Interim Report
Quarters 1–2/2011

Verbund

Contents

Highlights

- Operating result up 1.7% despite extraordinarily poor water supply in quarter 2/2011
- Group result down 16.2% due to negative result from equity interests as a result of effects related to the measurement of foreign currencies
- Operating cash flow up 16.8%
- Free cash flow positive despite the significant investment volume

Key figures

	Unit	Q1–2/2011	Q1–2/2010	Change
Revenue	€m	1,867.9	1,582.0	18.1%
Operating result	€m	388.7	382.3	1.7%
Return on sales (EBIT margin)	%	20.8	24.2	–
EBITDA	€m	505.1	495.4	2.0%
EBITDA-Margin	%	27.0	31.3	–
Group result	€m	176.3	210.3	– 16.2%
Earnings per share	€	0.51	0.68	– 25.6%
Cash flow from operating activities	€m	491.7	420.9	16.8%
Additions to property, plant and equipment	€m	219.4	236.9	– 7.4%
Free cash flow	€m	63.3	151.1	– 58.1%
Number of employees		2,983	2,975	0.3%
Electricity output[1]	GWh	30,480	26,779	13.8%
Electricity sales before netting for external electricity trading[1]	GWh	93,940	70,208	33.8%
Hydro coefficient		0.86	0.92	–

	Unit	30/6/2011	31/12/2010	Change
Balance sheet total	€m	10,979.9	11,291.0	– 2.8%
Equity	€m	4,292.9	4,372.4	– 1.8%
Equity ratio (adjusted)	%	40.2	39.9	–
Net debt	€m	4,439.9	4,233.9	4.9%
Gearing	%	103.4	96.8	–

[1]Electricity sales excluding the sale of grid loss energy volumes by Austrian Power Grid AG in quarters 1–2/2011 of 1,156 GWh

Report of the Executive Board

Dear Shareholders, the first major industrial nation is phasing out electricity generation with nuclear energy. The German Bundestag resolved in June 2011 to shut down all nuclear power plants by 2022, whereby the share of renewable energies in electricity generation is to be drastically increased. Germany's abandonment of nuclear power is an important signal with far-reaching consequences for the international electricity industry. And this encourages us to expand VERBUND's position as a hydropower company. We were able to make a valuable contribution to the quick expansion of the new renewable energy in Europe with our storage power plants and pumped storage power plants, since pumped storage power plants are ecologically and economically the most efficient technology for the interim storage and demand-oriented balance of volatile wind and solar energies, which are heavily dependent on weather conditions. We are also focusing on hydropower in the international markets, supplemented by wind power and low CO_2 combined cycle gas turbine (CCGT) power plants as a bridging technology. VERBUND generates more than four-fifths of its electricity from hydropower. Therefore, the supply of water from rivers is crucial for the generation of electricity. In the first half of 2011, we experienced one of the weakest water supplies in the history of our company.

Results negatively impacted by weak water supply and foreign currency effects

Revenue increased by 18.1% to €1,867.9m. The operating result increased by 1.7% to €388.7m and the Group result decreased by 16.2% to €176.3m. The weakest water supply from rivers that has in the VERBUND history never been as poor as in quarter 2/2011 had a particularly negative impact on the result. In addition, non-cash-related foreign exchange losses from the measurement of liabilities on the part of the Turkish joint venture denominated in foreign currency impacted the result from equity interests. At 0.86, the hydro coefficient in the first half of 2011 was 14% below the long-term average and 6 percentage points below the previous year's level. Therefore, the run-of-river power plants generated less electricity. Generation from storage power plants was also below the previous year's level. VERBUND's own generation from hydropower fell by 6.0% year-on-year to 11,752 GWh. In contrast, generation from thermal power rose 34.1% year-on-year to 2,454 GWh. This was due to the increased utilisation of thermal power plants in Austria as a result of a more favourable production environment as well as the purchase of all electricity from the French power plant Pont-sur-Sambre since 1 March 2011. Overall, VERBUND's own generation decreased by slightly less than 1%. European wholesale prices rose following the nuclear crisis in Japan and the German moratorium on nuclear power. VERBUND sells the majority of its annual own generation one year in advance as part of its hedging strategy. Thus, the development of wholesale prices is not directly reflected in the 2011 half-year result, but rather in the 2012 results.

Course set for hydropower, capital structure strengthened and electricity business expanded

VERBUND is consistently expanding its position as the top hydropower company. The pumped storage power plant Limberg II/Salzburg, which will open in October 2011, is one example. The plant will more than double the capacity at the Kaprun power plant site. At the beginning of July 2011, we completed the sale of shares of the Bavarian power plants on the Inn River, which had already been announced at the time of the acquisition. The Austrian energy providers WIEN ENERGIE GmbH and EVN AG together now hold a 26% interest. VERBUND's original acquisition price plus a reasonable interest rate was agreed as the purchase price. Innkraft Bayern GmbH & Co. KG continues to hold 3.73%. Following the capital increase in the previous year, this is an additional measure to strengthen our capital structure. We were also able to expand our leading position in European electricity trading with two major contracts: EVN AG, WIEN ENERGIE GmbH and ENERGIEALLIANZ Austria GmbH will receive up to a total of 8.5 TWh of electricity from hydropower in 2014 and 2015. The Volkswagen Group, which operates worldwide, also decided on hydropower from VERBUND. We will provide VW Kraftwerk GmbH with electricity until 2020.

Gradual pullout from the French market

In July we signed agreements to sell our French renewables portfolio. The closing is expected in the second half of 2011. The situation in Italy reflects the challenging situation for gas power plant operators in Europe. We continue to hold the present course of expansion in the attractive Turkish market; at least nine additional hydropower plants will be placed into operation in the next few years.

Outlook on the full year

Assuming an average supply of water in the second half of 2011, we expect our operating result as well as the Group result for 2011 to remain at nearly the same level as in the previous 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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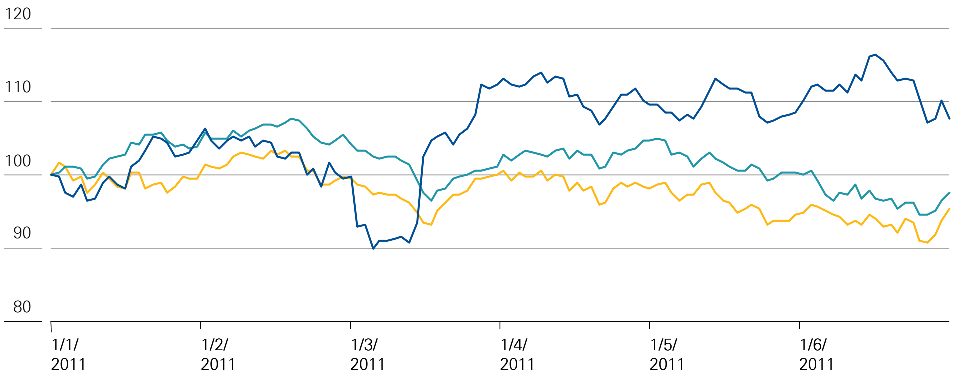
The stock market trend in the first half of 2011 was driven by volatility. Positive news such as increasingly strong economic development alternated with negative headlines such as the euro debt crisis or the massive earthquake in Japan. As at 30 June 2011, the US stock index Dow Jones Industrial closed at 7.2% over the closing value at the end of 2010. The EuroStoxx 50 increased by 2.0%, the Nikkei 225 lost 4.0%.

