Past. Present. Future.
Powered by VERBUND.

Half-year Financial Report 2016

Verbund
Power for the Future

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At a glance

- Negative income trend due to impairment losses resulting from persistently challenging conditions in the European electricity market, but results after adjustment for non-recurring effects improved
- Water supply was 4 percentage points below the prior-year level and 1% below the long-term average
- Further decrease in average electricity sales prices achieved due to market conditions
- Additional programme initiated to reduce costs and increase efficiency in order to improve free cash flow and further reduce debt
- Earnings outlook for 2016 raised and payout ratio for financial year 2016 reduced

KPIs

	Unit	Q1-2/2015	**Q1-2/2016**	Change
Revenue	€m	1,405.4	**1,460.7**	3.9%
EBITDA	€m	489.1	**450.2**	–8.0%
EBITDA adjusted[1]	€m	442.1	**450.2**	1.8%
Operating result	€m	303.7	**190.8**	–37.2%
Group result	€m	196.3	**153.9**	–21.6%
Group result adjusted[1]	€m	161.2	**173.9**	7.9%
Earnings per share	€	0.57	**0.44**	–21.6%
EBIT margin	%	21.6	**13.1**	–
EBITDA margin	%	34.8	**30.8**	–
Cash flow from operating activities	€m	421.8	**476.6**	13.0%
Additions to property, plant and equipment (excluding business acquisitions)	€m	97.1	**101.0**	4.0%
Free cash flow before dividends	€m	463.5	**364.8**	–21.3%
Average number of employees		3,099	**2,940**	–5.1%
Electricity sales volume	GWh	25,887	**28,406**	9.7%
Hydro coefficient		1.03	**0.99**	–

	Unit	31/12/2015	**30/6/2016**	Change
Total assets	€m	11,763.0	**11,605.5**	–1.3%
Equity	€m	5,433.3	**5,404.7**	–0.5%
Equity ratio (adjusted)	%	48.2	**48.6**	–
Net debt	€m	3,685.4	**3,468.1**	–5.9%
Gearing	%	67.8	**64.2**	–

[1] Adjusted for extraordinary effects.

Report of the Executive Board

Dear Shareholders,

In quarter 2/2016, wholesale electricity prices experienced a slight recovery in the European markets compared with quarter 1/2016. The improvement was due to a rise in prices for primary energy sources, especially prices for coal on the global market. However, the underlying conditions in the market remain difficult. Electricity generation capacities continue to rise, in particular capacities from subsidised renewable energy sources. In addition, demand for electricity has softened due to the sluggish economic trend and the effects of energy efficiency measures. The current price levels continue to expose European electricity producers to heavy competitive pressure.

As the VERBUND Executive Board, we therefore felt obliged at the start of the year to evaluate our options for further reducing debt and additionally increasing free cash flow. In doing so, we focussed in particular on capital expenditure for growth and maintenance, our future dividend policy and possible additional potential for optimising earnings. Our new programme to reduce costs and increase efficiency calls for drastically reducing capital expenditure for growth and maintenance to a level of around €1bn in the 2016–2019 period. The volume of capital expenditure will thus be approximately €500m less than our investment planning had thus far foreseen. In addition to reducing expenses and increasing efficiency, the measures contained in the new programme also involve a further reduction of approx. 175 jobs by 2020. With regard to personnel expenses and other operating expenses, we will essentially maintain 2015 cost levels until 2019. We furthermore decided to adapt our dividend policy to the difficult market conditions. For financial year 2016, we are planning to pay out around 30% (previously approx. 50%) of the Group result after adjustment for non-recurring effects.

One of the operational highlights of quarter 2/2016 was the completion of the 430 MW Reißeck II pumped storage power plant in Carinthia. After finishing the work to seal the pressure tunnel, VERBUND commenced commissioning of the new pumped storage power plant at the start of June 2016. The test phase will extend until autumn 2016. The new pumped storage power plant will link the Reißeck and Malta power plant systems, which until now have been hydraulically separate. This will create one of the biggest hydropower plant groups in Europe with a turbine capacity of more than 1,400 MW.

The income trend in quarters 1–2/2016 was weaker than in the previous year, above all as a result of impairment losses. However, the adjusted results improved in spite of the difficult market climate. The hydro coefficient representing the water supply from rivers was 0.99%, which is 4 percentage points below the level of quarters 1–2/2015 and just below the long-term average. The difficult operating environment in the energy market was also reflected in lower average sales prices, which led to an 8.0% decrease in EBITDA to €450.2m. The Group result amounted to €153.9m, a decrease of 21.6% on the prior-year comparative. However, in the first half of 2015 both EBITDA and the Group result had included non-recurring income. By contrast, the Group result for quarters 1–2/2016 was impacted by non-recurring expenses. After adjustment for non-recurring effects, the Group result increased by 7.9%. Adjusted EBITDA rose slightly (+1.8%). The rise in the adjusted result was due to the programme to reduce costs and increase efficiency already implemented, which was able to partially compensate for the negative conditions in the energy market.

Based on the measures described above, we are projecting a better result than originally anticipated for financial year 2016. We therefore expect EBITDA to amount to approximately €840m and the Group result to approximately €270m based on our updated earnings projection, assuming an average water supply as well as an average wind supply in the second half of 2016. The planned payout ratio for 2016 will amount to around 30% of the Group result of approximately €290m after adjustment for non-recurring effects.

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

Investor relations

The start of 2016 saw heavy losses on the international stock markets. Share price losses were in the double-digit percentage range until mid-February 2016. Prices then recovered, however, thanks to improved economic prospects and positive signals from central banks. In quarter 2/2016, the stock markets were impacted by macroeconomic and political uncertainty, especially BREXIT. In the US, the Dow Jones Industrial stock index nonetheless managed to expand slightly (+2.9% as at 30 June 2016) on the marginal increase seen in quarter 1/2016 compared with the end of 2015. The Euro Stoxx 50 ended the first half of 2016 down 12.3% compared with year-end 2015. The Nikkei 225, the leading Japanese index, performed similarly with a drop of 18.2% on the 2015 year-end figure as at the end of the first half of 2016. However, performance in emerging markets was positive on the whole during the first six months of 2016, thanks among other things to the sustained expansionary policies of the US Federal Reserve. The MSCI Emerging Markets Index rose by a total of 5.0% in the first half of 2016.

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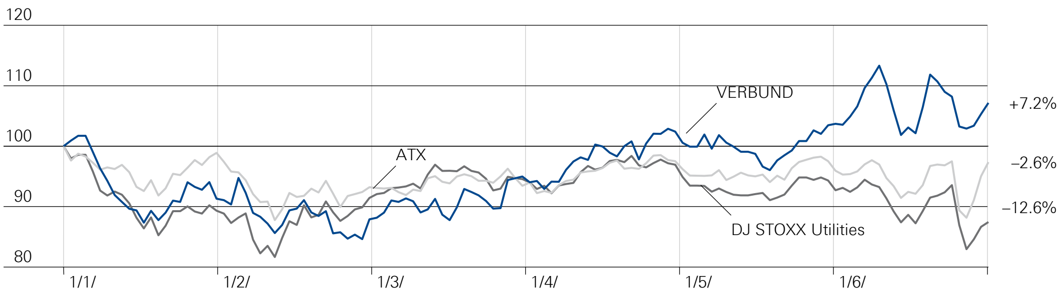
VERBUND share price: relative performance 2016



VERBUND shares lost significant ground until the end of February 2016. Triggered by an increase in wholesale electricity prices, the downward trend then reversed and share prices began rising steadily. On 30 June 2016, the VERBUND share price closed at €12.7, or 7.2% over the 2015 year-end figure. The Group's shares thus outperformed both the ATX (–2.6%) and the DJ STOXX Utilities sector index (–12.6%).

Upcoming dates:
Results for quarters 1–3/2016:
9 November 2016

KPIs – shares

	Unit	Q1-2/2015	**Q1-2/2016**	Change
Share price high	€	17.3	**13.4**	–22.2%
Share price low	€	13.0	**10.0**	–22.8%
Closing price	€	13.0	**12.7**	–2.5%
Performance	%	–14.7	**7.2**	–
Market capitalisation	€m	4,530.3	**4,415.7**	–2.5%
ATX weighting	%	2.5	**2.8**	–
Value of shares traded	€m	637.4	**443.4**	–30.4%
Shares traded per day	Shares	343,475	**320,245**	–6.8%

Interim Group management report

Business performance

Electricity supply and sales volumes

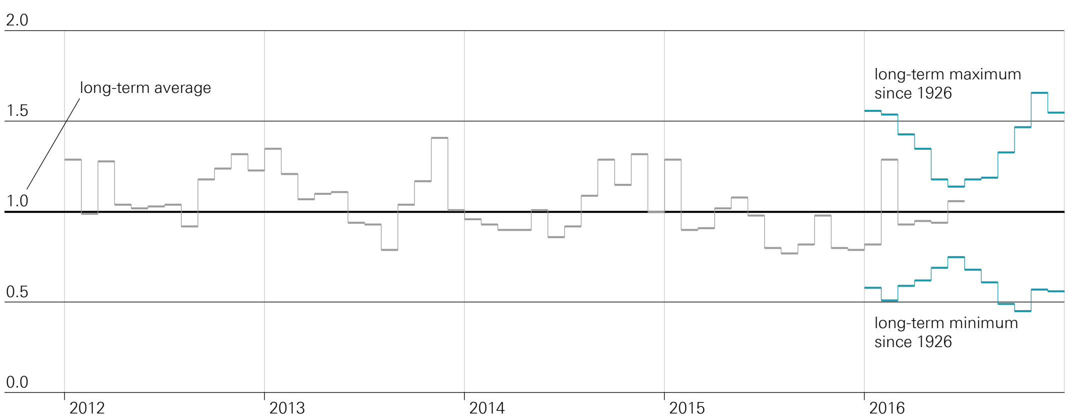
Group electricity supply GWh

	Q1-2/2015	Q1-2/2016	Change
Hydropower[1]	15,441	14,846	–3.9%
Wind/solar power	473	438	–7.5%
Thermal power	1,303	602	–53.8%
Own generation	17,217	**15,886**	–7.7%
Electricity purchased for trading and sales	8,664	12,496	44.2%
Electricity purchased for grid loss and control power volumes	1,945	1,580	–18.8%
Electricity supply	27,826	**29,961**	7.7%

[1] incl. purchase rights

At 15,886 GWh, VERBUND's own generation in quarters 1–2/2016 was 1,332 GWh, or 7.7% below the prior-year comparative. Generation from hydropower decreased by 595 GWh compared with the previous year. At 0.99, the hydro coefficient for the run-of-river power plants was 4 percentage points below the prior-year figure and 1% below the long-term average. Generation from annual storage power plants decreased by 8.9%.

Hydro coefficient (monthly averages)



Due to less windy conditions in Romania and operational restrictions in Germany, VERBUND's wind power and photovoltaic installations produced 35 GWh less electricity in quarters 1–2/2016 despite the commissioning of new wind power plants in Austria during 2015.

Generation from thermal power plants decreased by 701 GWh in the first half of 2016, primarily due to the decommissioning of the Dürnrohr power plant as at 30 April 2015 (–667 GWh compared with the prior-year reporting period). The Mellach combined cycle gas turbine power plant produced 40 GWh more electricity in quarters 1–2/2016 due to the use of congestion management.

Electricity purchased from third parties for trading and sales increased by 3,832 GWh in order to cover the higher sales to both consumers and resellers in Austria and abroad given the concurrent decrease in own generation. Electricity purchased from third parties for grid losses and control power decreased by 365 GWh.

