Interim Report
Quarters 1–3/2011

Verbund

Contents

Highlights

- Changing energy market environment led to impairment test of VERBUND power plants
- Operating result up 35.5%; increase of 3.1% without impairment tests, despite poor water supply
- Group result down 6.2% as a result of negative measurement effects and foreign currency losses
- Operating cash flow up 23.5%; free cash flow remains positive
- Gearing decreased from 96.8% on 31 December 2010 to 81.4%

Key figures

	Unit	**Q1–3/2011**	Q1–3/2010	Change
Revenue	€m	2,808.1	2,406.0	16.7%
Operating result	€m	847.6	625.6	35.5%
Return on sales (EBIT margin)	%	30.2	26.0	–
EBITDA	€m	821.0	795.8	3.2%
EBITDA margin	%	29.2	33.1	–
Group result	€m	313.3	334.0	–6.2%
Earnings per share	€	0.90	1.08	–16.8%
Cash flow from operating activities	€m	638.1	516.6	23.5%
Additions to property, plant and equipment	€m	375.6	408.2	–8.0%
Free cash flow	€m	32.3	58.7	–45.0%
Operational headcount		3,036	3,008	0.9%
Electricity sales volume	GWh	48,120	41,910	14.8%
Electricity sales volume before netting for external electricity trading	GWh	145,377	105,278	38.1%
Hydro coefficient		0.88	0.97	–

	Unit	**30.9.2011**	31.12.2010	Change
Balance sheet total	€m	11,681.7	11,291.0	3.5%
Equity	€m	4,830.4	4,372.4	10.5%
Equity ratio (adjusted)	%	42.7	39.9	–
Net debt	€m	3,931.0	4,233.9	–7.2%
Gearing	%	81.4	96.8	–

Report of the Executive Board

Dear Shareholders, the European energy market is undergoing fundamental change, characterised by increasing commitment to the use of renewable energies. The power plant accident in Fukushima boosted this trend even further. Germany and Switzerland will gradually phase out the use of atomic energy; the population of Italy has also spoken out against the generation of electricity from nuclear energy. Electricity generation from hydropower has increased in significance and the expansion of wind and solar power is being subsidised in Europe.

Impairment tests due to changes in the energy market environment

VERBUND generates four-fifths of its electricity from hydropower, supplemented by wind power and low-carbon gas power plants. VERBUND's hydropower plants have increased in value as a result of the developments of the European energy industry. This is confirmed by the significant commitment on the part of decision-makers to expanding renewable energies and by higher sales margins for certified electricity generation from hydropower.

In order to account for this, we tested the Danube power plant Freudenau as well as the run-of-river power plant chains Mittlere Salzach and Obere Drau for impairment. These power plants were written down by €480.9m in the course of the deregulation of the European electricity industry in 1998. The reversal of impairment losses resulting from the impairment test amounts to a total of €312.6m. At the same time, the market conditions for gas power plants in Europe deteriorated (among other things, the decoupling of oil and gas prices). Therefore, the combined cycle gas turbine power plant (CCGT) under construction in Mellach was tested for impairment as at 30 September 2011 due to the current difficult market situation for gas power plants. The write-down resulting from the impairment test amounts to a total of €110.3m.

Adjusted and unadjusted operating result improved despite weak water supply

The operating result is influenced from the effects of impairment tests described above and at €847.6m is up 35.5% over the prior year's level. Adjusted for the net positive effects from impairment tests, the operating result is €19.4m or 3.1% over the prior year's amount, despite the extraordinarily weak water supply. This can be attributed mainly to internal cost-savings, increased generation from thermal power plants and higher electricity prices on the spot market.

At 0.88, the water supply in quarters 1–3/2011 was 12% below the long-term average and 9 percentage points below the previous year's level. Overall, VERBUND's electricity generation from hydropower fell 7.9% year-on-year to 18,883 GWh. In contrast, generation from thermal power increased by 17.4% to 3,478 GWh. 95 GWh of electricity was generated from wind and sun and thus an increase of 16.0%.

Group result negatively impacted by result from equity interests

The Group result fell 6.2% in quarters 1–3/2011 year-on-year to €313.3m. This can be attributed to negative measurement effects from foreign interests accounted for using the equity method. For instance, in particular the existing natural gas supply agreement for the CCGT Pont-sur-Sambre had to be measured at fair value through profit or loss for the first time in quarter 3/2011. In addition, above all not cash-effective foreign currency measurements as a result of the further sharp depreciation of the Turkish lira against the euro impacted the result from equity interests of the Turkish joint ventures.

Capital expenditures for the expansion of renewable hydropower in Austria

We continue to be convinced that the expansion of renewable sources of energy in Europe will have an important role in the future. In order to consolidate VERBUND's position as a sustainable, future-oriented electricity provider, we will continue our investment programme in the expansion of power plants and the grid.

The expansion of capacities for the generation of electricity in Austria is progressing: On 5 October 2011, the Limberg II pumped storage power plant in Salzburg was placed into operation. The subterranean power plant will more than double the Kaprun power plant group's capacity, which will then be able to provide around 10% of the electricity needed in Austria during times of peak demand. After the "first fire" in mid-July, the CCGT in Mellach – Austria's most modern thermal power plant – is scheduled to be placed into operation at the beginning of 2012.

Restructuring on the French market

We have already made good progress in the restructuring of our operations on the French electricity market. The sale of the 46% interest in POWEO S.A. was completed in quarter 3/2011. Their sales activities could not be managed profitably on a long term basis in VERBUND's opinion due to the current regulatory system in France. Furthermore, the sale of the French renewables portfolio was completed as planned. The CCGT in Pont-sur-Sambre is currently in operation, while another plant is under construction in Toul.

Outlook on the full year

For 2011 overall, we expect an operating result of around €1bn (excluding effects from impairment tests, around €800m) and a Group result of around €380m. The calculation is based on an average water supply for the remaining year. Dividends will be oriented on a payout ratio of 45% to 50%.

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

Dr. Johann Sereinig
Vice-Chairman of the Executive Board

Dr. Ulrike Baumgartner-Gabitzer
Member of the Executive Board

Dipl.-Ing. Dr. Günther Rabensteiner
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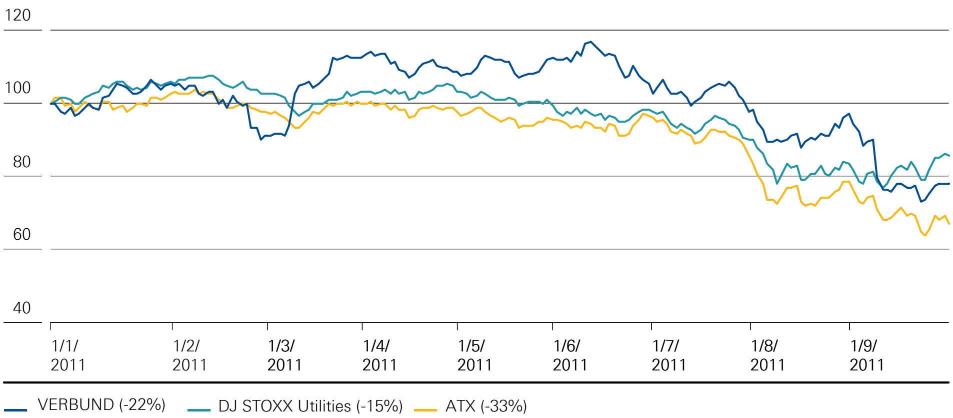
The first nine months of 2011 were characterized worldwide by volatility in the financial markets and recently by significant decreases in prices. The news, which was still predominantly positive at the beginning of the year, was overshadowed by the earthquake in Japan, worries about an economic slowdown and persistent fears regarding an expansion of the debt crisis in Europe. Therefore, there were significant price adjustments on many stock exchanges in particular in quarter 3/2011. As at 30 September 2011, the US stock index Dow Jones Industrial closed at 5.7% below the closing value at the end of 2010. The EuroStoxx 50 fell 22.0%, the Nikkei 225 lost 14.9%.

VERBUND share: Relative performance 1 January 2011 to 30 September %



Upcoming dates:
Publication of 2011 results:
29 February 2012

The VERBUND share lost considerable value in the first nine months of 2011 due to the negative market environment. The outlook on the 2012 result published for the first time in September 2011 during the Analyst Day event also had a negative impact on the VERBUND share, since the capital market had higher expectations. The VERBUND share closed at €21.7 on 30 September 2011, down 22.3% from 31 December 2010, and thus performed better than the ATX (–32.9%), but worse than the industry index DJ STOXX Utilities (–14.8%).

