EUR 20.0m (previous year: EUR 25.9m).

Investments in this segment were EUR 3.3m, or 22.7%, lower year-on-year at EUR 11.4m, whereby the previous year was influenced by the construction of the Paasdorf-Lanzendorf windpark.

Energy Trade and Supply

The Energy Trade and Supply Segment is responsible for the trading and sale of electricity and natural gas to end customers, primarily in the Austrian home market and in wholesale markets. The segment's business activities also include the procurement of electricity, natural gas and other primary energy carriers as well as the production and sale of heat.

The earnings contributions from EVN's investments in the sales companies EVN Energievertrieb GmbH & Co KG and ENERGIE-ALLIANZ Austria GmbH are reported under the share of equity accounted investees with operational nature as part of EBITDA.

Highlights

- Energy sales to end customers above prior year
 - Increase in operating expenses due to higher energy purchases from third parties
 - EBITDA, EBIT and result before income tax below previous year
-

The colder winter temperatures led to an increase in energy sales to end customers during the first half of 2016/17. Natural gas sales volumes rose by 458 GWh, or 11.1%, to 4,587 GWh, while heat sales volumes increased by 139 GWh, or 10.9%, to 1,415 GWh. Electricity sales volumes were also slightly higher than the previous year at 3,548 GWh (previous year: 3,507 GWh).

Revenue in this segment amounted to EUR 344.7m for the reporting period, which represents an increase of EUR 34.3m or 11.0%. Higher revenue from the sale of the electricity generated in the thermal power plants, natural gas trading activities and heat sales more than offset contrary effects from the valuation of hedging relationships as of 31 March 2017.

Operating expenses generally moved in line with revenue, rising by EUR 41.3m, or 14.9%, to EUR 318.2m. This development resulted primarily from higher energy purchases from third parties due to the greater use of the thermal power plants to protect network stability and extensive natural gas trading. It also reflected a decline in expenses during the previous year due to the utilisation of provisions. The development of operating costs was favourably influenced by the valuation of hedging relationships as of 31 March 2017 and by the recalculation of internal cost allocations following the arbitration decision on the Walsum 10 power plant project.

Key indicators – Energy Trade and Supply		2016/17	2015/16	+/-		2016/17	2015/16	+/-
		HY. 1	HY. 1	nominal	%	Q. 2	Q. 2	%
Key energy business indicators		GWh						
Energy sales volumes to end customers								
Electricity		3,548	3,507	41	1.2	1,780	1,713	3.9
Natural gas		4,587	4,129	458	11.1	2,479	2,340	5.9
Heat		1,415	1,276	139	10.9	772	703	9.8
Key financial indicators		EURm						
External revenue		340.5	304.2	36.3	11.9	203.5	154.6	31.7
Internal revenue		4.2	6.2	-2.0	-32.3	2.1	3.7	-43.7
Total revenue		344.7	310.4	34.3	11.0	205.6	158.2	29.9
Operating expenses		-318.2	-276.9	-41.3	-14.9	-188.9	-137.1	-37.8
Share of results from equity accounted investees with operational nature		66.4	66.3	0.1	0.2	30.0	39.3	-23.6
EBITDA		92.9	99.8	-6.9	-6.9	46.7	60.4	-22.6
Depreciation and amortisation including effects from impairment tests		-9.4	-8.7	-0.7	-8.4	-4.7	-4.3	-8.7
Results from operating activities (EBIT)		83.5	91.1	-7.6	-8.3	42.0	56.0	-25.0
Financial results		-1.4	-1.7	0.2	13.4	-0.7	-0.7	10.2
Result before income tax		82.0	89.4	-7.4	-8.3	41.3	55.3	-25.2
Total assets		704.3	598.7	105.6	17.6	704.3	598.7	17.6
Total liabilities		599.7	495.8	103.9	21.0	599.7	495.8	21.0
Investments ¹⁾		5.8	6.6	-0.8	-11.4	3.0	3.4	-9.0

1) In intangible assets and property, plant and equipment

The share of results from equity accounted investees with operational nature amounted to EUR 66.4m and was nearly unchanged compared with the first half of 2015/16 (previous year: EUR 66.3m). EBITDA equalled EUR 92.9m and was EUR 6.9m, or 6.9%, lower than the previous year.

Depreciation and amortisation rose by EUR 0.7m, or 8.4%, to EUR 9.4m. In total, EBIT declined by EUR 7.6m, or 8.3%, year-on-year to EUR 83.5m.

Financial results improved slightly to EUR -1.4m, compared with EUR -1.7m in the previous year. The result before income tax totalled EUR 82.0m for the first half of 2016/17 (previous year: EUR 89.4m).

Investments in this segment were EUR 0.8m, or 11.4%, lower year-on-year at EUR 5.8m and were focused solely on the expansion of the heating plants and network.

Network Infrastructure Austria

The Network Infrastructure Austria Segment covers the operation of the regional electricity and natural gas networks as well as the cable TV and telecommunications networks in Lower Austria and Burgenland. This segment also includes corporate services, above all in connection with construction, which are reported as internal revenue.

Highlights

- Weather-related increase in electricity and natural gas distribution volumes
- Improvement in EBITDA, EBIT and result before income tax
- Focus of investments on supply security

Electricity distribution volumes rose by 184 GWh, or 4.2%, to 4,511 GWh in the first half of 2016/17. The cold winter weather resulted in an increase of natural gas distribution volumes, which

Key indicators – Network Infrastructure Austria		2016/17 HY. 1	2015/16 HY. 1	+/-		2016/17 Q. 2	2015/16 Q. 2	+/-
				nominal	%			%
Key energy business indicators		GWh						
Network distribution volumes								
Electricity		4,511	4,328	184	4.2	2,280	2,181	4.6
Natural gas		13,288	11,237	2,050	18.2	7,158	5,842	22.5
Key financial indicators		EURm						
External revenue		293.6	253.7	39.9	15.7	157.9	137.5	14.9
Internal revenue		31.8	25.0	6.8	27.3	16.2	13.3	22.3
Total revenue		325.4	278.7	46.7	16.8	174.2	150.7	15.5
Operating expenses		-135.6	-127.5	-8.2	-6.4	-71.0	-73.0	2.8
Share of results from equity accounted investees with operational nature		-	-	-	-	-	-	-
EBITDA		189.7	151.2	38.5	25.5	103.2	77.7	32.7
Depreciation and amortisation including effects from impairment tests		-57.5	-54.8	-2.7	-4.9	-28.9	-27.5	-5.1
Results from operating activities (EBIT)		132.2	96.4	35.9	37.2	74.2	50.2	47.9
Financial results		-8.5	-8.6	0.1	1.1	-4.5	-4.3	-4.4
Result before income tax		123.7	87.7	36.0	41.0	69.7	45.8	52.1
Total assets		1,921.7	1,848.1	73.7	4.0	1,921.7	1,848.1	4.0
Total liabilities		1,356.9	1,312.6	44.2	3.4	1,356.9	1,312.6	3.4
Investments ¹⁾		38.9	46.3	-7.4	-15.9	19.6	23.3	-15.9

1) In intangible assets and property, plant and equipment

was augmented by the increased use of the thermal power plants in Lower Austria. The network distribution volumes for natural gas totalled 13,288 GWh and represented a year-on-year increase of 2,050 GWh or 18.2%.