Group electricity sales volume and own use

GWh

	Q1-2/2015	Q1-2/2016	Change
Consumers	4,453	5,601	25.8%
Resellers	12,031	13,106	8.9%
Traders	9,402	9,699	3.2%
Electricity sales volume	25,887	**28,406**	9.7%
Own use	1,569	1,300	–17.1%
Control power	370	254	–31.4%
Electricity sales volume and own use	27,826	**29,961**	7.7%

VERBUND's electricity sales volume, including own use, rose by 2,135 GWh, or 7.7% in quarters 1–2/2016. Most of the increase related to higher sales in the consumer segment. Electricity volumes delivered to consumers rose by 1,148 GWh. The expansion of our activities to take a more customer-centric approach enabled VERBUND to increase the volumes sold in quarters 1–2/2016, both in Austria, but particularly abroad. As of June 2016, our private customer base amounted to approximately 377,000 electricity and gas customers. In addition, sales to resellers rose (+1,075 GWh) due to an increase in demand in Austria and in France. In France, the higher volumes included, among other things, quantities sold in connection with our services for third parties due to the higher demand resulting from increased power plant optimisation measures in connection with VERBUND's market access activities. Electricity deliveries to trading firms increased slightly with a rise of 297 GWh.

Own use of electricity declined by 268 GWh. The decrease was due to lower generation from reverse operation in the first half of 2016.

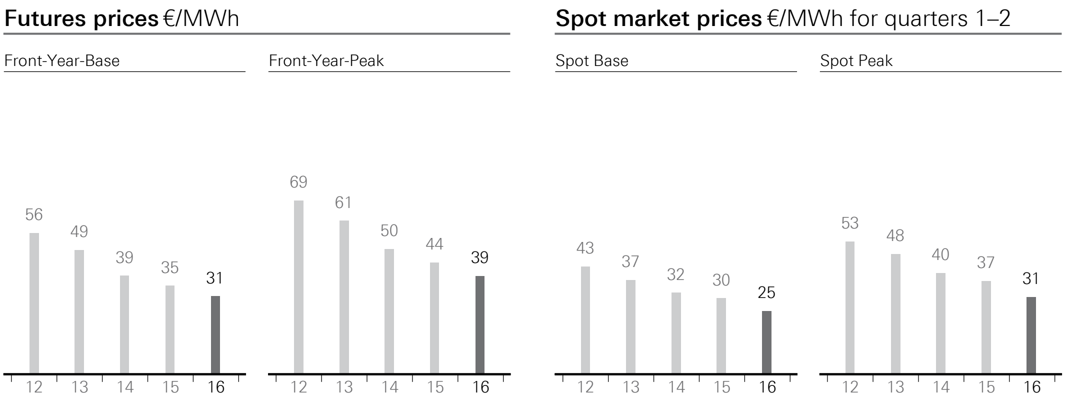
Electricity sales by country

GWh

	Q1-2/2015	Q1-2/2016	Change
Austria	13,357	14,293	7.0%
Germany	10,470	11,037	5.4%
France	1,651	2,671	61.8%
Romania	270	230	–15.0%
Others	138	176	27.7%
Electricity sales volume	25,887	**28,406**	9.7%

In quarters 1–2/2016, approximately 50% of the electricity sold by VERBUND went to the Austrian market. International trading and sales activities focussed on the German market, which accounted for 78% of all volumes sold abroad.

Electricity prices



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

At an average of €31.0/MWh, prices for electricity futures contracts applicable to financial year 2016 (front-year base 2016 traded in 2015) were down 11.8% from the prior-year level as at 30 June 2016. Based on its hedging strategy, VERBUND had already included the majority of its own generation in its pricing calculation in 2015 via the futures market. Spot market prices (base price) fell by 17.1% to €25.0/MWh. Spot price performance was driven above all by low demand due to the poor economy as well as the high levels of generation from subsidised renewables.

Financial performance

Results €m

	Q1-2/2015	Q1-2/2016	Change
Revenue	1,405.4	1,460.7	3.9%
EBITDA	489.1	450.2	–8.0%
Operating result	303.7	190.8	–37.2%
Group result	196.3	153.9	–21.6%
Earnings per share in €	0.57	0.44	–21.6%

Electricity revenue

VERBUND's electricity revenue rose by €75.2m to €1,169.0m in quarters 1–2/2016. In terms of quantities, electricity sales volumes rose by 9.7%, or 2,519 GWh. Average sales prices declined, however, due to market conditions, with both the futures and spot market prices for 2016 decreasing.

Grid revenue

Grid revenue decreased by €40.6m to €199.0m in quarters 1–2/2016 compared with the same period in 2015. The decline is mainly attributable to the fact that the one-off income recognised in the prior-year period due to reversals of provisions did not reoccur in the current period. In 2015, the provisions recognised to comply with the System Usage Rates Directive (Systemnutzungstarife-Verordnung, SNT-VO) and the System Charges Order (Systemnutzungsentgelte-Verordnung, SNE-VO) had been reversed to reflect legal settlements. By contrast, higher international grid revenue from the auctioning off of cross-border capacities and higher revenue generated from Austria's regulated tariff system had a positive impact. The increase in tariff revenue resulted from the rise in volumes and rates compared with the previous year.

Other revenue and other operating income

Other revenue rose by €20.7m to €92.6m. The increase was above all attributable to higher revenue from gas deliveries in connection with our services for third parties as well as to increased revenue from the sale of green electricity certificates. Other operating income fell by €6.7m to €24.9m, primarily due to the higher level of prior-period income arising from the gain on the disposal of the Bulgarian wind farm.

Expenses for electricity, grid, gas and certificate purchases

Expenses for electricity, grid, gas and certificate purchases increased by €114.3m to €738.5m. Purchases of electricity from third parties for trading and sales as well as for grid losses and control power rose by a total of 3,466 GWh. Part of the increase in quantities was compensated for by reduced purchase prices. Expenses for electricity purchases thus increased by €69.1m compared with quarters 1–2/2015, while expenses for grid purchases rose by €31.8m. Expenses for gas purchases in connection with services for third parties increased by €14.9m. Since quarter 3/2012, it has been necessary to recognise the natural gas supply agreement for the Mellach CCGT at fair value through profit or loss. In quarters 1–2/2016, the resulting impact on profit or loss amounted to €–9.8m (quarters 1–2/2015: €–17.7m). All in all, expenses for gas purchases increased by €11.6m.

Fuel expenses

Fuel and other usage-dependent expenses decreased by €22.1m to €35.2m. The decline was mainly attributable to the decrease in thermal generation (for details, please refer to the section on Electricity supply and sales volumes) and the associated lower expenses for emission rights.

Personnel expenses

Personnel expenses decreased by €2.5m to €163.3m. The reduction of €7.6m in expenses for current employees was primarily due to the consistent implementation of personnel management measures (€+6.5m). The reversal of prior-year provisions for employee benefits relating to pension and termination payments ("Sozialkapital") had an offsetting effect.

Other operating expenses

Other operating expenses were down slightly with a decline of €2.2m to €98.4m. Lower additions to provisions accounted for most of the decrease.

EBITDA

As a consequence of the above-mentioned factors, EBITDA decreased by 8.0% to €450.2m. Adjusted for the non-recurring effects recognised in quarters 1–2/2015, EBITDA rose slightly (+1.8%).

Amortisation and depreciation

Amortisation of intangible assets and depreciation of property, plant and equipment declined by €16.4m to €169.0m. The reduction was due among other things to a decrease in the depreciation base for property, plant and equipment compared with the previous year, mainly as a result of fixed asset disposals and impairment losses.

Impairment losses

Impairment losses amounted to €90.4m and resulted from the losses recognised on the Romanian wind farms (€57.2m), the Gössendorf and Kalsdorf run-of-river power plants (€16.5m) and the Mellach combined cycle gas turbine power plant (€15.5m). Further details on the impairment tests performed are presented in the notes to the consolidated financial statements.

Result from interests accounted for using the equity method

Result from interests accounted for using the equity method rose by €3.2m to €19.9m. The increase was mainly due to the earnings contribution from KELAG in the amount of €20.9m (quarters 1–2/2015: €16.6m).

Interest income and expenses

Interest income decreased by €0.3m to €15.6m compared with quarters 1–2/2015. Interest expenses declined by €16.1m to €66.0m. The decline resulted in particular from lower bond interest rates due to the scheduled repayment of a bond and the positive effects of a partial bond buyback prior to maturity. Another positive effect arose from lower interest rates for credit facilities.

Other financial result

Other financial result improved by €9.1m to €21.6m in quarters 1–2/2016. The improvement was mainly due to the measurement of an obligation to return an interest (€+26.9m), the measurement of a long position relating to VERBUND's share in Gemeinschaftskraftwerk Inn GmbH (€–9.0m), the measurement of interest rate hedging transactions (€–7.3m) and the positive balance of foreign exchange gains and losses (€+2.5m) compared with the previous year.

Taxes on income

Income taxes changed from €–51.0m to €–16.1m. Income tax revenue in the amount of €37.3m relating to prior periods was recognised as at 30 June 2016 as a result of the goodwill amortisation in the tax accounts of VERBUND's equity interest in VERBUND Innkraftwerke GmbH (for 2010–2013) and Innwerk AG (for 2015), including interest on arrears. Further details are presented in the notes to the consolidated financial statements.

Group result

After taking account of non-controlling interests in the amount of €15.3m, the Group result amounted to €153.9m. This represents a decrease of 21.6% compared with the previous year. Earnings per share amounted to €0.44 (quarters 1–2/2015: €0.57) for 347,415,686 shares. Group result after adjustment for non-recurring effects was €173.9m, representing a year-on-year increase of 7.9%.

Financial position

Consolidated balance sheet (short version)

€m

	31/12/2015	Share	**30/6/2016**	**Share**	Change
Non-current assets	11,085.0	94.2%	10,932.6	94.2%	– 1.4%
Current assets	678.0	5.8%	672.9	5.8%	– 0.7%
Non-current assets held for sale	0.0	–	0.0	–	–
Assets	11,763.0	100.0%	**11,605.5**	**100.0%**	– 1.3%
Equity	5,433.3	46.2%	5,404.7	46.6%	– 0.5%
Non-current liabilities	5,349.8	45.5%	5,029.9	43.3%	– 6.0%
Current liabilities	979.9	8.3%	1,170.9	10.1%	19.5%
Equity and liabilities	11,763.0	100.0%	**11,605.5**	**100.0%**	– 1.3%

Assets

VERBUND's assets decreased slightly, registering a drop of 1.3% in quarters 1–2/2016. For property, plant and equipment, additions of €101.0m were offset by depreciation of €165.5m. Impairment tests were also conducted on fixed assets, which – after deducting any directly related contributions to building costs or investment grants – led to impairment losses in the amount of €90.4m relating primarily to the Romanian wind farms, the Mellach CCGT and the Gössendorf and Kalsdorf run-of-river power plants. The main addition to property, plant and equipment related to capital expenditure for the Reißeck II/Carinthia pumped storage power plant and the Austrian transmission grid.

Equity and liabilities

Equity remained virtually unchanged from the level at 31 December 2015. Net profit or loss for the period in quarters 1–2/2016 was reduced above all by dividend distributions and negative measurement effects associated with cash flow hedges in other comprehensive income, which reduced equity.

The decline in current and non-current liabilities was primarily attributable to the unscheduled early repayment of a credit facility in addition to scheduled repayments and the repayment of current cash advances.

Cash flows

Cash flow statement (short version)

€m

	Q1-2/2015	Q1-2/2016	Change
Cash flow from operating activities	421.8	476.6	13.0%
Cash flow from investing activities	276.1	–149.6	–154.2%
Cash flow from financing activities	–683.7	–279.2	–59.2%
Change in cash and cash equivalents	14.2	47.8	236.4%
Cash and cash equivalents as at 30/6/	55.9	**77.4**	38.5%

Cash flow from operating activities

Cash flow from operating activities amounted to €476.6m in quarters 1–2/2016, an improvement of €54.8m. The increase was partly due to higher net cash inflows from the Grid segment due to the settlement of congestion management receivables in 2015. In addition, the measures already implemented from the programme to reduce costs and increase efficiency positively impacted cash flow from operating activities, as did lower interest and tax payments. Lower net cash inflows from the electricity business as a result of lower price levels had a counteracting effect.

