Past. Present. Future.
Powered by VERBUND.

Interim report quarters 1-3/2016

Verbund
Power for the Future

Contents

At a glance ... 4
Report of the Executive Board ... 5
Investor relations ... 7

Interim Group management report ... 8
- Business performance ... 8
- Opportunity and risk management ... 16
- Segment report ... 17
- Events after the reporting date ... 22

Consolidated interim financial statements ... 23
- Income statement ... 23
- Statement of comprehensive income ... 24
- Balance sheet ... 25
- Statement of changes in equity ... 26
- Cash flow statement ... 28
- Selected explanatory notes ... 30

Responsibility statement of the legal representatives ... 51

At a glance

- Water supply up 7 percentage points year-on-year and 1% above the long-term average
- Further decrease in average electricity sales prices due to market conditions
- Measures implemented to reduce costs and increase efficiency have a clearly positive effect
- Adjusted and unadjusted results show improvement
- Strong cash flow performance reduces debt significantly
- Earnings outlook for 2016 raised: EBITDA of approx. €980m, Group result of approx. €385m, adjusted Group result of approx. €315m

KPIs

	Unit	Q1–3/2015	**Q1–3/2016**	Change
Revenue	€m	2,106.5	**2,122.8**	0.8%
EBITDA	€m	726.1	**809.7**	11.5%
EBITDA adjusted	€m	679.6	**698.4**	2.8%
Operating result	€m	386.4	**466.4**	20.7%
Group result	€m	228.7	**339.9**	48.7%
Group result adjusted	€m	245.2	**276.4**	12.7%
Earnings per share	€	0.66	**0.98**	48.7%
EBIT margin	%	18.3	**22.0**	–
EBITDA margin	%	34.5	**38.1**	–
Cash flow from operating activities	€m	581.6	**657.6**	13.1%
Additions to property, plant and equipment (excluding business acquisitions)	€m	180.8	**150.2**	–16.9%
Free cash flow before dividends	€m	552.2	**489.8**	–11.3%
Average number of employees		3,107	**2,934**	–5.5%
Electricity sales volume	GWh	38,809	**42,533**	9.6%
Hydro coefficient		0.94	**1.01**	–

	Unit	31/12/2015	**30/9/2016**	Change
Total assets	€m	11,763.0	**11,461.4**	–2.6%
Equity	€m	5,433.3	**5,544.6**	2.0%
Equity ratio (adjusted)	%	48.2	**50.5**	–
Net debt	€m	3,685.4	**3,294.7**	–10.6%
Gearing	%	67.8	**59.4**	–

Report of the Executive Board

Dear Shareholders,

Since bottoming out in early 2016, wholesale electricity prices in the European energy markets have recovered, mainly due to a rise in prices for primary energy sources (especially coal). Thus the wholesale electricity price (front-year base) was roughly €29/MWh at the end of the third quarter of 2016 compared with roughly €21/MWh at the beginning of the year. Conditions in the energy market remain difficult.

Work has begun on implementing the programme approved by the VERBUND Executive Board with a view to further reducing debt by additionally increasing free cash flow. Under the programme, capital expenditure for growth and maintenance in the period 2016–2019 is being reduced by around €500m to €1bn. Personnel and other operating expenses can essentially be maintained at 2015 cost levels until 2019 despite necessary adjustments for inflation. This will involve cutting around 175 more jobs by 2020. In addition, under the changes to the dividend policy, the payout ratio for financial year 2016 has been reduced from around 50% to around 30%, meaning that all stakeholder groups are making a balanced contribution towards the further enhancement of VERBUND's efficiency.

As part of the reduction in capital expenditure for growth and maintenance, only selective investments in new power plant buildings are planned for the next three years. Most of the capital expenditure will go on maintenance (primarily on the high-voltage grid). There was positive news from two power plants in quarter 3/2016. On 23 September 2016, the ground-breaking ceremony for the Gries hydropower plant was held in Pinzgau. At the Reißeck II pumped storage power plant, the six-week test phase was brought to a successful close and the power plant became fully operational. The opening ceremony took place on 7 October 2016.

The measures announced to boost free cash flow and the initiatives under the programme to reduce costs and increase efficiency also had a positive impact on VERBUND's rating. Rating agency Moody's left VERBUND AG's rating unchanged at Baa2 but raised the outlook from negative to stable. In October, Standard & Poor's likewise raised the outlook to stable.

Quarter 3/2016 also brought advances in the Thermal generation segment. VERBUND and OMV/EconGas GmbH settled various outstanding issues related to gas deliveries for the Mellach combined cycle gas turbine power plant. The natural gas supply agreement with EconGas GmbH is no longer in effect.

Success was also achieved in downstream activities and a new partnership was entered into with voestalpine. This collaboration with voestalpine includes both newly structured longer-term VERBUND electricity deliveries for individual voestalpine sites and flexibility models in the areas of electricity generation and electricity demand. It further entails examination of potential photovoltaic projects at voestalpine sites in Austria and a research collaboration in the pioneering field of green hydrogen. OMV and VERBUND are also evaluating long-term partnerships for the energy future at operating level.

Earnings developed positively in quarters 1–3/2016. EBITDA increased by 11.5% to €809.7m and the Group result was up by 48.7% on the prior-year period to €339.9m. In both the current and the previous year, however, the results were impacted by non-recurring effects. After adjusting for these non-recurring effects, the results likewise showed improvement. Adjusted EBITDA rose by 2.8% and the adjusted Group result by 12.7%. This is attributable in particular to the higher water supply (quarters 1–3/2016: 1.01; quarters 1–3/2015: 0.94), a higher adjusted result in the Grid segment and the measures that have already been implemented to reduce costs and increase efficiency. The very low average sales prices attributable to market conditions acted as a drag on earnings.

Given the positive trend in earnings in quarters 1–3/2016, we are raising our earnings forecast for the full year. Assuming an average water supply and average wind supply in the fourth quarter of 2016, VERBUND will achieve EBITDA of approximately €980m and a Group result of approximately €385m. The planned payout ratio for 2016 will amount to around 30% of the Group result of approximately €315m after adjustment for non-recurring effects.

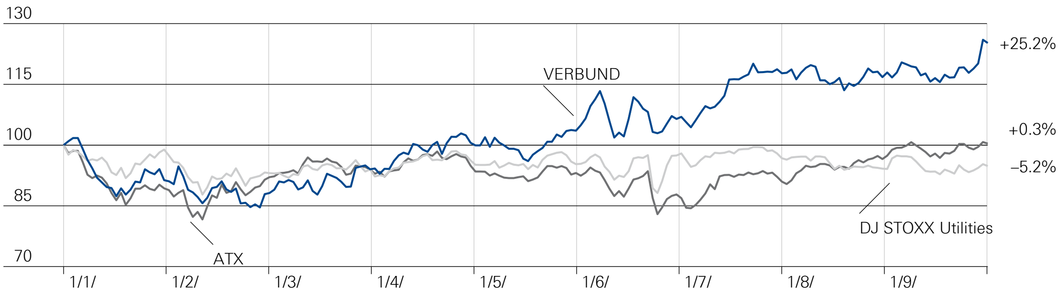
Dipl-Ing. Wolfgang Anzengruber | Dr. Johann Sereinig | Dr. Peter F. Kollmann | Dr. Günther Rabensteiner

Investor relations

Following heavy losses on international stock markets at the beginning of 2016 and economic and political uncertainty during the first half of this year, quarter 3/2016 saw more upbeat sentiment on the equity market and a lack of attractive investment alternatives, causing prices to rise worldwide. In the US, exceptionally low interest rates enabled the Dow Jones Industrial stock index to extend its gains on year-end 2015 by 5.1% as at 30 September 2016. Despite the increases in quarter 3/2016, the Euro Stoxx 50 and the Japanese benchmark index, the Nikkei 225, delivered a negative year-to-date performance of 8.1% and 13.6% respectively compared with year-end 2015. Emerging markets, on the other hand, managed to extend the gains made in the first six months of 2016 thanks to persistently low interest rates and a positive outlook. As at the reporting date, the MSCI Emerging Markets Index had risen by 14.1% since the beginning of the year.

Contact:
Andreas Wollein
Head of Group Finance
and Investor Relations
Phone: + 43(0)50313-52604
E-mail: investor-relations@verbund.com

VERBUND share price: relative performance 2016



VERBUND shares lost significant ground until the end of February 2016. Due to the rise in prices for primary energy sources and a resulting increase in wholesale electricity prices, the downward trend then reversed and the share price began rising steadily. On 30 September 2016, VERBUND shares closed at €14.9, or 25.2% over the 2015 year-end figure. The Group's shares thus outperformed both the ATX (0.3%) and the DJ STOXX Utilities sector index (–5.2%) by a large margin.

Upcoming dates:
Results for 2016:
8 March 2017

KPIs – shares

	Unit	Q1–3/2015	**Q1–3/2016**	Change
Share price high	€	17.3	**14.9**	– 13.5%
Share price low	€	11.6	**10.0**	– 13.4%
Closing price	€	11.9	**14.9**	25.1%
Performance	%	– 22.4	**25.2**	–
Market capitalisation	€m	4,123.8	**5,159.1**	25.1%
ATX weighting	%	2.6	**2.9**	–
Value of shares traded	€m	982.6	**637.9**	–35.1%
Shares traded per day	Shares	366,929	**284,511**	– 22.5%

Interim Group management report

Business performance

Electricity supply and sales volume

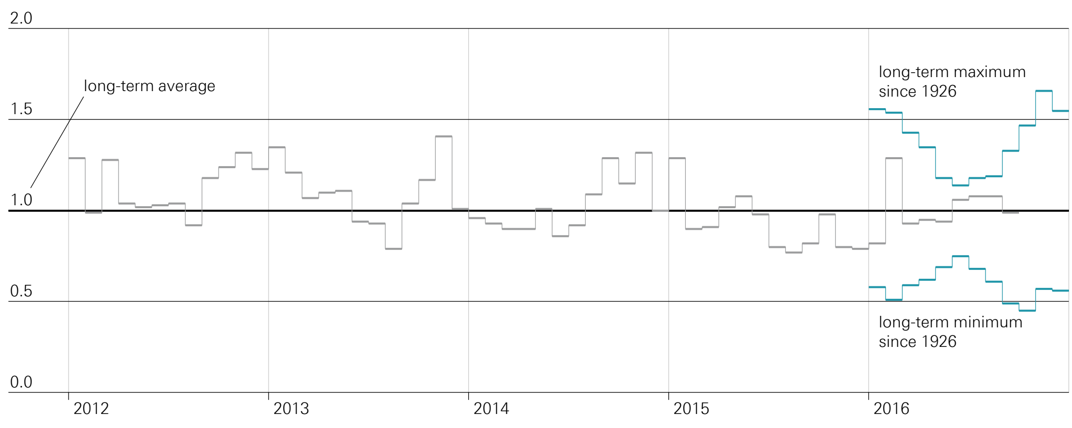
Group electricity supply GWh

	Q1–3/2015	**Q1–3/2016**	Change
Hydropower[1]	22,742	23,798	4.6%
Wind/solar power	663	585	– 11.7%
Thermal power	1,563	707	– 54.8%
Own generation	24,968	**25,089**	0.5%
Electricity purchased for trading and sales	13,650	17,360	27.2%
Electricity purchased for grid loss and control power volumes	3,071	2,623	– 14.6%
Electricity supply	41,689	**45,072**	8.1%

[1] incl. purchase rights

At 25,089 GWh, VERBUND's own generation in quarters 1–3/2016 was 121 GWh, or 0.5%, higher than the prior-year comparative. Generation from hydropower increased by 1,055 GWh compared with the previous year. At 1.01, the hydro coefficient for the run-of-river power plants was up 7 percentage points on the prior-year figure and 1% above the long-term average. Generation from annual storage power plants decreased by 10.5%.