The positive development of volumes and higher network tariffs led to a year-on-year increase of EUR 46.7m, or 16.8%, in revenue for the Network Infrastructure Austria Segment to EUR 325.4m. However, at the same time operating expenses rose by EUR 8.2m, or 6.4%, to EUR 135.6m as the result of higher upstream network expenditures.

These developments resulted in EBITDA of EUR 189.7m (previous year: EUR 151.2m). After the deduction of an investment-related rise of EUR 2.7m, or 4.9%, in depreciation to EUR 57.5m, EBIT amounted to EUR 132.2m (previous year: EUR 96.4m).

Financial results totalled EUR -8.5m and remained nearly stable at the prior year level. The Network Infrastructure Austria Segment generated result before income tax of EUR 123.7m for the reporting period, which represents an increase of EUR 36.0m, or 41.0%, over the previous year.

Investments in this segment continue to focus on the new construction or expansion of transformer stations and the performance improvement or expansion of the 110 kV power lines. The primary goal of these measures is to safeguard the transport of the rising, but volatile volumes of electricity from renewable production. In this way, EVN makes an important contribution to the continuous improvement of the network infrastructure and to maintaining the high level of supply security in Lower Austria. Investments in this segment totalled EUR 38.9m in the first half of 2016/17 and were EUR 7.4m, or 15.9%, lower year-on-year due to the weather- and due to date-related changes in the timing of individual projects.

The electricity and natural gas network tariffs in Austria are adjusted at the beginning of each calendar year by the E-Control Commission in accordance with the incentive regulatory system. As of 1 January 2017, the electricity network tariffs for household customers were raised by an average of 9.2% and the natural gas network tariffs by an average of 13.3%. These increases correspond to the necessary high investments carried out in recent years, above all to accommodate renewable energy, and to the comparison of network distribution volumes with the respective reference periods.

Key indicators – Energy Supply South East Europe		2016/17 HY. 1	2015/16 HY. 1	+/-		2016/17 Q. 2	2015/16 Q. 2	+/-
				nominal	%			%
Key energy business indicators		GWh						
Electricity generation volumes		266	246	19	7.7	138	152	-9.3
thereof renewable energy		65	76	-11	-14.7	28	49	-42.9
thereof thermal power plants		201	170	30	17.7	110	103	6.9
Network distribution volumes		7,897	7,297	600	8.2	4,171	3,852	8.3
Energy sales volumes to end customers		7,112	6,904	208	3.0	3,788	3,650	3.8
thereof electricity		6,877	6,731	145	2.2	3,644	3,543	2.8
thereof natural gas		36	17	19	-	26	9	-
thereof heat		200	156	44	28.1	118	97	21.3
Key financial indicators		EURm						
External revenue		541.9	533.6	8.3	1.6	286.4	281.2	1.9
Internal revenue		0.2	0.2	0.0	10.1	0.1	0.1	4.1
Total revenue		542.0	533.7	8.3	1.6	286.5	281.3	1.9
Operating expenses		-435.9	-476.8	40.9	8.6	-204.6	-239.1	14.4
Share of results from equity accounted investees with operational nature		-	-	-	-	-	-	-
EBITDA		106.1	56.9	49.3	86.6	82.0	42.2	94.2
Depreciation and amortisation including effects from impairment tests		-31.3	-31.5	0.2	0.7	-15.8	-16.0	1.6
Results from operating activities (EBIT)		74.9	25.4	49.5	-	66.2	26.2	-
Financial results		-12.5	-12.0	-0.5	-4.5	-6.8	-6.2	-10.1
Result before income tax		62.4	13.4	49.0	-	59.4	20.0	-
Total assets		1,206.7	1,291.9	-85.1	-6.6	1,206.7	1,291.9	-6.6
Total liabilities		965.0	1,121.9	-156.9	-14.0	965.0	1,121.9	-14.0
Investments ¹⁾		48.3	44.5	3.8	8.6	17.7	20.1	-11.6

1) In intangible assets and property, plant and equipment

Energy Supply South East Europe

The Energy Supply South East Europe Segment is responsible for the operation of electricity networks and the sale of electricity to end customers in Bulgaria and Macedonia, the generation and sale of heat in Bulgaria, the production of electricity in Macedonia, the sale of natural gas to end customers in Croatia and energy trading throughout the region.

The regulatory authority in Bulgaria raised the end customer prices for electricity in EVN's supply area by an average of 0.8% as of 1 July 2016 and again by 1.0% on average as of 7 April 2017. These price adjustments reflect an increase in procurement costs and, consequently, have no significant effect on earnings. In Macedonia, the end customer prices for electricity were again reduced, similar to the year before, by an average of 0.3% through a tariff ruling on 1 July 2016.

Highlights

- Temperature-related growth in network distribution and energy sales volumes
- Positive non-recurring effect from the settlement with the Bulgarian national electricity company NEK
- EBITDA, EBIT and result before income tax above prior year

The further unbundling of the individual energy sector business areas in Macedonia as of 1 January 2017 was reflected in the start of operations by the newly founded EVN Elektro distribucija DOOEL, Skopje. This company will take over the function of the network distributor. EVN Macedonia AD, Skopje, which was previously responsible for these activities in Macedonia, now operates as a holding company and continues to service the regulated customer segments as a "supplier of last resort".

The cold weather led to an increase of 600 GWh, or 8.2%, in network distribution volumes to 7,897 GWh, as well as an increase of 208 GWh, or 3.0%, in energy distribution volumes to end customers to 7,112 GWh. The weather-related growth in sales to household customers was contrasted by a decline in sales to business customers as a result of the continuing liberalisation.

Electricity generation in the South East Europe Segment rose by 19 GWh, or 7.7%, to 266 GWh in the first half of 2016/17. Higher production was recorded, above all, by the co-generation plant in Plovdiv (plus 30 GWh to 201 GWh).

These energy sector developments supported an increase of EUR 8.3m, or 1.6%, in revenue to EUR 542.0m.

Operating expenses improved by EUR 40.9m, or 8.6%, to EUR 435.9m in the first half of 2016/17. This decline is attributable, above all, to a positive non-recurring effect resulting from the agreement reached in February 2017 between EVN's supply company EVN Bulgaria EC and the state-owned Bulgarian electricity company NEK. The agreement referred to outstanding receivables for the additional costs of renewable energy which were financed in advance by EVN Bulgaria EC (plus default interest).

