

# 70 years of VERBUND. Energising the future.





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# At a glance

- Positive income trend despite lower water supply
- Water supply in quarter 1/2017 was 8% below the long-term average and below the level of quarter 1/2016
- Higher revenue from flexible products, particularly from congestion management
- Increasing number of customers demonstrates attractiveness of Group's broad range of products
- Earnings outlook for 2017 raised: EBITDA of approx. €830m, Group result of approx. €300m

## KPIs

	Unit	Q1/2016	Q1/2017	Change
Revenue	€m	806.3	810.2	0.5%
EBITDA	€m	213.5	227.5	6.5%
EBITDA adjusted	€m	213.5	227.5	6.5%
Operating result	€m	129.4	141.3	9.2%
Group result	€m	82.4	93.5	13.4%
Group result adjusted	€m	82.4	93.5	13.4%
Earnings per share	€	0.24	0.27	13.4%
EBIT margin	%	16.1	17.4	–
EBITDA margin	%	26.5	28.1	–
Cash flow from operating activities	€m	265.8	153.4	–42.3%
Additions to property, plant and equipment (excluding business acquisitions)	€m	34.1	27.7	–18.8%
Free cash flow before dividends	€m	216.5	94.6	–56.3%
Average number of employees		2,954	2,858	–3.3%
Electricity sales volume	GWh	13,725	13,767	0.3%
Hydro coefficient		1.00	0.92	–
	Unit	31/12/2016	31/3/2017	Change
Total assets	€m	11,538.2	11,459.5	–0.7%
Equity	€m	5,529.5	5,691.5	2.9%
Equity ratio (adjusted)	%	50.0	51.7	–
Net debt	€m	3,221.7	3,132.3	–2.8%
Gearing	%	58.3	55.0	–

# Report of the Executive Board

Dear Shareholders,

Despite the continuing challenging conditions in the energy market, VERBUND increased earnings in quarter 1/2017 compared with the previous year. We succeeded in this thanks to the measures implemented in recent years. In particular, the cutback in growth and maintenance capex, systematic cost reductions, restructuring of our thermal operations and the adjustment to the dividend positively impacted our business performance. Demand remains high for flexibility products from our power plant portfolio.

Additional activities to strengthen hydropower generation were initiated in quarter 1/2017. These included the ground-breaking ceremony for the Lower Tuxbach project, which took place on 17 February 2017. The construction period is scheduled to last three years, after which we expect to be able to supply 20,000 households with 74 million kWh of domestic, CO<sub>2</sub>-free electricity from hydropower. We moreover decided to acquire an equity interest of 12.5% in the run-of-river power plant on the Mur River in Graz in mid-February 2017. VERBUND will also take over the operation of this plant in the future.

Regarding the combined cycle gas turbine power plant located in Mellach, VERBUND has evaluated all options in recent years, including selling the plant. However, the sales process was terminated at the end of quarter 1/2017 as the offers made by potential buyers did not meet expectations. With respect to the future use of the Mellach combined cycle gas turbine power plant, we are awaiting the new framework conditions arising from the regulatory restructuring of the grid reserve.

In April 2017, OMV Aktiengesellschaft and VERBUND initiated an extensive alliance at operational level to support the future of energy. In connection with this, OMV Aktiengesellschaft is expected to acquire an interest of 40% in SMATRICES GmbH & Co KG, our full-service electromobility provider, in quarter 2/2017. OMV will not only purchase the equity interest, but will also work with SMATRICES to compile a joint evaluation of concepts relating to green hydrogen and improving the security of supply.

With respect to implementation of innovative, customer-oriented projects, one project worthy of note is H2FUTURE, which we are implementing together with voestalpine, Siemens and Austrian Power Grid (APG) along with research partners K1-MET and ECN. The project was awarded a contract from the European Commission in quarter 1/2017 for the construction of one of the world's biggest electrolysis installations for generation of green hydrogen. We plan to work together on realising an innovative hydrogen pilot plant at voestalpine's site in Linz for the purpose of testing the possibilities for using green hydrogen. The total project volume amounts to approximately €18m, around 70% of which will come from EU subsidies. The project is set to run for four-and-a-half years. In addition, VERBUND unveiled an internally developed digital commercial and communication platform for major accounts at the E-world in February 2017. Known as VISION, the new platform will give VERBUND customers state-of-the-art, transparent market access, particularly via the order management, market data overview and electronic invoicing modules.

At the end of quarter 1/2017, we had a total of 407,000 electricity and gas customers (end of 2016: 392,000). Our new advertising campaign has been well received, and we are pleased about the growth of 3.8% registered in the first three months of 2017. VERBUND was awarded the top ranking of among 60 Austrian electricity suppliers in the “offer” category in a study compiled by the ÖGVS consumer survey firm for the period from December 2016 to February 2017.

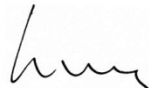
Our income trend for quarter 1/2017 presents an encouraging picture. EBITDA increased by 6.5% to €227.5m and the Group result was up by 13.4% on the prior-year period to €93.5m. The rise is attributable to higher revenue from flexible products, particularly those for congestion management, as well as to positive effects from restructuring our thermal operations. By contrast, the lower water supply (Q1/2017: 0.92; Q1/2016: 1.00) and lower earnings in the Grid segment had a counteracting effect.

Given the better-than-expected income trend in quarter 1/2017, we have raised our earnings forecast for the year as a whole. Assuming an average water supply and average wind conditions in quarters 2–4/2017, VERBUND expects to generate EBITDA of approximately €830m and a Group result of around €300m.

We invite you to join us in celebrating our 70th anniversary this year. We are proud to have been shaping the future of energy for the coming generations ever since the foundation of Österreichische Elektrizitätswirtschafts-AG back in 1947.



Dipl.-Ing. Wolfgang Anzengruber



Dr. Johann Sereinig



Dr. Peter F. Kollmann



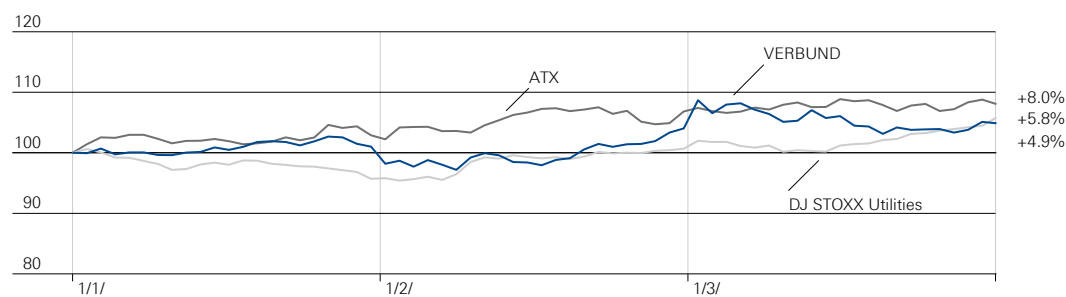
Dr. Günther Rabensteiner

# Investor relations

The stock exchanges recorded considerable gains at the start of 2017. One of the primary reasons for the upward trend was the good economic data coming from the USA after the new US administration came to power, based on investor hopes of tax reductions and greater infrastructure spending. The improved global economy and the overall tranquil political atmosphere prevailing in Europe had an equally favourable impact. In the US, the Dow Jones Industrial stock index ended quarter 1/2017 with price gains of 4.6% after having reached an all-time high on 1 March 2017. The Euro Stoxx 50 closed the past quarter up 6.4%. The Nikkei 225, the leading Japanese index, was unable to deliver a performance on the same scale. At the end of quarter 1/2017, it had dropped 1.1% below the year-end 2016 level. The decline was due to uncertainty about economic and, in particular, trade policies. By contrast, the trend in the emerging markets was very optimistic on the whole. The MSCI Emerging Markets Index rose by a substantial 11.1% in quarter 1/2017.

Contact:  
 Andreas Wollein  
 Head of Group Finance,  
 M&A and  
 Investor Relations  
 Tel.: +43(0)50313-52604  
 Email: investor-  
 relations@verbund.com

## VERBUND share price: relative performance 2017



VERBUND's share price moved sideways until mid-February 2017, after which it rose sharply until the beginning of March. By the end of quarter 1/2017, however, a slight downward tendency had set in. On 31 March 2017, VERBUND shares closed at €15.9, up 4.9% on the closing price as at 31 December 2016. Our shares thus underperformed against the ATX (+8.0%) and the DJ STOXX Utilities sector index (+5.8%).