Cash flow from investing activities

Cash flow from investing activities amounted to €–149.6m in quarters 1–2/2016 (quarters 1–2/2015: €276.1m). Cash flow from investing activities in quarters 1–2/2016 resulted mainly from cash outflow for capital expenditure for intangible assets and property, plant and equipment (€–111.1m) and cash outflow from capital expenditure for current investments (€–40.0m). The significant deviation from the previous year was primarily the result of the cash inflow (€+172.9m) from disposals of other equity interests (sale of Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S.) and consolidated subsidiaries (Haos Invest EAD) as well as cash inflow from the disposal of current investments (€260.6m) in quarters 1–2/2015.

Cash flow from financing activities

Cash flow from financing activities amounted to €–279.2m in quarters 1–2/2016, a change of €+404.5m. The main reason for the improvement was lower repayments of financial liabilities (€+471.2m) in combination with higher cash outflow associated with money market transactions (€–55.5m).

Opportunity and risk management

VERBUND incorporated restructuring and efficiency increase measures into its business model at an early stage. This has proven useful in the current highly volatile operating environment (BREXIT, ongoing financial crisis, price situation). By the end of the first half of the year, medium-term wholesale prices – which reached historic lows at the start of 2016 – had returned to the low starting point posted at the end of 2015. Irrespective thereof, the current environment does not allow for market-driven, profitable operation of thermal power plants. The partial decommissioning of these capacities is increasing the risk of wide-scale grid failures in Europe. As a result, the frequency at which critical situations are occurring and the expense for dealing with them continues to rise steadily. Additional revenue from control power and congestion management could make up for at least some of the losses from lower wholesale prices.

VERBUND will continue to systematically follow its strict cost savings policy in the current challenging environment through constant optimisation of costs for external services, personnel deployment plans and maintenance and growth capex. The establishment of new lines of business (energy services) to tap into future opportunities will also be systematically pursued. However, the current restructuring of thermal generation involves court proceedings. The primary issues here are the cessation of a long-term gas delivery contract, an adjustment to the conditions for a heat supply agreement and termination of a joint operation. In addition, the difficult economic situation is being reflected in the deterioration in VERBUND's credit rating, which could potentially lead to higher expenses.

Operating result

Potential fluctuations in the operating result relate primarily to electricity generation from hydropower, particularly because hydrological conditions cannot be controlled. Since variable costs arising from the use of hydropower are low, the medium-term forecast continues to show positive – albeit declining – contributions. The use of power plants for the provision of control power and congestion management is reflected in higher earnings volatility. Ongoing proceedings and changes in the operating environment could lead to measurement adjustments and changes in provisions.

Financial result

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

Sensitivities

All else remaining equal, a change in the factors shown below would be reflected in the planned Group result for full-year 2016 as follows (based on the hedging status as at 30 June 2016 for generation volumes and interest rates):

- +/–1% generation from hydropower plants: €+/–2.2m
- +/–1% generation from wind power: €+/–0.2m
- €+/–1/MWh wholesale electricity prices (hydropower): €+/–1.7m
- +/–1 percentage point in interest rates: €+/–2.2m

Significant transactions with related parties requiring disclosure are presented in the selected explanatory notes.

Outlook

VERBUND's income trend is significantly impacted by the following factors: ongoing developments in the energy market, the trend in wholesale electricity prices and own generation from hydropower.

Despite a slight recovery in the interim period, the downward trend in wholesale electricity prices persisted in quarter 2/2016 compared with the prior-year period due to the weak economy and continuing excess capacities. VERBUND expects electricity prices to be volatile in the second half of 2016 due to the persistently difficult market conditions resulting from the massive subsidisation of new renewable energy sources and the still-ineffective CO_2 market.

In accordance with our hedging strategy, we had already contracted for around 89% of our planned own generation from hydropower for 2016 as at 30 June 2016. The average price achieved was €30.7/MWh. For those volumes not yet hedged, we have based our planning on current market prices. The performance of own generation depends largely on the water supply. In the first half of 2016, the hydro coefficient fell 1 percent below the long-term average. On the basis of average own generation from hydropower and an average wind supply, we expect EBITDA for financial year 2016 to amount to approximately €840m and the Group result to approximately €270m. The planned payout ratio for 2016 will amount to around 30% of the Group result of approximately €290m after adjustment for non-recurring effects.

Segment report

Renewable generation segment

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

KPIs – Renewable generation segment

	Unit	Q1-2/2015	**Q1-2/2016**	Change
Total revenue	€m	592.0	**462.4**	–21.9%
EBITDA	€m	345.2	**270.3**	–21.7%
Result from interests accounted for using the equity method	€m	0.5	**0.3**	–44.5%
Capital employed	€m	6,924.1	**6,757.1**	–2.4%

Current information on the Renewable generation segment

At the Reißeck II pumped storage power plant in Carinthia, the repair work on the headwater channel, on a 600m section of the pressure tunnel and in the lower chamber of the Schoberboden surge chamber has now been completed. The pressure test conducted at mid-level was successful, thus confirming the approach taken. Wet commissioning of the two generator sets commenced at the end of May 2016 and will continue until autumn 2016.

As planned, VERBUND is gradually assuming responsibility for the maintenance of its older wind farms. Since 30 June, the Hollern and Petronell-Carnuntum wind power plants and the Bruck/Leitha wind farm have been serviced by VERBUND itself. Thus 25 wind power plants are currently being serviced by VERBUND employees, who undertake the repairs in the event of malfunctions and subsequently put the plants back into operation. Experience gained in the past twelve months shows that in addition to lowering service costs, this enables further optimisations in the availability of energy from wind turbines due to the possibility of carrying out maintenance at times when there is little wind.

Sales segment

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

KPIs – Sales segment

	Unit	Q1-2/2015	**Q1-2/2016**	Change
Total revenue	€m	1,088.3	1,161.7	6.7%
EBITDA	€m	47.6	71.9	51.1%
Result from interests accounted for using the equity method	€m	0.0	0.0	–
Capital employed	€m	432.7	338.6	–21.7%

Current information on the Sales segment

VERBUND's trading activities currently focus on continuing to expand the portfolio of innovative green electricity and flexible products as well as energy services, on the direct marketing of renewable energy (especially wind power and small-scale hydropower) and on taking advantage of short-term market opportunities.

VERBUND's comprehensive portfolio of products and services is adapted continuously to meet changing market requirements. The products and services included in our portfolio range from plant use optimisation and market access to flexible marketing and hedging offers, as well as forecasting and regulatory services. One particularly important area involves innovative products designed to meet individual customer requirements. Examples of this include green electricity products, virtual power plants and the direct marketing of renewable energy which, as the new growth areas, are the focal point of VERBUND's activities.

The energy market is changing constantly and is becoming more dynamic. In particular, short-term electricity trading is gaining in significance with the integration of European electricity markets and the rise in the proportion of renewable energy in the total electricity market. Thus the marketing of flexibility options for VERBUND's own plants as well as for customers in the areas of generation management (e.g. with the aid of virtual power plants and demand side management), balancing energy optimisation, intraday trading and balancing reserve marketing is both a challenge while at the same being the central task of electricity/energy trading.

Grid segment

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

KPIs – Grid segment

	Unit	Q1-2/2015	**Q1-2/2016**	Change
Total revenue	€m	402.4	**340.3**	–15.4%
EBITDA	€m	151.6	**128.2**	–15.4%
Result from interests accounted for using the equity method	€m	0.0	**0.1**	–
Capital employed	€m	1,045.0	**1,204.9**	15.3%

Current information on the Grid segment

Security of supply and congestion management

In quarter 2/2016, it was again necessary to intervene in power plant operations at times in order to maintain the security of supply in the APG control area. Extensive action was also needed at Austrian power plants in order to handle congestion outside of the APG grid, particularly in Poland and Germany. This involved taking recourse to the reserve grid power plants contracted, which were an important component in maintaining the security of supply.

Tariff regulation

The tariff review process was initiated in February 2016. APG's primary goal when conducting the tariff review continues to be to secure a return on capital employed.

380-kV Salzburg line: EIA approval procedure

The environmental impact assessment (EIA) undertaken for the "380-kV Salzburg line" project resulted in an approval from the local Salzburg authorities in the administrative proceedings. In the legislative proceedings, the Federal Administrative Court in Vienna (Bundesverwaltungsgericht, BVwG) gave the parties the opportunity to comment on the objections filed against the approval granted by the local Salzburg authorities. APG was the only party to respond to the objections during the period for comment.

380-kV line from St. Peter to the Austrian border: approval notice takes legal effect

The approval procedure for the 380-kv line from St. Peter to the Austrian border was successfully finalised when the first-instance approval notice from the EIA authority in Upper Austria took legal effect. On the German side of the border, a key milestone was reached upon conclusion of the regional planning procedure for the approximately 66-km long section from Altheim to St. Peter.

New construction of Weinviertel line replacement: preparation of environmental impact statement

As regards APG Weinviertel line project initiated in 2015, the planning of the detailed line route was completed in quarter 2/2016 and preparation of the extensive environmental impact statement (EIS) is on schedule. VERBUND plans to submit the EIS in August 2016.

220 kV St. Peter–Hausruck–Ernsthofen line: general overhaul

APG submitted plans for a general overhaul of the existing 220 kV St. Peter–Hausruck–Ernsthofen line to the federal ministry responsible for approval in quarter 2/2016 in accordance with the Electric Power Lines Act (Starkstromwegegesetz, StWG).

All other segments

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

KPIs – All other segments

	Unit	Q1-2/2015	**Q1-2/2016**	Change
Total revenue	€m	102.3	83.4	–18.4%
EBITDA	€m	–29.2	–6.5	–
Result from interests accounted for using the equity method	€m	16.2	19.6	20.6%
Capital employed	€m	354.6	216.9	–38.8%

Current information on the Energy services segment

Marketing verbund's energy services products

VERBUND subjected its secondary control power pool to a suitability test in quarter 2/2016 prior to launching it. At the Solar Day event sponsored by the VERBUND-Solavolta joint venture, the Eco packages (photovoltaics, heat pumps, storage systems, Wallbox and Smart Home), which also include the Tesla Power Wall, were introduced to a large group of interested persons (approx. 1,000 attendees). The marketing of VERBUND-Eco-Home product has begun via wholesale electrical supply establishments. VERBUND personnel are concurrently offering sales training all over Austria. Additional revenue potential is being leveraged by cooperating with other sales partners who are marketing Eco-Home as a white label product. Moreover, an energy savings contracting project with a municipal wastewater treatment operator was successfully completed in quarter 2/2016.

New projects in the field of innovation

In quarter 2/2016, VERBUND submitted applications for EU subsidisation of a number of projects with international partners. These included the H2Future project (submitted to Horizon2020), the goal of which is to construct a hydrogen demonstration facility. Funding for another two projects aimed at developing data services for electromobility and expanding the electric car high-performance charging network infrastructure of SMATRICS, a VERBUND subsidiary, was applied for with the Connecting Europe Facility. VERBUND also initiated internal projects in quarter 2/2016 designed to support the ongoing development of smart home solutions. Additional projects were launched in the area of energy management for the purpose of developing an integrated control and data management system for heavy-use industrial customers.

VERBUND GETEC, SMATRICS and Solavolta

The VERBUND-Solavolta joint venture doubled sales of large-scale photovoltaics compared with the previous year. VERBUND GETEC Energiecontracting GmbH is set to implement another district heating project. SMATRICS is planning an agreement on e-roaming in Germany together with Allego GmbH that would enable SMATRICS customers to use charging stations in other countries in addition to the biggest network of charging stations in Austria.