EBITDA in the Energy Supply South East Europe Segment therefore rose by EUR 49.3m, or 86.6%, to EUR 106.1m. Depreciation and amortisation remained nearly constant at EUR 31.3m (previous year: EUR 31.5m), and EBIT increased by EUR 49.5m over the prior year to EUR 74.9m.

Financial results declined slightly by EUR 0.5m, or 4.5%, to EUR -12.5m. In total, this segment recorded an improvement of EUR 49.0m in the result before income tax to EUR 62.4m.

Investments in South Eastern Europe are focused, above all, on the protection of supply security, the continuous reduction of network losses and the replacement of meters to improve the collection rate. Investments in this segment were EUR 3.8m, or 8.6%, higher at EUR 48.3m during the reporting period.

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) remain active notwithstanding the settlement with NEK and subject to any potential implications of this settlement on the proceedings.

Environmental Services

The activities of the Environmental Services Segment cover drinking water supplies, wastewater treatment and thermal waste utilisation in Austria; the international project business in Central, Eastern and South Eastern Europe; and the operation of two combined cycle heat and power co-generation plants in Moscow. The share of results from the wastewater purification projects in Zagreb (ZOV and ZOV UIP) and Prague are reported under the share of equity accounted investees with operational nature as part of EBITDA.

Highlights

- Positive developments in the international project business
 - Contract-based transfer of the South-West Moscow drinking water project after ten years of operation
 - Contract received for the construction of a new wastewater treatment plant in Macedonia
 - Best bidder for a wastewater treatment plant project in Kuwait
- Operating result negatively influenced by valuation allowance to inventories

Revenue in the Environmental Services Segments rose by EUR 17.9m, or 20.3%, to EUR 105.9m in the first half of 2016/17, supported by a positive development in the international project business. Revenue from thermal waste utilisation and drinking water supplies in Lower Austria generally reflected the prior year level.

Operating expenses were negatively influenced by a valuation allowance of EUR 45.5m, which was recognised to the remaining aggregate components (currently reported under inventories) from the former thermal waste utilisation plant no. 1 project in Moscow. The valuation allowance is based on the fact that alternative uses for these components in other waste utilisation projects are unlikely to materialise as originally planned. The positive development of revenue in the international project business also led to an increase in operating expenses. In total, operating expenses rose by EUR 53.5m, or 74.1%, to EUR 125.8m.

The share of results from equity accounted investees with operational nature was stable at EUR 6.4m. As a consequence of the above-mentioned non-cash, non-recurring effect, EBITDA amounted to EUR -13.5m and was EUR 35.6m lower than the previous year.

Depreciation and amortisation were nearly constant at EUR 13.0m (previous year: EUR 12.8m), and EBIT totalled EUR -26.5m (previous year: EUR 9.3m).

Key financial indicators – Environmental Services	EURm	2016/17	2015/16	+/-		2016/17	2015/16	+/-
		HY. 1	HY. 1	nominal	%	Q. 2	Q. 2	%
External revenue		98.3	79.0	19.3	24.4	36.5	35.4	3.2
Internal revenue		7.6	9.0	-1.4	-15.5	3.5	4.5	-21.7
Total revenue		105.9	88.0	17.9	20.3	40.0	39.8	0.4
Operating expenses		-125.8	-72.2	-53.5	-74.1	-78.8	-33.2	-
Share of results from equity accounted investees with operational nature		6.4	6.4	0.1	0.8	3.5	3.6	-0.7
EBITDA		-13.5	22.1	-35.6	-	-35.3	10.2	-
Depreciation and amortisation including effects from impairment tests		-13.0	-12.8	-0.2	-1.4	-6.5	-6.4	-1.6
Results from operating activities (EBIT)		-26.5	9.3	-35.8	-	-41.7	3.8	-
Financial results		0.1	-1.7	1.8	-	-0.2	-2.1	88.5
Result before income tax		-26.4	7.6	-34.0	-	-42.0	1.7	-
Total assets		814.9	906.4	-91.5	-10.1	814.9	906.4	-10.1
Total liabilities		644.7	721.6	-76.9	-10.7	644.7	721.6	-10.7
Investments ¹⁾		5.1	3.2	1.8	56.8	1.9	1.8	5.0

1) In intangible assets and property, plant and equipment

In contrast, financial results improved with an increase of EUR 1.8m to EUR 0.1m. The result before tax equalled EUR -26.4m for the reporting period, compared with EUR 7.6m in the first half of the previous year.

Investments in the Environmental Services Segment rose by EUR 1.8m, or 56.8%, to EUR 5.1m. EVN continued to focus on drinking water supplies in Lower Austria and invested further in the upgrading of local water networks, the expansion of cross-regional pipeline networks and the increase in pumping station capacity. In addition to safeguarding reliable supplies, especially in view of the increase in water consumption, EVN also places great importance on improving the quality of drinking water. Preparations have already started for the construction of a natural filter plant on the Wienerherberg well field, which will reduce the hardness of the water by natural means.

In the international project business, the city of Moscow acquired the local property company for the South-West Moscow drinking water supply plant, as planned, with the payment of the final instalment at the end of December 2016. This plant was constructed, financed and operated for ten years by EVN. The transfer of the plant to the city of Moscow in accordance with the contract included additional adaptation and expansion work by EVN at the request of the city of Moscow to meet the customer's requirements.

EVN received a contract in January 2017 for the construction of a new wastewater treatment plant in Kočani, Macedonia. This general contractor project with a value of approximately EUR 15.0m is designed for a capacity of roughly 65,000 residents. Financing will be provided by subsidies from Switzerland, which will be granted to the customer to improve the environmental situation in Kočani. Construction on EVN's other foreign projects is proceeding as planned. EVN was working on the realisation of seven wastewater projects in Croatia, Macedonia, Montenegro and the Czech Republic as of 31 March 2017.

On 16 March 2017 EVN announced that a bidder consortium formed by its German subsidiary WTE Wassertechnik and a Kuwaiti financial investor had submitted the best offer for a wastewater treatment project in Kuwait. The contract has not yet been formally awarded by the tendering authorities, but is expected to take place during the current calendar year. The project covers the planning and construction of a sewage treatment plant with a treatment capacity of 500,000 m³ per day (contract value, converted, approximately EUR 600m) as well as a sewage network and pumping stations (contract value, converted, approximately EUR 950m). This project also includes the operation of the sewage treatment plant for a period of 25 years.