Upcoming dates:  
 Half-year result:  
 27 July 2017

## KPIs – shares

	Unit	Q1/2016	Q1/2017	Change
Share price high	€	12.1	16.5	36.7%
Share price low	€	10.0	14.7	46.9%
Closing price	€	11.2	15.9	41.7%
Performance	%	-5.3	4.9	-
Market capitalisation	€m	3,901.5	5,529.1	41.7%
ATX weighting	%	2.3	2.5	-
Value of shares traded	€m	267.9	268.7	0.3%
Shares traded per day	Shares	407,395	269,263	-33.9%

# Interim Group management report

## Business performance

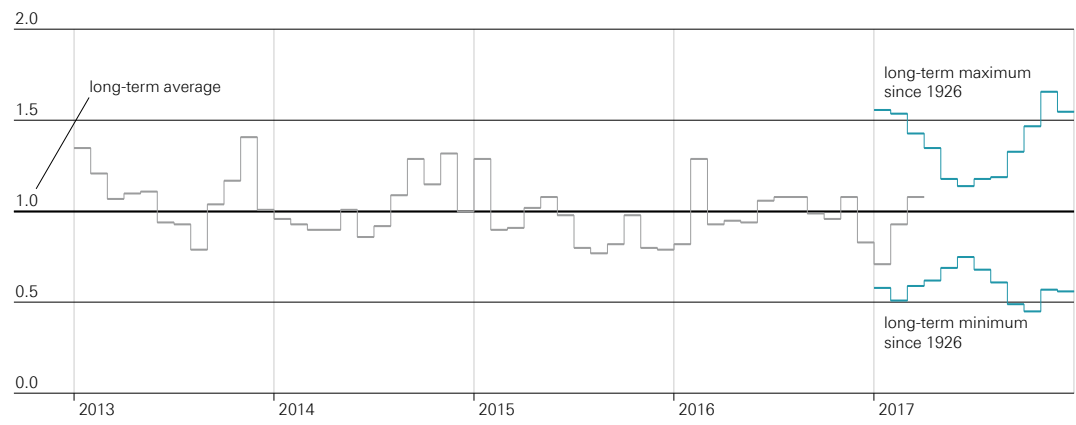
### Electricity supply and sales volume

Group electricity supply	GWh		
	Q1/2016	Q1/2017	Change
Hydropower <sup>1</sup>	5,949	5,577	-6.3%
Wind/solar power	266	284	6.8%
Thermal power	490	975	98.9%
Own generation	6,705	6,836	2.0%
Electricity purchased for trading and sales	6,961	6,764	-2.8%
Electricity purchased for grid loss and control power volumes	917	1,478	61.1%
<b>Electricity supply</b>	<b>14,583</b>	<b>15,078</b>	<b>3.4%</b>

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

VERBUND's own generation increased by 131 GWh, or 2.0%, compared with quarter 1/2016 to 6,836 GWh as at the end of quarter 1/2017. Generation from hydropower decreased by 372 GWh compared with the prior-year period. At 0.92, the hydro coefficient for the run-of-river power plants was 8 percentage points below both the prior-year figure and the long-term average. Generation from annual storage power plants increased by 3.6%.

### Hydro coefficient (monthly averages)



VERBUND's wind power and photovoltaic installations generated 18 GWh more electricity in quarter 1/2017 than in the prior-year period, mainly due to the windier conditions in Romania. The photovoltaic farms in Spain were sold effective 12 December 2016 (generation in Q1/2016: 1 GWh).



Generation from thermal power plants increased by 485 GWh in quarter 1/2017. The Mellach combined cycle gas turbine power plant produced 473 GWh more electricity in quarter 1/2017 due to greater use of congestion management compared with the prior year. Generation at the Mellach coal-fired power plant increased by 12 GWh.

Purchases of electricity from third parties for trading and sales decreased by 197 GWh. Electricity purchased from third parties for grid losses and control power increased by 561 GWh in the reporting period.

Group electricity sales volume and own use			GWh
	Q1/2016	Q1/2017	Change
Consumers	2,794	2,976	6.5%
Resellers	6,516	6,565	0.8%
Traders	4,416	4,225	-4.3%
Electricity sales volume	13,725	<b>13,767</b>	0.3%
Own use	728	1,021	40.2%
Control power	130	290	123.4%
Electricity sales volume and own use	14,583	<b>15,078</b>	3.4%

VERBUND's electricity sales volume rose by 42 GWh, or 0.3%, in quarter 1/2017. Most of the increase was attributable to higher sales in the consumer segment. Electricity volumes delivered to consumers increased by 183 GWh. Here, a sharp rise in sales to domestic customers more than compensated for the slight decline in the Group's international business. As at 31 March 2017, our private customer base amounted to approximately 407,000 electricity and gas customers. Sales to resellers remained nearly the same year-on-year (+49 GWh). Electricity deliveries to trading firms decreased by 190 GWh. Own use of electricity rose by 293 GWh, with the increase due to a significant rise in generation from reverse operation.

Electricity sales by country			GWh
	Q1/2016	Q1/2017	Change
Austria	6,920	7,970	15.2%
Germany	4,860	5,045	3.8%
France	1,708	607	-64.5%
Others	237	145	-38.8%
Electricity sales volume	13,725	<b>13,767</b>	0.3%

Approximately 58% of the electricity sold by VERBUND in quarter 1/2017 went to the Austrian market. International trading and sales activities focused on the German market, which accounted for around 87% of all volumes sold abroad.

## Electricity prices

### Futures prices €/MWh

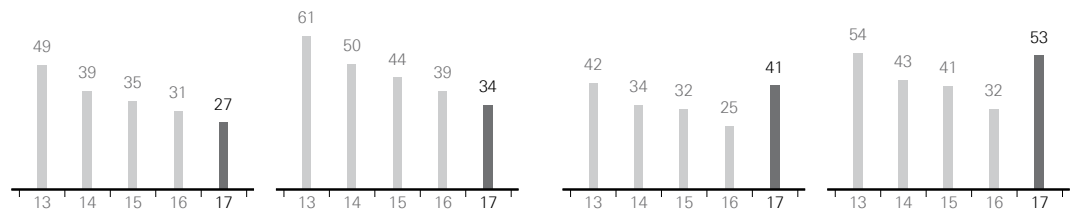
Front-Year-Base

Front-Year-Peak

### Spot market prices €/MWh for quarter 1

Spot Base

Spot Peak



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 €26.6/MWh, prices for electricity futures contracts applicable to financial year 2017 (front-year base 2017 traded in 2016) were down 14.2% on the prior-year average. Based on its hedging strategy, VERBUND had already included most of its own generation in its pricing calculation in 2016 via the futures market. Spot market prices (base price) rose by 63.3% to €41.3/MWh in the reporting period. The price development was due primarily to high demand arising from weather conditions and lower levels of generation from renewables.

## Financial performance

Results	€m		
	Q1/2016	Q1/2017	Change
Revenue	806.3	810.2	0.5%
EBITDA	213.5	227.5	6.5%
Operating result	129.4	141.3	9.2%
Group result	82.4	93.5	13.4%
Earnings per share in €	0.24	0.27	13.4%

### Electricity revenue

VERBUND's electricity revenue rose by €30.5m to €640.6m in quarter 1/2017. In terms of quantities, electricity sales volumes saw a slight increase of 0.3%, or 42 GWh. The considerably higher spot market prices in quarter 1/2017 also positively impacted electricity revenue.

### Grid revenue

Grid revenue increased by €6.3m to €123.9m in quarter 1/2017 compared with the same period in 2016. The rise was primarily attributable to higher international grid revenue due to the auctioning off of cross-border capacities as well as to higher revenue relating to control power.

### Other revenue and other operating income

Other revenue decreased by €33.0m to €45.6m. The decline can be attributed to lower proceeds from the sale of green electricity certificates and to lower revenue from gas deliveries. Other operating income fell slightly with a decrease of €1.3m to €9.7m.

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

Expenses for electricity, grid, gas and certificate purchases decreased by €23.9m to €428.7m. The volume of electricity purchased from third parties for trading and sales as well as for grid losses and control power rose by a total of 364 GWh. The average purchase prices also rose compared with the prior-year period. Expenses for electricity purchases thus increased by €49.9m compared with quarter 1/2016. Expenses for grid purchases decreased by €35.3m, and expenses for gas purchases fell by €34.1m.

