Values. To us, management means creating values: for people, society and the environment.

Verbund
Power for the Future

Interim report quarters 1–2/2013

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Key figures

	Unit	Q1–2/2012	**Q1–2/2013**	Change
Revenue	€m	1,562.8	1,650.2	5.6%
EBITDA[1]	€m	659.6	794.3	20.4%
Operating result[1]	€m	471.5	–89.3	–
Group result[1]	€m	214.1	448.2	109.3%
Earnings per share[1]	€	0.62	1.29	108.1%
EBIT margin[1]	%	30.2	–5.4	–
EBITDA margin[1]	%	42.2	48.1	–
Cash flow from operating activities	€m	440.4	482.7	9.6%
Capex for intangible assets and property, plant and equipment	€m	308.8	207.8	–32.7%
Free cash flow	€m	63.2	439.6	n.a.
Average number of employees		3,056	3,215	5.2%
Electricity sales volume	GWh	23,182	25,767	11.2%
Hydro coefficient		1.09	1.11	–

	Unit	31/12/2012	**30/6/2013**	Change
Balance sheet total	€m	12,387.3	12,908.5	4.2%
Equity[1]	€m	5,099.4	5,429.3	6.5%
Equity ratio (adjusted)[1]	%	42.6	43.3	–
Net debt	€m	3,311.7	3,941.2	19.0%
Gearing[1]	%	64.9	72.6	–

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8 as a consequence of the first-time application of IAS 19 (2011) in quarter 3/2012.

Report of the Executive Board

Dear Shareholders, the economic conditions for electricity suppliers in Europe have deteriorated even further in quarter 2/2013. The situation in Europe's energy market thus still remains strained. The level of wholesale prices for electricity, a significant value driver for VERBUND shares, continues to decline. The main reason for this is the massive oversubsidisation of new renewable energy in combination with a non-functioning CO_2 market. In addition, gas power plants are under massive economic pressure throughout Europe due to long-term, overpriced agreements that are linked to the price of oil and drastically reduced operating hours. Despite these fundamental changes in the European electricity market, VERBUND is positioned very favourably in the market with its hydropower plants and has one of the most efficient generation technologies.

To counteract the negative developments on the electricity market, VERBUND has introduced numerous measures intended to ensure that, on the one hand, the cost base and capital expenditure programme account for the new conditions and, on the other hand, the foundations for selective future growth are being laid.

Adjustment of cost structure and investment volume

In order to counteract these dramatically altered conditions, VERBUND has focused on four areas.

The **divestment programme** has been consistently progressed in order to strengthen the capital structure and financial capacity of the Group. In this context, VERBUND has divested itself of non-strategic equity interests and disposed of risky foreign equity interests. The closing of the asset swap with E.ON recently took place in April 2013. VERBUND sold the 50% interest in Enerjisa Enerji A.S. in Turkey and acquired E.ON shares in 8 run-of-river power plants in Germany in return. With this transaction, VERBUND generated significant added value and solidified its position as one of the most important producers of hydroelectricity in Europe.

After the **adjustment of investments** was completed at the beginning of the year, the investment programme was reduced by an additional €300m. Investments of €1.2bn (rather than €1.5bn) will be made until 2017 – primarily in regulated business areas such as the Austrian high-voltage grid and wind power projects. Hydropower projects currently under construction will also be completed.

The focus is on **increasing efficiency even further and significantly reducing the cost base**. Cost reductions totalling €130m, around 10% of the costs that can be controlled, have thus been initiated until 2015. In addition to ongoing measures, all options for reducing losses and optimising the gas power plant portfolio are being evaluated. In this context, VERBUND filed an application for redress for competition law infringements with the Austrian Cartel Court in May 2013 for the Mellach CCGT gas supply agreement.

The poor market environment resulted in trigger factors for **impairment tests**. Consequently, impairment losses were recognised in quarter 2/2013 for the CCGTs in Austria and France in the amount of €660m as well as for the minority interest of VERBUND in Sorgenia S.p.A. (Group) in the amount of €396m. Further impairments of €96m were recognised for renewable energy projects and other equity interests. The impairments adjust balance sheet values of installations and equity interests to the current conditions and ease the burden on future results.

Selective growth through expansion of regulated areas and market initiative

The **development of wind power** as a supplement to hydropower is proceeding according to plan. The Romanian Casimcea I wind farm was officially opened in June 2013; an additional 125 MW will be completed as of the end of 2013. In the German state of Rhineland-Palatinate, construction on the 5 acquired wind farms (86 MW) will be completed by quarter 3/2013. A public participation project began during the planned expansion of the VERBUND wind farm in Lower Austrian Bruck an der Leitha district – capacity is planned to double to 100 MW by 2017.

Investments in the grid infrastructure increase the security of supply in Austria and allow the expansion of renewable energy. At the same time, they provide for stable returns in line with the market based on a regulated tariff system. An environmental impact report is being prepared in Salzburg and Upper Austria for the second part of the 380 kV Salzburg line. Investments in infrastructure made on the basis of a grid development plan agreed with the Austrian electricity market regulator represent a significant part of VERBUND's future capital expenditure.

Sales to consumers increased by a total of 236 GWh. In Austria, VERBUND has around 266,000 consumers in the household/agriculture and commercial segment. VERBUND continues its **market initiative** with new products and services such as the VERBUND solar power package PLUS (incl. storage system) as well as increased **advertising measures**.

Result influenced by non-recurring effects

The result during the first half of 2013 was influenced by significant non-recurring effects from the successful completion of the asset swap with German utility E.ON and from the impairment losses resulting from impairment tests. In quarters 1–2/2013, business operations were driven by good water supply. The hydro coefficient was 1.11, 11.0% above the long-term average and 2 percentage points above the previous year's figure. However, the overall decline in wholesale electricity prices and the continuing difficult economic situation for gas power plants put a strain on business operations. EBITDA improved by a total of €134.7m to €794.3m and the Group result increased by €234.1m to €448.2m.

Outlook for the full year

Based on the effects of the asset swap with E.ON and the impairment tests, for financial year 2013, we expect EBITDA to amount to at least €1,150m and the Group result to amount to at least €600m. The forecast is based on a hydro coefficient of 1.05. We still plan to distribute a dividend of €1 per share for financial year 2013.

Dipl.-Ing. Wolfgang Anzengruber | Dr. Johann Sereinig | Dipl.-Ing. Dr. Günther Rabensteiner

Investor relations

The first half of 2013 was characterised by a positive mood on the stock markets in the US and Japan, whereas the European stock markets continue to be restrained. The US Dow Jones Industrial index reached an all-time high of 15,409.4 points on 28 May 2013. However, expectations that the US central bank would curtail its expansive measures brought about a slight downturn again by the end of June. In Europe, predominantly weak price trends were the result of unsteady economic growth and the consequences of the debt crisis which have not yet been overcome. The Euro Stoxx 50 index was down 1.3%. As at 30 June 2013, the Dow Jones Industrial index closed at 13.8% over the closing value at the end of 2012. This increase was substantially exceeded by the Nikkei 225 index, which even rose by 31.6%. The marked expansive policies of the Japanese government are the reason for this increase.

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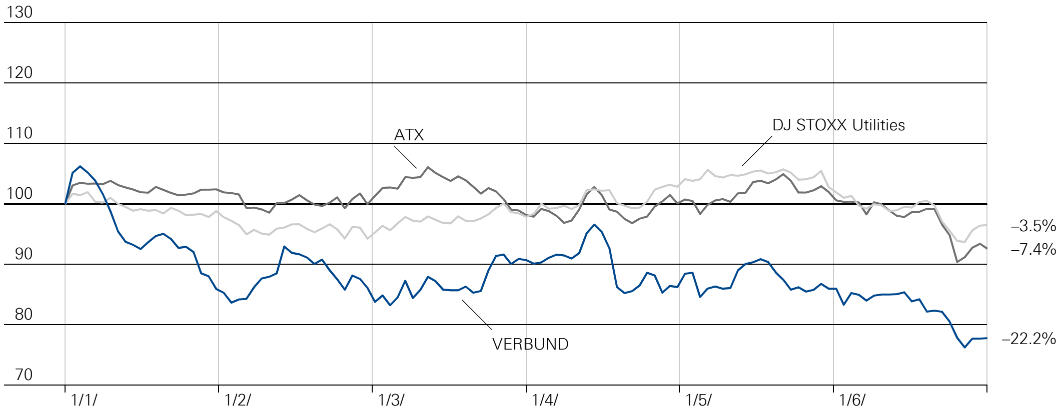
VERBUND share price: relative performance 2013



VERBUND shares lost significantly in value in the first half of 2013. Once again, the reason for the decline was the difficult environment for utilities and the related drop in wholesale electricity prices. VERBUND shares closed at €14.6 on 30 June 2013, down 22.2% from 31 December 2012. Their performance was therefore weaker than the ATX (–7.4%) and DJ STOXX Utilities sector index (–3.5%).

Upcoming dates:
Interim report quarters 1–3/2013: 29 October 2013

Shares: key figures

	Unit	Q1–2/2012	Q1–2/2013	Change
Share price high	€	23.0	19.9	–13.3%
Share price low	€	17.9	14.3	–20.1%
Closing price	€	18.1	14.6	–19.3%
Performance	%	–12.9	–22.2	–
Market capitalisation	€m	6,277.8	5,068.8	–19.3%
ATX weighting	%	4.1	2.8	–
Value of shares traded	€m	742.6	909.2	22.4%
Shares traded per day	Shares	291,072	451,067	55.0%

Consolidated interim management report

Business performance

Electricity supply and sales volume

Group electricity supply GWh

	Q1–2/2012	Q1–2/2013	Change
Hydropower[1]	14,903	16,070	7.8%
Wind/solar power	87	251	188.5%
Thermal power	2,106	2,062	–2.1%
Own generation	17,096	**18,383**	7.5%
Electricity purchased from third parties	5,915	7,416	25.4%
Electricity purchased for grid loss and control energy volumes	1,525	1,532	0.5%
Electricity supply	24,536	**27,331**	11.4%

[1] incl. purchase rights

VERBUND's own generation in quarters 1–2/2013 amounted to 18,383 GWh and was 1,287 GWh higher than in quarters 1–2/2012. Generation from hydropower rose by 1,167 GWh. The hydro coefficient for run-of-river power plants was 1.11, 11.0% above the long-term average and 2 percentage points above the previous year's figure. Newly acquired power plant interests in Germany contributed 451 GWh. Generation from annual and pumped storage power plants also increased significantly (+12.2%). This is attributable to less damming and more intensive pumping. Wind power and photovoltaic installations generated 164 GWh more electricity than the previous year's figure. Wind power plants in Germany and Romania were responsible for 173 GWh of total generation. However, generation from thermal power plants decreased by 44 GWh. The Mellach/Styria CCGT generated a total of 287 GWh in quarters 1–2/2013 (quarters 1–2/2012: 445 GWh). In contrast, generation from other VERBUND thermal power plants in Austria was 1,141 GWh and increased by 127 GWh. Both French gas power plants produced 13 GWh less electricity than in quarters 1–2/2012 owing primarily to market conditions.

The purchase of electricity from third parties for the trading and sales business increased by 1,501 GWh. Electricity purchased from third parties for grid losses and control energy was nearly unchanged.

Group electricity sales and own use GWh

	Q1–2/2012	Q1–2/2013	Change
Consumers	4,743	4,979	5.0%
Resellers	10,413	11,223	7.8%
Traders	8,026	9,565	19.2%
Electricity sales volume	23,182	**25,767**	11.2%
Own use	1,139	1,308	14.8%
Control energy volumes	215	256	19.1%
Electricity sales and own use	24,536	**27,331**	11.4%

Electricity sales increased by 2,585 GWh year-on-year in quarters 1–2/2013. The increase in sales to resellers (+810 GWh) is attributable to higher sales to German municipal utilities and higher supply volumes to Austrian provincial utilities. Electricity deliveries to trading firms rose by 1,539 GWh, primarily due to increased sales via power exchanges as a result of German hydropower marketing. VERBUND was also able to increase its sales to consumers both domestically and internationally (+236 GWh). Internationally, the volumes sold to industrial consumers increased significantly due to activities in the German market, despite the withdrawal from France.

VERBUND's own use for electricity also increased, above all due to higher demand for pumped storage power plants.

Electricity sales volume by country GWh

	Q1–2/2012	Q1–2/2013	Change
Austria	11,937	12,516	4.9%
Germany	9,358	11,596	23.9%
France	1,533	1,243	–18.9%
Italy	161	175	8.7%
Others	193	237	22.8%
Electricity sales volume	23,182	**25,767**	11.2%

In quarters 1–2/2013, approximately 49% of the electricity sold by VERBUND went to the Austrian market. The focus of international trading and distribution activities is the German market, which accounts for 87.5% of all volumes sold abroad.

Financial performance

Results €m

	Q1–2/2012	Q1–2/2013	Change
Revenue	1,562.8	1,650.2	5.6%
EBITDA[1]	659.6	794.3	20.4%
Operating result[1]	471.5	–89.3	–118.9%
Group result[1]	214.1	448.2	109.3%
Earnings per share in €	0.62	1.29	109.3%

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8 as a consequence of the first-time application of IAS 19 (2011) in quarter 3/2012.

Electricity revenue

Electricity revenue increased by €21.5m to €1,381.3m in quarters 1–2/2013. Electricity sales volumes rose by 11.2% year-on-year. However, this was counteracted by a negative price variation as a result of the overall low price level.

Grid revenue

External grid revenue decreased by 2.5% to €173.9m. In quarters 1–2/2013, the provisions recognised in 2012 for a possible rescission of the 2012 System Charges Order (SNE-VO) were reassessed and thus partially reversed. Reversal of this provision partially compensated for the amount transferred to the provision for a possible rescission of the 2013 SNE-VO, which led to an improvement of €12.5m compared with the first half of 2012. In contrast, a negative effect ensued from lower international grid revenues, the decline of which could not be compensated by national grid revenues.

