Renewable, efficient, innovative: shaping the future.

Verbund
Power for the Future

Half-year Financial Report 2015

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Key figures

	Unit	Q1–2/2014[4]	**Q1–2/2015**	Change
Revenue[1]	€m	1,416.1	**1,405.4**	–0.8%
EBITDA	€m	354.8	**489.1**	37.9%
EBITDA adjusted[2]	€m	421.0	**442.1**	5.0%
Operating result	€m	196.7	**303.7**	54.4%
Profit/loss after tax from discontinued operations[3]	€m	–32.0	**–**	–
Group result	€m	56.6	**196.3**	246.6%
Group result adjusted[2]	€m	93.6	**161.2**	72.3%
Earnings per share	€	0.16	**0.57**	246.6%
EBIT margin[1]	%	13.9	**21.6**	–
EBITDA margin[1]	%	25.1	**34.8**	–
Cash flow from operating activities	€m	345.0	**421.8**	22.2%
Additions to property, plant and equipment (excluding business acquisitions)	€m	172.3	**97.1**	–43.7%
Free cash flow after dividend	€m	–322.8	**304.9**	–
Average number of employees		3,269	**3,099**	–5.2%
Electricity sales volume	GWh	24,048	**25,887**	7.6%
Hydro coefficient		0.93	**1.03**	–

	Unit	31/12/2014	**30/6/2015**	Change
Total assets	€m	12,247.3	**11,701.7**	–4.5%
Equity	€m	5,280.5	**5,317.5**	0.7%
Equity ratio (adjusted)	%	44.7	**47.3**	–
Net debt	€m	4,059.6	**3,825.0**	–5.8%
Gearing	%	76.9	**71.9**	–

[1] The comparative figures have been adjusted retrospectively in accordance with IAS 8. // [2] Adjusted for extraordinary effects. // [3] The comparative figures have been adjusted retrospectively in accordance with IFRS 5. // [4] The calculation of the figures takes account of the profit/loss after tax from discontinued operations (equivalent to the profit/loss after tax attributable to the French companies Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S., which were classified as "held for sale" until their deconsolidation in 2014).

Report of the Executive Board

Dear Shareholders,
As in the first quarter of the year, conditions in the European electricity market changed little during quarter 2/2015. The environment remains challenging. Pressure on energy companies' incomes has increased due to low prices for primary energy sources – especially coal – and the non-functioning CO_2 market, which has led to low wholesale prices and margins. At the same time, electricity generation capacities continue to rise, caused above all by heavy subsidisation of solar and wind power. However, demand for electricity is falling as a result of improvements in energy efficiency and the persistently weak economic trend.

In quarter 2/2015, VERBUND continued to steadily work towards its goal of becoming a CO_2-free, cost-effective and innovative electricity provider, a path embarked upon in 2014. VERBUND is forging ahead with rapid implementation of restructuring measures in the area of thermal power. The VERBUND power plant block at the Dürnrohr hard coal power plant has not produced any electricity since 30 April 2015, and all remaining decommissioning measures will be completed in the coming weeks. After the sale of the French combined cycle gas turbine power plants and our exit from the Italian market, and taking the planned closure of the Mellach coal power plant in the summer of 2020 into account, the restructuring of our thermal portfolio is largely complete.

We have also been focussing on increasing power plant efficiency. Modernisation of the first of six generator sets at the Ybbs-Persenbeug power plant – Austria's oldest Danube plant – was finished in quarter 2/2015. The capital expenditure of €144m spent on the plant will increase the environmentally friendly generation of electricity from hydropower by more than 77 Mio. kWh by 2020 and further increase reliability.

VERBUND's investment plans for the period from 2015–2017 remain in place after having been scaled back to €870m at the end of financial year 2014. Future investments will focus on Austria, specifically on expanding Austria's regulated high-voltage grid and on finalising the Reißeck II pumped storage power plant. The plant is expected to commence operations in financial year 2016. We can also confirm that, by the end of 2015, we will have met the higher cost savings target from the ongoing internal efficiency improvement programme amounting to approximately €165m in the aggregate over three years.

VERBUND has also succeeded in taking advantage of the increased volatility in the European electricity market by generating additional income with flexible electricity/grid sector products (control energy, balancing energy and the sale of congestion management services).

Our results for quarters 1–2/2015 were therefore quite good. EBITDA increased by 37.9% to €489.1m, and the Group result rose to €196.3m – a substantial increase over the first two quarters of the previous year. The results were positively impacted by non-recurring effects from the reversal of provisions due to the legal settlements expected in the Grid segment, additional cost reductions and effects in the electricity/grid sector. However, the additional decrease in average achieved contract prices due to the aforementioned difficult operating environment had a negative effect. This contrasted with the better water supply which positively impacted earnings. The water supply was 3.0% over the long-term average and ten percentage points over the level in quarters 1–2/2014.

On the basis of average own generation from hydropower in the second half of the year, we expect EBITDA of approximately €850m and a Group result of approximately €240m in financial year 2015. The planned payout ratio for 2015 remains at around 50% of the Group result of approximately €240m after adjustment for non-recurring effects.

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

Investor relations

Despite what was predominantly a very good start to the new trading year and the annual highs achieved in April/May, heightened concerns about the future of Greece led to price declines on nearly all major stock exchanges, particularly the European exchanges. The US Dow Jones Industrial stock index, which ended 2014 near its historical high, increased slightly in the initial months of the year to reach the highest closing price in its history on 19 May 2015. However, by the end of quarter 2/2015 profits were back down and the index closed 1.1% below the year-end price. The Euro Stoxx 50 lost nearly half of the price gains made in quarter 2/2015. The index nonetheless increased by 8.8% over the year-end 2014 level. The Nikkei 225 – Japan's leading index – was propelled upward by positive growth prospects and increasing corporate profits. The index reported an increase of 16.0% compared with the year-end level. Stock exchanges in the emerging markets moved sideways, and the MSCI Emerging Markets Index rose by a modest 1.7% in the first half.

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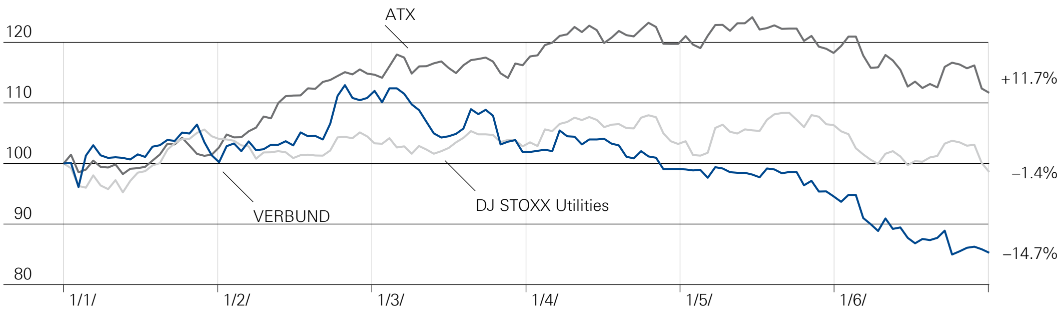
VERBUND share price: relative performance 2015



VERBUND shares registered a sharp price drop in the first half of 2015. Boosted by hopes of reform of the CO_2-market, VERBUND's share prices trended upwards until just a few days before publication of the figures for financial year 2014 on 11 March 2015. The share price subsequently dropped due to persisting uncertainty regarding the future structure of the European electricity market. VERBUND shares closed at €13.0 on 30 June 2015, down 14.7% compared with 31 December 2014. Our shares thus underperformed against the ATX (+11.7%) and the DJ STOXX Utilities sector index (–1.4%).

Upcoming dates:
Results for quarters 1–3/2015:
4 November 2015

Shares: key figures

	Unit	Q1–2/2014	Q1–2/2015	Change
Share price high	€	16.7	17.3	3.4%
Share price low	€	13.7	13.0	–4.8%
Closing price	€	14.2	13.0	–7.8%
Performance	%	–8.8	–14.7	–
Market capitalisation	€m	4,914.2	4,530.3	–7.8%
ATX weighting	%	2.2	2.5	–
Value of shares traded	€m	639.7	637.4	–0.4%
Shares traded per day	Shares	353,179	343,475	–2.7%

Group interim management report

Business performance

Electricity supply and sales volumes

Group electricity supply GWh

	Q1–2/2014	**Q1–2/2015**	Change
Hydropower[1]	14,402	**15,441**	7.2%
Wind/solar power	394	**473**	20.2%
Thermal power	791	**1,303**	64.7%
Own generation	15,587	**17,217**	10.5%
Electricity purchased for trading and sales	8,499	**8,664**	1.9%
Electricity purchased for grid loss and control power volumes	1,756	**1,945**	10.8%
Electricity supply	25,841	**27,826**	7.7%

[1] including purchase rights

VERBUND's own generation in quarters 1–2/2015 amounted to 17,217 GWh, an increase of 10.5%, or 1,631 GWh, over the same quarters of the prior year. Generation from hydropower rose by 7.2%, or 1,039 GWh, compared with quarters 1–2/2014.

At 1.03, the hydro coefficient of the run-of-river power plants was 3% above the long-term average and ten percentage points above the previous year's figure. However, generation from annual storage power plants decreased by 2.3%.

Wind power and photovoltaic installations produced 79 GWh more electricity despite the sale of the Bulgarian generation plants (generation in quarters 1–2/2014: 15 GWh). The increase was attributable above all to greater wind power capacity in Austria and windier conditions in Romania during the first half of 2015.

Generation from thermal power plants increased by 512 GWh in the reporting period. The Mellach combined cycle gas turbine power plant produced 139 GWh more electricity in quarters 1–2/2015 due to greater use of congestion management. Generation from VERBUND's other thermal power plants in Austria increased by 515 GWh. The main reason for the rise was the increased use of coal in order to reduce inventories at the Dürnrohr power plant, which was decommissioned on 30 April 2015. The two thermal power plants in France, both of which have now been sold, had produced a total of 142 GWh in the first half of 2014.

Purchases of electricity from third parties for trading and sales increased by 165 GWh. Electricity purchased from third parties for grid losses and control energy, including congestion management, increased by 189 GWh.