Current information on the Thermal generation segment

VERBUND is currently evaluating all the options for the Mellach power plants site, including holding sales negotiations with potential investors. VERBUND is striving for a long-term solution for the Mellach site as well as to ensure a sustainable and secure supply of district heating for the Graz metropolitan area.

Current information on the Services segment

VERBUND Services GmbH continued to implement measures to further increase efficiency in quarter 2/2016. These included reviewing outsourcing potential and options for increasing efficiency by further digitalising business processes. VERBUND's highly integrated SAP architecture already allows for a number of digital business processes, such as the automation of intercompany transfer pricing, business-to-business procurement and employee self-service functions involving approval workflows (e.g. in connection with travel, absences, etc.)

Current information on the Equity interests segment

KELAG – Kärntner Elektrizitäts-Aktiengesellschaft

KELAG, which is accounted for using the equity method, reported earnings of €21.0m in quarters 1–2/2016 (quarters 1–2/2015: €16.6m). Despite the uncertain market environment, KELAG is expected to continue to report stable performance in financial year 2016.

Events after the reporting date

There were no events requiring disclosure between the reporting date of 30 June 2016 and authorisation for issue on 26 July 2016.

Consolidated interim financial statements

of VERBUND

Income statement

€m

In accordance with IFRSs	Notes	Q1–2/2015	Q1–2/2016	Q2/2015	Q2/2016
Revenue		1,405.4	**1,460.7**	678.2	**654.4**
Electricity revenue	1	1,093.9	1,169.0	514.5	559.0
Grid revenue	2	239.6	199.0	133.0	81.4
Other revenue		72.0	92.6	30.8	14.0
Other operating income		31.5	24.9	17.2	13.9
Expenses for electricity, grid, gas and certificate purchases	3	–624.2	–738.5	–260.0	–285.9
Fuel expenses and other usage-dependent expenses	4	–57.3	–35.2	–20.0	–6.7
Personnel expenses	5	–165.7	–163.3	–85.5	–85.4
Other operating expenses		–100.6	–98.4	–58.7	–53.7
EBITDA		489.1	**450.2**	271.3	**236.6**
Amortisation of intangible assets and depreciation of property, plant and equipment		–185.4	–169.0	–91.4	–84.9
Impairment losses[1]	6	0.0	–90.4	0.0	–90.3
Operating result		303.7	**190.8**	179.9	**61.4**
Result from interests accounted for using the equity method	7	16.7	19.9	13.3	12.6
Other result from equity interests		4.8	2.8	0.7	1.4
Interest income	8	15.9	15.6	7.6	7.5
Interest expenses	9	–82.1	–66.0	–38.3	–32.7
Other financial result	10	12.5	21.6	13.6	20.0
Reversals of impairment losses	11	0.0	0.7	0.0	0.7
Financial result		–32.2	**–5.5**	–3.2	**9.4**
Profit before tax		271.4	**185.3**	176.7	**70.8**
Taxes on income	12	–51.0	–16.1	–29.1	8.9
Profit for the period		220.4	**169.2**	147.6	**79.7**
Attributable to the shareholders of VERBUND AG (Group result)		196.3	153.9	132.9	71.5
Attributable to non-controlling interests		24.1	15.3	14.7	8.2
Earnings per share in €[2]		0.57	**0.44**	0.38	**0.21**

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

Statement of comprehensive income

€m

In accordance with IFRSs	Notes	Q1–2/2015	Q1–2/2016	Q2/2015	Q2/2016
Profit for the period		220.4	**169.2**	147.6	**79.7**
Remeasurements of net defined benefit liability	13	–41.7	1.8	–42.4	1.6
Other comprehensive income from interests accounted for using the equity method		–4.1	1.4	0.0	0.0
Total of items that will not be reclassified subsequently to the income statement		–45.8	**3.2**	–42.3	**1.6**
Differences from currency translation		0.0	0.0	0.3	0.3
Measurements of available-for-sale financial instruments		2.6	0.7	–3.0	0.8
Measurements of cash flow hedges		4.8	–38.0	0.5	–128.5
Other comprehensive income from interests accounted for using the equity method		–0.1	0.5	0.0	0.3
Total of items that will be reclassified subsequently to the income statement		7.3	**–36.8**	–2.3	**–127.1**
Other comprehensive income before tax		–38.5	**–33.5**	–44.6	**–125.5**
Taxes on income relating to items that will not be reclassified subsequently to the income statement		10.6	–0.5	10.8	–0.2
Taxes on income relating to items that will be reclassified subsequently to the income statement		–1.8	9.3	0.5	31.9
Other comprehensive income after tax		–29.6	**–24.7**	–33.3	**–93.7**
Total comprehensive income for the period		190.8	**144.5**	114.3	**–14.0**
Attributable to the shareholders of VERBUND AG		169.8	129.2	103.1	–22.2
Attributable to non-controlling interests		21.0	15.3	11.2	8.3

Balance sheet

€m

In accordance with IFRSs	Notes	31/12/2015	**30/6/2016**
Non-current assets		11,085.0	**10,932.6**
Intangible assets		804.7	806.9
Property, plant and equipment		9,201.9	9,046.0
Interests accounted for using the equity method		267.8	275.8
Other equity interests	15	115.6	108.8
Investments and other receivables	15	695.0	695.0
Current assets		678.0	**672.9**
Inventories	14	19.1	12.5
Trade receivables and other receivables	15	630.0	583.0
Cash and cash equivalents	15	28.9	77.4
Total assets		11,763.0	**11,605.5**

€m

In accordance with IFRSs	Notes	31/12/2015	**30/6/2016**
Equity		5,433.3	**5,404.7**
Attributable to the shareholders of VERBUND AG		4,859.6	4,858.4
Attributable to non-controlling interests		573.7	546.3
Non-current liabilities		5,349.8	**5,029.9**
Financial liabilities	15	2,744.1	2,418.8
Provisions		868.1	865.2
Deferred tax liabilities		549.5	585.0
Contributions to building costs and grants		748.1	748.4
Deferred income – cross-border leasing		48.8	48.0
Other liabilities	15	391.1	364.5
Current liabilities		979.9	**1,170.9**
Financial liabilities	15	385.4	610.9
Provisions		126.9	135.3
Current tax liabilities		30.0	73.2
Trade payables and other liabilities	15	437.6	351.5
Total liabilities		11,763.0	**11,605.5**

Statement of changes in equity

In accordance with IFRSs	Share capital	Capital reserves	Retained earnings	Remeasure-ments of net defined benefit liability
Notes				13
As at 1/1/2015	347.4	954.3	3,652.2	–254.2
Profit for the period	–	–	196.3	–
Other comprehensive income	–	–	–	–31.0
Total comprehensive income for the period	–	–	196.3	–31.0
Shifts between shareholder groups	–	–	4.9	0.0
Dividends	–	–	–100.8	–
Other changes in equity	–	–	0.0	0.0
As at 30/6/2015	347.4	954.3	3,752.7	–285.2
As at 1/1/2016	**347.4**	**954.3**	**3,776.3**	**–259.1**
Profit for the period	–	–	153.9	–
Other comprehensive income	–	–	0.2	2.4
Total comprehensive income for the period	**–**	**–**	**154.2**	**2.4**
Changes in the basis of consolidation	–	–	–7.2	0.1
Shifts between shareholder groups	–	–	–1.7	0.0
Dividends	–	–	–121.6	–
Other changes in equity	–	–	–0.6	0.0
As at 30/6/2016	**347.4**	**954.3**	**3,799.5**	**–256.6**

€m

	Difference from currency translation	Measurements of available-for-sale financial instruments	Measurements of cash flow hedges	Other components of other comprehensive income	Equity attributable to the shareholders of VERBUND AG	Equity attributable to non-controlling interests	Total equity
	–2.8	24.2	–29.4	–2.7	4,689.1	591.4	5,280.5
	–	–	–	–	196.3	24.1	220.4
	–0.1	1.9	3.6	–0.9	–26.5	–3.1	–29.6
	–0.1	1.9	3.6	–0.9	169.8	21.0	190.8
	0.0	0.0	0.0	0.0	4.9	0.0	4.9
	–	–	–	–	–100.8	–57.9	–158.6
	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	–2.9	26.1	–25.8	–3.6	4,763.0	554.5	5,317.5
	–2.8	**23.8**	**20.4**	**–0.8**	**4,859.6**	**573.7**	**5,433.3**
	–	–	–	–	153.9	15.3	169.2
	0.2	0.5	–28.4	0.2	–24.8	0.1	–24.7
	0.2	**0.5**	**–28.4**	**0.2**	**129.2**	**15.3**	**144.5**
	0.0	0.0	0.0	0.0	–7.0	–0.2	–7.2
	0.0	0.0	0.0	0.0	–1.7	0.8	–0.9
	–	–	–	–	–121.6	–43.4	–165.0
	0.0	0.0	0.0	0.6	0.0	0.0	0.0
	–2.6	**24.4**	**–8.0**	**0.0**	**4,858.4**	**546.3**	**5,404.7**

Cash flow statement

€m

In accordance with IFRSs	Notes	Q1–2/2015	Q1–2/2016
Profit for the period		220.4	169.2
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		185.4	260.8
Impairment losses on investments (net of reversals of impairment losses)		1.9	1.0
Result from interests accounted for using the equity method (net of dividends received)		–2.7	–19.8
Result from the disposal of non-current assets		–4.7	0.0
Change in non-current provisions and deferred tax liabilities		26.9	45.4
Change in contributions to building costs and grants		5.2	–1.2
Income from the reversal of deferred income from cross-border leasing transactions		–0.8	–0.8
Other non-cash expenses and income		17.9	–15.5
Subtotal		449.5	**439.0**
Change in inventories		26.8	6.5
Change in trade receivables and other receivables		36.1	97.4
Change in trade payables and other liabilities		–92.2	–117.9
Change in current provisions and current tax liabilities		1.4	51.5
Cash flow from operating activities[1]		421.8	**476.6**

[1] Cash flow from operating activities includes income taxes paid of €17.1m (quarter 1–2/2015: €32.7m), interest paid of €37.1m (quarter 1–2/2015: €67.3m), interest received of €15.4m (quarter 1–2/2015: €15.8m) and dividends received of €6.8m (quarter 1–2/2015: €21.3m).

€m

In accordance with IFRSs	Notes	Q1–2/2015	Q1–2/2016
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		– 132.4	– 111.1
Cash inflow from the disposal of intangible assets and property, plant and equipment		9.0	0.3
Cash outflow from capital expenditure for investments		– 27.2	– 0.1
Cash inflow from the disposal of investments		1.0	2.3
Cash outflow from capital expenditure for interests accounted for using the equity method and other equity interests		– 7.7	– 0.9
Cash inflow from the disposal of subsidiaries and interests accounted for using the equity method and other equity interests		172.9	0.0
Cash outflow from capital expenditure for current investments		0.0	– 40.0
Cash inflow from the disposal of current investments		260.6	0.0
Cash flow from investing activities		276.1	**– 149.6**
Cash inflow from shifts between shareholder groups		4.9	0.0
Cash inflow from money market transactions		35.0	0.0
Cash outflow from money market transactions		0.0	– 20.5
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		– 564.9	– 93.7
Dividends paid		– 158.6	– 165.0
Cash flow from financing activities		– 683.7	**– 279.2**
Change in cash and cash equivalents		14.2	**47.8**
Cash and cash equivalents as at 1/1/		41.7	**28.9**
Change in cash and cash equivalents		14.2	47.8
Changes in the basis of consolidation		0.0	0.7
Cash and cash equivalents as at 30/6/		55.9	**77.4**

Selected explanatory notes

Financial reporting principles

Basic principles

These consolidated interim financial statements of VERBUND as at 30 June 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial statements as adopted by the European Union.