Key financial indicators – Strategic Investments and Other Business	EURm	2016/17	2015/16	+/-		2016/17	2015/16	+/-
		HY. 1	HY. 1	nominal	%	Q. 2	Q. 2	%
External revenue		6.2	1.9	4.3	-	2.5	0.2	-
Internal revenue		29.2	30.6	-1.3	-4.4	14.7	15.4	-5.0
Total revenue		35.4	32.5	2.9	9.1	17.1	15.6	9.8
Operating expenses		-37.3	-33.9	-3.4	-10.1	-18.4	-17.7	-3.9
Share of results from equity accounted investees with operational nature		35.6	30.3	5.4	17.8	13.9	13.6	2.2
EBITDA		33.7	28.8	4.9	17.0	12.6	11.5	10.1
Depreciation and amortisation including effects from impairment tests		-0.7	-0.8	0.1	9.3	-0.3	-0.4	17.8
Results from operating activities (EBIT)		33.0	28.0	5.0	17.8	12.3	11.1	11.1
Financial results		12.3	9.5	2.8	29.2	-0.3	-3.7	91.8
Result before income tax		45.3	37.5	7.7	20.6	12.0	7.4	62.1
Total assets		2,820.2	2,461.1	359.1	14.6	2,820.2	2,461.1	14.6
Total liabilities		1,213.8	1,038.7	175.1	16.9	1,213.8	1,038.7	16.9
Investments ¹⁾		0.3	0.4	-0.1	-17.5	0.2	0.4	-53.9

1) In intangible assets and property, plant and equipment

Strategic Investments and Other Business

In the Strategic Investments and Other Business Segment, the earnings contributions from Rohöl-Aufsuchungs Aktiengesellschaft (RAG) and Energie Burgenland AG are reported under the share of equity accounted investees with operational nature as part of EBITDA. The earnings contributions from the shares in Verbund AG which are held directly by EVN, respectively indirectly by WEEV Beteiligungs GmbH, are reported under financial results in this segment. This segment also includes corporate functions as well as companies outside EVN's core business which generally provide internal services.

Revenue in this segment rose by EUR 2.9m, or 9.1%, to EUR 35.4m, in the first half of 2016/17, while operating expenses were EUR 3.4m, or 10.1%, higher at EUR 37.3m. The share of results from equity accounted investees with operational nature increased by EUR 5.4m, or 17.8%, to EUR 35.6m, supported by the positive development of RAG and, above all, by Energie Burgenland.

These developments led to an increase in EBITDA to EUR 33.7m (previous year: EUR 28.8m) and in EBIT to EUR 33.0m (previous year: EUR 28.0m).

Financial results rose by EUR 2.8m, or 29.2%, to EUR 12.3m. The EUR 0.29 dividend per share paid by Verbund AG on 25 April 2017 for the 2016 financial year will be included in EVN's financial results for the third quarter of 2016/17.

Result before income tax increased by EUR 7.7m, or 20.6%, year-on-year to EUR 45.3m.

Highlights

- Higher earnings contributions from Energie Burgenland and RAG
- Improvement in EBITDA, EBIT and result before income tax

Consolidated interim report

according to IAS 34

Consolidated statement of operations

EURm	2016/17 HY.1	2015/16 HY.1	+/- %	2016/17 Q.2	2015/16 Q.2	+/- %	2015/16
Revenue	1,309.8	1,196.8	9.4	702.4	623.5	12.6	2,046.6
Other operating income	53.1	42.4	25.3	31.6	20.8	51.7	97.0
Electricity purchases and primary energy expenses	-597.2	-581.2	-2.8	-308.0	-298.3	-3.2	-930.6
Cost of materials and services	-167.9	-111.4	-50.7	-100.0	-51.5	-94.3	-246.7
Personnel expenses	-155.9	-154.9	-0.6	-76.4	-76.2	-0.3	-313.7
Other operating expenses	-69.0	-68.0	-1.5	-35.6	-37.4	4.9	-141.6
Share of results from equity accounted investees with operational nature	108.3	98.8	9.7	47.4	56.5	-16.1	93.5
EBITDA	481.1	422.4	13.9	261.3	237.4	10.1	604.4
Depreciation and amortisation	-131.4	-131.7	0.2	-65.7	-66.2	0.7	-266.1
Effects from impairment tests	-30.1	-0.0 ¹⁾	-	-1.2	-0.0 ¹⁾	-	-77.9
Results from operating activities (EBIT)	319.6	290.7	10.0	194.4	171.2	13.5	260.4
Share of results from equity accounted investees with financial nature	-0.2	-5.0	96.6	-0.1	-5.0	98.4	-8.7
Results from other investments	-0.1	0.2	-	-0.1	-	-	14.4
Interest income	14.1	8.7	62.5	3.0	4.6	-34.5	16.7
Interest expense	-34.6	-38.8	10.9	-16.8	-19.3	12.6	-77.4
Other financial results	-4.6	-4.6	-0.8	-2.8	-3.2	10.5	-6.5
Financial results	-25.4	-39.5	35.9	-16.8	-22.8	26.5	-61.6
Result before income tax	294.3	251.1	17.2	177.7	148.4	19.7	198.9
Income tax expense	-53.8	-47.7	-13.0	-32.9	-30.7	-7.2	-16.0
Result for the period	240.5	203.5	18.2	144.7	117.7	23.0	182.8
thereof result attributable to EVN AG shareholders (Group net result)	233.8	189.9	23.1	138.5	111.0	24.7	156.4
thereof result attributable to non-controlling interests	6.7	13.6	-51.0	6.3	6.7	-6.6	26.4
Earnings per share in EUR ¹⁾	1.31	1.07	23.1	0.78	0.62	24.7	0.88

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

*) Small amount

Consolidated statement of comprehensive income

EURm	2016/17 HY.1	2015/16 HY.1	+/- %	2016/17 Q.2	2015/16 Q.2	+/- %	2015/16
Result for the period	240.5	203.5	18.2	144.7	117.7	23.0	182.8
Other comprehensive income from							
Items that will not be reclassified to profit or loss	6.1	-6.2	-	5.2	7.9	-35.0	-27.7
Remeasurements IAS 19	4.7	-13.3	-	6.9	-12.5	-	-39.8
Investments in equity accounted investees	2.4	3.5	-30.3	-	17.4	-	1.8
thereon apportionable income tax expense	-1.1	3.6	-	-1.7	3.0	-	10.3
Items that may be reclassified to profit or loss	45.0	-26.4	-	23.9	-33.7	-	121.8
Currency translation differences	4.2	-2.0	-	3.0	4.4	-31.5	1.0
Available for sale financial instruments	42.8	-25.7	-	29.7	-25.3	-	119.5
Cash flow hedges	8.4	-1.1	-	3.0	-3.1	-	3.2
Investments in equity accounted investees	4.1	-6.4	-	-5.6	-18.1	69.3	33.0
thereon apportionable income tax expense	-14.5	8.9	-	-6.2	8.4	-	-34.9
Total other comprehensive income after tax	51.1	-32.6	-	29.1	-25.8	-	94.2
Comprehensive income for the period	291.5	170.8	70.6	173.8	91.9	89.1	277.0
thereof income attributable to EVN AG shareholders	284.8	157.2	81.2	167.5	85.2	96.6	250.6
thereof income attributable to non-controlling interests	6.7	13.6	-51.0	6.3	6.7	-6.6	26.4