Hydro coefficient (monthly averages)



Due to less windy conditions in Romania and operational restrictions in Germany, VERBUND's wind power and photovoltaic installations produced 78 GWh less electricity in quarters 1–3/2016 despite the commissioning of new wind power plants in Austria during 2015.

Generation from thermal power plants decreased by 856 GWh in the first three quarters of 2016, primarily due to the decommissioning of the Dürnrohr power plant as at 30 April 2015 (–667 GWh compared with the prior-year reporting period). The Mellach combined cycle gas turbine power plant produced 80 GWh less electricity in quarters 1–3/2016 as usage for congestion management was lower year-on-year, and the Mellach coal-fired power plant produced 111 GWh less.

The quantity of electricity purchased from third parties for trading and sales activities increased by 3,710 GWh to cover the higher sales in Austria and abroad that coincided with an only slight increase in own generation in quarters 1–3/2016. Electricity purchased from third parties for grid losses and control power decreased by 449 GWh in the reporting period.

Group electricity sales volume and own use GWh

	Q1–3/2015	**Q1–3/2016**	Change
Consumers	6,642	8,448	27.2%
Resellers	18,313	19,710	7.6%
Traders	13,854	14,375	3.8%
Electricity sales volume	38,809	**42,533**	9.6%
Own use	2,314	1,903	–17.8%
Control power	566	636	12.4%
Electricity sales volume and own use	41,689	**45,072**	8.1%

VERBUND's electricity sales volume, including own use, rose by 3,383 GWh, or 8.1%, overall in quarters 1–3/2016. Most of the increase was attributable to higher sales in the consumer segment. Electricity volumes delivered to consumers rose by 1,806 GWh. The expansion of our activities to take a more customer-centric approach enabled VERBUND to increase the volumes sold in quarters 1–3/2016 both in Austria in particular and abroad. As at 30 September 2016, our private customer base amounted to approximately 374,000 electricity and gas customers. In addition, sales to resellers rose by 1,396 GWh compared with the prior-year reporting period due to an increase in demand in Austria and France. In France, the higher volumes included quantities sold in connection with our services for third parties due to the demand resulting from increased power plant optimisation measures related to VERBUND's market access activities. Electricity deliveries to trading firms increased slightly with a rise of 521 GWh.

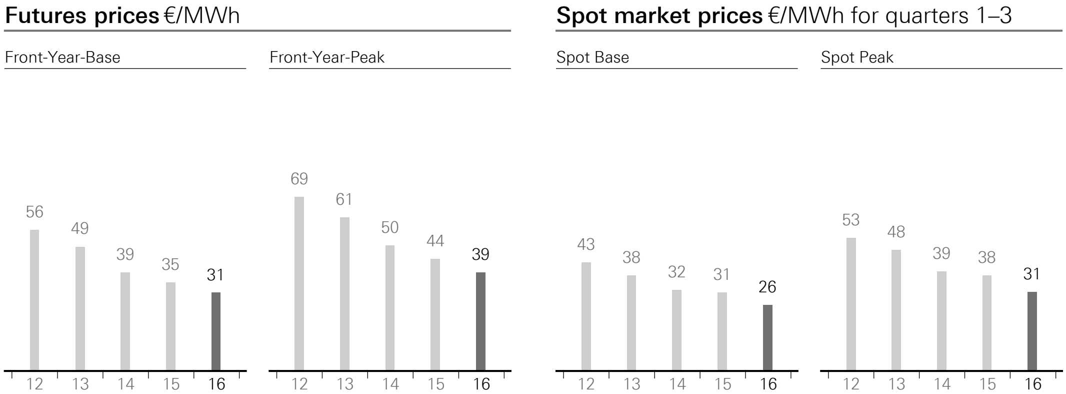
Own use of electricity declined by 412 GWh. The decrease was due to lower generation from reverse operation in the current financial year.

Electricity sales by country GWh

	Q1–3/2015	Q1–3/2016	Change
Austria	20,332	23,243	14.3%
Germany	15,685	15,434	– 1.6%
France	2,219	3,239	46.0%
Romania	366	310	– 15.4%
Others	206	308	49.0%
Electricity sales volume	38,809	**42,533**	9.6%

In quarters 1–3/2016, approximately 55% of the electricity sold by VERBUND went to the Austrian market. International trading and sales activities focused on the German market, which accounted for 80% of all volumes sold abroad.

Electricity prices



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

At an average of €31.0/MWh, prices for electricity futures contracts applicable to financial year 2016 (front-year base 2016 traded in 2015) were down 11.8% on the prior-year average. Based on its hedging strategy, VERBUND had already included most of its own generation in its pricing calculation in 2015 via the futures market. Spot market prices (base price) fell by 16.0% to €26.1/MWh in the reporting period. Spot price performance was driven above all by low demand due to the poor economy and the high level of generation from subsidised renewables.

Financial performance

Results €m

	Q1–3/2015	Q1–3/2016	Change
Revenue	2,106.5	2,122.8	0.8%
EBITDA	726.1	809.7	11.5%
Operating result	386.4	466.4	20.7%
Group result	228.7	339.9	48.7%
Earnings per share in €	0.66	0.98	48.7%

Electricity revenue

VERBUND's electricity revenue rose by €42.7m to €1,719.4m in quarters 1–3/2016. In terms of quantities, electricity sales volumes rose by 9.6%, or 3,724 GWh. Average sales prices declined, however, due to market conditions, with both futures and spot market prices for 2016 decreasing.

Grid revenue

Grid revenue decreased by €46.7m to €287.0m in quarters 1–3/2016 compared with the same period in 2015. The decline is mainly attributable to the non-recurrence of the income recognised in the prior-year period from reversals of provisions. In 2015, the provisions recognised to comply with the System Usage Rates Directive (Systemnutzungstarife-Verordnung, SNT-VO) and the System Charges Order (Systemnutzungsentgelte-Verordnung, SNE-VO) had been reversed to reflect legal settlements.

Other revenue and other operating income

Other revenue rose by €20.4m to €116.5m, primarily due to higher revenue from gas deliveries in connection with our services for third parties. Other operating income climbed by €107.7m to €154.8m. In quarters 1–3/2016, VERBUND and EconGas GmbH settled various outstanding issues related to gas deliveries for the Mellach combined cycle gas turbine power plant. The resulting income amounted to €118.0m (further details are presented in the notes to the consolidated financial statements). The absence of the gain on the disposal of the Bulgarian wind farm recognised in 2015 had an offsetting effect.

Expenses for electricity, grid, gas and certificate purchases

Expenses for electricity, grid, gas and certificate purchases increased by €82.7m to €1,027.9m. Purchases of electricity from third parties for trading and sales as well as for grid losses and control power rose by a total of 3,261 GWh. This increase in quantities was largely compensated for by lower purchase prices. Expenses for electricity purchases thus increased by €18.8m compared with quarters 1–3/2015. Expenses for grid purchases rose by €53.0m and expenses for gas purchases by €9.3m.

Fuel expenses

Fuel and other usage-dependent expenses decreased by €29.7m to €57.4m. The decline was mainly attributable to the decrease in thermal generation (for details, please refer to the section on Electricity supply and sales volumes) and the associated lower expenses for emission rights.

Personnel expenses

Personnel expenses declined by €2.7m to €233.7m. The reduction of €8.9m in expenses for current employees (excluding pensioners and employees in partial retirement) was primarily due to the consistent implementation of personnel management measures (€+6.9m). The reversal of prior-year provisions for employee benefits relating to pension and termination payments (“Sozialkapital”) had an offsetting effect.

Other operating expenses

Other operating expenses declined by €9.9m to €148.9m. A reduction in goods and services purchased from third parties (lower maintenance expenses) accounted for most of the decrease.

EBITDA

As a consequence of the above-mentioned factors, EBITDA rose by 11.5% to €809.7m.

Amortisation and depreciation

Amortisation of intangible assets and depreciation of property, plant and equipment declined by €23.2m to €252.9m. This reduction was due, among other things, to a decrease in the depreciation base for property, plant and equipment compared with the previous year, mainly as a result of fixed asset disposals and impairment losses.

Impairment losses

Impairment losses amounted to €90.3m (quarters 1–3/2015: €63.6m) and resulted in particular from the losses recognised on the Romanian wind farms (€57.2m), the Gössendorf and Kalsdorf run-of-river power plants (€16.5m) and the Mellach combined cycle gas turbine power plant (€15.5m). Further details on the impairment tests performed are presented in the notes to the consolidated financial statements.

Result from interests accounted for using the equity method

The result from interests accounted for using the equity method rose by €3.7m to €26.8m. The increase was mainly due to the earnings contribution from KELAG in the amount of €27.6m (quarters 1–3/2015: €23.1m).

Interest income and expenses

Interest income decreased by €0.3m to €23.4m compared with quarters 1–3/2015. Interest expenses declined by €19.6m to €100.1m. The decline resulted in particular from lower bond interest rates due to the scheduled repayment of a bond and the positive effects of a partial bond buyback prior to maturity. Another positive effect arose from lower interest rates for credit facilities.

Other financial result

The other financial result improved by €22.1m to €25.6m in quarters 1–3/2016. The improvement was mainly due to the measurement of an obligation to return an interest (€+41.8m), the measurement of a long position relating to VERBUND's share in Gemeinschaftskraftwerk Inn GmbH (€–12.5m), the measurement of interest rate hedging transactions (€–5.9m) and the higher balance of foreign exchange gains and losses compared with the previous year (€+2.9m).

Taxes on income

Income taxes changed from €–58.4m to €–78.8m. Income tax revenue in the amount of €37.3m relating to prior periods was recognised in quarters 1–3/2016 as a result of the goodwill amortisation in the tax accounts of VERBUND's equity interest in VERBUND Innkraftwerke GmbH (for 2010–2013) and Innwerk AG (for 2015), including interest on arrears. Further details are presented in the notes to the consolidated financial statements.

Group result

After deduction of non-controlling interests in the amount of €27.2m, the Group result amounted to €339.9m. This represents an increase of 48.7% compared with the previous year. Earnings per share amounted to €0.98 (quarters 1–3/2015: €0.66) for 347,415,686 shares. The Group result after adjustment for non-recurring effects was €276.4m, an increase of 12.7% on the prior-year period.