**Fuel expenses**

Fuel and other usage-dependent expenses rose by €14.0m to €42.4m. The increase was mainly attributable to greater use of the Mellach combined cycle gas turbine power plant (for details see the section on Electricity supply and sales volumes).

**Personnel expenses**

Despite an increase of 1.55% in pay rates under the collective bargaining agreement, personnel expenses were held stable at €78.0m thanks to systematic implementation of the measures arising from the programme to reduce costs and increase efficiency.

**Other operating expenses**

Other operating expenses were down slightly with a decline of €1.5m to €43.2m. Changes in provisions accounted for most of the decrease.

**EBITDA**

As a result of the above-mentioned factors, EBITDA rose by 6.5% to €227.5m.

**Depreciation and amortisation**

Amortisation of intangible assets and depreciation of property, plant and equipment rose by €2.1m to €86.2m. The increase was due in particular to the commissioning of the Reißeck II pumped storage power plant in October 2016.

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

The result from interests accounted for using the equity method decreased by €0.3m to €7.0m. The increase was mainly due to the earnings contributions from KELAG in the amount of €7.1m (Q1/2016: €7.6m).

**Interest income and expenses**

Interest income decreased by €0.3m to €7.8m compared with quarter 1/2016. Interest expenses increased by €0.6m to €33.9m. The higher interest expenses were primarily the result of the decrease in capitalised interest costs under IAS 23.

**Other financial result**

The other financial result decreased by €4.1m to €-2.6m in quarter 1/2017. The decline was mainly due to the measurement of a long position relating to VERBUND's share in Gemeinschaftskraftwerk Inn GmbH (€-6.2m), the lower balance of foreign exchange gains and losses compared with the previous year (€-2.3m) and the positive valuation of interest rate hedging transactions (€+4.4m).

### Group result

After taking account of an effective tax rate of 20.8% and non-controlling interests in the amount of €4.4m, the Group result amounted to €93.5m. This represents an increase of 13.4% compared with the previous year. Earnings per share amounted to €0.27 (Q1/2016: €0.24) for 347,415,686 shares.

### Financial position

Consolidated balance sheet (short version)					€m
	31/12/2016	Share	31/3/2017	Share	Change
Non-current assets	10,933.6	95%	10,859.2	95%	-0.7%
Current assets	604.6	5%	600.3	5%	-0.7%
<b>Total assets</b>	<b>11,538.2</b>	<b>100%</b>	<b>11,459.5</b>	<b>100%</b>	<b>-0.7%</b>
Equity	5,529.5	48%	5,691.5	50%	2.9%
Non-current liabilities	4,908.2	43%	4,890.8	43%	-0.4%
Current liabilities	1,100.5	10%	877.2	8%	-20.3%
<b>Equity and liabilities</b>	<b>11,538.2</b>	<b>100%</b>	<b>11,459.5</b>	<b>100%</b>	<b>-0.7%</b>

### Assets

VERBUND's assets in quarter 1/2017 remained largely unchanged year-on-year. With respect to property, plant and equipment, additions of €27.7m were offset by depreciation of €84.7m. The main additions to property, plant and equipment related to replacement investments at Austrian hydropower plants and investments in the Austrian transmission grid.

### Equity and liabilities

Equity increased by 2.9% compared with 31 December 2016. The rise was due above all to the profit for the period generated in quarter 1/2017 and positive effects from the measurement of cash flow hedges reported in other comprehensive income. The decrease in current and non-current liabilities is primarily attributable to the decline in the negative fair value of hedging transactions in the electricity business as well as to lower current and non-current financial liabilities due to scheduled repayments, only some of which had to be refinanced via short-term borrowings (cash advances).

## Cash flows

<b>Cash flow statement (short version)</b>	€m		
	Q1/2016	Q1/2017	Change
Cash flow from operating activities	265.8	153.4	-42.3%
Cash flow from investing activities	-48.1	-57.5	19.7%
Cash flow from financing activities	-177.0	-64.5	-63.5%
Change in cash and cash equivalents	40.8	31.3	-23.1%
Cash and cash equivalents as at 31/3/	70.4	59.3	-15.8%

### Cash flow from operating activities

Cash flow from operating activities amounted to €153.4m in quarter 1/2017, representing a decline of €112.4m. The year-on-year decrease was primarily the consequence of changes in working capital (particularly due to the cash inflows that were contained in the quarter 1/2016 figure for the Grid segment due to the settlement of congestion management receivables from 2015). Cash flow from operating activities was positively impacted by the measures already implemented from the programme to reduce costs and increase efficiency as well as by lower tax payments.

### Cash flow from investing activities

Cash flow from investing activities amounted to €-57.5m in quarter 1/2017 (Q1/2016: €-48.1m). Just as in the prior year, cash flow from investing activities in quarter 1/2017 resulted mainly from cash outflows for capital expenditure for intangible assets and property, plant and equipment (€-57.3m).

### Cash flow from financing activities

Cash flow from financing activities amounted to €-64.5m in quarter 1/2017, thus representing a change of €+112.4m. The main reason for the improvement was higher repayments of financial liabilities (€-239.7m) in combination with higher cash inflows and outflows associated with money market transactions (€+352.2m).

## Opportunity and risk management

VERBUND enjoys an economically robust business position in its core activity of electricity generation from renewables and operation of its transmission grid located in the heart of Europe. However, the cold snap at the start of 2017 demonstrated that conventional generation capacities still play a vital role in maintaining the security of supply. Legal and regulatory preparations are currently underway for making such capacities economically available. Strict cost management and a focused investment policy form the basis for the ongoing development of VERBUND's business activities. Once the planned infrastructure projects have been completed, a key prerequisite for improving the European energy system will be in place. In this regard, VERBUND has the necessary implementation potential at its disposal in all segments and is therefore prepared to take advantage of all ensuing opportunities. At present, judicial proceedings are underway with regard to generation from hydropower (flooding on the Drau in 2012 and on the Danube in 2013) as well as with respect to thermal generation (early termination of a joint operation).

### Operating result

Potential fluctuations in the operating result relate primarily to electricity generation from hydropower, particularly because hydrological conditions cannot be controlled. Potential successes in the marketing of control power and congestion management increase earnings volatility. In addition, ongoing judicial proceedings and changes in the operating environment could lead to measurement-related adjustments in values 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 2017 as follows (based on the hedging status as at 31 March 2017 for generation volumes and interest rates):

- +/-1% generation from hydropower plants: €+/-4.4m
- +/-1% generation from wind power: €+/-0.3m
- €+/-1/MWh wholesale electricity prices (Renewable generation): €+/-3.2m
- +/- 1 percentage point in interest rates: €+/-2.6m

## Segment report

### Renewable generation segment

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

#### KPIs – Renewable generation segment

	Unit	Q1/2016	Q1/2017	Change
Total revenue	€m	202.0	185.4	-8.2%
EBITDA	€m	113.1	102.5	-9.4%
Result from interests accounted for using the equity method	€m	0.1	0.1	-
Capital employed	€m	6,826.0	7,072.5	3.6%

Segment EBITDA decreased by €10.6m to €102.5m, predominately due to lower generation from hydropower compared with the previous year. The hydro coefficient was 0.92 in quarter 1/2017 (Q1/2016: 1.00). Reductions in fixed costs had an offsetting effect in other operating expenses. The result from interests accounted for using the equity method of the Renewable generation segment was at the prior-year level and was largely made up of the earnings contribution from Shkodra Region Beteiligungsholding GmbH. Capital employed of the Renewable generation segment rose by €246.5m to €7,072.5m, due in particular to the commissioning of the Reißeck II pumped storage power plant in October 2016.

#### Current information on the Renewable generation segment

##### Efficiency increases in the hydropower area

Work on the Ybbs project to increase efficiency and the Gries new construction project initiated in the autumn of 2016 is progressing on schedule. Construction work on the Lower Tuxbach expansion project likewise began on schedule at the beginning of January.

##### Further optimisation of maintenance at the Austrian wind farms

Further optimisation targets were achieved at the start of 2017 through the takeover of the maintenance of Austrian wind farms Bruck an der Leitha in June 2015 and Hollern and Petronell-Carnuntum in July 2016 in addition to the savings generated by terminating the full servicing contract with the manufacturer.