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



Upcoming dates:
Interim Report
Quarters 1–3/2011:
27 October 2011

The VERBUND share performed positively in the first half of 2011. Germany's decision to phase out nuclear energy as a result of the nuclear crisis in Japan led to a significant increase in wholesale prices for electricity and consequently to an increase in the price of the VERBUND share. The VERBUND share closed at €30.0 on 30 June 2011, up 7.6% over 31 December 2010, and thus performed considerably better than the ATX (–4.7%) and the industry index DJ STOXX Utilities (–2.5%).

Shares: key figures

	Unit	Q1–2/2011	Q1–2/2010	Change
Share price high	€	32.5	32.1	1.2%
Share price low	€	25.0	24.5	2.0%
Closing price	€	30.0	25.2	19.0%
Performance	%	7.6	– 15.3	-
Market capitalisation	€m	10,422.5	7,754.3	34.4%
ATX weighting	%	5.0	5.9	-
Value of shares traded	€m	1,956.3	1,665.5	17.5%
Shares traded per day	Shares	538,274	482,318	11.6%

Group Interim Management Report

Business development

Earnings analysis

Results €m

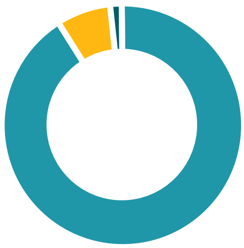
	Q1–2/2011	Q1–2/2010	Change
Revenue	1,867.9	1,582.0	18.1%
EBITDA	505.1	495.4	2.0%
Operating result	388.7	382.3	1.7%
Group result	176.3	210.3	– 16.2%
Earnings per share in €	0.51	0.68	– 25.6%

Revenue

Electricity revenue increased in quarters 1–2/2011 compared to quarters 1–2/2010 by 23.7% to €1,702.8m. The increase can be attributed to the 13.8% increase in electricity sales (in particular to international traders and resellers), which was covered by purchasing more electricity due to the nearly unchanged own generation. Generation from hydropower decreased by 744 GWh or 6.0%. At 0.86, the hydro coefficient of the run-of-river power plants was 14% below the long-term average and 6 percentage points below the previous year's level. Generation from annual storage power plants decreased 7.7% due to the lower storage level at the beginning of the year. In contrast, generation from thermal power could be increased. The increase in generation of 624 GWh can be attributed on the one hand to domestic power plants (+401 GWh) and on the other hand to an increase in electricity purchased from the French Pont-sur-Sambre CCGT (+223 GWh). Since 1 March 2011, VERBUND has been purchasing all of the electricity from the Pont-sur-Sambre power plant as a result of the purchase of the remaining 60% interest in POWEO Production S.A.S. in February 2011. The positive effect from the increased sales volume was further reinforced by an overall slight price increase as a result of higher spot market prices. In addition, the sale of grid loss energy – Austrian Power Grid AG has carried out the central purchase of grid loss energy for the majority of Austrian network operators since 1 January 2011 – contributed €66.0m to the increase in revenue.

Grid revenue fell in quarters 1–2/2011 compared to quarters 1–2/2010 by 3.0% to €132.6m. The decrease can be mainly attributed to decreasing revenues from the auctioning of grid capacities as well as to lower inter-transmission system operator compensation (transit revenue). Higher national grid revenue only partially compensated these decreases.

Revenue €m



Electricity	1,702.8
Grid	132.6
Other revenue	32.5

Expense items

The expense for the purchase of electricity increased in quarters 1–2/2011 compared to quarters 1–2/2010 by 44.5% to €1,006.9m. This significant increase can be attributed to an increase in electricity sales (+3,702 GWh), which had to be covered by an increase in purchase of electricity from third parties (+3,815 GWh). In addition, the purchase of grid loss energy described above also increased expenses. Grid purchases decreased by 7.6% compared to quarters 1–2/2010.

The increase in production in the thermal plants of VERBUND Thermal Power GmbH & Co KG (+401 GWh) led to the use of more fuel and a €9.5m increase in other usage-dependent expenses to €58.7m.

Personnel expenses increased in quarters 1–2/2011 compared to the same period in the previous year to €165.4m mainly due to increases in collective wage agreements. The average number of personnel remained nearly the same as in quarters 1–2/2010.

We were able to record a considerable €36.5m decrease in other operating expenses to €87.6m in this period compared to the same period in the previous year. The reasons for this were Group-wide cost-saving measures and the lack of non-recurring expenses for maintenance such as were incurred in the previous year. 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.

Operating result

As a consequence of these developments, the operating result increased slightly by 1.7% to €388.7m. However, since revenue increased significantly more (+18.1%) as a result of the expansion of wholesale operations, the EBIT margin decreased overall from 24.2% to 20.8%.

Financial result

The result from equity interests fell by €61.6m to €–4.6m compared to the previous year. The negative development can be attributed in particular to foreign interests accounted for using the equity method. Foreign exchange losses from the measurement of liabilities denominated in foreign currency on the part of the Turkish joint venture, the lack of positive effects on earnings from tax benefits for investments at the Italian company Sorgenia Holding S.p.A. (Group) and the difficult market situation as well as restructuring at the French company POWEO S.A. (Group) and its subsidiaries resulted in a €65.9m decrease in the contribution to the result of foreign equity interests. The negative effects on earnings on the part of the foreign interests were not fully compensated by the €5.6m increase in income on the part of domestic interests accounted for using the equity method.

In quarters 1–2/2011, interest income increased by 3.4% to €17.4m compared to quarters 1–2/2010 mainly as a result of increased income from money market transactions. In contrast, interest expenses increased by 4.1% as a result of the increase in profits attributable to the limited partners of VERBUND Thermal Power GmbH & Co KG and higher interest rates for loans bearing variable interest.

The other financial result increased by €30.4m compared to quarters 1–2/2010. This change can be attributed in particular to the effects on earnings from the measurement of a bond denominated in ¥ and the lack of net negative effects on earnings from the early termination of cross-border leasing transactions.

Thus, the financial result decreased by a total of €35.6m to €–110.5m and the Group result decreased by 16.2% to €176.3m.

Balance sheet analysis

Consolidated balance sheet (short version) €m

	30/6/2011	Percent	31/12/2010	Percent	Change
Total assets	**10,979.9**	**100.0%**	11,291.0	100.0%	–2.8%
Non-current assets	9,917.9	90.3%	9,722.2	86.1%	2.0%
Current assets	979.0	8.9%	1,568.7	13.9%	–37.6%
Non-current assets held for sale	83.0	0.8%	0.0	0.0%	n.a.
Total liabilities	**10,979.9**	**100.0%**	11,291.0	100.0%	–2.8%
Equity	4,292.9	39.1%	4,372.4	38.7%	–1.8%
Non-current liabilities	5,856.3	53.3%	6,041.7	53.5%	–3.1%
Current liabilities	830.7	7.6%	876.8	7.8%	–5.3%

Assets

The development of assets in quarters 1–2/2011 was driven mainly by VERBUND's investment programme and by the early repayment of financial liabilities. Capital expenditure for property, plant and equipment amounted to €219.4m in quarters 1–2/2011. A total of €54.7m of this amount can be attributed to the Reisseck II and Limberg II pumped storage power plants and €69.5m to the Mellach CCGT. In the Grid segment, €8.0m was invested in the reconstruction and expansion of the Bisamberg substation and €6.0m in the 380-kV Salzburg line. Interests accounted for using the equity method increased in quarters 1–2/2011 in particular as a result of the acquisition of an additional 60% interest in POWEO Production S.A.S. for €120.0m and as a result of capital increases on the part of Enerjisa

Enerji Üretim A.S. in the amount of €91.5m. However, the carrying amount decreased in particular as a result of the negative contributions to results on the part of foreign interests and as a result of foreign exchange losses recognised in other comprehensive income in the amount of €101.6m from currency translation related to the Turkish joint venture. In addition, the equity interests in POWEO S.A. (Group) and renewable energies projects of POWEO Production S.A.S. with a total carrying amount of €83.0m were reclassified under non-current assets held for sale.