Financial position

Consolidated balance sheet (short version)

€m

	31/12/2015	Share	**30/9/2016**	**Share**	Change
Non-current assets	11,085.0	94.2%	10,887.2	95.0%	– 1.8%
Current assets	678.0	5.8%	561.0	4.9%	– 17.3%
Non-current assets held for sale	0.0	–	13.2	0.1%	–
Assets	11,763.0	100.0%	**11,461.4**	**100.0%**	– 2.6%
Equity	5,433.3	46.2%	5,544.6	48.4%	2.0%
Non-current liabilities	5,349.8	45.5%	4,949.1	43.2%	– 7.5%
Current liabilities	979.9	8.3%	967.5	8.4%	– 1.3%
Liabilities associated with assets held for sale	0.0	–	0.3	0.0%	–
Equity and liabilities	11,763.0	100.0%	**11,461.4**	**100.0%**	– 2.6%

Assets

VERBUND's assets decreased by 2.6% in quarters 1–3/2016. For property, plant and equipment, additions of €150.2m were offset by depreciation of €247.8m. Impairment tests were also conducted on fixed assets, which – after deducting any directly related contributions to building costs or investment grants – led to impairment losses in the amount of €90.3m relating primarily to the Romanian wind farms, the Mellach CCGT and the Gössendorf and Kalsdorf run-of-river power plants. The main addition to property, plant and equipment related to capital expenditure for the Reißeck II/Carinthia pumped storage power plant and the Austrian transmission grid. The decline in current assets is primarily attributable to lower trade receivables.

Equity and liabilities

Equity increased slightly compared with 31 December 2015. Net profit for the period in quarters 1–3/2016 was reduced by dividend distributions and negative measurement effects associated with cash flow hedges in other comprehensive income, which reduced equity. The decline in current and non-current liabilities is primarily attributable to the repayment of current cash advances and the unscheduled early repayment of a credit facility in addition to scheduled repayments.

Cash flows

Cash flow statement (short version)

€m

	Q1–3/2015	Q1–3/2016	Change
Cash flow from operating activities	581.6	657.6	13.1%
Cash flow from investing activities	205.9	–204.3	–199.2%
Cash flow from financing activities	–764.3	–464.8	–39.2%
Change in cash and cash equivalents	23.2	–11.5	–149.8%
Cash and cash equivalents as at 30/9/	64.9	18.1	–72.1%

Cash flow from operating activities

Cash flow from operating activities amounted to €657.6m in quarters 1–3/2016, an improvement of €76.1m. The increase was partly due to higher net cash inflows from the Grid segment due to the settlement of congestion management receivables in 2015. In addition, the measures already implemented from the programme to reduce costs and increase efficiency positively impacted cash flow from operating activities, as did lower interest and tax payments. Lower net cash inflows from the electricity business as a result of lower price levels had a counteracting effect.

Cash flow from investing activities

Cash flow from investing activities amounted to €–204.3m in quarters 1–3/2016 (quarters 1–3/2015: €205.9m). Cash flow from investing activities in quarters 1–3/2016 resulted mainly from cash outflow from capital expenditure for intangible assets and property, plant and equipment (€–177.3m) and cash outflow from capital expenditure for current investments (€–40.0m). The significant difference compared with the previous year was primarily the result of the cash inflow (€+176.4m) from disposals of other equity interests (sale of Pont-sur-Sambre Power S.A.S. and Toul Power S.A.S.) and consolidated subsidiaries (Haos Invest EAD) as well as cash inflow from the disposal of current investments (€260.6m) in quarters 1–3/2015.

Cash flow from financing activities

Cash flow from financing activities amounted to €–464.8m in quarters 1–3/2016, a change of €+299.5m. The main reason for the improvement was lower repayments of financial liabilities (€+481.2m) in combination with higher cash outflow associated with money market transactions (€–195.5m).

Opportunity and risk management

VERBUND was quick to respond to the financial crisis and the "Energiewende" and has systematically developed its business model.

Against this background, VERBUND is continuing to pursue a strict cost management programme and a focused investment policy. VERBUND is playing an active part in shaping the current transformation of the European energy system through its activities in the Energy services segment. The ongoing restructuring of thermal generation also involves court proceedings. The settlement of outstanding issues related to gas deliveries for the Mellach combined cycle gas turbine power plant had a positive effect on earnings in the reporting period. Proceedings are still ongoing regarding a district heating supply agreement, among other issues.

Operating result

Potential fluctuations in the operating result relate primarily to electricity generation from hydropower, particularly because hydrological conditions cannot be controlled. Successes in the marketing of control power and congestion management are reflected in higher earnings volatility. Ongoing proceedings and changes in the operating environment could lead to measurement-related adjustments and changes in provisions.

Financial result

The potential extent of fluctuation in the financial result is determined by the volatility of investment income, measurement effects on the balance sheet arising from changes in market prices and interest rates, and potential expenses from collateral provided being called in.

Sensitivities

All else remaining equal, a change in the factors shown below would be reflected in the planned Group result for full-year 2016 as follows (based on the hedging status as at 30 September 2016 for generation volumes and interest rates):

- +/–1% generation from hydropower: €+/–1.0m
- +/–1% generation from wind power €+/–0.1m
- €+/–1/MWh wholesale electricity prices (hydropower): €+/–0.4m
- +/–1 percentage point in interest rates: €+/–0.7m

Segment report

Renewable generation segment

Hydropower, wind and photovoltaic generation technologies are brought together under the Renewable generation segment.

KPIs – Renewable generation segment

	Unit	Q1–3/2015	Q1–3/2016	Change
Total revenue	€m	803.2	715.9	– 10.9%
EBITDA	€m	516.7	426.6	– 17.4%
Result from interests accounted for using the equity method	€m	0.6	1.0	63.3%
Capital employed	€m	6,822.1	6,729.6	– 1.4%

Current information on the Renewable generation segment

The Reißeck II pumped storage power plant in Carinthia officially came on stream on 7 October 2016. The two pump turbines increased VERBUND's flexible pump and turbine capacity by 430 MW in each case.

Numerous wind turbines – including VERBUND turbines – are in locations in which there is a risk of icing. This means that in winter conditions ice may form on the rotor blades and the nacelle, which may impair the safety and performance of the wind turbines. Together with partners ZAMG, the University of Vienna and meteotest, VERBUND has therefore launched a three-year research project with funding from the Austrian Research Promotion Agency (FFG) to assess and improve icing forecasts. For this, a VERBUND wind turbine is being fitted with innovative ice detectors from eologix – the company that won the 2016 VERBUND Start-up Pitch. In the course of the project, reliable forecasts of the duration and intensity of icing will be prepared and compared with the findings during operations.

Sales segment

The Sales segment comprises all of VERBUND's trading and sales activities.

KPIs – Sales segment

	Unit	Q1–3/2015	**Q1–3/2016**	Change
Total revenue	€m	1,660.0	**1,705.2**	2.7%
EBITDA	€m	97.5	**116.3**	19.3%
Result from interests accounted for using the equity method	€m	0.0	**0.0**	–
Capital employed	€m	414.7	**301.6**	–27.3%

Current information on the Sales segment

VERBUND's trading activities currently focus on continuing to expand the portfolio of innovative green electricity and flexible products, on the direct marketing of renewable energy (especially wind power and small-scale hydropower) and on taking advantage of short-term market opportunities.

VERBUND's comprehensive portfolio of products and services is adapted continuously to meet changing market requirements. The products and services included in our portfolio range from plant use optimisation and market access to flexible marketing and hedging offers, as well as forecasting and regulatory services. One particularly important area for VERBUND involves innovative products designed to meet individual customer requirements. Examples include green electricity products, virtual power plants and the direct marketing of renewable energy, all of which are considered growth areas. The energy market is changing constantly and is becoming more dynamic. In particular, short-term electricity trading is gaining in significance with the integration of European electricity markets and the rise in the proportion of renewable energy in the total electricity market. Thus the marketing of flexibility options for VERBUND's own plants as well as for customers in the areas of generation management (e.g. with the aid of virtual power plants and demand side management), balancing energy optimisation, intraday trading and balancing reserve marketing is a challenge while at the same time being the central task of electricity/energy trading.

Grid segment

The Grid segment comprises the activities of Austrian Power Grid AG (APG).

KPIs – Grid segment

	Unit	Q1–3/2015	Q1–3/2016	Change
Total revenue	€m	595.6	500.3	– 16.0%
EBITDA	€m	196.5	182.4	– 7.2%
Result from interests accounted for using the equity method	€m	0.0	0.0	–
Capital employed	€m	1,036.4	1,222.2	17.9%

Current information on the Grid segment

Security of supply and congestion management

The increasing need to intervene in power plant operations in order to ensure security of supply was an ongoing trend in quarter 3/2016. This extensive action at power plants was required both to maintain the security of supply in the APG control area and to handle congestion (primarily in Germany) outside of the APG grid. It involved repeatedly taking recourse to the reserve grid power plants contracted to the limits of their capacity; these are a key pillar in maintaining the security of supply.

Tariff regulation

In July 2016, APG was sent the draft decision on costs by the regulatory authority (E-Control) as part of this year's tariff review. APG submitted a written comment on this. APG's primary goal continues to be to secure a return on capital employed.

New construction of Weinviertel line replacement: preparation of environmental impact statement

The environmental impact statement (EIS) for the environmental impact assessment (EIA) for the Weinviertel line project was submitted to the state government of Lower Austria on 6 September 2016. Thus another milestone was reached in a key project to integrate generation from renewable forms of energy in the Weinviertel region (primarily from wind power). In addition to the positive effect of increasing security of supply in Austria, this project is also making a significant contribution to the achievement of national climate change targets.

All other segments

“All other segments” is a combined heading under which the Energy services, Thermal generation, Services and Equity interests segments are brought together because they are below the quantitative thresholds.

KPIs – All other segments

	Unit	Q1–3/2015	Q1–3/2016	Change
Total revenue	€m	139.6	112.8	– 19.2%
EBITDA	€m	– 34.0	107.0	– 414.4%
Result from interests accounted for using the equity method	€m	22.6	25.7	14.1%
Capital employed	€m	284.4	324.5	14.1%

Current information on the Energy services segment

Marketing VERBUND’s energy services products

In quarter 3/2016, VERBUND-Eco-Home gained an additional international partner to market Eco-Home as a white label product. The main VERBUND sales channels are the electrical wholesale trade and the VERBUND website, through which VERBUND attracts consumers. On the technical side, the product was equipped with new functions as planned and the user interface enhanced.

Also in quarter 3/2016, the VERBUND-Eco packages including photovoltaics, heat pumps and storage systems (e.g. the Tesla Powerwall, EV Wallbox and Eco-Home) were showcased at 18 operating locations in the course of a VERBUND-wide staff campaign.

In special purpose contracting, an energy savings contracting agreement was signed with a municipal wastewater treatment plant operator. The first three months of operations produced higher-than-forecast energy savings of over 50%.

In the case of the demand response power pool, it was possible to increase the prequalified capacity to 367 MW. Marketing of secondary control power commenced in July 2016.

In addition, 6.6 GWh of energy efficiency certificates (4.4 GWh of them in the domestic segment) were successfully marketed in quarter 3/2016.

Solavolta and SMATRICS

Solavolta (a 50% VERBUND equity interest): the installed photovoltaic capacity was increased by 30% in the first half of 2016 compared with the prior-year period. The increase was achieved primarily with large-scale photovoltaic installations.

SMATRICS (an 83% VERBUND equity interest): SMATRICS is developing the managed infrastructure portfolio (including on the KLIEN project LEEFF) and, based on roaming platforms from the EU’s Central European Green Corridors project, is integrating its rapid charging network into collaborative arrangements stepped up with OEMs.

Current information on the Thermal generation segment

In quarters 1–3/2016, VERBUND and OMV/EconGas GmbH settled various outstanding issues related to gas deliveries for the Mellach combined cycle gas turbine power plant. The natural gas supply agreement signed in 2008 is no longer in effect. The parties have agreed not to disclose the terms of the planned settlement. VERBUND is currently evaluating all options for the Mellach power plant site, including holding sale negotiations with potential investors. VERBUND is seeking a long-term solution for the site and aims to ensure a sustainable and secure supply of district heating for the Graz metropolitan area.