Other revenue and other operating income

The increase in other revenue by €70.4m to €95.0m is mainly attributable to revenue from green electricity certificates and revenue from gas deliveries. Other operating income rose by €139.8m to €184.6m. This significant increase was mainly due to the 60% repayment of the electricity supply commitment from the Zemm/Ziller storage power plant group as a result of the asset swap with E.ON (see Selected explanatory notes for details). However, the decline in comparison with quarters 1–2/2012 was due to positive effects in those quarters, such as the capitalisation of costs associated with the trial operation of the Mellach CCGT as well as revenue from loss settlements had a negative impact.

Expenses for electricity, grid, gas and certificate purchases

Expenses for electricity, grid, gas and certificate purchases increased by 4.1% to €622.1m. The purchase of electricity from third parties for the trading and sales business as well as for grid losses and control energy increased by a total of 1,508 GWh. This negative variance in terms of quantity was mostly compensated by lower purchase prices as well as lower reimbursements of expenses for purchase rights. Expenses for electricity purchases thus increased by €4.3m compared to quarters 1–2/2012. Expenses for grid purchases increased by €11.0m. Expenses for gas purchases increased by €3.7m. The natural gas supply agreement for the Mellach CCGT has had to be recognised at fair value through profit or loss since quarter 3/2012. In quarters 1–2/2013, the resulting effect on profit or loss amounted to €+44.4m (see Selected explanatory notes for details). This was counteracted by higher expenses for gas purchases.

Fuel expenses

Fuel and other usage-dependent expenses rose by 40.2% to €118.6m. The increase can be mainly attributed to the operation of the French Pont-sur-Sambre and Toul CCGTs, which generated a total of 634 GWh in electricity in quarters 1–2/2013 (the 100% equity interests in POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. were initially consolidated on 31 October 2012). A counteracting effect resulted from the reduced operation of the Mellach CCGT (–158 GWh compared with quarters 1–2/2012).

Personnel expenses

Personnel expenses rose by €8.9m to €168.2m. Wages, salaries and ancillary expenses increased by €6.6m to €159.3m. The adjustment to wages and salaries under the collective agreement, the consolidation of POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. as well as the integration of Grenzkraftwerke GmbH and Innwerk AG contributed to the rise in personnel expenses. Expenses for severance payments and pensions decreased by €2.3m to €8.9m. Voluntary severance payments and initial allocations to the provision for employees entering partial retirement contributed to the increase in personnel expenses.

Amortisation and depreciation

Amortisation of intangible assets and depreciation of property, plant and equipment rose by €31.6m to €165.3m. The increase was mainly due to the acquisition of Bavarian hydropower plants as a result of the asset swap with E.ON as well as the consolidation of the French power plant companies POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. since quarter 4/2012. In addition, commissioning of the wind farms in Romania as well as partial commissioning of the German wind farms also increased expenses.

Other operating expenses

Other operating expenses rose by €32.6m to €140.6m compared to the same period in 2012. The rise resulted in particular from the recognition of a provision for an onerous gas storage lease agreement, the consolidation of French power plant companies POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. as well as from higher maintenance in the area of hydropower and expenses related to the flooding in quarter 2/2013.

Effects from impairment tests on the operating result

The main indications of impairment of the generation portfolio were the poor market environment as well as the decline in wholesale electricity prices below the level defined by VERBUND for early pricing in of own generation. Against this backdrop, the generation portfolio of VERBUND was tested for impairment as at 30 June 2013.

Effects from impairment tests in quarters 1–2/2013 amounting to €–709.3m resulted mainly from the impairment of CCGT Mellach (€–269.9m), Pont-sur-Sambre (€–198.7m) and Toul (€–191.8m), as well as the Bruck/Hollern/Petronell-Carnuntum wind farms (€–25.7m) and the Gössendorf and Kalsdorf run-of-river power plants (€–18.0m) (see Selected explanatory notes for details).

Operating result

As a consequence of the above developments, the operating result decreased by €560.8m to €–89.3m. The operating result before effects from impairment tests increased by €95.5m to €619.9m.

Result from equity interests

The result from interests accounted for using the equity method decreased by €82.2m to €–100.9m. The contribution from foreign interests fell by €67.0m to €–117.8m. The decline was primarily attributable to the contribution of Sorgenia S.p.A. (Group) in Italy in the amount of €–112.6m (quarters 1–2/2012: €–30.5 m). This negative earnings contribution resulted from the expected negative results of Sorgenia S.p.A. (Group) in quarter 2/2013, in particular due to the impairment of its 39% equity interest in Tirreno Power S.p.A. The French power plant companies POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. have been consolidated since quarter 4/2012. The contribution of these companies to the result from interests accounted for using the equity method amounted to €–34.1m in quarters 1–2/2012.

Income from domestic interests accounted for using the equity method amounted to €16.9m (quarters 1–2/2012: €32.1m). This mainly included the earnings contribution of KELAG in the amount of €16.5m (quarters 1–2/2012: €15.4m). The contribution of SSG was €12.4m in quarters 1–2/2012. The 34.57% equity interest in SSG had already been classified as held for sale at 31 December 2012 and was sold to Energie Steiermark with effect from 18 January 2013.

Interest income and expenses

Interest income decreased by €2.1m to €17.6m compared with quarters 1–2/2012. Interest expenses declined by €20.3m to €85.9m. This is primarily due to the losses attributable to the other partners of VERBUND Thermal Power GmbH & Co KG. Other interest and similar expenses in quarters 1–2/2012 resulted from a repayment premium and fees from the early partial repayment of a bond denominated in foreign currency (JPY).

Other financial result

Other financial result improved by €21.2m to €11.3m in quarters 1–2/2013. The other financial result in quarters 1–2/2012 contained an effect on profit or loss from the measurement of an overall short position with respect to the former subsidiaries and second-tier subsidiaries of POWEO Production S.A.S. in the amount of €9.6m and from the measurement of guarantee liabilities for the construction financing of the Toul CCGT in a total amount of €–32.4m. POWEO Direct Energie elected not to exercise the call option underlying the short position in quarter 4/2012; the guarantee liability was included in the total amount of consideration transferred as part of the initial consolidation of POWEO Toul Production S.A.S.

Effects from impairment tests on the financial result

Effects from impairment tests in the financial result amounting to €–446.1m in quarters 1–2/2013 resulted mainly from the impairment of Shkodra Region Beteiligungsholding GmbH (€–8.5m), Sorgenia S.p.A. (Group) (€–396.0m) and Energie AG Oberösterreich (€–41.6m) (see Selected explanatory notes for details).

Effects from business acquisitions

The asset swap with E.ON was completed on 24 April 2013. This transaction involved VERBUND selling the 50% interest in Enerjisa Enerji A.S. in Turkey to E.ON and acquiring E.ON shares in 8 run-of-river power plants in Germany in return (see Selected explanatory notes for details). The effects from business acquisitions in the amount of €+1,243.8m resulted entirely from this asset swap.

Financial result

As a consequence of the above developments, the financial result increased by €754.6m to €641.5m. The financial result before effects from impairment tests and from business acquisitions decreased by €48.4m to €–156.2m.

Group result

After deducting tax and non-controlling interests in the amount of €41.5m, the Group result amounts to €448.2m. This is an increase of €234.1m compared to the previous year. Earnings per share amounted to €1.29 (quarter 1–2/2012: €0.62) for 347,415,686 shares.

Assets and liabilities

Consolidated balance sheet (short version) €m

	31/12/2012	Percentage	**30/6/2013**	**Percentage**	Change
Non-current assets	9,781.9	79.0%	11,267.8	87.3%	15.2%
Current assets	1,273.6	10.3%	1,639.8	12.7%	28.8%
Non-current assets held for sale	1,331.8	10.8%	1.0	0.0%	–99.9%
Total assets	12,387.3	100.0%	**12,908.5**	**100.0%**	4.2%
Equity	5,099.4	41.2%	5,429.3	42.1%	6.5%
Non-current liabilities	6,046.3	48.8%	5,963.1	46.2%	– 1.4%
Current liabilities	1,241.7	10.0%	1,516.2	11.7%	22.1%
Liabilities	12,387.3	100.0%	**12,908.5**	**100.0%**	4.2%

Assets

Property, plant and equipment increased by €2,124.0m. This is attributable primarily to the business acquisition of shares in Bavarian hydropower plants (€+2,823.0m). Capital expenditure for property, plant and equipment totalled €159.6m. This figure includes €39.9m of capital expenditure for the Reisseck II pumped storage power plant, €24.5m for the Romanian wind power plants, €16.5m for the German wind power plants and €10.4m for the Ernsthofen and St. Peter substations. Impairment losses amounting to €692.9m had the opposite effect. €277.5m related to the Mellach CCGT, €198.7m to the Pont-sur-Sambre CCGT, €191.8m to the Toul CCGT and €19.3m to the Gössendorf and Kalsdorf run-of-river power plants. Depreciation on property, plant and equipment amounted to €162.1m.

The decline in the carrying amount of the interests accounted for using the equity method is attributable above all to the impairment of the equity interest in Sorgenia S.p.A. (Group) amounting to €396.0m. An additional impairment recognised in Shkodra Region Beteiligungsholding GmbH amounted to €8.5m. The consolidation of Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH in quarter 2/2013 caused a reduction of €30.8m.

The decrease in the carrying amount of other equity interests by €45.1m is mainly due to the impairment of Energie AG.

Receivables and other assets increased by a total of 43.9%. This increase is attributable in particular to the change in loans (€+550.m), the measurement of derivatives in the energy area (€+71.6m) and higher tax receivables (€+42.9m).

The change in non-current assets held for sale concerned the disposal of the Turkish equity interest in Enerjisa Enerji A.S. (Group) amounting to €1,054.9m and SSG in the amount of €275.9m.

Equity and liabilities

As at 30 June 2013, the adjusted equity ratio was 43.3% (31 December 2012: 42.6%). Net debt increased by 19.0% compared to 31 December 2012. This is primarily attributable to the asset swap with E.ON. Additional reasons for net debt to increase were the reduction of short-term investments in the amount of €170.7m and the decrease in cash and cash equivalents (€–55.8m).

Financial liabilities decreased by €314.6m, in particular due to early repayments (€–131.4m) and changes in money market transactions (€–60.5m).

The 10.6% increase in non-current and current provisions resulted mainly from the increase in personnel-related provisions as a result of the consolidation of the Bavarian companies acquired in quarter 2/2013. Provisions for outstanding purchase invoices (€–53.3m) had the opposite effect.

Trade payables including other payables decreased by a total of 26.3% or €286.2m. Reasons for this decrease included, in particular, the repurchase of 60% of the electricity supply commitments from the Tyrolean Zemm/Ziller storage power plant group in the amount of €282.4m. In addition, the measurement of the natural gas supply agreement for the Mellach CCGT led to a reduction in liabilities of €44.4m. Non-current other liabilities with respect to the obligation to transfer the newly acquired 50% interest in Donaukraftwerk Jochenstein AG back to the Federal Republic of Germany or the Free State of Bavaria without exchange of consideration effective 31 December 2050 had the opposite effect.

Cash flows

Cash flow statement (short version)

€m

	Q1–2/2012	Q1–2/2013	Change
Cash flow from operating activities	440.4	482.7	9.6%
Cash flow from investing activities	–377.2	–43.0	–88.6%
Cash flow from financing activities	–337.1	–495.4	47.0%
Change in cash and cash equivalents	–273.9	**–55.8**	–79.6%
Cash and cash equivalents at the end of the period	59.4	**65.9**	10.9%

Cash flow from operating activities

Cash flow from operating activities amounted to €482.7m, thus improving by €42.3m. This change represents a 9.6% increase compared to quarters 1–2/2012 and results mainly from increased contribution margins in generation primarily due to lower payments for fuels, higher contributions from the Grid segment, lower net interest payments and higher contributions to building costs. This was counteracted by higher personnel-related payments, increased payments of taxes on income, higher other cash in- and outflows from operations and lower inflows from equity interests.

Cash flow from investing activities

Cash flow from investing activities changed by €+334.2m in quarters 1–2/2013. The change resulted mainly from the payment of the difference relating to the asset swap of the Turkish equity interest for shares in Bavarian hydropower plants (€+405m). In addition, cash and cash equivalents (€+9.5m) less the costs from acknowledgements, declarations of approval and cancellation notices of the partners and the costs from the reimbursement of refinancing costs (€–37.5m) were taken into account. Lower investments in intangible assets and property, plant and equipment (€+101.0m), cash inflows from the disposal of the interest in SSG accounted for using the equity method (€+270.9m) and deposits and payments from short-term investments (€+340.4m) also had a positive impact on cash flow from investing activities. The opposite effect resulted from increased cash outflows from capital expenditure on investments (€–502.8m) and lower cash inflows from disposals of investments (€–272.6m).

Cash flow from financing activities

Cash flow from financing activities amounted to €–495.4m in quarters 1–2/2013, a change of €–158.3m. The change resulted from higher repayments of financial liabilities (€–39.4m), deposits and payments from money market transactions (€–74.8m) and higher dividends paid (€–46.1m).

Risk management

As a result of the difficult conditions, VERBUND had to recognise massive impairment losses on installations and equity interests at the end of the first half of 2013. If the economic situation deteriorates, a need for additional impairment losses cannot be ruled out. VERBUND has therefore initiated a public discussion of measures to reestablish functional energy markets. As a result of the flood of the century in June 2013, further expenses for maintenance as well as potential claims for damages are also possible. VERBUND is strengthening its strategic position by simplifying its business model and taking measures to increase profitability. Electricity generation is concentrated primarily on hydropower and wind power in Austria and Germany. For existing thermal power plants, measures to reduce losses are being implemented on a regular basis, and a task force is evaluating further options. The opportunities offered by the European domestic market should be utilised in the area of the high voltage grid. Over the medium term, VERBUND's business operations will be characterised by strict cost management and reductions in the capital expenditure programme.