Liabilities

Financial liabilities decreased by 7.0% compared to 31 December 2010 and amount to €4,180.7m as at 30 June 2011. This decrease can be attributed in particular to the early repayment of loans. However, net debt increased by 4.9% to €4,439.9m as at 30 June 2011 as a result of the investment programme, but also as a result of the shifting of current interim investments to financial investments. As a result, near-liquid financial assets deducted from the calculation of net debt decreased. Gearing as at 30 June 2011 was 103.4%. The significant increase in trade payables and other liabilities can be attributed in particular to the increase in liabilities to suppliers (+28.1%) and current liabilities from the fair value measurement of derivative financial instruments in the energy area (+36.7%).

Financial position

Cash flow statement (short version) €m

	Q1–2/2011	Q1–2/2010	Change
Cash flow from operating activities	491.7	420.9	16.8%
Cash flow from investing activities	–428.3	–269.8	–58.8%
Cash flow from financing activities	–537.8	–257.3	–109.0%
Change in cash and cash equivalents	–474.5	–106.2	n.a.
Cash and cash equivalents as at 30/6/	**14.5**	19.8	–26.6%

Cash flow from operating activities

Cash flow from operating activities was €491.7m and was thus 16.8% higher than in quarters 1–2/2010. The slightly lower contribution margins from generation (–8.2%) and higher net interest payments were more than compensated by variation margins received from futures contracts used as energy hedges (change in cash flow: €+59.0m). Compared to quarters 1–2/2010, cash inflow from contributions to building costs increased significantly. The positive effect on cash flow from operating activities was around €9.0m.

Cash flow from investing activities

Cash flow from investing activities changed by €–158.5m in quarters 1–2/2011. 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 €215.0m. There were no similarly high payments in quarters 1–2/2010. Capital expenditures for property, plant and equipment and intangible assets amounted to 71.8% of the corresponding payments in quarters 1–2/2010. In addition, cash flow from investing activities in quarters 1–2/2011 includes €40.0m in payments received from interim investments. This was offset by lower payments received from the disposal of securities in the amount of €86.9m.

Cash flow from financing activities

Cash flow from financing activities changed by €–280.4m in quarters 1–2/2011 and was in particular the result of €372.9m higher payments on financial liabilities as well as the borrowing of €53.2m less outside capital. This was compensated by lower dividend distributions (€+202.8m).

Despite the considerable investment volume in quarters 1–2/2011, free cash flow was positive at €63.3m and thus contributed around 12% towards covering the cash flow from financing activities.

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

Risk management

VERBUND is confronted with numerous opportunities and risks in its foreign and domestic operating activities – not least in light of the massive changes in the European energy landscape. The methods and models used in risk analyses do not serve to forecast future results, but instead to estimate their range of fluctuation.

Volume and price risk

VERBUND's operating result is strongly influenced by volume and price risks associated with own generation. Electricity generation from hydropower depends on meteorological factors which are reflected in the supply of water from rivers and in the natural inflow to storage reservoirs. Changes in wholesale prices also have an impact on earnings. A 1.0% change in the following factors would have the following effect on operating result for 2011:

- Generation of more or less electricity from hydropower: +/– €6.6m
- Wholesale prices: +/– €2.4m

In thermal generation, the result is determined by fluctuations in wholesale prices for electricity and the purchase costs for primary sources of energy and emission rights. In addition, opportunities and risks in the area of plant management as well as maintenance influence the operating result.

Equity interest risks

Opportunities and risks also influence income from international equity interests. These include, for example, foreign currency effects and/or arise from the integration of acquisitions as well as divestments. As a result of various factors of influence, including in particular the volatile development of energy markets, there is a latent risk of impairment of the equity investments recognised on the balance sheet. Liabilities and guarantees on the part of VERBUND can also have a negative impact in this context.

Financial risks

In order to ensure sufficient liquidity, VERBUND holds a necessary amount of reserves. Strict 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 €2.1m negative impact on the financial result in 2011 with the current loan portfolio. A 1.0% increase in the rate for ¥ against € prevailing at the reporting date would have an impact of around €1.1m on the 2011 financial result.

Outlook

The operating environment on the European electricity market changed dramatically as a result of Germany's decision to phase out nuclear energy.

After Germany announced its moratorium on nuclear energy in March of this year, the prices for primary energy and CO_2 certificates increased significantly. European wholesale prices for electricity also followed this trend. However, significant decreases in prices for CO_2 certificates at the end of June led to a slight decrease in wholesale prices for electricity. Prices for primary energy also declined slightly. The further economic development in Europe and the associated development of demand for electricity will naturally be crucial for the further development of electricity prices.

In its investments, VERBUND continues to focus on the accelerated expansion of hydropower plants and high-voltage grids in Austria. Examples include the construction of the Limberg II and Reisseck II power plants as well as the closing of the 380-kV Austrian ring.

Assuming an average supply of water in the second half of 2011, we expect our operating result as well as the Group result for 2011 to remain at nearly the same level as in the previous year. Dividends will be oriented on a payout ratio of 45% to 50%.

Operating segments

Electricity

Procurement GWh

	Q1–2/2011	Q1–2/2010	Change
Hydro power[1]	11,752	12,497	– 6.0%
Thermal power[1]	2,454	1,830	34.1%
Wind/solar power	66	60	10.0%
Own generation	**14,273**	14,387	– 0.8%
Electricity purchased from third parties	16,208	12,392	30.8%
Group procurement	**30,480**	26,779	13.8%

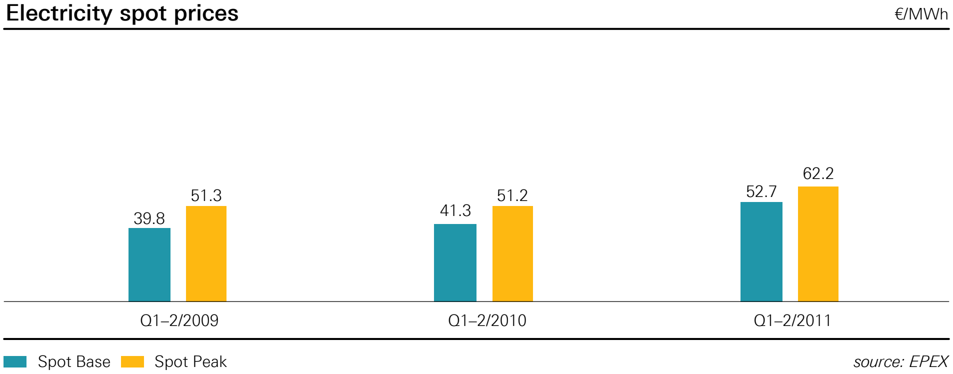
[1] incl. procurement rights

Electricity generation

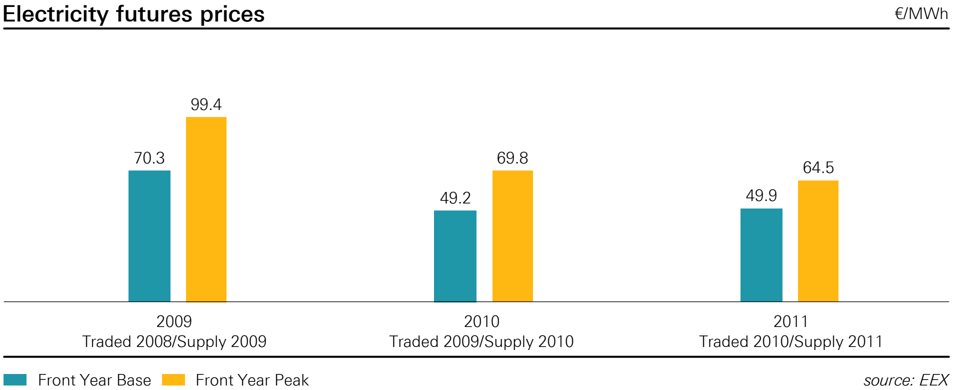
At 14,273 GWh, VERBUND's total generation of electricity in quarters 1–2/2011 was down 0.8% compared to the same period in 2010. Generation from hydropower decreased by 6.0%. At 0.86, the hydro coefficient of the run-of-river power plants was 14% below the long-term average and 6 percentage points below the previous year's level. Generation from annual storage power plants also decreased noticably – due to the lower storage levels at the beginning of the year – by 7.7% compared to the previous year. In quarters 1–2/2011, around 82% of VERBUND's own generation came from hydropower.

