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Effectiveness based upon achieving the best possible results while utilising a minimum of resources.

Interim report quarters 1–3/2012

Verbund

Contents

Highlights

- Operating result before effects from impairment tests improved by 10.1% due to significantly higher hydropower generation and hedging strategy
- Group result up by 5.3% due to significant improvement of the financial result
- Profitability increased further: EBITDA margin improved from 38.2% to 40.8%
- Run-of-river power plants in Gössendorf/Styria (18.5 MW) and first phase of Ashta/Albania (53 MW when completed) officially opened
- Acquisition of 5 wind farms in Rhineland-Palatinate/Germany (86 MW)
- Casimcea I wind farm in Romania (99 MW) put into operation
- Disinvestment program successfully advanced
- 2012 outlook raised: operating result of about €830m, Group result of about €380m

Key figures

	Unit	**Q1–3/2012**	Q1–3/2011	Change
Revenue[1]	€m	2,294.0	2,201.9	4.2%
Operating result[2]	€m	679.5	868.0	–21.7%
Operating result before effects from impairment tests[2]	€m	732.6	665.7	10.1%
Return on sales (EBIT margin)[1,2]	%	29.6	39.4	–
EBITDA[2]	€m	937.5	841.4	11.4%
EBITDA margin[1,2]	%	40.9	38.2	–
Group result[2]	€m	332.2	315.4	5.3%
Earnings per share[2]	€	0.96	0.91	5.3%
Cash flow from operating activities	€m	583.3	638.1	–8.6%
Additions to property, plant and equipment	€m	434.5	365.4	18.9%
Free cash flow	€m	107.7	32.2	n.a.
Average number of employees		3,088	3,036	1.7%
Electricity sales volume[1]	GWh	35,166	35,417	–0.7%
Hydro coefficient		1.07	0.88	–

	Unit	**30/9/2012**	31/12/2011	Change
Balance sheet total	€m	11,994.3	11,859.3	1.1%
Equity[2]	€m	5,005.2	4,919.1	1.8%
Equity ratio (adjusted)[2]	%	43.2	43.0	–
Net debt[2]	€m	4,130.5	4,050.1	2.0%
Gearing[2]	%	82.5	82.3	–

[1] The key figures were adjusted to reflect the changes in accounting treatment for energy derivatives in the wholesale portfolio. The change was implemented retrospectively effective 1 January 2011 in accordance with IAS 8. // [2] The key figures were adjusted to reflect the (early application of) changes in accounting treatment for employee benefits in accordance with IAS 19 (2011). The change was implemented retrospectively effective 1 January 2011 in accordance with IAS 8.

Report of the Executive Board

Dear Shareholders, despite a challenging market and industry environment, VERBUND was able to generate good results in quarters 1–3/2012. As more than four-fifths of our electricity is generated from hydropower, the good water supply in particular had a positive impact on our business.

Group result increased

In quarters 1–3/2012, operating business was driven in particular by good water supply. At 1.07, the hydro coefficient was 7.0% above the long-term average and 19 percentage points above the previous year's figure. In addition, VERBUND benefited from higher sales prices as a result of its hedging strategy: at €56.0/MWh, electricity prices applicable for the 2012 financial year which were already traded in 2011 with futures market contracts ("Year Base 2012") were up 12.2% over the previous year's level. In contrast, spot market prices fell by 16.5% to €43.0/MWh in quarters 1–3/2012. However, the operating result decreased by 21.7% to €679.5m due to the first-time measurement of the gas supply agreement for the Mellach CCGT and to the positive effects from impairment tests in quarter 3/2011. The operating result before effects from impairment tests increased by 10.1% to €732.6m. We were able to increase the Group result by 5.3% to €332.2m, in particular due to the significant improvement of the financial result.

Electricity market undergoing greatest change since deregulation

The electricity market is undergoing the most far-reaching changes since deregulation in 1999. Because of the massive subsidies of the new renewable energies and the weak to declining demand for electricity due to the economy, the futures market offers low, stagnating electricity prices and little incentive to invest in the next few years. At the same time, however, given further strong expansion of renewable energies, investments in new flexible power plants and efficient grids are necessary in the medium-term in order to avoid endangering the security of supply. In addition, the carbon market is currently ineffective as it is unable to provide the incentive effect in support of low-carbon generation technologies due to low prices. Thus, this leads to a paradoxical situation: gas power plants are unprofitable due to the high cost of gas (mostly long-term contracts tied to the price of oil) and those power plants with the highest specific CO_2 emissions, namely lignite-fired power plants, are profitable. In light of this, revisions to the design of the electricity and carbon market are currently a topic of intense discussion in Europe. The outcome of this discussion will play a key role in achieving energy transition.

Path to hydropower and wind power

We are convinced that energy transition to a renewable electricity system will succeed. We will therefore consistently follow our chosen path despite challenging circumstances: we will invest in sustainable generation technologies and in the modernisation of the electricity transmission grid. In the area of hydropower, examples include the recent opening of the Gössendorf power plant on the Mur River with 18.5 MW, as well as several projects aimed at improving efficiency and expanding our existing plants. In August, the installation phase began for VERBUND's currently largest project, the Reisseck II pumped storage power plant. Commissioning of the 430 MW plant is planned for 2014. In September, VERBUND opened the first stage of the world's largest hydropower plant using matrix turbines in the Albanian city of Ashta, with 53 MW when completed. In Turkey, we opened the hydropower plant in Menge (89MW) on the Seyhan River in January, and the Dagpazari wind farm (39 MW) was connected to the grid in May. The Bares wind farm (143 MW) will be completed on schedule in quarter 4/2012. VERBUND is providing further stimuli to the expansion of wind power: the acquisition of 5 wind farms in Rhineland-Palatinate with a total of 86 MW supplements the hydropower portfolio in Germany and stabilises our market position as a provider of electricity from renewable energies. In Romania, the Casimcea I wind farm (99 MW) was put into operation in September; an additional wind farm with 102 MW is under construction. Investments in the grid infrastructure allow the expansion of renewable energies and reinforce the security of supply. In September, VERBUND subsidiary Austrian Power Grid AG (APG) submitted the second part of the 380 kV Salzburg line for the environmental impact assessment in Salzburg and Upper Austria.

Focus on the core business and strengthen the capital structure

Our corporate strategy focusses on our core business (electricity generation, transmission, trade and sale) and on the restructuring of non-strategic minority interests. In light of the tense market situation, we are optimising our capital structure with these measures. After the sale of our shares in Gletscherbahnen Kaprun AG, the sales agreement was signed for the 49% stake in the Klagenfurt-based energy service provider Energie Klagenfurt GmbH (EKG) to Stadtwerke Klagenfurt AG for around €70m. In addition, we plan to sell our interest in STEWEAG-STEG to Energie Steiermark.

Given the ongoing difficult situation for gas power plants in Europe, we continue to take measures to improve the economic situation. The gas supply agreement for the CCGT in Pont-Sur-Sambre (412 MW) was cancelled by the court in quarter 2/2012 within the framework of a safeguard procedure. In constructive talks with its supplier EconGas, VERBUND also succeeded in renegotiating the gas supply contract for the Mellach CCGT, which improves the currently difficult economic circumstances of the power plant for now. The partners agreed to find a long-term solution by the end of 2013.

Outlook for the full year

Assuming average water supply in quarter 4/2012, we expect an operating result of around €830m and a Group result of around €380m for the entire year. Our dividend policy will aim for a payout ratio of approximately 50% of the Group result.

Dipl.-Ing. Wolfgang Anzengruber

Dr. Johann Sereinig

Dr. Ulrike Baumgartner-Gabitzer

Dipl.-Ing. Dr. Günther Rabensteiner

Investor relations

The share prices on international stock exchanges were highly volatile in quarters 1–3/2012. While the markets closed on a thoroughly positive note at the end of March, the difficult situation concerning the national budgets in several southern European countries once again caused growing concerns and significant price adjustments in April and May. Additional EU decisions aimed at boosting the economy, however, had a positive effect on the markets. The central banks' expansive monetary policy measures resulted in a significant recovery of prices on most international stock exchanges in quarter 3/2012. Thus, the Dow Jones Industrial index in the US closed trading on 30 September 2012 at 10.0% over the level at the end of 2011; the Nikkei 225 index improved by 4.9%, and the Euro Stoxx 50 index increased by 5.9%.

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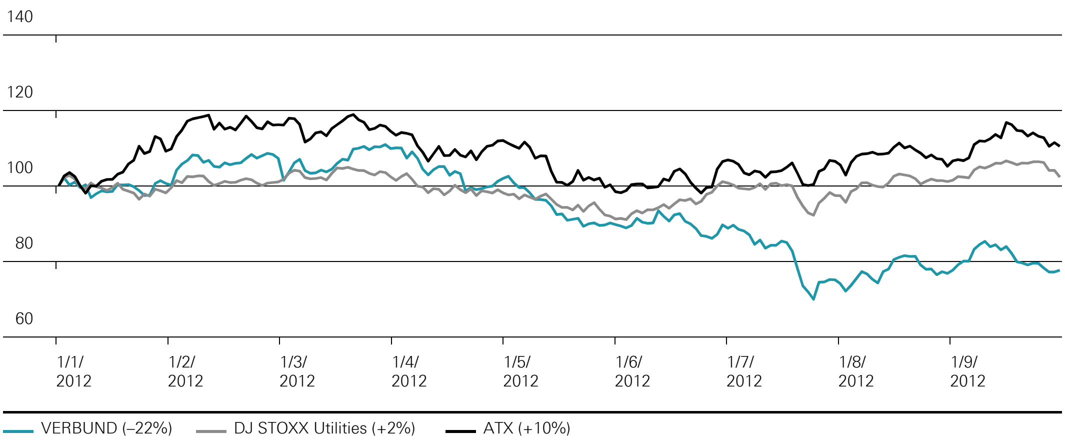
VERBUND share price: relative performance %



VERBUND shares significantly increased in value at the beginning of the year. Ongoing uncertainty about the future development of the European electricity market and low wholesale prices for electricity resulted in massive VERBUND share price losses until the end of July. The VERBUND share increased in value slightly in August and September. VERBUND shares closed at €16.1 per share on 30 September 2012, down 22.4% from 31 December 2011, and thus performed worse than the ATX (+10.5%) and the industry index DJ STOXX Utilities (+2.3%).

Upcoming dates:
Publication of 2012 results: 6/3/2013

VERBUND shares: key figures

	Unit	Q1 – 3/2012	Q1 – 3/2011	Change
Share price high	€	23.0	32.5	–29.2%
Share price low	€	14.5	20.4	–28.9%
Closing price	€	16.1	21.7	–25.8%
Performance	%	–22.4	–22.3	–
Market capitalisation	€m	5,593.4	7,530.2	–25.7%
ATX weighting	%	3.4	4.8	–
Value of shares traded	€m	1,043.4	2,853.1	–63.4%
Shares traded per day	Shares	289,108	539,690	–46.4%

Consolidated interim management report

Business development

Electricity supply and sales volume

Group electricity supply GWh

	Q1–3/2012	Q1–3/2011	Change
Hydropower[1]	23,233	18,883	23.0%
Wind/solar power	155	95	63.3%
Thermal power[1]	2,883	3,478	–17.1%
Own generation	**26,271**	22,456	17.0%
Electricity purchased from third parties	8,642	12,444	–30.6%
Electricity purchased for grid loss and control energy volumes	2,298	2,113	8.8%
Electricity supply	**37,211**	37,012	0.5%

[1] incl. purchase rights

VERBUND's own generation in quarters 1–3/2012 amounted to 26,271 GWh and was 3,815 GWh higher than in quarters 1–3/2011. Generation from hydropower increased by 4,351 GWh. At 1.07, the hydro coefficient of the run-of-river power plants was 7.0% above the long-term average and 19 percentage points higher than in quarters 1–3/2011. Generation from the annual storage power plants also increased significantly (+38.5%). This can be attributed to the high storage levels at the beginning of the year and significantly higher water inflows. However, generation from thermal power plants decreased by 595 GWh. The Mellach CCGT in Styria, commissioned in 2012, generated 549 GWh in quarters 1–3/2012 (quarters 1–3/2011: 68 GWh). In contrast, generation from other VERBUND thermal power plants in Austria decreased (–637 GWh). The Pont-sur-Sambre CCGT in France also generated less electricity (–439 GWh). The purchase of electricity from third parties for the trading and sales business decreased by 30.6%. Electricity purchased from third parties for grid losses and control energy increased by 185 GWh to 2,298 GWh.