The condensed format of VERBUND's consolidated interim financial statements is consistent with IAS 34 "Interim Financial Reporting"; for further information and disclosures please refer to VERBUND's consolidated financial statements as at 31 December 2015, which form the basis for these consolidated interim financial statements of VERBUND.

Basis of consolidation

The equity interest in SMATRICS GmbH & Co KG, which was previously unconsolidated due to immateriality, was consolidated effective 1 January 2016. At the same time, the previously consolidated equity interests in VERBUND Umwelttechnik GmbH and VERBUND Tourismus GmbH were deconsolidated due to immateriality. The effects of these changes in the basis of consolidation are presented as "Changes in the basis of consolidation" in the statement of changes in equity.

Accounting policies

With the exception of the new IASB accounting standards described below, the same accounting policies were applied in these consolidated interim financial statements of VERBUND as in VERBUND's consolidated financial statements as at 31 December 2015.

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

New accounting standards

Newly applicable or applied accounting standards

Standard or interpretation		Published by the IASB (endorsed by the EU)	Mandatory application for VERBUND	Material effects on the consolidated interim financial statements of VERBUND
IAS 1	IAS 1 Amendments: Disclosure Initiative	18/12/2014 (18/12/2015)	1/1/2016	None
IAS 16 IAS 41	Amendments: Bearer Plants	30/6/2014 (23/11/2015)	1/1/2016	None
IAS 16 IAS 38	Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation	12/5/2014 (2/12/2015)	1/1/2016	None
IAS 19	Amendments: Defined Benefit Plans: Employee Contributions	21/11/2013 (17/12/2014)	1/1/2016	None
IAS 27	IAS 27 Amendments: Equity Method in Separate Financial Statements	12/8/2014 (18/12/2015)	1/1/2016	None

Newly applicable or applied accounting standards

Standard or interpretation		Published by the IASB (endorsed by the EU)	Mandatory application for VERBUND	Material effects on the consolidated interim financial statements of VERBUND
IFRS 11	Amendments: Accounting for Acquisitions of Interests in Joint Operations	6/5/2014 (24/11/2015)	1/1/2016	None
Various	Annual Improvements to IFRSs 2012–2014 Cycle	25/9/2014 (15/12/2015)	1/1/2016	None

Segment reporting

Group management was substantially restructured as part of the internal “Controlling Excellence” project. Since quarter 1/2016, segment performance has primarily been measured for internal purposes based on EBITDA. In addition, since quarter 1/2016, the Group Executive Board has been measuring performance at the level of the Renewable generation, Sales, Grid, Energy services, Thermal generation, Services and Equity interests segments.

Hydropower, wind and photovoltaic generation technologies are brought together under the Renewable generation segment. The Sales segment comprises all trading and sales activities, and the Grid segment comprises all activities of Austrian Power Grid (APG). The new services for the electricity market of the future (e.g. convenience services, energy optimisation and electromobility) are reported under the Energy services segment. Electricity and heat generation from coal and gas are reported under the Thermal generation segment. The primarily intra-Group business activities of VERBUND Services GmbH are reported under the Services segment. Interests accounted for using the equity method which have not been allocated to any other segment are reported under the Equity interests segment. This currently only comprises the equity interest in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.

The Energy services, Thermal generation, Services and Equity interests segments have been combined in the “All other segments” category in the segment reporting below because they fall below the quantitative thresholds. The “Reconciliation/consolidation” column includes the activities of VERBUND AG and VERBUND Finanzierungsservice GmbH as well as unconsolidated equity interests that have not been allocated to a segment and consolidations which must be carried out at Group level.

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

In the past, goodwill in the amount of €300.0m was allocated to the Energy segment. The restructuring of Group management resulted in this goodwill having to be allocated to the new segments. The reallocation was carried out on the basis of the relative carrying amounts before the restructuring of Group management. Since the previous Energy segment was essentially split into the Renewable generation and Sales segments, goodwill in the amount of €287.0m was allocated to the Renewable generation segment and goodwill of €13.0m to the Sales segment.

Segment information from the previous year has been adjusted to reflect this revised segment structure.

€m

	Renewable generation	Sales	Grid	All other segments	Reconciliation/ consolidation	Total Group
Q1–2/2016						
External revenue	68.1	1,082.6	295.4	12.0	2.6	1,460.7
Internal revenue	394.3	79.1	44.9	71.5	−589.8	0.0
Total revenue	462.4	1,161.7	340.3	83.4	−587.1	1,460.7
EBITDA	**270.3**	**71.9**	**128.2**	**−6.5**	**−13.8**	**450.2**
Depreciation and amortisation	−126.4	−0.9	−36.5	−4.9	−0.4	−169.0
Effects from impairment tests (operating result)	−74.9	0.0	0.0	−15.5	0.0	−90.4
Other material non-cash items	50.9	0.2	5.8	−3.3	1.0	54.5
Result from interests accounted for using the equity method	0.3	0.0	0.1	19.6	0.0	19.9
Effects from impairment tests (financial result)	0.7	0.0	0.0	0.0	0.0	0.7
Capital employed	**6,757.1**	**338.6**	**1,204.9**	**216.9**	**172.3**	**8,689.8**
of which carrying amount of interests accounted for using the equity method	2.5	0.0	1.3	272.1	0.0	275.8
Additions to intangible assets and property, plant and equipment	57.7	0.1	46.5	1.8	0.4	106.4
Additions to interests accounted for using the equity method	0.0	0.0	0.0	0.8	0.0	0.8

€m

	Renewable generation	Sales	Grid	All other segments	Recon-ciliation/ consoli-dation	Total Group
Q1–2/2015						
External revenue	65.0	988.1	335.6	13.7	3.0	1,405.4
Internal revenue	526.9	100.2	66.8	88.6	–782.6	0.0
Total revenue	592.0	1,088.3	402.4	102.3	–779.6	1,405.4
EBITDA	**345.2**	**47.6**	**151.6**	**–29.2**	**–26.2**	**489.1**
Depreciation and amortisation	–142.2	–0.7	–36.3	–5.7	–0.4	–185.4
Effects from impairment test (operating result)	0.0	0.0	0.0	0.0	0.0	0.0
Other material non-cash items	33.1	–28.7	61.9	11.3	–29.1	48.5
Result from interests accounted for using the equity method	0.5	0.0	0.0	16.2	0.0	16.7
Capital employed	**6,924.1**	**432.7**	**1,045.0**	**354.6**	**–59.5**	**8,697.0**
of which carrying amount of interests accounted for using the equity method	2.3	0.0	1.4	255.3	0.0	259.0
Additions to intangible assets and property, plant and equipment	73.9	0.0	28.1	1.4	0.4	103.9
Additions to interests accounted for using the equity method	0.0	0.0	0.0	0.7	0.0	0.7

Notes to the income statement

(1) Electricity revenue

Electricity revenue by customer area

€m

	Q1–2/2015 Domestic	**Q1–2/2016 Domestic**	Change	Q1–2/2015 Foreign	**Q1–2/2016 Foreign**	Change
Electricity deliveries to traders	25.5	**34.9**	37%	396.0	**292.2**	–26%
Electricity deliveries to resellers	288.0	**282.4**	–2%	92.8	**194.5**	110%
Electricity deliveries to consumers	195.8	**177.5**	–9%	95.8	**187.5**	96%
Electricity revenue by customer area[1]	509.3	**494.8**	–3%	584.6	**674.2**	15%

[1] To present business performance more accurately, revenue from energy trading is shown as a net amount, i.e. amounts realised and measured are each presented net of expenses. Without this net presentation, electricity revenue (and expenses for the purchase of electricity) would have been €655.3m higher in quarters 1–2/2016 (quarters 1– 2/2015: €846.2m).

(2) Grid revenue

Grid revenue by customer area

€m

	Q1–2/2015 Domestic	Q1–2/2016 Domestic	Change	Q1–2/2015 Foreign	Q1–2/2016 Foreign	Change
Electric power companies	145.8	123.4	–15.4%	0.0	0.0	n.a.
Industrial clients	10.7	8.8	–18.3%	0.0	0.0	n.a.
Other	41.1	23.8	–42.1%	41.9	43.1	2.9%
Grid revenue	197.7	**155.9**	–21.1%	41.9	**43.1**	2.8%

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

Expenses for electricity, grid, gas and certificate purchases

€m

	Q1–2/2015	Q1–2/2016	Change
Expenses for electricity purchases (including control power)	479.8	548.8	14.4%
Expenses for grid purchases (system use)	87.9	119.7	36.2%
Expenses for gas purchases[1]	56.0	67.7	20.8%
Purchases of emission rights (trade)	0.1	0.1	–6.7%
Purchases of proof of origin and green certificates	0.4	2.2	n.a.
Expenses for electricity, grid, gas and certificate purchases	624.2	**738.5**	18.3%

[1] VERBUND and EconGas GmbH have entered into a long-term natural gas supply agreement which, as a consequence of its management, had to be cassified as a freestanding derivative and recognised at fair value through profit or loss (see: (15) Additional disclosures regarding financial instruments). In quarters 1–2/2016, the resulting impact on profit or loss amounted to €– 9.8m (quarters 1–2/2015: €–17.7m).

(4) Fuel expenses and other usage-dependent expenses

Fuel expenses and other usage-dependent expenses

€m

	Q1–2/2015	Q1–2/2016	Change
Fuel expenses	42.4	23.3	–45.0%
Emission rights acquired in exchange for consideration	6.6	4.2	–36.7%
Other usage-dependent expenses	8.3	7.7	–8.0%
Fuel expenses and other usage-dependent expenses	57.3	**35.2**	–38.6%

(5) Personnel expenses

Personnel expenses

€m

	Q1–2/2015	Q1–2/2016	Change
Wages and salaries	129.9	124.0	–4.6%
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	30.3	28.7	–5.4%
Other social expenses	1.8	1.8	–0.8%
Subtotal	162.0	**154.5**	–4.7%
Expenses for termination benefits	2.9	2.5	–14.0%
Expenses for pensions and similar obligations	0.8	6.3	n.a.
Personnel expenses	165.7	**163.3**	–1.5%

(6) Impairment losses

Impairment losses

€m

	Q1–2/2015	Q1–2/2016	Change
Romanian wind farms	0.0	57.2	n.a.
Gössendorf and Kalsdorf run-of-river power plants	0.0	17.6	n.a.
Change in deferred grants for the Gössendorf and Kalsdorf run-of-river power plants	0.0	–1.0	n.a.
Mellach combined cycle gas turbine power plant	0.0	15.9	n.a.
Change in deferred grants for the Mellach combined cycle gas turbine power plant	0.0	–0.4	n.a.
Other	0.0	1.2	n.a.
Impairment losses	0.0	**90.4**	n.a.