Current information on the Services segment

VERBUND Services GmbH continued to implement measures to further increase efficiency in quarters 1–3/2016. Specific outsourcing measures and further digitalisation measures are being prepared in financial accounting, for example (including outsourcing of invoice verification, OCR for incoming invoices and electronic invoice portals). The tenders for the Group-wide procurement of services in the facility management segment have already been completed successfully. New outsourcing partners were gained and tangible cost savings achieved in the procurement of cleaning services, reception and security services and multi-function devices.

With regard to the IT and telecommunications infrastructure, quarter 3/2016 saw the start of the project to markedly increase the bandwidths available on the VERBUND corporate network. Here, too, the costs originally budgeted for the upgrade to the new DWDM technology were undershot significantly on the basis of a tender. In cooperation with other units and external sources of support, the IT department took the new homepage for VERBUND electricity customers live at the existing URL, www.verbund.com, on schedule and with many new digital features.

Current information on the Equity interests segment

KELAG – Kärntner Elektrizitäts-Aktiengesellschaft

KELAG, which is accounted for using the equity method, reported earnings of €27.6m in quarters 1–3/2016 (quarters 1–3/2015: €23.1m). Despite the uncertain market environment, KELAG is expected to continue to report stable performance in financial year 2016.

Events after the reporting date

There were no events requiring disclosure between the reporting date of 30 September 2016 and authorisation for issue on 25 October 2016.

Consolidated interim financial statements

of VERBUND

Income statement

€m

In accordance with IFRSs	Notes	Q1–3/2015	Q1–3/2016	Q3/2015	Q3/2016
Revenue		2,106.5	**2,122.8**	701.1	**662.2**
Electricity revenue	1	1,676.7	1,719.4	582.9	550.4
Grid revenue	2	333.7	287.0	94.1	88.0
Other revenue		96.1	116.5	24.1	23.8
Other operating income	3	47.1	154.8	15.6	130.0
Expenses for electricity, grid, gas and certificate purchases	4	–945.2	–1,027.9	–321.0	–289.4
Fuel expenses and other usage-dependent expenses	5	–87.1	–57.4	–29.8	–22.3
Personnel expenses	6	–236.4	–233.7	–70.7	–70.5
Other operating expenses		–158.8	–148.9	–58.2	–50.5
EBITDA		726.1	**809.7**	237.0	**359.5**
Amortisation of intangible assets and depreciation of property, plant and equipment		–276.1	–252.9	–90.7	–83.9
Impairment losses[1]	7	–63.6	–90.3	–63.6	0.0
Operating result		386.4	**466.4**	82.7	**275.6**
Result from interests accounted for using the equity method	8	23.1	26.8	6.4	6.9
Other result from equity interests		5.7	3.1	0.9	0.3
Interest income	9	23.7	23.4	7.8	7.8
Interest expenses	10	–119.7	–100.1	–37.6	–34.1
Other financial result	11	3.5	25.6	–8.9	4.1
Reversals of impairment losses	12	0.0	0.7	0.0	0.0
Financial result		–63.6	**–20.5**	–31.4	**–15.1**
Profit before tax		322.7	**445.9**	51.3	**260.6**
Taxes on income	13	–58.4	–78.8	–7.3	–62.7
Profit for the period		264.4	**367.1**	44.0	**197.9**
Attributable to the shareholders of VERBUND AG (Group result)		228.7	339.9	32.4	186.0
Attributable to non-controlling interests		35.7	27.2	11.6	11.9
Earnings per share in €[2]		0.66	**0.98**	0.09	**0.54**

[1] The impairment losses have been reduced by the amount of the change in related deferred contributions to building costs and government grants. // [2] Diluted earnings per share correspond to basic earnings per share.

Statement of comprehensive income

In accordance with IFRSs	Notes	Q1–3/2015	Q1–3/2016	Q3/2015	Q3/2016
					€m
Profit for the period		264.4	**367.1**	44.0	**197.9**
Remeasurements of net defined benefit liability	14	–41.9	1.7	–0.1	–0.1
Other comprehensive income from interests accounted for using the equity method		–8.8	–2.5	–4.7	–4.0
Total of items that will not be reclassified subsequently to the income statement		–50.6	**–0.8**	–4.8	**–4.1**
Differences from currency translation		–0.3	–1.0	–0.3	–1.0
Measurements of available-for-sale financial instruments		0.2	2.8	–2.4	2.1
Measurements of cash flow hedges		32.5	–110.3	27.8	–72.3
Other comprehensive income from interests accounted for using the equity method		0.0	0.3	0.2	–0.2
Total of items that will be reclassified subsequently to the income statement		32.5	**–108.2**	25.2	**–71.4**
Other comprehensive income before tax		–18.1	**–109.0**	20.4	**–75.5**
Taxes on income relating to items that will not be reclassified subsequently to the income statement		10.7	–0.5	0.0	0.0
Taxes on income relating to items that will be reclassified subsequently to the income statement		–8.2	26.9	–6.4	17.6
Other comprehensive income after tax		–15.6	**–82.6**	14.0	**–57.9**
Total comprehensive income for the period		248.7	**284.5**	57.9	**140.0**
Attributable to the shareholders of VERBUND AG		216.3	257.2	46.5	128.0
Attributable to non-controlling interests		32.4	27.3	11.4	12.0

Balance sheet

€m

In accordance with IFRSs	Notes	31/12/2015	30/9/2016
Non-current assets		11,085.0	**10,887.2**
Intangible assets		804.7	809.3
Property, plant and equipment		9,201.9	8,992.1
Interests accounted for using the equity method		267.8	278.2
Other equity interests	17	115.6	108.8
Investments and other receivables	17	695.0	698.8
Current assets		678.0	**561.0**
Inventories	15	19.1	12.7
Trade receivables and other receivables	17	630.0	530.3
Cash and cash equivalents	17	28.9	18.1
Assets held for sale	16	0.0	**13.2**
Total assets		11,763.0	**11,461.4**

€m

In accordance with IFRSs	Notes	31/12/2015	30/9/2016
Equity		5,433.3	**5,544.6**
Attributable to the shareholders of VERBUND AG		4,859.6	4,986.3
Attributable to non-controlling interests		573.7	558.2
Non-current liabilities		5,349.8	**4,949.1**
Financial liabilities	17	2,744.1	2,410.2
Provisions		868.1	859.7
Deferred tax liabilities		549.5	597.4
Contributions to building costs and grants		748.1	745.5
Deferred income – cross-border leasing		48.8	47.6
Other liabilities	17	391.1	288.7
Current liabilities		979.9	**967.5**
Financial liabilities	17	385.4	416.4
Provisions		126.9	68.2
Current tax liabilities		30.0	101.4
Trade payables and other liabilities	17	437.6	381.5
Liabilities directly associated with assets held for sale	16	0.0	**0.3**
Total liabilities		11,763.0	**11,461.4**

Statement of changes in equity

In accordance with IFRSs	Share capital	Capital reserves	Retained earnings	Remeasurements of net defined benefit liability	
Notes				14	
As at 1/1/2015	347.4	954.3	3,652.2	−254.2	
Profit for the period	–	–	228.7	–	
Other comprehensive income	–	–	–	−35.8	
Total comprehensive income for the period	–	–	228.7	−35.8	
Shifts between shareholder groups	–	–	4.9	0.0	
Dividends	–	–	−100.8	–	
Other changes in equity	–	–	1.0	0.0	
As at 30/9/2015	347.4	954.3	3,786.1	−290.0	
As at 1/1/2016	**347.4**	**954.3**	**3,776.3**	**−259.1**	
Profit for the period	–	–	339.9	–	
Other comprehensive income	–	–	0.2	−1.6	
Total comprehensive income for the period	**–**	**–**	**340.2**	**−1.6**	
Changes in the basis of consolidation	–	–	−7.2	0.1	
Shifts between shareholder groups	–	–	−1.7	0.0	
Dividends	–	–	−121.6	–	
Other changes in equity	–	–	−0.7	0.0	
As at 30/9/2016	**347.4**	**954.3**	**3,985.4**	**−260.6**	

€m

Difference from currency translation	Measurements of available-for-sale financial instruments	Measurements of cash flow hedges	Other components of other comprehensive income	Equity attributable to the shareholders of VERBUND AG	Equity attributable to non-controlling interests	Total equity
–2.8	24.2	–29.4	–2.7	4,689.1	591.4	5,280.5
–	–	–	–	228.7	35.7	264.4
–0.4	0.1	24.6	–0.9	–12.4	–3.3	–15.6
–0.4	0.1	24.6	–0.9	216.3	32.4	248.7
0.0	0.0	0.0	0.0	4.9	0.0	4.9
–	–	–	–	–100.8	–57.9	–158.6
0.0	0.0	0.0	0.0	1.0	0.0	1.0
–3.2	24.4	–4.9	–3.6	4,810.5	565.9	5,376.4
–2.8	**23.8**	**20.4**	**–0.8**	**4,859.6**	**573.7**	**5,433.3**
–	–	–	–	339.9	27.2	367.1
–1.0	2.0	–82.6	0.2	–82.8	0.1	–82.6
–1.0	**2.0**	**–82.6**	**0.2**	**257.2**	**27.3**	**284.5**
0.0	0.0	0.0	0.0	–7.0	–0.2	–7.2
0.0	0.0	0.0	0.0	–1.7	0.8	–0.9
–	–	–	–	–121.6	–43.4	–165.0
0.0	0.0	0.0	0.6	–0.1	0.0	–0.1
–3.8	**25.9**	**–62.2**	**0.0**	**4,986.3**	**558.2**	**5,544.6**

Cash flow statement

€m

In accordance with IFRSs	Notes	Q1–3/2015	**Q1–3/2016**
Profit for the period		264.4	367.1
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		341.4	344.8
Impairment losses on investments (net of reversals of impairment losses)		1.9	1.0
Result from interests accounted for using the equity method (net of dividends received)		– 9.0	– 12.7
Result from the disposal of non-current assets		2.7	0.2
Change in non-current provisions and deferred tax liabilities		28.5	69.8
Change in contributions to building costs and grants		4.4	– 4.2
Income from the reversal of deferred income from cross-border leasing transactions		– 1.2	– 1.2
Other non-cash expenses and income		– 14.4	– 120.0
Subtotal		618.6	**644.9**
Change in inventories		24.4	6.4
Change in trade receivables and other receivables		– 14.0	81.9
Change in trade payables and other liabilities		– 55.8	– 88.5
Change in current provisions and current tax liabilities		8.4	12.9
Cash flow from operating activities[1]		581.6	**657.6**

[1] Cash flow from operating activities includes income taxes paid of €13.1m (quarters 1–3/2015: €45.8m), interest paid of €59.1m (quarters 1–3/2015: €97.6m), interest received of €0.5m (quarters 1– 3/2015: €1m) and dividends received of €21.9m (quarters 1–3/2015: €21.3m).

