

Past. Present. Future. Powered by VERBUND.

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At a glance

- Positive income trend despite increasingly challenging conditions in the electricity market
- Water supply in quarter 1/2016 at the long-term average, and 3 percentage points below the prior-year level
- Decrease in average electricity sales prices achieved due to market conditions
- Higher contribution from regulated business and success due to restructuring
- Increasing number of customers demonstrates attractiveness of Group's broad range of products
- Outlook for 2016 confirmed

KPIs

| | Unit | Q1/2015 | Q1/2016 | Change |
|--|------|------------|-----------|--------|
| Revenue ¹ | €m | 727.2 | 806.3 | 10.9% |
| EBITDA | €m | 217.8 | 213.5 | -2.0% |
| EBITDA adjusted ² | €m | 217.8 | 213.5 | -2.0% |
| Operating result | €m | 123.8 | 129.4 | 4.5% |
| Group result | €m | 63.4 | 82.4 | 29.9% |
| Group result adjusted ² | €m | 63.5 | 82.4 | 29.9% |
| Earnings per share | € | 0.18 | 0.24 | 29.9% |
| EBIT margin ¹ | % | 17.0 | 16.1 | - |
| EBITDA margin ¹ | % | 30.0 | 26.5 | - |
| Cash flow from operating activities | €m | 166.1 | 265.8 | 60.0% |
| Additions to property, plant and equipment (excluding business acquisitions) | €m | 37.0 | 34.1 | -7.8% |
| Free cash flow after dividends | €m | 266.3 | 216.5 | -18.7% |
| Average number of employees | | 3,092 | 2,954 | -4.4% |
| Electricity sales volume | GWh | 12,574 | 13,725 | 9.2% |
| Hydro coefficient | | 1.03 | 1.00 | - |
| | Unit | 31/12/2015 | 31/3/2016 | Change |
| Total assets | €m | 11,763.0 | 11,830.1 | 0.6% |
| Equity | €m | 5,433.3 | 5,584.8 | 2.8% |
| Equity ratio (adjusted) | % | 48.2 | 49.1 | - |
| Net debt | €m | 3,685.4 | 3,484.7 | -5.4% |
| Gearing | % | 67.8 | 62.4 | - |

¹ The comparative figures have been adjusted retrospectively in accordance with IAS 8. // ² Adjusted for extraordinary effects.

Report of the Executive Board

Dear Shareholders,

VERBUND's income trend is significantly impacted by wholesale electricity prices on the EEX, the German electricity exchange. At the end of 2015/beginning of 2016, EEX prices for wholesale electricity saw another dramatic decline from their already historically low level. The recent decrease was attributable to lower prices for coal and an additional drop in CO₂ prices on the global markets, and is intensifying the pressure on those suppliers that have to sell their own electricity generation volumes on the free market. Given current price levels, it only makes economic sense to increase power plant capacities via new construction when – as is the case with the electricity generation facilities for new renewables such as wind and solar power – subsidies are paid by electricity customers or when specific project conditions are met. In many cases, however, even established power plant installations can no longer be operated profitably at current price levels, particularly gas and coal-fired plants. For this reason, the share prices of many European suppliers increasingly came under renewed pressure in quarter 1/2016.

The difficult operating environment has led VERBUND to develop further measures to additionally support the income trend and free cash flow in order to stabilise the Group's earnings power and reduce debt. These measures come in addition to the programme to reduce costs and increase efficiency already implemented, and focus on continuing to lower capital expenditure for growth and maintenance and reduce expense items as well as on revising the Group's dividend policy. We plan to finalise and publish the details in mid-2016.

In addition to starting development of the aforementioned measures, our strategic focus in quarter 1/2016 was on continuing to systematically implement our strategy. This included increasing the regulated portion of the Group's investment portfolio as well as increasing the significant earnings contribution from marketing flexible and green electricity products in the trading portfolio.

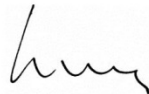
With regard to sales, we increased the number of customers and generated earnings contributions despite tough competition. As at 31 March 2016, we had approximately 374,000 electricity and gas customers. This represents another increase from year-end 2015.

We also concentrated on expanding our innovative energy services in quarter 1/2016. For instance, VERBUND GETEC Energiecontracting began operating eight plants in Vorarlberg at the beginning of 2016. The plants supply more than 20 commercial customers with heat from biomass, solar heating systems and natural gas as well as electricity-powered cooling. Solavolta, one of our joint ventures, has begun installing the first TESLA Energy Powerwalls.

In spite of the difficult operating environment, the Group's income trend for quarter 1/2016 was positive. The operating result increased by 4.5%, and EBITDA declined slightly, with a decrease of 2.0% to €213.5m compared with the previous year. The hydro coefficient representing the water supply from rivers was 1.00%, which is equivalent to the long-term average, and 3 percentage points below the level of quarter 1/2015. The difficult operating environment in the energy market was reflected in lower average sales prices. However, higher earnings in the Grid segment were able to compensate for the negative effects. The Group result amounted to €82.4m, an increase of 29.9% over the prior-year comparative. The increase was primarily attributable to the improvement in the financial result, which was due in particular to bond repayments in 2015. On the basis of average own generation from hydropower, we expect EBITDA of approximately €750m and a Group result of approximately €230m for financial year 2016.