Operating result: low electricity prices with declining trend

Electricity generation from hydropower depends largely on hydrological trends that cannot be controlled. The result is still negatively affected by the declining wholesale electricity prices and few opportunities for use of gas power plants. Taking into account the annual power generation priced in as at the 30 June 2013 reporting date, a change of 1.0% either way in the following factors – all else remaining equal – would be reflected in the operating result for 2013 as follows:

- Greater or less generation from hydropower: +/–€4.6m
- Wholesale electricity prices (hydropower plants and thermal power plants): +/–€1.4m
- Clean spark spread (difference between the prices of gas and electricity, taking into account CO_2 costs when electricity price varies): +/–€0.1m

Financial result: measurement effects on the result from equity interests

Earnings contributions from domestic equity interests remain stable. The performance of foreign equity interests is characterised by difficult economic conditions and necessary restructuring. Financial risk remains stable at a low level due to our conservative financing strategy and reduced need for financing. Finalisation of the asset swap with E.ON has considerably reduced any risk to the result from off-balance sheet collateral.

A change of 1.0% either way in the following factors – all else remaining equal – would be reflected in the financial result for 2013 as at the 30 June 2013 reporting date as indicated below:

- JPY–EUR exchange rate (financial result): +/–€0.4m
- Wholesale prices on the Italian electricity market (result from equity interests): +/–€1.0m

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

Outlook

The performance of the VERBUND result is significantly affected by the following factors: wholesale prices for electricity, own generation, profitability of gas power plants and performance of foreign interests in Italy.

Wholesale electricity prices have fallen considerably due to the weak economy and existing excess capacities – particularly as a result of the heavy subsidisation of new renewable energy – as well as a still non-functioning CO_2 market. We anticipate electricity prices to remain at this low level in the second half of 2013. We have already contracted almost 90% of planned own generation for 2013.

The development of own generation depends largely on water supply. The hydro coefficient in the first half of 2013 was 1.11. VERBUND plans production for the second half of 2013 based upon a long-term average. Thus, we anticipate a hydro coefficient of 1.05 for 2013. Significant deviations from targets could occur within the course of the year. Due to heavy flooding in particular on the Danube, for example, run-of-river power plants experienced several days of production outages in June 2013.

Because of the strong subsidisation of new renewable energy, oil price-indexed gas supply agreements and existing excess capacities, the situation for gas power plants in Europe deteriorated. The development of the Group result depends largely on the economic performance of the Mellach/Styria, Pont-sur-Sambre/France and Toul/France gas power plants as well as the Italian minority interest Sorgenia S.p.A. (Group). All options for these are being examined until quarter 4/2013.

To counteract the negative developments in the industry environment, VERBUND reduced the investment programme by an additional €300m to €1.2bn until 2017 and initiated cost reductions totalling €130m from 2013 to 2015.

Based on the effects of the asset swap with E.ON and the effects of the impairment tests, for financial year 2013, VERBUND expects EBITDA to amount to at least €1,150m and the Group result to amount to at least €600m. The forecast is based on a hydro coefficient of 1.05. Management still plans to distribute a dividend of €1 per share for financial year 2013.

Operating segments

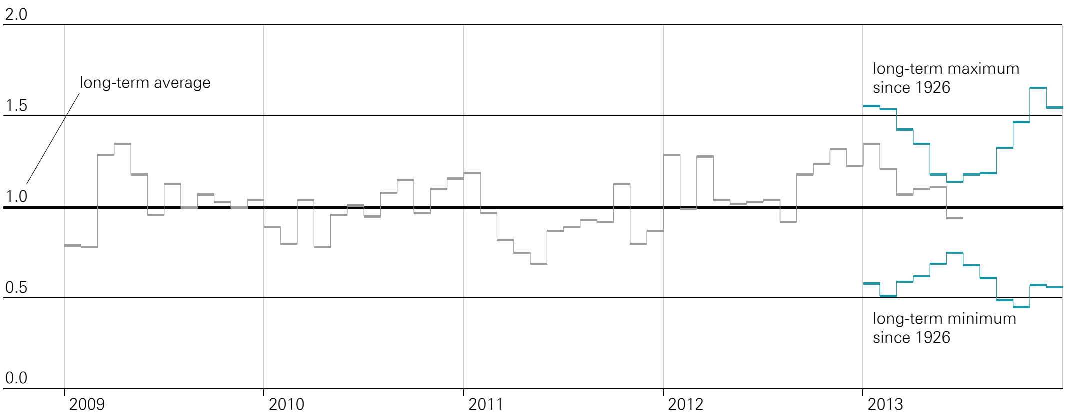
Electricity

Electricity supply – Electricity segment GWh

	Q1–2/2012	**Q1–2/2013**	Change
Hydropower[1]	14,903	16,070	7.8%
Wind/solar power	87	251	n.a.
Thermal power	2,106	2,062	–2.1%
Own generation	17,096	**18,383**	7.5%
Electricity purchased from third parties	5,915	7,416	25.4%
Intragroup	161	109	–32.3%
Electricity supply	23,172	**25,908**	11.8%

[1] incl. purchase rights

Hydro coefficient (monthly averages)



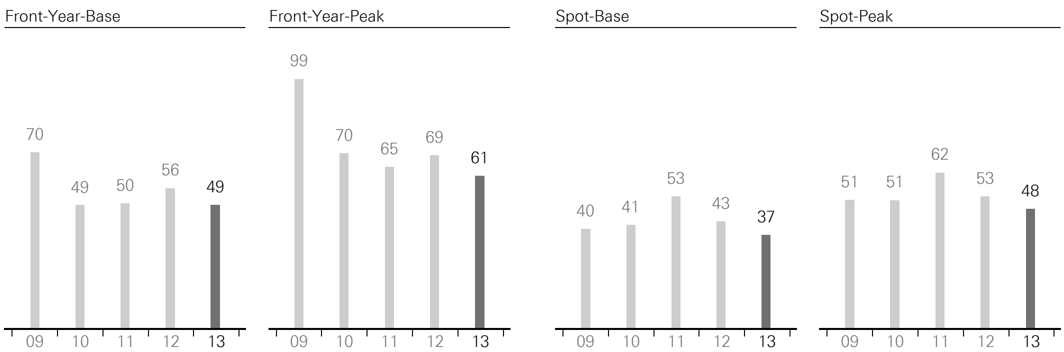
Electricity generation

At 18,383 GWh, the Electricity segment's total generation of electricity in quarters 1–2/2013 was up 7.5% compared to the same period in 2012. Generation from hydropower rose by 7.8%. The hydro coefficient for the run-of-river power plants amounted to 1.11, 11.0% higher than the long-term average and 2 percentage points above the previous year's figure. In addition, generation increased by 3% from May 2013 onwards as a result of the power plant interests acquired in Germany .

Generation from annual storage power plants was increased by 12.2%. In addition to greater use of pumping, the lower damming level is a contributing factor. Generation from wind power and photovoltaic installations increased due to the commissioning of installations in Romania and Germany. In quarters 1–2/2013, around 88.8% of VERBUND's own generation came from renewable energy. Generation from thermal power decreased by 2.1%. The reason for this was the persistently difficult market environment. The purchase of electricity from third parties for the trading and sales business rose by 25.4%. This was largely due to two factors: marketing of the generation from the newly acquired hydropower plant interests in Germany until April 2013 (owned since 24 April 2013) and buying back hedges that secured the generation from thermal power plants.

Futures prices €/MWh

Spot market prices €/MWh first half of year



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

Electricity prices

At an average of €49.3/MWh, prices for electricity futures contracts applicable to financial year 2013 (front-year base 2013) were down 12% from the previous year's level. As a result of its hedging strategy, VERBUND had already included the majority of its own generation in its pricing calculation in 2012 via the futures market. Spot market prices (base price) fell by 12.5% to €37.4/MWh. Spot price performance was driven above all by low demand as a result of the economy as well as the low prices for fuel and emission rights.

Primary energy prices were inconsistent. The price for Brent crude oil rose from $111/bbl at the start of the year to $118.9/bbl at the beginning of February; it amounted to $102/bbl at the end of June. The price for CIF ARA hard coal deliveries (6,000 kcal/kg) hovered at around $90/t during the first two months of the year, but fell below $74/t by the end of June. Spot prices on the Net Connect Germany (NCG) gas hub ranged between €26/MWh and €28/MWh at the beginning of the year. As a result of the cold spell, they rose to over €39/MWh at the start of the last week in March and amounted to €27/MWh at the end of June. Prices on the gas futures market were relatively stable. At the trading point NCG, the price for the front-year future for 2014 (Cal-14 contract) was €26.6/MWh at the end of June. Starting at €5.8/t at the beginning of the year and impacted by the decision-making process on the future design of emissions trading, the price for emission rights fluctuated between €2.5/t and €6.5/t. It was €4.3/t at the end of the second quarter.

Electricity sales volume

Electricity sales and own use – Electricity segment

GWh

	Q1–2/2012	**Q1–2/2013**	Change
Consumers	4,743	4,979	5.0%
Resellers	9,367	10,150	8.4%
Traders	7,972	9,498	19.1%
Intragroup	334	380	13.8%
Electricity sales volume	22,416	**25,007**	11.6%
Own use	756	901	19.2%
Electricity sales and own use	23,172	**25,908**	11.8%

VERBUND's electricity sales volume and own use increased by 11.8% in quarters 1–2/2013 compared to the same period in 2012. Business with resellers increased by 8.4%. Electricity deliveries to trading firms rose by 19.1%. Sales to consumers increased by a total of 236 GWh. In Austria, VERBUND has around 266,000 consumers in the household/agriculture and commercial segment consuming up to 100,000 kWh of electricity annually. Internationally, the volumes sold to industrial consumers increased significantly due to activities in the German market, despite the withdrawal from France. The increase in own use was due to the more favourable market conditions for pumped storage power plants.

Expansion of generation from hydropower

Installation of the Reisseck II/Carinthia pumped storage power plant is in full swing. The transformers and the first turbine blade were delivered on schedule in early June 2013. The cementing work in the generator cavern is complete. Interior construction on the pressure shaft is 50% complete. Connection work has begun at the Grosser Mühldorf reservoir. Once it is completed in September 2014, the installation will expand the capacity of the Malta/Reisseck power plant group by 430 MW.

Expansion of generation from wind power

The expansion of the wind farm in the Lower Austrian Bruck an der Leitha district is taking shape. Development of the Hollern II and Petronell-Carnuntum II (36 MW) installations will commence shortly. They will be completed by quarter 1/2014. The start of construction for Bruck-Göttlesbrunn (21 MW) is scheduled for early 2014.

With regard to the German wind farm in Rhineland-Palatinate (86 MW) acquired in 2012, 62.1 MW are already in operation. The remainder of the installation will go online gradually until quarter 3/2013. In Romania, the Casimcea wind farm (100 MW) has been in operation since quarter 3/2012. An additional 125 MW is under construction and it is planned that this will commence operation at the end of 2013.

Grid

The transported energy volume relevant to billing in the 380/220 kV grid (excluding electricity used for pumping) increased by 13% to 10,241 GWh in quarters 1–2/2013. A total of 4,471 GWh was imported and 1,067 GWh exported at the 380, 220 and 110 kV levels in the APG control area.

Electricity supply – Grid segment

GWh

	Q1–2/2012	**Q1–2/2013**	Change
Electricity purchased for grid loss and control energy volumes	1,525	**1,532**	0.5%
Intragroup	334	380	13.8%
Electricity supply	1,858	**1,912**	2.9%

Electricity sales and own use – Grid segment

GWh

	Q1–2/2012	**Q1–2/2013**	Change
Resellers	1,045	1,072	2.6%
Traders	54	68	25.9%
Intragroup	161	109	–32.3%
Electricity sales volume	1,260	**1,249**	–0.9%
Own requirements	383	407	6.3%
Control energy volumes	215	256	19.1%
Electricity sales volume and own use	1,858	**1,912**	2.9%

Rate regulation

The relevant data are still being gathered in the tariff review which has been ongoing since January. The objective for the 2013 tariff negotiations is to continue to secure a return on capital employed – also by means of ex-ante financing of the capital expenditure for the approved APG grid development plan.

Major progress on the second part of the 380 kV Salzburg line

Public inspection of project documentation for the second section of the 380 kV Salzburg line ended on 15 May 2013. With this, another important milestone was reached. Objections to the project could be raised during the time period between 20 March 2013 to 15 May 2013. Around 1,100 objections were received by the EIA in Salzburg. No objections were raised in Upper Austria. Environmental impact reports are currently being prepared in both federal states.

Security of supply and management of maximum electrical capacities

Several interventions into power plant use were necessary in quarter 2/2013 to maintain the security of supply. Technical network measures were no longer sufficient to ease the critical grid situation. The high east-west current flows as well as two incidents (transformer fire in St. Peter am Hart/Upper Austria and a mudslide in Pinzgau/Salzburg) posed special challenges for APG. These could only be managed by means of extensive measures such as the construction of temporary lines.

Equity interests

Foreign

Italy

The contribution of Sorgenia S.p.A. (Group) to the result from interests accounted for using the equity method amounted to €–112.6m in quarters 1–2/2013 (quarters 1–2/2012: €–30.5m). In addition, an impairment loss was recognised on the equity interest in Sorgenia S.p.A. (Group). The impairment test resulted in a measurements at fair value less costs to sell of €111.9m, resulting in an impairment of €–396.0m.