Shares: key figures

	Unit	Q1–3/2011	Q1–3/2010	Change
Share price high	€	32.5	32.1	1.2%
Share price low	€	20.4	24.5	– 16.9%
Closing price	€	21.7	26.3	– 17.6%
Performance	%	– 22.3	– 11.5	-
Market capitalisation	€m	7,530.2	8,105.7	– 7.1%
ATX weighting	%	4.8	5.6	-
Value of shares traded	€m	2,853.1	2,144.6	33.0%
Shares traded per day	Shares	539,690	407,441	32.5%

Consolidated Interim Management Report

Business development

Earnings analysis

Results €m

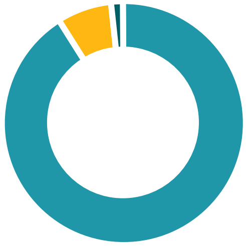
	Q1–3/2011	Q1–3/2010	Change
Revenue	2,808.1	2,406.0	16.7%
EBITDA	821.0	795.8	3.2%
Operating result	847.6	625.6	35.5%
Group result	313.3	334.0	–6.2%
Earnings per share in €	0.90	1.08	–16.8%

Revenue

Electricity revenue increased by 20.2% to €2,559.7m in quarters 1–3/2011 compared to quarters 1–3/2010. The increase can be attributed to electricity sales, in particular to international traders and resellers, which rose by a total of 14.8%. Sales volume to domestic resellers also increased. This increase can be attributed mainly to the sale of grid loss energy on the part of Austrian Power Grid AG (APG). APG has carried out the central procurement of grid loss energy for the majority of the Austrian grid operators since 1 January 2011. The higher electricity sales volume was covered by purchasing more electricity from third parties due to the decrease in electricity generated by VERBUND. Electricity generation from hydropower decreased by 1,630 GWh or 7.9%. At 0.88, the hydro coefficient of the run-of-river power plants was 12% below the long-term average and 9 percentage points below the previous year's level. Generation from annual storage power plants decreased 6.7% due to the lower storage level. In contrast, generation from thermal power increased by 516 GWh. This can be attributed on the one hand to increased generation on the part of Austrian thermal power plants (+142 GWh) and on the other hand to an increase in electricity purchased from the French Pont-sur-Sambre CCGT (+374 GWh). Since 1 March 2011, VERBUND has purchased all of the electricity from the Pont-sur-Sambre power plant, after the purchase of the remaining 60% of POWEO Production S.A.S. was completed in February 2011. The positive effect of increased sales volumes was amplified by a slight positive price variation as a result of higher spot market prices.

Grid revenue increased by 6.4% to €198.7m in quarters 1–3/2011 compared to quarters 1–3/2010. This increase can be attributed to higher domestic grid revenue, whereas proceeds from the auctioning of grid capacities and proceeds from inter-transmission system operator compensation (transit revenue) decreased.

Revenue €m



Electricity	2,559.7
Grid	198.7
Other revenue	49.6

Expense items

The expense for the purchase of electricity increased by 41.6% to €1,462.5m in quarters 1–3/2011 compared to quarters 1–3/2010. This significant increase can be attributed to an increase in electricity sales volume, which was covered by an increase in electricity purchased from third parties (+7,311 GWh). In addition, the grid loss energy purchases described above also increased the expense. Grid purchases decreased by 5.8% compared to quarters 1–3/2010.

Fuel expenses and other usage-dependent expenses fell by €5.9m to €80.2m, despite the increase in production in the thermal plants of VERBUND Thermal Power GmbH & Co KG (+142 GWh) in quarters 1–3/2011. This can be attributed to positive price variations on the part of primary energy sources and the use of provisions for onerous contracts.

Personnel expenses increased in quarters 1–3/2011 to €239.1m mainly due to increases in collective wage agreements as well as higher expenses for severance payments and old age pensions. The average number of personnel increased only slightly compared to quarters 1–3/2010.

VERBUND recorded a significant year-on-year decrease of €56.0m to €127.1m in other operating expenses. As a consequence of the deconsolidation of Energji Ashta Shpk in quarter 3/2010, expenses no longer included construction expenses related to the Albanian hydropower plant concession; however, there was also no associated other revenue from construction services. Group-wide cost-savings measures and the lack of non-recurring expenses for maintenance such as were incurred in the previous year also helped lower expenses.

Effects from the impairment tests

The CCGT under construction in Mellach was tested for impairment as at 30 September 2011 due to indications of impairment as a result of the difficult market situation for gas power plants. The write-down resulting from the impairment test amounted to a total of €110.3m. In the 1998 reporting period, write-downs were recognised on the Danube power plant Freudenau and the run-of-river power plants Mittlere Salzach and Obere Drau as a result of the deregulation of the electricity market. The energy market environment has also changed significantly for VERBUND as a consequence of the Fukushima nuclear accident and the German phase-out of atomic energy. This is reflected on the one hand in the increased commitment of relevant decision-makers to expanding renewable energy and on the other hand in the higher sales margins of certified electricity generation from domestic hydropower. In addition, VERBUND currently assumes that there is no risk of negative regulatory intervention in electricity generation from renewable energies, in particular domestic hydropower. Therefore, the Danube power plant Freudenau and the run-of-river power plants Mittlere Salzach and Obere Drau were tested for impairment as at 30 September 2011.

The reversal of impairment losses resulting from the impairment test amounted to a total of €412.3m. The concurrent further development of contributions to building costs for the Freudenau power plant reduced the reversal of impairment losses by €99.6m. The net effect on profit or loss from the reversal of impairment losses amounted to a total of €312.6m. Thus, the effect from impairment testing amounted to a total of €202.3m.

Operating result

As a result of this development, the operating result increased by 35.5% to €847.6m; the EBIT margin increased from 26.0% to 30.2%. Adjusted for impairment, the operating result increased by 3.1%.

Financial result

The result from equity interests fell by €212.5m to €–154.0m compared to the prior year. Most of the negative development came from foreign interests accounted for using the equity method.

For instance, the natural gas supply agreement between POWEO Pont-sur-Sambre Production S.A.S. and ENI S.p.A. had to be recognised for the first time at fair value through profit or loss in quarter 3/2011. The resulting effect on the result from VERBUND's interests accounted for using the equity method in quarters 1–3/2011 amounted to a total of €–75.2m.

The 50.01% equity interest in Shkodra Region Beteiligungsholding GmbH was also tested for impairment as at 30 September 2011 due to indications of impairment, resulting in a write-down of €–35.7m.

The EUR/TRY and the USD/TRY exchange rate trends resulted in exchange rate losses on the part of Enerjisa Enerji Üretim A.S. and at Enerjisa Elektrik Dagitim A.S. from the measurement of liabilities denominated in foreign currency recognised in the income statement. The resulting effect on the result from VERBUND's interests accounted for using the equity method in quarters 1–3/2011 amounted to a total of €–54.0m.

In addition, the result from interests accounted for using the equity method in the previous year included positive effects on earnings from tax benefits for investments on the part of the Italian company Sorgenia S.p.A. (Group).

Income from domestic interests accounted for using the equity method increased slightly by €0.4m, primarily reflecting the results of KELAG and SSG.

In quarters 1–3/2011, interest income increased by 16.9% to €26.9m compared to quarters 1–3/2010 mainly as a result of increased income from money market transactions.

Interest expense fell by 25.8% to €133.9m mainly due to the losses attributable to the limited partners of VERBUND Thermal Power GmbH & Co KG (as a result of the impairment of the CCGT in Mellach). The other financial result fell by €2.2m compared to quarters 1–3/2010.

Thus, the financial result decreased by a total of €164.3m to €–282.7m and the Group result decreased by 6.2% to €313.3m.

Balance sheet analysis

Consolidated balance sheet (short version) €m

	30/9/2011	Percent	31/12/2010	Percent	Change
Total assets	11,681.7	100.0%	11,291.0	100.0%	3.5%
Non-current assets	10,094.0	86.4%	9,722.2	86.1%	3.8%
Current assets	1,585.3	13.6%	1,568.7	13.9%	1.1%
Non-current assets held for sale	2.4	0.0%	0.0	0.0%	n.a.
Total liabilities	11,681.7	100.0%	11,291.0	100.0%	3.5%
Equity	4,830.4	41.3%	4,372.4	38.7%	10.5%
Non-current liabilities	5,809.6	49.7%	6,041.7	53.5%	–3.8%
Current liabilities	1,041.7	8.9%	876.8	7.8%	18.8%

Assets

The change in VERBUND's assets in quarters 1–3/2011 was mainly driven by the investment programme, reversals of impairment losses and impairment of property, plant and equipment as well as the early repayment of financial liabilities. Capital expenditures for property, plant and equipment in quarters 1–3/2011 amounted to €365.4m; a total of €112.1m of this amount can be attributed to the CCGT in Mellach and €80.1m to the pumped storage power plants Reisseck II and Limberg II. €34.6m were invested in the construction of wind power plants in Romania. In the Grid segment, APG invested €13.0m in the 380 kV Salzburg line and €9.8m in the reconstruction and expansion of the Bisamberg substation.

As at 30 September 2011, impairment was reversed at the Danube power plant Freudenau and the run-of-river power plants Mittlere Salzach and Obere Drau, while the CCGT in Mellach was written down as a result of impairment tests. This led to a total increase in property, plant and equipment in the amount of €302.0m.

The carrying amount of the equity interests accounted for using the equity method fell by 6.9% in quarters 1–3/2011. The primary reasons were foreign currency losses in the amount of €150.1m from the currency translation of the Turkish joint venture to be recognised in other comprehensive income, the sale of the French equity interests in POWEO S.A. (Group) and POWEO Production S.A.S. as well as negative contributions to results on the part of foreign interests. The latter was the result, among other things, of the fair value measurement of the natural gas supply agreement for the CCGT in Pont-sur-Sambre with a negative effect of €75.2m. In addition, an impairment in the amount of €35.7m had to be recognised on the equity interest in Shkodra Region Beteiligungsholding GmbH. Capital increases in the amount of €91.5m at Enerjisa Enerji Üretim A.S. increased the carrying amount.