## Sales segment

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

### KPIs – Sales segment

	Unit	Q1/2016	Q1/2017	Change
Total revenue	€m	631.7	632.0	0.0%
EBITDA	€m	32.6	31.8	-2.5%
Result from interests accounted for using the equity method	€m	0.0	0.0	-
Capital employed	€m	458.7	274.1	-40.2%

Segment EBITDA decreased by €0.8m to €31.8m. The decline was caused by the measurement of negative values for hedging transactions coinciding with higher profit contributions from the balancing services and reverse pump operation business. Capital employed of the Sales segment was down €184.6m on the prior-year figure, mainly due to the decrease in the positive fair values of hedging transactions with a simultaneous increase in the negative fair values.

### 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, on 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 for VERBUND involves innovative products designed to meet individual customer requirements. Examples include green electricity products, virtual power plants and the direct marketing of renewable energy, all of which are considered growth areas. 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 marketing of balancing services (Regelreserve) is both a challenge and, at the same time, 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	Q1/2016	Q1/2017	Change
Total revenue	€m	197.4	243.8	23.6%
EBITDA	€m	72.6	57.4	-21.0%
Result from interests accounted for using the equity method	€m	0.0	0.0	23.8%
Capital employed	€m	1,217.7	1,264.6	3.8%

EBITDA of the Grid segment decreased by €15.2m to €57.4m, mainly caused by a lower profit contribution from the control power and grid loss business. Capital employed increased to €1,264.6m, primarily as a result of net capital expenditure for intangible assets and property, plant and equipment.

#### Current information on the Grid segment

##### Security of supply and congestion management

Quarter 1/2017 saw a continuation of the increasing trend towards having to intervene in power plant operations in order to ensure security of supply. These extensive measures at power plants, while not always economically viable, were necessary both to maintain the security of supply in the APG control area and to handle congestion (primarily in Germany) outside of the APG grid. Repeated recourse had to be taken to the “grid reserve” power plants contracted from TenneT in Austria to the limits of their capacity so as to maintain security of supply.

##### Tariff regulation

The annual cost calculation process was initiated in February 2017. One of the key emphases of the upcoming tariff review is reassessment of the weighted average cost of capital (WACC) from 1 January 2018.

##### General overhaul of the 220-kV St. Peter – Ernsthofen line

Following submission of the official permit for the line in need of renovation in quarter 1/2016, a project modification was submitted in December 2016. The modification essentially relates to a change in the pylon locations without altering the route or the appearance of the pylons.

After issuance of the new project documentation extending from January 2017 to the beginning of March 2017, the hearing pursuant to the Electric Power Lines Act (Starkstromwegegesetz, StWG) was held on 21 and 22 March 2017 in Wels. APG currently expects an approval notice to be issued in June 2017.

### 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	Q1/2016	Q1/2017	Change
Total revenue	€m	57.0	100.9	77.0%
EBITDA	€m	0.5	41.1	–
Result from interests accounted for using the equity method	€m	7.2	6.9	–4.5%
Capital employed	€m	253.9	399.4	57.3%

EBITDA of the other segments rose by €40.7m to €41.1m. The increase was mainly a result of the higher EBITDA generated in the Thermal generation segment (+€40.0m) due to the sharp rise in the use of congestion management. The other segments’ result from interests accounted for using the equity method nearly matched the prior-year level and related primarily to KELAG-Kärntner Elektrizitäts-Aktiengesellschaft. Compared with the previous year, capital employed rose by €145.5m to €399.4m. This increase was primary attributable to the settlement of outstanding issues between VERBUND and EconGas GmbH as well as Energie Steiermark AG in the second half of 2016, which led to minor non-interest-bearing debts that were deducted.

#### Current information on the Energy services segment

##### Marketing VERBUND’s energy services products

With respect to the VERBUND-Eco-Home product, the international Energy IoT Allianz was expanded to include cooperation partners that market Eco-Home as a white label product and develop the product further. In January and February 2017, Eco-Home was presented at energy and construction trade fairs all over Austria and at the E-world in Germany.

In quarter 1/2017, no customers from 2016 were lost and additional customers were gained in the demand response power pool for TRR (tertiary control reserve) and SRR (secondary control reserve). A market share of 10% was attained in the TRR area as at 31 March 2017 with the current pre-qualified service.

H2FUTURE, a green hydrogen/energy storage project subsidised by the EU in the amount of €12m, was launched in quarter 1/2017. As part of the project, a PEM (proton exchange membrane) electrolyser installation will be built and put into operation at voestalpine in Linz. The PEM electrolyser is the biggest in the world at 6 MW. SYNERG-E, the largest mobility/energy synergy project involving the construction, operation and network integration of battery storage installations at high capacity charging stations, was won in the reporting period from the CEF tender.

#### SOLAVOLTA and SMATRICS

SOLAVOLTA (VERBUND’s share: 50%) has positioned itself in the household market as a prominent specialist for storage solutions. The installed photovoltaic capacity was significantly increased in 2016 – by nearly 45% with respect to the large-scale plants.

SMATRICS (VERBUND's share: 86%) further developed its managed infrastructure portfolio in quarter 1/2017 (including as part of the LEEFF KLIEN project), expanded its rapid charging network as part of the EVA+ EU project (20 charging stations with a charging capacity of 50 kW) and the ULTRA-E EU project (four locations with a charging capacity of 150–350 kW) and marketed its rapid charging network as a charge point operator in intensified OEM collaborations on the basis of roaming platforms.

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

Regarding the combined cycle gas turbine power plant located in Mellach, VERBUND has evaluated all options in recent years, including selling the plant. On 14 March 2017, the management of VERBUND AG announced that the Mellach CCGT would not be sold as the offers made by potential buyers did not meet management's expectations. How the plant in Mellach will be used in the future will be evaluated on the basis of the new framework conditions arising from the regulatory restructuring of the grid reserve.

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

VERBUND Services GmbH (VSE) is currently implementing the Group's Digital Future project. VSE also supported a number of ongoing projects aimed at optimising the digitalisation of core and support processes in quarter 1/2017. In IT, major long-term projects were launched, including introduction of VERBUND's new standard client (Windows 10, Office 2016) and reorganisation of VERBUND's SAP operations (SAP Sourcing). Projects that were completed in quarter 1/2017 included the Group's Legal Certainty in Waste Management project. This project involved a Group-wide analysis, together with lawyers, of all processes to which waste management law is applicable in Austria and Germany, documenting the processes and reorganising them under aspects of legal certainty. In addition, preparations are being made for a Group project aimed at fulfilling the requirements arising from the new statutory provisions for security of network and information systems (NIS Law) as well as data protection (EU General Data Protection Regulation), which will take effect in May 2018.

#### **Current information on the Equity interests segment**

##### **KELAG-Kärntner Elektrizitäts-Aktiengesellschaft**

In quarter 1/2017, KELAG's contribution to the result from interests accounted for using the equity method was €7.1m (Q1/2016: €7.6m). Despite the uncertain market environment, KELAG is expected to report stable performance with a slight downward trend in financial year 2017.

## Events after the reporting date

In April 2017, OMV Aktiengesellschaft and VERBUND initiated an extensive alliance at operational level to support the future of energy. In connection with this, OMV Aktiengesellschaft is expected to acquire an interest of 40% in SMATRICS GmbH & Co KG in the second quarter of 2017. This will lead to SMATRICS GmbH & Co KG being included in the consolidated financial statements of VERBUND as an equity-accounted entity effective as at the closing date of the transaction.