Consolidated statement of financial position

EURm	31.03.2017	30.09.2016	+/-	
			nominal	%
Assets				
Non-current assets				
Intangible assets	191.8	221.2	-29.4	-13.3
Property, plant and equipment	3,396.5	3,512.5	-116.1	-3.3
Investments in equity accounted investees	950.9	925.8	25.0	2.7
Other investments	654.7	612.0	42.7	7.0
Deferred tax assets	89.8	100.5	-10.7	-10.7
Other non-current assets	234.7	313.7	-79.0	-25.2
	5,518.4	5,685.8	-167.4	-2.9
Current assets				
Inventories	88.4	140.2	-51.8	-36.9
Trade and other receivables	500.3	414.1	86.1	20.8
Securities	105.9	75.4	30.5	40.5
Cash and cash equivalents	334.0	237.2	96.8	40.8
Non-current assets held for sale	3.8	3.8	-	-
	1,032.4	870.8	161.7	18.6
Total assets	6,550.8	6,556.5	-5.7	-0.1
Equity and liabilities				
Equity				
Share capital	330.0	330.0	-	-
Share premium and capital reserves	252.9	252.9	-	-
Retained earnings	2,109.0	1,949.9	159.1	8.2
Valuation reserve	70.0	23.2	46.8	-
Currency translation reserve	-18.7	-23.0	4.2	18.5
Treasury shares	-22.2	-22.2	-	-
Issued capital and reserves attributable to shareholders of EVN AG	2,721.0	2,510.8	210.2	8.4
Non-controlling interests	264.0	259.8	4.2	1.6
	2,985.0	2,770.7	214.4	7.7
Non-current liabilities				
Non-current loans and borrowings	1,230.3	1,314.5	-84.1	-6.4
Deferred tax liabilities	105.3	93.2	12.1	13.0
Non-current provisions	494.8	508.0	-13.2	-2.6
Deferred income from network subsidiaries	576.2	560.7	15.5	2.8
Other non-current liabilities	53.6	64.3	-10.8	-16.7
	2,460.2	2,540.7	-80.5	-3.2
Current liabilities				
Current loans and borrowings	226.6	239.1	-12.5	-5.2
Taxes payable and levies	126.0	55.2	70.7	-
Trade payables	303.8	399.6	-95.8	-24.0
Current provisions	97.4	97.8	-0.4	-0.4
Other current liabilities	351.8	453.4	-101.6	-22.4
	1,105.5	1,245.1	-139.6	-11.2
Total equity and liabilities	6,550.8	6,556.5	-5.7	-0.1

Consolidated statement of changes in equity

EURm	Issued capital and reserves of EVN AG shareholders	Non-controlling interests	Total
Balance on 30.09.2015	2,334.8	255.4	2,590.1
Comprehensive income for the period	157.2	13.6	170.8
Dividends 2014/15	-74.7	-2.2	-76.9
Change in treasury shares	-1.1	-	-1.1
Balance on 31.03.2016	2,416.2	266.8	2,683.0
Balance on 30.09.2016	2,510.8	259.8	2,770.7
Comprehensive income for the period	284.8	6.7	291.5
Dividends 2015/16	-74.7	-2.5	-77.2
Other changes	0.0 ^{*)}	-	0.0 ^{*)}
Balance on 31.03.2017	2,721.0	264.0	2,985.0

*) Small amount

Condensed consolidated statement of cash flows

EURm	2016/17 HY.1	2015/16 HY.1	+/-		2015/16
			nominal	%	
Result before income tax	294.3	251.1	43.1	17.2	198.9
+ Depreciation and amortisation of intangible assets and property, plant and equipment	161.5	131.7	29.8	22.6	344.0
- Non-cash share of results of equity accounted investees and other investments	-108.1	-93.9	-14.1	-15.1	-99.1
+ Dividends from equity accounted investees and other investments	92.7	109.3	-16.5	-15.1	135.2
+ Interest expense	34.6	38.8	-4.2	-10.9	77.4
- Interest paid	-24.6	-28.0	3.4	12.0	-63.6
- Interest income	-14.1	-8.7	-5.4	-62.5	-16.7
+ Interest received	13.3	7.2	6.1	84.7	13.7
+ Other non-cash financial results	1.4	1.5	-0.1	-7.9	-2.0
- Release of deferred income from network subsidiaries	-22.3	-21.2	-1.0	-4.9	-43.7
- Decrease in non-current provisions	-6.7	-4.8	-2.0	-41.7	-9.5
+ Other non-cash expenses/gains	0.5	1.6	-1.0	-67.8	3.3
Gross cash flow	422.5	384.6	37.9	9.8	537.9
- Changes in assets and liabilities arising from operating activities	-164.1	-153.8	-10.2	-6.7	-75.5
+ Income tax paid	3.9	5.1	-1.2	-23.6	0.6
Net cash flow from operating activities	262.4	236.0	26.4	11.2	463.0
+/- Changes in intangible assets and property, plant and equipment	10.5	-75.8	86.3	-	-239.1
+/- Changes in financial assets and other non-current assets	20.7	-7.0	27.7	-	2.6
- Changes in current securities	-30.5	-3.5	-27.0	-	5.9
Net cash flow from investing activities	0.8	-86.3	87.0	-	-230.6
- Dividends paid to EVN AG shareholders	-74.7	-74.7	-	-	-74.7
- Dividends paid to non-controlling interests	-2.5	-2.2	-0.3	-14.5	-19.7
+/- Decrease/increase in nominal capital	-	-	-	-	-2.2
+/- Sales/repurchase of treasury shares	-	-1.1	1.1	100.0	0.2
- Changes in financial liabilities	-85.6	-95.4	9.7	10.2	-157.5
Net cash flow from financing activities	-162.8	-173.3	10.5	6.1	-253.9
Net change in cash and cash equivalents	100.3	-23.6	123.9	-	-21.5
Cash and cash equivalents at the beginning of the period¹⁾	223.5	244.9	-21.4	-8.7	244.9
Cash and cash equivalents at the end of the period¹⁾	323.8	221.4	102.4	46.3	223.5

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 March 2017, of EVN AG, taking into consideration § 245a Austrian Commercial Code (UGB), was prepared in accordance with the guidelines set forth in the International Financial Reporting 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 2015/16 financial year (balance sheet date: 30 September 2016).