Liabilities

Financial liabilities decreased by 7.0% compared to 31 December 2010 and amount to €4,179.5m as at 30 September 2011. This can be attributed in particular to the early repayment of loans. Net debt decreased by 7.2% to €3,931.0m as at 30 September 2011. Gearing as at 30 September 2011 was 81.4%. The decrease in current provisions can be attributed in particular to the decrease in provisions for outstanding purchase invoices and maintenance expenses. Trade payables and other liabilities increased significantly by €147.5m, since current liabilities from the fair value measurement of derivative financial instruments used in the energy area and liabilities to associates increased. The latter include in particular current liabilities from the cash pooling agreement existing between VERBUND and POWEO Pont-sur-Sambre Production S.A.S.

Financial position

Cash flow statement (short version) €m

	Q1–3/2011	Q1–3/2010	Change
Cash flow from operating activities	638.1	516.6	23.5%
Cash flow from investing activities	–605.9	–457.9	–32.3%
Cash flow from financing activities	–120.4	–162.8	26.1%
Change in cash and cash equivalents	–88.1	–104.1	15.4%
Cash and cash equivalents at 30/9	**400.9**	21.9	n.a.

Cash flow from operating activities

Cash flow from operating activities amounted to €638.1m and was thus 23.5% higher than in quarters 1–3/2010. The slightly lower contribution margins from generation (–10.6%) were nearly compensated by variation margins received from futures contracts used in the energy area (change in cash flow: €+76.6m). In addition, payments for taxes on income fell significantly compared to quarters 1–3/2010; the positive effect of cash flow from operating activities amounted to €89.7m.

Cash flow from investing activities

Cash flow from investing activities changed by €–148.0m in quarters 1–3/2011. This change was the result in particular of payments for capital increases on the part of interests accounted for using the equity method as well as the acquisition of interests accounted for using the equity method in the amount of €220.7m. €. There were no similarly high payments in quarters 1–3/2010. Capital expenditures for property, plant and equipment and intangible assets constituted 81.9% of the corresponding payments in quarters 1–3/2010. In addition, cash flow from investing activities in quarters 1–3/2011 includes €40.0m in payments received from interim investments. This was compensated by lower payments received from the disposal of securities in the amount of €82.6m. The sale of POWEO S.A. and POWEO Production S.A.S. resulted in payments received in the amount of €67.5m in quarters 1–3/2011.

Cash flow from financing activities

Cash flow from financing activities changed in quarters 1–3/2011 by €+42.4m and thus increased, despite €347.0m higher repayments of financial liabilities and €14.3m less in borrowings. This was balanced out by lower dividend distributions (€+203.6m). In addition, cash flow from financing activities from quarters 1–3/2011 includes payments from the sale of the equity interest in VERBUND-Innkraftwerke GmbH.

Despite the considerable investment volume in quarters 1–3/2011, free cash flow was positive at €32.3m and thus contributed around 27% towards covering the cash flow from financing activities.

Risk management

VERBUND is confronted with numerous opportunities and risks in its operations in Austria and abroad. In recent months, the operating environment for the European energy industry further deteriorated.

Volume and price risk (own generation)

The price and volume risk of own generation of electricity have a strong influence on VERBUND's operating result. Electricity generation from hydropower depends on meteorological factors that affect the supply of water from rivers and the natural flow to storage reservoirs. Fluctuations in wholesale prices for electricity also have an impact on the results.

In thermal generation, the operating result is influenced by the development of wholesale prices for electricity and purchase costs for primary sources of energy (such as coal and gas) as well as by CO_2 emission rights.

A 1.0% change in the factors presented below would have the following effect on operating result for 2011:

- Generation of more or less electricity from hydropower: +/– €3.0m
- Wholesale prices for electricity: +/– €0.6m

Equity interest risks

The business development of VERBUND's foreign and domestic equity interests once again has a significant effect on the financial result. Their results reflect, for instance, a deterioration in the situation facing the energy industry, measurement-related foreign currency effects or restructuring. The carrying amounts of equity interests are tested for impairment if there are any indications thereof. At the same time, an estimate is made regarding whether liabilities and guarantees on the part of VERBUND could apply.

Financial risks

VERBUND ensures sufficient liquidity through the necessary amount of secured reserves. High requirements with respect to the creditworthiness of business partners ensure a low default risk. A large part of VERBUND's financial liabilities bear interest at fixed rates. A 1.0% increase in interest rates would have a €1.0m negative impact on the financial result in 2011 given the current loan portfolio. A 1.0% increase in the rate for ¥ against € prevailing at the reporting date would have a negative impact of around €1.3m on the 2011 financial result.

Operating segments

Electricity

Procurement GWh

	Q1–3/2011	Q1–3/2010	Change
Hydro power[1]	18,883	20,513	–7.9%
Thermal power[1]	3,478	2,962	17.4%
Wind/solar power	95	82	16.0%
Own generation	**22,456**	**23,557**	**–4.7%**
Electricity purchased from third parties	23,852	18,353	30.0%
Electricity purchased for grid loss energy volumes	1,812	-	-
Group procurement[2]	**48,120**	**41,910**	**14.8%**

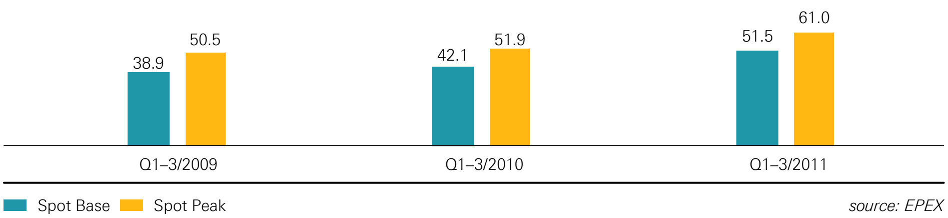
[1] incl. procurement rights
[2] quarters 1–3/2011 incl. grid loss energy APG (Grid segment) 1,812 GWh.

Electricity generation

At 22,456 GWh, VERBUND's total generation of electricity in quarters 1–3/2011 was down 4.7% compared to the same period in 2010. Generation from hydropower decreased by 7.9%. At 0.88, the hydro coefficient of the run-of-river power plants was 12.0% below the long-term average and 9 percentage points below the previous year's level. Generation from annual storage power plants also decreased noticeably – due to the lower storage levels at the beginning of the year – by 6.7% compared to the previous year. In quarters 1–3/2011, around 84% of VERBUND's own generation came from hydropower.

Generation from thermal power increased significantly by 17.4%. The main reason for this is the purchase of all the electricity from the CCGT Pont-sur-Sambre in France since March 2011. The purchase of electricity from third parties from the trading and sales business increased by 30.0%. Since the beginning of the year, the grid subsidiary APG has been tasked with the central purchase of energy to cover transmission and distribution losses for the majority of Austrian grid operators. In quarters 1–3/2011, it purchased 1,812 GWh outside the Group and sold 1,654 GWh to other grid operators.

Spot market prices for electricity €/MWh



source: EPEX

Futures prices for electricity €/MWh

source: EEX

Electricity prices

At an average of €49.9/MWh, electricity prices applicable for the 2011 financial year (forward contracts "Year Base 2011" traded in 2010) were up 1.4% over the prior year's level. As a result of its hedging strategy, VERBUND had already included the majority of its own generation in its pricing calculation in 2010 over the forward market. Therefore, the positive effects of the German phase-out of nuclear energy will first be seen in financial year 2012. Spot market prices increased in quarters 1–3/2011 by 22.3% to €51.5/MWh. Their development was driven in particular by increased prices for primary energy sources (among other things, by the crises in Northern Africa and the Middle East) as well as the shutdown of seven nuclear plants in Germany starting in the middle of March.

In quarter 3/2011, primary energy prices were somewhat lower. The price for Brent crude oil fluctuated since 1 April 2011 in a range of $103/bbl to $118/bbl; at the end of September 2011, it was $104/bbl. The price for anthracite deliveries CIF ARA (6,000 kcal/kg) showed sideways movement; at the end of the quarter it was right where it started at $122/t. Spot prices on the gas hub Net Connect Germany (NCG) in quarter 3/2011 remained constant at an average of €22.6/MWh. The price trend on the gas forward market showed volatile sideways movement. At the NCG trading point, the price for the Front Year Future for 2012 (Cal12 contract) fluctuated in a range of €26.4MWh to €30.1/MWh since July 2011; it ended quarter 3 at €27.9/MWh.

Electricity sales volume

Electricity sales volume by customer segment GWh

	Q1–3/2011	Q1–3/2010	Change
Consumers	7,292	8,554	– 14.8%
Resellers	20,009	17,506	14.3%
Traders	19,437	14,525	33.8%
Own requirements	1,382	1,325	4.3%
Group electricity sales volume[1]	**48,120**	41,910	14.8%

[1] quarters 1–3/2011 incl. grid loss energy APG (Grid segment) 1,812 GWh.

VERBUND's electricity sales volume increased 14.8% in quarters 1–3/2011 compared to the previous year. The share of business with domestic resellers increased by 13%. This is because APG has been tasked with the central purchase of energy to cover the transmission and distribution losses for the majority of grid operators since the beginning of the year; 1,538 GWh of electricity has been sold to domestic resellers. Revenue with foreign resellers also increased – by 17.3%. This was positively impacted in particular by an increase in volume supplied to German municipalities. Revenues from electricity deliveries to trading firms also increased significantly by 33.8%.