Group electricity sales volume and own requirements GWh

	Q1–3/2012	Q1–3/2011	Change
Consumers	7,209	6,449	11.8%
Resellers	15,565	15,537	0.2%
Traders	12,393	13,431	–7.7%
Electricity sales volume	**35,166**	35,417	–0.7%
Own requirements	1,719	1,382	24.4%
Control energy volumes	325	213	52.6%
Electricity sales volume and own requirements	**37,211**	37,012	0.5%

Electricity sales volume decreased by 250 GWh in quarters 1 – 3/2012. Electricity deliveries to trading firms decreased by 1,038 GWh. Although more electricity was sold through power exchanges in quarters 1 – 3/2012, hedging of own generation on the OTC trading market was significantly reduced. In contrast, sales to consumers increased (+ 760 GWh). The decrease in sales volume to domestic consumers (– 236 GWh) was significantly overcompensated by higher volumes sold to international consumers (+ 995 GWh). Sales to resellers remained nearly the same year-on-year. The increase in own use (+ 337 GWh) is on the one hand due to higher utilisation of the pumped storage power plants and on the other hand due to higher losses in the transmission grid.

Electricity sales by country

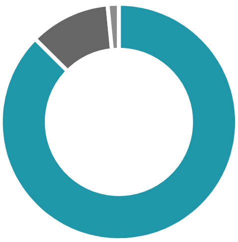
GWh

	Q1 – 3/2012	Q1 – 3/2011	Change
Austria	18,247	18,084	0.9%
Germany	14,723	13,658	7.8%
France	1,692	2,621	– 35.4%
Italy	194	299	– 35.1%
Others	314	755	– 58.4%
Electricity sales volume	**35,166**	35,417	– 0.7%

VERBUND sold around 48.1% of its electricity volume in quarters 1 – 3/2012 in international markets. These sales were primarily in the German and French electricity markets. The focus of VERBUND's international trading and distribution activities is the German market, which accounts for 87.0% of all volumes sold abroad.

Financial performance

Revenue
€m



Results

€m

	Q1 – 3/2012	Q1 – 3/2011	Change
Revenue[1]	2,294.0	2,201.9	4.2%
EBITDA[2]	937.5	841.4	11.4%
Operating result[2]	679.5	868.0	– 21.7%
Group result[2]	332.2	315.4	5.3%
Earnings per share in €[2]	0.96	0.91	5.3%

[1] The key figures were adjusted to reflect the changes in accounting treatment for energy derivatives in the wholesale portfolio. The change was implemented retrospectively effective 1 January 2011 in accordance with IAS 8. // [2] The key figures were adjusted to reflect the (early application of) changes in accounting treatment for employee benefits in accordance with IAS 19 (2011). The change was implemented retrospectively effective 1 January 2011 in accordance with IAS 8.

Income

Electricity revenue increased by 2.7% to €2,005.6m in quarters 1 – 3/2012. This increase can be attributed to the overall positive price variation as a result of higher forward market prices contracted in the previous year. In contrast, electricity sales volume decreased slightly by 0.7%.

External grid revenue according to IFRS increased by 27.4% to €253.1m. The main reasons for this were higher international revenue from the auctioning of cross-border capacities (€+47.0m) and first-time revenues from balancing energy (€+27.5m) as APG has been regulating the entire balancing energy market since 2012. Provisions at APG relating to the rescission of the System Usage Rate Directive (SNT-VO) and the potential rescission of the System Charges Order (SNE-VO) had a negative impact (recognised provisions) of €29.0m on grid revenues.

Other revenue decreased by €14.3m to €35.3m. This decrease can be attributed primarily to lower revenue from emission rights trading.

Other operating income rose by €24.5m to €52.0m. This resulted in particular from the capitalisation of costs associated with the trial operation of the Mellach CCGT as well as higher revenue from loss settlements.

Expenses

Expenses for electricity, grid and gas purchases as well as emission rights purchases (trade) decreased by 7.0% to €894.5m. The purchase of electricity from third parties for the trading and sales business as well as for grid losses and control energy decreased by a total of 3,617 GWh. This marked reduction in quantity as a result of the significant increase in own generation was seen alongside overall higher purchase prices. Expenses for electricity purchases thus declined by €124.8m compared to quarters 1 – 3/2011 while expenses for grid purchases increased slightly (€+8.2m). In contrast, expenses for gas purchases increased significantly. The natural gas supply agreement for the Mellach CCGT had to be recognised at fair value through profit or loss for the first time in quarter 3/2012, as the exemption for own-use contracts in IAS 39 (own-use exemption) was no longer applicable. The resulting effect on profit or loss was €– 58.2m.

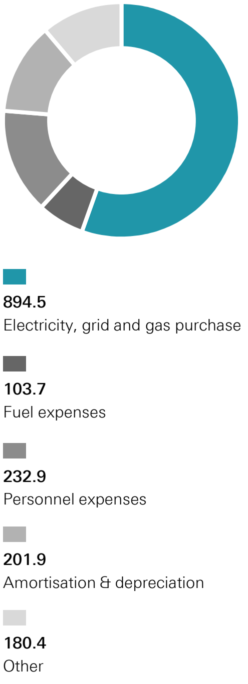
Fuel and other usage-dependent expenses rose by 29.3% to €103.7m. The increase can be mainly attributed to the operation of the Mellach CCGT, which generated a total of 549 GWh of electricity in quarters 1 – 3/2012. A compensating effect resulted from decreased use of coal and heating oil as well as from the purchase of CO_2 emission rights. The fuel expenses resulting from trial operations of the Mellach CCGT (net of the revenue resulting from electricity sales) were capitalised; the corresponding offsetting item is recognised in other operating income.

Personnel expenses rose by €14.3m to €232.9m. Wages, salaries and ancillary expenses increased by €9.1m to €219.2m. The increase in salaries pursuant to the collective agreement and the slightly higher average number of employees (+52 in comparison to 30 September 2011), due primarily to the implementation of the APG unbundling, contributed to the increase of personnel expenses. Expenses for severance payments and pensions increased by €5.2m to €13.7m. The increase resulted from required additions to provisions for employees transferred to third parties. The new version of IAS 19 Employee Benefits was applied early in quarter 3/2012. Based on this, accounting for personnel-related defined benefit obligations was implemented retroactively as at 1 January 2011. The amounts of the adjustment resulting for the reporting and comparison periods are presented in detail in the selected explanatory notes.

Amortisation of intangible assets and depreciation of property, plant and equipment rose by €26.2m to €201.9m. The reason for this was the higher depreciation base due to the reversal of impairment losses on the Freudenau power plant on the Danube and the Mittlere Salzach and Obere Drau run-of-river power plant chains during the 2011 financial year. In addition, the commissioning of the pumped storage power plant Limberg II in quarter 3/2011 and the Mellach CCGT in quarters 1–2/2012 also increased expenses.

Other operating expenses rose by €53.3m to €180.4m compared to the same period in 2011. The increase can be mainly attributed to higher ongoing required maintenance and provisions for maintenance as well as to reversals of provisions which no longer apply.

Expenses
€m



Effects from impairment tests

The CCGT in Mellach was tested for impairment as at 30 June 2012 due to indications of impairment as a result of the ongoing difficult market conditions for gas power plants. The recoverable amount of the CCGT was calculated based on its value in use. The impairment loss resulting from the impairment test amounted to €53.7m. The reversal of deferred government grants reduced the impairment by €1.5m. The net effect on profit or loss from the impairment loss of the CCGT in Mellach amounted to a total of €52.2m in quarters 1–3/2012. The changed market environment for the energy sector led to impairment tests of VERBUND power plants in quarter 3/2011, which had a net effect of €+202.2m on the operating result.

Operating result

As a consequence of these developments, the operating result decreased by 21.7% to €679.5m. The operating result before effects from impairment tests increased by 10.1% to €732.6m.

Result from equity interests

The result from interests accounted for using the equity method increased by €137.8m to €–16.1m, whereby the contribution of foreign interests increased by €159.8m to €–38.4m.

The contribution of the Turkish equity interest(s) to the result from interests accounted for using the equity method amounted to €39.4m versus €–20.5m in quarters 1–3/2011. EUR/TRY and USD/TRY exchange rate trends resulted in foreign exchange gains from the measurement of liabilities denominated in foreign currencies and recognised in profit or loss. The resulting effect on the result from interests accounted for using the equity method of VERBUND in quarters 1–3/2012 amounted to a total of €43.6m (quarters 1–3/2011: €–54.0m).

The contribution of the French equity interests to the result from interests accounted for using the equity method amounted to €–42.6m versus €–136.8m in quarters 1–3/2011. POWEO Pont-sur-Sambre Production S.A.S. was placed under a safeguard procedure ("procédure de sauveguarde") in quarter 1/2012, which resulted in the termination of the disadvantageous natural gas supply agreement on 24 April 2012. The effect on profit or loss in the amount of €62.3m in quarters 1–3/2012 resulting from the judicial termination of the agreement resulted on the one hand in a balancing of the losses for which recognition was discontinued in the amount of €43.3m and on the other hand, after the reduction for further current losses, in the recognition of a result from interests accounted for using the equity method totalling €5.4m. VERBUND provided a letter of comfort in quarter 2/2012 in order to secure the financial position of POWEO Toul Production S.A.S. This resulted in the recognition of formerly off-balance sheet losses for which recognition had been discontinued in the amount of €48.0m.

The contribution of the Italian Sorgenia S.p.A. (Group) amounted to €–45.2m after €–7.7m in quarters 1–3/2011. The main reasons for the negative development were the generally difficult market environment for gas power plants throughout Europe and therefore a lower result from equity interests in Tirreno Power.

Due to VERBUND's strategic focus, the investment portfolio was restructured. The 45% equity interest in Gletscherbahnen Kaprun AG was sold to Kapruner Tourismus Holding GmbH effective 23 August 2012. The 34.57% equity interest in STEWEAG-STEG GmbH (SSG) and 49% of equity interest in EKG were classified as held for sale effective 30 September 2012. In accordance with IFRS 5, an impairment test was conducted prior to this classification, but only after the recognition of the current pro rata profit or loss for the period. The resulting impairment losses amounted to €–15.6m for the equity interest in SSG and €–2.5m for EKG.

Income from domestic interests accounted for using the equity method amounted to €22.3m (quarters 1–3/2011: €44.3m). This mainly included the earnings contribution of KELAG amounting to €31.6m (€30.4m).

Interest income and expense

Interest income increased by €1.9m compared to quarters 1–3/2011 to €28.8m. Interest expenses decreased by €23.6m to €127.4m. This is primarily due to the losses attributable to the partners of VERBUND Thermal Power GmbH & Co KG. In addition, interest expenses for bank loans declined as a result of scheduled and early unscheduled repayments. Higher other interest and similar expenses resulted mainly 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 decreased by €13.8m to €–35.5m in quarters 1–3/2012.

The best estimate of the guarantee liabilities for the construction financing for the CCGT in Toul was €74.5m as at 30 September 2012 (31 December 2011: €42.9m). The effect of this measurement on profit or loss amounted to €–35.0m (quarters 1–3/2011: €0.0m).

As at 30 September 2012, the fair value 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 currently provided by VERBUND) vis-à-vis POWEO Direct Energie S.A. was (rounded) €0.0m (31 December 2011: €13.4m). The effect of this measurement on profit or loss amounted to €13.4m (quarters 1–3/2011: €–28.6m).