Group electricity sales volume and own use

GWh

	Q1–2/2014	Q1–2/2015	Change
Consumers	4,584	4,453	–2.8%
Resellers	10,366	12,031	16.1%
Traders	9,098	9,402	3.3%
Electricity sales volume	24,048	**25,887**	7.6%
Own use	1,475	1,569	6.3%
Control power volumes	318	370	16.7%
Electricity sales volume and own use	25,841	**27,826**	7.7%

VERBUND's electricity sales volume increased by 1,838 GWh in quarters 1–2/2015. Electricity volumes delivered to consumers declined by 131 GWh. Whereas constant sales volumes were maintained internationally, domestic sales decreased slightly (–184 GWh) due to the decline in the business and industrial customer segment. Sales to resellers increased by 1,665 GWh, primarily due to higher demand in Austria as a result of greater use of congestion management in particular. Electricity deliveries to trading firms rose by 304 GWh. The main reason was increased sales via the stock exchanges owing to higher generation during the reporting period in comparison with the previous year. Own use of electricity rose by 93 GWh as a result of higher generation from pumping in quarters 1–2/2015.

Electricity sales by country

GWh

	Q1–2/2014	Q1–2/2015	Change
Austria	12,696	13,357	5.2%
Germany	10,108	10,470	3.6%
France	752	1,651	119.7%
Romania	238	270	13.8%
Others	254	138	–45.7%
Electricity sales volume	24,048	**25,887**	7.6%

In quarters 1–2/2015, approximately 52% of the electricity sold by VERBUND went to the Austrian market. Sales in France rose significantly (+119.7%) due to VERBUND's marketing of power generated by third parties and increased deliveries to resellers and traders. International trading and sales activities focussed on the German market, which accounted for 84% of all volumes sold abroad.

Financial performance

Although the result attributable to the French Pont-sur-Sambre and Toul CCGTs – which have been sold – must be presented separately from continuing operations (for details, see selected explanatory notes to the financial statements), the analysis of financial performance refers to the combined result from the Group's continuing and discontinued operations. Profit/loss after tax from discontinued operations corresponds to the share of profit/loss that was attributable to Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. – both 100% equity interests – until they were deconsolidated in the previous year. The sale of the other equity interests remaining after deconsolidation was completed effective 6 March 2015.

Results €m

	Q1–2/2014	**Q1–2/2015**	Change
Revenue	1,416.1	1,405.4	–0.8%
EBITDA	354.8	489.1	37.9%
Operating result	196.7	303.7	54.4%
Group result	56.6	196.3	246.6%
Earnings per share in €	0.16	0.57	246.6%

Electricity revenue

VERBUND's electricity revenue decreased by €103.2m to €1,093.9m in quarters 1–2/2015. In terms of quantities, electricity sales volume rose by 7.6%, or 1,838 GWh. The increase was primarily due to the increase in own generation. Average sales prices declined, however, due to market conditions, with both the futures and spot market prices for 2015 decreasing.

Grid revenue

Grid revenue increased by €69.8m in quarters 1–2/2015, rising from €169.8m to €239.6m. Some of the provisions and impairment losses recognised in previous years to comply with the System Charges Order (Systemnutzungsentgelte-Verordnung, SNE-VO) and the System Usage Rates Directive (Systemnutzungstarife-Verordnung, SNT-VO) were reversed to reflect the expected legal settlements. This led to a gain of €40.4m in quarters 1–2/2015. In addition, international grid revenue was higher due to the auctioning off of cross-border capacities, and national grid revenue increased due to higher tariff revenue.

Other revenue and other operating income

Other revenue increased by €22.8m to €72.0m. The increase was attributable to higher revenue from gas and district heating deliveries. Other operating income rose by €4.0m to €31.5m, primarily due to disposal gains from the Bulgarian wind farm as well as the resale of fuel from the decommissioned Dürnrohr and Neudorf/Werndorf power plants.

Expenses for electricity, grid, gas and certificate purchases

Expenses for electricity, grid, gas and certificate purchases fell by 7.9% to €624.2m. Purchases of electricity from third parties for trading and sales as well as for grid losses and control energy increased by a total of 354 GWh. However, the increase in quantities was more than compensated by reduced purchase prices. Expenses for electricity purchases thus declined by €100.3m compared with quarters 1–2/2014 while expenses for grid purchases decreased only slightly by €0.9m. By contrast, expenses for gas purchases increased by €47.0m to €56.0m. The natural gas supply agreement for the Mellach CCGT has had to be recognised at fair value through profit or loss since quarter 3/2012. The resulting impact on profit or loss amounted to €–17.6m in quarters 1–2/2015 (quarters 1–2/2014: €+12.2m).

Fuel expenses

Fuel and other usage-dependent expenses fell by 28.3% to €57.3m. Higher expenses were associated primarily with the greater use of thermal power plants (for details, see the section on Electricity supply and sales volumes) and the related higher expenses for emission rights. Lower expenses resulted from the fact that no more charges were incurred for French power plant companies Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S., which have been sold. Moreover, the write-down of coal inventories due to current measurement and the adjustment of the provision for expected losses in connection with a district heating supply commitment had a distinctly negative impact in 2014.

Personnel expenses

Personnel expenses fell by €24.6m to €165.7m. Expenses for current employees (excluding pensioners and employees in partial retirement) decreased by €5.1m as a result of the consistent implementation of personnel management measures (€5.0m) and the sale of the two French power plant companies, Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. (€2.3m). The 2.0% (€2.2m) adjustment stipulated in the collective agreement had the opposite effect of increasing personnel expenses. In the area of employee benefits relating to pension and severance payments (“Sozialkapital”), the reduction amounted to €19.5m and resulted from the fact that the provisions recognised in 2014 for partial retirement and restructuring were no longer recognised in the reporting period as well as from updating provisions relating to the thermal area.

Amortisation and depreciation

Amortisation of intangible assets and depreciation of property, plant and equipment declined by €9.0m to €185.4m. The decrease was due to the impairment losses that were recognised in the previous year, which lowered the depreciation base.

Other operating expenses

Other operating expenses decreased by €39.3m to €100.6m. The reduction was above all due to the fact that the expenses recognised in 2014 in connection with a verdict issued by the ICC International Court of Arbitration on the natural gas supply agreement between Pont-sur-Sambre Power S.A.S. and ENI S.p.A., which was cancelled in 2012, were not incurred in the current period as well as the fact that operating expenses are no longer incurred for French power plants Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S., which have been sold. By contrast, other operating expenses decreased in quarters 1–2/2014 due to the reversal of a provision relating to the Töging power plant.

Effects from impairment tests

No significant impairment losses or reversals of impairment losses were recognised in quarters 1–2/2015. Effects from impairment tests amounted to €+35.3m in quarters 1–2/2014 and resulted mainly from the reversal of impairment losses for the Mellach and Pont-sur-Sambre combined cycle gas turbine power plants and the impairment of the Dürnrohr hard coal power plant, the Toul combined cycle gas turbine power plant and a wind farm in Romania.

Operating result

As a consequence of the above trends, the operating result increased by 54.4% to €303.7m and operating result before effects from impairment tests rose by 88.1%.

Result from interests accounted for using the equity method

Result from interests accounted for using the equity method rose by €3.4m to €16.7m. The increase was mainly due to earnings contributions from KELAG amounting to €16.6m (quarters 1–2/2014: €14.7m) and from Shkodra Region Beteiligungsholding amounting to €0.5m (quarters 1–2/2014: €–1.6m).

Interest income and expenses

Interest income fell by €0.2m compared with quarters 1–2/2014 to €15.9m. Interest expenses decreased by €27.5m to €82.1m. The decline resulted in particular from lower bond interest rates and lower interest rates for bank loans (primarily related to the sale of the French power plant companies).

Other financial result

Other financial result improved by €15.4m to €12.5m in quarters 1–2/2015. This was primarily due to the measurement of interest hedging transactions (€+12.2m), the measurement of a long position relating to VERBUND's share in Gemeinschaftskraftwerk Inn GmbH (€+4.1m), measurement of an obligation to return an interest (€+6.5m) and the negative balance of foreign exchange gains and losses (€–5.5m).

Effects from impairment tests on the financial result

No impairment losses or reversals of impairment losses were recognised in quarters 1–2/2015. Effects from impairment tests amounted to €–13.3m in quarters 1–2/2014 and resulted mainly from the impairment of Shkodra Region Beteiligungsholding GmbH and Energie AG Oberösterreich.

Financial result

Financial result increased by a total of €54.3m to €–32.2m.

Group result

After deducting an effective tax rate of 18.8% and non-controlling interests in the amount of €24.1m, the Group result amounted to €196.3m. This represents an increase of 246.6% compared with the previous year. Earnings per share amounted to €0.57 (quarters 1–2/2014: €0.16) for 347,415,686 shares.

Financial position

Consolidated balance sheet (short version)

€m

	31/12/2014	Share	**30/6/2015**	**Share**	Change
Non-current assets	11,166.6	91.2%	11,096.3	94.8%	–0.6%
Current assets	1,070.7	8.7%	605.4	5.2%	–43.5%
Non-current assets held for sale	10.0	0.1%	0.0	–	–100.0%
Total assets	12,247.3	100.0%	**11,701.7**	**100.0%**	–4.5%
Equity	5,280.5	43.1%	5,317.5	45.4%	0.7%
Non-current liabilities	5,394.2	44.0%	5,459.8	46.7%	1.2%
Current liabilities	1,572.5	12.8%	924.5	7.9%	–41.2%
Liabilities associated with assets held for sale	0.2	0.0%	0.0	–	–100.0%
Liabilities	12,247.3	100.0%	**11,701.7**	**100.0%**	–4.5%

Assets

VERBUND's assets decreased by around 4.5% in quarters 1–2/2015. With respect to property, plant and equipment, capital expenditure of €97.1m was offset by depreciation of €182.1m. The most significant additions to assets related to capital expenditure for the Reißeck II/Carinthia pumped storage power plant and the wind farms in Austria. The carrying amount of interests accounted for using the equity method remained largely unchanged. The decline in current receivables was mainly due to the receipt of the sale price from the sale of French power plant companies Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. and the repayment of short-term investments of financial resources, which were subsequently used for the redemption of bonds.

Equity and liabilities

Equity increased slightly compared with 31 December 2014, above all due to the profit for the period generated in quarters 1–2/2015. The dividend payment of VERBUND AG for 2014 had the opposite effect. Net debt decreased by 5.8% to €3,825m compared with 31 December 2014. Non-current liabilities did not deviate significantly from the amount as at 31 December 2014. Current financial liabilities decreased, mainly due to scheduled loan repayments. The decline in current other liabilities is primarily attributable to lower trade payables and outstanding capital expenditure invoices and maintenance expenses.