Dipl.-Ing. Wolfgang Anzengruber



Dr. Johann Sereinig



Dr. Peter F. Kollmann



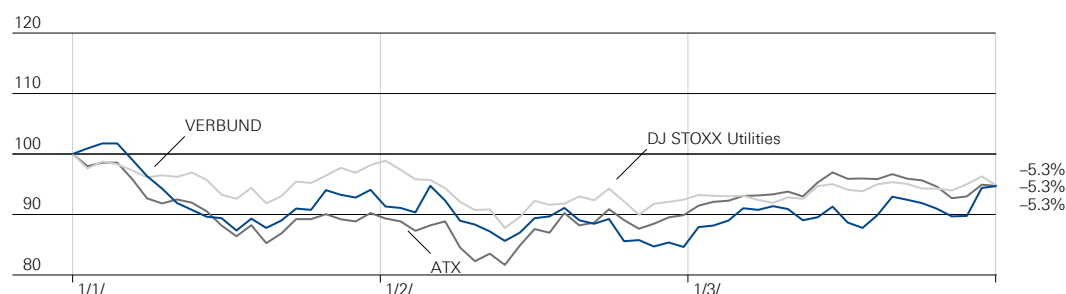
Dr. Günther Rabensteiner

Investor relations

The start of 2016 saw major price drops on the international stock exchanges. The share price losses were in the double-digit percentage range until mid-February, mainly due to concerns about global economic performance and weak oil prices. In the second half of the quarter, however, rising oil prices, relatively robust economic data and prospects for a more cautious interest rate policy on the part of the US Federal Reserve led to increasing stock exchange prices. In the US, the Dow Jones Industrial stock index even posted a slight gain in the first quarter of 2016 (+1.5% over year-end 2015). By contrast, the Euro Stoxx 50 closed the quarter 8.0% below the year-end level despite the European Central Bank's particularly expansive monetary policies. The Nikkei 225, the leading Japanese index, performed even worse with a decrease of 12% below year-end 2015 as at the end of the quarter. The decline was due in particular to a dramatic drop seen in mid-February. However, performance in the emerging markets was positive on the whole. The MSCI Emerging Markets Index rose by a total of 5.4% in quarter 1/2016.

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VERBUND share price: relative performance 2016



After a brief rise at the start of the year, the VERBUND share price registered a sharp fall in quarter 1/2016 that levelled off into volatile sideways movement from mid-January onward. The trend reversed at the end of February and the share price rose until the end of the quarter. VERBUND shares closed the quarter at €11.2, down 5.3% compared with 31 December 2015. Share performance was therefore in line with the ATX (-5.3%) and DJ STOXX Utilities sector index (-5.3%).

Upcoming dates:
Half-year result:
28 July 2016

KPIs – shares

| | Unit | Q1/2015 | Q1/2016 | Change |
|------------------------|--------|---------|---------|--------|
| Share price high | € | 17.3 | 12.1 | -30.1% |
| Share price low | € | 14.7 | 10.0 | -31.7% |
| Closing price | € | 15.6 | 11.2 | -27.9% |
| Performance | % | 1.9 | -5.3 | - |
| Market capitalisation | €m | 5,412.7 | 3,901.5 | -27.9% |
| ATX weighting | % | 2.8 | 2.3 | - |
| Value of shares traded | €m | 350.9 | 267.9 | -23.7% |
| Shares traded per day | Shares | 351,663 | 407,395 | 15.8% |

Interim Group management report

Business performance

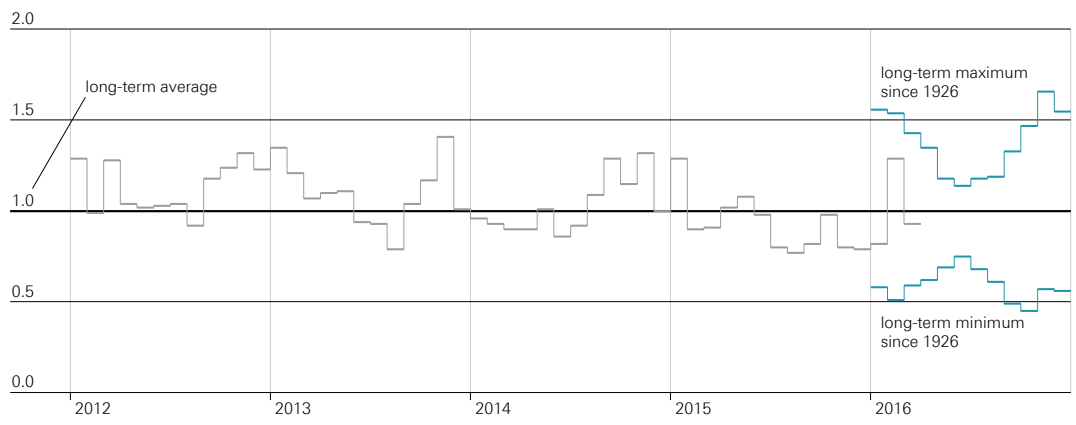
Electricity supply and sales volumes

| Group electricity supply | GWh | | |
|---|---------------|---------------|-------------|
| | Q1/2015 | Q1/2016 | Change |
| Hydropower ¹ | 6,162 | 5,949 | -3.4% |
| Wind/solar power | 278 | 266 | -4.4% |
| Thermal power | 1,014 | 490 | -51.7% |
| Own generation | 7,453 | 6,705 | -10.0% |
| Electricity purchased for trading and sales | 4,975 | 6,961 | 39.9% |
| Electricity purchased for grid loss and control power volumes | 1,095 | 917 | -16.3% |
| Electricity supply | 13,524 | 14,583 | 7.8% |

¹including purchase rights

At 6,705 GWh, VERBUND's own generation in quarter 1/2016 was 748 GWh, or 10.0% lower than in quarter 1/2015. Generation from hydropower decreased by 212 GWh in comparison with the prior-year period. At 1.00, the hydro coefficient for the run-of-river power plants corresponded to the long-term average and was 3 percentage points below the prior-year figure. Generation from annual storage power plants decreased by 4.3%.

Hydro coefficient (monthly averages)



Due to less windy conditions throughout the year, wind power and photovoltaic installations produced 12 GWh less electricity despite the commissioning of new wind power plants in Austria during 2015.

Generation from thermal power plants decreased by 524 GWh, primarily due to the closure of the Dürnröhr power plant as at 30 April 2015 (-511 GWh). The Mellach combined cycle gas turbine power plant produced 7 GWh more electricity in quarter 1/2016 due to its use in congestion management.