In quarter 2/2012, the natural gas supply agreement between POWEO Pont-sur-Sambre Production S.A.S. and ENI S.p.A. was cancelled under a safeguard procedure (Procédure de Sauvegarde). There was a bank guarantee in favour of ENI S.p.A. for the obligations of POWEO Pont-sur-Sambre Production S.A.S. from this natural gas supply agreement. Because statutory regulations prohibited the payment of outstanding liabilities for the duration of the safeguard procedure, the bank guarantee was drawn upon by ENI S.p.A. In quarter 3/2012, VERBUND provided a surety bond – subject to recognition as a financial guarantee in accordance with IAS 39 – in favour of the guaranteeing bank. The effect of the initial measurement of the guarantee liability on profit or loss amounted to €–28.8m.

Group result

After deducting an effective tax rate of 22.2% and non-controlling interests in the amount of €85.5m, the Group result amounts to €332.2m. This corresponds to an increase of 5.3% compared to the same period in 2011.

Financial position

Consolidated balance sheet (short version)

€m

	30/9/2012	Share	31/12/2011	Share	Change
Total assets	**11,994.3**	**100.0%**	11,859.3	100.0%	1.1%
Non-current assets	10,329.8	86.1%	10,299.7	86.8%	0.3%
Current assets	1,318.2	11.0%	1,558.5	13.1%	–15.4%
Non-current assets held for sale	346.4	2.9%	1.1	0.0%	n.a.
Liabilities	**11,994.3**	**100.0%**	11,859.3	100.0%	1.1%
Equity	5,005.2	41.7%	4,919.1	41.5%	1.8%
Non-current liabilities	5,758.8	48.0%	5,896.6	49.7%	–2.3%
Current liabilities	1,230.3	10.3%	1,043.7	8.8%	17.9%

Assets

The development of VERBUND's assets in quarters 1 – 3/2012 was characterised on the one hand by capital expenditure in property, plant and equipment and interests accounted for using the equity method, and on the other hand, by the restructuring of the investment portfolio associated with VERBUND's strategic focus. In addition, there was a significant decline in cash and cash equivalents. Capital expenditure for property, plant and equipment amounted to a total of €434.5m. Of that amount, €99.1m was invested in the construction of wind power plants in Romania, €67.8m in wind power projects in Germany, €60.9m in the Reisseck II pumped storage power plant and €46.3m in the Mellach CCGT. The capital expenditure for interests accounted for using the equity method amounted to €217.5m and mostly related to capital increases at Turkish Enerjisa Enerji A.S. (€208.1m). The reclassification of SSG and EKG to non-current assets held for sale as a result of the (planned) sale of the equity interests had the opposite effect. The decrease in carrying amount of 7.1% is also attributable to dividend payments (€– 27.9m), other comprehensive income recognised without effect on profit or loss (€– 43.7m) as well as the sale of the interests in Kärntner Restmüllverwertungs GmbH and Gletscherbahnen Kaprun AG. Results from interests accounted for using the equity method (€+ 32.9m) and foreign exchange gains recognised without effect on profit or loss from currency translation relating to the Turkish joint ventures (€+ 38.0m) had the opposite effect. Trade receivables including other receivables decreased by a total of 1.2%. This reduction is attributable in particular to short-term investments in money market transactions, which fell by €240.2m. A compensating effect resulted from higher receivables from tax payments (€+ 138.6m), higher receivables from the French investees (€+ 96.7m) and the measurement of derivatives in the energy area (€+ 29.2m).

Liabilities

The capital structure remained effectively the same as at 31 December 2011. As at 30 June 2012, the adjusted equity ratio was 43.2% (31 December 2011: 43.0 %). Financial liabilities decreased slightly by 4.7%. This can be attributed in particular to scheduled repayments and early proportionate repayment of a bond denominated in JPY in the amount of €69.0m. Net debt increased by 2.0% to €4,130.5m. The reason for this can be seen primarily in the increase in guarantee liabilities for the construction financing for the French CCGTs (€+ 60.3m) as well as lower cash and cash equivalents (€– 273.3m). The 1.2% decrease in non-current and current provisions was mainly the result of decreasing provisions for outstanding invoices for investments (€– 50.7m) and for maintenance expenses (€– 17.3m). The increase in particular in provisions for personnel expenses (€+ 28.3m) had the opposite effect. This increase mainly resulted from the adjustment of the discount rate, increases in pension benefits as well as from the increase in the recognition of the collective wage agreement with respect to the calculation basis for severance payments. Trade payables including other payables increased by a total of 15.2%. The reason for this can be seen primarily in the provision of a letter of comfort for POWEO Toul Production S.A.S., which resulted in the recognition in profit or loss of obligations totalling €48.0m. The liabilities from cash pooling with POWEO Pont-sur-Sambre Production S.A.S. increased by €70.3m as a result of the safeguard procedure. In addition, the first-time recognition of the natural gas supply agreement for the Mellach CCGT led to the recognition of a liability in the amount of €58.2m.

Cash flows

Cash flow statement (short version) €m

	Q1 – 3/2012	Q1 – 3/2011	Change
Cash flow from operating activities	583.3	638.1	– 8.6%
Cash flow from investing activities	– 475.6	– 605.9	21.5%
Cash flow from financing activities	– 380.9	– 120.4	n.a.
Change in cash and cash equivalents	– 273.2	– 88.1	n.a.
Cash and cash equivalents as at 30/9/	**60.0**	400.9	– 85.0%

Cash flow from operating activities

Cash flow from operating activities amounted to €583.3m and was thus 8.6% lower than in quarters 1 – 3/2011. Decreases in the variation margins received from futures contracts in the energy area (€– 48.5m) counteracted higher contribution margins from generation (€+ 129.5m). In addition, primarily disbursements for income taxes, personnel payments and other operating disbursements increased. The change also resulted from lower contributions to building costs received.

Cash flow from investing activities

Cash flow from investing activities changed by €+ 130.3m compared to quarters 1 – 3/2011. Disbursements for capital increases and share acquisitions on the part of interests accounted for using the equity method amounted to €217.5m; such disbursements amounted to €220.7m in quarters 1 – 3/2011. The consideration paid in cash for the acquisition of 5 German wind farms and 2 German infrastructure companies amounted to €29.1m in quarter 3/2012. The remaining disbursements for capital expenditures for property, plant and equipment and intangible assets amounted to 111.9% of the corresponding disbursements in quarters 1 – 3/2011. Deposits and payments for temporary investments amounted to €240.9m. These were seen alongside deposits and payments in the amount of €40.0m in quarters 1 – 3/2011.

Cash flow from financing activities

Cash flow from financing activities changed by €– 260.5m compared to quarters 1 – 3/2011. The change resulted primarily from the one-off cash inflows from the sale of shares in VERBUND-Innkraftwerke GmbH (€– 395.2m) included only in the previous year and from less debt (€– 116.0m). A compensating effect resulted from lower repayments of loans and other financial liabilities (€+ 127.3m).

Risk management

VERBUND is confronted with numerous opportunities and risks in its operations in Austria and abroad. The short and medium-term economic development in the core markets is driven by the deterioration of economic outlooks, unpredictability in implementing the energy transition and open questions on dealing with the euro crisis. It is under these circumstances that VERBUND endeavours to execute its long-term objectives.

Operating result: volume and price risk decline, risk of impairment

Electricity generation from hydropower depends largely on hydrological influences that cannot be controlled. Pressure on the result is growing due to the trend in wholesale prices and falling margins for pumped storage and gas power plants. The profitability of thermal power plants is determined by the prices for electricity, primary energy (natural gas, hard coal) and carbon credits and the annual operation hours derived from these. The scope and amount of support for providers of new renewable energies also impact the effectiveness of the deregulated electricity market and endanger the recoverability of conventional power plants.

To the greatest extent possible, VERBUND evaluates and utilises internal and external potentials to stabilise the result in the medium term. The risks from operation and maintenance of equipment and from other contractual obligations are monitored continuously. The risk of impairment remains in the gas power plant area, although the economic situation could be improved by negotiating new gas supply agreements. On the basis of the annual power generation priced in as at the 30 September 2012 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 2012 as indicated below:

- Greater or less generation from hydropower: +/– €2.4m
- Wholesale electricity prices (hydropower plants and thermal power plants): +/– €1.0m
- Clean-Spark-Spread (difference between the prices of gas and electricity, taking into account CO_2 costs when electricity price varies): +/– €0.2m

Financial result: measurement effects in the financial result and result from equity interests

VERBUND's financial result is increasingly influenced by the earnings contributions of interests accounted for using the equity method. The gradual commissioning of power plants, changed energy market environment, effects of financial measurements and new assessments of the recoverability of the carrying amounts of equity interests are particularly worthy of note. In addition, pre-existing liabilities and guarantees could apply.

A change of 1.0% either way in the following factors – all else remaining equal – would be reflected in the financial result for 2012 as at the 30 September 2012 reporting date as indicated below:

- JPY–EUR exchange rate (financial result): +/– €0.6m
- TRY–EUR exchange rate (result from equity interests): +/– €4.5m

Operating segments

Electricity

Electricity supply – Electricity segment

GWh

	Q1–3/2012	Q1–3/2011	Change
Hydropower[1]	23,233	18,883	23.0%
Wind/solar power	155	95	63.3%
Thermal power[1]	2,883	3,478	–17.1%
Own generation	**26,271**	**22,456**	**17.0%**
Electricity purchased from third parties	8,642	12,444	–30.6%
Intragroup	228	301	–24.3%
Electricity supply	**35,141**	**35,200**	**–0.2%**

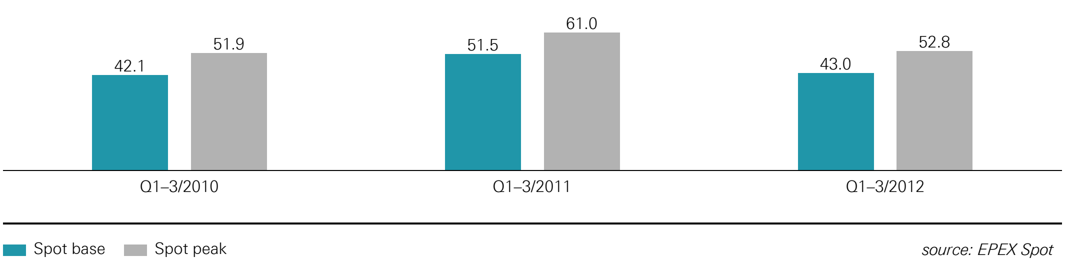
[1] incl. purchase rights

Electricity generation

At 26,271 GWh, the Electricity segment's total generation of electricity in quarters 1–3/2012 was up 17.0% compared to the same period in 2011. Generation from hydropower increased by 23.0%. At 1.07, the hydro coefficient of the run-of-river power plants was 7.0% above the long-term average and 19 percentage points higher than the amount in quarters 1–3/2011. Generation from annual storage power plants also increased significantly due to the high storage levels at the beginning of the year and above average water inflows: it was up by 38.5% compared to the same period of the previous year. In quarters 1–3/2012, around 88.4% of VERBUND's own generation came from hydropower. Generation from thermal power plants was reduced by 17.1%. The main reason for this is the unfavourable price ratio of gas to electricity prices. The purchase of electricity from third parties for the trading and sales business decreased by 30.6%. This can be mainly attributed to increased generation from hydropower.

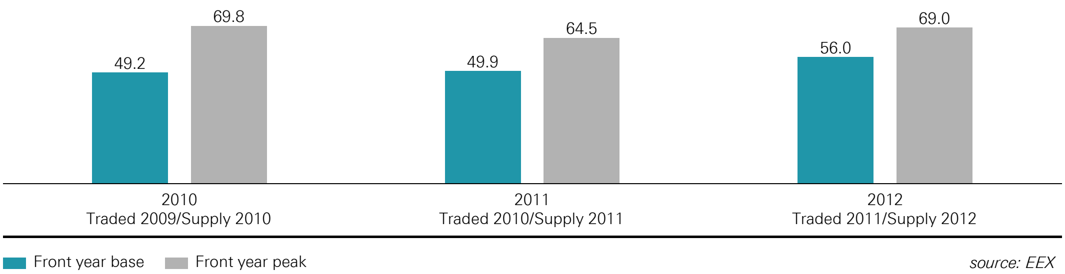
Spot market prices for electricity

€/MWh



source: EPEX Spot

Futures prices for electricity €/MWh



source: EEX

Electricity prices

At an average of €56.0/MWh, prices for electricity futures contracts applicable for the 2012 financial year (front year base 2012) were up 12.2% over 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 2011 via the futures market. In contrast, spot market base prices fell in quarters 1–3/2012 by 16.5% to €43.0/MWh. Spot price development was driven primarily by lower demand as a result of the economy, the high feed-in of renewable energies and the low CO_2 prices of the ineffective carbon market.