Generation from thermal power increased significantly by 34.1% as a result of the purchase of all electricity from the Pont-sur-Sambre CCGT in France since March 2011 as well as more favorable production terms in Austria. The purchase of electricity from third parties increased by 30.8% and amounted to 53.2% of total electricity procurement.

Electricity spot prices



Electricity futures prices



Electricity prices

At €49.9/MWh, the average electricity prices relevant for the 2011 financial year (forward contracts “Year Base 2011” traded in 2010) were up 1.4% over the previous year’s level. The positive effects of Germany’s abandonment of nuclear energy will be seen in 2012, because the majority of the Group’s own generation was already included in the price calculation in 2010 over the forward market due to the hedging strategy. Spot market prices, which have a slight effect on current results, rose by 27.6% to €52.7/MWh in quarters 1–2/2011. This trend was driven in particular by the increase in prices for primary energy sources (among other things through 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. However, prices for primary energy fell slightly at the beginning of quarter 2/2011. Since 1 April 2011, the price of Brent crude oil decreased from $118/bbl to $112/bbl on 30 June 2011. The price for anthracite deliveries CIF ARA (6,000 kcal/kg) fell slightly since the beginning of April 2011 from $127/t to $121/t at the end of June 2011. Spot prices on the gas hub Net Connect Germany (NCG) have fallen seasonally since the beginning of April 2011 from €24.5/MWh to

€22.3/MWh at the end of June 2011. The price trend on the gas forward market showed sideways movement. At the trading point NCG, the price for the front year future for 2012 (Cal-12 contract) rose since April from €27.7/MWh to €28.5/MWh at the end of June 2011.

Electricity sales

Electricity sales by customer category GWh

	Q1–2/2011	Q1–2/2010	Change
End customers	5,053	5,642	– 10.4%
Resellers	12,309	11,768	4.6%
Traders	12,318	8,503	44.9%
Own requirements	800	866	– 7.6%
Group sales	**30,480**	26,779	13.8%

VERBUND's electricity sales increased by 13.8% in quarters 1–2/2011 compared to the previous year. The portion of the business with domestic resellers decreased 1.4%, which can be attributed to a decrease in electricity purchased by provincial utilities. In contrast, revenues with international resellers increased by 18.5%. In particular, stronger engagement in the supply of German public utilities had a positive impact here. Revenues from electricity deliveries to trading firms also increased significantly by 44.9%.

On the Austrian consumer market, VERBUND increased its sales volume by 2.5%. The Group has more than 250,000 ultimate consumers in the Austrian household/agriculture and commercial segment consuming up to 100,000 kWh of electricity annually. The volumes sold on international consumer markets decreased.

Electricity sales by country GWh

	Q1–2/2011	Q1–2/2010	Change
Austria	12,339	12,453	– 0.9%
Germany	13,603	9,803	38.8%
France	3,163	3,478	– 9.1%
Italy	387	359	7.8%
Others	988	686	44.0%
Total	**30,480**	26,779	13.8%

VERBUND sold 61.1% of its electricty volume on international markets – not including own consumption. This can be attributed in particular to operations in the German and French electricity markets. Accounting for 75% of the volume sold internationally, the German market represents the focus of VERBUND's international engagement.

Expansion of generation from hydropower

The expansion of hydropower plants in Austria is going according to plan. In quarter 2/2011, VERBUND continued the work for the planned activation of the pumped storage power plant Limberg II/Salzburg in October 2011. The trial operation of one of the two generator sets was completed in June 2011. The trial operation of the other generator set is planned starting in September 2011.

The main excavation work and the excavation of the power plant chamber for the Reisseck II/Carinthia project were carried out as planned. The new pumped storage power plant will expand the capacities of the existing Malta/Reisseck power plant group by 430 MW.

With respect to the revitalisation project of the Pernegg power plant in Styria, the first generator set was put into operation after successful trial operation. The two other generator sets will be modernised in the winter months of 2011/2012 and 2012/2013.

The permit proceedings for the international "Inn joint venture power plant" project (89 MW) are underway at the courts of second instance in Switzerland and in Austria. It is currently expected that a legally valid notice of approval will be received before the end of 2011. The construction decision is planned for the middle of 2012.

Construction work is proceeding quickly at the Ashta power plant on the Drin River in Northern Albania. The main construction work at the Ashta I power house has been completed; the assembly of the electrical engineering systems has begun. The main construction work for the Ashta II power house is underway; the hydromechanical parts are being assembled.

Expansion of generation from thermal power

The construction of the Mellach CCGT near Graz/Styria with a capactiy of 832 MW is proceeding as planned. The project is expected to be completed at the end of 2011. The main building and the auxilliary buildings have been completed, as well as the control systems, natural gas connection and energy line. The gas and steam turbines, waste heat boilers, generators and transformers are being put into operation. The first of the two gas turbines was placed into operation for the first time at the beginning of July.

The administrative environmental impact assessment (EIA) process for the 400 MW CCGT project managed jointly with Energie Klagenfurt in Klagenfurt is before the court of second instance.

Expansion of generation from wind power

The construction work for the first part (100 MW) of the Casimcea wind farm continues to proceed as planned in Romania. Phase 1 of the road construction for the first cluster has already been completed and phase 2 will be completed by September 2011. The test probes for the construction of the foundation were conducted successfully. The construction of the plant foundations and the two 30/110-kV substations is planned for the summer months. The permit for the construction of the second part (100 MW) is expected in the middle of the second half of 2011.

Grid

The transported energy volume relevant to billing in the 220/380-kV grid (excluding pumped electricity) showed an increase of 4.1% to 9,006 GWh in quarters 1–2/2011. The increase in external sales can be attributed in particular to the increase in domestic revenues from the purchase of grid loss energy, which has been carried out by APG for the majority of the Austrian network operators since 1 January 2011 and is recognised directly in equity.

Unbundling

Stricter unbundling provisions must be implemented in connection with the third energy market deregulation package. VERBUND has decided to implement the independent transmission system operator (ITO) model at APG. The implementation work is proceeding as planned with the goal of receiving the notice of certification no later than the 3 March 2012 deadline.

Allocation of marginal capacities (auctions)

Compared to 2010, the proceeds expected from the auctioning of capacities at the critical limits decreased from around €33m to approximately €27m. The reason for this is the further levelling of market prices in Europe and the associated reduction in price spreads to the neighbouring countries.

International proceeds for transit costs

APG expects proceeds of approximately €6.0m (2010: €15.8m) for 2011 from so-called Inter-TSO-Compensation (ITC) for the compensation of international electricity transport costs (considerable decrease as a result of the decrease in the overall financing volume and/or also as a result of the integration of the TIWAG grid control area).