The accounting and valuation methods applied in preparing the consolidated financial statements as of 30 September 2016 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 2016/17 financial year:

Standards and interpretations applied for the first time		Effective ¹⁾
New standards and interpretations		
–	–	–
Revised standards and interpretations		
IAS 1	Presentation of Financial Statements – Disclosure Initiative	01.01.2016
IAS 16, IAS 38	Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation	01.01.2016
IAS 16, IAS 41	Property, Plant and Equipment and Agriculture – Bearer Plants	01.01.2016
IAS 27	Separate Financial Statements – Equity Method in Separate Financial Statements	01.01.2016
IFRS 10, IFRS 12, IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception	01.01.2016
IFRS 11	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations	01.01.2016
Several	Annual Improvements 2012–2014	01.01.2016

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 services 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 Environmental Services Segment usually generates lower revenues in the first half of the financial year than in the second half. Accordingly, business in the Environmental Services 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 30 domestic and 35 foreign subsidiaries (30 September 2016: 30 domestic and 37 foreign subsidiaries) were fully consolidated as of 31 March 2017. As of 31 March 2017, a total of 24 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 2016: 25).

Changes in the scope of consolidation	Fully	Line-by-line (Joint Operation)	Equity	Total
30.09.2015	68	1	19	88
First consolidation	1	–	–	1
Deconsolidation	–2 ¹⁾	–	–2	–4
30.09.2016	67	1	17	85
First consolidation	–	–	–	–
Deconsolidation	–2	–	–	–2
31.03.2017	65	1	17	83
thereof foreign companies	35	1	5	41

1) Mergers

WTE Projektna družba Kranjska Gora d.o.o., Kranjska Gora, Slovenia, which was previously included through full consolidation, was deleted from the company register on 23 January 2017 following the conclusion of liquidation proceedings and subsequently deconsolidated during the second quarter of 2016/17.

The South-West Moscow drinking water project was settled in accordance with the contract terms at the end of December 2016. With the payment of the final instalment, the Moscow city government acquired the right to purchase the shares in OAO "WTE Süd-West", Moscow, Russia, and its 70% subsidiary OOO Süd-West Wasserwerk, Moscow, Russia, which was not included in the consolidated financial statements for reasons of immateriality. This option was subsequently exercised by the city government. The transfer of shares to the Moscow city government was recorded in the shareholders' register on 28 December 2016 and terminated the operational management of the drinking water plant by EVN after ten years.

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

Selected notes to the consolidated statement of operations

As announced in an ad-hoc press release on 23 November 2016, an arbitration court awarded compensation of approximately EUR 200m to the project company for the construction of the Walsum 10 power plant. EVN AG holds an indirect investment of 49% in this project company. The arbitration decision led, above all, to a reduction of the acquisition cost for the power plant and

also resulted in the derecognition of a liability connected with the utilisation of a contract performance guarantee by the project company in 2013 and to an increase in current receivables due from the general contractor consortium comprising Hitachi Ltd and Hitachi Power Europe GmbH.

EVN's Bulgarian sales company and the Bulgarian national electricity company NEK reached a settlement on 13 February 2017 over the additional costs of renewable energy which were financed in advance by EVN Bulgaria EC. The resulting positive non-recurring effect of approximately EUR 42.0m on result before income tax was included, in part, under the cost of materials as a write-up to receivables and, in part, under other operating income based on the awarded default interest.

The decline in inventories resulted primarily from an impairment loss of EUR 45.5m recognised to aggregate components (currently reported under inventories) from the former thermal waste utilisation plant no. 1 in Moscow. This impairment loss reflects the fact that alternative uses for these components in other waste utilisation projects are unlikely to materialise as originally planned.

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

Share of results from equity accounted investees with operational nature	2016/17	2015/16
EURm	HY. 1	HY. 1
EVN KG	62.3	60.0
RAG	20.9	19.8
Energie Burgenland	14.7	10.4
ZOV; ZOV UIP	6.4	6.4
Shkodra	–	–3.8
Verbund Innkraftwerke	–0.3	–0.5
Other companies	4.3	6.5
Share of results from equity accounted investees with operational nature	108.3	98.8

The increase in the share of results from equity accounted investees with operational nature is attributable primarily to EVN KG and Energie Burgenland. The year-on-year increase in the earnings contribution from EVN KG is based on a decline in procurement costs and weather-related factors. The development of the earnings contribution from Energie Burgenland was related primarily to positive non-recurring income tax effects.

Due to changes in the energy policy environment in Bulgaria the Gorna Arda hydropower plant project was put on hold because its realisation is not possible under the current circumstances. Impairment losses of EUR 28.9m were therefore recognised in the Generation Segment during the reporting period.

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	2016/17	2015/16
EURm	HY. 1	HY. 1
WEEV Beteiligungs GmbH	-0.2	-5.0
Other companies	0.0 ^{*)}	0.0 ^{*)}
Share of results of equity accounted investees with financial nature	-0.2	-5.0
Verbund AG	-	-
Other companies	-0.1	0.2
Results from other investments	-0.1	0.2
Total income from investments	-0.3	-4.8

^{*)} Small amount

Earnings per share are calculated by dividing Group net profit (= net profit for the period attributable to EVN AG shareholders) by the weighted average number of shares outstanding, i. e. 177,842,333 as of 31 March 2017 (31 March 2016: 177,773,033 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 233.8m (31 March 2016: EUR 189.9m), earnings per share at the balance sheet date 31 March 2017 totalled EUR 1.31 (31 March 2016: EUR 1.07 per share).

Selected notes to the consolidated statement of financial position

In the first half of 2016/17, EVN acquired intangible assets and property, plant and equipment to the sum of EUR 109.7m (previous year: EUR 115.6m). Property, plant and equipment with a net carrying amount (book value) of EUR 2.4m were disposed of (previous year EUR 0.7m), with a capital loss of EUR 0.2m (previous year: capital gain of EUR 0.3m).

The item investments in equity accounted investees increased by EUR 25.0m, or 2.7%, to EUR 950.9m. This rise was primarily due to EUR 108.0m of current earnings contributions during the reporting period. This increase was contrasted by reductions of EUR 92.8m from the distributions made by at equity consolidated companies and valuation changes not recognised in profit and loss that amounted to EUR 6.5m.

Other investments totalling EUR 654.7m, which are classified as "available for sale", include the shares of listed companies. The market value of these shares equalled EUR 638.4m and increased by EUR 42.7m from the prior balance sheet date. In accordance with IAS 39, the adjustments made to reflect the changed market values were allocated to 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	2016/17
	HY. 1
Balance 30.09.2016	177,842,333
Purchase of treasury shares	-
Total 31.03.2017	177,842,333

The 87th Annual General Meeting on 21 January 2016 approved the premature termination of the share buyback programme that started on 16 January 2014 and authorised the Executive Board to carry out a new share buyback programme for up to 10% of EVN's share capital over a period of 30 months. The Executive Board made use of this authorisation and approved the repurchase of up to 1,000,000 shares, representing up to 0.556% of the current share capital. On 5 October 2016, the Executive Board approved the premature termination of the current share buyback programme. The authorisation resolution of the 87th Annual General Meeting of EVN AG remains intact and is still valid.

As of 31 March 2017, the number of treasury shares amounted to 2,036,069 (or 1.13% of the share capital) with an acquisition value of EUR 22.2m and a market value of EUR 20.1m (30 September 2016: EUR 20.1m). The treasury shares held by EVN are not entitled to any rights, and in particular, they are not entitled to dividends.