A difficult market environment continued to characterise the first half of 2013, with a particularly detrimental effect on the profitability of the gas power plants in the day-ahead market. This was counteracted by continued good margins – due to the high degree of flexibility of the new fleet of power plants – being achieved in the control and balancing energy market. Due to lower electricity prices, better margins were generated in the consumer business primarily in quarter 1/2013.

Turkey

The closing for the sale of the 50% interest in Enerjisa Enerji A.S. to German E.ON took place on 24 April 2013.

Domestic

KELAG – Kärntner Elektrizitäts-Aktiengesellschaft

KELAG continued its positive business performance in the first half of the year. The contribution of KELAG to the result from interests accounted for using the equity method in quarters 1–2/2013 was €16.5m (quarters 1–2/2012: €15.4m).

Events after the balance sheet date

There were no events requiring disclosure between the balance sheet date of 30 June 2013 and authorisation for issue on 25 July 2013.

Consolidated interim financial statements

of VERBUND

Income statement

€m

In accordance with IFRSs	Notes	Q1–2/2012[1]	Q1–2/2013	Q2/2012[1]	Q2/2013
Revenue		1,562.8	**1,650.2**	725.0	**787.8**
Electricity revenue	1	1,359.8	1,381.3	649.3	670.7
Grid revenue	2	178.3	173.9	77.5	68.0
Other revenue		24.6	95.0	–1.8	49.1
Other operating income	3	44.8	184.6	13.6	167.6
Expenses for electricity, grid, gas and certificate purchases	4	–597.6	–622.1	–259.3	–266.2
Fuel expenses and other usage-dependent expenses	5	–84.6	–118.6	–24.0	–35.4
Personnel expenses	6	–159.3	–168.2	–79.2	–91.3
Amortisation of intangible assets and depreciation of property, plant and equipment		–133.7	–165.3	–68.6	–90.5
Other operating expenses		–107.9	–140.6	–66.7	–89.5
Operating result before effects from impairment tests		524.4	619.9	240.7	382.4
Effects from impairment tests	7	–52.9	–709.3	–52.9	–705.5
Operating result		471.5	**–89.3**	187.8	**–323.0**
Result from interests accounted for using the equity method	8	–18.7	–100.9	–26.9	–51.0
Other result from equity interests	9	7.3	1.6	3.5	1.7
Interest income	10	19.7	17.6	9.7	9.3
Interest expenses	11	–106.2	–85.9	–27.4	–27.3
Other financial result	12	–9.9	11.3	17.6	5.4
Financial result before effects from impairment testing and business acquisitions		–107.8	–156.2	–23.4	–62.0
Effects from impairment tests	13	–5.3	–446.1	–5.3	–446.1
Effects from business acquisitions	14	0.0	1,243.8	0.0	1,243.8
Financial result		–113.1	**641.5**	–28.7	**735.7**
Profit before tax		358.4	**552.2**	159.1	**412.7**
Taxes on income		–90.1	–62.5	–44.2	–20.2
Profit for the period		268.3	**489.7**	114.8	**392.4**
Attributable to shareholders of VERBUND AG (Group result)		214.1	448.2	85.1	371.1
Attributable to non-controlling interests		54.1	41.5	29.8	21.3
Earnings per share in €[2]		0.62	**1.29**	0.24	**1.07**

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8 as a consequence of the first-time application of IAS 19 (2011) in quarter 3/2012. // [2] Diluted earnings per share correspond to basic earnings per share.

Statement of comprehensive income

€m

In accordance with IFRSs	Notes	Q1–2/2012[1]	**Q1–2/2013**	Q2/2012[1]	**Q2/2013**
Profit for the period		268.3	**489.7**	114.8	**392.4**
Remeasurements of the net defined benefit liability	15	–24.1	–39.6	–7.7	–39.5
Other comprehensive income from interests accounted for using the equity method		–1.9	0.1	–0.2	0.0
Total of items that will not be reclassified ("recycled") subsequently to the income statement		–26.1	**–39.5**	–7.9	**–39.5**
Differences from currency translation		51.2	–0.6	32.2	–1.3
Measurements of available-for-sale financial instruments		0.7	–4.5	–0.9	–5.7
Measurements of cash flow hedges		–7.0	13.8	–32.1	0.4
Other comprehensive income from interests accounted for using the equity method		–29.9	168.6	–12.1	167.4
Total of items that will be reclassified ("recycled") subsequently to the income statement		15.1	**177.3**	–13.0	**160.8**
Other comprehensive income before tax		–11.0	**137.8**	–20.9	**121.3**
Taxes on income relating to items that will not be reclassified ("recycled") subsequently to the income statement		6.0	10.1	1.9	10.2
Taxes on income relating to items that will be reclassified ("recycled") subsequently to the income statement		1.7	–2.3	8.3	1.2
Other comprehensive income after tax	16	–3.3	**145.7**	–10.7	**132.7**
Total comprehensive income for the period		265.0	**635.4**	104.1	**525.2**
Attributable to the shareholders of VERBUND AG		213.5	597.7	75.5	507.9
Attributable to non-controlling interests		51.5	37.6	28.6	17.3

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8 as a consequence of the first-time application of IAS 19 (2011) in quarter 3/2012.

Balance sheet

€m

In accordance with IFRSs	Notes	31/12/2012	30/6/2013
Non-current assets		9,781.9	**11,267.8**
Intangible assets		662.1	745.7
Property, plant and equipment		7,385.8	9,509.8
Interests accounted for using the equity method		908.8	358.7
Other equity interests	21	134.6	89.5
Investments and other receivables	17, 21	690.6	564.1
Current assets		1,273.6	**1,639.8**
Inventories	18	129.2	102.1
Trade receivables and other receivables	21	1,022.8	1,471.8
Cash and cash equivalents	21	121.7	65.9
Non-current assets held for sale	19	1,331.8	**1.0**
Total assets		12,387.3	**12,908.5**

€m

In accordance with IFRSs	Notes	31/12/2012	30/6/2013
Equity		5,099.4	**5,429.3**
Attributable to shareholders of VERBUND AG		4,458.4	4,847.6
Attributable to non-controlling interests		641.0	581.6
Non-current liabilities		6,046.3	**5,963.1**
Financial liabilities	20, 21	3,935.3	3,305.6
Provisions		654.0	762.9
Deferred tax liabilities		200.8	890.0
Contributions to building costs and grants		649.6	653.7
Deferred income – cross-border leasing		53.6	52.8
Other liabilities	21	552.9	298.2
Current liabilities		1,241.7	**1,516.2**
Financial liabilities	21	385.8	700.8
Provisions		285.3	276.3
Current tax liabilities		37.2	37.0
Trade payables and other liabilities	21	533.4	501.9
Total liabilities		12,387.3	**12,908.5**

Statement of changes in equity

In accordance with IFRSs	Share capital	Capital reserves	Retained earnings	Remeasure-ments of the net defined benefit liability
Notes				15
As at 1/1/2012[1]	347.4	954.3	3,299.2	–97.7
Changes in the group of consolidated companies	–	–	0.1	–
Total comprehensive income for the period[1]	–	–	214.1	–17.6
Dividends	–	–	–191.1	–
As at 30/6/2012[1]	347.4	954.3	3,322.4	–115.4
As at 1/1/2013	**347.4**	**954.3**	**3,493.4**	**–130.5**
Reclassification of components of other comprehensive income to be recycled	–	–	–1.3	–
Total comprehensive income for the period	–	–	448.2	–25.5
Dividends	–	–	–208.5	–
As at 30/6/2013	**347.4**	**954.3**	**3,731.8**	**–156.0**

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8 as a consequence of the first-time application of IAS 19 (2011) in quarter 3/2012.

€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
	−165.0	−2.0	−28.5	7.0	4,314.7	604.4	4,919.1
	–	–	–	–	0.1	0.0	0.1
	52.1	1.5	−37.7	0.9	213.5	51.5	265.0
	–	–	–	–	−191.1	−68.3	−259.4
	−112.9	−0.4	−66.2	8.0	4,337.3	587.5	4,924.8
	−128.9	**6.8**	**−91.1**	**7.1**	**4,458.4**	**641.0**	**5,099.4**
	–	–	–	1.3	0.0	–	0.0
	125.8	−4.4	53.0	0.6	597.7	37.6	635.4
	–	–	–	–	−208.5	−97.0	−305.5
	−3.1	**2.3**	**−38.1**	**9.0**	**4,847.6**	**581.6**	**5,429.3**

Cash flow statement

€m

In accordance with IFRSs	Notes	Q1–2/2012[1]	Q1–2/2013
Profit for the period		268.3	**489.7**
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		188.1	883.6
Impairment losses on investments (net of reversals of impairment losses)		0.0	41.6
Result from interests accounted for using the equity method (net of dividends received)		52.1	528.3
Result from the disposal of non-current assets		– 4.2	4.4
Change in non-current provisions and deferred tax liabilities		3.1	13.0
Change in contributions to building costs and grants		20.4	1.9
Income from the reversal of deferred income from cross-border leasing transactions		– 0.8	– 0.8
Other non-cash expenses and income	22	– 32.8	– 1,479.2
Subtotal		494.2	**482.5**
Change in inventories		– 19.3	27.5
Change in trade receivables and other receivables		– 100.2	– 3.1
Change in trade payables and other liabilities		– 23.9	– 57.5
Change in current provisions and current tax liabilities		89.6	33.2
Cash flow from operating activities	22	440.4	**482.7**

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8 as a consequence of the first-time application of IAS 19 (2011)(in quarter 3/2012.

€m

In accordance with IFRSs	Notes	Q1–2/2012[1]	Q1–2/2013
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		–308.8	–207.8
Cash inflow from the disposal of intangible assets and property, plant and equipment		19.1	4.4
Cash outflow from capital expenditure for investments		–58.1	–560.9
Cash inflow from the disposal of investments		313.5	40.9
Cash inflow (outflow) from capital expenditure for subsidiaries		0.0	377.0
Cash outflow from capital expenditure for interests accounted for using the equity method		–182.0	–137.5
Cash inflow from the disposal of subsidiaries and interests accounted for using the equity method		9.5	270.9
Cash inflow (outflow) from the disposal of (capital expenditure for) current investments		–170.4	170.0
Cash flow from investing activities		–377.2	**–43.0**
Cash inflow (outflow) from money market transactions		14.3	–60.5
Cash inflow from the assumption of financial liabilities (excluding money market transactions)		0.0	2.1
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		–92.0	–131.4
Dividends paid		–259.4	–305.5
Cash flow from financing activities		–337.1	**–495.4**
Change in cash and cash equivalents		–273.9	**–55.8**
Cash and cash equivalents as at 1/1/		333.2	**121.7**
Cash and cash equivalents as at 30/6/		59.4	**65.9**

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8 as a consequence of the first-time application of IAS 19 (2011) in quarter 3/2012.

Selected explanatory notes

Financial reporting principles

Basic principles

These consolidated interim financial statements of VERBUND as at 30 June 2013 were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial statements as endorsed 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, please refer to VERBUND's consolidated financial statements as at 31 December 2012, which form the basis for these consolidated interim financial statements of VERBUND.

Group of consolidated companies

The interests in STEWEAG-STEG GmbH and the Turkish entity Enerjisa Enerji A.S. (Group) accounted for using the equity method were sold effective 18 January 2013 and 24 April 2013 respectively and consequently deconsolidated (see: (19) Non-current assets held for sale).

100% of the interest in German Innwerk AG was acquired effective 24 April 2013 as part of a business acquisition. At the beginning of the year, Innwerk AG received 50% interests in Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH from E.ON Wasserkraft GmbH (now E.ON Kraftwerke GmbH) by means of a spin-off (among other things). As a result, Innwerk AG and the 50% interests in Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH previously accounted for using the equity method were consolidated for the first time (see: Business acquisitions).

The Romanian Ventus Renew Romania S.R.L. was newly established effective 22 May 2013 as a 90% subsidiary of VERBUND and consolidated for the first time. The new entity was established by spinning off 23 wind power plants under construction (installed capacity: 69 MW) from Alpha Wind S.R.L. This transaction under joint control was accounted for by carrying forward the carrying amounts.

Business acquisitions

(Additional) Bavarian hydropower plant capacities with an average annual generation of around 2,000 GWh were acquired effective 24 April 2013. These Bavarian hydropower plant capacities are represented by 50% interests in Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH, a 47% co-ownership interest in the Nussdorf run-of-river power plant and by the facilities of the Ering-Frauenstein and Obernberg-Egglfing run-of-river power plants located on German state territory (including a right to purchase 50% of the electricity generated in the power plants). Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH were previously operated by VERBUND AG and/or VERBUND Hydro Power AG and E.ON Wasserkraft GmbH (now E.ON Kraftwerke GmbH) as joint ventures; the 50% equity interests already held by VERBUND has previously been accounted for using the equity method. The Ering-Frauenstein and Obernberg-Egglfing run-of-river power plant facilities on Austrian state territory were previously the share of assets attributable to VERBUND in jointly controlled assets by VERBUND Hydro Power AG and E.ON Wasserkraft GmbH (now E.ON Kraftwerke GmbH). At the beginning of the year, the Bavarian hydropower plant capacities were spun off by E.ON Wasserkraft GmbH (now E.ON Kraftwerke GmbH) into the (newly established) Innwerk AG in which VERBUND acquired a total of 100% of the interest after receiving all competition-related and other (regulatory) approvals.

The business acquisition of Innwerk AG was part of a transaction to be viewed in its entirety (asset swap), under which 20.28% of the capacity of the Tyrolean Zemm/Ziller storage power plant group was (re)acquired and 50% of the interest in Turkish Enerjisa Enerji A.S. (Group) was sold to DD Turkey Holdings S.à.r.l., a 100% subsidiary of E.ON SE. In quarter 3/2009, capacities of the Tyrolean Zemm/Ziller storage power plant group were assigned to E.ON Wasserkraft GmbH (now E.ON Kraftwerke GmbH) in the form of a long-term electricity supply agreement as part of the consideration transferred for the acquisition of 13 run-of-river power plants on the Inn River in Bavaria. The transaction to be viewed in its entirety was a consequence of VERBUND's strategic focus on majority interests focusing on electricity generation from hydropower and on the Austrian and German market.