In accordance with IFRSs	Notes	Q1–3/2015	Q1–3/2016
			€m
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		–205.4	–177.3
Cash inflow from the disposal of intangible assets and property, plant and equipment		9.2	10.7
Cash outflow from capital expenditure for investments		–27.6	0.0
Cash inflow from the disposal of investments		2.3	3.6
Cash outflow from capital expenditure for interests accounted for using the equity method and other equity interests		–9.5	–1.2
Cash inflow from the disposal of subsidiaries and interests accounted for using the equity method and other equity interests		176.4	0.0
Cash outflow from capital expenditure for current investments		0.0	–40.0
Cash inflow from the disposal of current investments		260.6	0.0
Cash flow from investing activities		205.9	**–204.3**
Cash inflow from shifts between shareholder groups		4.9	0.0
Cash outflow from money market transactions		–25.0	–195.5
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		–585.6	–104.3
Dividends paid		–158.6	–165.0
Cash flow from financing activities		–764.3	**–464.8**
Change in cash and cash equivalents		23.2	**–11.5**
Cash and cash equivalents as at 1/1/		41.7	**28.9**
Change in cash and cash equivalents		23.2	–11.5
Changes in the basis of consolidation		0.0	0.7
Cash and cash equivalents as at 30/9/		64.9	**18.1**

Selected explanatory notes

Financial reporting principles

Basic principles

These consolidated interim financial statements of VERBUND as at 30 September 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial statements as adopted by the European Union.

The condensed format of VERBUND's consolidated interim financial statements is consistent with IAS 34 "Interim Financial Reporting"; for further information and disclosures please refer to VERBUND's consolidated financial statements as at 31 December 2015, which form the basis for these consolidated interim financial statements of VERBUND.

Basis of consolidation

The equity interest in SMATRICS GmbH & Co KG, which was previously unconsolidated due to immateriality, was consolidated effective 1 January 2016. At the same time, the previously consolidated equity interests in VERBUND Umwelttechnik GmbH and VERBUND Tourismus GmbH were deconsolidated due to immateriality. The effects of these changes in the basis of consolidation are presented as "Changes in the basis of consolidation" in the statement of changes in equity.

Accounting policies

With the exception of the new IASB accounting standards described below, the same accounting policies were applied in these consolidated interim financial statements of VERBUND as in VERBUND's consolidated financial statements as at 31 December 2015.

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

New accounting standards

Newly applicable or applied accounting standards

Standard or interpretation		Published by the IASB (endorsed by the EU)	Mandatory application for VERBUND	Material effects on the consolidated interim financial statements of VERBUND
IAS 1	IAS 1 Amendments: Disclosure Initiative	18/12/2014 (18/12/2015)	1/1/2016	None
IAS 16 IAS 41	Amendments: Bearer Plants	30/6/2014 (23/11/2015)	1/1/2016	None
IAS 16 IAS 38	Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation	12/5/2014 (2/12/2015)	1/1/2016	None
IAS 19	Amendments: Defined Benefit Plans: Employee Contributions	21/11/2013 (17/12/2014)	1/1/2016	None
IAS 27	IAS 27 Amendments: Equity Method in Separate Financial Statements	12/8/2014 (18/12/2015)	1/1/2016	None

Newly applicable or applied accounting standards

Standard or interpretation		Published by the IASB (endorsed by the EU)	Mandatory application for VERBUND	Material effects on the consolidated interim financial statements of VERBUND
IFRS 11	Amendments: Accounting for Acquisitions of Interests in Joint Operations	6/5/2014 (24/11/2015)	1/1/2016	None
Various	Annual Improvements to IFRSs 2012 – 2014 Cycle	25/9/2014 (15/12/2015)	1/1/2016	None

Segment reporting

Group management was substantially restructured as part of the internal “Controlling Excellence” project. Since quarter 1/2016, segment performance has primarily been measured for internal purposes based on EBITDA. In addition, since quarter 1/2016, the Group Executive Board has been measuring performance at the level of the Renewable generation, Sales, Grid, Energy services, Thermal generation, Services and Equity interests segments.

Hydropower, wind and photovoltaic generation technologies are brought together under the Renewable generation segment. The Sales segment comprises all trading and sales activities, and the Grid segment comprises all activities of Austrian Power Grid (APG). The new services for the electricity market of the future (e.g. convenience services, energy optimisation and electromobility) are reported under the Energy services segment. Electricity and heat generation from coal and gas are reported under the Thermal generation segment. The primarily intra-Group business activities of VERBUND Services GmbH are reported under the Services segment. Interests accounted for using the equity method which have not been allocated to any other segment are reported under the Equity interests segment. This currently only comprises the equity interest in KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.

The Energy services, Thermal generation, Services and Equity interests segments have been combined in the “All other segments” category in the segment reporting below because they fall below the quantitative thresholds. The “Reconciliation/consolidation” column includes the activities of VERBUND AG and VERBUND Finanzierungsservice GmbH as well as unconsolidated equity interests that have not been allocated to a segment and consolidations which must be carried out at Group level.

EBITDA in the total column corresponds to EBITDA in the income statement. Therefore, the reconciliation to profit before tax can be taken from the income statement. Transactions between segments are carried out at arm’s length. All segment data are measured in accordance with IFRSs.

In the past, goodwill in the amount of €300.0m was allocated to the Energy segment. The restructuring of Group management resulted in this goodwill having to be allocated to the new segments. The reallocation was carried out on the basis of the relative carrying amounts before the restructuring of Group management. Since the previous Energy segment was essentially split into the Renewable generation and Sales segments, goodwill in the amount of €287.0m was allocated to the Renewable generation segment and goodwill of €13.0m to the Sales segment.

Segment information from the previous year has been adjusted to reflect this revised segment structure.

€m

	Renewable generation	Sales	Grid	All other segments	Recon-ciliation/ consoli-dation	Total Group
Q1–3/2016						
External revenue	90.9	1,587.1	428.1	13.9	2.8	2,122.8
Internal revenue	625.0	118.0	72.2	98.9	−914.2	0.0
Total revenue	715.9	1,705.2	500.3	112.8	−911.4	2,122.8
EBITDA	**426.6**	**116.3**	**182.4**	**107.0**	**−22.7**	**809.7**
Depreciation and amortisation	−188.9	−1.4	−55.0	−7.2	−0.5	−252.9
Effects from impairment tests (operating result)	−74.9	0.0	0.0	−15.5	0.1	−90.3
Other material non-cash items	63.7	5.6	9.3	119.1	1.3	199.0
Result from interests accounted for using the equity method	1.0	0.0	0.0	25.7	0.0	26.8
Effects from impairment tests (financial result)	0.7	0.0	0.0	0.0	0.0	0.7
Capital employed	**6,729.6**	**301.6**	**1,222.2**	**324.5**	**47.7**	**8,625.6**
of which carrying amount of interests accounted for using the equity method	2.5	0.0	1.3	274.4	0.0	278.2
Additions to intangible assets and property, plant and equipment	74.9	0.3	82.0	2.8	0.6	160.6
Additions to interests accounted for using the equity method	0.0	0.0	0.0	1.0	0.0	1.0

€m

	Renewable generation	Sales	Grid	All other segments	Reconciliation/ consolidation	Total Group
Q1–3/2015						
External revenue	98.8	1,485.1	506.0	13.6	3.0	2,106.5
Internal revenue	704.5	174.9	89.6	126.0	–1,095.0	0.0
Total revenue	803.2	1,660.0	595.6	139.6	–1,092.0	2,106.5
EBITDA	**516.7**	**97.5**	**196.5**	**–34.0**	**–50.6**	**726.1**
Depreciation and amortisation	–211.1	–1.3	–54.3	–9.1	–0.4	–276.1
Effects from impairment tests (operating result)	–5.3	0.0	0.0	–58.3	0.0	–63.6
Other material non-cash items	43.2	–12.2	64.8	–10.4	–24.0	61.4
Result from interests accounted for using the equity method	0.6	0.0	0.0	22.6	0.0	23.1
Capital employed	**6,822.1**	**414.7**	**1,036.4**	**284.4**	**96.2**	**8,653.8**
of which carrying amount of interests accounted for using the equity method	2.3	0.0	1.3	259.1	0.0	262.7
Additions to intangible assets and property, plant and equipment	121.0	0.0	64.8	3.4	0.6	189.9
Additions to interests accounted for using the equity method	0.0	0.0	0.0	2.7	0.0	2.7

Notes to the income statement

(1)
Electricity revenue

Electricity revenue by customer area €m

	Q1–3/2015 Domestic	Q1–3/2016 Domestic	Change	Q1–3/2015 Foreign	Q1–3/2016 Foreign	Change
Electricity deliveries to traders	37.3	53.1	43%	609.9	439.8	–28%
Electricity deliveries to resellers	440.4	423.9	–4%	141.8	250.8	77%
Electricity deliveries to consumers	302.7	273.5	–10%	144.6	278.2	92%
Electricity revenue by customer area[1]	780.4	**750.6**	–4%	896.3	**968.8**	8%

[1] To present business performance more accurately, revenue from energy trading is shown as a net amount, i.e. amounts realised and measured are each presented net of expenses. Without this net presentation, electricity revenue (and expenses for the purchase of electricity) would have been €804.5m higher in quarters 1–3/2016 (quarters 1–3/2015: €1,485.2m).

In quarters 1–3/2016, the Permanent Court of Arbitration of the Vienna Economic Chamber decided that, based on the existing electricity purchase agreements related to the Melk, Greifenstein and Freudenau power plants on the Danube, VERBUND is not entitled to also bill EVN AG for proportionate expenses for system services fees, grid loss fees or fees for the provision of primary control energy as electricity purchase costs as long as the so-called Peage agreements remain in place. As a consequence of this decision, corresponding credit notes must be issued for the fees that have already been billed. This led to an expense of €6.7m in quarters 1–3/2016 that was recognised under electricity deliveries to resellers.

(2)
Grid revenue

Grid revenue by customer area €m

	Q1–3/2015 Domestic	Q1–3/2016 Domestic	Change	Q1–3/2015 Foreign	Q1–3/2016 Foreign	Change
Electric power companies	200.8	183.3	–8.7%	0.0	2.1	n.a.
Industrial clients	15.1	14.4	–4.6%	0.0	0.0	n.a.
Other	56.6	29.6	–47.7%	61.2	57.6	–5.9%
Grid revenue	272.5	**227.3**	–16.6%	61.2	**59.7**	–2.5%

(3)
Other operating income

In quarters 1–3/2016, VERBUND and EconGas GmbH settled various outstanding issues related to gas deliveries for the Mellach combined cycle gas turbine power plant. The natural gas supply agreement signed on 24 June 2008 is no longer in effect. The parties have agreed not to discuss the terms of the agreement.

Due to the termination of the natural gas supply agreement, the freestanding derivative recognised since 2012 and provisions reported on the balance sheet were required to be derecognised/reversed. The resulting income in quarters 1–3/2016 amounted to €118.0m.

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

Expenses for electricity, grid, gas and certificate purchases

€m	Q1–3/2015	Q1–3/2016	Change
Expenses for electricity purchases (including control power)	741.9	760.7	2.5%
Expenses for grid purchases (system use)	134.5	187.5	39.4%
Expenses for gas purchases[1]	67.5	76.8	13.7%
Purchases of emission rights (trade)	0.8	0.4	–55.4%
Purchases of proof of origin and green certificates	0.4	2.5	n.a.
Expenses for electricity, grid, gas and certificate purchases	945.2	**1,027.9**	8.7%

[1] VERBUND and EconGas GmbH have entered into a long-term natural gas supply agreement which, as a consequence of its management, had to be classified as a freestanding derivative and recognised at fair value through profit or loss. In quarters 1–3/2016, expenses arising from the measurement of the freestanding derivative amounting to €9.8m (quarters 1–3/2015: €12.9m) were recognised before the outstanding issues existing between VERBUND and EconGas GmbH related to gas deliveries for the Mellach combined cycle gas turbine power plant were settled (see: (3) Other operating income and/or (17) Additional disclosures regarding financial instruments).