Cash flows

Cash flow statement (short version)

€m

	Q1–2/2014	Q1–2/2015	Change
Cash flow from operating activities	345.0	421.8	22.2%
Cash flow from investing activities	448.6	276.1	–38.5%
Cash flow from financing activities	–846.8	–683.7	–19.3%
Change in cash and cash equivalents	–53.2	14.2	–
Cash and cash equivalents as at 30/6/	30.2	**55.9**	85.3%

Cash flow from operating activities

Cash flow from operating activities amounted to €+421.8m in quarters 1–2/2015. The improvement of €76.8m resulted primarily from higher cash inflows from the Grid segment and lower cash outflows relating to personnel, and was offset in part by lower net payments from the Energy segment due to lower average achieved contract prices, among other factors.

Cash flow from investing activities

Cash flow from investing activities amounted to €+276.1m in quarters 1–2/2015 and thus changed by €–172.5m. The reasons for the decrease were lower cash inflows from the disposal of current and non-current investments (€–454.0m) and the €7.1m increase in capital expenditure for interests accounted for using the equity method and other equity interests (the capital expenditure for quarters 1–2/2015 related mainly to SMATRICS GmbH & Co KG). The overall decline in cash flow from investing activities was partially offset by cash inflows (€+172.9m) from disposals of other equity interests (Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S.) and consolidated subsidiaries (Haos Invest EAD). In addition, capital expenditure for intangible assets and property, plant and equipment was €118.0m below the prior-year level.

Cash flow from financing activities

Cash flow from financing activities amounted to €–683.7m in quarters 1–2/2015, a change of €+163.1m. The decline was predominantly due to lower dividend payments (€+259.7m) in quarters 1–2/2015 in combination with a concurrent decrease in proceeds from financial liabilities (€–100.0m).

Opportunity and risk management

The conditions for established power companies in the European energy market did not improve in the reporting period and therefore remain challenging. The reasons lie in the performance of the economy, the market blockade triggered by the one-sided manner in which regulation/subsidisation is being handled and the way in which the transition to new forms of energy is being structured. All of those factors make it necessary for VERBUND to constantly adapt its business model. In addition, the measures already implemented or planned in connection with restructuring thermal operations will subject VERBUND to legal proceedings in a few isolated cases. The primary issues here are the cessation of a long-term gas delivery contract, maintenance of an outage reserve for the supply of heat and termination of a joint operation.

However, we at VERBUND plan to focus on our strengths. We are taking advantage of our programme to reduce costs and increase efficiency to increase our economic resilience and we are establishing new energy services for the benefit of all stakeholders. In so doing, VERBUND is focusing on implementing measures to maintain the security of supply as well as establishing a sustainable basis for electricity generation and sales with a focus on Austria and Germany.

Sensitivities relating to operating result

Electricity generation from hydropower depends largely on hydrological conditions that cannot be controlled. Despite lower medium-term wholesale prices, VERBUND still generates positive profit contributions due to its competitive cost structure. New participants in the market – especially in the area of wind and solar power – are causing massive fluctuations in the quantities fed into the transmission grid. As a result, the cost of maintaining grid security (control energy and congestion management) is volatile and increasing rapidly. The associated expenses will be reimbursed to VERBUND after a delay of up to two years. Ongoing legal proceedings and changed general conditions may lead to impairment losses and reversals of impairment losses as well as changes in provisions and thus fluctuations in the operating result. All else remaining equal, a change in the factors shown below would be reflected as follows (annual power generation priced in as at the 30 June 2015 reporting date):

- +/–1% generation from hydropower plants: €+/–4.2m
- +/–1% generation from wind power: €+/–0.3m
- €+/–1/MWh wholesale electricity prices (hydropower plants and thermal power plants): €+/–2.6m

Financial result

The financial result is subject to fluctuation based on the following factors: investment income, the impact of hedge measurement, changes in market prices and interest rates and the cost of either having to provide additional collateral or of collateral provided being called in.

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

Outlook

VERBUND's income trend is significantly impacted by occurrences in the energy market, the price trend for wholesale electricity prices and own generation from hydropower.

Wholesale electricity prices showed a slight downward trend in the first half of 2015 due to the persistently weak economy and existing excess capacities, particularly as a result of the massive subsidisation of new renewable energy sources as well as the still-ineffective CO_2 market. In the second half of 2015, VERBUND expects electricity prices to trend sideways.

In accordance with our hedging strategy, we had already contracted for around 90% of planned own generation for 2015 as at 30 June 2015. The price achieved was approximately €4.2/MWh below the 2014 average achieved contract prices. For those volumes not yet hedged, we have based our planning on current market prices.

The performance of own generation depends largely on the water supply. In the first half of 2015, the hydro coefficient increased 3% over the long-term average.

Based on average own generation from hydropower in the second half of the year, we expect EBITDA of approximately €850m and a Group result of approximately €240m in financial year 2015. The planned payout ratio for 2015 remains at around 50% of the Group result of approximately €240m after adjustment for non-recurring effects.

Operating segments

Energy

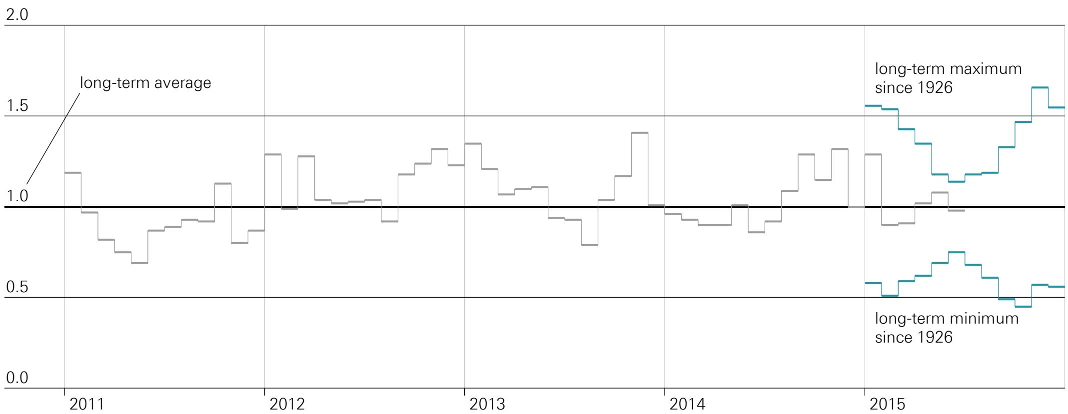
Electricity supply – Energy segment

GWh

	Q1–2/2014	**Q1–2/2015**	Change
Hydropower[1]	14,402	15,441	7.2%
Wind/solar power	394	473	20.2%
Thermal power	791	1,303	64.7%
Own generation	15,587	**17,217**	10.5%
Electricity purchased for trading and sales	8,499	8,664	1.9%
Intragroup	85	83	–2.7%
Electricity supply	24,171	**25,964**	7.4%

[1] including purchase rights

Hydro coefficient (monthly averages)

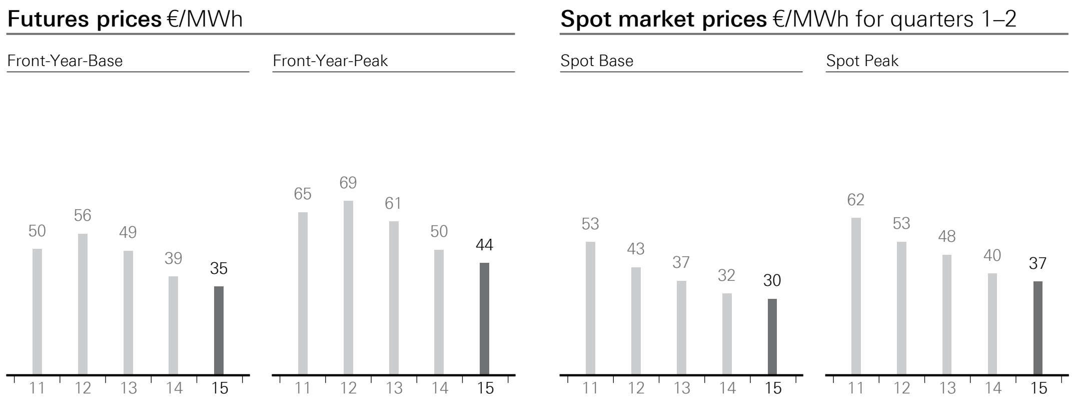


Electricity generation

VERBUND's total generation in the Energy segment increased by 10.5% in quarters 1–2/2015 to 17,217 GWh compared with the prior-year period. Generation from hydropower rose by 7.2%. At 1.03, the hydro coefficient of the run-of-river power plants was 3.0% above the long-term average and ten percentage points higher than the figure for the comparison period. By contrast, the annual storage power plants produced 2.3% less electricity.

Generation from wind power and photovoltaic installations rose by 20.2%. The increase was attributable above all to greater wind power capacity in Austria and windier conditions in Romania during the first half of 2015. Approximately 92% of VERBUND's own generation in quarters 1–2/2015 came from renewable energy sources.

Generation from thermal power plants rose by 64.7%. Two factors were chiefly responsible for the increase: the intensified use of coal in order to reduce inventories at the decommissioned Dürnrohr plant and greater use of congestion management measures during the first quarter of 2015. Purchases of electricity from third parties for trading and sales rose by 1.9%.



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

Electricity prices

At an average of €35.1/MWh, prices for electricity futures contracts applicable to financial year 2015 (front-year base 2015 traded in 2014) were down 10.3% from the prior-year level. As a result of its hedging strategy, VERBUND had already included the majority of its own generation in its pricing calculation in 2014 via the futures market. Spot market prices (base price) fell by 6.6% to €30.2/MWh. Spot price performance was driven above all by low demand resulting from economic factors as well as low prices for fuel and emission rights.

Electricity sales volume

Electricity sales and own use – Energy segment GWh

	Q1–2/2014	**Q1–2/2015**	Change
Consumers	4,584	**4,453**	–2.9%
Resellers	9,042	**10,270**	13.6%
Traders	8,989	**9,317**	3.6%
Intragroup	457	**760**	66.2%
Electricity sales volume	23,072	**24,800**	7.5%
Own use	1,100	**1,165**	5.9%
Electricity sales volume and own use	24,171	**25,964**	7.4%

VERBUND's electricity sales volume and own use rose by a total of 7.4% in quarters 1–2/2015 compared with the same period in 2014. Volumes sold to resellers rose by 13.6% and sales to trading firms increased by 3.6%. Sales volumes in the domestic consumer market decreased by 6.1%. At the end of the first half of 2015, VERBUND had around 330,000 customers in the Austrian household/agriculture and commercial segment consuming up to 100,000 kWh of electricity annually and approximately 14,000 end consumers for climate-neutral gas.