The total consideration transferred comprises the fair value of the 50% equity-accounted interest in Enerjisa Enerji A.S. (Group) still classified as held for sale as at 31 March 2013 (carrying amount as at 24 April 2013: €1,192.4m), the fair value of the equity interests previously held in Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH (carrying amount as at 24 April 2013: €30.8m), the fair value of receivables and liabilities extinguished as a result of confusion, the reacquisition of 60% of the electricity supply commitment from the Tyrolean Zemm/Ziller storage power plant group and a payment of the difference of €405.0m by E.ON to VERBUND. No contingent consideration was agreed. The fair value measurements of the equity interests in Enerjisa Enerji A.S. (Group), Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH were also recognised in profit or loss, just as the recognition of gains or losses determined from previously existing relationships between VERBUND and Innwerk AG or its investees (see: (14) Effects from business acquisitions).

The fair values of the identifiable assets and liabilities of the Bavarian hydropower plant capacities were as follows as at the acquisition date:

Assets acquired and liabilities assumed €m

	Fair value as at the acquisition date
Concessions, rights, licences	1.8
Land and buildings	1,407.0
Machinery	737.6
Electrical installations	677.0
Office and plant equipment	1.2
Plants under construction and projects	0.2
Investments and non-current other receivables	9.0
Deferred tax assets	48.1
Inventories	0.4
Trade receivables and current other receivables[1]	6.2
Cash and cash equivalents	9.5
Total assets acquired	**2,898.1**
Non-current provisions	102.4
Deferred tax liabilities	702.3
Non-current other liabilities[2]	81.9
Current provisions	11.1
Current tax liabilities	0.0
Trade payables and current other liabilities	5.0
Total liabilities assumed	**902.8**
Total identifiable net assets at fair value	**1,995.3**
Goodwill[3]	108.3
Total consideration transferred	**2,103.6**
Of which from the equity interest in Enerjisa Enerji A.S. (Group)	1,671.1
Of which from previously held equity interests	1,008.6
Of which receivables forfeited as a result of confusion	0.3
Of which liabilities extinguished as a result of confusion	– 46.7
Of which from the redemption of electricity supply commitments	– 124.8
Of which in cash	– 405.0

[1] For trade receivables and current other receivables, the carrying amounts represented a realistic estimate of their fair values (due to the short maturities); they also correspond to the gross value of the receivables. // [2] This non-current other liability refers to the obligation to transfer the newly acquired 50% interest in Donaukraftwerk Jochenstein AG back to the Federal Republic of Germany or the Free State of Bavaria without exchange of consideration effective 31 December 2050. // [3] The goodwill from this transaction to be viewed in its entirety (asset swap) resulted mainly from the development of the energy price forecasts between when the purchase price was determined for the individual transactions (based on a locked-box mechanism) and the closing; the differences between these purchase prices and the fair values of the assets transferred in each case were netted in goodwill. In addition, expected synergy effects (due to overheads that no longer apply), project and liability risks as well as foreign currency and political risks from the Turkish joint venture that no longer apply, an expected reduction in VERBUND's financing costs (due to the improved risk profile), and – not least – the deferred tax liabilities to be recognised in accordance with IFRS 3 resulted in the recognition of goodwill.

VERBUND's new subsidiaries contributed €27.2m to VERBUND's revenue in quarters 1–2/2013; their contribution to VERBUND's profit or loss for the period was €–9.9m. If the business acquisition had taken place at the beginning of the reporting period, the new subsidiaries would have contributed €80.2m to revenue and €39.0m to profit or loss for the period under the corresponding line items of VERBUND's income statement. However, it should be noted that de facto 50% of revenue and profit for the period were attributed to VERBUND prior to the first-time consolidation due to the previously existing electricity supply agreements with Österreichisch-Bayerische Kraftwerke AG and Donaukraftwerk Jochenstein AG, which have entitled VERBUND to purchase half of the electricity generated in exchange for the contractually specified reimbursement of expenses plus a return on equity (as well as due to the holding of 50% equity-accounted interests).

In light of the complexity of the accounting issues related to this transaction, which is to be viewed in its entirety, the initial accounting of this business acquisition is to be classified as "provisional". This applies in particular to the amounts recognised as current and deferred tax liabilities as well as deferred tax assets.

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 the consolidated financial statements of VERBUND as at 31 December 2012.

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 (adopted by the EU)	Mandatory application for VERBUND	Effects on the consolidated interim financial statements of VERBUND
IFRS 1	Amendments: Government Loans	13/3/2012 (4/3/2013)	1/1/2013	none
IFRS 7	Amendments: Offsetting Financial Assets and Financial Liabilities	16/12/2011 (13/12/2012)	1/1/2013	none
IFRS 13	Fair Value Measurement	12/5/2011 (11/12/2012)	1/1/2013	additional note disclosures
Various	Improvements to IFRSs	17/5/2012 (27/3/2013)	1/1/2013	none

Segment reporting

The operating result in the total column corresponds to the operating result in the income statement. Therefore, the reconciliation to profit before tax can be taken from the income statement.

€m

	Electricity	Grid	Equity Interests & Services	Elimination	Total Group
Q1–2/2013					
External revenue	1,403.4	239.7	7.2	–	1,650.2
Internal revenue	92.2	40.6	43.6	– 176.3	0.0
Total revenue	1,495.5	280.3	50.7	– 176.3	1,650.2
Operating result	– 124.9	23.1	– 18.9	31.4	– 89.3
Depreciation and amortisation	– 125.8	– 33.9	– 6.5	0.8	– 165.3
Effects from impairment tests	– 709.3	0.0	0.0	0.0	– 709.3
Other material non-cash items	257.2	– 30.4	1.5	31.0	259.3
Result from equity interests	–	–	698.6	0.0	698.6
Of which result from interests accounted for using the equity method	–	–	– 100.9	0.0	– 100.9
Of which effects from impairment tests	–	–	– 446.1	0.0	– 446.1
Of which effects from business acquisitions	–	–	1,243.8	0.0	1,243.8
Capital employed	8,013.1	967.2	9,397.5	– 8,725.9	9,651.9
Of which carrying amount of interests accounted for using the equity method	2.2	1.3	355.3	0.0	358.7
Additions to intangible assets and property, plant and equipment	2,947.1	33.5	5.8	0.0	2,986.5
Additions to equity interests	0.0	0.0	0.0	0.0	0.0

€m	Electricity	Grid	Equity Interests & Services	Elimination	Total Group
Q1–2/2012					
External revenue	1,308.6	245.2	8.9	–	1,562.8
Internal revenue	75.9	29.9	45.7	–151.5	0.0
Total revenue	1,384.5	275.1	54.6	–151.5	1,562.8
Operating result	**468.6**	**–2.2**	**–21.4**	**26.5**	**471.5**
Depreciation and amortisation	–98.2	–31.5	–4.6	0.6	–133.7
Effects from impairment tests	–52.9	0.0	0.0	0.0	–52.9
Other material non-cash items	25.1	–33.5	–1.4	26.3	16.6
Result from equity interests	–	–	–16.7	0.0	–16.7
Of which result from interests accounted for using the equity method	–	–	–18.7	0.0	–18.7
Of which effects from impairment tests	–	–	–5.3	0.0	–5.3
Capital employed	5,749.8	996.3	6,903.1	–4,210.8	9,438.4
Of which carrying amount of interests accounted for using the equity method	7.8	1.2	2,285.3	0.0	2,294.3
Additions to intangible assets and property, plant and equipment	217.5	42.5	7.6	0.0	267.6
Additions to equity interests	0.0	0.0	182.0	0.0	182.0

Notes to the income statement

(1) Electricity revenue

Electricity revenue by customer areas

€m	Q1–2/2012 Domestic	**Q1–2/2013 Domestic**	Change	Q1–2/2012 Foreign	**Q1–2/2013 Foreign**	Change
Electricity deliveries to consumers	235.1	**232.8**	–1.0%	131.2	**143.5**	9.4%
Electricity deliveries to resellers	402.2	**381.6**	–5.1%	91.2	**103.3**	13.3%
Electricity deliveries to traders	16.0	**16.5**	3.2%	484.1	**503.6**	4.0%
Electricity revenue	653.3	**630.9**	–3.4%	706.5	**750.4**	6.2%

(2) Grid revenue

Grid revenue by customer areas

€m

	Q1–2/2012 Domestic	Q1–2/2013 Domestic	Change	Q1–2/2012 Foreign	Q1–2/2013 Foreign	Change
Energy supply companies	93.6	106.2	13.5%	1.1	0.0	–96.0%
Industrial clients	7.7	8.7	12.6%	0.0	0.0	n.a.
Other	23.4	21.4	–8.4%	52.5	37.5	–28.6%
Grid revenue	124.7	**136.3**	9.3%	53.6	**37.5**	–30.0%

(3) Other operating income

Other operating income

€m

	Q1–2/2012	Q1–2/2013	Change
Income from the repurchase of 60% of the electricity supply commitment from the Tyrolean Zemm/Ziller storage power plant group	0.0	157.6	n.a.
Changes in inventory and own work capitalised	25.8	11.6	–55.1%
Other	18.9	15.4	–18.6%
Other operating income	44.8	**184.6**	n.a.

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

Expenses for electricity, grid, gas and certificate purchases

€m

	Q1–2/2012	Q1–2/2013	Change
Expenses for electricity purchases	526.7	531.0	0.8%
Expenses for gas purchases[1]	0.1	3.7	n.a.
Expenses for grid purchases (system use)	72.3	83.3	15.3%
Purchases of emission rights (trade)[2]	–1.5	3.3	n.a.
Purchases of proof of origin and green certificates	0.0	0.7	n.a.
Expenses for electricity, grid, gas and certificate purchases	597.6	**622.1**	4.1%

[1] There is a long-term natural supply agreement between VERBUND and EconGas GmbH, which, as a consequence of its management, had to be classified as a freestanding derivative and recognised at fair value through profit or loss (see: (21) Additional disclosures regarding financial instruments). In quarters 1– 2/2013, the resulting effect on profit or loss amounted to €44.4m. // [2] In quarters 1–2/2012, the negative expenses for emission rights purchases mainly resulted from the measurement of inventories of emission rights held for trading.

(5) Fuel expenses and other usage-dependent expenses

Fuel expenses and other usage-dependent expenses

€m

	Q1–2/2012	Q1–2/2013	Change
Fuel expenses[1]	81.2	105.8	30.3%
Emission rights acquired in exchange for consideration	0.4	7.5	n.a.
Other usage-dependent expenses	3.1	5.3	71.7%
Fuel expenses and other usage-dependent expenses	84.6	**118.6**	40.2%

[1] Fuel expenses in quarters 1–2/2013 included a write-down of coal inventories to net realisable value in the amount of €7.7m.

(6) Personnel expenses

Personnel expenses €m

	Q1–2/2012	Q1–2/2013	Change
Wages and salaries	123.3	128.1	4.0%
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	27.5	29.1	5.9%
Other social expenses	1.9	2.0	5.2%
Subtotal	152.7	**159.3**	4.3%
Expenses for severance payments	1.9	4.2	119.3%
Expenses for pensions and similar obligations	4.7	4.7	–0.3%
Personnel expenses	159.3	**168.2**	5.6%

In quarters 1–2/2013, a total of €3.9m (quarters 1–2/2012: €3.8m) was paid into the pension fund under defined contribution plans.

(7) Effects from impairment tests

VERBUND secures its future own generation against price risks by means of a hedging strategy determined in advance, which calls for the use of derivative financial instruments in the energy area, in particular forward and futures contracts. In the event that certain trigger prices are reached, VERBUND's pricing strategy provides for pricing in future generation volumes in advance in order to hedge against falling prices. Such a strategy of pricing-in in advance enables to capture a price level that is already regarded as high when the upper trigger price is exceeded and therefore secures (unexpected) high margins for future generation volumes. If prices fall below the lower trigger price, such a strategy of strategy of pricing-in in advance enables to capture a price level that is already regarded as low and therefore secures (unexpected) low, but acceptable margins for future generation volumes against a further decrease in price quotations.

Currently, the price quotation trends for emission rights and electricity futures are exhibiting a very strong positive correlation. As a result of the decision on the part of the European Parliament dated 16 April 2013 against backloading in the EU-emission trading scheme ("backloading" refers to delaying the auctioning of emission rights in order to bring about an increase in their prices after first adjusting the excess supply), the price quotations for emission rights and electricity futures recorded significant declines. Consequently, prices fell below VERBUND's lower trigger prices several times in May 2013, which led to pricing in future generation volumes in advance. Nevertheless, after a long debate, the European Parliament decided on 3 July 2013 in favour of backloading 900 million emission rights in the trading periods starting 2019. However, this decision only had a temporary (if insignificant) influence at best on the trend of price quotations for emission rights and electricity futures.

Considering these indications of impairment, VERBUND's generation portfolio was tested for impairment as at 30 June 2013. The installed capacities indicated for the generation portfolio represent gross bottleneck capacities (before deducting own use necessary to operate the power plant). The recoverable amounts were determined using a net present value method; the calculations were made based on the discounted cash flow method. In order to determine any necessary impairment losses, the recoverable amounts were compared to the carrying amounts (plus goodwill, if any) as at 30 June 2013.