(5) Fuel expenses and other usage-dependent expenses

Fuel expenses and other usage-dependent expenses

€m	Q1–3/2015	Q1–3/2016	Change
Fuel expenses	67.9	44.0	–35.2%
Emission rights acquired in exchange for consideration	7.8	4.0	–48.5%
Other usage-dependent expenses	11.5	9.5	–17.7%
Fuel expenses and other usage-dependent expenses	87.1	**57.4**	–34.1%

(6) Personnel expenses

Personnel expenses

€m	Q1–3/2015	Q1–3/2016	Change
Wages and salaries	185.3	178.2	–3.8%
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	42.7	41.0	–4.1%
Other social expenses	2.7	2.7	–1.2%
Subtotal	230.7	**221.8**	–3.9%
Expenses for termination benefits	4.2	4.0	–5.3%
Expenses for pensions and similar obligations	1.5	8.0	n.a.
Personnel expenses	236.4	**233.7**	–1.1%

(7) Impairment losses

Impairment losses

€m	Q1–3/2015	Q1–3/2016	Change
Romanian wind farms	5.3	57.2	n.a.
Gössendorf and Kalsdorf run-of-river power plants	0.0	17.6	n.a.
Change in deferred grants for the Gössendorf and Kalsdorf run-of-river power plants	0.0	–1.0	n.a.
Mellach combined cycle gas turbine power plant	59.9	15.9	–73.5%
Change in deferred grants for the Mellach combined cycle gas turbine power plant	–1.6	–0.4	74.1%
Other	0.1	1.2	n.a.
Impairment losses	63.6	**90.3**	41.9%

Impairment test – Romanian wind farms

	30/6/2016[1, 2]
Cash-generating unit	Alpha, CAS and Ventus wind farms on the Romanian Black Sea coast (installed capacity: 81, 76 and 69 MW)
Indications of impairment	Updated electricity price forecasts and estimate of output as well as revised estimate with respect to the sales potential of Romanian green electricity certificates
Basis for recoverable amount	Fair value (level 3) less costs of disposal
Valuation technique	Net present value approach (DCF method)
Derivation of cash flow	Budgets of Alpha Wind S.R.L., CAS Regenerabile S.R.L. and Ventus Renew Romania S.R.L. (based primarily on near-market data)
Volume	Annually expected electricity generation volumes[3] of Alpha (174 GWh), CAS (164 GWh) and Ventus (139 GWh) and expected opportunities for selling Romanian green electricity certificates
Pricing	External price forecasts[4]; estimates of maintenance costs based on existing maintenance agreements
Planning period	Detailed planning phase: 6 years, after which rough planning phase until end of useful life in 2038
Key valuation assumptions	Price forecasts for electricity and green electricity certificates, annually expected electricity generation volumes and opportunity to sell Romanian green electricity certificates, discount rate
Discount rate	WACC after taxes: 8.00%
Recoverable amount	Alpha: €34.1m; CAS: €37.4m; Ventus: €36.8m
Impairment losses for the period[2]	Alpha: €– 18.7m; CAS: €– 15.8m; Ventus: €– 22.7m

[1] The last impairment test was conducted on 30 June 2016. As at 30 September 2016, there was no indication of (additional) impairment nor of any decrease in previously recognised impairment losses. // [2] As at 31 December 2015, no indications of impairment were identified. The last impairment test, which led to the recognition of an impairment loss for the Ventus wind farm in the amount of €5.3m, was conducted on 30 September 2015. // [3] On 30 June 2016, the generation volume of the Romanian wind farms was evaluated on the basis of now available historical figures (years 2013–2015). As a consequence of this evaluation, since 30 June 2016 the presumed generation volume for the next few years is 174 GWh instead of 198 GWh (Alpha), 164 GWh instead of 184 GWh (CAS) and 139 GWh instead of 168 GWh (Ventus). Without this change in the estimate, the recoverable amount for the Romanian wind farms would have been €11.2m (Alpha), €9.6m (CAS) and €13.6m (Ventus) higher as at 30 June 2016. // [4] The impairment tests on 30 June 2016 were based on the price forecasts of two reputable information service providers in the energy market. In contrast to previous valuations, the tests applied the low case in the price forecasts of one of the two information service providers (previously: central case). The estimate was revised due to the lower price quotations in recent years on stock markets and the resulting lower expectations with respect to the long-term development of electricity prices. Without this change in the estimate, the recoverable amount for the Romanian wind farms would have been €27.6m (Alpha), €25.8m (CAS) and €22.3m (Ventus) higher as at 30 June 2016.

Impairment tests – Gössendorf and Kalsdorf run-of-river power plants

	30/6/2016[1, 2]
Cash-generating unit	Each of the two Austrian run-of-river power plants represents a separate cash-generating unit
Indications of impairment	Updated electricity price forecasts
Basis for recoverable amount	Fair value (level 3) less costs of disposal
Valuation technique	Net present value approach (DCF method)
Derivation of cash flow	VERBUND Hydro Power GmbH's budgets (based primarily on near-market data)
Volume	Annual output corresponding to the mean energy capability of 89 GWh (Gössendorf) and 81 GWh (Kalsdorf)
Pricing	External price forecasts[3]; discounts for generation characteristics and hydrological forecast and availability risk; premium for additional proceeds from the sale of guarantees of origin derived from quoted prices; estimate of maintenance costs by managers responsible
Planning period	Detailed planning phase: 6 years, rough planning phase: 94 years (long-term reinvestment, repair and maintenance cycles for hydropower plants)
Key valuation assumptions	Electricity price, discount rate
Discount rate	WACC after taxes: 5.25%
Recoverable amount	Gössendorf: €25.6m Kalsdorf: €24.3m
Impairment losses for the period[4]	Gössendorf: €–8.2m Kalsdorf: €–9.3m

[1] The last impairment test was conducted on 30 June 2016. As at 30 September 2016, there was no indication of (additional) impairment nor of any decrease in previously recognised impairment losses. // [2] As at 31 December 2015, no indications of impairment were identified. // [3] The impairment tests on 30 June 2016 were based on the price forecasts of two reputable information service providers in the energy market. In contrast to previous valuations, the tests applied the low case in the price forecasts of one of the two information service providers (previously: central case). The estimate was revised due to the lower price quotations in recent years on stock markets and the resulting lower expectations with respect to the long-term development of electricity prices. Without this change in the estimate, the recoverable amount for the run-of-river power plants would have been €14.0m (Gössendorf) and €12.8m (Kalsdorf) higher as at 30 June 2016.// [4] The impairment loss was reduced by the change in accrued contributions to building costs.

Impairment test – Mellach combined cycle gas turbine power plant

	31/12/2015	**30/6/2016[1]**
Cash-generating unit	Combined cycle gas turbine power plant (installed electrical capacity: 848 MW)	Combined cycle gas turbine power plant (installed electrical capacity: 848 MW)
Indications of impairment	Updated electricity and/or gas price forecasts and updated discount rate	Updated electricity and/or gas price forecasts
Basis for recoverable amount	Fair value (level 3) less costs of disposal	Fair value (level 3) less costs of disposal
Valuation technique	Net present value approach (DCF method)	Net present value approach (DCF method)
Derivation of cash flow	VERBUND Thermal Power GmbH & Co KG in Liqu. budgets (based mainly on near-market data)	VERBUND Thermal Power GmbH & Co KG in Liqu. budgets (based mainly on near-market data)
Volume	Optimisation model with primary inputs: installed capacity, heat extraction (maximum 400 MW) and efficiency at full capacity (58.8%)	Optimisation model with primary inputs: installed capacity, heat extraction (maximum 400 MW) and efficiency at full capacity (58.8%)
Pricing	External price forecasts; temporarily expected revenue from the strategic grid reserve, congestion management, redispatch, estimates of operating, maintenance and decommissioning costs by managers responsible	External price forecasts[2]; temporarily expected revenue from the strategic grid reserve, congestion management, redispatch, estimates of operating, maintenance and decommissioning costs by managers responsible
Planning period	Total capacity averaging around 100,000 equivalent operating hours or until 2040 (dependent on earlier entry)	Total capacity averaging around 100,000 equivalent operating hours or until 2040 (dependent on earlier entry)
Key valuation assumptions	Development of clean spark spreads, discount rate, temporarily expected revenue from congestion management and redispatch	Development of clean spark spreads, discount rate, temporarily expected revenue from congestion management and redispatch
Discount rate	WACC after taxes: 5.25%	WACC after taxes: 5.25%
Recoverable amount	€40.4m	€25.4m
Impairment losses in the period[3]	€–115.6m	€–15.9m

[1] The last impairment test was conducted on 30 June 2016. As at 30 September 2016, there was no indication of (additional) impairment nor of any decrease in previously recognised impairment losses. // [2] The impairment tests on 30 June 2016 were based on the price forecasts of two reputable information service providers in the energy market. In contrast to previous valuations, the tests applied the low case in the price forecasts of one of the two information service providers (previously: central case). The estimate was revised due to the lower price quotations in recent years on stock markets and the resulting lower expectations with respect to the long-term development of electricity prices. Without this change in the estimate, the recoverable amount of the Mellach combined cycle gas turbine power plant would have been €41.6m higher as at 30 June 2016. // [3] The impairment loss was reduced by the amount of change in deferred government grants. An impairment loss of €59.9m had been recognised in the previous year on 30 September 2015 (indication of impairment: updated electricity and gas price forecasts, strategic grid reserve premium for Germany and the current discount rate). As at 31 December 2015, the impairment recognised during the year increased to €115.6m.

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

Result from interests accounted for using the equity method

€m

	Q1–3/2015 Domestic	**Q1–3/2016 Domestic**	Change	Q1–3/2015 Foreign	**Q1–3/2016 Foreign**	Change
Income or expenses	23.0	**27.3**	18.4%	0.1	**–0.4**	n.a.