On the Austrian consumer market, VERBUND increased its sales volume by 2.1%. In Austria, VERBUND has more than 250,000 ultimate consumers in the household/agriculture and commercial segment consuming up to 100,000 kWh of electricity annually. The volumes sold in international consumer markets decreased.

Electricity sales by country GWh

	Q1–3/2011	Q1–3/2010	Change
Austria	20,610	19,009	8.4%
Germany	21,004	16,145	30.1%
France	4,373	5,011	– 12.7%
Italy	575	575	0.0%
Others	1,559	1,170	33.2%
Total[1]	**48,120**	41,910	14.8%

[1] quarters 1–3/2011 incl. grid loss energy APG (Grid segment) 1,812 GWh.

VERBUND sold 58.9% of its electricity volume in international markets – not including own consumption – in particular in the German and French electricity markets. With 76% of the volume sold abroad, the German market is the focus of VERBUND's international engagement.

Expansion of generation from hydropower

On 5 October 2011, the Limberg II pumped storage power plant in Salzburg was placed into operation after only five years of construction time.

The work on the Reisseck II project in Carinthia made noteworthy progress in quarter 3/2011. The excavation work in the power plant chamber has been completed. After it is completed, the new pumped storage power plant will expand the capacities of the existing Malta/Reisseck power plant group by 430 MW.

Renovation of the second generator set has begun in the revitalisation of the Styrian power plant Pernegg. Commissioning is planned for early 2012.

The permit proceedings for the international Inn joint venture power plant (89 MW) are underway at the courts of second instance in Switzerland and in Austria. Due to delays in the proceedings, a valid notice of approval is currently not expected until 2012. The construction decision is planned for the end of 2012.

Expansion of generation from thermal power

In the construction of the CCGT Mellach close to Graz/Styria with a capacity of 832 MW, generators 1 and 2 were ignited for the first time in July and August. Start of operation is planned for the beginning of 2012.

Expansion of generation from wind power

The construction work for the first part (100 MW) of the Casimcea wind farm in Romania are proceeding as planned. The preliminary project work for the second section (100 MW) started concurrently. Cabling in the wind farm has been successfully completed and the first systems have already been constructed. Construction of the two 30/110 kV substations began in the summer months. The transformer for the 400 kV substation will be delivered at the end of October.

Grid

The transported energy volume relevant to billing in the 220/380 kV grid (excluding pump electricity) increased by 11.4% to 14,305 GWh in quarters 1–3/2011. The increase in external revenue can be attributed in particular to increased revenue from the collective purchase of energy to cover grid losses. APG has carried out this task, which has no impact on earnings, for the majority of Austrian grid operators since 1 January 2011. The electricity volumes acquired for this purpose are presented in the table entitled "Procurement" on page 14.

Allocation of marginal capacities (auctions)

Compared to 2010, the proceeds expected from the auctioning of capacities at the critical borders decreased from around €33.0m to approximately €28.5m. This is due to the further adjustment of market prices in Europe, which reduced price discrepancies with neighbouring countries significantly.

International proceeds for transit costs

APG expects proceeds of around €11m for 2011 (2010: €15.8m) from inter-TSO compensation (ITC) to compensate costs for the international transport of electricity.

Completion of the first part of the 380 kV Salzburg line

The first section of the 380 kV Salzburg line from the St. Peter grid hub to the Salzburg substation has been operating at full capacity since 3 March 2011. The construction made it necessary to build and expand two substations as well as disassemble 64 km of 220 kV and 110 kV power lines. The approval process has been completed and the notice will be issued by the end of 2011.

Security of supply, management of bottleneck capacities

In quarter 3/2011, the security of supply in the APG control area was ensured primarily by implementing technical network measures such as influencing the load through transformers or the special sequencing of power lines. The 110 kV quadruple line in Ennstal was completed on 25 September 2011. Network operations continued safely and soundly during the entire phase of renovation. The assembly of extensive temporary lines and constantly monitoring of the load situation as well as measures implemented to manage bottleneck capacities were responsible for this.

Equity interests

Foreign

Italy

On 4 August 2011, Sorgenia S.p.A. (Group) closed the sale of solar systems (19 MW) in Italy to the British Terra Firma Group. The joint venture with the US investor KKR over the production of wind energy in France, involving 153 MW of installed capacity and 95 MW in authorised projects in development, was also concluded on 8 September 2011.

In the area of generation, work to complete the CCGT Aprilia is proceeding as planned with more than 96% of the overall project completed. The power plant was connected to the grid for the first time on 6 August 2011.

France

On 30 September 2011, the sale of VERBUND's 46% interest in POWEO S.A. to Direct Energie was closed. VERBUND and Direct Energie S.A. agreed to a sequential combination comprising a put option and a call option over 40% of the interest in VERBUND's remaining equity interest in former subsidiaries and second-tier subsidiaries of POWEO Production S.A.S. This is intended to ensure that VERBUND will definitively control in particular POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. or be able to sell them in their entirety no later than 1 July 2013.

The sale of the renewables portfolio was concluded on 22 September 2011. In order to improve the profitability of the CCGT Pont-sur-Sambre, negotiations were taken up with ENI over the gas contract. The construction of the CCGT in Toul is proceeding according to plan.

Turkey

Turkish Enerjisa Enerji Üretim A.S. (Group) had an installed capacity of 1,558 MW at its disposal at the end of quarter 3/2011. Enerjisa is currently building 14 power plants with a total capacity of 1,810 MW.

The distribution grid Baskent EDAS was renamed "Enerjisa Baskent". All equity interests in Turkey are to be united under one holding company by the end of 2011. At the end of September, the privatisation agency of the government informed that Enerjisa is now first in line for the privatisation of the AYEDAS electricity distribution region (Asian part of Istanbul).

Domestic

STEWEAG-STEG GmbH

SSG's results developed very positively in quarter 2/2011. The upward trend observable in quarter 1/2011 had continued. SSG's market and business environment suggests that its operating business will continue to develop very well in 2011.

KELAG-Kärntner Elektrizitäts-Aktiengesellschaft

KELAG's results continued to develop positively in quarter 2/2011, despite the moderate water supply. Market development in energy trading and the progress of hydropower plants in Southeastern Europe continue successfully. We expect the prior year's positive results to be maintained.

Energie Klagenfurt GmbH

EKG's results in quarter 2/2011 developed stably. The environmental impact assessment process for the 400 MW CCGT in Klagenfurt/Carinthia planned by VERBUND together with Energie Klagenfurt is making progress. After presenting the report on the fog situation and the overall appearance of the locality, the hearing at the court of second instance will take place in October 2011.

Events after the balance sheet date

Effective 17 October 2011, a capital increase was carried out at Albanian Energji Ashta Shpk. VERBUND's 50.01% share of this capital increase amounted to a total of €18.0m.

Consolidated Interim Financial Statements

Income statement

€m

In accordance with IFRSs	Notes	Q1–3/2011	Q1–3/2010	Q3/2011	Q3/2010
Revenue		**2,808.1**	2,406.0	**940.1**	823.9
Electricity revenue	1	2,559.7	2,130.3	856.9	754.3
Grid revenue		198.7	186.8	66.1	50.1
Other revenue	2	49.6	88.8	17.1	19.5
Other operating income		27.5	24.5	6.6	10.7
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	3	–1,568.3	–1,143.6	–496.1	–373.0
Fuel expenses and other usage-dependent expenses	4	–80.2	–86.1	–21.5	–37.0
Personnel expenses	5	–239.1	–221.8	–73.7	–65.1
Amortisation of intangible assets and depreciation of property, plant and equipment		–175.7	–170.0	–59.2	–57.2
Other operating expenses		–127.1	–183.1	–39.6	–59.0
Operating result before effects from impairment tests		645.3	625.8	256.6	243.3
Effects from impairment tests[1]	6	202.3	–0.3	202.3	0.0
Operating result		**847.6**	625.6	**459.0**	243.3
Result from interests accounted for using the equity method	7	–153.9	52.1	–144.8	1.0
Other result from equity interests	8	–0.1	6.4	–4.5	0.6
Interest income	9	26.9	23.0	9.5	6.2
Interest expenses	10	–133.9	–180.5	–7.2	–58.7
Other financial result	11	–21.7	–19.5	–25.1	7.5
Financial result		**–282.7**	–118.4	**–172.2**	–43.5
Profit before tax		**564.9**	507.2	**286.7**	199.8
Taxes on income		–154.1	–112.3	–84.6	–50.9
Profit for the period		**410.8**	394.9	**202.1**	148.8
Attributable to the shareholders of VERBUND AG (Group result)		313.3	334.0	137.0	123.7
Attributable to non-controlling interests		97.5	60.9	65.1	25.1
Earnings per share in €[2]	12	**0.90**	1.08	**0.39**	0.40