Electricity purchased from third parties for trading and sales increased by 1,986 GWh in order to cover the higher sales to both consumers and resellers in Austria and abroad in light of the concurrent decrease in own generation, which related to hydropower and thermal power as well as the wind- and solar-powered plants. Electricity purchased from third parties for grid losses and control power decreased by 178 GWh as a result of a decrease in control power.

| Group electricity sales volume and own use | GWh | | |
|--|---------|---------|--------|
| | Q1/2015 | Q1/2016 | Change |
| Consumers | 2,238 | 2,794 | 24.8% |
| Resellers | 5,966 | 6,516 | 9.2% |
| Traders | 4,370 | 4,416 | 1.1% |
| Electricity sales volume | 12,574 | 13,725 | 9.2% |
| Own use | 794 | 728 | -8.2% |
| Control power | 156 | 130 | -16.9% |
| Electricity sales volume and own use | 13,524 | 14,583 | 7.8% |

VERBUND's electricity sales volume, including own use, rose by 1,059 GWh, or 7.8% in quarter 1/2016. Most of the increase related to increased sales in the consumer segment. Electricity volumes delivered to consumers increased by 555 GWh. The expansion of our activities to take a more customer-centric approach enabled VERBUND to significantly increase the volumes sold in quarter 1/2016, both in Austria and abroad. The increasing customer numbers in the private customer segment also led to a rise in volumes. At the end of March 2016, some 374,000 electricity and gas customers had been supplied.

Sales to resellers also rose (+550 GWh), primarily due to an increase in demand in both Germany and in France. In France, the higher volumes included, among other things, quantities sold in connection with our services for third parties due to the higher demand resulting from increased power plant optimisation measures in connection with VERBUND's market access activities. Electricity deliveries to trading firms increased slightly with a rise of 46 GWh.

Own use of electricity declined by 65 GWh. The decrease was due to lower generation from reverse operation in the first three months of 2016.

Electricity sales by country

| | Q1/2015 | Q1/2016 | Change |
|---------------------------------|---------------|---------------|-------------|
| Austria | 6,694 | 6,920 | 3.4% |
| Germany | 4,401 | 4,860 | 10.4% |
| France | 1,255 | 1,708 | 36.2% |
| Romania | 155 | 143 | -7.2% |
| Others | 71 | 94 | 32.8% |
| Electricity sales volume | 12,574 | 13,725 | 9.2% |

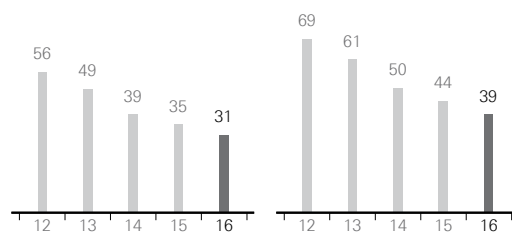
GWh

Approximately 50% of the electricity sold by VERBUND went to the Austrian market in quarter 1/2016. International trading and sales activities focused on the German market, which accounted for 71% of all volumes sold abroad.

Electricity prices**Futures prices €/MWh**

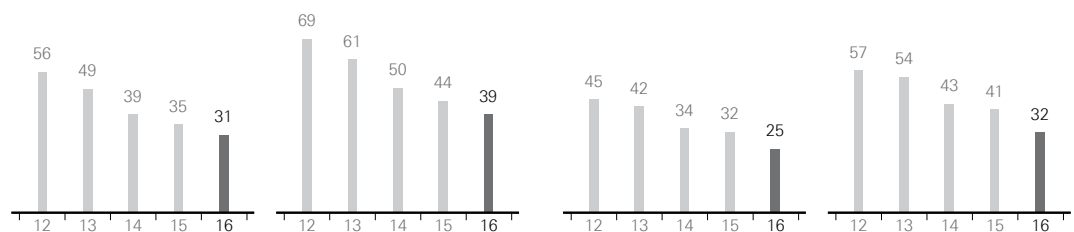
Front-Year-Base

Front-Year-Peak

**Spot market prices €/MWh for quarter 1**

Spot Base

Spot Peak



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% from the prior-year level. As a result of its hedging strategy, VERBUND had already included the majority of its own generation in its pricing calculation in 2015 via the futures market. Spot market prices (base price) fell by 21.2% to €25.3/MWh. Spot price performance was driven above all by low demand resulting from economic factors as well as low fuel prices.

Financial performance

| Results | €m | | |
|-------------------------|---------|---------|--------|
| | Q1/2015 | Q1/2016 | Change |
| Revenue | 727.2 | 806.3 | 10.9% |
| EBITDA | 217.8 | 213.5 | -2.0% |
| Operating result | 123.8 | 129.4 | 4.5% |
| Group result | 63.4 | 82.4 | 29.9% |
| Earnings per share in € | 0.18 | 0.24 | 29.9% |

Electricity revenue

VERBUND's electricity revenue rose by €30.7m to €610.1m in quarter 1/2016. In terms of quantities, electricity sales volumes rose by 9.2%, or 1,151 GWh. Average sales prices declined, however, due to market conditions, with both the futures and spot market prices for 2016 decreasing.

Grid revenue

Grid revenue increased by €11.0m to €117.6m in quarter 1/2016 compared with the same period in 2015. On the one hand, this can be attributed to higher international grid revenue due to the auctioning off of cross-border capacities, and on the other to higher revenue generated from Austria's regulated tariff system. The increase in tariff revenue can be attributed to the rise in volumes and rates compared with the previous year.

Other revenue and other operating income

Other revenue rose by €37.4m to €78.6m. The increase was above all attributable to higher revenue from gas deliveries in connection with our services for third parties. Other operating income fell by €3.4m to €10.9m.