Primary energy prices demonstrated a volatile trend in quarters 1–3/2012. The price for Brent crude oil rose in quarter 1/2012 from $112/bbl to up to $125/bbl, although it subsequently fell again, reaching $112/bbl at the end of September 2012 in particular due to a significant decline in quarter 2/2012. The price for hard coal deliveries CIF ARA (6,000 kcal/kg) has fallen since the beginning of the year, from $110/t to $88/t at the end of September. Spot prices on the gas hub Net Connect Germany (NCG) have fluctuated between €22.2/MWh and €37.6/MWh since January, reaching €25.8/MWh at the end of September. On the gas forward market at the trading point NCG, the price for the front year future for 2013 (Cal13 contract) was €27.0/MWh at the end of September, slightly above the price of €26.0/MWh at the beginning of the year.

Electricity sales volume

Electricity sales volume and own requirements – Electricity segment GWh

	Q1–3/2012	Q1–3/2011	Change
Consumers	7,209	6,449	11.8%
Resellers	13,997	13,998	0.0%
Traders	12,312	13,315	–7.5%
Intragroup	482	535	58.2%
Electricity sales volume[1]	**34,000**	34,298	–0.9%
Own requirements	1,141	902	26.5%
Electricity sales volume and own requirements	**35,141**	35,200	–0.2%

Electricity sales volume and own requirements fell by 0.2% in quarters 1–3/2012 compared to the same period in 2011. Business with resellers remained stable. Electricity deliveries to trading firms decreased by 7.5%. The reason for this is a sharp drop in generation hedging on the OTC trading market, which more than compensated for increased marketing on the exchange. Sales volumes in the industrial sector of the Austrian consumer market decreased by 5.3%. In Austria, VERBUND has more than 255,000 consumers in the household/agriculture and commercial segment consuming up to 100,000 kWh of electricity annually. Internationally, volumes sold on the consumer market could be significantly increased by activities in the German market despite the pull-out from France. The higher own use is due to the higher utilisation of the pumped storage power plants.

Expansion of generation from hydropower

For the Reisseck II project in Carinthia, preassembly work began after the on schedule delivery of turbine spirals. The lower section was broken through in the inclined shaft, while complete excavation will take place in October. In the cable duct area, installation work was completed in the middle section. Once it is completed, the new pumped storage power plant will expand the capacities of the Malta/Reisseck power plant group by 430 MW.

In the renovation of the Pernegg power plant in Styria, the final project phase began when the third generator set was shut down. The new generator set 3 is scheduled for commissioning in spring 2013.

Opening ceremonies for the Gössendorf power plant on the Mur River were held on 28 September 2012. The joint venture between VERBUND and Energie Steiermark supplies around 89 GWh of green energy per year.

In Albania, VERBUND held opening ceremonies for the Ashta hydropower plant on 18 September 2012. There are 45 Hydromatrix turbines in operation in the first power plant unit, Ashta 1. After completion of Ashta 2 in spring 2013, 244 GWh of electricity will be generated per year.

The permit proceedings for the cross-border Inn power plant joint venture (89 MW) are continuing at the courts of second instance in Austria. Despite additional delays in the proceedings, we currently expect to receive a notice of approval from the courts of second instance in 2012.

Expansion of generation from wind power

The Romanian wind farm Casimcea I was successfully put into operation: the 43 wind power plants (99 MW) feed electricity into the Romanian transmission grid through the specially constructed 400 kV substation. Construction work for an additional wind farm (102 MW) continues to proceed on schedule.

VERBUND entered the German wind power market in quarter 3/2012 with the acquisition of 5 wind farms in Rhineland-Palatinate. The wind farms currently under construction include 21 wind power plants with a total capacity of 86 MW. The first plants are almost completed; gradual commissioning is scheduled from end of 2012 to quarter 4/2013.

In Austria, VERBUND is building 3 wind farms with a total capacity of 57 MW. Construction work for Hollern II and Petronell-Carnuntum II is proceeding quickly. The first foundations are currently being constructed. The start of construction for the Bruck-Göttlesbrunn wind farm is scheduled for quarter 2/2013.

Grid

APG's grid is the backbone of domestic power supply. The transported energy volume relevant to billing in the 380/220 kV grid (excluding electricity used for pumping) decreased slightly by 0.7% to 14,211 GWh in quarters 1–3/2012. A total of 4,907 GWh was imported and 722 GWh exported at the 380, 220 and 110 kV level in the APG control area. Since 1 January 2012, this area also includes the VKW control area.

Electricity supply – Grid segment GWh

	Q1–3/2012	Q1–3/2011	Change
Electricity purchased for grid loss and control energy volumes	2,298	2,113	8.8%
Intragroup	482	535	–10.0%
Electricity supply	**2,780**	2,648	5.0%

Electricity sales volume and own requirements – Grid segment GWh

	Q1–3/2012	Q1–3/2011	Change
Resellers	1,568	1,538	2.0%
Traders	80	116	–31.0%
Intragroup	228	301	–24.3%
Electricity sales volume	**1,876**	1,955	–4.1%
Own requirements	578	480	20.4%
Control energy volumes	325	213	52.6%
Electricity sales volume and own requirements	**2,780**	2,648	5.0%

APG has been responsible for the central purchase of energy to cover transmission and distribution losses for the majority of Austrian grid operators since 2011. APG has also been responsible for the management of control energy since 2012.

Directives rescinded

The Austrian Constitutional Court rescinded the System Usage Rate Directives of 2009, 2010 and 2011. The proceedings pending to challenge grid usage fees for pumped storage power plants and grid loss fees and fees for system services are affected by the decisions. There are also payments with reservations and individual suits by providers concerning the System Charges Order 2012. APG's balance sheet reflects the rescission of the rates and charges provisions. This can lead to negative effects on results and the liquidity situation of APG, as short-term repayments are accounted for in the rates with a time lag.

Rate regulation

APG was provided with the final decision on cost in the 2012 tariff audit process. For return on capital, a WACC of 6.42% before taxes was applied for 2013 and the prospect of fixing this rate for several years is offered.

Progress on the second part of the 380 kV Salzburg line

The environmental impact assessment under the Environmental Impact Assessment Act (Umweltverträglichkeitsprüfungsgesetz 2000, UVP-G 2000) for the second section of the 380 kV Salzburg line was submitted in Upper Austria and Salzburg on 28 September 2012. Not only will the power supply in both of these provinces be significantly more secure with the Salzburg line, but it is also a fundamental prerequisite for a comprehensive revision and restructuring of the electricity grid infrastructure in Salzburg. Carriage of existing lines allows the disassembly of 678 electric pylons and 193 kilometres of 220 and 110 kV lines of APG and Salzburg Netz GmbH. In contrast, only 451 pylons and 128 line kilometres will be newly constructed.

Security of supply, management of maximum electrical capacities

In quarter 3/2012, the supply in the APG control area was secured mostly by technical grid measures. An exception to this were 2 days in August when critical grid situations occurred. These could be overcome only by means of the power plants' management of maximum electrical capacities.

Equity interests

In recent years, VERBUND has built up a diversified investment portfolio in Austria and abroad and, for the purpose of implementing its corporate strategy, measures to optimise this investment portfolio are continuously reviewed. Within the scope of this optimisation, open-ended discussions will be held with other market participants on subjects including VERBUND's involvement in Turkey. The purpose of such discussions is to review numerous options ranging from the sale of an equity interest to the acquisition of additional equity interests or the further expansion of an existing stake. Strategic and economic criteria are applied in assessing these options.

Foreign

Italy

The contribution of the Italian Sorgenia S.p.A. (Group) to the result from interests accounted for using the equity method amounted to €–45.2m in quarters 1–3/2012 (quarters 1–3/2011: €–7.7m). The main reasons for the negative development were the generally difficult market environment for gas power plants throughout Europe and therefore a lower result from equity interests in Tirreno Power with its thermal generation portfolio. In quarter 3/2012, VERBUND's ownership interest in Sorgenia S.p.A. (Group) increased slightly from 44.9% to 45.7%. This was primarily due to the exercise of put options on shares that had been issued within the scope of a share-based remuneration programme for members of the management of Sorgenia S.p.A. (Group). With an installed capacity of more than 4,500 MW, Sorgenia S.p.A. (Group) stabilised its position as number 5 in the Italian electricity market. The company supplies around 460,000 consumers with electricity and gas.

France

The contribution of the French equity interests to the result from interests accounted for using the equity method amounted to €–42.6m in quarters 1–3/2012 (quarters 1–3/2011: €–136.8m). The commissioning phase for the Toul CCGT went according to plan in quarter 3/2012. Commissioning is expected to take place in 2012. Just as the one in Pont-sur-Sambre, this power plant is also impacted by the current difficult market environment for gas power plants in Europe. The profitability of the Pont-sur-Sambre

CCGT improved due to lower gas purchase costs after the judicial termination of the gas supply contract within the framework of a safeguard procedure in April. A court ruling extended the safeguard procedure to March 2013. The Pont-sur-Sambre power plant could not be operated in quarter 3/2012 due to a technical problem with the gas turbine; resumption of operation is scheduled in quarter 4/2012.

Turkey

The contribution of the Turkish equity interest(s) to the results from interests accounted for using the equity method amounted to €39.4m in quarters 1 – 3/2012 (quarters 1 – 3/2011: €– 20.5m). The operating result could be improved in the generation and distribution areas in quarter 3/2012 due to successful restructuring of the customer portfolio. An important step was taken in the construction of the Tufanbeyli brown coal-fired power plant in quarter 3/2012. The finance agreement over €750.0m was signed. Enerjisa Enerji Üretim A.S. had an installed capacity of around 1,690 MW at its disposal as at 30 September 2012; 12 power plants with a total capacity of around 1,700 MW are currently being built. Enerjisa Enerji A.S. (Group) supplies 3.4 million consumers.

Domestic

Interests accounted for using the equity method

The contribution of KELAG to the result from interests accounted for using the equity method in quarters 1 – 3/2012 was €31.6m (quarters 1 – 3/2011: €30.4m).

Equity interests classified as held for sale

In order to implement VERBUND's goal of selling minority interests, talks were held with potential buyers for SSG and EKG in quarter 3/2012 with the goal of signing an agreement in quarter 4/2012.

SSG was classified as held for sale as at 30 September 2012. As a consequence of the reclassification, the contribution to the result from interests accounted for using the equity method in quarters 1 – 3/2012 is €– 5.8m (quarters 1 – 3/2011: €– 8.8m).

EKG was classified as held for sale as at 30 September 2012. As a consequence of the reclassification, the contribution to the result from interests accounted for using the equity method in quarters 1 – 3/2012 is €– 1.6m (quarters 1–3/2011: €1.3m). The transfer of shares is planned to be completed in 2012.

Events after the balance sheet date

The sales agreement for VERBUND's share of Energie Klagenfurt GmbH was signed on 11 October 2012.