Impairment test – Romanian wind farms

	30/6/2016[1]
Cash-generating unit	Alpha, CAS and Ventus wind farms on the Romanian Black Sea coast (installed capacity: 81, 76 and 69 MW)
Indications of impairment	Updated electricity price forecasts and estimate of output as well as revised estimate with respect to the sales potential of Romanian green electricity certificates
Basis for recoverable amount	Fair value (level 3) less costs of disposal
Valuation technique	Net present value approach (DCF method)
Derivation of cash flow	Budgets of Alpha Wind S.R.L., CAS Regenerabile S.R.L. and Ventus Renew Romania S.R.L. (based primarily on near-market data)
Volume	Annually expected electricity generation volumes[2] of Alpha (174 GWh), CAS (164 GWh) and Ventus (139 GWh) and expected opportunities for selling Romanian green electricity certificates
Pricing	External price forecasts[3]; estimates of maintenance costs based on existing maintenance agreements
Planning period	Detailed planning phase: 6 years, after which rough planning phase until end of useful life in 2038
Key valuation assumptions	Price forecasts for electricity and green electricity certificates, annually expected electricity generation volumes and opportunity to sell Romanian green electricity certificates, discount rate
Discount rate	WACC after taxes: 8.00%
Recoverable amount	Alpha: €34.1m; CAS: €37.4m; Ventus: €36.8m
Impairment losses for the period[2]	Alpha: €–18.7m; CAS: €–15.8m; Ventus: €–22.7m

[1] As at 31 December 2015, no indications of impairment were identified. The last impairment test, which led to the recognition of an impairment loss for the Ventus wind farm in the amount of €5.3m, was conducted on 30 September 2015. // [2] On 30 June 2016, the generation volume of the Romanian wind farms was evaluated on the basis of now available historical figures (years 2013–2015). As a consequence of this evaluation, since 30 June 2016 the presumed generation volume for the next few years is 174 GWh instead of 198 GWh (Alpha), 164 GWh instead of 184 GWh (CAS) and 139 GWh instead of 168 GWh (Ventus). Without this change in the estimate, the recoverable amount for the Romanian wind farms would be €11.2m (Alpha), €9.6m (CAS) and €13.6m (Ventus) higher as at 30 June 2016. // [3] The impairment tests on 30 June 2016 were based on the price forecasts of two reputable information service providers in the energy market. In contrast to previous valuations, the tests applied the low case in the price forecasts of one of the two information service providers (previously: central case). The estimate was revised due to the lower price quotations in recent years on stock markets and the resulting lower expectations with respect to the long-term development of electricity prices. Without this change in the estimate, the recoverable amount for the Romanian wind farms would be €27.6m (Alpha), €25.8m (CAS) and €22.3m (Ventus) higher as at 30 June 2016.

Impairment tests – Gössendorf and Kalsdorf run-of-river power plants

	30/6/2016[1]
Cash-generating unit	Each of the two Austrian run-of-river power plants represents a separate cash-generating unit
Indications of impairment	Updated electricity price forecasts
Basis for recoverable amount	Fair value (level 3) less costs of disposal
Valuation technique	Net present value approach (DCF method)
Derivation of cash flow	VERBUND Hydro Power GmbH's budgets (based primarily on near-market data)
Volume	Annual output corresponding to the mean energy capability of 89 GWh (Gössendorf) and 81 GWh (Kalsdorf)
Pricing	External price forecasts[2]; discounts for generation characteristics and hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin derived from quoted prices; estimate of maintenance costs by managers responsible
Planning period	Detailed planning phase: 6 years, rough planning phase: 94 years (long-term reinvestment, repair and maintenance cycles for hydropower plants)
Key valuation assumptions	Electricity price, discount rate
Discount rate	WACC after taxes: 5.25%
Recoverable amount	Gössendorf: €25.6m Kalsdorf: €24.3m
Impairment losses for the period[3]	Gössendorf: €–8.2m Kalsdorf: €–9.3m

[1] As at 31 December 2015, no indications of impairment were identified. // [2] The impairment tests on 30 June 2016 were based on the price forecasts of two reputable information service providers in the energy market. In contrast to previous valuations, the tests applied the low case in the price forecasts of one of the two information service providers (previously: central case). The estimate was revised due to the lower price quotations in recent years on stock markets and the resulting lower expectations with respect to the long-term development of electricity prices. Without this change in the estimate, the recoverable amount for the run-of-river power plants would be €14.0m (Gössendorf) and €12.8m (Kalsdorf) higher as at 30 June 2016. // [3] The impairment loss was reduced by the change in accrued contributions to building costs.

Impairment test – Mellach combined cycle gas turbine power plant

	31/12/2015	**30/6/2016**
Cash-generating unit	Combined cycle gas turbine power plant (installed electrical capacity: 848 MW)	Combined cycle gas turbine power plant (installed electrical capacity: 848 MW)
Indications of impairment	Updated electricity and/or gas price forecasts and updated discount rate	Updated electricity and/or gas price forecasts
Basis for recoverable amount	Fair value (level 3) less costs of disposal	Fair value (level 3) less costs of disposal
Valuation technique	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	VERBUND Thermal Power GmbH & Co KG in Liqu. budgets (based mainly on near-market data)	VERBUND Thermal Power GmbH & Co KG in Liqu. budgets (based mainly on near-market data)
Volume	Optimisation model with primary inputs: installed capacity, heat extraction (maximum 400 MW) and efficiency at full capacity (58.8%)	Optimisation model with primary inputs: installed capacity, heat extraction (maximum 400 MW) and efficiency at full capacity (58.8%)
Pricing	External price forecasts; temporarily expected revenue from the strategic grid reserve, congestion management, redispatch, estimates of operating, maintenance and decommissioning costs by managers responsible	External price forecasts[1]; temporarily expected revenue from the strategic grid reserve, congestion management, redispatch, estimates of operating, maintenance and decommissioning costs by managers responsible
Planning period	Total capacity averaging around 100,000 equivalent operating hours or until 2040 (depending on which occurs first)	Total capacity averaging around 100,000 equivalent operating hours or until 2040 (depending on which occurs first)
Key valuation assumptions	Development of clean spark spreads, discount rate, temporarily expected revenue from congestion management and redispatch	Development of clean spark spreads, discount rate, temporarily expected revenue from congestion management and redispatch
Discount rate	WACC after taxes: 5.25%	WACC after taxes: 5.25%
Recoverable amount	€40.4m	€25.4m
Impairment losses in the period[2]	€– 115.6m	€– 15.9m

[1] The impairment tests on 30 June 2016 were based on the price forecasts of two reputable information service providers in the energy market. In contrast to previous valuations, the tests applied the low case in the price forecasts of one of the two information service providers (previously: central case). The estimate was revised due to the lower price quotations in recent years on stock markets and the resulting lower expectations with respect to the long-term development of electricity prices. Without this change in the estimate, the recoverable amount of the Mellach combined cycle gas turbine power plant would be €41.6m higher as at 30 June 2016. // [2] The impairment loss was reduced by the amount of change in deferred government grants. An impairment loss of €59.9m had been recognised in the previous year on 30 September 2015 (indication of impairment: updated electricity and gas price forecasts, strategic grid reserve premium for Germany and the current discount rate). As of 31 December 2015, the impairment recognised during the year increased to €115.6m.

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

Result from interests accounted for using the equity method

€m

	Q1–2/2015 Domestic	**Q1–2/2016 Domestic**	Change	Q1–2/2015 Foreign	**Q1–2/2016 Foreign**	Change
Income or expenses	16.6	**20.8**	25.8%	0.2	**–0.9**	n.a.

(8)
Interest income

Interest income

€m

	Q1–2/2015	**Q1–2/2016**	Change
Interest from investments under closed items on the balance sheet	14.2	14.4	1.4%
Interest from money market transactions	0.6	0.1	–85.2%
Other interest and similar income	1.1	1.1	1.7%
Interest income	15.9	**15.6**	–13.8%

(9)
Interest expenses

Interest expenses

€m

	Q1–2/2015	**Q1–2/2016**	Change
Interest on bonds	36.4	25.1	–31.0%
Interest on financial liabilities under closed items on the balance sheet	14.2	14.4	1.4%
Interest on bank loans	15.8	10.8	–31.9%
Interest on other liabilities from electricity supply commitments	8.8	8.6	–2.1%
Net interest expense on personnel-related liabilities	7.9	7.7	–2.6%
Interest on a share redemption obligation	3.2	3.6	12.0%
Interest on other non-current provisions	0.6	0.4	–35.6%
Profit or loss attributable to limited partners	0.1	–0.1	n.a.
Borrowing costs capitalised in accordance with IAS 23	–9.2	–7.8	15.1%
Other interest and similar expenses	4.3	3.4	–21.7%
Interest expenses	82.1	**66.0**	–19.6%

(10)
Other financial result

Other financial result

€m

	Q1–2/2015	**Q1–2/2016**	Change
Measurement of an obligation to return an interest[1]	6.5	33.4	n.a.
Income from securities and loans	1.3	1.3	1.0%
Foreign exchange gains	0.5	0.1	–84.5%
Foreign exchange losses	–3.0	–0.1	97.5%
Measurement of derivatives in the finance area	3.4	–3.9	n.a.
Measurement of long position: Gemeinschaftskraftwerk Inn GmbH[2]	4.1	–5.0	n.a.
Other	–0.3	–4.2	n.a.
Other financial result	12.5	**21.6**	139.6%

[1] The valuation on 30 June 2016 was based on the price forecasts of two reputable information service providers in the energy market. In contrast to previous valuations, the tests applied the low case in the price forecasts of one of the two information service providers (previously: central case). The estimate was revised due to the lower price quotations in recent years on stock markets and the resulting lower expectations with respect to the long-term development of electricity prices. Without this change in the estimate, the result of the valuation would have been a loss of €9.5m instead of the gain. // [2] The valuation on 30 June 2016 was based on the price forecasts of two reputable information service providers in the energy market. In contrast to previous valuations, the tests applied the low case in the price forecasts of one of the two information service providers (previously: central case). The estimate was revised due to the lower price quotations in recent years on stock markets and the resulting lower expectations with respect to the long-term development of electricity prices. Without this change in the estimate, the result of the valuation would have been a gain of €1.7m instead of the loss.

(11) Reversals of impairment loss

There was a requirement as at 30 June 2016 to test the recoverability of the equity-accounted interest in Shkodra Region Beteiligungsholding GmbH. The impairment test was necessitated on the one hand by updated electricity price forecasts, and, on the other, by a lower discount rate due to a lower country risk premium which had to be taken into account (WACC after taxes for 2016–2027: 9.25% instead of 13.00%; and for 2028–2043: 10.25% instead of 14.00%). The calculated recoverable amount was €–21.3m (31 December 2015: €–22.2m). A reversal of impairment losses in the amount of €0.7m had to be recognized in quarters 1–2/2016.

(12) Taxes on income

With respect to the possibility of amortising goodwill on foreign equity interests upon inclusion in a tax group as described on 31 December 2015, the Austrian Supreme Court issued a decision on 10 February 2016 (preceding decision on the part of the European Court of Justice issued on 6 October 2015). The Austrian Supreme Court decided that amortisation of goodwill is also permitted in the case of acquisitions of foreign equity interests from within the EU/European Economic Area. The Austrian Federal Ministry of Finance subsequently amended its previous legal opinion with a letter dated 16 June 2016 and announced that the amortisation of goodwill on foreign equity interests is to be granted for tax assessment periods up to 2013. However, for tax assessment periods from 2014 onwards, the amortisation of goodwill is only to be allowed if it has already been requested in the tax return for the year in which the foreign equity interest was first included in the tax group. For VERBUND, the Austrian Federal Ministry of Finance's legal opinion means that the goodwill on the equity interest in VERBUND Innkraftwerke GmbH can definitely be amortised for the 2010–2013 period and the goodwill on the equity interest in Innwerk AG can be amortised for the 2015–2027 period

The tax benefit arising from goodwill amortisation is treated as a temporary difference associated with investments in subsidiaries (outside basis difference). Therefore, prior-period tax income in the amount of €37.3m, which corresponds to the amortisation of goodwill on the equity interest in VERBUND Innkraftwerke GmbH (2010–2013) and Innwerk AG (2015), including interest entitlement, was recognised as at 30 June 2016.

VERBUND continues to be of the opinion that the amortisation of goodwill on the equity interest in VERBUND Innkraftwerke GmbH can also be claimed for 2014–2023. The tax benefit for these years (reduction in future tax payments of €8.2m per year) will be recognised in accordance with VERBUND's accounting policies as soon as the possibility of asserting the claim is is sufficiently certain.