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

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

Statement of comprehensive income

€m

In accordance with IFRSs	Notes	Q1–3/2011	Q1–3/2010	Q3/2011	Q3/2010
Profit for the period		**410.8**	394.9	**202.1**	148.8
Other comprehensive income from					
Foreign exchange differences	13	–150.3	59.7	–48.8	–16.0
Available-for-sale financial instruments		–4.5	0.5	–0.6	0.4
Cash flow hedges		24.9	–104.9	2.2	37.4
Interests accounted for using the equity method		48.9	–8.8	–12.0	3.0
Other comprehensive income before tax		**–81.0**	–53.5	**–59.2**	24.8
Taxes on income	14	–15.1	27.1	3.4	–10.9
Other comprehensive income after tax	15	**–96.1**	–26.4	**–55.9**	14.0
Total comprehensive income for the period		**314.7**	368.5	**146.2**	162.8
Attributable to the shareholders of VERBUND AG		217.4	307.3	81.1	137.5
Attributable to non-controlling interests		97.3	61.2	65.1	25.3

Balance sheet

€m

In accordance with IFRSs	Notes	30/9/2011	31/12/2010
Non-current assets		**10,094.0**	9,722.2
Intangible assets		630.6	623.6
Property, plant and equipment		6,446.4	5,958.7
Interests accounted for using the equity method	16	2,103.2	2,261.9
Other equity interests		133.4	138.9
Investments and other receivables	17	780.4	739.1
Current assets		**1,585.3**	1,568.7
Inventories		112.9	92.3
Trade receivables and other receivables		1,071.5	987.5
Cash and cash equivalents		400.9	489.0
Non-current assets held for sale	18	**2.4**	0.0
Total assets		**11,681.7**	11,291.0

€m

In accordance with IFRSs	Notes	30/9/2011	31/12/2010
Equity		**4,830.4**	4,372.4
Attributable to the shareholders of VERBUND AG		4,246.2	4,036.0
Attributable to non-controlling interests	19	584.2	336.4
Non-current liabilities		**5,809.6**	6,041.7
Financial liabilities	20	3,865.1	4,267.4
Provisions		602.8	631.3
Deferred tax liabilities		226.6	168.3
Contributions to building costs and grants		562.6	430.2
Deferred income – cross-border leasing		55.6	56.8
Other liabilities		496.9	487.7
Current liabilities		**1,041.7**	876.8
Financial liabilities		314.4	228.8
Provisions		172.9	274.3
Current tax liabilities		82.9	49.7
Trade payables and other liabilities		471.6	324.1
Total liabilities		**11,681.7**	11,291.0

Statement of changes in equity

In accordance with IFRSs	Share capital	Capital reserves	Retained earnings
Notes			
As at 1/1/2010	308.2	10.9	2,845.1
Capital decrease	0.0	0.0	0.0
Shift between shareholder groups	–	–	19.8
Total comprehensive income for the period	–	–	334.0
Dividends	–	–	–385.3
As at 30/9/2010	308.2	10.9	2,813.6
As at 1/1/2011	**347.4**	**954.3**	**2,880.5**
Shift between shareholder groups	–	–	183.9
Total comprehensive income for the period	–	–	313.3
Dividends	–	–	–191.1
As at 30/9/2011	**347.4**	**954.3**	**3,186.6**

€m

	Difference from currency translation	Measurement of available-for-sale financial instruments	Measurement of cash flow hedges	Other components of other comprehensive income	Equity attributable to the shareholders of VERBUND AG	Equity attributable to non-controlling interests	Total equity
						19	
	–59.8	3.6	4.7	5.2	3,117.9	291.8	3,409.7
	–	–	–	–	0.0	–0.6	–0.6
	–	–	–	–	19.8	31.6	51.4
	60.5	0.9	–89.9	1.8	307.3	61.2	368.5
	–	–	–	–	–385.3	–70.1	–455.3
	0.7	4.5	–85.2	7.0	3,059.8	313.9	3,373.7
	–35.7	**4.1**	**–114.4**	**–0.2**	**4,036.0**	**336.4**	**4,372.4**
	–	–	–	–	183.9	211.1	395.0
	–150.7	–3.7	60.1	–1.6	217.4	97.3	314.7
	–	–	–	–	–191.1	–60.6	–251.7
	–186.4	**0.4**	**–54.2**	**–1.8**	**4,246.2**	**584.2**	**4,830.4**

Cash flow statement

€m

In accordance with IFRSs	Notes	Q1–3/2011	Q1–3/2010
Profit for the period		410.8	394.9
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		–126.3	170.3
Impairment losses on investments (net of reversals of impairment losses)		2.4	0.1
Result from interests accounted for using the equity method (net of dividends received)		177.9	–25.6
Result from the disposal of non-current assets		–4.6	–8.0
Change in non-current provisions and deferred tax liabilities		24.5	–22.0
Change in contributions to building costs and grants		132.3	26.2
Income from the reversal of deferred income and result from the termination of cross-border leasing transactions		–1.2	17.6
Other non-cash expenses and income		–59.7	21.1
Subtotal		**556.1**	574.6
Change in inventories		–20.6	18.0
Change in trade receivables and other receivables		19.1	42.3
Change in trade payables and other liabilities		84.9	–32.7
Change in current provisions and current tax liabilities		–1.4	–85.6
Cash flow from operating activities	21	**638.1**	516.6

€m

In accordance with IFRSs	Notes	Q1–3/2011	Q1–3/2010
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		−408.7	−498.9
Cash inflow from the disposal of intangible assets and property, plant and equipment		3.1	1.5
Cash outflow from capital expenditure for investments		−457.5	−0.3
Cash inflow from the disposal of investments		5.5	88.1
Cash outflow from capital expenditure for interests accounted for using the equity method		−220.7	−28.6
Cash inflow from the disposal of subsidiaries and interests accounted for using the equity method		67.5	5.0
Cash inflow (outflow) from the disposal of (capital expenditure for) current investments		404.9	−4.8
Cash inflow (outflow) from decreases (increases) in non-current receivables		0.0	−20.0
Cash flow from investing activities		**−605.9**	−457.9
Cash inflow from shifts between shareholder groups		395.2	50.8
Cash inflow (outflow) from money market transactions		−46.0	134.6
Cash inflow from the assumption of financial liabilities (excluding money market transactions)		185.7	200.0
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		−403.6	−57.5
Cash outflow from capital expenditure for investments under cross-border leasing transactions		0.0	−1.1
Cash inflow (outflow) from the disposal (repayment) of investments (liabilities) under cross-border leasing transactions		0.0	−34.3
Dividends paid		−251.7	−455.3
Cash flow from financing activities		**−120.4**	−162.8
Change in cash and cash equivalents		**−88.1**	−104.1
Cash and cash equivalents as at 1/1/		**489.0**	126.0
Cash and cash equivalents as at 30/9/		**400.9**	21.9

Selected explanatory notes

Financial reporting principles

Basic principles

These consolidated interim financial statements of VERBUND as at 30 September 2011 were prepared in accordance with International Financial Reporting Standards (IFRSs) applicable to interim financial statements as endorsed by the European Union.

The condensed format of VERBUND's consolidated interim financial statements is consistent with IAS 34 "Interim Financial Reporting"; for further information and disclosures please refer to the consolidated financial statements of VERBUND as at 31 December 2010, which form the basis for these consolidated interim financial statements of VERBUND.

Group of consolidated companies

Effective 1 January 2011, the 50.01% interest in Shkodra Region Beteiligungsholding GmbH was accounted for using the equity method for the first time.

Effective 22 June 2011, POWEO Production S.A.S. distributed its 100% equity interest in POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. to VERBUND as dividends in kind. The equity interest in both cases continued to be equity-accounted (see (16)).

Accounting policies

With the exception of the accounting policies described below, the same accounting policies were applied in these consolidated interim financial statements of VERBUND as in consolidated financial statements of VERBUND as at 31 December 2010.

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 rules

Newly applicable or applied IFRSs und IFRICs

Standard or Interpretation		Published by the IASB (endorsed by the EU)	Mandatory application for VERBUND	Effects on the consolidated interim financial statements of VERBUND
IAS 24	Amendments: Related Party Disclosures	4/11/2009 (19/7/2010)	1/1/2011	Focusing the disclosures on those transactions with the Republic of Austria and with companies controlled or significantly influenced by the government that are collectively but not individually significant
IFRIC 14	Amendments: Prepayments of a Minimum Funding Requirement	26/11/2009 (19/7/2010)	1/1/2011	none
Various	Improvements to IFRSs	6/5/2010 (18/2/2011)	1/1/2011	none

Segment reporting

As a consequence of the beginning of construction in quarter 1/2011 on the wind farm project in the Romanian region of Casimcea (installed capacity: 200 MW), Alpha Wind S.R.L. and CAS Regenerabile S.R.L. were reclassified effective 1 January 2011 from the Equity Interests & Services segment to the Electricity segment; previous year's figures were not adjusted.