Expenses for electricity, grid, gas and certificate purchases

Expenses for electricity, grid, gas and certificate purchases increased by €88.4m to €452.6m. Purchases of electricity from third parties for trading and sales as well as for grid losses and control power increased by a total of 1,808 GWh. A portion of the increase in quantities was compensated for by reduced purchase prices. Expenses for electricity purchases thus increased by €40.6m compared with quarter 1/2015, while expenses for grid purchases rose by €15.3m. Expenses for gas purchases in connection with services for third parties increased by €28.8m. Since quarter 3/2012, it has been necessary to recognise the natural gas supply agreement for the Mellach CCGT at fair value through profit or loss. In quarter 1/2016, the resulting effect on profit or loss amounted to €-5.9m (quarter 1/2015: €-8.5m).

Fuel expenses

Fuel and other usage-dependent expenses decreased by €8.8m to €28.5m. The decline was mainly attributable to the decrease in the use of thermal power plants (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 fell by €2.4m to €77.9m. The reduction was primarily due to the consistent implementation of personnel management measures in connection with the programme to reduce costs and increase efficiency (€+1.9m).

Other operating expenses

Other operating expenses increased slightly, rising by €2.7m to €44.7m. Provisions accounted for most of the increase.

EBITDA

As a consequence of the above-mentioned factors, EBITDA decreased by 2.0% to €213.5m.

Amortisation and depreciation

Amortisation of intangible assets and depreciation of property, plant and equipment declined by €9.9m to €84.1m. The 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 disposals of fixed assets and impairment losses.

Result from interests accounted for using the equity method

Result from interests accounted for using the equity method rose by €3.9m to €7.4m. This mainly included the earnings contribution of KELAG in the amount of €7.6m (quarter 1/2015: €3.3m).

Interest income and expenses

Interest income decreased by €0.2m to €8.1m compared with quarter 1/2015. Interest expenses declined by €10.5m to €33.3m. The decrease 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.

Other financial result

Other financial result increased by €2.6m in quarter 1/2016 to €1.6m. The improvement was due to the measurement of interest rate hedging transactions (€-1.5m), the measurement of a long position relating to VERBUND's share in Gemeinschaftskraftwerk Inn GmbH (€+0.7m) and the positive balance of foreign exchange gains and losses (€+3.7m).

Group result

After taking account of an effective tax rate of 21.9% and non-controlling interests in the amount of €7.0m, the Group result amounted to €82.4m. This represents an increase of 29.9% compared with the previous year. Earnings per share amounted to €0.24 (quarter 1/2015: €0.18) for 347,415,686 shares.

Financial position

Consolidated balance sheet (short version)

| | €m | | | | |
|----------------------------------|-----------------|---------------|-----------------|---------------|-------------|
| | 31/12/2015 | Share | 31/3/2016 | Share | Change |
| Non-current assets | 11,085.0 | 94.2% | 11,013.5 | 93.1% | -0.6% |
| Current assets | 678.0 | 5.8% | 816.6 | 6.9% | 20.4% |
| Non-current assets held for sale | 0.0 | - | 0.0 | - | - |
| Total assets | 11,763.0 | 100.0% | 11,830.1 | 100.0% | 0.6% |
| Equity | 5,433.3 | 46.2% | 5,584.8 | 47.2% | 2.8% |
| Non-current liabilities | 5,349.8 | 45.5% | 5,120.5 | 43.3% | -4.3% |
| Current liabilities | 979.9 | 8.3% | 1,124.9 | 9.5% | 14.8% |
| Equity and liabilities | 11,763.0 | 100.0% | 11,830.1 | 100.0% | 0.6% |

Assets

VERBUND's assets increased slightly with a rise of 0.6% in quarter 1/2016. With respect to property, plant and equipment, additions of €34.1m were offset by depreciation of €82.3m. The most important addition to property, plant and equipment related to capital expenditure for the Reißeck II/Carinthia pumped storage power plant. The increase in current assets resulted mainly from changes in derivative financial instruments in the energy area due to the decline in the price of electricity.

Equity and liabilities

Equity increased slightly compared with 31 December 2015, above all due to the profit for the period generated in quarter 1/2016 as well as the amounts recognised for cash flow hedges in other comprehensive income. The change in current and non-current assets compared with year-end 2015 was primarily the result of repayments of current cash advances (financial liabilities).

Cash flows

| Cash flow statement (short version) | €m | | |
|--|---------|-------------|---------|
| | Q1/2015 | Q1/2016 | Change |
| Cash flow from operating activities | 166.1 | 265.8 | 60.0% |
| Cash flow from investing activities | 73.2 | -48.1 | -165.7% |
| Cash flow from financing activities | -33.1 | -177.0 | 434.8% |
| Change in cash and cash equivalents | 206.2 | 40.8 | -80.2% |
| Cash and cash equivalents as at 31/3/ | 247.9 | 70.4 | -71.6% |

Cash flow from operating activities

Cash flow from operating activities increased by €99.7m to €+265.8m in quarter 1/2016. The improvement was the result of higher net cash inflows from the Grid segment due to the settlement of congestion management receivables in 2015 as well as lower 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 €-48.1m in quarter 1/2016 (quarter 1/2015: €73.2m). Cash flow from investing activities in quarter 1/2016 resulted mainly from cash outflows for capital expenditure for intangible assets and property, plant and equipment (€-49.0m). The significant deviation compared with the previous year was primarily the result of the cash inflows (€+171.9m) 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) that were finalised in quarter 1/2015.

Cash flow from financing activities

Cash flow from financing activities amounted to €-177.0m in quarter 1/2016, thus representing a change of €-143.9m. The main reason for the change was higher cash outflows associated with money market transactions (€-139.0m).

Opportunity and risk management

Due to the upheavals in the European energy market, medium-term wholesale prices decreased to a new low at the start of the year. The associated revenue losses exceeded the limited freedom of action enjoyed by the affected companies after the bout of savings experienced. The risk of wide-scale grid failures in Europe continues to rise due to the closure of unprofitable power plant installations. This is particularly evident when looking at the increase in expenses for handling critical situations. VERBUND is taking advantage of the resulting opportunities in the areas of control power and congestion management.