Notes to the statement of comprehensive income

(13) Remeasurements of net defined benefit liability

Provisions for pensions and similar obligations and for statutory termination benefits was measured based on an actuarial report that was updated as at 30 June 2016. The discount rate applied was 2.00% instead of 2.25% (obligations similar to pensions) and 1.75% instead of 2.00% (pension and termination benefit obligations). Future pension and/or salary increases were taken into account using 1.75% instead of 2.25%.

Notes to the balance sheet

(14)
Inventories

Inventories €m

	31/12/2015	30/6/2016	Change
Inventories of primary energy sources held for generation	5.7	2.8	–50.7%
Emission rights held for trading	5.1	5.0	–1.3%
Measurements of emission rights held for trading	3.9	–0.1	–103.0%
Fair value of emission rights held for trading	9.0	4.9	–45.7%
Proof of origin and green electricity certificates	0.2	0.3	23.2%
Other	4.1	4.5	11.1%
Inventories	19.1	12.5	–34.2%

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

(15)
Additional disclosures regarding financial instruments

The credit rating was downgraded by Standard & Poor's (BBB negative) and Moody's (Baa2 negative) in quarters 1–2/2016. The interest rates of individual financing arrangements were subsequently slightly adjusted; the terms remain unchanged.

With respect to the only remaining cross-border leasing-transaction, the downgrading of the credit rating by Standard & Poor's and Moody's triggered a so-called head lease filing (certificate deposit) vis-à-vis the equity investor. As an alternative to depositing the certificate, a waiver could also be utilised by paying a one-time fee. Provisions were recognised for the estimated future expenses resulting from the impact of the head lease filing.

Carrying amounts and fair values by measurement category 30/6/2016

€m

Assets – balance sheet items	Measurement category under IAS 39	Level	Carrying amount	Fair value
Interests in unconsolidated subsidiaries	FAAC	–	5.3	–
Other equity interests	FAAFS	2	86.8	86.8
Other equity interests	FAAC	–	16.8	–
Other equity interests			**108.8**	
Securities	FAAFS	1	131.0	131.0
Securities	FAAC	–	3.5	–
Securities – closed items on the balance sheet	LAR	2	61.4	55.0
Other loans – closed items on the balance sheet	LAR	2	283.8	322.2
Derivatives in the finance area – closed items on the balance sheet	FAHFT	2	132.2	132.2
Loans to investees	LAR	2	56.6	59.8
Other loans	LAR	2	5.5	6.1
Other	–	–	21.0	–
Other non-current investments and non-current other receivables			**695.0**	
Trade receivables	LAR	–	205.6	–
Receivables from investees	LAR	–	55.1	–
Loans to investees	LAR	2	3.5	3.8
Other loans	LAR	2	0.9	0.9
Derivatives in the energy area	FAHFT	2	134.2	134.2
Long position: Gemeinschaftskraftwerk Inn GmbH	FAHFT	3	13.0	13.0
Money market transactions	LAR	2	40.0	39.9
Emission rights	IAS 38, IAS 2	–	0.6	–
Other	LAR	–	25.6	–
Other	–	–	104.5	–
Trade receivables and current other receivables			**583.0**	
Cash and cash equivalents	**LAR**	**–**	**77.4**	**–**
Aggregated by measurement category				
Financial assets at cost	FAAC		25.6	
Loans and receivables	LAR		815.5	
Financial assets available for sale	FAAFS		217.8	
Financial assets held for trading	FAHFT		279.4	

Carrying amounts and fair values by measurement category 30/6/2016

€m

Liabilities – balance sheet items	Measurement category under IAS 39	Level	Carrying amount	Fair value
Bonds	FLAAC	2	1,421.9	1,594.2
Financial liabilities to banks and to others	FLAAC	2	1,126.6	1,181.5
Financial liabilities to banks – closed items on the balance sheet	FLAAC	2	110.4	162.3
Financial liabilities to banks – closed items on the balance sheet	FLAFVPL	2	367.0	367.0
Capital shares attributable to limited partners	IAS 32	–	3.9	–
Non-current and current financial liabilities			3,029.8	
Electricity supply commitment	–	–	173.1	–
Obligation to return an interest	FLAAC	3	86.9	130.6
Derivatives in the energy area	FLHFT	3	75.3	75.3
Trade payables	FLAAC	–	3.7	–
Deferred income for grants (emission rights)	IAS 20	–	0.2	–
Other	FLAAC	–	25.3	–
Non-current other liabilities			364.5	
Trade payables	FLAAC	–	102.9	–
Derivatives in the energy area	FLHFT	1	0.9	0.9
Derivatives in the energy area	FLHFT	2	55.3	55.3
Derivatives in the energy area	FLHFT	3	6.3	6.3
Derivatives in the finance area	FLHFT	2	36.5	36.5
Other	FLAAC	–	72.8	–
Other	–	–	76.8	–
Trade payables and current other liabilities			351.5	
Aggregated by measurement category				
Financial liabilities at amortised cost	FLAAC		2,950.5	
Financial liabilities at fair value through profit or loss	FLAFVPL		367.0	
Financial liabilities held for trading	FLHFT		174.2	

Carrying amounts and fair values by measurement category 31/12/2015

€m

Assets – balance sheet items	Measurement category under IAS 39	Level	Carrying amount	Fair value
Interests in unconsolidated subsidiaries	FAAC	–	10.6	–
Other equity interests	FAAFS	2	86.8	86.8
Other equity interests	FAAC	–	18.2	–
Other equity interests			**115.6**	
Securities	FAAFS	1	130.8	130.8
Securities	FAAC	–	3.0	–
Securities – closed items on the balance sheet	LAR	2	64.2	57.9
Other loans – closed items on the balance sheet	LAR	2	294.0	323.7
Derivatives in the finance area – closed items on the balance sheet	FAHFT	2	123.1	123.1
Loans to investees	LAR	2	57.5	59.8
Other loans	LAR	2	5.9	5.9
Other	LAR	–	9.0	9.0
Other	–	–	7.5	–
Other non-current investments and non-current other receivables			**695.0**	
Trade receivables	LAR	–	302.5	–
Receivables from investees	LAR	–	31.7	–
Loans to investees	LAR	2	3.5	3.7
Other loans	LAR	2	1.0	1.0
Derivatives in the energy area	FAHFT	2	184.0	184.0
Long position: Gemeinschaftskraftwerk Inn GmbH	FAHFT	3	18.0	18.0
Money market transactions	LAR	2	0.0	0.0
Emission rights	IAS 38, IAS 2	–	12.0	–
Other	LAR	–	30.3	–
Other	–	–	47.1	–
Trade receivables and current other receivables			**630.0**	
Cash and cash equivalents	**LAR**	**–**	**28.9**	**–**
Aggregated by measurement category				
Financial assets at cost	FAAC		31.8	
Loans and receivables	LAR		828.5	
Financial assets available for sale	FAAFS		217.6	
Financial assets held for trading	FAHFT		325.1	

Carrying amounts and fair values by measurement category 31/12/2015 €m

Liabilities – balance sheet items	Measurement category under IAS 39	Level	Carrying amount	Fair value
Bonds	FLAAC	2	1,405.3	1,537.2
Financial liabilities to banks and to others	FLAAC	2	1,240.4	1,276.2
Financial liabilities to banks – closed items on the balance sheet	FLAAC	2	112.8	152.5
Financial liabilities to banks – closed items on the balance sheet	FLAFVPL	2	368.5	368.5
Capital shares attributable to limited partners	IAS 32	–	2.5	–
Non-current and current financial liabilities			**3,129.5**	
Electricity supply commitment	–	–	176.1	–
Obligation to return an interest	FLAAC	3	116.8	176.4
Derivatives in the energy area	FLHFT	3	66.5	66.5
Trade payables	FLAAC	–	4.1	–
Other	FLAAC	–	27.6	–
Non-current other liabilities			**391.1**	
Trade payables	FLAAC	–	118.8	–
Derivatives in the energy area	FLHFT	2	89.6	89.6
Derivatives in the energy area	FLHFT	3	5.3	5.3
Derivatives in the finance area	FLHFT	2	33.8	33.8
Other	FLAAC	–	122.1	–
Other	–	–	68.0	–
Trade payables and current other liabilities			**437.6**	
Aggregated by measurement category				
Financial liabilities at amortised cost	FLAAC		3,148.0	
Financial liabilities at fair value through profit or loss	FLAFVPL		368.5	
Financial liabilities held for trading	FLHFT		195.2	

Of the derivative financial instruments in the energy area classified as FAHFT and FLHFT in the above table, positive fair values of €84.4m (31 December 2015: €85.2m) and negative fair values of €72.8m (31 December 2015: €34.3m) related to hedging relationships designated as cash flow hedges. These fair values represent gross amounts; following the inter-portfolio netting carried out in accordance with VERBUND's accounting policies, cash flow hedges can no longer be isolated.

Valuation techniques and input factors for determining fair values

Level	Financial instruments	Valuation technique	Input factor
1	Listed securities	Market approach	Nominal values, stock exchange price
1	Listed energy forwards	Market approach	Settlement price published by the stock exchange
2	Other assets and liabilities measured at fair value in the finance area	Net present value approach	Cash flows already fixed or determined via forward rates, yield curve, credit risk of the contracting parties
2	Securities and other loans under closed items on the balance sheet, long-term loans, liabilities to banks, bonds and other financial liabilities	Net present value approach	Payments associated with the financial instruments, yield curve, credit risk of the contracting parties (credit default swaps or credit spread curves)
2	Other equity interest in Energie AG Oberösterreich	Market approach	Trading multiple
2	Non-listed energy forwards	Net present value approach	Forward price curve derived from stock exchange, yield curve, credit risk of the contracting parties
3	Non-listed energy forwards (natural gas supply contract for the Mellach combined cycle gas turbine power plant)	Net present value approach	Price forecasts for natural gas and crude oil, take-or-pay volumes optimised according to utilisation for a monthly period, contractual term, yield curve, credit risk of the contracting parties, customary demand charge, likelihood of winning the competition law proceedings
3	Return obligation (obligation to transfer back the 50% interest acquired in Donaukraftwerk Jochenstein AG)	Net present value approach	Price forecasts for electricity, weighted average cost of capital after taxes
3	Long position: Gemeinschaftskraftwerk Inn GmbH (GKI)	Net present value approach or Black Scholes Model	Price forecast for electricity and discount rate for calculating the value of the underlying asset (weighted average cost of capital after taxes), volatility of the underlying asset, yield curve
–	Cash and cash equivalents, trade receivables and payables, current other receivables, other borrowing within current credit lines as well as current other liabilities	–	Carrying amounts as a realistic estimate of fair value
–	Interests in unconsolidated subsidiaries and other equity interests	–	Reliable estimate of future cash flows mostly not possible; no comparable transactions for fair value measurement using analogy methods

Level 3 measurement of financial instruments: natural gas supply contract

€m

	2015	2016
Carrying amount as at 1/1/	63.4	**71.8**
Measurement gains or losses (recognised in expenses for electricity, grid, gas and certificate purchases)	17.7	9.8
Carrying amount as at 30/6/	81.0	**81.6**

VERBUND and EconGas GmbH signed a long-term natural gas supply agreement on 24 June 2008. The mode of operation resulting from the optimisation of the Mellach combined cycle gas turbine power plant led to the resale of significant volumes of natural gas. Such management of the natural gas supply agreement is regarded as a net settlement of the natural gas supply agreement under IFRSs; as a consequence, the exemption for own-use contracts in IAS 39 (own-use exemption) was no longer applicable. Therefore, the natural gas supply agreement has been classified as a freestanding derivative and recognised at fair value through profit or loss since 2012.

An application for redress for competition law infringements by EconGas GmbH was filed with the Higher Regional Court of Vienna on 29 May 2013 and the purchase of gas from EconGas GmbH was discontinued. Since this time, the potential outcomes of these proceedings have been taken into account in the measurement by using scenario models.