Internationally, sales volumes to industrial consumers were maintained at a constant level. The increase in own use was due to the more favourable market situation for pumped storage power plants in quarters 1–2/2015.

Expansion of generation from hydropower

Commissioning of the new Reißeck II/Carinthia pumped storage power plant has been prolonged until the spring of 2016 to ensure that leak tightness in the headwater tunnel will be sufficient for decades of operation with no restrictions on flexibility. Parts of the interior of the headwater tunnel are being additionally sealed using injections and sheeting, a process made more difficult by the complex geological conditions in some of the mountainous sections.

Expansion of generation from wind power

Construction of the Bruck-Göttlesbrunn wind farm with a total capacity of 21 MW is proceeding as planned. Assembly of the mechanical sections will be completed in May of this year. Commissioning began in early June and will presumably be finalised in August of 2015. This will increase our output from wind power in Austria to 106 MW.

Grid

The billable energy volumes transmitted via the 380/220 kV grid (excluding electricity used for pumping) decreased by 360 GWh year on year to 11,522 GWh in quarters 1–2/2015. According to the transmission schedules, the APG control area imported a net amount of 5,235 GWh.

Electricity supply – Grid segment GWh

	Q1–2/2014	Q1–2/2015	Change
Electricity purchased for grid loss and control power volumes	1,756	**1,945**	10.7%
Intragroup	457	760	66.2%
Electricity supply	2,212	**2,704**	22.3%

Electricity sales and own use – Grid segment GWh

	Q1–2/2014	Q1–2/2015	Change
Resellers	1,324	1,761	33.0%
Traders	110	86	–22.3%
Intragroup	85	83	–2.7%
Electricity sales volume	1,519	**1,930**	27.0%
Own use	376	404	7.6%
Control power volumes	318	370	16.5%
Electricity sales volume and own use	2,212	**2,704**	22.3%

The volume increases in the Grid segment were attributable above all to a greater use of congestion management measures and control energy due to increasingly critical grid conditions. The volume of VERBUND's own electricity used to make up for grid losses increased slightly.

Security of supply and congestion management

In quarter 2/2015, technical grid measures were taken to maintain the security of supply in the APG control area. Action also had to be taken at Austrian power plants in order to handle congestion outside of the APG grid.

In addition, increased availability of certain thermal power plants (Mellach and Timelkam, approx. 400 MW each) had to be contractually secured for the months from May to September at an associated cost (summer reserve) to be able to manage congestion in the summer months based on short-term forecasts.

Repeal of System Usage Rates Directive and System Charges Order

APG has recognised provisions in its financial statements as a result of the Austrian Constitutional Court's repeal of the System Usage Rates Directive and System Charges Order (2009–2012). Some of the provisions and impairment losses recognised have been reversed to reflect the current circumstances as described below. The reversal of provisions positively impacted the operating result for quarters 1-2/2015.

Negotiations between generating companies and grid operators regarding the general settlement of all processes still ongoing were conducted under the banner of Oesterreichs Energie (an advocacy group for the Austrian electricity industry) in coordination with the regulator. A basic agreement was reached to the effect that the grid operator will be responsible for partial repayment.

Rate regulation

With respect to the 2015 cost calculation proceedings, APG responded within the deadline to both requirement lists from E-Control. Issue of the draft decision, including the invitation to comment, is expected in mid/end July. The goal of the tariff review continues to be to secure the return on capital employed, in particular through the ex-ante financing of investments.

380 kV Salzburg line: environmental impact assessment in progress

With respect to the environmental impact assessment currently underway, the additional expert opinions on tourism that are still outstanding have been opened for public comment in all communities affected by the project until the end of July 2015. The initial EIA notice will be drawn up after processing of the comments and evaluation by the authorities.

Equity interests

Foreign

Sorgenia S.p.A. (Group)

Following completion of the sale of our interest in Sorgenia S.p.A. and transfer of the shares to a banking syndicate on 27 March 2015, the general meeting of Sorgenia Holding S.p.A. on 15 April 2015 adopted a resolution to liquidate the company. The company is expected to be deleted from the commercial register in the second half of 2015.

Domestic

KELAG – Kärntner Elektrizitäts-Aktiengesellschaft

In quarters 1–2/2015, the contribution from KELAG to the result from interests accounted for using the equity method was €16.6m (quarters 1–2/2014: €14.7m). Despite the uncertain market environment, KELAG is expected to report stable performance in financial year 2015. The company's half-year figures already reflect this.

Events after the reporting date

There were no events requiring disclosure between the reporting date of 30 June 2015 and authorisation for issue on 28 July 2015.

Consolidated interim financial statements

of VERBUND

Income statement

€m

In accordance with IFRSs	Notes	Q1–2/2014[1]	Q1–2/2015	Q2/2014[1]	Q2/2015
Revenue		1,406.7	**1,405.4**	727.3	**678.2**
Electricity revenue	1	1,187.7	1,093.9	641.7	514.5
Grid revenue	2	169.8	239.6	73.8	133.0
Other revenue		49.1	72.0	11.9	30.8
Other operating income		27.5	31.5	15.2	17.2
Expenses for electricity, grid, gas and certificate purchases	3	–677.2	–624.2	–348.3	–260.0
Fuel expenses and other usage-dependent expenses	4	–69.4	–57.3	–42.4	–20.0
Personnel expenses	5	–188.7	–165.7	–104.4	–85.5
Amortisation of intangible assets and depreciation of property, plant and equipment		–194.4	–185.4	–98.1	–91.4
Other operating expenses		–104.8	–100.6	–67.1	–58.7
Operating result before effects from impairment tests		199.7	303.7	82.3	179.9
Impairment losses	6	–14.6	0.0	–14.5	0.0
Reversal of impairment losses	6	36.7	0.0	36.7	0.0
Operating result		221.8	**303.7**	104.5	**179.9**
Result from interests accounted for using the equity method	7	13.3	16.7	10.8	13.3
Other result from equity interests		9.9	4.8	4.6	0.7
Interest income	8	16.0	15.9	8.0	7.6
Interest expenses	9	–102.4	–82.1	–52.4	–38.3
Other financial result	10	–3.2	12.5	0.1	13.6
Financial result before effects from impairment testing		–66.3	–32.2	–29.0	–3.2
Impairment losses	11	–13.3	0.0	–13.3	0.0
Financial result		–79.6	**–32.2**	–42.3	**–3.2**
Profit before tax		142.2	**271.4**	62.2	**176.7**
Taxes on income		–28.1	–51.0	–11.5	–29.1
Profit after tax from continuing operations		114.2	**220.4**	50.7	**147.6**
Loss after tax from discontinued operations[2]	12	–32.0	**0.0**	–21.9	**0.0**
Profit for the period		82.2	**220.4**	28.8	**147.6**
Attributable to the shareholders of VERBUND AG (Group result)		56.6	196.3	15.7	132.9
Attributable to non-controlling interests		25.5	24.1	13.1	14.7
Earnings per share in €[3]		0.16	**0.57**	0.05	**0.38**

[1] The comparative figures have been adjusted retrospectively in accordance with IFRS 5 and IAS 8. // [2] Loss after tax from discontinued operations corresponds to the loss after tax attributable to the French companies Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. that were classified as "held for sale" until their deconsolidation in the previous year. // [3] Diluted earnings per share correspond to basic earnings per share.

Statement of comprehensive income

€m

In accordance with IFRSs	Notes	Q1–2/2014	**Q1–2/2015**	Q2/2014	**Q2/2015**
Profit for the period		82.2	**220.4**	28.8	**147.6**
Remeasurements of the net defined benefit liability	13	–13.6	–41.7	–14.2	–42.4
Other comprehensive income from interests accounted for using the equity method		–2.3	–4.1	0.0	0.0
Total of items that will not be reclassified subsequently to the income statement		–15.8	**–45.8**	–14.2	**–42.3**
Differences from currency translation		2.9	0.0	2.5	0.3
Measurements of available-for-sale financial instruments		4.4	2.6	2.8	–3.0
Measurements of cash flow hedges		13.7	4.8	–22.7	0.5
Other comprehensive income from interests accounted for using the equity method		0.2	–0.1	0.0	0.0
Total of items that will be reclassified subsequently to the income statement		21.2	**7.3**	–17.5	**–2.3**
Other comprehensive income before tax		5.3	**–38.5**	–31.7	**–44.6**
Taxes on income relating to items that will not be reclassified subsequently to the income statement		3.5	10.6	3.6	10.8
Taxes on income relating to items that will be reclassified subsequently to the income statement		–4.3	–1.8	5.1	0.5
Other comprehensive income after tax		4.5	**–29.6**	–22.9	**–33.3**
Total comprehensive income for the period		86.6	**190.8**	5.9	**114.3**
Attributable to the shareholders of VERBUND AG		61.4	169.8	–6.7	103.1
Attributable to non-controlling interests		25.2	21.0	12.6	11.2

Balance sheet

€m

In accordance with IFRSs	Notes	31/12/2014	**30/6/2015**
Non-current assets		11,166.6	**11,096.3**
Intangible assets		796.4	799.7
Property, plant and equipment		9,436.6	9,335.4
Interests accounted for using the equity method		260.4	259.0
Other equity interests	16	102.3	107.5
Investments and other receivables	16	571.0	594.7
Current assets		1,070.7	**605.4**
Inventories	14	56.5	29.7
Trade receivables and other receivables	16	972.5	519.8
Cash and cash equivalents	16	41.7	55.9
Assets held for sale	15	10.0	**0.0**
Total assets		12,247.3	**11,701.7**

€m

In accordance with IFRSs	Notes	31/12/2014	**30/6/2015**
Equity		5,280.5	**5,317.5**
Attributable to the shareholders of VERBUND AG		4,689.1	4,763.0
Attributable to non-controlling interests		591.4	554.5
Non-current liabilities		5,394.2	**5,459.8**
Financial liabilities	16	2,900.5	2,886.9
Provisions		844.7	887.1
Deferred tax liabilities		486.3	505.0
Contributions to building costs and grants		740.0	745.1
Deferred income – cross-border leasing		50.4	49.6
Other liabilities	16	372.2	386.0
Current liabilities		1,572.5	**924.5**
Financial liabilities	16	806.4	316.3
Provisions		193.2	140.5
Current tax liabilities		55.6	109.8
Trade payables and other liabilities	16	517.3	357.9
Liabilities directly associated with assets held for sale	15	0.2	**0.0**
Total liabilities		12,247.3	**11,701.7**