For recoverable amounts determined based on value in use, the prices were calculated using the VERBUND energy market model (VEMM). The VEMM is an energy simulation tool for the development of medium and long-term electricity and natural gas price scenarios for energy markets. For recoverable amounts determined based on fair value less costs to sell, the prices (starting 2020) were calculated as of quarter 2/2013 using the average forecasts of two reputable market research institutes and information service providers in the energy market. For the beginning of the planning period (2013 to 2016), however, the prices were determined using the price quotations for energy futures; the price levels for electricity, natural gas and emission rights were then brought up to the energy price level forecasts by 2020 (through linear interpolation). Previously, only one of these two forecasts was used to determine fair value. Without this change in an accounting estimate, the recoverable amounts (of the impaired assets) would have been approximately €527.4m higher as at 30 June 2013 and the effects from impairment tests would have been approximately €523.7m less negative. The extrapolation of electricity price forecasts (from 2036 onwards) was based on the assumption of a sustained rate of increase of 2.0%.

Effects from impairment tests €m

	Q1–2/2012	**Q1–2/2013**	Change
Impairment loss of the Mellach combined cycle gas turbine power plant	–54.4	–277.5	n.a.
Reversal of deferred grants for the Mellach combined cycle gas turbine power plant	1.5	7.6	n.a.
Impairment loss of the Pont-sur-Sambre combined cycle gas turbine power plant	–	–198.7	n.a.
Impairment loss of the Toul combined cycle gas turbine power plant	–	–191.8	n.a.
Impairment loss of the Bruck/Hollern/Petronell-Carnuntum wind farms (of which goodwill: €–25.3m)	0.0	–25.7	n.a.
Reversal of deferred grants for the Bruck/Hollern/Petronell-Carnuntum wind farms	0.0	0.0	n.a.
Impairment of the Gössendorf and Kalsdorf run-of-river power plants	0.0	–19.3	n.a.
Reversal of deferred grants for the Gössendorf and Kalsdorf run-of-river power plants	0.0	1.3	n.a.
Impairment loss of the Kavarna wind farm	0.0	–3.1	n.a.
Other impairment losses	0.0	–2.2	n.a.
Effects from impairment tests	–52.9	**–709.3**	n.a.

Mellach combined cycle gas turbine power plant

The recoverable amount for the Mellach combined cycle gas turbine power plant (installed capacity (electrical): 848 MW) was determined based on fair value (Level 3) less costs to sell. The discount rate after tax was 6.75%.

The cash flows of relevance to measurement were derived from recent planning on the part of VERBUND Thermal Power GmbH & Co KG and are based primarily on near-market data. The fair value measurement was determined on the basis of the installed capacity of the combined cycle gas turbine power plant; the maximum heat extraction was assumed to be 400 MW (thermal). The presumed level of efficiency at full capacity was 58.8%. The utilisation of the power plant was determined in consideration of the energy market and technical environment and/or restrictions with the help of an optimisation model. In light of the current market situation, planning for the medium term was based on the assumption that generation would be idled down or only very low. Moreover, the planning took into account a heat extraction of up to 200 GWh per year; for the period in which generation was suspended, it is assumed that the district heating supply and purchase agreement for the district heating requirements of the Graz metropolitan area would be fulfilled by the Mellach coal-fired district heating plant. The network service costs were estimated based on the applicable System Charges Order (SNE-VO). The costs of upkeep incurred in addition to the costs from the maintenance agreement were estimated by the responsible technical managers, as were the costs of mothballing the plant. The material annual expenses from the planning were carried forward with price increases of 1.9% to 2.5%.

The planning period was determined based on the total capacity of 150,000 equivalent operating hours (EOHs). The end of the planning period was reached between 2040 and 2050, depending on the electricity and gas price scenario as well as the utilisation scenario for the power plant. The reinvestment, maintenance and repair cycles were determined based on the maintenance agreement entered into with Siemens AG Austria.

The key valuation assumptions underlying the determination of the recoverable amount included the development of clean spark spreads, the demand charge – corresponding to the costs incurred to secure the willingness of natural gas suppliers to deliver – the likelihood of winning in the in the proceedings for anti-competitive conduct on the part of EconGas GmbH (see: (21) Additional disclosures regarding financial instruments), the possibilities for storing natural gas and the discount rate.

Pont-sur-Sambre and Toul combined cycle gas turbine power plants

The recoverable amount for the Pont-sur-Sambre and Toul combined cycle gas turbine power plants (installed capacities: 420 MW and 422 MW respectively) was determined on the basis of fair value (Level 3) less costs to sell. The discount rate after tax was 6.25%.

The cash flows of relevance to measurement were derived from the current planning of POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. and are based primarily on near-market data. The fair value measurement was based on the installed capacities of the combined cycle gas turbine power plants. In each case, the presumed level of efficiency at full capacity was 52.0%. The utilisation of the power plants was determined in consideration of the energy market and technical environment and/or restrictions with the help of an optimisation model. The planning was based on the assumption that a capacity market mechanism would be introduced for France starting in 2017 to create operating and investment incentives for (necessary) "conventional" back-up power plants. The annual capacity premiums per MW were estimated by the power generation managers based on scenarios. The network service costs were estimated based on the applicable rates of the Réseau de Transport d'Electricité S.A. (RTE). The material annual expenses from the planning were carried forward with a 1.9% rate of increase.

The planning period was determined for both combined cycle gas turbine power plants based on a total capacity of 150,000 equivalent operating hours (EOHs). The end of the planning period was reached between 2029 and 2031, depending on the power plant, the electricity and gas price scenario and the utilisation scenario for the power plants. The reinvestment, maintenance and repair cycles were determined based on the maintenance agreements entered into with Siemens S.A.S.

The key valuation assumptions underlying the determination of the recoverable amount included the development of clean spark spreads, the capacity premiums, the terms of the long-term natural gas supply contract for the Toul combined cycle gas turbine power plant with Statoil ASA and the discount rate.

Bruck/Hollern/Petronell-Carnuntum wind farms

The recoverable amount for the Bruck/Hollern/Petronell-Carnuntum wind farms (installed capacity in operation: 49 MW; installed capacity under construction: 57 MW) was determined on the basis of fair value (Level 3) less costs to sell. The discount rate after tax was 6.00%.

The cash flows of relevance to measurement were derived from recent planning on the part of VERBUND Wind Power Austria GmbH and/or VERBUND Renewable Power GmbH and are based primarily on near-market data. The expansion of the wind farms was reflected in the planning data accordingly. The new wind power plants in Petronell-Carnuntum and Hollern are scheduled to be activated at the beginning of 2014; the new wind power plants in Bruck should go online at the beginning of 2015. The fair value measurement of the wind farms in operation was based on an annual feed-in of 100 GWh based on multiple years of experience. The wind power plants to be newly constructed as part of the expansion of the wind farms were measured based on an annual expected feed-in of 139.8 GWh. The prices were determined based on fixed feed-in rates in accordance with the Green Electricity Act (Ökostromgesetz, ÖSG) for the first up to four and a half years for the wind power plants in operation (depending on the wind farm) and for the first 13 years following activation for the wind power plants to be newly constructed. The forecast electricity revenue was reduced by 13.0% to reflect balance energy costs after the end of fixed feed-in rates. The network service costs were estimated based on the applicable System Charges Order (SNE-VO). The material annual expenses from the planning were carried forward with price increases of 2.0% to 2.7%.

The planning period lasted until the end of the useful life in 2039; it was assumed that there would be no reinvestment. The repair and maintenance cycles were determined based on the maintenance agreements entered into with the wind power plant manufacturers.

The key valuation assumptions underlying the determination of the recoverable amount included the electricity price forecasts and the discount rate.

Gössendorf and Kalsdorf run-of-river power plants

The recoverable amount for the Gössendorf and Kalsdorf run-of-river power plants (installed capacities: 18.5 MW and 18.8 MW respectively) was determined on the basis of fair value (Level 3) less costs to sell. The discount rate after tax was 6.75%.

The cash flows of relevance to measurement were derived from recent planning on the part of VERBUND Hydro Power AG and are based primarily on near-market data. The fair value measurement was based on constant generation volumes of 88.6 GWh and 81.2 GWh respectively over the planning period, corresponding to the mean energy capability. The forecast electricity revenue was reduced by discounts for electricity generation characteristics and hydrological forecast and availability risk. These discounts, which were derived from experience, correspond to the percentage difference from the pure base price and serve to model the generation value. A surcharge derived from price quotations was assumed for each MWh of mean energy capability for the realisable increase in revenue due to the sale of "certified" electricity (with guarantees of origin from hydropower). The network service costs were estimated based on the applicable System Charges Order (SNE-VO). The material annual expenses from the planning were carried forward with price increases of 2.0% to 4.3%.

The planning period was divided into a detailed planning phase and a rough planning phase. The detailed planning phase comprised a period of 6 years. The rough planning phase had a horizon of approximately 94 years, reflecting the long-term reinvestment, maintenance and repair cycles of run-of-river power plants. Planning is therefore based on a finite reinvestment cycle that reflects replacement investments based on experience.

The key valuation assumptions underlying the determination of the recoverable amount included the electricity price forecasts and the discount rate.

Kavarna wind farm

The recoverability of the wind farm operated by Bulgarian Haos Invest EAD on the Black Sea coast, which is subject to a sustained bottleneck in the upstream grid, was tested as at 31 March 2013 due to indications of impairment. The current phase of political instability in Bulgaria and the legal uncertainties with respect to the financing of the Bulgarian grid led to the assumption that the possibility of feeding all the generated electricity into the grid would be further delayed. In addition, wind power producers could expect considerably higher costs (e.g. for balancing energy) as a consequence of the implementation of a (new) financing scheme. The recoverable amount was determined based on the value in use. The discount rate before tax was 8.00%.

The cash flows of relevance to measurement were derived from Haos Invest EAD's current planning. The value in use was determined on the basis of output estimated based on wind assessment reports. The installed capacity amounts to 16 MW; however, due to the sustained bottleneck in the upstream grid, the feed-in ratio was expected to average only 65% until the beginning of 2017. The prices for the first 13 years of the planning period were based on fixed feed-in rates in accordance with the Bulgarian rules for renewable electricity. The forecast electricity revenue was reduced by balance energy costs in the amount of 10.0% after the end of fixed feed-in rates. The material annual expenses from the planning were carried forward with a 2.0% rate of increase.

The planning period lasted until the end of the useful life in 2030; it was assumed that there would be no reinvestment. The repair and maintenance cycles as well as their costs were determined on the basis of maintenance contracts entered into or offered by wind power plant producers.

The key valuation assumptions on which the determination of the recoverable amount was based were the electricity price forecasts, the point in time from which it would be possible to feed all the generated electricity into the grid, the wind power plants' forecast annual power generation and the discount rate.

(8)
Result from interests accounted for using the equity method

Result from interests accounted for using the equity method €m

	Q1–2/2012 Domestic	Q1–2/2013 Domestic	Change	Q1–2/2012 Foreign	Q1–2/2013 Foreign	Change
Income or expenses (excluding impairment losses and reversals of impairment losses)	32.1	**16.9**	–47.3%	–50.8	**–117.8**	–131.7%

The result from equity-accounted interests in foreign energy supply companies was influenced in particular by impairment losses recognised on the part of Sorgenia S.p.A. (Group) on its equity-accounted interest in Tirreno Power S.p.A. as well as impairment losses recognised on the part of VERBUND due to fair value adjustments from hidden reserves that were released as a result of capital increases and share acquisitions with respect to the equity-accounted interest in Tirreno Power S.p.A.

(9)
Other result from equity interests

In quarter 1/2013, €–4.1m of effects on profit or loss resulting from reclassification adjustments ("recycling") from other comprehensive income to the income statement were recognised as part of the disposal of the equity-accounted interest in STEWEAG-STEG GmbH.

(10)
Interest income

Interest income €m

	Q1–2/2012	Q1–2/2013	Change
Interest from investments under closed items on the balance sheet	13.8	13.8	0.6%
Interest from money market transactions	1.6	1.1	–28.4%
Other interest and similar income	4.4	2.7	–39.2%
Interest income	19.7	**17.6**	–10.6%

(11)
Interest expenses

Interest expenses €m

	Q1–2/2012	Q1–2/2013	Change
Interest on bonds	52.3	51.3	–1.9%
Interest on bank loans	21.3	22.3	4.7%
Interest on financial liabilities under closed items on the balance sheet	13.8	13.9	0.8%
Interest on other liabilities from electricity supply commitments	22.8	17.6	–22.7%
Net interest expense on personnel-related liabilities	11.8	10.7	–9.7%
Interest on other non-current provisions	3.1	2.9	–7.5%
Profit or loss attributable to limited partners	–17.1	–31.6	–84.6%
Borrowing costs capitalised in accordance with IAS 23	–15.0	–7.7	48.5%
Other interest and similar expenses[1]	13.1	6.5	–50.7%
Interest expenses	106.2	**85.9**	–19.1%

[1] Other interest and similar expenses in quarters 1–2/2012 included a repayment premium and fees from the early repayment of a bond denominated in foreign currency (JPY).

(12)
Other financial result

Other financial result

€m	Q1–2/2012	Q1–2/2013	Change
Income from financial instruments	9.4	2.8	–70.0%
Foreign exchange gains	10.1	10.7	5.8%
Foreign exchange losses	–6.7	–5.3	20.7%
Other expenses from financial instruments[1]	–22.8	3.0	113.3%
Other financial result	–9.9	**11.3**	n.a.

[1] In quarters 1–2/2012, this item included an effect on profit or loss of €9.6m from the measurement of the overall short position with respect to the former subsidiaries and second-tier subsidiaries of POWEO Production S.A.S. (including the financing and guarantees provided by VERBUND) and of €–32.4m from the measurement of guarantee liabilities for the construction financing of the Toul combined cycle gas turbine power plant. In quarter 4/2013, POWEO Direct Energie waived the rights over the call option that had formed the basis of the short position. The guarantee liabilities were included in the total consideration transferred as a result of the first-time consolidation of POWEO Toul Production S.A.S. (and thus eliminated).