Rate regulation

The Energy Control Commission resolved in February 2011 to initiate proceedings in accordance with Section 25 of the Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG) in conjunction with Section 55 ElWOG to establish new system usage rates to take effect on 1 January 2012. These proceedings are continuing in accordance with the new 2010 ElWOG. The proceedings are expected to be completed in quarter 4/2011.

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. For the construction of the 380-kV line, it was necessary to build and expand two substations, and it was possible to disassemble 64 km of 220-kV and 110-kV power lines.

Security of supply, management of bottleneck capacities

In quarter 2/2011, the security of supply in the APG control area was ensured mainly by implementing technical network measures. Shutdowns were necessary for the construction of the quadruple line at Ennstal, but it was possible to cope with them almost solely by managing bottleneck capacities within the network and reactive power requirements.

Equity interests

Foreign

Italy

In the area of generation of the Italian subsidiary Sorgenia S.p.A. (Group), the work to complete the Aprilia CCGT is proceeding as planned. The group expects the “first fire” in its fourth 800-MW power plant in July 2011.

At the end of June, a company (Sorgenia Green) was established as planned for all of Sorgenia’s renewables activities.

France

VERBUND signed agreements in July to sell its French renewables portfolio. The closing is expected in the second half of 2011.

Turkey

Turkish EnerjiSA Enerji Üretim A.S. (Group) had an installed capacity of 1,558 MW at its disposal at the end of quarter 2/2011. In addition, the decision was made to construct the Yamanli 2 hydropower plant with 81.2 MW (planned activation 2014) and the Bares wind farm with 142.5 MW (planned activation 2012). Thus, EnerjiSA is currently building 13 power plants with a total capacity of 1,699 MW.

By the end of 2011, all Turkish equity interests will be united under a dedicated holding company. The goal is to create a typical international corporate structure for EnerjiSA Enerji Üretim A.S. (Group). In quarter 2/2011, sales activities to attract new private and commercial customers in the Başkent region were accelerated.

Domestic

STEWEAG-STEG GmbH

SSG presented very encouraging after-tax earnings in quarter 1/2011. The implementation of the Oststeiermark project (energy customer takeover Feistritzwerke) and the positive performance of VERBUND Thermal Power GmbH & Co KG contributed significantly to this. The business is expected to keep developing positively in 2011.

KELAG-Kärntner Elektrizitäts-Aktiengesellschaft

In quarter 1/2011, KELAG maintained the previous year’s positive results. It successfully opened up markets for energy trading and for hydropower plants in Southeastern Europe. It is currently expected that it will maintain the previous year’s positive results.

Energie Klagenfurt GmbH

EKG’s results were at the previous year’s level in quarter 1/2011. The stable earnings position is expected to continue. EKG is laying plans with VERBUND for a CCGT in Klagenfurt with a capacity of 400 MW. The EIA process at the court of second instance is expected to be finished before the end of 2011.

Events after the balance sheet date

Effective 4 July 2011, EVN Naturkraft Beteiligungs- und Betriebs-GmbH and WIEN ENERGIE GmbH were each sold 13% of the interest in VERBUND Innkraftwerke GmbH.

On 13 July 2011, VERBUND signed an agreement with a consortium consisting of AXA Infrastructure Holding S.A.R.L. and Direct Energie Neoen S.A.S. to sell the French renewables portfolio. The closing is expected to take place in quarter 3/2011.

Consolidated Interim Financial Statements

Income statement

€m

In accordance with IFRSs	Notes	Q1–2/2011	Q1–2/2010	Q2/2011	Q2/2010
Revenue		**1,867.9**	1,582.0	**950.3**	771.8
Electricity revenue	1	1,702.8	1,376.0	909.9	659.8
Grid revenue		132.6	136.7	24.4	64.6
Other revenue	2	32.5	69.3	16.0	47.4
Other operating income		20.9	13.8	12.2	7.8
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	3	–1,072.1	–770.6	–561.0	–355.1
Fuel expenses and other usage-dependent expenses	4	–58.7	–49.1	–26.2	–18.4
Personnel expenses	5	–165.4	–156.7	–83.8	–81.1
Amortisation of intangible assets and depreciation of property, plant and equipment		–116.5	–113.1	–58.7	–57.0
Other operating expenses		–87.6	–124.1	–60.0	–80.0
Operating result		**388.7**	382.3	**172.9**	188.0
Result from interests accounted for using the equity method	6	–9.1	51.2	–5.0	19.1
Other result from equity interests		4.4	5.8	–1.0	1.7
Interest income	7	17.4	16.9	8.0	7.7
Interest expenses	8	–126.7	–121.7	–51.0	–52.9
Other financial result	9	3.4	–27.0	–9.4	–26.1
Financial result		**–110.5**	–74.9	**–58.4**	–50.5
Profit before tax		**278.2**	307.4	**114.5**	137.5
Taxes on income		–69.5	–61.4	–31.1	–28.5
Profit for the period		**208.7**	246.0	**83.4**	109.0
Attributable to the shareholders of VERBUND AG (Group result)		176.3	210.3	67.8	90.4
Attributable to non-controlling interests		32.3	35.7	15.5	18.6
Earnings per share in €[1]	10	**0.51**	0.68	**0.20**	0.29

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

Statement of comprehensive income

In accordance with IFRSs	Notes	Q1–2/2011	Q1–2/2010	Q2/2011	Q2/2010
					€m
Profit for the period		**208.7**	246.0	**83.4**	109.0
Other comprehensive income from					
Foreign exchange differences	11	–101.5	75.7	–56.2	39.9
Available-for-sale financial instruments		–4.0	0.1	–0.9	–3.8
Cash flow hedges		22.7	–142.4	82.5	–124.4
Interests accounted for using the equity method		61.0	–11.8	33.2	–14.7
Other comprehensive income before tax		**–21.8**	–78.3	**58.7**	–103.0
Taxes on income	12	–18.4	38.0	–26.4	36.7
Other comprehensive income after tax	13	**–40.2**	–40.4	**32.2**	–66.2
Total comprehensive income for the period		**168.4**	205.7	**115.6**	42.8
Attributable to the shareholders of VERBUND AG		136.2	169.8	98.8	24.3
Attributable to non-controlling interests		32.2	35.9	16.8	18.5

Balance sheet

€m

In accordance with IFRSs	Notes	30/6/2011	31/12/2010
Non-current assets		**9,917.9**	9,722.2
Intangible assets		630.3	623.6
Property, plant and equipment		6,058.0	5,958.7
Interests accounted for using the equity method	14	2,288.1	2,261.9
Equity interests		133.4	138.9
Investments and other receivables	15	808.0	739.1
Current assets		**979.0**	1,568.7
Inventories		90.0	92.3
Trade receivables and other receivables		874.5	987.5
Cash and cash equivalents		14.5	489.0
Non-current assets held for sale	16	**83.0**	0.0
Total assets		**10,979.9**	11,291.0

€m

In accordance with IFRSs	Notes	30/6/2011	31/12/2010
Equity		**4,292.9**	4,372.4
Attributable to the shareholders of VERBUND AG		3,982.9	4,036.0
Attributable to non-controlling interests	17	310.0	336.4
Non-current liabilities		**5,856.3**	6,041.7
Financial liabilities	18	4,053.6	4,267.4
Provisions		615.8	631.3
Deferred tax liabilities		173.9	168.3
Contributions to building costs and grants		453.9	430.2
Deferred income – cross-border leasing		56.0	56.8
Other liabilities		503.2	487.7
Current liabilities		**830.7**	876.8
Financial liabilities		127.1	228.8
Provisions		188.0	274.3
Current tax liabilities		87.9	49.7
Trade payables and other liabilities		427.7	324.1
Total liabilities		**10,979.9**	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
Shift between shareholder groups	–	–	20.5
Total comprehensive income for the period	–	–	210.3
Dividends	–	–	–385.3
As at 30/6/2010	308.2	10.9	2,690.7
As at 1/1/2011	**347.4**	**954.3**	**2,880.5**
Shift between shareholder groups	–	–	1.7
Total comprehensive income for the period	–	–	176.3
Dividends	–	–	–191.1
As at 30/6/2011	**347.4**	**954.3**	**2,867.4**