Statement of changes in equity

In accordance with IFRSs	Share capital	Capital reserves	Retained earnings	Remeasure-ments of the net defined benefit liability	
Notes				13	
As at 1/1/2014	347.4	954.3	3,873.3	– 158.8	
Profit for the period	–	–	56.6	–	
Other comprehensive income	–	–	–	– 11.5	
Total comprehensive income for the period	–	–	56.6	– 11.5	
Shifts between shareholder groups	–	–	0.1	0.0	
Dividends	–	–	– 347.4	–	
Other changes in equity	–	–	0.1	0.0	
As at 30/6/2014	347.4	954.3	3,582.8	– 170.3	
As at 1/1/2015	**347.4**	**954.3**	**3,652.2**	**– 254.2**	
Profit for the period	–	–	196.3	–	
Other comprehensive income	–	–	–	– 31.0	
Total comprehensive income for the period	**–**	**–**	**196.3**	**– 31.0**	
Shifts between shareholder groups	–	–	4.9	0.0	
Dividends	–	–	– 100.8	–	
Other changes in equity	–	–	0.0	0.0	
As at 30/6/2015	**347.4**	**954.3**	**3,752.7**	**– 285.2**	

€m

Difference from currency translation	Measure-ments of available-for-sale financial instruments	Measure-ments of cash flow hedges	Other components of other compre-hensive income	Equity attributable to the share-holders of VERBUND AG	Equity attributable to non-controlling interests	Total equity
–3.5	3.2	–78.3	9.6	4,947.3	605.6	5,552.9
–	–	–	–	56.6	25.5	82.2
2.6	3.1	10.3	0.2	4.8	–0.3	4.5
2.6	3.1	10.3	0.2	61.4	25.2	86.6
0.0	0.0	0.0	0.0	0.1	–0.1	0.0
–	–	–	–	–347.4	–70.9	–418.3
0.0	0.0	0.0	0.0	0.1	0.0	0.2
–0.9	6.3	–67.9	9.8	4,661.5	559.8	5,221.3
–2.8	**24.2**	**–29.4**	**–2.7**	**4,689.1**	**591.4**	**5,280.5**
–	–	–	–	196.3	24.1	220.4
–0.1	1.9	3.6	–0.9	–26.5	–3.1	–29.6
–0.1	**1.9**	**3.6**	**–0.9**	**169.8**	**21.0**	**190.8**
0.0	0.0	0.0	0.0	4.9	0.0	4.9
–	–	–	–	–100.8	–57.9	–158.6
0.0	0.0	0.0	0.0	0.0	0.0	0.0
–2.9	**26.1**	**–25.8**	**–3.6**	**4,763.0**	**554.5**	**5,317.5**

Cash flow statement

In accordance with IFRSs	Notes	Q1–2/2014	Q1–2/2015
			€m
Profit for the period		82.2	220.4
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversal of impairment losses)		159.1	185.4
Impairment losses on investments (net of reversal of impairment losses)		13.5	1.9
Result from interests accounted for using the equity method (net of dividends received)		0.7	−2.7
Result from the disposal of non-current assets		−0.1	−4.7
Change in non-current provisions and deferred tax liabilities		−25.5	26.9
Change in contributions to building costs and grants		20.2	5.2
Income from the reversal of deferred income from cross-border leasing transactions		−0.8	−0.8
Other non-cash expenses and income		−15.2	17.9
Subtotal		234.1	**449.5**
Change in inventories		−4.0	26.8
Change in trade receivables and other receivables		135.2	36.1
Change in trade payables and other liabilities		−52.0	−92.2
Change in current provisions and current tax liabilities		31.7	1.4
Cash flow from operating activities[1]	17	345.0	**421.8**

[1] Cash flow from operating activities includes taxes paid on income of €32.7m (quarter 1– 2/2014: €22.2m), interest paid of €67.3m (quarter 1– 2/2014: €75.9m), interest received of €15.8m (quarter 1–2/2014: €21.8m) and dividends received of €21.3m (quarter 1–2/2014: €22.1m).

€m

In accordance with IFRSs	Notes	Q1–2/2014	Q1–2/2015
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		–250.4	–132.4
Cash inflow from the disposal of intangible assets and property, plant and equipment		1.4	9.0
Cash outflow from capital expenditure for investments		–17.4	–27.2
Cash inflow from the disposal of investments		575.2	1.0
Cash outflow from capital expenditure for interests accounted for using the equity method and other equity interests		–0.6	–7.7
Cash inflow from the disposal of subsidiaries and interests accounted for using the equity method and other equity interests		0.0	172.9
Cash inflow from the disposal of current investments		140.4	260.6
Cash flow from investing activities		448.6	**276.1**
Cash inflow from shifts between shareholder groups		0.0	4.9
Cash inflow from money market transactions		24.2	35.0
Cash inflow from the assumption of financial liabilities (excluding money market transactions)		100.0	0.0
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		–552.6	–564.9
Dividends paid		–418.3	–158.6
Cash flow from financing activities		–846.8	**–683.7**
Change in cash and cash equivalents		–53.2	**14.2**
Cash and cash equivalents as at 1/1/		83.3	**41.7**
Change in cash and cash equivalents		–53.2	14.2
Cash and cash equivalents as at 30/6/		30.2	**55.9**

Selected explanatory notes

Financial reporting principles

Basic principles

These consolidated interim financial statements of VERBUND as at 30 June 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial statements as adopted by the European Union.

The condensed format of VERBUND's consolidated interim financial statements is consistent with IAS 34 "Interim Financial Reporting"; for further information and disclosures please refer to VERBUND's consolidated financial statements as at 31 December 2014, which form the basis for these consolidated interim financial statements of VERBUND.

Basis of consolidation

VERBUND GETEC Energiecontracting GmbH was formed effective 5 January 2015 as a 50:50 joint venture between VERBUND Solutions GmbH and GETEC heat & power AG and included in the consolidated financial statements using equity method accounting. Under VERBUND's accounting policies, the proportionate equity interest is adjusted no later than one quarter following the underlying changes.

Effective 12 June 2015, VERBUND Sales Deutschland GmbH was formed as a wholly owned subsidiary of VERBUND Sales GmbH and subsequently consolidated.

The sale of the 100% equity interest in Haos Invest EAD to Inwind SpLtd. and Inovent Holding AD was completed effective 6 March 2015 (closing). Since VERBUND lost control on this date, the assets and liabilities of Haos Invest EAD classified as "held for sale" as at 31 December 2014 were deconsolidated effective 6 March 2015:

Gain on disposal	in €m
Cash and cash equivalents	8.1
Other receivables[1]	4.9
Fair value of consideration received	**13.0**
Carrying amount of deconsolidated assets held for sale[2]	9.8
Carrying amount of deconsolidated liabilities associated with assets held for sale	– 0.3
Carrying amount of deconsolidated net assets	**9.6**
Gain on disposal[3]	**3.4**

[1] Of which €3.8m from a conditional purchase price claim that became due on 11 May 2015. // [2] Of which cash and cash equivalents of €0.4m. // [3] Gain on disposal was recognised in other operating income.

Accounting policies

With the exception of the new IASB accounting standards described below, the same accounting policies were applied in these consolidated interim financial statements of VERBUND as in VERBUND's consolidated financial statements as at 31 December 2014.

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
IFRIC 21	Levies	20/5/2013 (13/6/2014)	1/1/2015	None
Various	Annual Improvements to IFRSs 2010–2012 Cycle	12/12/2013 (17/12/2014)	1/1/2015	None
Various	Annual Improvements to IFRSs 2011–2013 Cycle	12/12/2013 (18/12/2014)	1/1/2015	None

Change in classification

In order to improve the presentation of financial performance, expenses in connection with control power services are no longer presented as offset with income in connection with control power services in grid revenue. Instead, the expenses in connection with control power services are reported under expenses for electricity, grid, gas and certificate purchases. Therefore the income statements for the reporting and comparative periods were adjusted accordingly:

Adjustments to income statement items

€m

	Q1–2/2014	**Q1–2/2015**	Q2/2014	**Q2/2015**
Revenue	17.3	**27.2**	8.7	**15.1**
Expenses for electricity, grid, gas and certificate purchases	–17.3	**–27.2**	–8.7	**–15.1**

Discontinued operations

Since – contrary to original expectations – the sale of the two French Pont-sur-Sambre and Toul combined cycle gas turbine power plants was carried out not as an asset deal but instead as a share deal (sale of 100% of the shares in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S.), it is not only the operating result attributable to the two combined cycle gas turbine power plants in Pont-sur-Sambre and Toul which has to be presented separately from continuing operations. Rather, the loss attributable to both companies, Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S., until they were deconsolidated effective 13 October 2014 is to be presented under loss from discontinued operations. The income statement for the comparative period has therefore been adjusted accordingly:

Adjustments to income statement items

€m	Q1–2/2014	Q2/2014
Interest income	0.0	0.0
Interest expenses	7.3	3.7
Other financial result	–0.3	–0.2
Financial result	7.0	3.5
Profit before tax	7.0	3.5
Taxes on income	0.0	0.0
Profit after tax from continuing operations	6.9	3.5
Loss after tax from discontinued operations	–6.9	–3.5
Profit for the period	0.0	0.0

Segment reporting

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

VERBUND Sales Deutschland GmbH, which was newly formed effective 12 June 2015, was assigned to the Energy segment and VERBUND GETEC Energiecontracting GmbH, which was newly formed effective 5 January 2015, was assigned to the Equity Interests & Services segment.