In this challenging environment, VERBUND continued its strict cost savings policy in quarter 1/2016, and it will evaluate the Group's investment programme by mid-2016. VERBUND will also continue to pursue the establishment of new lines of business (energy services) in order to tap into future opportunities. Current projects, which involve measures to maintain the security of supply as well as measures relating to generation from hydropower, will be continued in cost-optimised form. However, the restructuring of thermal generation - which is still being carried out - involves court proceedings. The primary issues here are the cessation of a long-term gas delivery contract and termination of a joint operation. The difficult economic situation is additionally reflected in the deterioration of VERBUND's credit rating and in the potentially higher expenses associated with this.

Sensitivities relating to the operating result

Potential fluctuations in the operating result mainly result from hydropower generation, in particular due to the fact that hydrological conditions cannot be controlled. Since only a minimal portion of the costs arising from the use of hydropower are variable, the medium-term forecast continues to call for positive contribution margins. However, the contribution will fall significantly below the prior-year levels. The considerable increase in the use of power plants for control power and congestion management means that their earnings contributions are volatile. The operating result could also be impacted by impairment losses, reversals of impairment losses or changes in provisions resulting from ongoing proceedings as well as changes in the operating environment.

Financial result

The potential extent of fluctuation in the financial result is affected by the following items: investment income, measurement effects, changes in market prices and interest rates and the cost of either having to provide additional collateral or of collateral provided being called in.

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 31 March 2016 for generation volumes and interest rates):

- +/-1% generation from hydropower plants: €+/-3.0m
- +/-1% generation from wind power: €+/-0.3m
- €+/-1/MWh wholesale electricity prices: €+/-3.3m
- +/-1 percentage point in interest rates: €+/-3.6m

Segment report

The organisation of Group management was substantially restructured as part of an internal project (Controlling Excellence project). As at quarter 1/2016, segment performance is measured primarily on the basis of EBITDA. Since quarter 1/2016, the Group Executive Board has also measured performance at the segment level, categorised as follows: Renewable generation, Sales, Grid, Energy services, Thermal generation, Services and Equity interests.

The Energy services, Thermal generation, Services and Equity interests segments have been summarised in the category of “All other segments” in the following segment report because they fall below the quantitative thresholds.

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

Renewable generation segment

The generation technologies of hydropower, wind and photovoltaics are bundled under the Renewable generation segment.

KPIs – Renewable generation segment

| | Unit | Q1/2015 | Q1/2016 | Change |
|---|------|---------|---------|--------|
| Total revenue | €m | 250.9 | 202.0 | -19.5% |
| EBITDA | €m | 145.3 | 113.1 | -22.1% |
| Result from interests accounted for using the equity method | €m | 0.2 | 0.1 | -51.6% |
| Capital employed | €m | 7,425.6 | 7,406.5 | -0.3% |

Current information on the Renewable generation segment

At the Reißeck II pumped storage power plant in Carinthia, the repair work on sections of the pressure tunnel and in the lower chamber of the Schoberboden surge chamber is in the final stage. The recommissioning of the plant will be continued in quarter 2/2016.

VERBUND has initiated the process of taking over the maintenance of its oldest wind farm in Bruck/Leitha. This vertical integration step in the value chain offers potential for reducing costs as well as increasing efficiency. The Bruck/Leitha wind farm, which was commissioned in 2000, is the oldest wind farm in VERBUND's wind power portfolio. Since this wind farm no longer receives any green electricity subsidies and due to the current low levels of electricity prices, it was necessary to further reduce electricity generation costs to ensure that continuing to operate the plant would be profitable. For that reason, VERBUND has used its own personnel for maintenance work and troubleshooting since 1 May 2015. Furthermore, the plan is to take over the maintenance of other wind farms in 2016.

Sales segment

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

KPIs – Sales segment

| | Unit | Q1/2015 | Q1/2016 | Change |
|---|------|---------|---------|--------|
| Total revenue | €m | 578.1 | 631.7 | 9.3% |
| EBITDA | €m | 34.0 | 32.6 | -4.2% |
| Result from interests accounted for using the equity method | €m | 0.0 | 0.0 | - |
| Capital employed | €m | 428.0 | 458.7 | 7.2% |

Current information on the Sales segment

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

The comprehensive range of products and services in the energy industry is being adapted continuously to meet changing market requirements. The range extends from plant use optimisation and market access to flexible marketing and hedging offers as well as forecasting and regulatory services. One particularly important area involves innovative products designed to meet individual customer requirements. Examples of this include green electricity products, virtual power plants and the direct marketing of renewable energy, which, as the new growth areas, are the focal point of activities.

The energy market is changing constantly and is becoming more dynamic. In particular, short-term electricity trading is gaining in significance with the progressive integration of European electricity markets and the rise in the proportion of renewable energy. Thus the marketing of flexibility options for VERBUND's own plants as well as for customers in the areas of generation management (e.g. virtual power plants and demand side management), balancing energy optimisation, intraday trading and balancing reserve marketing is both a challenge while at the same being the central task of electricity/energy trading.

VERBUND fully complied with its obligation arising from the Energy Efficiency Act by registering the measures generated for 2015 with the National Monitoring Office on 14 February 2016. In addition, the following marketing campaign was carried out in quarter 1/2016: VERBUND gave a second bulb free of charge to every customer who purchased an LED bulb from one of the retail shop chains belonging to the REWE Group. At present, VERBUND and Miele are offering an energy bonus on selected A++ and A+++ refrigerators and freezers.

Grid segment

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

KPIs – Grid segment

| | Unit | Q1/2015 | Q1/2016 | Change |
|---|------|---------|---------|--------|
| Total revenue | €m | 183.1 | 197.4 | 7.8% |
| EBITDA | €m | 44.5 | 72.6 | 63.1% |
| Result from interests accounted for using the equity method | €m | 0.1 | 0.0 | -61.7% |
| Capital employed | €m | 1,065.8 | 1,217.7 | 14.2% |

Current information on the Grid segment

Security of supply and congestion management

In quarter 1/2016, it was again necessary to intervene in power plant operations in order to maintain the security of supply in the APG control area. Extensive action was also needed at Austrian power plants in order to handle congestion outside of the APG grid, particularly in Poland and Germany. Frequent recourse was taken to the reserve grid power plants contracted from Germany, which were an important component in maintaining the security of supply.