# Consolidated interim financial statements

of VERBUND

## Income statement

		€m	
In accordance with IFRSs	Notes	Q1/2016	Q1/2017
<b>Revenue</b>		806.3	<b>810.2</b>
Electricity revenue	1	610.1	640.6
Grid revenue	2	117.6	123.9
Other revenue		78.6	45.6
Other operating income		10.9	9.7
Expenses for electricity, grid, gas and certificate purchases	3	-452.6	-428.7
Fuel expenses and other usage-dependent expenses	4	-28.5	-42.4
Personnel expenses	5	-77.9	-78.0
Other operating expenses		-44.7	-43.2
<b>EBITDA</b>		<b>213.5</b>	<b>227.5</b>
Amortisation of intangible assets and depreciation of property, plant and equipment		-84.1	-86.2
Impairment losses		0.0	0.0
<b>Operating result</b>		<b>129.4</b>	<b>141.3</b>
Result from interests accounted for using the equity method	6	7.4	7.0
Other result from equity interests		1.4	4.1
Interest income	7	8.1	7.8
Interest expenses	8	-33.3	-33.9
Other financial result	9	1.6	-2.6
<b>Financial result</b>		<b>-14.9</b>	<b>-17.6</b>
<b>Profit before tax</b>		<b>114.5</b>	<b>123.7</b>
Taxes on income		-25.1	-25.8
<b>Profit for the period</b>		<b>89.5</b>	<b>97.9</b>
Attributable to the shareholders of VERBUND AG (Group result)		82.4	93.5
Attributable to non-controlling interests		7.0	4.4
<b>Earnings per share in €<sup>1</sup></b>		<b>0.24</b>	<b>0.27</b>

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

## Statement of comprehensive income

		€m	
<b>In accordance with IFRSs</b>	<b>Notes</b>	<b>Q1/2016</b>	<b>Q1/2017</b>
<b>Profit for the period</b>		89.5	<b>97.9</b>
Remeasurements of net defined benefit liability		0.2	-0.1
Other comprehensive income from interests accounted for using the equity method		1.4	2.3
<b>Total of items that will not be reclassified subsequently to the income statement</b>		1.6	<b>2.2</b>
Differences from currency translation		-0.3	-0.3
Measurements of available-for-sale financial instruments		-0.1	1.5
Measurements of cash flow hedges		90.5	82.0
Other comprehensive income from interests accounted for using the equity method		0.3	-0.1
<b>Total of items that will be reclassified subsequently to the income statement</b>		90.3	<b>83.1</b>
<b>Other comprehensive income before tax</b>		91.9	<b>85.3</b>
Taxes on income relating to items that will not be reclassified subsequently to the income statement		-0.4	0.0
Taxes on income relating to items that will be reclassified subsequently to the income statement		-22.6	-20.9
<b>Other comprehensive income after tax</b>		69.0	<b>64.4</b>
<b>Total comprehensive income for the period</b>		158.4	<b>162.4</b>
Attributable to the shareholders of VERBUND AG		151.4	157.9
Attributable to non-controlling interests		7.0	4.5



## Balance sheet

		€m	
In accordance with IFRSs	Notes	31/12/2016	31/3/2017
<b>Non-current assets</b>		10,933.6	<b>10,859.2</b>
Intangible assets		811.3	815.0
Property, plant and equipment		9,010.6	8,953.3
Interests accounted for using the equity method		281.9	292.0
Other equity interests	11	114.6	115.7
Investments and other receivables	11	715.1	683.3
<b>Current assets</b>		604.6	<b>600.3</b>
Inventories	10	9.1	8.1
Trade receivables and other receivables	11	567.6	532.9
Cash and cash equivalents	11	28.0	59.3
<b>Total assets</b>		<b>11,538.2</b>	<b>11,459.5</b>

		€m	
In accordance with IFRSs	Notes	31/12/2016	31/3/2017
<b>Equity</b>		5,529.5	<b>5,691.5</b>
Attributable to the shareholders of VERBUND AG		4,964.3	5,121.7
Attributable to non-controlling interests		565.3	569.7
<b>Non-current liabilities</b>		4,908.2	<b>4,890.8</b>
Financial liabilities	11	2,394.9	2,349.1
Provisions		839.6	835.2
Deferred tax liabilities		569.2	604.2
Contributions to building costs and grants		751.7	752.5
Deferred income – cross-border leasing		47.2	46.8
Other liabilities	11	305.5	303.0
<b>Current liabilities</b>		1,100.5	<b>877.2</b>
Financial liabilities	11	324.8	283.0
Provisions		78.6	80.7
Current tax liabilities		51.8	61.8
Trade payables and other liabilities	11	645.3	451.7
<b>Total equity and liabilities</b>		<b>11,538.2</b>	<b>11,459.5</b>

## Statement of changes in equity

In accordance with IFRSs	Called and paid-in share capital	Capital reserves	Retained earnings	Remeasurements of net defined benefit liability
Notes				
As at 1/1/2016	347.4	954.3	3,776.3	-259.1
Profit for the period	-	-	82.4	-
Other comprehensive income	-	-	-	1.2
<b>Total comprehensive income for the period</b>	-	-	82.4	1.2
Changes in the basis of consolidation	-	-	-7.2	0.1
Other changes in equity	-	-	-0.4	0.0
As at 31/3/2016	347.4	954.3	3,851.2	-257.8
<b>As at 1/1/2017</b>	<b>347.4</b>	<b>954.3</b>	<b>4,069.9</b>	<b>-273.3</b>
Profit for the period	-	-	93.5	-
Other comprehensive income	-	-	-0.2	2.2
<b>Total comprehensive income for the period</b>	-	-	<b>93.3</b>	<b>2.2</b>
Other changes in equity	-	-	-0.4	0.0
<b>As at 31/3/2017</b>	<b>347.4</b>	<b>954.3</b>	<b>4,162.8</b>	<b>-271.0</b>

							€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	23.8	20.4	-0.8	4,859.6	573.7	5,433.3
	-	-	-	-	82.4	7.0	89.5
	-0.3	-0.1	67.9	0.2	69.0	0.0	69.0
	-0.3	-0.1	67.9	0.2	151.4	7.0	158.4
	-	-	-	-	-7.0	-0.2	-7.2
	0.0	0.0	0.0	0.6	0.2	0.0	0.2
	-3.1	23.7	88.4	0.0	5,004.2	580.6	5,584.8
	<b>-3.9</b>	<b>30.3</b>	<b>-160.4</b>	<b>0.0</b>	<b>4,964.3</b>	<b>565.3</b>	<b>5,529.5</b>
	-	-	-	-	93.5	4.4	97.9
	-0.4	1.1	61.6	0.0	64.4	0.0	64.4
	<b>-0.4</b>	<b>1.1</b>	<b>61.6</b>	<b>0.0</b>	<b>157.9</b>	<b>4.5</b>	<b>162.4</b>
	0.0	0.0	0.0	0.0	-0.4	0.0	-0.4
	<b>-4.3</b>	<b>31.4</b>	<b>-98.8</b>	<b>0.0</b>	<b>5,121.7</b>	<b>569.7</b>	<b>5,691.5</b>

## Cash flow statement

		€m	
<b>In accordance with IFRSs</b>	<b>Notes</b>	<b>Q1/2016</b>	<b>Q1/2017</b>
Profit for the period		89.5	97.9
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		84.1	86.2
Impairment losses on investments (net of reversals of impairment losses)		1.6	0.0
Result from interests accounted for using the equity method (net of dividends received)		-7.3	-7.0
Result from the disposal of non-current assets		-0.1	-0.5
Change in non-current provisions and deferred tax liabilities		28.2	9.6
Change in contributions to building costs and grants		-0.7	0.8
Income from the reversal of deferred income from cross-border leasing transactions		-0.4	-0.4
Other non-cash expenses and income		5.1	7.4
<b>Subtotal</b>		<b>200.1</b>	<b>194.0</b>
Change in inventories		4.4	1.0
Change in trade receivables and other receivables		4.3	25.8
Change in trade payables and other liabilities		33.7	-79.3
Change in current provisions and current tax liabilities		23.3	12.0
<b>Cash flow from operating activities<sup>1</sup></b>		<b>265.8</b>	<b>153.4</b>

<sup>1</sup> Cash flow from operating activities includes income taxes paid of €5.1m (Q1/2016: €9.5m), interest paid of €7.9m (Q1/2016: €7.9m), interest received of €0.0m (Q1/2016: €0.4m) and dividends received of €4.3m (Q1/2016: €6.8m).

		€m	
In accordance with IFRSs	Notes	Q1/2016	Q1/2017
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		-49.0	-57.3
Cash inflow from the disposal of intangible assets and property, plant and equipment		0.4	0.4
Cash outflow from capital expenditure for investments		0.0	0.0
Cash inflow from the disposal of investments		1.3	1.3
Cash outflow from capital expenditure for interests accounted for using the equity method and other equity interests		-0.7	-1.9
<b>Cash flow from investing activities</b>		<b>-48.1</b>	<b>-57.5</b>
Cash inflow from money market transactions		0.0	188.2
Cash outflow from money market transactions		-164.0	0.0
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		-12.9	-252.7
<b>Cash flow from financing activities</b>		<b>-177.0</b>	<b>-64.5</b>
<b>Change in cash and cash equivalents</b>		<b>40.8</b>	<b>31.3</b>
<b>Cash and cash equivalents as at 1/1/</b>		<b>28.9</b>	<b>28.0</b>
Change in cash and cash equivalents		40.8	31.3
Changes in the basis of consolidation		0.7	0.0
<b>Cash and cash equivalents as at 31/3/</b>		<b>70.4</b>	<b>59.3</b>

## Selected explanatory notes

### Basic principles

#### Financial reporting principles

These consolidated interim financial statements of VERBUND as at 31 March 2017 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 2016, which form the basis for these consolidated interim financial statements of VERBUND.