€m	Energy	Grid	Equity Interests & Services	Elimination	Total Group
Q1–2/2015					
External revenue	1,063.8	335.6	6.0	0.0	1,405.4
Internal revenue	86.6	66.8	35.7	–189.1	0.0
Total revenue	1,150.4	402.4	41.7	–189.1	1,405.4
Operating result	**223.4**	**115.3**	**–11.7**	**–23.3**	**303.7**
Depreciation and amortisation	–144.8	–36.3	–4.9	0.6	–185.4
Effects from impairment tests	0.0	0.0	0.0	0.0	0.0
Other material non-cash items	15.5	61.9	2.4	–31.3	48.5
Result from equity interests	–	–	21.5	–	21.5
Of which result from interests accounted for using the equity method	–	–	16.7	–	16.7
Capital employed	**7,348.2**	**1,045.0**	**7,424.6**	**–7,120.9**	**8,697.0**
Of which carrying amount of interests accounted for using the equity method	2.3	1.4	255.3	0.0	259.0
Additions to intangible assets and property, plant and equipment	74.1	28.1	1.6	0.0	103.9
Additions to equity interests	0.0	0.2	7.5	0.0	7.7

€m

	Energy	Grid	Equity Interests & Services	Elimination	Total Group
Q1–2/2014					
External revenue	1,158.6	242.5	5.6	0.0	1,406.7
Internal revenue	70.6	33.9	38.1	– 142.5	0.0
Total revenue	1,229.1	276.4	43.7	– 142.5	1,406.7
Operating result	**229.6**	**9.5**	**– 17.6**	**0.4**	**221.8**
Depreciation and amortisation	– 155.6	– 34.5	– 4.9	0.6	– 194.4
Effects from impairment tests	22.1	0.0	0.0	0.0	22.1
Other material non-cash items	– 67.8	5.1	2.0	– 5.1	– 65.7
Result from equity interests	–	–	9.9	0.0	9.9
Of which result from interests accounted for using the equity method	–	–	13.3	0.0	13.3
Of which effects from impairment tests	–	–	– 13.3	0.0	– 13.3
Capital employed	7,806.8	996.8	7,836.3	– 7,573.7	9,066.2
Of which carrying amount of interests accounted for using the equity method	2.2	1.4	238.8	0.0	242.4
Additions to intangible assets and property, plant and equipment	133.6	43.1	2.2	0.0	178.8
Additions to equity interests	0.0	0.0	0.6	0.0	0.6

Notes to the income statement

(1) Electricity revenue

Electricity revenue by customer area

€m

	Q1–2/2014 Domestic	**Q1–2/2015 Domestic**	Q1–2/2014 Foreign	**Q1–2/2015 Foreign**	Q1–2/2014 Total	**Q1–2/2015 Total**	Change
Electricity deliveries to traders	30.1	**25.5**	443.2	**396.0**	473.3	**421.5**	– 10.9%
Electricity deliveries to resellers	317.2	**288.0**	73.7	**92.8**	390.8	**380.8**	– 2.6%
Electricity deliveries to consumers	227.9	**195.8**	105.1	**95.8**	333.0	**291.6**	– 12.4%
Electricity revenue by customer area	575.2	**509.3**	621.9	**584.6**	1,197.1	**1,093.9**	– 8.6%
Electricity deliveries to discontinued operations					3.0	**–**	– 100.0%
Electricity deliveries of discontinued operations					– 12.4	**–**	100.0%
Electricity revenue[1]					1,187.7	**1,093.9**	– 7.9%

[1] To present business performance more accurately, revenue from energy trading is shown as a net amount, i.e. amounts realised and measured are each presented net of expenses. Without this net presentation, electricity revenue (and expenses for the purchase of electricity) would have been €846.2m higher in quarters 1– 2/2015 (quarters 1– 2/2014: €1,348.4m).

(2)
Grid revenue

Grid revenue by customer area €m

	Q1–2/2014 Domestic	**Q1–2/2015 Domestic**	Change	Q1–2/2014 Foreign	**Q1–2/2015 Foreign**	Change
Electric power companies	95.3	**145.8**	53.1%	0.0	**0.0**	n.a.
Industrial clients	7.3	**10.7**	46.6%	0.0	**0.0**	n.a.
Other	34.5	**41.1**	19.3%	32.8	**41.9**	27.8%
Grid revenue	137.0	**197.7**	44.3%	32.8	**41.9**	27.8%

The Austrian Constitutional Court cancelled the System Usage Rates Directives (Systemnutzungstarife-Verordnungen, SNT-VO) for 2009, 2010 and 2011 in decisions handed down on 27 September 2011. As a consequence of these decisions, Austrian Power Grid AG (APG) is faced with the possibility of having to repay usage fees for pumped storage power plants, as well as grid loss fees and fees for system services in all proceedings that were affected cases and/or which are included in the expansion of the affected cases.

The System Charges Order (SNE-VO) for 2012 was also challenged by the generating companies in relation to these fee components; however, the Austrian Constitutional Court has already confirmed that the SNE-VO conforms to the law in relation to grid loss fees and usage fees for pumped storage power plants. With respect to the fees for system services, the Austrian Constitutional Court annulled the provisions of the SNE-VO for 2012 which had been challenged. Therefore, the impending SNE-VO repayment obligations for 2012 only relate to those processes for system services fees that are (virtually) affected cases.

Negotiations between generating companies and grid operators regarding the general settlement of all processes still ongoing were conducted under the banner of Oesterreichs Energie (an advocacy group for the Austrian electricity industry) in coordination with the regulator. A basic agreement was reached to the effect that the grid operator will be responsible for partial repayment. The provisions for electricity and grid deliveries recognised in connection with these proceedings were to be reversed accordingly as of 30 June 2015. The reversal in the amount of €37.1m was recognised under grid revenue from domestic electric power companies. In addition, valuation allowances on receivables were to be reversed in this connection in the amount of €3.3m.

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

Expenses for electricity, grid, gas and certificate purchases €m

	Q1–2/2014	**Q1–2/2015**	Change
Expenses for electricity purchases (including control power)	579.9	**479.8**	–17.3%
Expenses for grid purchases (system use)	88.6	**87.9**	–0.8%
Expenses for gas purchases[1]	9.0	**56.0**	n.a.
Purchases of emission rights (trade)[2]	–0.8	**0.1**	119.1%
Purchases of proof of origin and green certificates	0.5	**0.4**	–21.4%
Expenses for electricity, grid, gas and certificate purchases	677.2	**624.2**	–7.8%

[1] VERBUND and EconGas GmbH have entered into a long-term natural gas supply agreement which, as a consequence of its management, had to be cassified as a freestanding derivative and recognised at fair value through profit or loss (see: (16) Additional disclosures regarding financial instruments). In quarters 1– 2/2015, the resulting impact on profit or loss amounted to €– 17.7m (quarters 1–2/2014: €12,2m).// [2] In quarters 1–2/2014, the negative expenses for emission rights purchases mainly resulted from the measurement of inventories of emission rights held for trading.

(4)
Fuel expenses and other usage-dependent expenses

Fuel expenses and other usage-dependent expenses

€m

	Q1–2/2014	Q1–2/2015	Change
Fuel expenses	60.3	42.5	–29.6%
Emission rights acquired in exchange for consideration	2.4	6.6	175.9%
Other usage-dependent expenses	6.7	8.3	23.8%
Fuel expenses and other usage-dependent expenses	69.4	**57.3**	–17.4%

(5)
Personnel expenses

Personnel expenses

€m

	Q1–2/2014	Q1–2/2015	Change
Wages and salaries	133.4	129.9	–2.6%
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	30.2	30.3	0.3%
Other social expenses	1.9	1.8	–3.1%
Subtotal	165.5	**162.0**	–2.1%
Expenses for severance payments	1.9	2.9	55.0%
Expenses for pensions and similar obligations	21.3	0.8	–96.5%
Personnel expenses	188.7	**165.7**	–12.2%

(6)
Impairment losses and reversal of impairment losses

There were no material impairment losses or reversal of impairment losses which had to be recognised in quarters 1–2/2015. The impairment losses in quarters 1–2/2014 were mainly related to the Dürnrohr hard coal power plant and preliminary project costs for a wind farm in Romania. The reversal of impairment losses in quarters 1–2/2014 was entirely related to the Mellach combined cycle gas turbine power plant.

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

Result from interests accounted for using the equity method

€m

	Q1–2/2014 Domestic	Q1–2/2015 Domestic	Change	Q1–2/2014 Foreign	Q1–2/2015 Foreign	Change
Income or expenses	15.0	**16.6**	10.7%	–1.6	**0.2**	110.4%

(8)
Interest income

Interest income

€m

	Q1–2/2014	Q1–2/2015	Change
Interest from investments under closed items on the balance sheet	14.1	14.2	0.9%
Interest from money market transactions	0.8	0.6	–29.1%
Other interest and similar income	1.1	1.1	–5.4%
Interest income	16.0	**15.9**	–13.8%

(9)
Interest expenses

Interest expenses €m

	Q1–2/2014	**Q1–2/2015**	Change
Interest on bonds	49.6	36.4	–26.7%
Interest on bank loans	17.9	15.8	–11.7%
Interest on financial liabilities under closed items on the balance sheet	14.1	14.2	0.9%
Net interest expense on personnel-related liabilities	11.7	7.9	–31.9%
Interest on other liabilities from electricity supply commitments	8.9	8.8	–1.8%
Interest on other non-current provisions	2.5	0.6	–74.4%
Profit or loss attributable to limited partners	0.1	0.1	3.0%
Borrowing costs capitalised in accordance with IAS 23	–8.5	–9.2	–7.8%
Other interest and similar expenses	6.2	7.5	22.1%
Interest expenses	102.4	**82.1**	–19.8%

(10)
Other financial result

Other financial result €m

	Q1–2/2014	**Q1–2/2015**	Change
Foreign exchange gains	4.7	7.5	60.2%
Measurement of an obligation to return an interest	0.0	6.5	n.a.
Measurement of long position: Gemeinschaftskraftwerk Inn GmbH	0.0	4.1	n.a.
Measurement of derivatives in the finance area	–8.8	3.4	138.5%
Income from securities and loans	2.6	1.3	–51.3%
Foreign exchange losses	–1.6	–10.0	n.a.
Other	0.0	–0.3	n.a.
Other financial result	–3.2	**12.5**	139.6%

(11)
Impairment losses

No impairment losses had to be recognised in quarters 1–2/2015. The impairment losses in quarters 1–2/2014 related to the equity-accounted interest in Shkodra Region Beteiligungsholding GmbH as well as the other equity interest in Energie AG Oberösterreich.