(9) Interest income

Interest income

€m

	Q1–3/2015	**Q1–3/2016**	Change
Interest from investments under closed items on the balance sheet	21.3	21.6	1.4%
Interest from money market transactions	0.6	0.1	–78.7%
Other interest and similar income	1.7	1.6	–7.1%
Interest income	23.7	**23.4**	–13.8%

(10) Interest expenses

Interest expenses

€m

	Q1–3/2015	**Q1–3/2016**	Change
Interest on bonds	50.8	37.8	–25.7%
Interest on financial liabilities under closed items on the balance sheet	21.3	21.6	1.4%
Interest on bank loans	23.5	16.1	–31.5%
Interest on other liabilities from electricity supply commitments	13.1	12.8	–2.2%
Net interest expense on personnel-related liabilities	11.9	11.6	–2.5%
Interest on a share redemption obligation	4.7	4.9	3.6%
Expenses from the repurchase of bonds	1.6	0.0	–100.0%
Interest on other non-current provisions	1.1	1.1	–1.3%
Profit or loss attributable to limited partners	0.1	–0.2	n.a.
Borrowing costs capitalised in accordance with IAS 23	–13.8	–10.5	24.3%
Other interest and similar expenses	5.3	4.8	–8.8%
Interest expenses	119.7	**100.1**	–16.4%

(11) Other financial result

Other financial result

€m

	Q1–3/2015	**Q1–3/2016**	Change
Measurement of an obligation to return an interest[1]	–8.4	33.4	n.a.
Foreign exchange gains	3.1	3.1	0.0%
Income from securities and loans	1.9	1.9	–0.6%
Foreign exchange losses	–3.0	–0.1	96.5%
Measurement of derivatives in the finance area	1.9	–4.1	n.a.
Measurement of long position: Gemeinschaftskraftwerk Inn GmbH[2]	8.2	–4.4	–153.3%
Other	–0.1	–4.2	n.a.
Other financial result	3.5	**25.6**	139.6%

[1] The valuation was based on the price forecasts of two reputable information service providers in the energy market. However, in contrast to previous valuations, the tests have applied the low case in the price forecasts of one of the two information service providers since 30 June 2016 (previously: central case). The estimate was revised due to the lower price quotations in recent years on stock markets and the resulting lower expectations with respect to the long-term development of electricity prices. Without this change in the estimate, the result of the valuation would have been a loss of €9.5m instead of the gain. // [2] The valuation was based on the price forecasts of two reputable information service providers in the energy market. However, in contrast to previous valuations, the tests have applied the low case in the price forecasts of one of the two information service providers since 30 June 2016 (previously: central case). The estimate was revised due to the lower price quotations in recent years on stock markets and the resulting lower expectations with respect to the long-term development of electricity prices. Without this change in the estimate, the result of the valuation would have been a gain of €1.7m instead of the loss.

(12)
Reversals of impairment loss

The recoverability of the equity-accounted interest in Shkodra Region Beteiligungsholding GmbH was tested as at 30 June 2016. The impairment test was necessitated on the one hand by updated electricity price forecasts, and, on the other, by a lower discount rate due to a lower country risk premium which had to be taken into account (WACC after taxes for 2016–2027: 9.25% instead of 13.00%; and for 2028–2043: 10.25% instead of 14.00%). The calculated recoverable amount was €–21.3m (31 December 2015: €–22.2m). The reversal of impairment losses to be recognised amounted to €0.7m. As at 30 September 2016, there was no indication of impairment, nor of any (further) decrease in previously recognised impairment losses on equity interests.

(13)
Taxes on income

With respect to the possibility of amortising goodwill on foreign equity interests upon inclusion in a tax group as described on 31 December 2015, the Austrian Supreme Court issued a decision on 10 February 2016 (preceding decision on the part of the European Court of Justice issued on 6 October 2015). The Austrian Supreme Court decided that amortisation of goodwill is also permitted in the case of acquisitions of foreign equity interests from within the EU/European Economic Area. The Austrian Federal Ministry of Finance subsequently amended its previous legal opinion with a letter dated 16 June 2016 and announced that the amortisation of goodwill on foreign equity interests is to be granted for tax assessment periods up to 2013. However, for tax assessment periods from 2014 onwards, the amortisation of goodwill is only to be allowed if it has already been requested in the tax return for the year in which the foreign equity interest was first included in the tax group. For VERBUND, the Austrian Federal Ministry of Finance's legal opinion means that the goodwill on the equity interest in VERBUND Innkraftwerke GmbH can definitely be amortised for the 2010–2013 period and the goodwill on the equity interest in Innwerk AG can be amortised for the 2015–2027 period.

The tax benefit arising from goodwill amortisation is treated as a temporary difference associated with investments in subsidiaries (outside basis difference). Income tax revenue in the amount of €37.3m relating to prior periods was recognised in quarters 1–3/2016 as a result of the goodwill amortisation in the tax accounts of VERBUND's equity interest in VERBUND Innkraftwerke GmbH (for 2010–2013) and Innwerk AG (for 2015), including interest on arrears.

VERBUND continues to be of the opinion that the amortisation of goodwill on the equity interest in VERBUND Innkraftwerke GmbH can also be claimed for 2014–2023. The tax benefit for these years (reduction in future tax payments of €8.2m per year) will be recognised in accordance with VERBUND's accounting policies as soon as the possibility of asserting the claim is sufficiently certain.

Notes to the statement of comprehensive income

(14)
Remeasurements of net defined benefit liability

Provisions for pensions and similar obligations and for statutory termination benefits have been measured based on an updated actuarial report since 30 June 2016. The discount rate applied was 2.00% instead of 2.25% (obligations similar to pensions) and 1.75% instead of 2.00% (pension and termination benefit obligations). Future pension and/or salary increases were taken into account using 1.75% instead of 2.25%.

Notes to the balance sheet

(15)
Inventories

Inventories €m

	31/12/2015	30/9/2016	Change
Inventories of primary energy sources held for generation	5.7	2.9	–50.0%
Emission rights held for trading	5.1	5.0	–1.4%
Measurements of emission rights held for trading	3.9	0.4	–89.0%
Fair value of emission rights held for trading	9.0	5.4	–39.7%
Proof of origin and green electricity certificates	0.2	0.3	46.4%
Other	4.1	4.0	–1.4%
Inventories	19.1	12.7	–33.6%

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

(16)
Non-current assets and liabilities held for sale

The assets and liabilities of the consolidated 100% equity interests in VERBUND Photovoltaics Ibérica S.L. were classified as "held for sale" effective 21 September 2016. VERBUND Photovoltaics Ibérica S.L. is part of the Renewable generation segment and operates two photovoltaic farms in southern Spain with a total capacity of 2.8 MWp. The sale is expected to take place within the next six months in the form of a share deal. The decision to sell the two photovoltaic farms is a consequence of VERBUND's strategic focus on majority interests that concentrate on electricity generation from hydropower and on the Austrian and German market.

(17)
Additional disclosures regarding financial instruments

The credit rating was downgraded by Standard & Poor's (BBB negative) and Moody's (Baa2 stable) in quarters 1–3/2016. The interest rates of individual financing arrangements were subsequently slightly adjusted; the terms remain unchanged.

With respect to the only remaining cross-border leasing transaction, the downgrading of the credit rating by Standard & Poor's and Moody's triggered a so-called head lease filing (certificate deposit) vis-à-vis the equity investor. As an alternative to depositing the certificate, a waiver could also be utilised by paying a one-time fee. Provisions were recognised for the estimated future expenses resulting from the impact of the head lease filing.

Carrying amounts and fair values by measurement category 30/9/2016

€m

Assets – balance sheet items	Measurement category under IAS 39	Level	Carrying amount	Fair value
Interests in unconsolidated subsidiaries	FAAC	–	5.3	–
Other equity interests	FAAFS	2	86.8	86.8
Other equity interests	FAAC	–	16.8	–
Other equity interests			**108.8**	
Securities	FAAFS	1	133.1	133.1
Securities	FAAC	–	3.5	–
Securities – closed items on the balance sheet	LAR	2	62.2	55.0
Other loans – closed items on the balance sheet	LAR	2	287.5	322.2
Derivatives in the finance area – closed items on the balance sheet	FAHFT	2	129.3	129.3
Loans to investees	LAR	2	56.5	59.6
Other loans	LAR	2	5.4	6.2
Other	–	–	21.2	–
Other non-current investments and non-current other receivables			**698.8**	
Trade receivables	LAR	–	208.8	–
Receivables from investees	LAR	–	23.8	–
Loans to investees	LAR	2	3.5	3.8
Other loans	LAR	2	0.7	0.7
Derivatives in the energy area	FAHFT	2	117.9	117.9
Long position: Gemeinschaftskraftwerk Inn GmbH	FAHFT	3	13.6	13.6
Money market transactions	LAR	2	40.0	40.1
Emission rights	IAS 38, IAS 2	–	0.6	–
Other	LAR	–	28.1	–
Other	–	–	93.2	–
Trade receivables and current other receivables			**530.3**	
Cash and cash equivalents	**LAR**	**–**	**18.1**	**–**
Aggregated by measurement category				
Financial assets at cost	FAAC		25.6	
Loans and receivables	LAR		734.6	
Financial assets available for sale	FAAFS		219.9	
Financial assets held for trading	FAHFT		260.9	

Carrying amounts and fair values by measurement category 30/9/2016

€m

Liabilities – balance sheet items	Measurement category under IAS 39	Level	Carrying amount	Fair value
Bonds	FLAAC	2	1,402.6	1,576.1
Financial liabilities to banks and to others	FLAAC	2	941.2	1,003.4
Financial liabilities to banks – closed items on the balance sheet	FLAAC	2	111.9	162.3
Financial liabilities to banks – closed items on the balance sheet	FLAFVPL	2	367.2	367.2
Capital shares attributable to limited partners	IAS 32	–	3.8	–
Non-current and current financial liabilities			2,826.7	
Electricity supply commitment	–	–	171.5	–
Obligation to return an interest	FLAAC	3	88.2	132.2
Trade payables	FLAAC	–	3.6	–
Deferred income for grants (emission rights)	IAS 20	–	0.2	–
Other	FLAAC	–	25.1	–
Non-current other liabilities			288.7	
Trade payables	FLAAC	–	95.2	–
Derivatives in the energy area	FLHFT	1	1.9	1.9
Derivatives in the energy area	FLHFT	2	100.4	100.4
Derivatives in the finance area	FLHFT	2	34.6	34.6
Other	FLAAC	–	79.8	–
Other	–	–	69.6	–
Trade payables and current other liabilities			381.5	
Aggregated by measurement category				
Financial liabilities at amortised cost	FLAAC		2,747.5	
Financial liabilities at fair value through profit or loss	FLAFVPL		367.2	
Financial liabilities held for trading	FLHFT		137.0	

Carrying amounts and fair values by measurement category 31/12/2015 €m

Assets – balance sheet items	Measurement category under IAS 39	Level	Carrying amount	Fair value
Interests in unconsolidated subsidiaries	FAAC	–	10.6	–
Other equity interests	FAAS	2	86.8	86.8
Other equity interests	FAAC	–	18.2	–
Other equity interests			**115.6**	
Securities	FAAFS	1	130.8	130.8
Securities	FAAC	–	3.0	–
Securities – closed items on the balance sheet	LAR	2	64.2	57.9
Other loans – closed items on the balance sheet	LAR	2	294.0	323.7
Derivatives in the finance area – closed items on the balance sheet	FAHFT	2	123.1	123.1
Loans to investees	LAR	2	57.5	59.8
Other loans	LAR	2	5.9	5.9
Other	LAR	–	9.0	9.0
Other	–	–	7.5	–
Other non-current investments and non-current other receivables			**695.0**	
Trade receivables	LAR	–	302.5	–
Receivables from investees	LAR	–	31.7	–
Loans to investees	LAR	2	3.5	3.7
Other loans	LAR	2	1.0	1.0
Derivatives in the energy area	FAHFT	2	184.0	184.0
Long position: Gemeinschaftskraftwerk Inn GmbH	FAHFT	3	18.0	18.0
Money market transactions	LAR	2	0.0	0.0
Emission rights	IAS 38, IAS 2	–	12.0	–
Other	LAR	–	30.3	–
Other	–	–	47.1	–
Trade receivables and current other receivables			**630.0**	
Cash and cash equivalents	**LAR**	**–**	**28.9**	**–**
Aggregated by measurement category				
Financial assets at cost	FAAC		31.8	
Loans and receivables	LAR		828.5	
Financial assets available for sale	FAAFS		217.6	
Financial assets held for trading	FAHFT		325.1	