#### Accounting policies

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 2016.

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

#### Segment reporting

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

	€m					
	Renewable generation	Sales	Grid	All other segments	Reconciliation/consolidation	Total Group
<b>Q1/2017</b>						
External revenue	37.1	532.2	228.6	10.7	1.5	810.2
Internal revenue	148.3	99.8	15.2	90.2	-353.5	0.0
Total revenue	185.4	632.0	243.8	100.9	-352.0	810.2
<b>EBITDA</b>	<b>102.5</b>	<b>31.8</b>	<b>57.4</b>	<b>41.1</b>	<b>-5.3</b>	<b>227.5</b>
Depreciation and amortisation	-64.3	-0.3	-19.2	-2.3	-0.1	-86.2
Effects from impairment tests (operating result)	0.0	0.0	0.0	0.0	0.0	0.0
Other material non-cash items	11.6	32.4	3.1	11.9	0.5	59.6
Result from interests accounted for using the equity method	0.1	0.0	0.0	6.9	0.0	7.0
<b>Capital employed</b>	<b>7,072.5</b>	<b>274.1</b>	<b>1,264.6</b>	<b>399.4</b>	<b>-41.7</b>	<b>8,968.9</b>
of which carrying amount of interests accounted for using the equity method	2.5	0.0	1.3	288.1	0.0	292.0
Additions to intangible assets and property, plant and equipment	20.7	0.2	11.4	0.5	0.3	33.0
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	Reconciliation/consolidation	Total Group
<b>Q1/2016</b>						
External revenue	32.8	583.5	178.3	10.4	1.4	806.3
Internal revenue	169.3	48.3	19.1	46.6	-283.3	0.0
Total revenue	202.0	631.7	197.4	57.0	-281.9	806.3
<b>EBITDA</b>	<b>113.1</b>	<b>32.6</b>	<b>72.6</b>	<b>0.5</b>	<b>-5.2</b>	<b>213.5</b>
Depreciation and amortisation	-63.0	-0.5	-18.0	-2.5	-0.2	-84.1
Effects from impairment tests (operating result)	0.0	0.0	0.0	0.0	0.0	0.0
Other material non-cash items	12.0	-10.4	2.4	-4.6	0.6	0.0
Result from interests accounted for using the equity method	0.1	0.0	0.0	7.2	0.0	7.4
<b>Capital employed</b>	<b>6,826.0</b>	<b>458.7</b>	<b>1,217.7</b>	<b>253.9</b>	<b>68.3</b>	<b>8,824.6</b>
of which carrying amount of interests accounted for using the equity method	2.4	0.0	1.3	273.5	0.0	277.3
Additions to intangible assets and property, plant and equipment	24.4	0.1	11.6	0.6	0.1	36.6
Additions to interests accounted for using the equity method	0.0	0.0	0.0	0.5	0.0	0.5



## Notes to the income statement

Electricity revenue by customer area							€m
	Q1/2016 Domestic	Q1/2017 Domestic	Change	Q1/2016 Foreign	Q1/2017 Foreign	Change	
Electricity deliveries to traders	17.4	24.1	39%	109.8	140.4	28%	
Electricity deliveries to resellers	139.6	112.4	-19%	140.3	142.3	2%	
Electricity deliveries to consumers	111.8	124.1	11%	91.2	97.3	7%	
<b>Electricity revenue by customer area<sup>1</sup></b>	<b>268.7</b>	<b>260.6</b>	<b>-3%</b>	<b>341.3</b>	<b>380.0</b>	<b>11%</b>	

<sup>1</sup> To present business performance more accurately, revenue from energy trading is shown as a net amount, i.e. amounts realised and measured are each presented net of expenses. Without this net presentation, electricity revenue (and expenses for the purchase of electricity) would have been €1,051.5m higher in quarter 1/2017 (Q1/2016: €550.5m).

Grid revenue by customer area							€m
	Q1/2016 Domestic	Q1/2017 Domestic	Change	Q1/2016 Foreign	Q1/2017 Foreign	Change	
Electric power companies	69.6	71.0	1.9%	0.4	1.9	n.a.	
Industrial clients	4.9	2.1	-57.1%	0.0	0.0	n.a.	
Other	16.2	16.8	4.0%	26.4	32.2	22.2%	
<b>Grid revenue</b>	<b>90.7</b>	<b>89.9</b>	<b>-0.9%</b>	<b>26.8</b>	<b>34.1</b>	<b>27.3%</b>	

Expenses for electricity, grid, gas and certificate purchases				€m
	Q1/2016	Q1/2017	Change	
Expenses for electricity purchases (including control power)	332.0	381.8	15.0%	
Expenses for grid purchases (system use)	58.0	22.7	-60.9%	
Expenses for gas purchases	58.9	24.7	-58.0%	
Purchases of emission rights (trade)	1.6	-0.6	-134.3%	
Purchases of proof of origin and green certificates	2.2	0.1	-95.9%	
<b>Expenses for electricity, grid, gas and certificate purchases</b>	<b>452.6</b>	<b>428.7</b>	<b>-5.3%</b>	

Fuel expenses and other usage-dependent expenses				€m
	Q1/2016	Q1/2017	Change	
Fuel expenses	21.0	34.1	62.5%	
Emission rights acquired in exchange for consideration	3.7	3.7	0.3%	
Other usage-dependent expenses	3.8	4.7	22.1%	
<b>Fuel expenses and other usage-dependent expenses</b>	<b>28.5</b>	<b>42.4</b>	<b>49.0%</b>	

(1)  
Electricity revenue(2)  
Grid revenue(3)  
Expenses for  
electricity, grid, gas  
and certificates  
purchases(4)  
Fuel expenses and  
other usage-  
dependent expenses

(5) Personnel expenses	<b>Personnel expenses</b>			€m
	Q1/2016	<b>Q1/2017</b>	Change	
Wages and salaries	61.6	60.2	-2.1%	
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	13.3	13.6	2.0%	
Other social expenses	0.9	1.0	8.2%	
<b>Subtotal</b>	<b>75.8</b>	<b>74.8</b>	<b>-1.3%</b>	
Expenses for termination benefits	0.4	0.5	18.1%	
Expenses for pensions and similar obligations	1.6	2.6	59.3%	
<b>Personnel expenses</b>	<b>77.9</b>	<b>78.0</b>	<b>0.1%</b>	

(6) Result from interests accounted for using the equity method	<b>Result from interests accounted for using the equity method</b>						€m
	Q1/2016 Domestic	<b>Q1/2017 Domestic</b>	Change	Q1/2016 Foreign	<b>Q1/2017 Foreign</b>	Change	
Income or expenses	7.6	<b>7.1</b>	-7.0%	-0.3	<b>-0.1</b>	72.2%	

(7) Interest income	<b>Interest income</b>			€m
	Q1/2016	<b>Q1/2017</b>	Change	
Interest from investments under closed items on the balance sheet	7.2	7.3	1.5%	
Other interest and similar income	0.9	0.5	-47.1%	
<b>Interest income</b>	<b>8.1</b>	<b>7.8</b>	<b>-13.8%</b>	

(8) Interest expenses	<b>Interest expenses</b>			€m
	Q1/2016	<b>Q1/2017</b>	Change	
Interest on bonds	12.5	12.4	-0.8%	
Interest on financial liabilities under closed items on the balance sheet	7.2	7.3	1.5%	
Interest on bank loans	5.4	5.0	-7.7%	
Interest on other liabilities from electricity supply commitments	4.3	4.2	-2.6%	
Net interest expense on personnel-related liabilities	3.8	2.8	-27.8%	
Interest on a share redemption obligation	1.8	1.6	-13.0%	
Interest on other non-current provisions	0.6	0.4	-30.7%	
Profit or loss attributable to limited partners	-0.1	-0.1	44.0%	
Borrowing costs capitalised in accordance with IAS 23	-3.9	-1.1	70.6%	
Other interest and similar expenses	1.7	1.5	-11.1%	
<b>Interest expenses</b>	<b>33.3</b>	<b>33.9</b>	<b>1.9%</b>	