(12) Loss after tax from discontinued operations

Loss after tax from discontinued operations[1]

	€m
	Q1–2/2014
Revenue	12.4
Electricity revenue	12.4
Other revenue	0.0
Other operating income	0.0
Expenses for electricity, grid, gas and certificate purchases	–3.4
Fuel expenses and other usage-dependent expenses	–10.6
Personnel expenses	–1.6
Amortisation of intangible assets and depreciation of property, plant and equipment	0.0
Other operating expenses[2]	–35.2
Operating result before effects from impairment tests	–38.2
Effects from impairment tests	13.1
Operating result	–25.1
Interest income	0.0
Interest expenses	–7.3
Other financial result	0.3
Financial result	–7.0
Profit before tax	–32.1
Taxes on income	0.0
Loss after tax from discontinued operations[3]	–32.0
Earnings per share in €[4]	–0.1

[1] Loss after tax from discontinued operations was determined using the incremental approach. This shows which income and expenses are still or are no longer expected after the sale has been completed. // [2] In quarters 1–2/2014 this included expenses of €24.2m relating to a decision by the ICC International Court of Arbitration regarding the natural gas supply agreement between Pont-sur-Sambre Power S.A.S. and ENI S.p.A. which was dissolved in 2012. // [3] Loss after tax from discontinued operations can be entirely attributed to the shareholders of VERBUND AG. // [4] Diluted and basic earnings per share correspond to one another.

Loss after tax from discontinued operations corresponds to the share of losses attributable to the 100% equity interests Pont-sur-Sambre Power S.A.S. and Tould Power S.A.S until they were deconsolidated in the previous year. The sale of the other equity interests remaining after deconsolidation was completed effective 6 March 2015 (see: (15) Assets and liabilities held for sale).

Notes to the statement of comprehensive income

(13) Remeasurements of net defined benefit liability

Existing personnel-related provisions were measured on the basis of an actuarial report updated on 30 June 2015. The discount rate for this was 1.50% (30 June 2014: 3.25%; 31 December 2014: 2.00%).

Notes to the balance sheet

(14) Inventories

Inventories €m

	31/12/2014	30/6/2015	Change
Inventories of primary energy sources held for generation	31.6	**13.1**	–58.7%
Natural gas held for trading	8.2	0.3	–96.1%
Measurements of natural gas held for trading	0.6	0.0	–100.5%
Natural gas held for trading	8.8	**0.3**	–96.4%
Emission rights held for trading	8.3	8.1	–2.7%
Measurements of emission rights held for trading	3.0	3.3	12.0%
Fair value of emission rights held for trading	11.3	**11.4**	1.2%
Proof of origin and green electricity certificates	0.2	**0.0**	–87.5%
Other	4.5	**4.9**	7.2%
Inventories	56.5	**29.7**	–47.5%

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

(15) Assets and liabilities held for sale

The sale to KKR Credit Advisors (US) of the 100% other equity interests in Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. classified as "held for sale" as at 31 December 2014 was completed effective 6 March 2015 (closing). Impairment losses on receivables from Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S. were recognised in the amount of €0.5m as other operating expenses as a result of the sale.

The sale of the 100% equity interest in Haos Invest EAD to Inwind SpLtd. and Inovent Holding AD was completed effective 6 March 2015 (closing). Since VERBUND lost control on this date, the assets and liabilities of Haos Invest EAD classified as "held for sale" as at 31 December 2014 were deconsolidated effective 6 March 2015. A conditional purchase price component that became due on 11 May 2015 was taken into account when determining the gain on disposal in the amount of €3.4m that was recognised as other operating income.

The creditor banks of the 45.75% other equity interest in Sorgenia S.p.A. (Group) classified as "held for sale" as at 31 December 2014 carried out a €400m capital increase (debt/equity swaps) at Sorgenia S.p.A. (Group) as part of an Italian restructuring process ("128 bis Agreement") effective 27 March 2015. As a result, VERBUND's interest in Sorgenia S.p.A. (Group) decreased to less than 1%. Subsequently, VERBUND also sold the remaining equity interest in Sorgenia S.p.A. (Group) effective 27 March 2015 to Nuova Sorgenia Holding S.p.A. (a newly formed company of the creditor banks of Sorgenia S.p.A. (Group)). The sale had no impact on profit or loss for the period.

(16) Additional disclosures regarding financial instruments

Carrying amounts and fair values by measurement categories 30/6/2015 €m

Assets – balance sheet items	Measurement categories under IAS 39	Level	Carrying amount	Fair value
Interests in non-consolidated subsidiaries	FAAC	–	10.7	–
Other equity interests	FAAFS	2	83.2	83.2
Other equity interests	FAAC	–	13.6	–
Other equity interests			107.5	
Securities	FAAFS	1	92.3	92.3
Securities	FAAC	–	3.0	–
Securities – closed items on the balance sheet	LAR	2	60.2	53.6
Other loans – closed items on the balance sheet	LAR	2	277.7	304.6
Derivatives in the finance area – closed items on the balance sheet	FAHFT	2	109.9	109.9
Loans to investees	LAR	2	39.7	42.0
Other loans	LAR	2	6.4	6.4
Other	–	–	5.6	–
Other non-current investments and non-current other receivables			594.7	
Trade receivables	LAR	–	211.9	–
Receivables from investees	LAR	–	38.1	–
Loans to investees	LAR	2	3.5	3.9
Other loans	LAR	2	0.9	0.9
Derivatives in the energy area	FAHFT	1	0.0	0.0
Derivatives in the energy area	FAHFT	2	81.9	81.9
Long position: Gemeinschaftskraftwerk Inn GmbH	FAHFT	3	21.2	21.2
Money market transactions	LAR	2	5.0	4.9
Emission rights	IAS 38, IAS 2	–	0.7	–
Other	LAR	–	26.9	–
Other	–	–	129.6	–
Trade receivables and current other receivables			519.8	
Cash and cash equivalents	LAR	–	55.9	–
Aggregated by measurement categories				
Financial assets at cost	FAAC[1]		27.3	
Loans and receivables	LAR[2]		726.1	
Financial assets available-for-sale	FAAFS[3]		175.6	
Financial assets held for trading	FAHFT[4]		213.0	

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

Carrying amounts and fair values by measurement categories 30/6/2015

€m

Liabilities – balance sheet items	Measurement categories under IAS 39	Level	Carrying amount	Fair value
Bonds	FLAAC	2	1,582.5	1,748.6
Financial liabilities to banks and to others	FLAAC	2	1,170.6	1,211.7
Financial liabilities to banks – closed items on the balance sheet	FLAAC	2	107.7	139.3
Financial liabilities to banks – closed items on the balance sheet	FLAFVPL	2	340.1	340.1
Capital shares attributable to limited partners	IAS 32	–	2.3	–
Non-current and current financial liabilities			3,203.2	
Electricity supply commitment	–	–	178.2	–
Obligation to return an interest	FLAAC	3	100.9	166.9
Derivatives in the energy area	FLHFT	3	77.3	77.3
Trade payables	FLAAC	–	1.2	–
Deferred income for grants (emission rights)	IAS 20	–	0.3	–
Other	FLAAC	–	28.1	–
Non-current other liabilities			386.0	
Trade payables	FLAAC	–	97.7	–
Derivatives in the energy area	FLHFT	2	54.7	54.7
Derivatives in the energy area	FLHFT	3	3.8	3.8
Derivatives in the finance area	FLHFT	2	36.3	36.3
Other	FLAAC	–	103.7	–
Other	–	–	55.2	–
Trade payables and current other liabilities			357.9	
Aggregated by measurement categories				
Financial liabilities at amortised cost	FLAAC[1]		3,192.4	
Financial liabilities at fair value through profit or loss	FLAFVPL[2]		340.1	
Financial liabilities held for trading	FLHFT[3]		178.6	

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

Carrying amounts and fair values by measurement categories 31/12/2014

€m

Assets – balance sheet items	Measurement categories under IAS 39	Level	Carrying amount	Fair value
Interests in non-consolidated subsidiaries	FAAC	–	0.8	–
Other equity interests	FAAFS	2	83.2	83.2
Other equity interests	FAAC	–	18.3	–
Other equity interests			**102.3**	
Securities	FAAFS	1	89.7	89.7
Securities	FAAC	–	3.0	–
Securities – closed items on the balance sheet	LAR	2	57.0	51.0
Other loans – closed items on the balance sheet	LAR	2	260.1	286.5
Derivatives in the finance area – closed items on the balance sheet	FAHFT	2	113.8	113.8
Loans to investees	LAR	2	40.9	43.6
Other loans	LAR	2	1.4	1.4
Other	–	–	5.1	–
Other non-current investments and non-current other receivables			**571.0**	
Trade receivables	LAR	–	264.9	–
Receivables from investees	LAR	–	65.7	–
Receivables from other equity interests classified as “held for sale“	LAR	–	150.4	–
Loans to investees	LAR	2	3.5	3.9
Other loans	LAR	2	0.4	0.4
Derivatives in the energy area	FAHFT	2	125.6	125.6
Long position: Gemeinschaftskraftwerk Inn GmbH	FAHFT	3	17.1	17.1
Money market transactions	LAR	2	265.2	264.2
Emission rights	IAS 38, IAS 2	–	7.2	–
Other	LAR	–	27.9	–
Other	–	–	44.6	–
Trade receivables and current other receivables			**972.5**	
Cash and cash equivalents	**LAR**	**–**	**41.7**	**–**
Aggregated by measurement categories				
Financial assets at cost	FAAC[1]		22.1	
Loans and receivables	LAR[2]		1,179.1	
Financial assets available-for-sale	FAAFS[3]		172.9	
Financial assets held for trading	FAHFT[4]		256.6	

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

Carrying amounts and fair values by measurement categories 31/12/2014 €m

Liabilities – balance sheet items	Measurement categories under IAS 39	Level	Carrying amount	Fair value
Bonds	FLAAC	2	2,118.0	2,314.3
Financial liabilities to banks and to others	FLAAC	2	1,155.7	1,213.7
Financial liabilities to banks – closed items on the balance sheet	FLAAC	2	99.5	125.3
Financial liabilities to banks – closed items on the balance sheet	FLAFVPL	2	331.5	331.5
Capital shares attributable to limited partners	IAS 32	–	2.3	–
Non-current and current financial liabilities			3,706.9	
Electricity supply commitment	–	–	180.4	–
Obligation to return an interest	FLAAC	3	104.2	134.3
Derivatives in the energy area	FLHFT	3	54.2	54.2
Trade payables	FLAAC	–	2.5	–
Deferred income for grants (emission rights)	IAS 20	–	0.0	–
Other	FLAAC	–	31.0	–
Non-current other liabilities			372.2	
Trade payables	FLAAC	–	144.2	–
Derivatives in the energy area	FLHFT	1	3.2	3.2
Derivatives in the energy area	FLHFT	2	88.5	88.5
Derivatives in the energy area	FLHFT	3	9.1	9.1
Derivatives in the finance area	FLHFT	2	47.0	47.0
Other	FLAAC	–	151.5	–
Other	–	–	73.8	–
Trade payables and current other liabilities			517.3	
Aggregated by measurement categories				
Financial liabilities at amortised cost	FLAAC[1]		3,806.5	
Financial liabilities at fair value through profit or loss	FLAFVPL[2]		331.5	
Financial liabilities held for trading	FLHFT[3]		201.9	

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

Of the derivative financial instruments in the energy area classified as FAHFT and FLHFT in the above table, positive fair values of €24.3m (31 December 2014: €41.6m) and negative fair values of €32.0m (31 December 2014: €47.1m) related to hedging relationships designated as cash flow hedges. These fair values represent gross amounts; following the inter-portfolio netting carried out in accordance with VERBUND's accounting policies, cash flow hedges can no longer be isolated.