Tariff regulation

On 15 February 2016, APG received the letter from Energie-Control Austria (ECA) regarding the initiation of the 2016 proceedings. APG's primary goal in conducting the tariff review continues to be to secure a return on capital employed.

380-kV Salzburg line: finalisation of EIA approval proceedings in the second instance

With regard to the Salzburg line project, the deadline for filing an objection to the first-instance EIA approval issued by the state government of Salzburg passed on 27 January 2016. The court of second instance is the Federal Administrative Court in Vienna, which is responsible for finalising the EIA approval proceedings.

380-kV line from St. Peter to the Austrian border: approval notice takes legal effect

In its approval notice from December 2015, the responsible EIA authority in Upper Austria confirmed the environmental compatibility of the Germany line. No objections to the notice were filed, meaning that it took legal effect as at 4 January 2016.

New construction of Weinviertel line replacement: environmental impact statement being prepared

As regards the APG project initiated in 2015 to replace the Weinviertel line (new construction), the planning of the detailed line route and preparation of an extensive environmental impact statement (EIS) are both on schedule. The intensive negotiations with municipalities and property owners are going well for the most part.

All other segments

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

KPIs – All other segments

| | Unit | Q1/2015 | Q1/2016 | Change |
|---|------|---------|---------|--------|
| Total revenue | €m | 69.9 | 57.0 | -18.4% |
| EBITDA | €m | -0.2 | 0.5 | - |
| Result from interests accounted for using the equity method | €m | 3.1 | 7.2 | 132.7% |
| Capital employed | €m | 395.7 | 253.9 | -35.8% |

Current information on the Energy services segment

Achievements in marketing energy services products

In quarter 1/2016, VERBUND presented its Eco packages (photovoltaic installations, storage systems, heat pumps, Wallbox and Smart Home) at six trade fairs in various regions in Austria in cooperation with Solavolta Energie- und Umwelttechnik GmbH. Preparations have been made with cooperation partners for another trans-regional series of events involving the Eco packages that will be aimed at consumers and commercial customers. In addition, the VERBUND Power Pool reported a significant rise in marketing proceeds on the tertiary control power market for flexibility options for industrial facilities in quarter 1/2016. With regard to VERBUND Eco Home, new product energy efficiency features were implemented on schedule. The new features include a visualisation of electricity feed-in and consumption (in terms of volumes and costs), among other things. Moreover, the acquisition phase for a new energy efficiency network regarding VERBUND's Eco Net product was launched in the first three months of 2016.

Focus on new topics in the area of innovation

VERBUND is currently focusing on the following topics, among others, in the area of innovation management: production of green hydrogen from electrolysis as a storage medium and industrial gas for the purpose of decarbonising industrial production processes, development and demonstration by management of charging infrastructures for fleet customers and development and test application of energy data management systems.

VERBUND GETEC, Smatrics and Solavolta on a course for growth

VERBUND GETEC Energiecontracting acquired thermal power plants from Wirkungsgrad GmbH in Vorarlberg at the start of 2016. Smatrics, an e-mobility provider, registered steady customer growth in quarter 1/2016. The positive market climate benefited above all from the 2015 tax reform in addition to the ongoing sales alliances with car manufacturers. The Solavolta joint venture generated an increase in installed capacities of photovoltaic installations and a rise in new orders in quarter 1/2016.

Current information on the Thermal generation segment

VERBUND is currently re-evaluating all possible options with respect to the Mellach power plants site. This includes holding sales negotiations with potential investors. VERBUND is striving for a long-term solution for the Mellach site as well as 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 its business processes in quarter 1/2016. Personal data as well as the entire IT and telecommunications infrastructure are recorded in a central database, which in turn is connected with previous systems via interfaces and serves to manage automated invoicing processes. Plans also include central reporting portals. An in-house project has been established to analyse and improve the stability of energy trading IT systems and the relevant infrastructure (electrical installations, uninterruptible power supplies, data centres, etc.) with the help of external experts.

IT security and cyber security aspects as well as the protection of personal data are becoming increasingly important at VERBUND. The measures and resources for this are being improved further, and a Group-wide data protection portal – which will also meet the requirements of the German Data Protection Act and EU standards – is in preparation. With regard to IT, new systems for online communication with customers were installed in quarter 1/2016 in close cooperation with the sales organisation, and the redesign of the website is continuing.

Current information on the Equity interests segment**KELAG – Kärntner Elektrizitäts-Aktiengesellschaft**

In quarter 1/2016, KELAG's contribution to the result from interests accounted for using the equity method was €7.6m (quarter 1/2015: €3.3m). The increase was attributable above all to lower personnel expenses, reduced maintenance expenses and the fact that no impairment losses were recognised. Despite the uncertain market environment, KELAG is expected to report stable performance in financial year 2016.

Events after the reporting date

There were no events requiring disclosure between the reporting date of 31 March 2016 and approval of the financial statements for issue on 28 April 2016.