Consolidated interim financial statements of VERBUND

Income statement

€m

In accordance with IFRSs	Notes	Q1–3/2012	Q1–3/2011[1]	Q3/2012	Q3/2011[1]
Revenue		**2,294.0**	2,201.9	**731.3**	742.0
Electricity revenue	1	2,005.6	1,953.6	645.8	658.8
Grid revenue		253.1	198.7	74.7	66.1
Other revenue		35.3	49.6	10.7	17.1
Other operating income	2	52.0	27.5	7.3	6.6
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	3	–894.5	–962.1	–296.9	–298.0
Fuel expenses and other usage-dependant expenses	4	–103.7	–80.2	–19.0	–21.5
Personnel expenses	5	–232.9	–218.7	–71.3	–66.3
Amortisation of intangible assets and depreciation of property, plant and equipment		–201.9	–175.7	–68.2	–59.2
Other operating expenses		–180.4	–127.1	–72.5	–39.6
Operating result before effects from impairment tests		732.6	665.7	210.6	264.0
Effects from impairment tests[2]	6	–53.1	202.3	–0.2	202.3
Operating result		**679.5**	868.0	**210.4**	466.4
Result from interests accounted for using the equity method	7	–16.1	–153.9	8.2	–144.8
Other result from equity interests	8	7.6	–0.1	0.3	–4.5
Interest income	9	28.8	26.9	9.1	9.5
Interest expenses	10	–127.4	–151.0	–23.5	–12.5
Other financial result	11	–35.5	–21.7	–25.6	–25.1
Financial result		**–142.5**	–299.8	**–31.4**	–177.5
Profit before tax		**537.1**	568.2	**178.9**	288.8
Taxes on income		–119.4	–155.0	–29.3	–85.2
Profit for the period		**417.7**	413.3	**149.7**	203.7
Attributable to the shareholders of VERBUND AG (Group result)		332.2	315.4	118.3	138.4
Attributable to non-controlling interests		85.5	97.8	31.4	65.3
Earnings per share in €[3]		**0.96**	0.91	**0.34**	0.40

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8. // [2] The effects from impairment tests consist of impairment losses and reversals from impairment losses (net of changes in the corresponding deferred contributions to building costs and government grants). // [3] Diluted earnings per share correspond to basic earnings per share.

Statement of comprehensive income

€m

In accordance with IFRSs	Notes	Q1–3/2012	Q1–3/2011[1]	Q3/2012	Q3/2011[1]
Profit for the period		**417.7**	413.3	**149.7**	203.7
Remeasurements of the net defined benefit liability	12	–40.8	3.3	–16.6	–2.1
Other comprehensive income from interests accounted for using the equity method		–4.9	–1.1	–3.2	2.1
Total of items that will not be reclassified ("recycled") subsequently to the income statement		**–45.7**	2.2	**–19.8**	0.0
Differences from currency translation	13	31.9	–150.3	–19.3	–48.8
Measurements of available-for-sale financial instruments		2.5	–4.5	1.8	–0.6
Measurements of cash flow hedges		–42.4	24.9	–35.4	2.2
Other comprehensive income from interests accounted for using the equity method		–39.1	50.0	–9.2	–14.2
Total of items that will be reclassified ("recycled") subsequently to the income statement		**–47.0**	–79.9	**–62.1**	–61.4
Other comprehensive income before tax		**–92.7**	–77.7	**–81.9**	–61.3
Taxes on income	14	20.3	–15.9	12.6	3.9
Other comprehensive income after tax	15	**–72.3**	–93.6	**–69.3**	–57.4
Total comprehensive income for the period		**345.4**	319.7	**80.4**	146.2
Attributable to the shareholders of VERBUND AG		264.1	221.6	50.7	81.1
Attributable to non-controlling interests		81.2	98.0	29.7	65.1

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8.

Balance sheet

€m

In accordance with IFRSs	Notes	30/9/2012	31/12/2011[1]
Non-current assets		**10,329.8**	10,299.7
Intangible assets		658.3	632.1
Property, plant and equipment		6,751.4	6,578.7
Interests accounted for using the equity method	16	1,964.4	2,115.3
Other equity interests		129.5	129.9
Investments and other receivables	17	826.2	843.6
Current assets		**1,318.2**	1,558.5
Inventories		153.1	107.1
Trade receivables and other receivables	17	1,105.1	1,118.1
Cash and cash equivalents		60.0	333.2
Non-current assets held for sale	18	**346.4**	1.1
Total assets		**11,994.3**	11,859.3

€m

In accordance with IFRSs	Notes	30/9/2012	31/12/2011[1]
Equity		**5,005.2**	4,919.1
Attributable to the shareholders of VERBUND AG		4,388.0	4,314.7
Attributable to non-controlling interests		617.2	604.4
Non-current liabilities		**5,758.8**	5,896.6
Financial liabilities	19	3,718.8	3,909.2
Provisions		639.8	633.0
Deferred tax liabilities		190.1	243.2
Contributions to building costs and grants		608.0	574.3
Deferred income – cross-border leasing		54.0	55.2
Other liabilities		548.1	481.8
Current liabilities		**1,230.3**	1,043.7
Financial liabilities	19	316.5	324.7
Provisions		208.9	225.6
Current tax liabilities		143.7	12.4
Trade payables and other liabilities		561.3	480.9
Total liabilities		**11,994.3**	11,859.3

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8.

Statement of changes in equity

In accordance with IFRSs	Share capital	Capital reserves	Retained earnings	Remeasure-ments of the net defined benefit liability
Notes				12
As at 1/1/2011	347.4	954.3	2,880.5	0.0
Change in accounting policies	–	–	77.8	–97.2
As at 1/1/2011 retrospectively adjusted	347.4	954.3	2,958.3	–97.2
Shifts between shareholder groups	–	–	183.9	–
Total comprehensive income for the period	–	–	315.4	1.3
Dividends	–	–	–191.1	–
As at 30/9/2011	347.4	954.3	3,266.5	–95.9
As at 1/1/2012	**347.4**	**954.3**	**3,296.9**	**–87.3**
Changes in the group of consolidated companies	–	–	0.1	–
Shifts between shareholder groups	–	–	0.1	–
Total comprehensive income for the period	–	–	332.2	–31.4
Dividends	–	–	–191.1	–
As at 30/9/2012	**347.4**	**954.3**	**3,438.2**	**–118.7**

€m

Difference from currency translation	Measure-ments of available-for-sale financial instruments	Measure-ments of cash flow hedges	Other components of other comprehen-sive income	Equity attributable to the shareholders of VERBUND AG	Equity attributable to non-controlling interests	Total equity
13						
–35.7	4.1	–114.4	–0.2	4,036.0	336.4	4,372.4
–	–	–	7.2	–12.2	–1.5	–13.7
–35.7	4.1	–114.4	7.0	4,023.8	334.9	4,358.7
–	–	–	–	183.9	211.1	395.0
–150.7	–3.7	60.1	–0.8	221.6	98.0	319.7
–	–	–	–	–191.1	–60.6	–251.7
–186.4	0.4	–54.2	6.2	4,238.2	583.4	4,821.6
–165.0	**–2.0**	**–28.5**	**–1.0**	**4,314.7**	**604.4**	**4,919.1**
–	–	–	–	0.1	0.0	0.1
–	–	–	–	0.1	–0.1	0.0
34.6	2.5	–75.3	1.5	264.1	81.2	345.4
–	–	–	–	–191.1	–68.3	–259.4
–130.5	**0.5**	**–103.8**	**0.5**	**4,388.0**	**617.2**	**5,005.2**

Cash flow statement

€m

In accordance with IFRSs	Notes	Q1–3/2012	Q1–3/2011[1]
Profit for the period		417.7	413.3
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		256.5	–126.3
Impairment losses on investments (net of reversals of impairment losses)		0.0	2.4
Result from interests accounted for using the equity method (net of dividends received)		43.9	177.9
Result from the disposal of non-current assets		–4.6	–4.6
Change in non-current provisions and deferred tax liabilities		–68.9	25.0
Change in contributions to building costs and grants		33.8	132.3
Income from the reversal of deferred income from cross-border leasing transactions		–1.2	–1.2
Other non-cash expenses and income		–28.3	–62.7
Subtotal		**648.9**	556.1
Change in inventories		–46.0	–20.6
Change in trade receivables and other receivables		–158.9	19.1
Change in trade payables and other liabilities		–25.9	84.9
Change in current provisions and current tax liabilities		165.2	–1.4
Cash flow from operating activities	20	**583.3**	638.1

€m

In accordance with IFRSs	Notes	Q1 – 3/2012	Q1 – 3/2011[1]
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		– 457.2	– 408.7
Cash inflow from the disposal of intangible assets and property, plant and equipment		20.2	3.1
Cash outflow from capital expenditure for investments		– 67.2	– 457.5
Cash inflow from the disposal of investments		409.7	5.5
Cash outflow from capital expenditure for subsidiaries	21	– 29.1	0.0
Cash outflow from capital expenditure for interests accounted for using the equity method		– 217.5	– 220.7
Cash inflow from the disposal of subsidiaries and interests accounted for using the equity method		26.0	67.5
Cash inflow (outflow) from the disposal of (capital expenditure for) current investments		– 160.5	404.9
Cash flow from investing activities		**– 475.6**	– 605.9
Cash inflow from shifts between shareholder groups		0.0	395.2
Cash inflow (outflow) from money market transactions		85.1	– 46.0
Cash inflow from the assumption of financial liabilities (excluding money market transactions)		69.7	185.7
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		– 276.3	– 403.6
Dividends paid		– 259.4	– 251.7
Cash flow from financing activities		**– 380.9**	– 120.4
Change in cash and cash equivalents		**– 273.2**	– 88.1
Cash and cash equivalents as at 1/1/		**333.2**	489.0
Cash and cash equivalents as at 30/9/		**60.0**	400.9

[1] The comparative figures were adjusted retrospectively in accordance with IAS 8.

Selected explanatory notes

Financial reporting principles

Basic principles

These consolidated interim financial statements of VERBUND as at 30 September 2012 were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial reports 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 and disclosures please refer to the consolidated financial statements of VERBUND as at 31 December 2011, which form the basis for these consolidated interim financial statements of VERBUND.

Group of consolidated companies

VERBUND Trading Romania S.R.L. was consolidated for the first time effective 1 January 2012. In connection with the acquisition of ten German wind farm companies and two German infrastructure companies (see: Business combinations), VERBUND Wind Power Deutschland GmbH – which had been acquired via a shell company purchase – was consolidated for the first time effective 10 August 2012.

The equity-accounted interests in Kärntner Restmüllverwertungs GmbH and Gletscherbahnen Kaprun AG were sold effective 10 May 2012 and 23 August 2012, respectively, and consequently deconsolidated.

Business combinations

Effective 10 August 2012, limited partnership interests of 95% were acquired in each of ten wind park companies and limited partnership interests of 81% and 76% in two related infrastructure companies in the Hunsrück area of Rhineland-Palatinate for €35.1m. The general partner is VERBUND Wind Power Deutschland GmbH, a 100% subsidiary of VERBUND Wind Power Austria GmbH. The wind park companies are currently developing a total of five wind farms with an installed capacity of 86 MW and a projected annual generation of 255 GWh. This business combination represents a strategic investment in German wind farm installations and thus supplements VERBUND's hydropower-dominated generation portfolio.

Due to the proximity of the closing date to the balance sheet date, the business combination was accounted for using provisional amounts. First-time consolidation in VERBUND's consolidated interim financial statements was made on a provisional basis, in particular as regards the measurement of the equity interests attributable to the (other) limited partners, the contingent considerations and the contingent liabilities and may therefore be subject to adjustments during a period of one year from the acquisition date. The provisional fair values of the assets and liabilities identified for the ten German wind farm companies and two German infrastructure companies were as follows as at the acquisition date:

Assets acquired and liabilities assumed €m

	Fair value as at the acquisition date[1]
Concessions, rights, licences	15.9
Plants under construction and projects	19.2
Total assets acquired	35.1
Capital shares attributable to (other) limited partners	0.0
Total liabilities assumed	0.0
Total identifiable net assets at fair value	35.1
Goodwill	0.0
Total consideration transferred	35.1
Of which in cash	29.1
Of which in liabilities incurred	5.9
Of which in liabilities incurred for contingent considerations	0.0

[1] This amounts are provisional.