Carrying amounts and fair values by measurement category 31/12/2015 €m

Liabilities – balance sheet items	Measurement category under IAS 39	Level	Carrying amount	Fair value
Bonds	FLAAC	2	1,405.3	1,537.2
Financial liabilities to banks and to others	FLAAC	2	1,240.4	1,276.2
Financial liabilities to banks – closed items on the balance sheet	FLAAC	2	112.8	152.5
Financial liabilities to banks – closed items on the balance sheet	FLAFVPL	2	368.5	368.5
Capital shares attributable to limited partners	IAS 32	–	2.5	–
Non-current and current financial liabilities			3,129.5	
Electricity supply commitment	–	–	176.1	–
Obligation to return an interest	FLAAC	3	116.8	176.4
Derivatives in the energy area	FLHFT	3	66.5	66.5
Trade payables	FLAAC	–	4.1	–
Other	FLAAC	–	27.6	–
Non-current other liabilities			391.1	
Trade payables	FLAAC	–	118.8	–
Derivatives in the energy area	FLHFT	2	89.6	89.6
Derivatives in the energy area	FLHFT	3	5.3	5.3
Derivatives in the finance area	FLHFT	2	33.8	33.8
Other	FLAAC	–	122.1	–
Other	–	–	68.0	–
Trade payables and current other liabilities			437.6	
Aggregated by measurement category				
Financial liabilities at amortised cost	FLAAC		3,148.0	
Financial liabilities at fair value through profit or loss	FLAFVPL		368.5	
Financial liabilities held for trading	FLHFT		195.2	

Of the derivative financial instruments in the energy area classified as FAHFT and FLHFT in the above table, positive fair values of €30.9m (31 December 2015: €85.2m) and negative fair values of €93.5m (31 December 2015: €34.3m) related to hedging relationships designated as cash flow hedges. These fair values represent gross amounts; following the inter-portfolio netting carried out in accordance with VERBUND's accounting policies, cash flow hedges can no longer be isolated.

Valuation techniques and input factors for determining fair values

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

Level 3 measurement of financial instruments: natural gas supply contract €m

	2015	2016
Carrying amount as at 1/1/	63.4	**71.8**
Measurement gains or losses (recognised in expenses for electricity, grid, gas and certificate purchases)	12.9	9.8
Disposals	0.0	–81.6
Carrying amount as at 30/9/	76.2	**0.0**

In quarters 1–3/2016, VERBUND and EconGas GmbH settled various outstanding issues related to gas deliveries for the Mellach combined cycle gas turbine power plant. The natural gas supply agreement signed on 24 June 2008 is no longer in effect. The parties have agreed not to discuss the terms of the agreement.

Due to the termination of the natural gas supply agreement, the freestanding derivative recognised since 2012 was required to be derecognised.

Level 3 measurement of financial instruments: long position: GKI €m

	2015	2016
Carrying amount as at 1/1/	17.1	**18.0**
Measurement gains or losses (recognised in other financial result)	8.2	–4.4
Carrying amount as at 30/9/	25.3	**13.6**

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

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

	Assumption	Change in assumption	If assumption increases, operating result changes by	If assumption decreases, operating result changes by
Electricity price[2]	€51.5/MWh	± 5%	0.2	0.3
Discount rate	5.25%	± 0.25 PP	0.3	0.2
Volatility of the underlying asset	26.75%	± 1 PP	0.5	–0.5

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

Other note disclosures

Dividends paid

Dividends paid	Total (€m)	Number of ordinary shares	Per share (€)
Dividend paid in 2016 for financial year 2015	121.6	347,415,686	0.35
Dividend paid in 2015 for financial year 2014	100.8	347,415,686	0.29

Purchase commitments

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

€m

	30/9/2016	of which due in 2016	of which due 2017–2021
Total commitment	**319.3**	165.3	149.7

Contingent liabilities

VERBUND's last remaining cross-border leasing transaction has an off-balance sheet financing structure. As at 30 September 2016, VERBUND's subsidiary liability for the non-redeemed portion of lease liabilities from cross-border leasing transactions amounted to €541.4m (31 December 2015: €575.4m). Of the rights of recourse against primary debtors, a total of €364.9m (31 December 2015: €402.0m) was secured through counter-guarantees from financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €242.2m (31 December 2015: €239.1m) was covered by off-balance sheet investments.

As at 30 September 2016, other liabilities included contingent liabilities of €8.2m (31 December 2015: €8.2m) in the form of guarantees issued by VERBUND for Verbundplan Birecik Baraji Isletme Ltd. Sti. (VBOC), which is not consolidated.

Court proceedings pending

In connection with the proceedings between VERBUND and EVN AG (shutdown of the power plant block at the Dürnrohr site), there have been no significant developments since the position outlined as at 31 December 2015 (for example, the first witnesses have been examined and a report has been commissioned). No disclosures have been provided in respect of any contingent liabilities or provisions that may arise in relation to these proceedings because it is likely that such note disclosures would seriously prejudice VERBUND's position in the proceedings.

In connection with the proceedings between VERBUND and Energie Steiermark Wärme GmbH described as at 31 December 2015 regarding a claim under the laws of unjust enrichment due to the compulsory provision of an outage reserve in the past by means of an unjustified temporary injunction, the Permanent Court of Arbitration of the Economic Chamber of Lower Austria established its competent jurisdiction on 28 September 2016. Apart from this, there were no major developments with respect to these proceedings in quarters 1–3/2016.

On 18 February 2016, the Cartel Court of Vienna served VERBUND with a declaratory motion by Energie Steiermark Wärme GmbH. Energie Steiermark Wärme GmbH alleges that VERBUND's closing of the Neudorf/Werndorf II district heating power plant was improper as defined under the Austrian Cartel Act (KartG) with respect to the district heating deliveries from the Mellach site. No disclosures have been provided in respect of any contingent liabilities or provisions that may arise in relation to these proceedings because it is likely that such note disclosures would seriously prejudice VERBUND's position in these proceedings.

In quarters 1–3/2016, VERBUND and EconGas GmbH settled various outstanding issues related to gas deliveries for the Mellach combined cycle gas turbine power plant. The natural gas supply agreement signed on 24 June 2008 is no longer in effect. The parties have agreed not to discuss the terms of the agreement (see also (3) Other operating income).

Additional parties filed claims for damages in quarters 1–3/2016 in connection with the flooding of the Drau River in 2012. The claims for damages currently amount to around €109.0m (31 December 2015: €98.3m). VERBUND is contesting the grounds for and amounts of these claims. No disclosures have been provided in respect of any contingent liabilities or provisions that may arise in relation to these claims for damages because it is likely that such note disclosures would seriously prejudice VERBUND's position in the proceedings.

Transactions with related parties

Transactions with investees accounted for using the equity method €m

	Q1–3/2015	**Q1–3/2016**	Change
Income statement			
Electricity revenue	37.1	46.0	24.0%
Grid revenue	16.6	16.9	1.3%
Other revenue	0.8	2.6	n.a.
Other operating income	2.2	3.1	43.8%
Expenses for electricity, grid, gas and certificate purchases	–23.1	–20.3	12.1%
Fuel expenses and other usage-dependent expenses	0.0	–0.1	n.a.
Other operating expenses	–1.2	–0.3	76.9%
Interest income	1.5	1.2	–19.7%
Interest expenses	0.0	0.0	31.3%
Other financial result	1.7	1.7	–0.3%

Transactions with investees accounted for using the equity method €m

	31/12/2015	**30/9/2016**	Change
Balance sheet			
Investments and other non-current receivables	40.4	39.4	–2.5%
Trade receivables and other current receivables	24.0	17.9	–25.3%
Contributions to building costs and grants	286.5	286.4	0.0%
Trade payables and other current liabilities	2.7	3.5	30.0%

Electricity revenue with equity-accounted investees primarily came from KELAG-Kärntner Elektrizitäts-AG (€25.7m; quarters 1–3/2015: €23.2m) and OeMAG Abwicklungsstelle für Ökostrom AG (€18.0m; quarters 1–3/2015: €13.9m). The electricity revenue was offset by electricity purchases from KELAG-Kärntner Elektrizitäts-AG in the amount of €12.9m (quarters 1–3/2015: €19.2m) and from OeMAG Abwicklungsstelle für Ökostrom AG (€5.0m; quarters 1–3/2015: €2.9m).

Electricity revenue with companies controlled or significantly influenced by the Republic of Austria in quarters 1–3/2016 totalled €20.5m (quarters 1–3/2015: €21.4m). Electricity was purchased mainly through Bundesbeschaffungs GmbH (BBG), Telekom Austria Group and OMV. Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €0.2m in quarters 1–3/2016 (quarters 1–3/2015: €0.5m). The electricity was supplied primarily by Österreichische Bundesbahnen (ÖBB).

VERBUND's expenses for monitoring by Energie-Control in quarters 1–3/2016 amounted to a total of €8.7m (quarters 1–3/2015: €9.2m).

In quarters 1–3/2016, VERBUND and EconGas GmbH settled various outstanding issues related to gas deliveries for the Mellach combined cycle gas turbine power plant. The natural gas supply agreement signed on 24 June 2008 is no longer in effect. The parties have agreed not to discuss the terms of the agreement (see also (3) Other operating income).

Audit and/or review

These consolidated interim financial statements of VERBUND have been neither audited nor reviewed by an auditor.

Events after the reporting date

There were no events requiring disclosure between the reporting date of 30 September 2016 and approval for issue on 25 October 2016.

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 2016, prepared in accordance with the accounting standards for interim financial reports under International Financial Reporting Standards (IFRSs), give a true and fair view of the assets and liabilities, financial position and profit or loss of the Group.

We also confirm that the Group interim management report of VERBUND gives a true and fair view of the assets and liabilities, financial position and profit or loss of the Group 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 2016 as well as with respect to the principal risks and uncertainties in the remaining three months of the financial year.

Vienna, 25 October 2016
The Executive Board

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

Dr. Johann Sereinig
Vice-Chairman of the Executive Board

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

Dr. Peter F. Kollmann
Member of the Executive Board

Notes

EDITORIAL DETAILS

Published by: VERBUND AG
Am Hof 6a, 1010 Vienna, Austria

This **Interim Report** was produced in-house with firesys.
Charts and table concept:
Roman Griesfelder, aspektum gmbh
Creative concept and design: Brainds
Design and consulting: Grayling
Translation and linguistic consulting:
ASI GmbH – Austria Sprachendienst International
Printing: VERBUND AG (in-house)

Contact: VERBUND AG
Am Hof 6a, 1010 Vienna, Austria
Phone: +43(0)50313-0
Fax: +43(0)50313-54191
Email: info@verbund.com
Website: www.verbund.com
Commercial register number: FN 76023z
Commercial register court:
Commercial Court of Vienna
VAT No.: ATU14703908
DPR No.: 0040771
Registered office: Vienna, Austria

Investor Relations:
Andreas Wollein
Phone: +43(0)50313-52604
Email: investor-relations@verbund.com

Group Communications:
Beate McGinn
Phone: +43(0)50313-53702
Email: media@verbund.com

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

Legal and statutory limitations of voting rights:
With the exception of regional authorities and companies in which regional authorities hold an interest of at least 51%, the voting rights of each shareholder in the Annual General Meeting are restricted to 5% of the share capital.

Regulatory body/trade associations:
E-Control GmbH/E-Control Kommission
Bundesministerium für Wissenschaft, Forschung und Wirtschaft
Wirtschaftskammer Österreich
Oesterreichs Energie

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

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

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

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

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

Verbund
Power for the Future