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

€m

	Electricity	Grid	Equity Interests & Services	Elimination	Total Group
Q1–3/2011					
External revenue	2,494.5	300.3	13.3	–	2,808.1
Internal revenue	84.3	41.2	74.6	–200.1	0.0
Total revenue	2,578.8	341.5	87.9	–200.1	2,808.1
Operating result	**818.1**	**42.9**	**–13.1**	**–0.3**	**847.6**
Depreciation and amortisation	–124.1	–45.7	–6.8	0.8	–175.7
Effects from impairment tests[1]	202.3	0.0	0.0	0.0	202.3
Other material non-cash items	–2.2	5.5	–0.2	–0.4	2.6
Result from equity interests	–	–	–154.0	0.0	–154.0
of which result from interests accounted for using the equity method	–	–	–153.9	0.0	–153.9
Capital employed	**5,351.3**	**919.7**	**6,557.8**	**–3,753.4**	**9,075.4**
of which carrying amount of interests accounted for using the equity method	2.2	1.3	2,099.8	0.0	2,103.2
Additions to intangible assets and property, plant and equipment	306.9	60.0	8.6	0.0	375.6
Additions to equity interests	0.0	0.0	223.0	0.0	223.0

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

	Electricity	Grid	Equity Interests & Services	Elimination	Total Group
					€m
Q1–3/2010					
External revenue	2,158.8	191.4	55.7	–	2,406.0
Internal revenue	99.2	49.4	64.1	–212.7	0.0
Total revenue	2,258.0	240.8	119.8	–212.7	2,406.0
Operating result	**605.4**	**38.7**	**–17.7**	**–0.8**	**625.6**
Depreciation and amortisation	–122.3	–41.8	–6.6	0.7	–170.0
Impairment losses	–0.1	0.0	–0.1	0.0	–0.3
Other material non-cash items	–57.5	5.4	1.9	–0.2	–50.5
Result from equity interests	–	–	58.6	0.0	58.6
of which result from interests accounted for using the equity method	–	–	52.1	0.0	52.1
Capital employed	**4,670.4**	**854.1**	**6,184.6**	**–3,867.0**	**7,842.1**
of which carrying amount of interests accounted for using the equity method	2.2	1.3	2,282.3	0.0	2,285.7
Additions to intangible assets and property, plant and equipment	330.0	71.1	33.4	0.0	434.5
Additions to equity interests	0.0	0.0	33.7	0.0	33.8

Notes to the income statement

(1) Electricity revenue

Electricity revenue by customer areas €m

	Q1–3/2011 Domestic	Q1–3/2010 Domestic	Change	**Q1–3/2011 Foreign**	Q1–3/2010 Foreign	Change
Electricity deliveries to consumers	386.6	380.2	1.7%	149.4	174.0	–14.1%
Electricity deliveries to resellers	652.9	540.7	20.8%	355.1	304.2	16.8%
Electricity deliveries to traders	23.3	29.5	–21.0%	992.5	701.8	41.4%
Total electricity revenue	**1,062.7**	950.4	11.8%	**1,497.0**	1,179.9	26.9%

(2) Other revenue

As a consequence of the deconsolidation of Energji Ashta Shpk effective 27 August 2010, other revenue in quarters 1–3/2011 did not include any more revenue from construction services related to the Albanian hydropower plant concession recognised in accordance with IFRIC 12 (quarters 1–3/2010: €42.2m). The corresponding construction expenses were mainly included in other operating expenses in the comparison period.

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

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

	Q1–3/2011	Q1–3/2010	Change
Expenses for electricity purchases	1,462.5	1,032.9	41.6%
Expenses for grid purchases (system use)	101.4	107.6	–5.8%
Expenses for gas purchases[1]	–0.1	–0.1	–42.9%
Purchases of emission rights (trade)	4.4	3.1	42.8%
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	**1,568.3**	1,143.6	37.1%

[1] The negative expenses for gas purchases mainly result from the measurement of freestanding derivatives in the energy area. These are related to the purchases of gas for the combined cycle gas turbine power plant under construction in Mellach.

(4) Fuel expenses and other usage-dependent expenses

Fuel expenses and other usage-dependent expenses €m

	Q1–3/2011	Q1–3/2010	Change
Fuel expenses	69.0	71.9	–4.1%
Emission rights acquired in exchange for consideration	6.5	9.4	–31.0%
Other usage-dependent expenses	4.7	4.8	–0.8%
Fuel expenses and other usage-dependent expenses	**80.2**	86.1	–6.9%

(5) Personnel expenses

Personnel expenses €m

	Q1–3/2011	Q1–3/2010	Change
Wages and salaries	169.6	161.4	5.1%
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	38.0	36.6	3.8%
Other social expenses	2.7	2.6	3.8%
Subtotal	**210.2**	200.6	4.8%
Expenses for pensions and similar obligations	22.2	17.8	24.6%
Expenses for severance payments	6.6	3.3	97.1%
Personnel expenses	**239.1**	221.8	7.8%

A total of €5.3m was paid into the pension fund in quarters 1–3/2011 (quarters 1–3/2010: €5.2m) as part of defined contribution schemes. Expected returns remain at 2.0% p.a. for pension plan assets covering defined benefit schemes.

(6) Effects from impairment tests

The combined cycle gas turbine power plant under construction in Mellach was tested for impairment as at 30 September 2011 due to indications of impairment as a result of the current difficult market situation for gas power plants. The recoverable amount of the combined cycle gas turbine power plant under construction was calculated based on the value in use. The value in use was determined using a net present value method. The impairment loss resulting from the impairment test amounted to €110.3m.

In the 1998 reporting period, impairment losses of the Danube power plant Freudenau as well as the run-of-river power plant chains Mittlere Salzach and Obere Drau were recognised due to indications of impairment as a result of the deregulation of the electricity market. The energy industrial operating environment has also changed considerably for VERBUND as a consequence of the Fukushima catastrophe and the German phase-out of atomic energy: On the one hand, change can be observed in the demand for certified hydroelectricity and an associated willingness on the part of electricity customers to pay premium prices for it. On the other hand, the regulatory environment for energy shows a stronger commitment on the part of politicians to expanding hydropower and the potential – in particular in large-scale hydropower – to increase Austria's degree of energy self-sufficiency. In VERBUND's view, there is no potential risk of regulatory intervention in the form of plant-specific fees at this time due to their negative investment incentive. In light of these indications of a reversal of impairment losses, the Danube power plant Freudenau and the run-of-river power plant chains Mittlere Salzach and Obere Drau were tested for impairment as at 30 September 2011. The recoverable amounts were each calculated based on the value in use. The values in use were determined using a net present value method. The reversal of impairment losses resulting from the impairment test amounted to €412.3m. The concurrent carrying forward of contributions to building costs for the Freudenau power plant reduced the reversal of impairment losses by €99.6m. The net effect on profit or loss from the reversal of impairment losses amounted to a total of €312.6m.

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

Result from interests accounted for using the equity method €m

	Q1–3/2011 Domestic	Q1–3/2010 Domestic	Change	**Q1–3/2011 Foreign**	Q1–3/2010 Foreign	Change
Income or expenses from interests accounted for using the equity method	44.3	43.9	1.0%	– 149.6	51.1	n.a.
Impairment losses or reversals of impairment losses	0.0	0.0	n.a.	– 48.6	– 42.8	– 13.6%
Result from interests accounted for using the equity method	**44.3**	43.9	1.0%	**– 198.2**	8.3	n.a.

The 46.01% equity interest in POWEO S.A. (Group) was classified as held for sale effective 31 March 2011. In accordance with IFRS 5, an impairment test was conducted prior to this classification. The recoverable amount was determined on the basis of fair value less (estimated as not material) costs to sell. The measurement benchmark was the quoted price of POWEO S.A. (Group) of €4.69 per share as at 31 March 2011. The resulting reversal of impairment loss amounted to €10.5m and was recognised in the result from interests accounted for using the equity method. Effective 30 September 2011, the equity interest in POWEO S.A. (Group) was sold to French Direct Energie S.A. The effects on profit or loss from the disposal of the equity interest were recognised in the other result from equity interests.

Due to indications of impairment as a result of indicative purchase offers for POWEO ENR S.A.S., the 100% equity interest in POWEO Production S.A.S. was tested for impairment as at 30 June 2011. The recoverable amount was determined using a sum-of-the-parts approach based on the fair value less cost to sell of the 100% equity interests of POWEO Production S.A.S. in its generation companies. The impairment loss resulting from the impairment test amounted to €19.2m and was recognised in the result from interests accounted for using the equity method. Effective 22 September 2011, the equity interest in POWEO Production S.A.S., which only comprised its 100% equity interest in POWEO ENR S.A.S. following the dividend in kind distributed on 22 June 2011 (see (16)), was sold to a consortium consisting of AXA Infrastructure Holding S.A.R.L., Kallista Energy Investment and Direct Energie Neoen S.A.S. The effects on profit or loss from the disposal of equity interest were recognised in the other result from equity interests.

The 50.01% equity interest in Shkodra Region Beteiligungsholding GmbH was tested for impairment as at 30 September 2011 due to indications of impairment. Shkodra Region Beteiligungsholding GmbH, a joint venture on the part of VERBUND and EVN AG, (indirectly) holds on the one hand 100% of the equity interest in Energji Ashta Shpk and on the other hand intends to develop further projects in the Albanian Region of Shkodra. Energji Ashta Shpk is currently constructing a two-stage Hydromatrix power plant on the Drin River in Northern Albania conceived within the framework of an operator model (build own operating transfer, BOOT). The decreasing expectations for Energji Ashta Shpk with respect to income from the sale of certified emission reductions (CERs) and with respect to electricity prices after the end of the 15-year fixed electricity purchase agreement with Korporata Elektroenergjetike Shqiptare (KESH) were indicative of impairment, as was the elevated discount rate as a consequence of the increased country risk. The recoverable amount of equity interest in Shkodra Region Beteiligungsholding GmbH was calculated based on the value in use. The value in use was determined using a net present value method. The impairment loss resulting from the impairment test amounted to €35.7m and was recognised in the result from interests accounted for using the equity method.