The ten German wind farm companies and two German infrastructure companies acquired did not generate any revenues either prior to the acquisition date or thereafter. The new subsidiaries contributed €0.0m to VERBUND's profit for the period. If the business combination had occurred at the beginning of the year, the acquired companies would have contributed a profit or loss for the period totalling €0.0m to the relevant items in the income statement of VERBUND.

In connection with the business combination, VERBUND entered into project development contracts with juwi Wind GmbH for the wind farms and project development and construction contracts for the substations in addition to the related infrastructure. The related purchase commitments totalled €51.8m. VERBUND also took over supplier agreements with manufacturers of wind power plants. The related purchase commitments totalled €117.2m.

Accounting policies

With the exception of the new IASB accounting standards and the changes in accounting policies 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 2011.

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

New accounting standards

Newly applicable or applied accounting standards

Standard or interpretation		Published by the IASB (endorsed by the EU)	Mandatory application for VERBUND	Effects on the consolidated interim financial statements of VERBUND
IAS 1	Amendments: Presentation of Items of Other Comprehensive Income	16/6/2011 (5/6/2012)	1/1/2013	In presenting the statement of other comprehensive income, items of OCI that will be "recycled" subsequently are separated from other items for which this is not intended
IAS 19	Amendments: Employee Benefits	16/6/2011 (5/6/2012)	1/1/2013	Change in the method of recognition of pension and similar obligations as well as obligations from severance payments
IFRS 7	Amendments: Transfers of Financial Assets	7/10/2010 (22/11/2011)	1/1/2012	none

The amendments to IAS 1 standardise the presentation of items of other comprehensive income in the statement of comprehensive income. Now, the statement of comprehensive income must be presented such that those items that might be reclassified ("recycled") to the income statement are separated from items that are not intended to be reclassified. The pro-rata other comprehensive income of equity-accounted interests is to be presented in the same manner. (Early) application of the amendments to IAS 1 led to a restructuring of the statement of comprehensive income in these consolidated interim financial statements of VERBUND.

As a result of the amendments to IAS 19, accounting policies for employee benefits were changed in several ways. The amendments to this standard focus on abolishment of the corridor method for (deferred) recognition of actuarial gains and losses with respect to post-employment defined benefit obligations. The possibility of faster recognition of actuarial gains and losses in profit or loss up to the recognition of all actuarial gains and losses in profit or loss was also abolished. All changes in the value of the net liability resulting from personnel-related defined benefit obligations are now recognised in the respective reporting period; the remeasurements of such net liability – primarily resulting from actuarial gains and losses – are recognised in other comprehensive income (without subsequent "recycling" to the income statement). In addition, the return on plan assets is no longer to be estimated on the basis of the anticipated return on the plan assets, but instead to be recognised (de facto) in the amount of the discount rate for the personnel-related defined benefit obligation. Other amendments to the standard relate to the subsequent recognition of past service cost (which is now recognised in profit or loss in the period of the change in the pension plan), the differentiation between current and non-current obligations and the disclosures required to be made in the notes regarding features and risks of pension plans. In these consolidated interim financial statements of VERBUND, (early) application of the amendments to IAS 19 led to changes in the amounts of provisions for pensions and similar obligations and provisions for severance payments as well as of the personnel expenses and of the remeasurements recognized in other comprehensive income, including effects on deferred taxes and the profits or losses attributable to the shareholder groups.

To improve the presentation of financial performance, the presentation of the net interest expense on personnel-related liabilities was also changed in the income statement in the course of the application of the new accounting standards. The net interest expense is now presented under interest expenses and not under personnel expenses as in the past.

The application of the new accounting policies was carried out retrospectively effective 1 January 2011 in accordance with IAS 8 by adjusting all comparative figures. The amounts of the adjustment for earlier reporting periods were not determined for cost-benefit reasons. The following amounts of the adjustment were determined for the reporting period and the comparative period:

Amounts of the adjustment for the income statement items

€m

	Q1 – 3/2012	Q1 – 3/2011	**Q3/2012**	Q3/2011
Personnel expenses	50.7	20.4	16.3	7.4
Operating result	**50.7**	20.4	**16.3**	7.4
Interest expenses	– 15.8	– 17.1	– 5.6	– 5.3
Financial result	**– 15.8**	– 17.1	**– 5.6**	– 5.3
Profit before tax	**34.9**	3.3	**10.7**	2.1
Taxes on income	– 10.4	– 0.8	– 4.3	– 0.5
Profit for the period	**24.5**	2.5	**6.4**	1.6
Attributable to the shareholders of VERBUND AG (Group result)	21.0	2.1	5.3	1.4
Attributable to non-controlling interests	3.6	0.4	1.1	0.2
Earnings per share in €[1]	**0.07**	0.01	**0.02**	0.00

[1] Diluted earnings per share correspond to basic earnings per share.

Amounts of the adjustment for the statement of comprehensive income items

€m

	Q1 – 3/2012	Q1 – 3/2011	**Q3/2012**	Q3/2011
Profit for the period	**24.5**	2.5	**6.4**	1.6
Remeasurements of the net defined benefit liability	– 40.8	3.3	– 16.6	– 2.1
Other comprehensive income before tax	**– 40.8**	3.3	**– 16.6**	– 2.1
Taxes on income	10.2	– 0.8	4.2	0.5
Other comprehensive income after tax	**– 30.6**	2.5	**– 12.5**	– 1.6
Total comprehensive income for the period	**– 6.0**	5.0	**– 6.1**	0.0
Attributable to the shareholders of VERBUND AG	– 5.5	4.3	– 5.5	0.0
Attributable to non-controlling interests	– 0.5	0.7	– 0.6	0.0

Amounts of the adjustment for the balance sheet items €m

	30/9/2012	31/12/2011
Equity	**–16.3**	**–10.3**
Attributable to the shareholders of VERBUND AG	–14.3	–8.8
Attributable to non-controlling interests	–2.0	–1.5
Non-current liabilities	**16.3**	**10.3**
Financial liabilities	–0.7	0.2
Provisions	14.4	14.3
Deferred tax liabilities	2.6	–4.1
Total liabilities	**0.0**	**0.0**

Change in accounting policies

Since the 2005 reporting period, VERBUND has recognised the results from the measurement and realisation of energy trading contracts for electricity entered into for trading purposes under revenue; the underlying electricity purchases and sales are presented with offset (net) in electricity revenue. VERBUND's accounting policies comply with international industry practice regarding the recognition of energy trading contracts for third-party trading. Up until now, energy trading contracts for electricity that were entered into for the marketing of own generation or as part of the wholesale portfolio were presented without offset (gross); the purchase of electricity was recognised under electricity purchases, while electricity sales were recognised under electricity revenue.

However, business activities in the wholesale portfolio are more and more clearly exhibiting attributes that are typical of third-party trading. In light of this, in order to improve the presentation of financial performance, the accounting policy for energy trading contracts in the wholesale portfolio was changed in quarter 1/2012 such that these transactions are now also presented net in the income statement under revenue. They are still presented gross in the balance sheet, unless a framework agreement with a netting clause has been concluded with the counterparty.

The change in accounting policies was carried out retrospectively effective 1 January 2011 in accordance with IAS 8 by adjusting all comparative figures. The amounts of the adjustment for earlier reporting periods were not determined for cost-benefit reasons. The following amounts of the adjustment were determined for the reporting period and the comparative period:

Amounts of the adjustment for the income statement items €m

	Q1–3/2012	Q1–3/2011	Q3/2012	Q3/2011
Electricity revenue	–563.3	–606.2	–177.1	–198.2
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	563.3	606.2	177.1	198.2
Operating result	**0.0**	**0.0**	**0.0**	**0.0**

This change in accounting policies had no effect on the profit or loss for the period, diluted earnings per share or basic earnings per share in either quarters 1–3/2012 or in earlier reporting periods.

Segment reporting

VERBUND Trading Romania S.R.L., which was consolidated for the first time as at 1 January 2012, was allocated to the Electricity segment, as were VERBUND Wind Power Deutschland GmbH, which was initially consolidated as at 10 August 2012, and the ten German wind farm companies and two German infrastructure companies acquired in a business combination.

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 – 3/2012					
External revenue	1,928.5	351.3	14.2	0.0	2,294.0
Internal revenue	108.5	44.6	68.4	– 221.5	0.0
Total revenue	2,037.0	395.9	82.6	– 221.5	2,294.0
Operating result	**673.8**	**– 20.2**	**– 25.9**	**51.8**	**679.5**
Depreciation and amortisation	– 148.4	– 47.5	– 6.9	0.9	– 201.9
Effects from impairment tests[1]	– 53.1	0.0	0.0	0.0	– 53.1
Other material non-cash items	52.1	– 72.9	2.3	50.3	31.8
Result from equity interests	0.0	0.0	– 8.4	0.0	– 8.4
Of which result from interests accounted for using the equity method	0.0	0.0	– 16.1	0.0	– 16.1
Capital employed	**5,840.8**	**1,125.7**	**6,862.8**	**– 4,472.9**	**9,356.4**
Of which carrying amount of interests accounted for using the equity method	16.1	1.3	1,947.0	0.0	1,964.4
Additions to intangible assets and property, plant and equipment	379.2	73.5	10.3	0.0	463.0
Additions to equity interests	0.0	0.0	217.5	0.0	217.5

[1] The effects from impairment tests consist of impairment losses (net of changes in the corresponding deferred government grants).

€m

	Electricity	Grid	Equity Interests & Services	Elimination	Total Group
Q1 – 3/2011					
External revenue	1,888.3	300.3	13.3	–	2,201.9
Internal revenue	84.3	41.2	74.6	– 200.1	0.0
Total revenue	1,972.6	341.5	87.9	– 200.1	2,201.9
Operating result	**833.2**	**46.5**	**– 11.4**	**– 0.3**	**868.0**
Depreciation and amortisation	– 124.1	– 45.7	– 6.8	0.8	– 175.7
Effects from impairment tests[1]	202.3	0.0	0.0	0.0	202.3
Other material non-cash items	– 2.2	5.5	– 0.2	– 0.4	2.6
Result from equity interests	–	–	– 154.0	0.0	– 154.0
Of which result from interests accounted for using the equity method	–	–	– 153.9	0.0	– 153.9
Capital employed	**5,354.9**	**919.7**	**6,557.8**	**– 3,753.4**	**9,079.0**
Of which carrying amount of interests accounted for using the equity method	2.2	1.3	2,099.8	0.0	2,103.2
Additions to intangible assets and property, plant and equipment	306.9	60.0	8.6	0.0	375.6
Additions to equity interests	0.0	0.0	223.0	0.0	223.0

[1] The effects from impairment tests consist of impairment losses and reversals from impairment losses (net of changes in the corresponding deferred contributions to building costs and government grants).

Notes to the income statement

(1) Electricity revenue

Electricity revenue by customer areas

€m

	Q1 – 3/2012 Domestic	Q1 – 3/2011 Domestic	Change	**Q1 – 3/2012 Foreign**	Q1 – 3/2011 Foreign	Change
Electricity deliveries to consumers	341.8	349.6	– 2.2%	198.8	137.8	44.2%
Electricity deliveries to resellers	610.3	634.3	– 3.8%	119.4	133.5	– 10.6%
Electricity deliveries to traders	25.0	23.3	7.3%	710.3	675.1	5.2%
Total electricity revenue	**977.2**	1,007.2	– 3.0%	**1,028.5**	946.4	8.7%

(2) Other operating income

In quarters 1–3/2012, costs of testing (net of electricity revenue from these) during the commissioning phase of the combined cycle gas turbine power plant in Mellach resulted in own work capitalised in the amount of €9.1m (quarters 1–3/2011: €0.0m). The corresponding balancing items were primarily recorded under fuel expenses and electricity revenue.

(3) Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)

Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade) €m

	Q1–3/2012	Q1–3/2011	Change
Expenses for electricity purchases	731.6	856.3	–14.6%
Expenses for grid purchases (system use)	109.6	101.4	8.0%
Expenses for gas purchases[1]	53.3	–0.1	n.a.
Purchases of emission rights (trade)	0.1	4.4	–98.7%
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	**894.5**	962.1	–7.0%

[1] The negative expenses for gas purchases mainly resulted from the measurement of freestanding derivatives in the energy area.