Consolidated interim financial statements

of VERBUND

Income statement

| | | €m | |
|---|-------|----------------------|--------------|
| In accordance with IFRSs | Notes | Q1/2015 ¹ | Q1/2016 |
| Revenue | | 727.2 | 806.3 |
| Electricity revenue | 1 | 579.4 | 610.1 |
| Grid revenue | 2 | 106.6 | 117.6 |
| Other revenue | | 41.2 | 78.6 |
| Other operating income | | 14.4 | 10.9 |
| Expenses for electricity, grid, gas and certificate purchases | 3 | -364.2 | -452.6 |
| Fuel expenses and other usage-dependent expenses | 4 | -37.3 | -28.5 |
| Personnel expenses | 5 | -80.2 | -77.9 |
| Other operating expenses | | -41.9 | -44.7 |
| EBITDA | | 217.8 | 213.5 |
| Amortisation of intangible assets and depreciation of property, plant and equipment | | -94.0 | -84.1 |
| Impairment losses | | 0.0 | 0.0 |
| Operating result | | 123.8 | 129.4 |
| Result from interests accounted for using the equity method | 6 | 3.4 | 7.4 |
| Other result from equity interests | | 4.1 | 1.4 |
| Interest income | 7 | 8.3 | 8.1 |
| Interest expenses | 8 | -43.8 | -33.3 |
| Other financial result | 9 | -1.1 | 1.6 |
| Financial result | | -29.0 | -14.9 |
| Profit before tax | | 94.8 | 114.5 |
| Taxes on income | | -22.0 | -25.1 |
| Profit for the period | | 72.8 | 89.5 |
| Attributable to the shareholders of VERBUND AG (Group result) | | 63.4 | 82.4 |
| Attributable to non-controlling interests | | 9.4 | 7.0 |
| Earnings per share in €² | | 0.18 | 0.24 |

¹ The comparative figures have been adjusted retrospectively in accordance with IAS 8. // ² Diluted earnings per share correspond to basic earnings per share.

Statement of comprehensive income

| | | €m | |
|--|-------|-------------|----------------|
| In accordance with IFRSs | Notes | Q1/2015 | Q1/2016 |
| Profit for the period | | 72.8 | 89.5 |
| Remeasurements of the net defined benefit liability | | 0.7 | 0.2 |
| Other comprehensive income from interests accounted for using the equity method | | -4.1 | 1.4 |
| Total of items that will not be reclassified subsequently to the income statement | | -3.4 | 1.6 |
| Differences from currency translation | | -0.3 | -0.3 |
| Measurements of available-for-sale financial instruments | | 5.6 | -0.1 |
| Measurements of cash flow hedges | | 4.3 | 90.5 |
| Other comprehensive income from interests accounted for using the equity method | | -0.1 | 0.3 |
| Total of items that will be reclassified subsequently to the income statement | | 9.6 | 90.3 |
| Other comprehensive income before tax | | 6.1 | 91.9 |
| Taxes on income relating to items that will not be reclassified subsequently to the income statement | | -0.1 | -0.4 |
| Taxes on income relating to items that will be reclassified subsequently to the income statement | | -2.3 | -22.6 |
| Other comprehensive income after tax | | 3.7 | 69.0 |
| Total comprehensive income for the period | | 76.5 | 158.4 |
| Attributable to the shareholders of VERBUND AG | | 66.7 | 151.4 |
| Attributable to non-controlling interests | | 9.8 | 7.0 |

Balance sheet

| | | €m | |
|---|-------|-----------------|-----------------|
| In accordance with IFRSs | Notes | 31/12/2015 | 31/3/2016 |
| Non-current assets | | 11,085.0 | 11,013.5 |
| Intangible assets | | 804.7 | 806.4 |
| Property, plant and equipment | | 9,201.9 | 9,156.7 |
| Interests accounted for using the equity method | | 267.8 | 277.3 |
| Other equity interests | 11 | 115.6 | 108.8 |
| Investments and other receivables | 11 | 695.0 | 664.3 |
| Current assets | | 678.0 | 816.6 |
| Inventories | 10 | 19.1 | 14.7 |
| Trade receivables and other receivables | 11 | 630.0 | 731.6 |
| Cash and cash equivalents | 11 | 28.9 | 70.4 |
| Total assets | | 11,763.0 | 11,830.1 |

| | | €m | |
|--|-------|-----------------|-----------------|
| In accordance with IFRSs | Notes | 31/12/2015 | 31/3/2016 |
| Equity | | 5,433.3 | 5,584.8 |
| Attributable to the shareholders of VERBUND AG | | 4,859.6 | 5,004.2 |
| Attributable to non-controlling interests | | 573.7 | 580.6 |
| Non-current liabilities | | 5,349.8 | 5,120.5 |
| Financial liabilities | 11 | 2,744.1 | 2,462.0 |
| Provisions | | 868.1 | 874.7 |
| Deferred tax liabilities | | 549.5 | 592.8 |
| Contributions to building costs and grants | | 748.1 | 748.9 |
| Deferred income – cross-border leasing | | 48.8 | 48.4 |
| Other liabilities | 11 | 391.1 | 393.6 |
| Current liabilities | | 979.9 | 1,124.9 |
| Financial liabilities | 11 | 385.4 | 471.8 |
| Provisions | | 126.9 | 130.3 |
| Current tax liabilities | | 30.0 | 49.9 |
| Trade payables and other liabilities | 11 | 437.6 | 472.9 |
| Total liabilities | | 11,763.0 | 11,830.1 |

Statement of changes in equity

| In accordance with IFRSs | Share capital | Capital reserves | Retained earnings | Remeasurements of net defined benefit liability |
|--|---------------|------------------|-------------------|---|
| Notes | | | | |
| As at 1/1/2015 | 347.4 | 954.3 | 3,652.2 | -254.2 |
| Profit for the period | - | - | 63.4 | - |
| Other comprehensive income | - | - | - | -2.8 |
| Total comprehensive income for the period | - | - | 63.4 | -2.8 |
| Shifts between shareholder groups | - | - | 4.9 | 0.0 |
| As at 31/3/2015 | 347.4 | 954.3 | 3,720.6 | -257.0 |
| As at 1/1/2016 | 347.4 | 954.3 | 3,776.3 | -259.1 |
| Profit for the period | - | - | 82.4 | - |
| Other comprehensive income | - | - | - | 1.2 |
| Total comprehensive income for the period | - | - | 82.4 | 1.2 |
| Changes in the basis of consolidation | - | - | -7.2 | 0.1 |
| Other changes in equity | - | - | -0.4 | 0.0 |
| As at 31/3/2016 | 347.4 | 954.3 | 3,851.2 | -257.8 |