The 100% equity interest in POWEO Toul Production S.A.S. was tested for impairment as at 30 September 2011 due to indications of impairment as a result of the current difficult market situation for gas power plants. The recoverable amount of the combined cycle gas turbine power plant under construction was calculated based on fair value less costs to sell. The fair value was determined using a net present value method. The impairment loss resulting from the impairment test amounted to a total of €4.2m.

The proportional IFRSs-results from the interim financial statements of associated companies or joint ventures were influenced in particular by the following effects:

The EUR/TRY and the USD/TRY exchange rate trends resulted in foreign exchange losses on the part of Enerjisa Enerji Üretim A.S. and at Enerjisa Elektrik Dagitim A.S. from the measurement of liabilities denominated in foreign currency recognised in profit or loss. The resulting effect on the result from interests accounted for using the equity method of VERBUND in quarters 1–3/2011 amounted to a total of €–54.0m (quarters 1–3/2010: €13.4m).

POWEO Pont-sur-Sambre Production S.A.S. and ENI S.p.A. have entered into a natural gas supply agreement over a minimum of 4,900 GWh of natural gas per year until 2023. The mode of operation due to the optimisation of the combined cycle gas turbine power plant in Pont-sur-Sambre recently resulted in the resale of a material volume of gas. Such management of the natural gas supply agreement is regarded as net settlement under IFRSs; as a consequence, the exemption for own-use contracts in IAS 39 (own-use exemption) no longer applied. Thus, the natural gas supply agreement had to be recognised at fair value through profit or loss. The resulting effect on the result from interests accounted for using the equity method of VERBUND in quarters 1–3/2011 amounted to a total of €–75.2m. As at 30 September 2011, the recognition of the proportional IFRSs-results reduced the carrying amount of the equity interest in POWEO Pont-sur-Sambre Production S.A.S. to zero; therefore, proportional losses in the amount of €4.4m were no longer recognised in quarter 3/2011.

(8) Other result from equity interests

Effects on profit or loss from the disposal of equity interests in POWEO S.A. (Group) and in POWEO Production S.A.S. in the total amount of €–1.0m were recognised in the other result from equity interests in quarter 3/2011. This included reclassification adjustments to the income statement of components of other comprehensive income from interests accounted for using the equity method in the amount of €–2.5m.

(9) Interest income

Interest income €m

	Q1–3/2011	Q1–3/2010	Change
Interest from investments under closed items on the balance sheet (or cross-border leasing transactions)	18.8	20.4	–8.1%
Interest from money market transactions	4.3	0.6	n.a.
Other interest and similar income	3.9	2.0	94.6%
Interest income	**26.9**	23.0	16.9%

(10) Interest expenses

Interest expenses €m

	Q1–3/2011	Q1–3/2010	Change
Interest for bonds	79.7	80.3	–0.7%
Interest for bank loans	43.5	41.4	5.1%
Interest for financial liabilities under closed items on the balance sheet (or cross-border leasing transactions)	18.8	20.8	–9.8%
Interest for other liabilities from electricity supply commitments	34.1	33.7	1.1%
Interest for other non-current provisions	5.3	8.7	–39.3%
Profit or loss attributable to limited partners	–33.1	–2.1	n.a.
Borrowing costs capitalised in accordance with IAS 23	–21.8	–11.1	–96.5%
Other interest and similar expenses	7.5	8.8	–14.0%
Interest expenses	**133.9**	180.5	–25.8%

(11) Other financial result

Other financial result €m

	Q1–3/2011	Q1–3/2010	Change
Income from financial instruments	13.7	8.7	57.4%
Income from disposal of financial instruments	0.3	7.3	–96.0%
Impairment losses on financial instruments	0.0	–0.3	100.0%
Foreign exchange gains	1.0	0.3	n.a.
Foreign exchange losses	–8.1	–16.8	51.9%
Income from the termination of cross-border leasing transactions	0.0	–33.9	100.0%
Reversals from (+) and/or allocations to (–) provisions for interest rate differences relating to investments under cross-border leasing transactions	0.0	15.1	–100.0%
Other expenses from financial instruments	–28.6	0.0	n.a.
Other financial result	**–21.7**	–19.5	–11.3%

Upon the acquisition of 60% of the interest in POWEO Production S.A.S. in quarter 1/2011, POWEO S.A. was granted a call option that could be exercised at any time until 30 June 2013 on this same 60% interest. As a consequence of a dividend distributed in kind and the disposal of the equity interest in POWEO Production S.A.S. (see (16)), interests of 60% in former subsidiaries and second-tier subsidiaries of POWEO Production S.A.S. that remained with VERBUND now form the underlying of the call option. Furthermore, upon the disposal of the equity interest in POWEO S.A. (Group) in quarter 3/2011, VERBUND and Direct Energie S.A. agreed to a sequential combination of a put option and a call option over 40% of the equity interests in former subsidiaries and second-tier subsidiaries of POWEO Production S.A.S. that remained with VERBUND. This is intended to ensure that in particular POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. will be definitively controlled by VERBUND no later than 1 July 2013 or can be entirely disposed (including all financing and guarantees currently provided by VERBUND).

The overall short position resulting from these temporarily interdependent options was to be recognised as a free-standing derivative at fair value through profit or loss in accordance with IAS 39. The short position was measured using a binomial tree approach; the resulting effect on profit or loss was recognised as other expense from financial instruments.

(12) Earnings per share

The calculation of earnings per share in quarters 1–3/2011 was based on 347,415,686 shares (quarters 1–3/2010: 308,200,000 shares).

Notes to the statement of comprehensive income

(13) Foreign exchange differences

The ECB euro reference exchange rate for the Turkish lira (TRY) as at 30 September 2011 was TRY 2.5100 (31 December 2010: TRY 2.0694). The EUR/TRY exchange rate trend in quarters 1–3/2011 led to losses in the amount of €150.1m from the currency translation of the Turkish joint ventures accounted for using the equity method. These translation losses were recognised without effect on profit or loss in other comprehensive income.

(14) Taxes on other comprehensive income

Of the income taxes on other comprehensive income, a total of €1.1m (quarters 1–3/2010: €–0.1m) can be attributed to the measurement of available-for-sale financial instruments, €–6.2m (quarters 1–3/2010: €26.3m) to the measurement of cash flow hedges and €–10.0m (quarters 1–3/2010: €0.9m) to other comprehensive income from interests accounted for using the equity method.

(15) Other comprehensive income after tax

Of other comprehensive income after tax, €–0.2m (quarters 1–3/2010: €0.3m) can be attributed to non-controlling interests.

Notes to the balance sheet

(16) Interests accounted for using the equity method

Effective 21 February 2011, a 60% equity interest in French POWEO Production S.A.S. was acquired for €120.0m. As a result, VERBUND held 100% of the equity interest in POWEO Production S.A.S. However, for the 60% interest acquired in quarter 1/2011, there were potential voting rights on the part of POWEO S.A. as mentioned under IAS 27 in the form of a call option exercisable any time until 30 June 2013 (see (11)). Consequently, VERBUND did not achieve control within the meaning of IFRSs; thus, POWEO Production S.A.S. continued to be an equity-accounted associate of VERBUND. Effective 22 June 2011, POWEO Production S.A.S. distributed its 100% equity interest in POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. to VERBUND as a dividend in kind; they are accounted for using the equity method, since they (inter alia) are to be regarded as the new underlying for the call option described under (11). In addition, the dividend distributed in kind also included the 100% equity interest in POWEO Blaringhem Production S.A.R.L. as well as a receivable from this investee (now recognised under other equity interests for lack of materiality). Since IFRIC 17 was not applicable to the dividend distributed in kind because the ownership structure remained unchanged, the equity-accounted carrying amount was carried over – similar to a transaction under common control within the Group. The carrying amount of the equity interest in POWEO Production S.A.S. was allocated to the distributed assets in proportion to the fair value (less cost to sell) after adjustment for the impairment described under (7). The equity interest in POWEO Production S.A.S. was sold effective 22 September 2011 (see (7) and (8)).

Turkish Enerjisa Enerji Üretim A.S. carried out capital increases in quarters 1–3/2011. VERBUND's 50% share in these capital increases amounted to €91.5m.

In quarters 1–3/2011, VERBUND acquired shares of Italian Sorgenia S.p.A. (Group) for €6.8m. The acquisition of interests resulted from capital increases and the exercise of put options on shares that have been issued within the scope of a share-based remuneration programme for members of the management of Sorgenia S.p.A. (Group). As a result, VERBUND's ownership interest in Sorgenia S.p.A. (Group) increased slightly to 44.9%.

(17) Investments and other receivables

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

The partially terminated transactions may have been cancelled early, but the B-loans and the related investments were continued by VERBUND. With the exception of one transaction, cover continues to be provided on the balance sheet for these transactions.

Investments and other non-current receivables €m

	30/9/2011	31/12/2010	Change
Investments – closed items on the balance sheet	251.2	253.5	–0.9%
Interest rate swaps – closed items on the balance sheet	116.0	79.3	46.4%
Other investments and other receivables	413.1	406.3	1.7%
Total	**780.4**	739.1	5.6%

Current receivables include other loans under closed items on the balance sheet in the amount of €0.1m (31 December 2010: €0.0m).