€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
						17	
	–59.8	3.6	4.6	5.2	3,117.9	291.8	3,409.7
	–	–	–	–	20.5	31.6	52.1
	76.1	0.9	–118.2	0.6	169.8	35.9	205.7
	–	–	–	–	–385.3	–69.2	–454.5
	16.3	4.6	–113.6	5.8	2,922.9	290.1	3,213.0
	–35.7	**4.1**	**–114.4**	**–0.2**	**4,036.0**	**336.4**	**4,372.4**
	–	–	–	–	1.7	2.0	3.7
	–101.6	–2.9	71.8	–7.3	136.2	32.2	168.4
	–	–	–	–	–191.1	–60.6	–251.7
	–137.3	**1.2**	**–42.6**	**–7.5**	**3,982.9**	**310.0**	**4,292.9**

Cash flow statement

In accordance with IFRSs	Notes	Q1–2/2011	Q1–2/2010
			€m
Profit for the period		208.7	246.0
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		116.5	113.1
Impairment losses on investments (net of reversals of impairment losses)		0.0	– 0.2
Result from interests accounted for using the equity method (net of dividends received)		47.0	– 25.9
Result from the disposal of non-current assets		– 3.1	– 8.2
Change in non-current provisions and deferred tax liabilities		– 14.7	– 15.7
Change in contributions to building costs and grants		23.7	15.0
Income from the reversal of deferred income and result from the termination of cross-border leasing transactions		– 0.8	14.5
Other non-cash expenses and income		1.2	40.7
Subtotal		**378.5**	379.2
Change in inventories		2.2	17.8
Change in trade receivables and other receivables		63.2	111.5
Change in trade payables and other liabilities		44.4	– 70.0
Change in current provisions and current tax liabilities		3.4	– 17.6
Cash flow from operating activities	19	**491.7**	420.9

€m

In accordance with IFRSs	Notes	Q1–2/2011	Q1–2/2010
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		–228.3	–317.9
Cash inflow from the disposal of intangible assets and property, plant and equipment		2.4	0.5
Cash outflow from capital expenditure for financial investments		–399.9	–0.1
Cash inflow from the disposal of financial investments		9.6	88.1
Cash outflow from capital expenditure for interests accounted for using the equity method		–215.0	–27.3
Cash inflow (outflow) from the disposal of (capital expenditure for) current financial investments		402.9	3.2
Cash inflow (outflow) from decreases (increases) in non-current receivables		0.0	–16.3
Cash flow from investing activities		**–428.3**	–269.8
Cash inflow from shifts between shareholder groups		4.2	51.4
Cash inflow (outflow) from money market transactions		–32.9	9.9
Cash inflow from the assumption of financial liabilities (excluding money market transactions)		146.8	200.0
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		–404.2	–31.3
Cash outflow from capital expenditure for financial investments under cross-border leasing transactions		0.0	–0.5
Cash inflow (outflow) from the disposal (repayment) of financial investments (liabilities) under cross-border leasing transactions		0.0	–32.5
Dividends paid		–251.7	–454.5
Cash flow from financing activities		**–537.8**	–257.3
Change in cash and cash equivalents		**–474.5**	–106.2
Cash and cash equivalents as at 1/1/		**489.0**	126.0
Cash and cash equivalents as at 30/6/		**14.5**	19.7

Selected explanatory notes

Financial reporting principles

Basic principles

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

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

Group of consolidated companies

Effective 1 January 2011, the 50.01% equity 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 interests in POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. to VERBUND as dividend in kind. These two equity interests will henceforth be accounted for using the equity method.

Accounting policies

With the exception of the accounting rules 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 and 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
Q1–2/2011					
External revenue	1,660.2	202.4	5.4	–	1,867.9
Internal revenue	56.8	28.1	51.9	–136.8	0.0
Total revenue	1,717.1	230.4	57.2	–136.8	1,867.9
Operating result	**368.7**	**30.5**	**–10.1**	**–0.4**	**388.7**
Depreciation and amortisation	–82.4	–30.0	–4.5	0.5	–116.5
of which impairment losses	0.0	0.0	0.0	0.0	0.0
Other material non-cash items	–19.3	4.9	0.1	–0.3	–14.6
Result from equity interests	–	–	–4.6	0.0	–4.6
of which result from interests accounted for using the equity method	–	–	–9.1	0.0	–9.1
Capital employed	**4,726.6**	**900.5**	**6,842.5**	**–4,236.5**	**8,233.1**
of which carrying amount of interests accounted for using the equity method	24.3	1.3	2,262.6	0.0	2,288.1
Additions to intangible assets and property, plant and equipment	192.2	30.5	5.6	0.0	228.3
Additions to equity interests	0.0	0.0	215.0	0.0	215.0

	Electricity	Grid	Equity Interests & Services	Elimination	Total Group
					€m
Q1–2/2010					
External revenue	1,401.3	140.4	40.4	–	1,582.0
Internal revenue	65.5	32.0	73.4	–170.9	0.0
Total revenue	1,466.8	172.4	113.8	–170.9	1,582.0
Operating result	**366.4**	**36.6**	**–19.8**	**–0.9**	**382.3**
Depreciation and amortisation	–81.2	–27.9	–4.4	0.4	–113.1
of which impairment losses	–0.1	0.0	–0.1	0.0	–0.2
Other material non-cash items	–88.0	0.9	1.6	0.0	–85.5
Result from equity interests	–	–	57.0	0.0	57.0
of which result from interests accounted for using the equity method	–	–	51.2	0.0	51.2
Capital employed	**4,723.7**	**858.2**	**6,176.7**	**–4,053.5**	**7,705.1**
of which carrying amount of interests accounted for using the equity method	2.2	1.2	2,290.8	0.0	2,294.2
Additions to intangible assets and property, plant and equipment	184.7	49.3	24.3	0.0	258.4
Additions to equity interests	0.0	0.0	27.3	0.0	27.4

Notes to the income statement

(1) Electricity revenue

Electricity revenue by customer areas

€m

	Q1–2/2011 Domestic	Q1–2/2010 Domestic	Change	**Q1–2/2011 Foreign**	Q1–2/2010 Foreign	Change
Electricity deliveries to end customers	251.0	242.4	3.6%	113.3	124.8	–9.2%
Electricity deliveries to resellers	435.5	365.4	19.2%	245.3	209.4	17.1%
Electricity deliveries to traders	17.0	10.2	66.3%	640.8	423.8	51.2%
Total electricity revenue	**703.5**	618.0	13.8%	**999.3**	758.0	31.8%

(2) Other revenue

As a consequence of the deconsolidation of Energji Ashta Shpk effective 27 August 2010, other revenue in quarters 1–2/2011 did not include any more revenue from construction services related to the Albanian hydropower plant concession recognised in accordance with IFRIC 12 (quarters 1–2/2010: €33.6m).