<b>Other financial result</b>	€m		
	Q1/2016	Q1/2017	Change
Measurement of derivatives in the finance area	-3.2	1.1	134.7%
Income from securities and loans	0.6	0.6	-8.9%
Foreign exchange gains	2.3	0.4	-81.5%
Foreign exchange losses	-0.1	-0.4	n.a.
Measurement of long position: Gemeinschaftskraftwerk Inn GmbH	1.9	-4.3	n.a.
Other	0.0	0.0	124.7%
<b>Other financial result</b>	<b>1.6</b>	<b>-2.6</b>	<b>139.6%</b>

**(9)**  
**Other financial result**

### Notes to the balance sheet

<b>Inventories</b>	€m		
	31/12/2016	31/3/2017	Change
Inventories of primary energy sources held for generation	1.2	0.7	-42.2%
Emission rights held for trading	2.1	2.0	-3.2%
Measurements of emission rights held for trading	1.1	0.2	-80.6%
<b>Fair value of emission rights held for trading</b>	<b>3.2</b>	<b>2.2</b>	<b>-30.0%</b>
Proof of origin and green electricity certificates	0.5	0.8	66.7%
Other	4.2	4.3	3.3%
<b>Inventories</b>	<b>9.1</b>	<b>8.1</b>	<b>-11.1%</b>

**(10)**  
**Inventories**

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

(11)  
Additional  
disclosures regarding  
financial instruments

<b>Carrying amounts and fair values by measurement category 31/3/2017</b>					€m
<b>Assets – balance sheet items</b>	Measurement category under IAS 39	Level	Carrying amount	Fair value	
Interests in unconsolidated subsidiaries	FAAC	–	5.3	–	
Other equity interests	FAAFS	2	92.6	92.6	
Other equity interests	FAAC	–	17.9	–	
<b>Other equity interests</b>			<b>115.7</b>		
Securities	FAAFS	1	135.5	135.5	
Securities	FAAC	–	3.5	–	
Securities – closed items on the balance sheet	LAR	2	63.4	59.8	
Other loans – closed items on the balance sheet	LAR	2	293.7	327.7	
Derivatives in the finance area – closed items on the balance sheet	FAHFT	2	98.5	98.5	
Loans to investees	LAR	2	58.5	61.2	
Other loans	LAR	2	5.3	5.6	
Other	–	–	25.0	–	
<b>Other non-current investments and non-current other receivables</b>			<b>683.3</b>		
Trade receivables	LAR	–	344.9	–	
Receivables from investees	LAR	–	39.4	–	
Loans to investees	LAR	2	4.6	4.8	
Other loans	LAR	2	0.4	0.4	
Derivatives in the energy area	FAHFT	2	56.8	56.8	
Long position: Gemeinschaftskraftwerk Inn GmbH	FAHFT	3	4.6	4.6	
Emission rights	IAS 38, IAS 2	–	6.7	–	
Other	LAR	–	46.9	–	
Other	–	–	26.8	–	
<b>Trade receivables and current other receivables</b>			<b>532.9</b>		
<b>Cash and cash equivalents</b>	LAR	–	<b>59.3</b>	–	
<b>Aggregated by measurement category</b>					
Financial assets at cost	FAAC		26.6		
Loans and receivables	LAR		916.2		
Financial assets available for sale	FAAFS		228.0		
Financial assets held for trading	FAHFT		161.8		

**Carrying amounts and fair values by measurement category 31/3/2017**

€m

<b>Liabilities – balance sheet items</b>	Measurement category under IAS 39	Level	Carrying amount	Fair value
Bonds	FLAAC	2	1,420.5	1,548.8
Financial liabilities to banks and to others	FLAAC	2	752.2	790.2
Financial liabilities to banks – closed items on the balance sheet	FLAAC	2	114.7	156.5
Financial liabilities to banks – closed items on the balance sheet	FLAFVPL	2	340.8	340.8
Capital shares attributable to limited partners	IAS 32	–	4.0	–
<b>Non-current and current financial liabilities</b>			<b>2,632.2</b>	
Electricity supply commitment	–	–	168.2	–
Obligation to return an interest	FLAAC	3	105.2	184.0
Trade payables	FLAAC	–	1.3	–
Deferred income for grants (emission rights)	IAS 20	–	0.2	–
Other	FLAAC	–	28.1	–
<b>Non-current other liabilities</b>			<b>303.0</b>	
Trade payables	FLAAC	–	139.6	–
Derivatives in the energy area	FLHFT	1	1.5	1.5
Derivatives in the energy area	FLHFT	2	108.0	108.0
Derivatives in the finance area	FLHFT	2	22.7	22.7
Other	FLAAC	–	100.5	–
Other	–	–	79.4	–
<b>Trade payables and current other liabilities</b>			<b>451.7</b>	
<b>Aggregated by measurement category</b>				
Financial liabilities at amortised cost	FLAAC		2,662.1	
Financial liabilities at fair value through profit or loss	FLAFVPL		340.8	
Financial liabilities held for trading	FLHFT		132.2	

**Carrying amounts and fair values by measurement category 31/12/2016**

€m

<b>Assets – balance sheet items</b>	<b>Measurement category under IAS 39</b>	<b>Level</b>	<b>Carrying amount</b>	<b>Fair value</b>
Interests in unconsolidated subsidiaries	FAAC	–	5.3	–
Other equity interests	FAAFS	2	92.6	92.6
Other equity interests	FAAC	–	16.8	–
<b>Other equity interests</b>			<b>114.6</b>	
Securities	FAAFS	1	133.9	133.9
Securities	FAAC	–	3.5	–
Securities – closed items on the balance sheet	LAR	2	67.1	61.8
Other loans – closed items on the balance sheet	LAR	2	308.0	333.2
Derivatives in the finance area – closed items on the balance sheet	FAHFT	2	114.1	114.1
Loans to investees	LAR	2	59.3	62.3
Other loans	LAR	2	5.3	5.7
Other	–	–	23.9	–
<b>Other non-current investments and non-current other receivables</b>			<b>715.1</b>	
Trade receivables	LAR	–	346.3	–
Receivables from investees	LAR	–	38.6	–
Loans to investees	LAR	2	4.6	4.8
Other loans	LAR	2	0.7	0.7
Derivatives in the energy area	FAHFT	2	118.6	118.6
Long position: Gemeinschaftskraftwerk Inn GmbH	FAHFT	3	4.3	4.3
Emission rights	IAS 38, IAS 2	–	6.0	–
Other	LAR	–	26.1	–
Other	–	–	22.5	–
<b>Trade receivables and current other receivables</b>			<b>567.6</b>	
<b>Cash and cash equivalents</b>	<b>LAR</b>	<b>–</b>	<b>28.0</b>	<b>–</b>
<b>Aggregated by measurement category</b>				
Financial assets at cost	FAAC		25.6	
Loans and receivables	LAR		883.9	
Financial assets available for sale	FAAFS		226.5	
Financial assets held for trading	FAHFT		236.9	

**Carrying amounts and fair values by measurement category 31/12/2016**

			€m	
<b>Liabilities – balance sheet items</b>	Measurement category under IAS 39	Level	Carrying amount	Fair value
Bonds	FLAAC	2	1,407.5	1,553.7
Financial liabilities to banks and to others	FLAAC	2	819.3	866.4
Financial liabilities to banks – closed items on the balance sheet	FLAAC	2	118.7	160.5
Financial liabilities to banks – closed items on the balance sheet	FLAFVPL	2	370.5	370.5
Capital shares attributable to limited partners	IAS 32	–	3.7	–
<b>Non-current and current financial liabilities</b>			<b>2,719.7</b>	
Electricity supply commitment	–	–	169.9	–
Obligation to return an interest	FLAAC	3	103.6	182.0
Trade payables	FLAAC	–	3.6	–
Other	FLAAC	–	28.4	–
<b>Non-current other liabilities</b>			<b>305.5</b>	
Trade payables	FLAAC	–	157.2	–
Derivatives in the energy area	FLHFT	1	0.5	0.5
Derivatives in the energy area	FLHFT	2	253.5	253.5
Derivatives in the finance area	FLHFT	2	27.0	27.0
Other	FLAAC	–	133.7	–
Other	–	–	73.5	–
<b>Trade payables and current other liabilities</b>			<b>645.3</b>	
<b>Aggregated by measurement category</b>				
Financial liabilities at amortised cost	FLAAC		2,772.0	
Financial liabilities at fair value through profit or loss	FLAFVPL		370.5	
Financial liabilities held for trading	FLHFT		280.9	

Of the derivative financial instruments in the energy area classified as FAHFT and FLHFT in the above table, positive fair values of €20.7m (31 December 2016: €28.9m) and negative fair values of €144.7m (31 December 2016: €227.1m) 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	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	Price forecast for electricity and discount rate for calculating the value of the underlying asset (weighted average cost of capital after taxes)
	– 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: long position: GKI		€m
	2016	2017
Carrying amount as at 1/1/	18.0	4.3
Measurement gains or losses (recognised in other financial result)	1.9	-4.3
Measurement gains or losses (recognised as a measurement of cash flow hedges)	0.0	4.6
Carrying amount as at 31/3/	19.9	4.6

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 from 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. The put option is treated as a hedging instrument for the hedging of a highly probable forecast transaction (cash flow hedge).