VERBUND Thermal Power GmbH & Co KG and EconGas GmbH have entered into a long-term natural gas supply agreement. The mode of operation resulting from optimisation of the combined cycle gas turbine power plant in Mellach leads to the resale of significant volumes of natural gas. Such management of the natural gas supply agreement is regarded as a net settlement of the natural gas supply agreement under IFRSs; as a consequence, the exemption for own-use contracts in IAS 39 (own-use exemption) no longer applied. Therefore, the natural gas supply agreement had to be classified as a freestanding derivative and recognised at fair value through profit or loss in quarter 3/2012. The resulting effect on profit or loss amounted to €–58.2m and was recognized under expenses for gas purchases.

(4) Fuel expenses and other usage-dependant expenses

Fuel expenses and other usage-dependant expenses €m

	Q1–3/2012	Q1–3/2011	Change
Fuel expenses	99.2	69.0	43.8%
Emission rights acquired in exchange for consideration	–0.3	6.5	–104.0%
Other usage-dependant expenses	4.7	4.7	0.2%
Fuel expenses and other usage-dependant expenses	**103.7**	80.2	29.3%

(5)
Personnel expenses

Personnel expenses €m

	Q1–3/2012	Q1–3/2011	Change
Wages and salaries	177.1	169.4	4.5%
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	39.3	38.0	3.3%
Other social expenses	2.8	2.7	6.0%
Subtotal	**219.2**	210.1	4.3%
Expenses for pensions and similar obligations	9.1	6.8	34.1%
Expenses for severance payments	4.7	1.8	161.7%
Personnel expenses	**232.9**	218.7	6.5%

A total of €5.5m was paid into the pension fund in quarters 1–3/2012 (quarters 1–3/2011: €5.3m) as part of defined contribution schemes.

(6)
Effects from impairment tests

The combined cycle gas turbine power plant in Mellach was tested for impairment as at 30 June 2012 due to indications of impairment resulting from the current difficult market situation for gas power plants. The recoverable amount of the combined cycle gas turbine power plant was calculated based on its value in use. The value in use was determined using a net present value method. The impairment loss resulting from the impairment test amounted to €53.7m. The reversal of deferred government grants reduced the impairment by €1.5m. The net effect on profit or loss from the impairment loss thus totalled €52.2m.

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

Result from interests accounted for using the equity method €m

	Q1–3/2012 Domestic	Q1–3/2011 Domestic	Change	Q1–3/2012 Foreign	Q1–3/2011 Foreign	Change
Income or expenses from interests accounted for using the equity method	45.7	44.3	3.2%	–38.4	–149.6	74.3%
Impairment losses or reversals of impairment losses	–23.4	0.0	n.a.	0.0	–48.6	100.0%
Result from interests accounted for using the equity method	**22.3**	44.3	–49.7%	**–38.4**	–198.2	80.6%

The impairment losses/reversals of impairment losses in quarters 1–3/2011 resulted from impairment tests of the equity interests in POWEO Production S.A.S. and POWEO S.A. (Group) sold in quarter 3/2011 as well as from impairment testing of the 50.01% interest in Shkodra Region Beteiligungsholding GmbH, a joint venture between VERBUND and EVN AG.

The carrying amounts of the equity interests in POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. were reduced to zero in the 2011 reporting period due to current losses and impairment losses.

POWEO Pont-sur-Sambre Production S.A.S. was placed under a judicial safeguard procedure ("procédure de sauvegarde") in quarter 1/2012, which resulted in rescindment of the disadvantageous natural gas supply agreement with ENI S.p.A. by the court of first instance on 24 April 2012. This natural gas supply agreement had been recognised at fair value through profit or loss (as a liability) since quarter 3/2011. In quarters 1–3/2012, the effect on profit or loss in the amount of €62.3m resulting from the judicial rescindment of the agreement resulted on the one hand in a balancing of the losses for which recognition was discontinued in the amount of €43.3m and, on the other hand, after the reduction for further current losses, in the recognition of a result from interests accounted for using the equity method in the total amount of €5.4m.

To secure the financial position of POWEO Toul Production S.A.S., VERBUND provided a letter of comfort limited in time and amount in quarter 2/2012. VERBUND's legal commitment as the sponsoring entity resulted in the recognition of formerly off-balance sheet losses for which recognition had been discontinued in the amount of €48.0m. The cumulative off-balance sheet losses for which recognition was discontinued for POWEO Toul Production S.A.S. totalled €43.2m as at 30 September 2012 (31 December 2011: €48.8m).

The EUR/TRY and USD/TRY exchange rate trends resulted in foreign exchange gains at Enerjisa Enerji Üretim A.S. and Enerjisa Elektrik Dagitim A.S. – investees that had been transferred to the (newly established) holding company Enerjisa Enerji A.S., a joint venture of VERBUND and Sabanci Holding A.S., in the 2011 reporting period – from the measurement of liabilities denominated in foreign currency recognised in profit or loss (quarters 1–3/2011: exchange losses). The resulting effect on the result from interests accounted for using the equity method of VERBUND in quarters 1–3/2012 totalled €43.6m (quarters 1–3/2011: €–54.0m).

The 45% equity interest in Gletscherbahnen Kaprun AG was classified as held for sale effective 30 May 2012. In accordance with IFRS 5, an impairment test was conducted prior to this classification, but only after the recognition of the current pro-rata profit or loss for the period. The recoverable amount was determined on the basis of fair value less costs to sell. The resulting impairment loss amounted to €–5.3m and was recognised in the result from interests accounted for using the equity method. The equity interest in Gletscherbahnen Kaprun AG was sold to Kapruner Tourismus Holding GmbH effective 23 August 2012. The effects on profit or loss from the disposal of the equity interest were recognised in the other result from equity interests.

The 34.57% equity interest in STEWEAG-STEG GmbH and the 49% equity interest in Energie Klagenfurt GmbH were classified as held for sale effective 30 September 2012. In accordance with IFRS 5, an impairment test was conducted prior to this classification, but only after recognition of the current pro-rata profit or loss for the period. The recoverable amount was determined on the basis of fair value less costs to sell. The resulting impairment losses amounted to €–15.6m with respect to the equity interest in STEWEAG-STEG GmbH and €–2.5m with respect to the equity interest in Energie Klagenfurt GmbH and were recognised in the result from interests accounted for using the equity method.

(8) Other result from equity interests

In quarters 1–3/2012, €5.2m in effects on profit or loss from the disposal of the interests in Kärntner Restmüllverwertungs GmbH and Gletscherbahnen Kaprun AG were recognised in the other result from equity interests. This includes €–1.2m in reclassification adjustments ("recycling") from other comprehensive income to the income statement.

(9)
Interest income

Interest income

€m

	Q1 – 3/2012	Q1 – 3/2011	Change
Interest from investments under closed items on the balance sheet	20.7	18.8	10.1%
Interest from money market transactions	2.1	4.3	– 50.3%
Other interest and similar income	6.0	3.9	55.7%
Interest income	**28.8**	26.9	7.1%

(10)
Interest expenses

Interest expenses

€m

	Q1 – 3/2012	Q1 – 3/2011	Change
Interest for bonds	78.6	79.7	– 1.4%
Interest for bank loans	31.0	43.5	– 28.8%
Interest for financial liabilities under closed items on the balance sheet	20.7	18.8	10.3%
Interest for other liabilities from electricity supply commitments	34.1	34.1	0.1%
Net interest expense on personnel-related liabilities	16.5	17.1	– 3.3%
Interest for other non-current provisions	4.7	5.3	– 11.0%
Profit or loss attributable to limited partners	– 41.8	– 33.1	– 26.0%
Repayment of non-current financial liabilities from capital shares attributable to limited partners [1]	– 12.2	0.0	n.a.
Borrowing costs capitalised in accordance with IAS 23	– 19.8	– 21.8	9.2%
Other interest and similar expenses[2]	15.6	7.5	106.4%
Interest expenses	**127.4**	151.0	– 15.6%

[1] In quarter 3/2012, KELAG-Kärntner Elektrizitäts-AG contributed its 6.51% limited partner's share in VERBUND Thermal Power GmbH & Co KG against a capital share consideration into VERBUND Thermal Power GmbH. Thus, the capital shares attributable to limited partners presented under non-current financial liabilities were reduced. // [2] Other interest and similar expenses in quarters 1 – 3/2012 included a repayment premium and fees from the early repayment of a bond denominated in foreign currency (JPY).

(11)
Other financial result

Other financial result

€m

	Q1 – 3/2012	Q1 – 3/2011	Change
Income from financial instruments	13.1	13.7	– 4.6%
Income from disposal of financial instruments	0.0	0.3	– 93.6%
Foreign exchange gains	13.4	1.0	n.a.
Foreign exchange losses	– 11.7	– 8.1	– 44.7%
Other expenses from financial instruments	– 50.3	– 28.6	– 75.6%
Other financial result	**– 35.5**	– 21.7	– 63.5%

The fair value 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 currently provided by VERBUND) vis-à-vis POWEO Direct Energie S.A. amounted to €0.0m (rounded off) as at 30 September 2012 (31 December 2011: €13.4m). The effect on profit or loss in the amount of €13.4m resulting from this measurement in quarters 1 – 3/2012 (quarters 1 – 3/2011: €– 28.6m) was recognised under other expenses from financial instruments (see also: (16) Interests accounted for using the equity method). POWEO Direct Energie S.A. was created effective 11 July 2012 via a merger between POWEO S.A. and Direct Energie S.A.

The best estimate of the guarantee liabilities for the construction financing for the combined cycle gas turbine power plant in Toul was €74.5m as at 30 September 2012 (31 December 2011: €42.9m). The effect on profit or loss in the amount of €–35.0m resulting from this measurement in quarters 1–3/2012 (quarters 1–3/2011: €0.0m) was recognised under other expenses from financial instruments.

In quarter 2/2012, a long-term natural gas supply agreement between POWEO Pont-sur-Sambre Production S.A.S. and ENI S.p.A. was rescinded in connection with a judicial safeguard procedure ("procédure de sauvegarde") (see: (7) Result from interests accounted for using the equity method). A bank guarantee had been provided for the benefit of ENI S.p.A. to cover the liabilities of POWEO Pont-sur-Sambre Production S.A.S. arising from the natural gas supply agreement. Since legal regulations prevented outstanding liabilities from being paid during the duration of the judicial safeguard procedure, ENI S.p.A. took recourse to the bank guarantee. In quarter 3/2012, VERBUND provided a suretyship for the benefit of the guaranteeing bank; such suretyship represents a financial guarantee required to be recognised according to IAS 39. The initial measurement effect of the guarantee liability on profit or loss in the amount of €–28.8m was recognised under other expenses from financial instruments.

Notes to the statement of comprehensive income

(12) Remeasurements of the net defined benefit liability

Existing personnel-related provisions were measured on the basis of an actuarial report updated on 30 September 2012. The discount rate for this was 4.00% (30 September 2011 and 31 December 2011: 4.75%).

The remeasurements of the personnel-related net defined benefit liability recognised in other comprehensive income in quarters 1–3/2012 amounted to €–40.8m (quarters 1–3/2011: €3.3m).

(13) Differences from currency translation

The ECB euro reference exchange rate for the Turkish lira (TRY) as at 30 September 2012 was TRY 2.3203 (31 December 2011: TRY 2.4432). The EUR/TRY exchange rate trend in quarters 1–3/2012 resulted in foreign exchange gains in the amount of €38.0m (quarters 1–3/2011: foreign exchange losses in the amount of €–150.1m) from the currency translation of the equity-accounted Turkish joint venture. These foreign exchange gains and losses were recognised without effect on profit or loss in other comprehensive income.