The 88th Annual General Meeting of EVN held on 19 January 2017, approved the proposal of the Executive Board and Supervisory Board to distribute a dividend of EUR 0.42 per share for the 2015/16 financial year, which comprises a total dividend payout of EUR 74.7m. Ex-dividend date was 25 January 2017, and the dividend payment to shareholders of EVN took place on 27 January 2017.

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

Break-down of non-current loans and borrowings

EURm	31.03.2017	30.09.2016
Bonds	543.7	550.3
Bank loans	686.7	764.2
Total non-current loans and borrowings	1,230.3	1,314.5

The decrease of EUR 6.6m in bonds resulted primarily from a change in the value of the 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	Generation		Energy Trade and Supply		Network Infrastructure Austria		Energy Supply South East Europe	
	2016/17 HY.1	2015/16 HY.1	2016/17 HY.1	2015/16 HY.1	2016/17 HY.1	2015/16 HY.1	2016/17 HY.1	2015/16 HY.1
External revenue	29.4	24.4	340.5	304.2	293.6	253.7	541.9	533.6
Internal revenue (between segments)	114.3	95.6	4.2	6.2	31.8	25.0	0.2	0.2
Total revenue	143.7	120.0	344.7	310.4	325.4	278.7	542.0	533.7
Operating expenses	-66.4	-51.0	-318.2	-276.9	-135.6	-127.5	-435.9	-476.8
Share of results from equity accounted investees operational	-0.1	-4.1	66.4	66.3	-	-	-	-
EBITDA	77.1	64.8	92.9	99.8	189.7	151.2	106.1	56.9
Depreciation and amortisation	-54.9	-27.3	-9.4	-8.7	-57.5	-54.8	-31.3	-31.5
Results from operating activities (EBIT)	22.2	37.6	83.5	91.1	132.2	96.4	74.9	25.4
Financial results	-2.2	-11.7	-1.4	-1.7	-8.5	-8.6	-12.5	-12.0
Result before income tax	20.0	25.9	82.0	89.4	123.7	87.7	62.4	13.4
Total assets	994.0	1,245.2	704.3	598.7	1,921.7	1,848.1	1,206.7	1,291.9
Investments ¹⁾	11.4	14.7	5.8	6.6	38.9	46.3	48.3	44.5

	Environmental Services		Strategic Investments and Other Business		Consolidation		Total	
	2016/17 HY.1	2015/16 HY.1	2016/17 HY.1	2015/16 HY.1	2016/17 HY.1	2015/16 HY.1	2016/17 HY.1	2015/16 HY.1
External revenue	98.3	79.0	6.2	1.9	2.5	-	1,309.8	1,196.8
Internal revenue (between segments)	7.6	9.0	29.2	30.6	-172.6	-166.5	-	-
Total revenue	105.9	88.0	35.4	32.5	-187.3	-166.5	1,309.8	1,196.8
Operating expenses	-125.8	-72.2	-37.3	-33.9	182.3	165.3	-936.9	-873.1
Share of results from equity accounted investees operational	6.4	6.4	35.6	30.3	-	-	108.3	98.8
EBITDA	-13.5	22.1	33.7	28.8	-5.0	-1.2	481.1	422.4
Depreciation and amortisation	-13.0	-12.8	-0.7	-0.8	5.4	4.2	-161.5	-131.7
Results from operating activities (EBIT)	-26.5	9.3	33.0	28.0	0.4	3.0	319.6	290.7
Financial results	0.1	-1.7	12.3	9.5	-13.0	-13.4	-25.4	-39.5
Result before income tax	-26.4	7.6	45.3	37.5	-12.6	-10.4	294.3	251.1
Total assets	814.9	906.4	2,820.2	2,461.1	-1,911.1	-1,866.5	6,550.8	6,484.8
Investments ¹⁾	5.1	3.2	0.3	0.4	-	-0.1	109.8	115.6

1) In intangible assets and property, plant and equipment

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 Generation and Energy Trade and Supply Segments and the Group with respect to the inclusion of Steag-EVN Walsum as a joint operation. The Genera-

tion 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 Trade and Supply Segment has already recognised provisions for onerous contracts connected with the marketing of its electricity production. In contrast, an impairment charge is required 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 (according to IFRS 13)	31.03.2017		30.09.2016	
			Carrying amount	Fair value	Carrying amount	Fair value
Non-current assets						
Other investments						
Non-financial assets	–	–	6.6	–	6.6	–
Miscellaneous investments	AFS	–	9.8	–	9.8	–
Miscellaneous investments	AFS	Level 1	638.4	638.4	595.7	595.7
			654.7		612.0	
Other non-current assets						
Securities	@FVTPL	Level 1	77.8	77.8	82.9	82.9
Loans receivable	LAR	Level 2	31.2	36.6	30.9	39.5
Lease receivables and accrued lease transactions	LAR	Level 2	95.3	106.9	104.3	118.0
Receivables arising from derivative transactions	@FVTPL	Level 2	6.5	6.5	6.3	6.3
Receivables arising from derivative transactions	Hedging	Level 2	8.9	8.9	16.2	16.2
Remaining other non-current assets	LAR		0.6	0.6	58.6	58.6
Non-financial assets (primary energy reserves)	–		14.4		14.4	
			234.7		313.7	
Current assets						
Current receivables and other current assets						
Trade and other receivables	LAR		474.5	474.5	371.6	371.6
Receivables arising from derivative transactions	@FVTPL	Level 2	13.3	13.3	9.1	9.1
Non-financial assets	–		12.4	–	33.4	–
			500.3		414.1	
Securities	AFS	Level 1	105.9	105.9	75.4	75.4
Cash and cash equivalents						
Cash on hand and cash at banks	LAR		334.0	334.0	237.2	237.2
			334.0		237.2	
Non-current liabilities						
Non-current loans and borrowings						
Bonds	FLAC	Level 2	543.7	650.4	550.3	683.7
Bank loans	FLAC	Level 2	686.7	753.4	764.2	838.5
			1,230.3		1,314.5	
Other non-current liabilities						
Leases	FLAC	Level 2	13.3	15.3	14.3	16.5
Accruals of financial transactions	FLAC		1.3	1.3	1.5	1.5
Other liabilities	FLAC		11.1	11.1	11.2	11.2
Liabilities arising from derivative transactions	@FVTPL	Level 2	5.7	5.7	8.4	8.4
Liabilities arising from derivative transactions	Hedging	Level 2	22.2	22.2	28.8	28.8
			53.6		64.3	
Current liabilities						
Current loans and borrowings						
	FLAC		226.6	226.6	239.1	239.1
Trade payables	FLAC		303.8	303.8	399.6	399.6
Other current liabilities						
Other financial liabilities	FLAC		229.8	229.8	306.4	306.4
Liabilities arising from derivative transactions	@FVTPL	Level 2	16.8	16.8	12.2	12.2
Liabilities arising from derivative transactions	Hedging	Level 2	6.7	6.7	6.6	6.6
Non-financial liabilities	–		98.5	–	128.3	–
			351.8		453.4	
thereof aggregated to measurement categories						
Available for sale financial assets	AFS		754.0		680.8	
Loans and receivables	LAR		935.6		802.6	
Financial assets designated at fair value in profit or loss	@FVTPL		120.1		98.3	
Financial liabilities at amortised cost	FLAC		2,016.2		2,286.6	

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.