(3) 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

	Q1–2/2011	Q1–2/2010	Change
Expenses for electricity purchases	1,006.9	696.9	44.5%
Expenses for grid purchases (system use)	66.1	71.5	–7.6%
Expenses for gas purchases[1]	–2.1	–1.0	–113.2%
Purchases of emission rights (trade)	1.2	3.1	–59.8%
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	**1,072.1**	770.6	39.1%

[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

	Q1–2/2011	Q1–2/2010	Change
Fuel expenses	50.7	42.8	18.4%
Emission rights acquired in exchange for consideration	4.8	3.5	36.9%
Other usage-dependent expenses	3.2	2.8	12.6%
Fuel expenses and other usage-dependent expenses	**58.7**	49.1	19.4%

(5) Personnel expenses

Personnel expenses

€m

	Q1–2/2011	Q1–2/2010	Change
Wages and salaries	118.9	113.3	4.9%
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	26.9	25.7	4.6%
Other social expenses	1.8	1.7	6.6%
Subtotal	**147.6**	140.7	4.9%
Expenses for pensions and similar obligations	15.1	14.6	3.2%
Expenses for severance payments	2.7	1.4	97.3%
Personnel expenses	**165.4**	156.7	5.5%

A total of €3.7m was paid into the pension fund in quarters 1–2/2011 (quarters 1–2/2010: €3.7m) as part of defined contribution schemes. Expected returns remain at 2.0% p.a. for pension plan assets covering defined benefit schemes.

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

Result from interests accounted for using the equity method €m

	Q1–2/2011 Domestic	Q1–2/2010 Domestic	Change	**Q1–2/2011 Foreign**	Q1–2/2010 Foreign	Change
Income or expenses from interests accounted for using the equity method	36.0	30.4	18.6%	–36.3	20.8	n.a.
Impairment losses or reversals of impairment losses	0.0	0.0	n.a.	–8.7	0.0	n.a.
Result from interests accounted for using the equity method	**36.0**	30.4	18.6%	**–45.0**	20.8	n.a.

Effective 31 March 2011, the equity interest in POWEO S.A. (Group) was classified as held for sale. 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) cost 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. Any effects on earnings from subsequent measurement of equity interests classified as held for sale is recognised in the other result from equity interests.

Following indications of impairment as a result of indicative purchase offers for POWEO ENR S.A.S., the equity interest in POWEO Production S.A.S. was tested for impairment. 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 resulting impairment amounted to €19.2m and was recognised in the result from interests accounted for using the equity method.

(7) Interest income

Interest income €m

	Q1–2/2011	Q1–2/2010	Change
Interest from investments under closed items on the balance sheet (or cross-border leasing transactions)	12.5	14.2	–12.3%
Interest from money market transactions	2.8	0.5	n.a.
Other interest and similar income	2.2	2.1	3.3%
Interest income	**17.4**	16.9	3.4%

(8) Interest expenses

Interest expenses €m

	Q1–2/2011	Q1–2/2010	Change
Interest for bonds	52.7	53.4	– 1.3%
Interest for bank loans	31.7	26.6	19.1%
Interest for financial liabilities under closed items on the balance sheet (or cross-border leasing transactions)	12.5	15.2	– 17.6%
Interest for other liabilities from electricity supply commitments	22.7	22.4	1.3%
Interest for other non-current provisions	3.5	5.8	– 39.3%
Profit or loss attributable to limited partners	11.7	– 1.3	n.a.
Borrowing costs capitalised in accordance with IAS 23	– 13.8	– 6.4	– 116.1%
Other interest and similar expenses	5.7	6.1	– 6.2%
Interest expenses	**126.7**	**121.7**	**4.1%**

(9) Other financial result

Other financial result €m

	Q1–2/2011	Q1–2/2010	Change
Income from financial instruments	8.7	6.2	39.5%
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	8.4	0.3	n.a.
Foreign exchange losses	– 1.2	– 21.7	94.6%
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	– 12.7	0.0	n.a.
Other financial result	**3.4**	**– 27.0**	**n.a.**

POWEO S.A. has a call option related to the 60% interest in POWEO Production S.A.S. acquired in quarter 1/2011 that can be exercised any time until 30 June 2013. In accordance with IAS 39, the resulting short position is to be recognised at fair value through profit or loss as a freestanding derivative. The short position was measured using a binomial tree approach; the resulting effects on earnings were recognised in the other expenses from financial instruments.

(10) Earnings per share

The calculation of earnings per share in quarters 1–2/2011 was based on 347,415,686 shares (quarters 1–2/2010: 308,200,000 shares).

Notes to the statement of comprehensive income

(11) Foreign exchange differences

The ECB euro reference exchange rate for the Turkish lira (TRY) as at 30 June 2011 was TRY 2.3500 (31 December 2010: TRY 2.0694). The exchange rate trend in quarters 1–2/2011 led to losses in the amount of €101.6m from the currency translation of the Turkish joint ventures accounted for using the equity method. These translation losses were recognised in other comprehensive income (OCI).

(12) Taxes on other comprehensive income

Of the income taxes on other comprehensive income, €1.0m (quarters 1–2/2010: €0.0m) can be attributed to the measurement of available-for-sale financial instruments, €–5.7m (quarters 1–2/2010: €35.7m) to the measurement of cash flow hedges and €–13.7m (quarters 1–2/2010: €2.3m) to other comprehensive income from interests accounted for using the equity method.

(13) Other comprehensive income after tax

Of other comprehensive income after tax, €–0.1m (quarters 1–2/2010: €0.2m) can be attributed to non-controlling interests.

Notes to the balance sheet

(14) Interests accounted for using the equity method

A 60% equity interest in French POWEO Production S.A.S. was acquired effective 21 February 2011 for €120.0m. Accordingly, VERBUND now holds 100% of the shares in POWEO Production S.A.S. However, for the shares acquired in quarter 1/2011, there are 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. Consequently, VERBUND did not achieve control within the meaning of IFRSs; POWEO Production S.A.S. thus continued to be an associate of VERBUND accounted for using the equity method.

Effective 22 June 2011, POWEO Production S.A.S. distributed its 100% equity interests POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. to VERBUND as dividend in kind. In addition, the dividend in kind also included the 100% equity interest in POWEO Blaringhem Production S.A.R.L. as well as a receivable from this investee (being recognised under other equity interests for lack of materiality). Since IFRIC 17 was not applicable to the dividend in kind due to the ownership structure remaining 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 (6). However, the equity interests distributed to VERBUND remain subject to the call option on the part of POWEO S.A.

Turkish Enerjisa Enerji Üretim A.S. carried out capital increases in quarters 1–2/2011. The 50% share of VERBUND in these capital increases amounted to €91.5m.

(15) 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 financing transaction, cover continues to be provided on the balance sheet for these transactions.

Investments and other non-current receivables €m

	30/6/2011	31/12/2010	Change
Investments – closed items on the balance sheet	230.4	253.5	–9.1%
Interest rate swaps – closed items on the balance sheet	73.2	79.3	–7.6%
Other investments and other receivables	504.3	406.3	24.1%
Total	**808.0**	739.1	9.3%

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

(16) Non-current assets held for sale

The 46.01% equity interest in POWEO S.A. (Group) accounted for using the equity method was classified as held for sale effective 31 March 2011. The sale is to be carried out promptly in the form of a share deal. POWEO S.A. (Group) is an alternative electricity supplier to Électricité de France S.A. (EDF) on the French consumer market. The decision to sell the interests in POWEO S.A. (Group) was the result in particular of the disadvantageous rate structure of the "Loi NOME", a law reorganising the French electricity market. The equity interest in POWEO S.A. (Group) was measured in accordance with IFRS 5. As a consequence of large-volume market fluctuations at the end of June that appear speculative in nature, the quoted price of POWEO S.A. (Group) as at 30 June 2011 cannot be regarded as a reliable measurement benchmark for determining the fair value. In contrast, VERBUND's management considers the carrying amount of €35.4m as at 31 March 2011 to be indicative of the fair value; therefore, the carrying amount was not changed as at 30 June 2011.