Sensitivity analysis for significant, non-observable input factors <sup>1</sup>					€m
	Assumption	Change in assumption	If assumption increases, financial asset changes by <sup>2</sup>	If assumption decreases, financial asset changes by <sup>2</sup>	
Electricity price <sup>3</sup>	€44.7/MWh	± 5%	-3.0	3.0	
Discount rate	4.75%	± 0.25 PP	3.6	-4.0	

<sup>1</sup> 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. // <sup>2</sup> The change in financial asset relates entirely to the put option and would therefore have to be recognised as a measurement of cash flow hedges. The call option would continue to be out of the money. // <sup>3</sup> 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

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

	31/3/2017	of which due in 2017	of which due 2018-2022
Total commitment	<b>331.3</b>	204.3	127.0

### Purchase commitments

VERBUND's last remaining cross-border leasing transaction has an off-balance sheet financing structure. As at 31 March 2017, VERBUND's subsidiary liability for the non-redeemed portion of lease liabilities from cross-border leasing transactions amounted to €539.4m (31 December 2016: €582.3m). Of the rights of recourse against primary debtors, a total of €349.9m (31 December 2016: €392.8m) was secured through counter-guarantees from financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €259.4m (31 December 2016: €259.8m) was covered by off-balance sheet investments.

### Contingent liabilities

### Court proceedings pending

There have been no major developments in connection with the proceedings between VERBUND and EVN AG (shutdown of the power plant block at the Dürnrohr site) compared with the status described as at 31 December 2016. 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 quarter 1/2017 in connection with the flooding of the Drau River in 2012. The claims for damages currently amount to around €109.9m (31 December 2016: €109.8m). VERBUND is contesting both the amounts and merits 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.

In connection with the amortisation of goodwill for the investment in VERBUND Innkraftwerke GmbH claimed for tax purposes for the years 2014–2023, the appeal against the 2014 notice of assessment for the group parent remains pending. The tax benefit for these years (reduction of future tax payments in the amount of €8.2m per year) is recognised in accordance with VERBUND's accounting policies if it is reasonably certain.

### Transactions with related parties

Transactions with investees accounted for using the equity method				€m
	Q1/2016	Q1/2017		Change
<b>Income statement</b>				
Electricity revenue	15.5	12.9		–16.4%
Grid revenue	6.7	7.2		8.5%
Other revenue	–0.2	0.0		113.5%
Other operating income	0.1	0.5		n.a.
Expenses for electricity, grid, gas and certificate purchases	–9.1	–4.5		51.3%
Other operating expenses	0.0	–0.1		–50.2%
Interest income	0.4	0.4		–10.6%
Interest expenses	0.0	0.0		–0.9%
Other financial result	0.6	0.5		–6.7%

Transactions with investees accounted for using the equity method				€m
	31/12/2016	31/3/2017		Change
<b>Balance sheet</b>				
Investments and other non-current receivables	42.2	41.4		–1.9%
Trade receivables and other current receivables	25.7	26.7		3.9%
Contributions to building costs and grants	288.3	290.6		0.8%
Trade payables and other current liabilities	3.6	5.3		46.6%

Electricity revenue with equity-accounted investees primarily came from KELAG-Kärntner Elektrizitäts-AG (€11.7m; Q1/2016: €9.2m) and OeMAG Abwicklungsstelle für Ökostrom AG (€0.7m; Q1/2016: €5.4m). The electricity revenue was offset by electricity purchases from KELAG-Kärntner Elektrizitäts-AG in the amount of €4.4m (Q1/2016: €6.6m).

Electricity revenue with companies controlled or significantly influenced by the Republic of Austria in quarter 1/2017 totalled €13.6m (Q1/2016: €6.9m). Electricity was purchased mainly by Österreichische Bundesbahnen (ÖBB), Telekom Austria Group and OMV. Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €3.9m in quarter 1/2017 (Q1/2016: €0.0m). The electricity was supplied primarily by Österreichische Bundesbahnen (ÖBB).

VERBUND's expenses for monitoring by E-Control in quarter 1/2017 amounted to a total of €3.3m (Q1/2016: €1.9m).

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


**Audit and/or review**

In April 2017, OMV Aktiengesellschaft and VERBUND initiated an extensive alliance at operational level to support the future of energy. In connection with this, OMV Aktiengesellschaft is expected to acquire an interest of 40% in SMATRICS GmbH & Co KG in the second quarter of 2017. This will lead to SMATRICS GmbH & Co KG being included in the consolidated financial statements of VERBUND as an equity-accounted entity effective as at the closing date of the transaction.

**Events after the reporting date**

Vienna, 2 May 2017

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

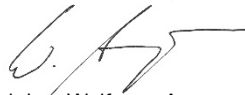
# Responsibility statement of the legal representatives

We confirm according to the best of our knowledge that the condensed consolidated interim financial statements of VERBUND as at 31 March 2017, prepared in accordance with the accounting standards for interim financial reports under International Financial Reporting Standards (IFRSs), give a true and fair view of the assets and liabilities, financial position and profit or loss of the Group.

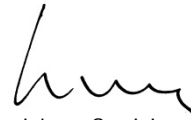
We also confirm that the Group interim management report of VERBUND gives a true and fair view of the assets and liabilities, financial position and profit or loss of the Group with respect to the important events during the first three months of the financial year and their effects on the condensed consolidated interim financial statements as at 31 March 2017 as well as with respect to the principal risks and uncertainties in the remaining nine months of the financial year.

Vienna, 2 May 2017

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

## EDITORIAL DETAILS

**Published by:** VERBUND AG  
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### **Charts and table concept:**

Roman Griesfelder, aspektum gmbh

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### **Contact:** VERBUND AG

Am Hof 6a, 1010 Vienna, Austria

Phone: +43(0)50313-0

Fax: +43(0)50313-54191

Email: [info@verbund.com](mailto:info@verbund.com)

Homepage: [www.verbund.com](http://www.verbund.com)

Commercial register number: FN 76023z

Commercial register court:

Commercial Court of Vienna

VAT No.: ATU14703908

DPR No.: 0040771

Registered Office: Vienna, Austria

### **Investor Relations:**

Andreas Wollein

Phone: +43(0)50313-52604

Email: [investor-relations@verbund.com](mailto:investor-relations@verbund.com)

### **Group Communications:**

Beate McGinn

Phone: +43(0)50313-53702

Email: [media@verbund.com](mailto:media@verbund.com)

### **Shareholder structure:**

– Republic of Austria (51,0 %)

– Syndicate (>25,0 %) consisting of EVN AG

(the shareholders of which are:

Niederösterreichische Landes-  
Beteiligungsholding GmbH, 51 %,

EnBW Energie Baden-Württemberg AG,

32,0 %) and Wiener Stadtwerke (the sole  
shareholder is the City of Vienna)

– TIWAG-Tiroler Wasserkraft AG (>5,0 %, the sole shareholder is the province of Tyrol)

– Free float (<20,0 %): no further information is available concerning owners of shares in free float.

### **Legal and statutory limitations of voting rights:**

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

### **Regulatory body/trade associations:**

E-Control GmbH/E-Control Kommission

Bundesministerium für 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:**

Gerhard Roiss (Chairman), Michael Süß

(1st Vice-Chairman), Elisabeth Engelbrechtsmüller-

Strauß (2nd Vice-Chairwoman), Harald Kaszanits,

Peter Layr, Werner Muhm, Susanne Riess,

Jürgen Roth, Christa Wagner, Peter Weinelt,

Anton Aichinger, Isabella Hönlinger, Kurt Christof,

Wolfgang Liebscher, Hans Pfau

### **Purpose of publication:**

Information for customers, partners and the general public about the utilities sector and the Group.

### **Specific laws applicable:**

Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, EIWOG) 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](http://www.ris.bka.gv.at).