Sensitivity analysis for significant, non-observable input factors[1]

€m

	Assumption	Change in assumption	If assumption increases, operating result changes by	If assumption decreases, operating result changes by
Forecast (oil-indexed) contract price for natural gas[2]	€25.8/MWh	± 5%	– 13.2	15.4
Forecast wholesale price for natural gas[3]	€22.6/MWh	± 5%	14.7	– 11.1
Term[4]	2026	n.a.	n.a.	n.a.
Annual take-or-pay volume[5]	3,125 GWh	n.a.	n.a.	n.a.
Customary demand charge[6]	n.a.	n.a.	n.a.	n.a.
Scenarios relating to the outcome of the anti-competitive conduct proceedings[6]	n.a.	n.a.	n.a.	n.a.

[1] In the sensitivity analysis, one non-observable input factor was changed at a time while the other factors of influence remained constant. However, in reality changes in the non-observable inputs can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // [2] The contractual price shown relates to the year 2025. The sensitivity analysis varies the contract price steadily over time up to the planning horizon. // [3] The wholesale price shown relates to the year 2025. The sensitivity analysis varies the wholesale price for natural gas steadily over time up to the planning horizon. // [4] A 20 year term lasting until 2031 was negotiated in the natural gas supply agreement. However, both contractual parties have a one-off opportunity to terminate the agreement after 15 years. The fair value was determined based on a 15 year term, since the contractual partner who is disadvantaged at that time will presumably terminate the natural gas supply agreement. // [5] A fixed annual take-or-pay volume was negotiated over the entire term of the natural gas supply agreement. Therefore, the annual take-or-pay volume can only be changed if the agreement is amended. // [6] The note disclosures on the customary demand charge and the scenarios for the outcome of the proceedings to redress the anti-competitive conduct by EconGas GmbH as well as on the sensitivity of this input factor have been omitted because it is likely that their inclusion would seriously prejudice VERBUND's position in the proceedings for anti-competitive conduct.

Level 3 measurement of financial instruments: long position: GKI

€m

	2015	2016
Carrying amount as at 1/1/	17.1	**18.0**
Measurement gains or losses (recognised in other financial result)	4.1	**–5.0**
Carrying amount as at 30/6/	21.2	**13.0**

Effective 22 August 2014, VERBUND sold 40% of its 50% equity interest in Gemeinschaftskraftwerk Inn GmbH to TIWAG-Tiroler Wasserkraft AG. As part of this transaction, TIWAG-Tiroler Wasserkraft AG granted VERBUND a put and a call option: VERBUND can sell its remaining 10% equity interest in Gemeinschaftskraftwerk Inn GmbH to TIWAG-Tiroler Wasserkraft AG or increase its 10% equity interest to 25% between 1 June 2018 and 30 June 2018 by acquiring shares in TIWAG-Tiroler Wasserkraft AG. The strike price for the two options corresponds to the investment costs incurred up to that point plus interest for the power plant joint venture on the Inn River.

Sensitivity analysis for significant, non-observable input factors[1]

€m

	Assumption	Change in assumption	If assumption increases, operating result changes by	If assumption decreases, operating result changes by
Electricity price[2]	€51.5/MWh	± 5%	0.3	–0.7
Discount rate	5.25%	± 0.25 PP	–0.8	0.3
Volatility of the underlying asset	21.50%	± 1 PP	0.5	–0.5

[1] In the sensitivity analysis, one non-observable input factor was changed at a time while the other factors of influence remained constant. However, in reality changes in the non-observable inputs can also occur simultaneously. This can result in the amplification or (at least partial) neutralisation of the effects. // [2] The electricity price shown relates to the year 2025. The sensitivity analysis varies the price of electricity steadily over time up to the planning horizon.

Other note disclosures

Dividends paid

	Total (€m)	Number of ordinary shares	Per share (€)
Dividend paid in 2016 for financial year 2015	121.6	347,415,686	0.35
Dividend paid in 2015 for financial year 2014	100.8	347,415,686	0.29

Dividends paid

Purchase commitments

Purchase commitments for property, plant and equipment, intangible assets and other services

€m

	30/6/2016	of which due in 2016	of which due 2017–2021
Total commitment	**318.2**	202.2	111.8

Contingent liabilities

VERBUND's last remaining cross-border leasing transaction has an off-balance sheet financing structure. As at 30 June 2016, VERBUND's subsidiary liability for the non-redeemed portion of lease liabilities from cross-border leasing transactions amounted to €535.7m (31 December 2015: €575.4m). Of the rights of recourse against primary debtors, a total of €360.4m (31 December 2015: €402.0m) was secured through counter-guarantees from financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €240.5m (31 December 2015: €239.1m) was covered by off-balance sheet investments.

As at 30 June 2016, other liabilities included contingent liabilities of €8.2m (31 December 2015: €8.2m) in the form of guarantees issued by VERBUND for Verbundplan Birecik Baraji Isletme Ltd. Sti. (VBOC), which is not consolidated.

Court proceedings pending

There have been no significant developments since the position outlined as at 31 December 2015 in connection with the proceedings between VERBUND and EconGas GmbH, VERBUND and Energie Steiermark Wärme GmbH and VERBUND and EVN AG (for example, the first witnesses have been examined). No disclosures have been provided in respect of any contingent liabilities or provisions that may arise in relation to these proceedings because it is likely that such note disclosures would seriously prejudice VERBUND's position in the proceedings.

Additional parties filed claims for damages in quarters 1–2/2016 in connection with the flooding of the Drau River in 2012. The claims for damages currently amount to around €109.0m (31 December 2015: €98.3m). VERBUND is contesting the grounds for and amounts of these claims. No disclosures have been provided in respect of any contingent liabilities or provisions that may arise in relation to these claims for damages because it is likely that such note disclosures would seriously prejudice VERBUND's position in the proceedings.

On 18 February 2016, the Cartel Court of Vienna served VERBUND with a declaratory motion by Energie Steiermark Wärme GmbH. Energie Steiermark Wärme GmbH alleges that VERBUND's closing of the Neudorf/Werndorf II district heating power plant was improper as defined under the Austrian Cartel Act (KartG) with respect to the district heating deliveries from the Mellach site. No disclosures have been provided in respect of any contingent liabilities or provisions that may arise in relation to these proceedings because it is likely that such note disclosures would seriously prejudice VERBUND's position in these proceedings.

Transactions with related parties

Transactions with investees accounted for using the equity method €m

	Q1–2/2015	Q1–2/2016	Change
Income statement			
Electricity revenue	26.6	32.5	22.4%
Grid revenue	11.5	11.5	0.1%
Other revenue	0.7	1.8	149.8%
Other operating income	0.7	2.4	n.a.
Expenses for electricity, grid, gas and certificate purchases	–16.5	–14.7	11.2%
Fuel expenses and other usage-dependent expenses	0.0	0.0	n.a.
Other operating expenses	–0.8	–0.2	76.5%
Interest income	0.9	0.8	–9.7%
Interest expenses	0.0	0.0	32.3%
Other financial result	1.1	1.1	–0.1%

Transactions with investees accounted for using the equity method €m

	31/12/2015	30/6/2016	Change
Balance sheet			
Investments and other non-current receivables	40.4	39.5	–2.1%
Trade receivables and other current receivables	24.0	41.8	74.5%
Contributions to building costs and grants	286.5	287.0	0.2%
Trade payables and other current liabilities	2.7	3.2	20.4%

Electricity revenue with equity-accounted investees primarily came from KELAG-Kärntner Elektrizitäts-AG (€17.6m; quarters 1–2/2015: €17.6m) and OeMAG Abwicklungsstelle für Ökostrom AG (€13.4m; quarters 1–2/2015: €9.0m). The electricity revenue was offset by electricity purchases from KELAG-Kärntner Elektrizitäts-AG in the amount of €9.9m (quarters 1–2/2015: €15.4m) and from OeMAG Abwicklungsstelle für Ökostrom AG (€3.2m; quarters 1–2/2015: €0.9m).

Electricity revenue with companies controlled or significantly influenced by the Republic of Austria in quarters 1–2/2016 totalled €14.1m (quarters 1–2/2015: €14.7m). Electricity was purchased mainly through Bundesbeschaffungs GmbH (BBG), Telekom Austria Group and OMV. Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €0.1m in quarters 1–2/2016 (quarters 1–2/2015: €0.2m). The electricity was supplied primarily by Österreichische Bundesbahnen (ÖBB).

There is a long-term natural gas supply agreement with EconGas GmbH for the Mellach combined cycle gas turbine power plant. The effect on profit or loss of the fair value measurement of the natural gas supply agreement with EconGas GmbH which is to be qualified as a free-standing derivative that is being called into question under competition laws amounted to €–9.8m in quarters 1–2/2016 (quarters 1–2/2015: €–17.7m; see: (15) Additional disclosures regarding financial instruments). The corresponding derivative financial instrument in the energy area was recognised in non-current other liabilities in the amount of €75.3m (31 December 2015: €66.5m) and in current other liabilities in the amount of €6.3m (31 December 2015: €5.3m). No disclosures have been provided for any contingent liabilities or provisions that may arise in relation to the competition law proceedings because it is likely that such note disclosures would seriously prejudice VERBUND's position in the proceedings.

VERBUND's expenses for monitoring by Energie-Control in quarters 1–2/2016 amounted to a total of €5.3m (quarters 1–2/2015: €5.4m).

Audit and/or review

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

Events after the reporting date

There were no events requiring disclosure between the reporting date of 30 June 2016 and approval for issue on 26 July 2016.

Responsibility statement of the legal representatives

We confirm according to the best of our knowledge that the condensed consolidated interim financial statements of VERBUND as at 30 June 2016, prepared in accordance with the accounting standards for interim financial reports under International Financial Reporting Standards (IFRSs), give a true and fair view of the assets and liabilities, financial position and profit or loss of the Group as required under stock exchange regulations.

We also confirm that the interim Group management report of VERBUND gives a true and fair view of the assets and liabilities, financial position and profit or loss of the Group as required under stock exchange regulations with respect to the important events during the first six months of the financial year and their effects on the condensed consolidated interim financial statements of VERBUND as at 30 June 2016 as well as with respect to the principal risks and uncertainties in the remaining six months of the financial year and with respect to the related party transactions which must be disclosed.

Vienna, 26 July 2016
The Executive Board

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

Dr. Johann Sereinig
Vice-Chairman of the Executive Board

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

Dr. Peter F. Kollmann
Member of the Executive Board

Notes

EDITORIAL DETAILS

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Shareholder structure:
– Republic of Austria (51.0%)
– Syndicate (>25.0 %) consisting of EVN AG (the shareholders of which are: Niederösterreichische Landes-Beteiligungsholding GmbH, 51%, EnBW Energie Baden-Württemberg AG, 32.5 %) and Wiener Stadtwerke (whose sole shareholder is the City of Vienna)
– TIWAG-Tiroler Wasserkraft AG (>5.0%, the sole shareholder is the province of Tyrol)
– Free float (<20.0%): no further information is available concerning owners of shares in free float.

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

Regulatory body/trade associations:
E-Control GmbH/E-Control Kommission
Bundesministerium für Wissenschaft, Forschung und Wirtschaft
Wirtschaftskammer Österreich
Oesterreichs Energie

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

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

Supervisory Board:
Gilbert Frizberg (Chairman), Michael Süß (1st Vice-Chairman), Elisabeth Engelbrechtsmüller-Strauß (2nd Vice-Chairwoman), Harald Kaszanits, Martin Krajcsir, Peter Layr, Werner Muhm, Susanne Riess, Jürgen Roth, Christa Wagner, Anton Aichinger, Ingeborg Oberreiner, Kurt Christof, Wolfgang Liebscher, Joachim Salamon

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

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

Verbund
Power for the Future