(14) Taxes on other comprehensive income

Of the taxes on other comprehensive income, €10.2m (quarters 1–3/2011: €–0.8m) could be attributed to remeasurements of the personnel-related net defined benefit liability, €–0.4m (quarters 1–3/2011: €1.1m) to measurement of financial instruments available for sale and €10.6m (quarters 1–3/2011: €–6.2m) to the measurement of cash flow hedges.

(15) Other comprehensive income after tax

Of the other comprehensive income after tax, €–4.2m (quarters 1–3/2011: €0.2m) could be attributed to non-controlling interests.

Notes to the balance sheet

(16) Interests accounted for using the equity method

As at 30 September 2012, the 100% equity interests in POWEO Pont-sur-Sambre Production S.A.S. and in POWEO Toul Production S.A.S. continued to be accounted for using the equity method. As potential voting right on the part of POWEO Direct Energie S.A., the overall short position with respect to the former subsidiaries and second-tier subsidiaries of POWEO Production S.A.S. still conflicts with VERBUND's control of (inter alia) these two investees. Although the overall short position was far out of the money as at 30 September 2012, it continued to have sufficient economic substance in the opinion of VERBUND's management.

In quarters 1–3/2012, capital increases were carried out at the Turkish Enerjisa Enerji A.S. (Group). The 50% share of VERBUND in these capital increases amounted to a total of €208.1m.

In quarters 1–3/2012, shares in Italian Sorgenia S.p.A. (Group) were acquired for €9.5m. The acquisition of shares resulted from a capital increase and the exercise of put options on shares that had been issued within the scope of a share-based remuneration programme for members of the management of Sorgenia S.p.A. (Group). As a result, VERBUND's ownership interest in Sorgenia S.p.A. (Group) increased slightly from 44.91% to 45.66%.

In quarters 1–3/2012, the 42.87% equity interest in Kärntner Restmüllverwertungs GmbH and the 45% equity interest in Gletscherbahnen Kaprun AG were sold. Moreover, the 34.57% equity interest in STEWEAG-STEG GmbH and the 49% equity interest in Energie Klagenfurt GmbH were classified as held for sale effective 30 September 2012 (see: (18) Non-current assets held for sale).

(17) Investments and other receivables

To date, VERBUND has terminated around 85% of the cross-border leasing transaction volume completely or partially; 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

	30/9/2012	31/12/2011	Change
Investments – closed items on the balance sheet	288.7	287.4	0.4%
Interest rate swaps – closed items on the balance sheet	128.2	120.2	6.6%
Other investments and other receivables	409.3	436.0	–6.1%
Total	**826.2**	843.6	–2.1%

Current receivables included other loans under closed items on the balance sheet in the amount of €0.6m (31 December 2011: €0.9m).

(18)
Non-current assets held for sale

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 September 2012. Unforeseen delays in completing solar power plants and outstanding questions relating to tax law meant that the interest could not be sold within the one-year period. The equity interest is now to be sold in the form of a share deal in quarter 4/2012. POWEO Outre-mer Solaire S.A.S. (Group) is active in the area of project development and in the operation of solar parks 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 energies projects of (former) POWEO Production S.A.S. The decision to sell this equity interest was taken mainly as a result of VERBUND'S strategic focus.

In addition, the 34.57% equity interest in STEWEAG-STEG GmbH and the 49% equity interest in Energie Klagenfurt GmbH (plus an electricity purchase right) were classified as held for sale as at 30 September 2012. Each of these equity interests are to be sold in the form of a share deal in quarter 4/2012. STEWEAG-STEG GmbH (SSG) is the largest utility in Styria. It generates, transmits and distributes electricity and is active in energy trading. Energie Klagenfurt GmbH generates electricity, transmits and distributes electricity, district heating and gas and is active in energy trading and energy consulting. The decision to sell these equity interests was taken as a result of VERBUND's strategic focus on majority interests focusing on electricity generation from hydropower and the related streamlining of the investment portfolio to remove non-strategic minority interests.

(19)
Non-current financial liabilities

Non-current financial liabilities €m

	30/9/2012	31/12/2011	Change
Financial liabilities – closed items on the balance sheet	416.9	407.6	2.3%
Other financial liabilities	3,301.9	3,501.3	–5.7%
Total	**3,718.8**	3,908.9	–4.9%

Current financial liabilities included financial liabilities under closed items on the balance sheet in the amount of €0.6m (31 December 2011: €0.9m).

Notes to the cash flow statement

(20) Cash flow from operating activities

Cash flow from operating activities in quarters 1–3/2012 included variation margin payments from futures contracts in the energy area totalling €–12.9m (quarters 1–3/2011: €35.6m).

(21) Cash flow from investing activities

Cash outflow from the business combination	€m
Cash in the wind park and infrastructure companies acquired	0.0
Consideration transferred in cash	–29.1
Effective cash outflow	–29.1

Other notes disclosures

Dividends paid

Dividends paid	Total (€m)	Number of ordinary shares	Per share (€)
Dividend paid in 2012 for financial year 2011	191.1	347,415,686	0.55
Dividend paid in 2011 for financial year 2010	191.1	347,415,686	0.55

Purchase commitments

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

	30/9/2012	of which payable in 2012	of which payable 2013–2017
Total commitment	802.9	316.8	479.4

Outstanding contribution commitments

Outstanding contribution commitments to investees include equity contributions, provided the corresponding shareholder resolutions have already been passed. This does not include future contribution commitments that may still arise based on framework agreements from joint ventures.

As at 30 September 2012, the outstanding contribution commitments to investees totalled €17.9m. These relate to the Turkish joint venture Enerjisa Enerji A.S. (Group) and are payable in the amount of €7.0m in 2012 and €10.9m in 2013.

Contingent liabilities

VERBUND's last remaining cross-border leasing transaction has an off-balance sheet financing structure. As at 30 September 2012, VERBUND's subsidiary liability for the non-redeemed portion of lease liabilities from cross-border leasing transactions amounted to €513.7m (31 December 2011: €532.2m). Of the rights of recourse against primary debtors, a total of €385.6m (31 December 2011: €409.6m) was secured through counter-guarantees on the part of financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €179.6m (31 December 2011: €172.9m) were covered by off-balance sheet investments.

As at 30 September 2012, other liabilities included contingent liabilities in the amount of €28.0m (31 December 2011: €28.1m) in the form of guarantees issued by VERBUND for non-consolidated Verbundplan Birecik Baraji Isletme Ltd. Sti. (VBOC).

Transactions with related parties

Transactions with investees accounted for using the equity method €m

	Q1–3/2012	Q1–3/2011	Change
Income statement			
Electricity revenue	317.3	312.5	1.5%
Grid revenue	41.3	38.6	7.1%
Other revenue	–2.0	7.2	n.a.
Other operating income	3.5	1.3	157.0%
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	–125.5	–153.7	18.3%
Other operating expenses	–1.8	–2.3	19.1%
Interest expenses	–2.2	–0.2	n.a.
Interest income	4.5	10.2	–56.1%
Other financial result	4.3	–26.4	n.a.

	30/9/2012	31/12/2011	Change
Balance sheet			
Investments and other non-current receivables	258.1	269.4	–4.2%
Trade receivables and other current receivables	284.7	156.4	82.0%
Non-current provisions	0.0	0.4	–100.0%
Current provisions	4.6	3.4	35.4%
Trade payables and other current liabilities	176.0	76.6	129.8%

In determining the above disclosures, it was taken into consideration that POWEO S.A. and POWEO Production S.A.S. were related parties as defined under IAS 24 only until the end of quarter 3/2011; POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. were and continue to be related parties of VERBUND. In quarters 1 – 3/2012, revenue from POWEO Pont-sur-Sambre Production S.A.S. totalled €– 10.8m (quarters 1 – 3/2011: €0.0m). The negative revenue resulted from gas purchases and sales in conjunction with the optimisation of the combined cycle gas turbine power plant in Pont-sur-Sambre that were presented as offset (net) under other revenue. The purchase of electricity from POWEO Pont-sur-Sambre Production S.A.S. amounted to a total of €– 48.2m (quarters 1 – 3/2011: €– 62.8m). Interest income from POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. – recognised in part in other financial result – totalled €5.8m (quarters 1 – 3/2011: €7.3m). As at 30 September 2012, receivables from POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. totalled €347.4m (31 December 2011: €250.7m), €163.1m of which were non-current (31 December 2011: €173.8m). As at 30 September 2012, payables to POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. totalled €157.7m (31 December 2011: €42.0m) and were all current.

POWEO Toul Production S.A.S. entered into a natural gas supply agreement with Statoil ASA in quarter 1/2012 for the purchase of gas in the commissioning phase of the combined cycle gas turbine power plant in Toul. VERBUND issued a guarantee for this purpose with a maximum liability of €13.0m. Moreover, in quarter 2/2012, VERBUND provided a letter of comfort that expires on 31 December 2012 and is limited to €48.0m to secure the financial position of POWEO Toul Production S.A.S. (see: (7) Result from interests accounted for using the equity method).

In quarter 2/2012, a long-term natural gas supply agreement between POWEO Pont-sur-Sambre Production S.A.S. and ENI S.p.A. was rescinded in connection with a judicial safeguard procedure ("procédure de sauvegarde") (see: (7) Result from interests accounted for using the equity method). A bank guarantee had been provided for the benefit of ENI S.p.A. to cover the liabilities of POWEO Pont-sur-Sambre Production S.A.S. arising from the natural gas supply agreement. Since legal regulations prevented outstanding liabilities from being paid during the duration of the judicial safeguard procedure, ENI S.p.A. took recourse to the bank guarantee. In quarter 3/2012, VERBUND provided a suretyship for the benefit of the guaranteeing bank (see: (11) Other financial result). A bank guarantee was also issued to cover the liabilities of POWEO Pont-sur-Sambre Production S.A.S. arising from the balance sheet group agreement with Réseau de Transport d'Electricité S.A., which operates the French transmission grid. Recourse was also taken to this guarantee in quarter 3/2012. As a result, as at 30 September 2012 it was expected that VERBUND would have to reimburse the guaranteeing bank because of a related counter-guarantee. The resulting provision was balanced by a claim for reimbursement from POWEO Pont-sur-Sambre Production S.A.S.

In order to secure construction financing for a thermal power plant project in Tufanbeyli from an international banking syndicate and for a wind power project in Bares from the European Bank for Reconstruction and Development, VERBUND and Sabanci Holding A.S. concluded an additional sponsorship agreement ("sponsor additional support agreement") and letters of comfort in quarters 1 – 3/2012.

Electricity deliveries to companies controlled or significantly influenced by the Republic of Austria amounted to a total of €70.6m in quarters 1 – 3/2012 (quarters 1 – 3/2011: €43.3m). The primary buyers of this electricity were ÖBB, OMV and Telekom Austria. Electricity purchase from companies controlled or significantly influenced by the Republic of Austria totalled €0.9m in quarters 1 – 3/2012 (quarters 1 – 3/2011: €0.1m). The supplier of this electricity was the ÖBB.

VERBUND's expenses for monitoring by Energie-Control Austria in quarters 1 – 3/2012 amounted to a total of €9.4m (quarters 1 – 3/2011: €7.8m).

Audit or review

These consolidated interim financial statements of VERBUND were subjected to neither an audit, nor a review.

Events after the balance sheet date

There were no events requiring disclosure between the balance sheet date of 30 September 2012 and authorisation for issue on 23 October 2012.

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 September 2012, 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, cash flows and profit or loss of the Group.

We also confirm that the consolidated interim management report of VERBUND gives a true and fair view of the assets and liabilities, cash flows and profit or loss of the Group with respect to the important events during the first nine months of the financial year and their effects on the condensed consolidated interim financial statements as at 30 September 2012 and with respect to the principle risks and uncertainties in the remaining three months of the financial year.

Vienna, 23 October 2012
Executive Board

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

Dr. Johann Sereinig
Vice-Chairman of the Executive Board

Dr. Ulrike Baumgartner-Gabitzer
Member of the Executive Board

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

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

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

Managing Board:
Wolfgang Anzengruber (Chairman), Johann Sereinig, Ulrike Baumgartner-Gabitzer, 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.

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

Verbund