(13)
Effects from impairment tests

Effects from impairment tests

€m	Q1–2/2012 Domestic	Q1–2/2013 Domestic	Change	Q1–2/2012 Foreign	Q1–2/2013 Foreign	Change
Impairment losses on interests accounted for using the equity-method[1]	–5.3	0.0	100.0%	0.0	–404.5	n.a.
Impairment losses on other equity interests	0.0	0.0	n.a.	0.0	–41.6	n.a.
Effects from impairment tests	–5.3	**0.0**	100.0%	0.0	**–446.1**	n.a.

[1] The impairment losses recognised in quarters 1–2/2012 concerned the 45% equity interest in Gletscherbahnen Kaprun AG that was sold effective 23 August 2012.

Shkodra Region Beteiligungsholding GmbH

Shkodra Region Beteiligungsholding GmbH is a joint venture of VERBUND and EVN AG. On the one hand, it (indirectly) holds a 100% equity interest in Energji Ashta Shpk; on the other, it intends to develop additional projects in the Albanian Region of Shkodra. Energji Ashta Shpk constructed and operates a two-stage Hydromatrix power plant (installed capacity: 53 MW) on the Drin River in Northern Albania conceived within the framework of an operator model.

During the construction phase, the power plant suffered flood-related damage, a delay in construction and corresponding additional costs. Albanian government representatives held out the prospect of an extension of the concession as economic compensation; however, in light of the results of the Albanian parliamentary elections in June 2013, an extension beyond 2043 is highly uncertain. In addition, the assumptions with respect to the discount rate had to be revised upwards due to an increase in market risk. Considering these indications of impairment, the 50.01% equity-accounted interest in Shkodra Region Beteiligungsholding GmbH was tested for impairment as at 30 June 2013. The recoverable amount was determined based on the value in use. The amount was calculated based on the DCF method. The discount rate before tax was 13.00%.

The cash flows of relevance to measurement were derived from Energji Ashta Shpk's current planning. The determination of the value in use was based on a constant generation volume of 242 GWh over the planning period, corresponding to the mean energy capability. The prices for the first 15 years after commissioning were based on the electricity purchase agreement with Korporata Elektroenergjetike Shqiptare (KESH). For the subsequent period, the electricity price forecasts of the partners VERBUND and EVN AG were determined jointly; they correspond approximately to those of the VERBUND energy market model (VEMM). The material annual expenses from the planning were carried forward starting in 2014 with a 2.0% rate of increase. The planning period included the term of the hydropower plant concession.

The key valuation assumptions underlying the determination of the recoverable amount included the electricity price forecasts for the period following the end of the electricity purchase agreement, revenue from the sale of certified reductions in emissions, the term of the hydropower plant concession and the discount rate. The recognised impairment loss amounted to €8.5m.

Sorgenia S.p.A. (Group)

Sorgenia S.p.A. (Group) is an associate of VERBUND, with the majority being held by the Italian CIR S.p.A. With a generation portfolio mainly comprising four combined cycle gas turbine power plants (installed capacity: 3,170 MW) and wind farms (installed capacity: 121 MW), it is among the leading privately owned Italian energy groups. Furthermore, Sorgenia S.p.A. (Group) holds a (calculated) 39% equity interest in Tirreno Power S.p.A., an Italian power plant company with a generation portfolio (also) dominated by combined cycle gas turbine power plants, as well as a 50% equity interest in Sorgenia France S.A., a French wind farm company. In addition, Sorgenia S.p.A. (Group) is active to a small extent in the exploration and production (E&P) of crude oil and natural gas.

The situation in the Italian market is currently characterised by decreasing demand for electricity due to the negative macroeconomic trend, excess capacities on the electricity market and decreasing clean spark spreads. In addition, the assumptions with respect to the discount rate had to be revised upwards due to an increase in market risk. Considering these indications of impairment, the 45.65% equity interest in Sorgenia S.p.A. (Group) was tested for impairment as at 30 June 2013. The recoverable amount was determined on the basis of fair value less costs to sell. The calculation was made based on a sum-of-the-parts measurement of the operating segments using the discounted cash flow and multiples methods. The after-tax discount rates for the specific business areas were 7.25% and 8.00% respectively.

The cash flows relevant to measurement were derived from current planning for Sorgenia S.p.A. (Group) and are based primarily on near-market data. The fair value measurement was based on the installed capacities of the power plants. The assumed efficiency of the combined cycle gas turbine power plants operating at full capacity averaged 49.0%. The utilisation of the combined cycle gas turbine power plants was determined in consideration of the energy market and technical environment and/or restrictions with the help of optimisation models. The fair value measurement of the wind farms was based on an annual feed-in of between 233 GWh and 408 GWh, whereby an additional expansion of 79 MW in installed capacity was assumed for the years 2017 to 2019. The prices were determined using the average forecasts of two reputable market research institutes and information service providers in the energy market. The material annual expenses from the planning reflected cost savings and were carried forward at a 2.0% rate of increase. The fair value measurement of the consumer electricity and gas business was carried out by multiplying the number of customers with the typical customer acquisition costs incurred. The carrying amounts of E&P project and equity interests temporarily remaining with Sorgenia S.p.A. (Group) were applied as a realistic estimate of their fair values; project and equity interests that have already been sold were reflected in the fair value measurement by including the present value of expected earn-outs.

The planning period was determined for the combined cycle gas turbine power plants based on a total capacity of between 120,000 and 150,000 equivalent operating hours (EOHs). The planning period was generally assumed to end in 2035.

The key valuation assumptions underlying the determination of the recoverable amount included the development of clean spark spreads, the discount rate and the sales proceeds for E&P project and equity interests. The recognised impairment loss amounted to €396.0m.

Energie AG Oberösterreich

The 5.18% equity interest in Energie AG Oberösterreich is recognised as an available-for-sale financial asset in VERBUND's consolidated financial statements (see: (21) Additional disclosures regarding financial instruments).

The disadvantageous changes in the economic environment described under (7) Effects from impairment tests also represent an objective evidence of impairment of the equity interest in Energie AG Oberösterreich in accordance with IAS 39. The fair value (Level 2) was determined using the multiples method. The fair value of €69.1m as at 30 June 2013 was determined with the help of a trading multiple derived from a peer group. As a consequence of the decrease in fair value, €3.7m in measurements recognised in other comprehensive income (and thus directly in equity) was derecognised with no effect on net income, and impairment losses of €41.6m were recognised in profit or loss.

(14)
Effects from business acquisitions

Effects from business acquisitions €m

	Q1–2/2012	Q1–2/2013	Change
Fair value measurement of previously held equity interests in new subsidiaries	0.0	977.8	n.a.
Fair value measurement of the exchanged equity interest in Enerjisa Enerji S.A. (Group)	0.0	478.7	n.a.
Reclassification adjustment ("recycling") of differences from currency translation	0.0	–127.9	n.a.
Reclassification of other components of other comprehensive income to be recycled	0.0	–36.2	n.a.
Costs from acknowledgements, declarations of approval and waivers	0.0	–32.5	n.a.
Success fees of investment banks	0.0	–11.3	n.a.
Costs from the reimbursement of refinancing costs of Enerjisa Enerji A.S. (Group)	0.0	–5.0	n.a.
Gains and losses from pre-existing relationships	0.0	0.1	n.a.
Effects from business acquisitions	0.0	**1,243.8**	n.a.

Notes to the statement of comprehensive income

(15)
Remeasurements of the net defined benefit liability

The measurement of provisions for pensions and similar obligations and for statutory severance payments was made based on an actuarial report updated as at 30 June 2013. The discount rate was 3.50% (30 June 2012: 4.25%; 31 December 2012: 4.00%). The remeasurements of the net liability from this defined benefit obligation recognised in other comprehensive income in quarters 1–2/2013 amounted to €–39.6m (quarters 1–2/2012: €–24.1m) and resulted mainly from adjustments to the discount rate.

(16)
Other comprehensive income after tax

Other comprehensive income after tax included €–3.9m (quarters 1–2/2012: €–2.6m) attributable to non-controlling interests.

Notes to the balance sheet

(17) Investments and other receivables

To date, VERBUND has completely or partially terminated around 85% of the cross-border leasing transaction volume; the last remaining transaction has an off-balance sheet financing structure (see: Contingent liabilities).

Although the partially terminated transactions were terminated early, the B-loans and the related investments were continued by VERBUND. All financing transactions are covered on the balance sheet.

Investments and other non-current receivables €m

	31/12/2012	30/6/2013	Change
Investments – closed items on the balance sheet	284.6	282.9	– 0.6%
Interest rate swaps – closed items on the balance sheet	124.1	94.7	– 23.7%
Other investments and other receivables	282.0	186.5	– 33.9%
Total	690.6	**564.1**	– 18.3%

(18) Inventories

Inventories €m

	31/12/2012	30/6/2013	Change
Inventories of primary energy sources held for generation	108.3	**83.5**	– 22.9%
Natural gas held for trading	8.1	0.8	– 90.6%
Measurements of natural gas held for trading	0.5	0.0	n.a.
Fair value of natural gas held for trading	8.6	**0.7**	– 91.5%
Emission rights held for trading	6.2	11.5	87.7%
Measurements of emission rights held for trading	0.0	– 2.2	n.a.
Fair value of emission rights held for trading	6.1	**9.3**	53.1%
Other	6.2	**8.6**	38.7%
Inventories	129.2	**102.1**	– 21.0%

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 quoted price on the European Energy Exchange (EEX); fair value is thus based on Level 1 measurements.

(19)
Non-current assets held for sale

The 34.57% equity interest in STEWEAG-STEG GmbH classified as held for sale as at 31 December 2012 was sold to Energie Steiermark AG and Energie Steiermark Finanz-Service GmbH effective 18 January 2013.

The 50% equity interest in Enerjisa Enerji A.S. (Group) classified as held for sale as at 31 December 2012 was sold effective 24 April 2013 to DD Turkey Holdings S.à.r.l., a 100% subsidiary of E.ON SE, as part of a transaction to be viewed in its entirety (asset swap) for the acquisition of (additional) Bavarian hydropower plant capacities (see: Business acquisitions).

The 50.1% equity interest in POWEO Outre-mer Solaire S.A.S. (Group) continued to be classified as held for sale as at 30 June 2013. The open tax law-related questions that had previously delayed the sale of the equity interest were clarified by notification in quarter 2/2013; the sales process is expected to be relaunched as soon as possible. VERBUND expects the equity interest to be sold within one year. POWEO Outre-mer Solaire S.A.S. (Group) is active in project development and in the operation of photovoltaic farms and rooftop photovoltaic systems in French overseas territories. This equity interest will temporarily remain with VERBUND merely as an interim step to enable the best possible disposal of the renewable energy projects of (former) POWEO Production S.A.S. The decision to sell this equity interest was taken as a result of VERBUND's strategic focus.

(20)
Non-current financial liabilities

Non-current financial liabilities €m

	31/12/2012	**30/6/2013**	Change
Financial liabilities – closed items on the balance sheet	408.6	377.6	–7.6%
Other financial liabilities	3,526.7	2,928.0	–17.0%
Total	3,935.2	**3,305.6**	–16.0%

(21) Additional disclosures regarding financial instruments

Carrying amounts and fair values by measurement categories 30/6/2013

€m

Assets – balance sheet items	Measurement categories in accordance with IAS 39 or measurement in accordance with other IFRSs	Level	Carrying amount	Fair value
Interests in non-consolidated subsidiaries	FAAC		1.2	–
Other equity interests	FAAFS	2	69.1	69.1
Other equity interests	FAAC		19.2	–
Other equity interests			**89.5**	
Securities	FAAFS	1	102.3	102.3
Securities	FAAFS	2	2.7	2.7
Securities	FAAC		3.0	–
Securities – closed items on the balance sheet	LAR		50.5	42.0
Other loans – closed items on the balance sheet	LAR		232.5	240.5
Derivatives in the finance area – closed items on the balance sheet	FAHFT	2	94.7	94.7
Loans to investees	LAR		70.1	66.7
Other loans	LAR		1.2	1.2
Other	–		7.2	–
Other non-current investments and non-current other receivables			**564.1**	
Trade receivables	LAR		244.7	244.7
Receivables from investees	LAR		86.5	86.5
Receivables from non-consolidated subsidiaries	LAR		1.9	1.9
Loans to investees	LAR		37.6	37.6
Other loans	LAR		560.2	560.3
Derivatives in the energy area	FAHFT	2	276.5	276.5
Derivatives in the finance area	FAHFT	2	1.4	1.4
Money market transactions	LAR		40.2	40.3
Emission rights	IAS 38, IAS 2		7.6	–
Other	LAR		93.3	93.3
Other	–		121.9	–
Trade receivables and current other receivables			**1,471.8**	
Cash and cash equivalents	**LAR**		**65.9**	**65.9**
Aggregated by measurement categories				
Financial assets at cost	FAAC[1]		23.3	
Loans and receivables	LAR[2]		1,484.5	
Available-for-sale financial assets	FAAFS[3]		174.2	
Financial assets held for trading	FAHFT[4]		372.5	

[1] Financial Assets at Cost // [2] Loans and Receivables // [3] Financial Assets Available for Sale // [4] Financial Assets Held for Trading

Carrying amounts and fair values by measurement categories 30/6/2013

€m

Liabilities – balance sheet items	Measurement categories in accordance with IAS 39 or measurement in accordance with other IFRSs	Level	Carrying amount	Fair value
Bonds	FLAAC		2,191.4	2,427.6
Financial liabilities to banks and to others	FLAAC		1,435.2	1,499.8
Financial liabilities to banks – closed items on the balance sheet	FLAAC		90.1	110.3
Financial liabilities to banks – closed items on the balance sheet	FLAFVPL	2	287.4	287.4
Capital shares attributable to limited partners	IAS 32		2.3	–
Non-current and current financial liabilities			4,006.4	
Electricity supply commitment	–		184.6	–
Derivatives in the energy area	FLHFT	3	14.0	14.0
Trade payables	FLAAC		1.1	1.1
Deferred income for grants (emission rights)	IAS 20		3.3	–
Other	FLAAC		86.3	86.3
Other	–		8.9	–
Other non-current liabilities			298.2	
Trade payables	FLAAC		157.0	157.0
Derivatives in the energy area	FLHFT	1	2.8	2.8
Derivatives in the energy area	FLHFT	2	197.7	197.7
Derivatives in the energy area	FLHFT	3	2.0	2.0
Derivatives in the finance area	FLHFT	2	36.1	36.1
Other	FLAAC		4.7	4.7
Other	–		101.5	–
Trade payables and current other liabilities			501.9	
Aggregated by measurement categories				
Financial liabilities at amortised cost	FLAAC[1]		3,965.9	
Financial liabilities at fair value through profit or loss	FLAFVPL[2]		287.4	
Financial liabilities held for trading	FLHFT[3]		252.6	

[1] Financial Liabilities at Amortised Cost // [2] Financial Liabilities at Fair Value through Profit or Loss // [3] Financial Liabilities Held for Trading

Of the derivative financial instruments in the energy area classified as FAHFT and FLHFT in the above table, positive fair values in the amount of €153.6m and negative fair values in the amount of €133.6m relate to hedging relationships designated as cash flow hedges. These fair values represent gross amounts; following the inter-portfolio netting carried out in accordance with VERBUND's accounting policies, cash flow hedges can no longer be isolated.