(18) Non-current assets held for sale

As part of the sale of POWEO Production S.A.S., POWEO Outre-mer Solaire S.A.S. (Group), a 50.1% second-tier subsidiary of POWEO Production S.A.S., remained with VERBUND. As at 30 September 2011, the equity interest continues to be classified as held for sale. The sale is to be carried out as promptly as possible in the form of a share deal. POWEO Outre-mer Solaire S.A.S. (Group) is active in the area of project development and in the operation of solar parks and rooftop photovoltaic systems in French overseas territories. This equity interest will temporarily remain with VERBUND merely as an interim step for the best possible dispose of the renewable energies projects on the part of POWEO Production S.A.S. The decision to sell these projects was made in particular based on VERBUND's strategic focus.

(19) Equity attributable to non-controlling interests

In quarters 1–3/2011, VERBUND sold just under 26.3% of its interest in VERBUND-Innkraftwerke GmbH in multiple tranches. Effective 25 February 2011, Innkraft Bayern GmbH & Co KG acquired 0.27% of the interest; evn naturkraft Beteiligungs- und Betriebs-GmbH and WIEN ENERGIE GmbH each acquired 13.0% of the interest effective 4 July 2011.

(20) Financial liabilities

Non-current financial liabilities €m

	30/9/2011	31/12/2010	Change
Financial liabilities – closed items on the balance sheet	366.8	332.4	10.4%
Other financial liabilities	3,498.3	3,935.1	–11.1%
Total	**3,865.1**	4,267.4	–9.4%

Current financial liabilities include financial liabilities under closed items on the balance sheet in the amount of €0.5m (31 December 2010: €0.3m).

Notes to the cash flow statement

(21) Cash flow from operating activities

Cash flow from operating activities in quarters 1–3/2011 includes variation margin payments from futures contracts in the energy area totalling €35.6m (quarters 1–3/2010: €–41.0m).

Other note disclosures

Dividends paid

Dividends paid	Total (€m)	Number of ordinary shares	Per share (€)
Dividend paid in 2011 for the financial year 2010	191.1	347,415,686	0.55
Dividend paid in 2010 for the financial year 2009[1]	385.3	308,200,000	1.25

[1] The paid dividend of €1.25 per share is made up of a basis dividend of €1.00 and a special dividend of €0.25.

Purchase commitments

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

	30/9/2011	of which payable in 2011	of which payable 2012-2017
Total commitment	740.2	412.1	326.8

Outstanding contribution commitments

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

As at 30 September 2011, there is a total of €68.5m in outstanding contribution commitments to investees. These relate to the Turkish joint venture Enerjisa Enerji Üretim A.S. and are payable entirely in 2011.

Contingent liabilities

VERBUND's last remaining cross-border leasing transaction has an off-balance sheet financing structure. As at 30 September 2011, VERBUND's subsidiary liability for the non-redeemed portion of leasing liabilities from cross-border leasing transactions amounts to €501.9m (31 December 2010: €524.8m). Of the rights of recourse against the primary debtors, a total of €386.0m (31 December 2010: €412.6m) is secured through counter-guarantees on the part of financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €163.5m (31 December 2010: €159.1m) are covered by off-balance sheet investments.

As at 30 September 2011, there were other contingent liabilities in the amount of €28.0m (31 December 2010: €26.3m) in the form of guarantees issued by VERBUND for non-consolidated Verbundplan Birecik Baraji Isletme Ltd. Sti. (VBOC).

Other commitments

In quarter 2/2011, an agreement was reached with the Free State of Bavaria to convert the existing reversion rights to the run-of-river power plants Wasserburg, Teufelsbrück and Gars into contingent reversion rights – only for the event that VERBUND permanently ceases to operate the power plants or permanently shuts them down. In exchange, VERBUND undertakes to implement certain water management measures and environmental and infrastructure measures on the Bavarian Inn River by 2021.

Transactions with related parties

Transactions with investees accounted for using the equity method m€

	Q1–3/2011	Q1–3/2010	Change
Income statement			
Electricity revenue	384.6	352.2	9.2%
Grid revenue	38.6	37.6	2.7%
Other revenue	7.2	12.1	–40.3%
Other operating income	1.3	5.0	–73.1%
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	–225.8	–175.9	–28.3%
Other operating expenses	–2.3	–3.7	39.0%
Interest expenses	–0.2	0.0	n.a.
Interest income	10.2	6.3	61.9%
Other financial result	–26.4	0.0	n.a.

	30/9/2011	31/12/2010	Change
Balance sheet			
Investments and other non-current receivables	267.7	226.6	18.1%
Trade receivables and other current receivables	224.2	157.7	42.2%
Trade payables and other current liabilities	81.9	21.6	n.a.

In quarters 1–3/2011, revenue with POWEO S.A. (Group) – which continues to comprise all those production companies controlled by POWEO S.A. due to the potential voting rights of the call option described under (11) in accordance with IAS 27 – totalled €68.1m (quarters 1–3/2010: €47.5m). Electricity purchases from POWEO S.A. (Group) totalled €111.1m in quarters 1–3/2011 (quarters 1–3/2010: €68.0m). Interest income from POWEO S.A. (Group) totalled €5.6m in quarters 1–3/2011 (quarters 1–3/2010: €5.4m). The other financial result can be attributed to the measurement through profit or loss of VERBUND's short position vis-à-vis POWEO S.A. described under (11) by 30 September 2011.

The equity interest in POWEO Production S.A.S. was sold effective 22 September 2011, whereas the equity interest in POWEO S.A. (Group) was sold effective 30 September 2011. Therefore, as at 30 September 2011, these two French companies no longer qualified as related parties for VERBUND as defined under IAS 24. As at 30 September 2011, there were receivables from POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. totalling €268.4m (31 December 2010: €187.8m), €180.6m of which non-current (31 December 2010: €172.8m). Receivables from other POWEO S.A. Group companies as at 31 December 2010 amounted to a total of €25.3m, all of which current. As at 30 September 2011, there were payables to POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. totalling €67.4m (31 December 2010: €5.1m), all of which current. As at 31 December 2010, there were no liabilities to other POWEO S.A. Group companies.

As a consequence of the acquisition of 100% interests in the former subsidiaries of POWEO Production S.A.S. (see (16)), electricity purchases from the existing off-take agreement with POWEO Pont-sur-Sambre Production S.A.S. increased by an additional 60%. VERBUND will purchase all of the electricity generated in the combined cycle gas turbine power plant in Pont-sur-Sambre until the options described under (11) are exercised.

In quarter 1/2011, VERBUND provided a financial guarantee for the pro rata construction financing of the combined cycle gas turbine power plant in Toul by the European Investment Bank (EIB). This was recognised under receivables at the present value of the guarantee payments to be made by POWEO Toul Production S.A.S.; this receivable has to be seen alongside a guarantee liability in the same amount recognised under other financial liabilities. Collateral in the form of a mortgage on the combined cycle gas turbine power plant (currently under construction) was agreed in connection with the financial guarantee.

In order to secure the completion of the solar park and rooftop photovoltaic system projects of POWEO Outre-mer Solaire S.A.S., VERBUND provided various guarantees in quarter 3/2011.

In order to secure construction financing of a hydropower plant project on the part of Turkish Enerjisa Enerji Üretim A.S. in Arkun, VERBUND provided a letter of comfort in quarter 1/2011 for 50% of the project volume.

Electricity deliveries to companies controlled or significantly influenced by the Republic of Austria amounted to a total of €74.1m in quarters 1–3/2011 (quarters 1–3/2010: €61.0m). The primary buyers of these electricity deliveries were ÖBB, OMV and Telekom Austria. Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €30.9m in quarters 1–3/2011 (quarters 1–3/2010: €22.0m). The primary supplier of this electricity were the ÖBB.

VERBUND's expenses for monitoring by Energie-Control Austria in quarters 1–3/2011 amounted to a total of €7.8m (quarters 1–3/2010: €7.4m).

In quarters 1–3/2011, Hereschwerke Regeltechnik GmbH, a wholly owned subsidiary of Hereschwerke GmbH, rendered various installation services in the amount of €0.8m for VERBUND. The Chairman of VERBUND's Supervisory Board, Dr. Gilbert Frizberg, is the CEO of Hereschwerke GmbH.

Audit or review

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

Events after the balance sheet date

Effective 17 October 2011, a capital increase was carried out at Albanian Energji Ashta Shpk. VERBUND's 50.01% share of this capital increase amounted to a total of €18.0m.

Responsibility Statement of the Legal Representatives

We confirm according to the best of our knowledge that the condensed consolidated interim financial statements of VERBUND as at 30 September 2011 prepared in accordance with the accounting rules for interim financial reports under International Financial Reporting Standards (IFRSs) give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.

We also confirm that the consolidated interim management report of VERBUND gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group with respect to the important events during the first nine months of the financial year and their effects on the condensed consolidated interim financial statements as at 30 September 2011 and with respect to the principle risks and uncertainties in the remaining three months of the financial year.

Vienna, 25 October 2011

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Chairman of the Executive Board

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Vice-Chairman of the Executive Board

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EDITORIAL DETAILS

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