Effective 30 June 2011, the 100% equity interest in POWEO Production S.A.S., which since the distribution of the dividend in kind includes only the 100% equity interest in POWEO ENR S.A.S. and recoverable tax loss carryforwards and is accounted for using the equity method, was classified by VERBUND as held for sale. The sale is to be carried out promptly in the form of a share deal. POWEO ENR S.A.S. operates in the area of project development and in the management of on and offshore wind farms as well as solar and biomass power plants. The decision to sell this business area was the result in particular of VERBUND's strategic focus and the difficult environment on the French market.

(17) Equity attributable to non-controlling interests

Within the scope of the “Bavarian/Austrian Regional Plan”, 0.27% of the interest in VERBUND-Innkraftwerke GmbH was sold to Innkraft Bayern GmbH & Co KG effective 25 February 2011.

(18) Financial liabilities

Non-current financial liabilities €m

	30/6/2011	31/12/2010	Change
Financial liabilities – closed items on the balance sheet	303.2	332.5	–8.8%
Other financial liabilities	3,750.4	3,935.0	–4.7%
Total	**4,053.6**	4,267.4	–5.0%

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

(19) Cash flow from operating activities

Cash flow from operating activities in quarters 1–2/2011 includes variation margin payments from futures contracts in the energy area totalling €33.3m (quarters 1–2/2010: €–25.7m).

Other notes 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 commitment

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

	30/6/2011	of which payable in 2011	of which payable 2012–2016
Total commitment	**630.0**	442.6	186.5

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 June 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 June 2011, VERBUND's subsidiary liability for the non-redeemed portion of leasing liabilities from cross-border leasing transactions amounts to €461.3m (31 December 2010: €524.8m). Of the rights of recourse against the primary debtors, a total of €354.5m (31 December 2010: €412.6m) are secured through counter-guarantees on the part of financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €154.0m (31 December 2010: €159.1m) are covered by off-balance sheet investments.

As at 30 June 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 Hydro Power AG 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

	Q1–2/2011	Q1–2/2010	Change
Income statement			
Electricity revenue	263.7	237.4	11.1%
Grid revenue	25.8	25.3	2.1%
Other revenue	3.7	10.0	–62.9%
Other operating income	0.6	0.1	n.a.
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	–148.0	–119.5	–23.8%
Other operating expenses	–0.9	–3.4	72.8%
Interest income	6.0	4.3	39.4%
Other financial result	–12.7	0.0	n.a.

Transactions with investees accounted for using the equity method			€m
	30/6/2011	31/12/2010	Change
Balance sheet			
Investments and other non-current receivables	265.2	226.6	17.0%
Trade receivables and other current receivables	158.4	157.7	0.4%
Trade payables and other current liabilities	53.9	21.6	150.2%

In quarters 1–2/2011, revenue with POWEO S.A. (Group), which still includes POWEO Production S.A.S. and its subsidiaries, amounted to a total of €53.8m (quarters 1–2/2010: €33.5m). Electricity purchases from POWEO S.A. (Group) totalled €71.6m in quarters 1–2/2011 (quarters 1–2/2010: €47.6m). Interest income from POWEO S.A. (Group) totalled €4.7m in quarters 1–2/2011 (quarters 1–2/2010: €3.6m). The other financial result can be attributed to the measurement of the call option on the part of POWEO S.A. described under (9) on the 60% interest in POWEO Production S.A.S. acquired in quarter 1/2011.

As at 30 June 2011, there was a total of €219.5m (31 December 2010: €213.1m) in receivables from POWEO S.A. (Group), €177.7m (31 December 2010: €172.8m) of which were non-current. Liabilities to POWEO S.A. (Group) as at 30 June 2011 amounted to a total of €42.6m (31 December 2010: €0.0m), all of which were current.

Effective 21 February 2011, VERBUND acquired a 60% equity interest in POWEO Production S.A.S. from POWEO S.A. for €120.0m. Consequently, the purchase of electricity based on the existing off-take agreement with POWEO Pont-sur-Sambre Production S.A.S. also increased by an additional 60%. As a result, VERBUND will continue to take delivery of 100% of the electricity generated in the Pont-sur-Sambre combined cycle gas turbine power plant, unless POWEO S.A. exercises the call option described under note (14).

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 power plant (currently under construction) was agreed in connection with the financial guarantee.

In order to secure construction financing of a hydropower plant project on the part of the 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 €49.6m in quarters 1–2/2011 (quarters 1–2/2010: €37.4m). 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 €20.4m in quarters 1–2/2011 (quarters 1–2/2010: €14.2m). The primary supplier of this electricity was the ÖBB.

VERBUND's expenses for monitoring by Energie-Control Austria in quarters 1–2/2011 amounted to a total of €5.2m (quarters 1–2/2010: €4.8m).

In quarters 1–2/2011, Hereschwerke Regeltechnik GmbH, a wholly owned subsidiary of Hereschwerke GmbH, rendered various installation services in the amount of €0.6m 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 VERBUND were reviewed by Deloitte Audit Wirtschaftsprüfungs GmbH.

Events after the balance sheet date

Effective 4 July 2011, evn naturkraft Beteiligungs- und Betriebs-GmbH and WIEN ENERGIE GmbH were each sold 13% of the interest in VERBUND-Innkraftwerke GmbH.

On 13 July 2011, VERBUND signed a purchase agreement with AXA Infrastructure Holding S.A.R.L. and Direct Energie Neoen S.A.S. for all of the interest in POWEO Production S.A.S. The closing is expected to take place in quarter 3/2011.

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 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 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, 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 2011 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 major related party transactions which must be disclosed.

Vienna, 25 July 2011

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

Dr. Johann Sereinig
Vice Chairman of the Executive Board

Dr. Ulrike Baumgartner-Gabitzer
Member of the Executive Board

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

Report on the Review of the Condensed Interim Financial Statements as of 30 June 2011[1]

[1] The report is a translation from the original report in German, which is solely valid. This English translation of the review report was prepared for the client's convenience only. It is no legally relevant translation of the German review report.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of VERBUND AG, Vienna, for the period from 1 January 2011 to 30 June 2011, including the consolidated balance sheet as of 30 June 2011, the related income statement, statement of comprehensive income, cash flow statement and statement of changes in equity for the period from 1 January 2011 to 30 June 2011 as well as selected explanatory notes.

Management is responsible for the preparation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standards (IFRSs) applicable on interim financial reporting as endorsed by the European Union.

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

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

Scope of review

We conducted our review in accordance with applicable Austrian laws and professional standards and International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of VERBUND AG, are not prepared, in all material respects, in accordance with IFRSs applicable on interim financial reporting as endorsed by the European Union.

Statement on the Group Interim Management Report and on the Responsibility Statement of the Legal Representatives According to Section 87 of the Austrian Stock Exchange Act[1]

[1] The statement is a translation from the original statement in German, which is solely valid. This English translation of the statement was prepared for the client's convenience only. It is no legally relevant translation of the German statement.

We have read the accompanying condensed Group interim management report of VERBUND AG as of 30 June 2011 and assessed whether it contains any obvious contradictions to the condensed consolidated interim financial statements. Based on our review, the accompanying condensed Group interim management report contains no obvious contradictions to the condensed consolidated interim financial statements.

The interim financial report of VERBUND AG as of 30 June 2011 includes the responsibility statement of the legal representatives as required by Section 87 (1) (3) of the Austrian Stock Exchange Act (Börsegesetz, BörseG).

Vienna, 25 July 2011

Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Gerhard Marterbauer
(Austrian) Certified Public Accountant

Mag. Maximilian Schreyvogl
(Austrian) Certified Public Accountant

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