Valuation methods and input factors for determining fair values

Level	Financial instruments	Valuation method	Input factor
1	Listed securities	Market approach	Nominal values, stock exchange price
1	Listed energy forwards	Market approach	Settlement price published by stock exchanges
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 or 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	Non-listed energy forwards	Net present value approach	Forward price curve derived from stock exchange prices, yield curve, credit risk of the contracting parties
3	Non-listed energy forwards (natural gas supply agreement 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, likelihood of winning in the competition law proceeding
–	Cash and cash equivalents, trade receivables, current other receivables, borrowing within current credit lines as well as current other liabilities	–	Carrying amounts as realistic estimates of fair value
–	Interests in non-consolidated subsidiaries and other equity interests	–	Reliable determinations of future cash flows mostly not possible; no comparable transactions for fair value measurement using analogy methods

Level 3 measurement of financial instruments

€m	2013
Carrying amount as at 1/1/	**60.4**
Additions	0.0
Measurement gains or losses (recognised in expenses for electricity, grid, gas and certificate purchases)	–44.4
Disposals	0.0
Carrying amount as at 30/6/	**16.0**

An application for redress for competition law infringements on the part of EconGas GmbH was filed with the Higher Regional Court of Vienna on 29 May 2013 in connection with the long-term natural gas supply agreement for the Mellach combined cycle gas turbine power plant. The effect on profit or loss from the measurement of the natural gas supply agreement is significantly influenced by the likelihood of winning in this competition law proceeding as reflected in the determination of fair value.

Sensitivity analysis for significant, non-observable input factors

€m

	Assumption	Change in assumption	If assumption increases, net operating income changes by	If assumption decreases, net operating income changes by
Forecast (oil-indexed) contract price for natural gas[1]	26.8 €/MWh	± 10%	–75.3	40.5
Forecast wholesale price for natural gas[2]	23.9 €/MWh	± 10%	37.3	–71.7
Term[3]	2026	n.a.	n.a.	n.a.
Annual take-or-pay volume[4]	3,125 GWh	n.a.	n.a.	n.a.
Likelihood of winning in the competition law proceeding[5]	n.a.	n.a.	n.a.	n.a.

[1] The forecast (oil-indexed) contract price for natural gas was determined based on the average forecasts of two reputable market research institutes and information service providers in the energy market. The indicated contract price relates to July 2013. The sensitivity analysis varies the forecast price constantly over the duration of the natural gas supply agreement. // [2] The forecast wholesale price for natural gas was determined based on the average forecasts of two reputable market research institutes and information service providers in the energy market. The indicated wholesale price for natural gas relates to July 2013. The sensitivity analysis varies the forecast price constantly over the duration of the natural gas supply agreement. // [3] 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. // [4] 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. // [5] The note disclosures on the expected likelihood of winning in the proceedings for anti-competitive conduct on the part of 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.

Notes to the cash flow statement

(22) Cash flow from operating activities

Other non-cash expenses and income mainly include non-cash fair value measurements in the course of acquiring Bavarian hydropower plant capacities, the related reclassification adjustments ("recycling") from other comprehensive income to the income statement (see: (14) Effects from business acquisitions) as well as the income from the repurchase of 60% of the electricity supply commitment from the Tyrolean Zemm/Ziller storage power plant group (see: (3) Other operating income).

Cash flow from operating activities in quarters 1–2/2013 includes variation margin payments from futures contracts in the energy area in the amount of €2.7m (quarters 1–2/2012: €–10.6m).

Other note disclosures

Dividends paid

Dividends paid

	Total (€m)	Number of ordinary shares	Per share (€)
Dividend paid in 2013 for financial year 2012	208.5	347,415,686	0.60
Dividend paid in 2012 for financial year 2011[1]	191.1	347,415,686	0.55

Purchase commitments

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

€m

	30/6/2013	of which payable in 2013	of which payable 2014–2018
Total commitment	**810.2**	563.1	221.7

Outstanding contribution commitments

Outstanding contribution commitments to investees include equity contributions, provided the corresponding shareholder resolutions have already been passed. As at 30 June 2013, there were no outstanding contribution commitments to investees.

Contingent liabilities

VERBUND's last remaining cross-border leasing transaction has an off-balance sheet financing structure. As at 30 June 2013, VERBUND's secondary liability for the non-redeemed portion of lease liabilities from cross-border leasing transactions amounted to €488.7m (31 December 2012: €511.5m). Of the rights of recourse against primary debtors, a total of €356.6m (31 December 2012: €384.3m) was secured through counter-guarantees from financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €184.5m (31 December 2012: €178.3m) was covered by off-balance sheet investments.

As at 30 June 2013, other liabilities included contingent liabilities in the amount of €29.9m (31 December 2012: €29.9m) in the form of guarantees issued by VERBUND for Verbundplan Birecik Baraji Isletme Ltd. Sti. (VBOC), which is not consolidated.

Transactions with related parties

Transactions with investees accounted for using the equity method

€m

	Q1–2/2012	Q1–2/2013	Change
Income statement			
Electricity revenue	219.3	50.2	–77.1%
Grid revenue	27.3	17.0	–37.9%
Other revenue	–3.7	4.4	n.a.
Other operating income	1.4	1.8	29.7%
Expenses for electricity, grid, gas and certificate purchases	–97.6	–31.4	67.8%
Fuel expenses and other usage-dependent expenses	–0.4	–0.3	7.3%
Other operating expenses	–1.1	–0.7	39.3%
Interest expenses	–1.5	–0.1	92.7%
Interest income	2.9	1.0	–66.8%
Other financial result	3.9	0.7	–81.9%

	31/12/2012	30/6/2013	Change
Balance sheet			
Investments and other non-current receivables	107.0	70.1	–34.4%
Trade receivables and other current receivables	75.6	100.5	33.0%
Current provisions	2.9	2.0	–31.3%
Trade payables and other current liabilities	25.5	0.8	–97.0%
Non-current financial liabilities	44.0	0.0	–100.0%

The above disclosures reflect the fact that Kärntner Restmüllverwertungs GmbH, Gletscherbahnen Kaprun AG, Energie Klagenfurt GmbH and STEWEAG-STEG GmbH were still related parties of VERBUND as defined under IAS 24 in quarters 1–2/2012 (at least for a part of the reporting period). POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. as well as Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH were also to be classified as related parties until their first-time consolidation in quarter 4/2012 and/or quarter 2/2013. The same applied for Enerjisa Enerji A.S. (Group) until the equity interest was disposed of as part of the acquisition of (additional) Bavarian hydropower plant capacities in quarter 2/2013. Electricity revenue with equity-accounted investees was realised with KELAG-Kärntner Elektrizitäts-AG in the amount of €22.7m (quarters 1–2/2012: €33.6m) and STEWEAG-STEG GmbH (until the equity interest was sold) in the amount of €23.2m (quarters 1–2/2012: €156.5m). This electricity revenue has to be seen alongside with electricity purchases from KELAG-Kärntner Elektrizitäts-AG in the amount of €10.4m (quarters 1–2/2012: €12.7m), from Ennskraftwerke AG in the amount of €10.9m (quarters 1–2/2012: €10.8m) and from Österreichisch-Bayerische Kraftwerke AG (until it was first consolidated) in the amount of €5.7m (quarters 1–2/2012: €8.5m).

Electricity revenue with companies controlled or significantly influenced by the Republic of Austria in quarters 1–2/2013 totalled €23.8m (quarters 1–2/2012: €47.3m). Electricity was purchased mainly by

OMV, Bundesbeschaffungs GmbH (BBG), Autobahnen- und Schnellstraßen-Finanzierungs-AG (ASFINAG) and Österreichische Bundesbahnen (ÖBB). Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €0.3m in quarters 1–2/2013 (quarters 1–2/2012: €0.9m). The electricity deliveries were carried out primarily by Österreichische Bundesbahnen (ÖBB). Gas purchased from companies significantly influenced by the Republic of Austria and included under fuel expenses amounted to a total of €20.3m in quarters 1–2/2013 (quarters 1–2/2012: €36.9m). This purchase of gas resulted from the existing natural gas supply agreement with EconGas GmbH, which however is being called into question under competition laws. Since quarter 3/2012, the own-use exemption provided under IAS 39 can no longer be applied for this contract. In quarters 1–2/2013, the effect on profit or loss from the fair value measurement of this natural gas supply agreement, which qualifies as a free-standing derivative, was €44.4m (see: (4) Expenses for electricity, grid, gas and certificate purchases). The corresponding derivative financial instrument in the energy area was recognised in non-current other liabilities in the amount of €14.0m and in current other liabilities in the amount of €2.0m.

VERBUND's expenses for monitoring by Energie-Control in quarters 1–2/2013 amounted to a total of €6.4m (quarters 1–2/2012: €6.2m).

Audit or review

These consolidated interim financial statements of VERBUND were reviewed by Deloitte Audit Wirtschaftsprüfungs GmbH.

Events after the balance sheet date

There were no events requiring notes disclosure between the balance sheet date on 30 June 2013 and the authorisation for issue on 25 July 2013.

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 2013 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 consolidated 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 as required under stock exchange regulations with respect to the important events during the first 6 months of the financial year and their effects on the condensed consolidated interim financial statements as at 6 June 2013 as well as with respect to the principle risks and uncertainties in the remaining 6 months of the financial year and with respect to the major related party transactions which must be disclosed.

Vienna, 25 July 2013
Executive Board

Dipl.-Ing. Wolfgang Anzengruber
Chairman

Dr. Johann Sereinig
Vice-Chairman of the Executive Board

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

Translation of the report on the review of the condensed consolidated interim financial statements

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of VERBUND AG, Vienna, for the period from 1 January 2013 to 30 June 2013 including the consolidated balance sheet as at 30 June 2013, the related income statement, statement of comprehensive income, cash flow statement and statement of changes in equity for the period from 1 January 2013 to 30 June 2013, as well as selected explanatory notes.

Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with IAS 34 “Interim Financial Reporting” as endorsed in the European Union.

Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our review.

Under reference to Section 87(3) of the Austrian Stock Exchange Act (Börsegesetz, BörseG) in conjunction with Section 275(2) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB), our liability for negligence is limited to €12m.

Scope of review

We conducted our review in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing – in particular Fachgutachen KFS/PG 11 “Grundsätze für die prüferische Durchsicht von Abschlüssen” as well as International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not present fairly, in all material respects, the financial position of the entity as at 30 June 2013 in accordance with IAS 34 “Interim Financial Reporting” as endorsed in the European Union.

Translation of the statement on the consolidated interim group management report and on the responsibility statement of the legal representatives in accordance with Section 87 of the Austrian Stock Exchange Act

We have read the accompanying condensed consolidated interim management report of VERBUND AG as at 30 June 2013 and assessed whether it contains any obvious contradictions to the condensed consolidated interim financial statements. Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim management report contains obvious contradictions to the condensed consolidated interim financial statements.

The interim financial report of VERBUND AG as at 30 June 2013 includes the responsibility statement of the legal representatives as required by Section 87(1)(3) of the Austrian Stock Exchange Act (Börsegesetz, BörseG).

Vienna, 25 July 2012
Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Maximilian Schreyvogl
Certified Public Accountant

MMag. Dr. Klaus-Bernhard Gröhs
Certified Public Accountant

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 proprietors 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 Wirtschaft und Arbeit
Wirtschaftskammer Österreich
Oesterreichs Energie

Object of the Group:
The Group focus is on the generation, transportation, trading with and sales of electrical energy.

Executive Board:
Wolfgang Anzengruber (Chairman),
Johann Sereinig (Vice-Chairman),
Günther Rabensteiner

Supervisory Board:
Gilbert Frizberg (Chairman), Peter Püspök (1st Vice-Chairman), Reinhold Süßenbacher (2nd Vice-Chairman), Alfred H. Heinzel, Harald Kaszanits, Herbert Kaufmann, Peter Layr, Gabriele Payr, Christa Wagner, Siegfried Wolf, Anton Aichinger, Ingeborg Oberreiner, Kurt Christof, Harald Novak, 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. These laws can be accessed via the legal information system of the Federal Chancellery of the Republic of Austria at www.ris.bka.gv.at.

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