Valuation techniques and input factors for determining fair values

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

Level 3 measurement of financial instruments: natural gas supply contract

€m

	2014	2015
Carrying amount as at 1/1/	65.4	**63.4**
Measurement gains or losses (recognised in expenses for electricity, grid, gas and certificate purchases)	– 12.2	**17.7**
Carrying amount as at 30/6/	53.3	**81.0**

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

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

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

€m

	Assumption	Change in assumption	If assumption increases, operating result changes by	If assumption decreases, operating result changes by
Forecast (oil-indexed) contract price for natural gas[2]	€35.5/MWh	± 5%	– 17.9	19.4
Forecast wholesale price for natural gas[3]	€32.6/MWh	± 5%	19.4	– 16.5
Term[4]	2026	n.a.	n.a.	n.a.
Annual take-or-pay volume[5]	3,125 GWh	n.a.	n.a.	n.a.
Customary demand charge[6]	n.a.	n.a.	n.a.	n.a.
Scenarios relating to the outcome of the anti-competitive conduct proceedings[6]	n.a.	n.a.	n.a.	n.a.

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

Level 3 measurement of financial instruments: long position: GKI

€m

	2014	2015
Carrying amount as at 1/1/	–	**17.1**
Measurement gains or losses (recognised in other financial result)	–	4.1
Carrying amount as at 30/6/	–	**21.2**

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

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

€m

	Assumption	Change in assumption	If assumption increases, financial result changes by	If assumption decreases, financial result changes by
Electricity price[2]	€68.7/MWh	± 5%	5.0	–4.6
Discount rate	5.00%	± 0.25 PP	–5.3	6.4
Volatility of the underlying asset	9.75%	± 1 PP	0.3	–0.2

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

Notes to the cash flow statement

(17) Cash flow from operating activities

Cash flow from operating activities in quarters 1–2/2015 includes variation margin payments from futures contracts in the energy area in the amount of €6.4m (quarters 1–2/2014: €2.1m).

Other note disclosures

Dividends paid

Dividends paid

	Total (€m)	Number of ordinary shares	Per share (€)
Dividend paid in 2015 for financial year 2014	100.8	347,415,686	0.29
Dividend paid in 2014 for financial year 2013[1]	347.4	347,415,686	1.00

[1] The dividend paid in the amount of €1.00 per share consists of a basic dividend of €0.55 and a special dividend of €0.45.

Purchase commitments

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

€m

	30/6/2015	of which due in 2015	of which due 2016–2020
Total commitment	**390.0**	217.9	164.3

Contingent liabilities

VERBUND's last remaining cross-border leasing transaction has an off-balance sheet financing structure. As at 30 June 2015, VERBUND's subsidiary liability for the non-redeemed portion of lease liabilities from cross-border leasing transactions amounted to €542.3m (31 December 2014: €530.3m). Of the rights of recourse against primary debtors, a total of €378.3m (31 December 2014: €375.4m) was secured through counter-guarantees from financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €226.8m (31 December 2014: €203.8m) was covered by off-balance sheet investments.

As at 30 June 2015, other liabilities included contingent liabilities of €34.0m (31 December 2014: €29.9m) in the form of guarantees issued by VERBUND for Verbundplan Birecik Baraji Isletme Ltd. Sti. (VBOC), which is not consolidated.

Pending court proceedings

VERBUND Thermal Power GmbH & Co KG in Liqu. and EconGas GmbH have entered into a long-term natural gas supply agreement. An application for redress for competition law infringements by EconGas GmbH was filed with the Higher Regional Court of Vienna on 29 May 2013 and the purchase of gas from EconGas GmbH was discontinued (see also: (16) Additional disclosures regarding financial instruments). No disclosures have been provided in respect of any contingent liabilities or provisions that may arise in relation to the competition law proceedings because it can be expected that such note disclosures would seriously compromise VERBUND's position in the proceedings.

VERBUND was served a temporary injunction by the Graz West district court on 11 September 2014 (decision dated 5 September 2014) upon application by Energie Steiermark Wärme GmbH ("Wärme GmbH") as well as a request for arbitration from Wärme GmbH on 24 September 2014 by the Economic Chamber of Lower Austria. The subject of the legal dispute between VERBUND and Wärme GmbH is divergent views concerning the outage reserves for district heating deliveries by the Mellach power plant based on the existing district heating agreement. The temporary injunction essentially obligates VERBUND for the duration of its existence (i.e. for the duration of the arbitration proceedings) to have an operational outage reserve thermally ready at the Mellach site for the delivery of a maximum of 230 MW in each case during the period from 15 September to 15 May of the subsequent year. The outcome of the arbitration proceedings expected by VERBUND is taken into account when conducting impairment tests on the Mellach combined cycle gas turbine power plant.

On 19 May 2015, VERBUND was served notice of an action by EVN AG (the action was brought before the Commercial Court Vienna on 5 May 2015). The subject of this action is the shutdown of VERBUND's power plant block at the site of the joint power plant venture in Dürnrohr and the resulting higher maintenance and operating costs expected by EVN AG for the ongoing operation of its power plant block. No disclosures have been provided in respect of any contigent liabilities or provisions that may arise in relation to this action because it can be expected that such note disclosures would seriously compromise VERBUND's position in the proceedings.

Transactions with related parties

Transactions with investees accounted for using the equity method

€m

	Q1–2/2014	Q1–2/2015	Change
Income statement			
Electricity revenue	22.7	26.6	17.0%
Grid revenue	5.0	11.5	129.2%
Other revenue	–0.1	0.7	n.a.
Other operating income	0.6	0.7	19.9%
Expenses for electricity, grid, gas and certificate purchases	–14.3	–16.5	–15.6%
Fuel expenses and other usage-dependent expenses	0.0	0.0	n.a.
Other operating expenses	–0.2	–0.8	n.a.
Interest income	1.0	0.9	–12.3%
Interest expenses	0.0	0.0	–32.8%
Other financial result	1.2	1.1	–5.4%

Transactions with investees accounted for using the equity method

€m

	31/12/2014	30/6/2015	Change
Balance sheet			
Investments and other non-current receivables	23.8	22.6	–5.2%
Trade receivables and other current receivables	44.1	26.0	–41.0%
Contributions to building costs and grants	280.2	286.3	2.2%
Trade payables and other current liabilities	1.6	2.0	25.8%

The calculation of the amounts disclosed above reflects the fact that Sorgenia S.p.A. (Group) was still a related party of VERBUND as defined by IAS 24 in the previous year.

Electricity revenue with equity-accounted investees primarily came from KELAG-Kärntner Elektrizitäts-AG (€17.6m; quarters 1–2/2014: €18.3m) and OeMAG Abwicklungsstelle für Ökostrom AG (€9.0m; quarters 1–2/2014: €4.4m). Electricity revenue was offset by electricity purchases from KELAG-Kärntner Elektrizitäts-AG in the amount of €15.4m (quarters 1–2/2014: €13.0m).

Electricity revenue with companies controlled or significantly influenced by the Republic of Austria in quarters 1–2/2015 totalled €14.7m (quarters 1–2/2014: €28.9m). The electricity was purchased primarily by Bundesbeschaffungs GmbH (BBG), Autobahnen- und Schnellstraßen-Finanzierungs-AG (ASFINAG) and Telekom Austria Group. Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €0.2m in quarters 1–2/2015 (quarters 1–2/2014: €0.3m). The electricity was delivered primarily by Österreichische Bundesbahnen (ÖBB). There is a long-term natural gas supply agreement with EconGas GmbH for the Mellach combined cycle gas turbine power plant. The effect on profit or loss of the fair value measurement of the natural gas supply agreement with EconGas GmbH which is to be qualified as a free-standing derivative that is being called into question under cartel laws amounted to €–17.7m in quarters 1–2/2015 (quarters 1–2/2014: €12.2m; see (16) Additional disclosures regarding financial instruments).

The corresponding derivative financial instrument in the energy area was recognised in non-current other liabilities in the amount of €77.3m (31 December 2014: €54.3m) and in current other liabilities in the amount of €3.8m (31 December 2014: €9.1m). No disclosures have been provided in respect of any contingent liabilities or provisions that may arise in relation to the competition law proceedings because it can be expected that such note disclosures would seriously compromise VERBUND's position in the proceedings.

VERBUND's expenses for monitoring by E-Control in quarters 1–2/2015 amounted to a total of €5.4m (quarters 1–2/2014: €5.8m).

Audit and/or review

These consolidated interim financial statements of VERBUND were neither audited nor reviewed.

Events after the reporting date

There were no events requiring disclosure between the reporting date of 30 June 2015 and authorisation for publication on 28 July 2015.

Responsibility statement of the legal representatives

We confirm according to the best of our knowledge that the condensed consolidated interim financial statements of VERBUND as at 30 June 2015, prepared in accordance with the accounting standards for interim financial reports under International Financial Reporting Standards (IFRSs), give a true and fair view of the assets and liabilities, financial position and profit or loss of the Group as required under stock exchange regulations.

We also confirm that the Group interim management report of VERBUND gives a true and fair view of the assets and liabilities, financial position and profit or loss of the Group as required under stock exchange regulations with respect to the important events during the first six months of the financial year and their effects on the condensed consolidated interim financial statements of VERBUND as at 30 June 2015 as well as with respect to the principal risks and uncertainties in the remaining six months of the financial year and with respect to the related party transactions which must be disclosed.

Vienna, 28 July 2015
The Executive Board

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

Dr. Johann Sereinig
Vice-Chairman of the Executive Board

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

Dr. Peter F. Kollmann
Member of the Executive Board

Notes

EDITORIAL DETAILS

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

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

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

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

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

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

Verbund
Power for the Future