Selected notes to the statement of cash flows

The changes in cash flow from operating activities were attributable, above all, to the reduction of liabilities related to the arbitration decision for the Walsum 10 power plant project. Other effects included a year-on-year decline in working capital requirements and changes in current provisions. In total, these developments led to an increase of EUR 26.4m, or 11.2%, in cash flow from operating activities to EUR 262.4m.

The arbitration decision for the Walsum 10 power plant project had a positive effect on cash flow from investing activities (at an amount similar to the above-mentioned non-recurring effect on cash flow from operating activities). Cash flow from investing activities therefore amounted to EUR 0.8m for the first half of 2016/17.

Information on transactions with related parties

There were no major changes in the group of individuals and companies who are considered as related parties compared to the Annual report of 2015/16.

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

Transactions with investments in equity accounted investees	2016/17	2015/16
EURm	HY. 1	HY. 1
Revenue	238.7	170.6
Cost of materials and services	82.1	70.4
Trade accounts receivable	27.4	29.3
Trade accounts payable	36.0	58.1

Other obligations and risks

Other obligations and risks increased by EUR 73.0m to EUR 383.6m compared to 30 September 2016. This change was mainly due to the increase in guarantees in connection with the construction and operation of power plants as well as an 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 41.8m as of 31 March 2017. The nominal volume of the guarantees underlying this assessment was EUR 263.0m.

Significant events after the balance sheet date

The following events occurred after the balance sheet date for the quarterly financial statements on 31 March 2017 and the editorial deadline for this consolidated interim financial report on 16 May 2017:

The rating agency Moody's raised EVN's rating from A3 to A2 (stable outlook) in April 2017, while Standard & Poor's increased its rating from BBB+ to A- (stable outlook).

The 70th Annual General Meeting of Verbund AG on 5 April 2017 approved a dividend of EUR 0.29 per share for the 2016 financial year (previous year: EUR 0.35 per share).

On 5 May 2017 the Executive Board of EVN AG approved the distribution of up to 255,000 treasury shares to employees of the company and certain subsidiaries during the third calendar quarter of 2017. These shares will be granted to employees who are entitled by a company agreement to receive a special payment and who make use of this benefit as well as to a group of employees in a specific business area as a one-off bonus for special services.

Statement by the Executive Board

pursuant to § 87 (1) no 3 of the Austrian Stock Exchange Act

The Executive Board of EVN AG certifies, to the best of its knowledge, that these condensed interim financial statements which were prepared in accordance with the decisive reporting standards present a true and fair view of the assets, liabilities, financial position and profit or loss of the EVN Group and that the

half-year management report of the Group presents a true and fair view of the assets, liabilities, financial position and profit or loss of the EVN Group with regard to important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements, with regard to the principal risks and uncertainties for the remaining six months of the financial year and to transactions with related companies and individuals to be disclosed.

Maria Enzersdorf, 16 May 2017

EVN AG
The Executive Board



Peter Layr
Spokesman of the Executive Board



Stefan Szyszkowitz
Member of the Executive Board

The EVN share

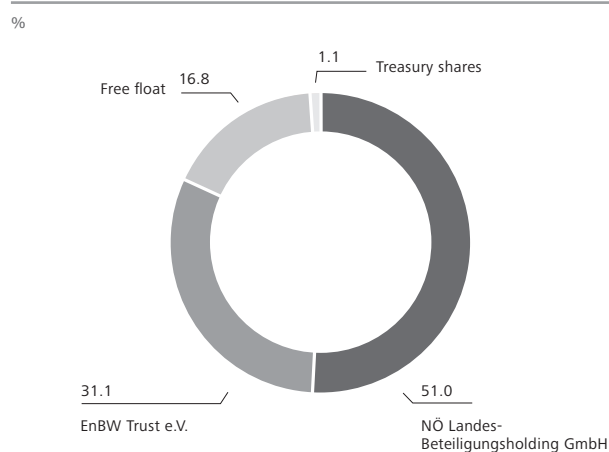
Market environment and performance

Positive performance by all relevant international stock indexes characterised the period from October 2016 to March 2017. Strong growth was recorded, in particular, by the German benchmark index DAX with a plus of 17.1% and Vienna's benchmark index ATX with a plus of 17.6%. The US benchmark index Dow Jones was 12.9% higher for the reporting period, but the DJ Euro Stoxx Utilities, the relevant industry index for EVN, increased by only 4.9%. The EVN share rose by 13.2% during this same period. The average daily turnover in EVN shares equalled 39,226 (single counting), which corresponds to a trading volume of EUR 55.2m (single counting) for EVN shares on the Vienna Stock Exchange and 0.36% of the total trading volume.

Share buyback programme

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. EVN held 2,036,069 treasury shares as of 31 March 2017, which represent 1.1% of share capital and were repurchased in earlier years.

Shareholder structure¹⁾



1) as at 31 March 2017

Strategy for the use of financial resources and dividend

EVN's strategy for the use of its financial resources includes establishing a balance between current investment projects and attractive dividends for shareholders. The 88th Annual General Meeting on 19 January 2017 approved a dividend of EUR 0.42 per eligible share to the shareholders of EVN AG for the 2015/16 financial year. The ex-dividend day was 25 January 2017, and payment was made to shareholders on 27 January 2017.

EVN share – performance

		2016/17 HY. 1	2015/16 HY. 1
Share price at 31 March	EUR	11.95	10.10
Highest price	EUR	12.00	10.52
Lowest price	EUR	10.47	9.65
Value of shares traded ¹⁾	EURm	55.2	39.6
Average daily turnover ¹⁾	Shares	39,226	32,259
Share of total turnover ¹⁾	%	0.36	0.27
Market capitalisation at 31 March	EURm	2,150	1,817
ATX weighting at 31 March	%	0.88	0.94
WBI (Vienna Stock Exchange) weighting at 31 March	%	2.06	2.20

1) Vienna Stock Exchange, single counting

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Online Letter to Shareholders

www.finanzbericht.evn.at/?report=EN2017-Q2

Information on the internet

www.evn.at
www.investor.evn.at
www.responsibility.evn.at

Financial calendar¹⁾

Results Q. 1–3 2016/17	24.08.2017
Annual results 2016/17	14.12.2017

1) Preliminary

Basic information

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; depository	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)

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