| | | | | | | | €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 | |
| - | - | - | - | 63.4 | 9.4 | 72.8 | |
| -0.4 | 4.0 | 3.3 | -0.9 | 3.2 | 0.4 | 3.7 | |
| -0.4 | 4.0 | 3.3 | -0.9 | 66.7 | 9.8 | 76.5 | |
| 0.0 | 0.0 | 0.0 | 0.0 | 4.9 | 0.0 | 4.9 | |
| -3.2 | 28.3 | -26.2 | -3.6 | 4,760.7 | 601.2 | 5,361.9 | |
| -2.8 | 23.8 | 20.4 | -0.8 | 4,859.6 | 573.7 | 5,433.3 | |
| - | - | - | - | 82.4 | 7.0 | 89.5 | |
| -0.3 | -0.1 | 67.9 | 0.2 | 69.0 | 0.0 | 69.0 | |
| -0.3 | -0.1 | 67.9 | 0.2 | 151.4 | 7.0 | 158.4 | |
| - | - | - | - | -7.0 | -0.2 | -7.2 | |
| 0.0 | 0.0 | 0.0 | 0.6 | 0.2 | 0.0 | 0.2 | |
| -3.1 | 23.7 | 88.4 | 0.0 | 5,004.2 | 580.6 | 5,584.8 | |

Cash flow statement

| | | €m | |
|---|--------------|----------------|----------------|
| In accordance with IFRSs | Notes | Q1/2015 | Q1/2016 |
| Profit for the period | | 72.8 | 89.5 |
| Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses) | | 94.0 | 84.1 |
| Impairment losses on investments (net of reversals of impairment losses) | | 1.9 | 1.6 |
| Result from interests accounted for using the equity method (net of dividends received) | | -3.4 | -7.3 |
| Result from the disposal of non-current assets | | -0.6 | -0.1 |
| Change in non-current provisions and deferred tax liabilities | | 22.6 | 28.2 |
| Change in contributions to building costs and grants | | 5.3 | -0.7 |
| Income from the reversal of deferred income from cross-border leasing transactions | | -0.4 | -0.4 |
| Other non-cash expenses and income | | 32.6 | 5.1 |
| Subtotal | | 224.7 | 200.1 |
| Change in inventories | | 20.0 | 4.4 |
| Change in trade receivables and other receivables | | -20.0 | 4.3 |
| Change in trade payables and other liabilities | | -47.7 | 33.7 |
| Change in current provisions and current tax liabilities | | -10.9 | 23.3 |
| Cash flow from operating activities¹ | | 166.1 | 265.8 |

¹ Cash flow from operating activities includes income taxes paid of €9.5m (quarter 1/2015: €26.8m), interest paid of €7.9m (quarter 1/2015: €9.4m), interest received of €0.4m (quarter 1/2015: €0.3m) and dividends received of €6.8m (quarter 1/2015: €6.1m).

| | | €m | |
|--|-------|--------------|----------------|
| In accordance with IFRSs | Notes | Q1/2015 | Q1/2016 |
| Cash outflow from capital expenditure for intangible assets and property, plant and equipment | | -73.1 | -49.0 |
| Cash inflow from the disposal of intangible assets and property, plant and equipment | | 8.9 | 0.4 |
| Cash outflow from capital expenditure for investments | | -27.1 | 0.0 |
| Cash inflow from the disposal of investments | | 0.1 | 1.3 |
| Cash outflow from capital expenditure for interests accounted for using the equity method and other equity interests | | -7.5 | -0.7 |
| Cash inflow from the disposal of subsidiaries and interests accounted for using the equity method and other equity interests | | 171.9 | 0.0 |
| Cash flow from investing activities | | 73.2 | -48.1 |
| Cash inflow from shifts between shareholder groups | | 4.9 | 0.0 |
| Cash outflow from money market transactions | | -25.0 | -164.0 |
| Cash outflow from the repayment of financial liabilities (excluding money market transactions) | | -13.0 | -12.9 |
| Cash flow from financing activities | | -33.1 | -177.0 |
| Change in cash and cash equivalents | | 206.2 | 40.8 |
| Cash and cash equivalents as at 1/1/ | | 41.7 | 28.9 |
| Change in cash and cash equivalents | | 206.2 | 40.8 |
| Changes in the basis of consolidation | | 0.0 | 0.7 |
| Cash and cash equivalents as at 31/3/ | | 247.9 | 70.4 |

Selected explanatory notes

Financial reporting principles

Basic principles

These consolidated interim financial statements of VERBUND as at 31 March 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 unconsolidated equity interest in SMATRICS GmbH & Co KG 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 on the grounds of immateriality. The effects of these changes in the basis of consolidation are presented in the statement of changes in equity as "Changes in the basis of consolidation".

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 Amendments: Disclosure Initiative | 18/12/2014 (18/12/2015) | 1/1/2016 | None |
| IAS 16 Amendments: Bearer Plants | 30/6/2014 (23/11/2015) | 1/1/2016 | None |
| IAS 16 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 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 |

In order to improve the presentation of financial performance, expenses associated with control power services have, since 30 June 2015, no longer been presented in grid revenue as offset with income associated with control power services. Instead, expenses associated with control power services are reported under expenses for electricity, grid, gas and certificates purchases. The income statements for the reporting and comparative periods have therefore been adjusted accordingly:

Change in presentation**Adjustments to income statement items**

| | €m | |
|---|---------|---------|
| | Q1/2015 | Q1/2016 |
| Revenue | 15.1 | 14.3 |
| Expenses for electricity, grid, gas and certificate purchases | – 15.1 | – 14.3 |

Segment reporting

The organisation of Group management was substantially restructured as part of an internal project (Controlling Excellence project). As at quarter 1/2016, segment performance is measured primarily on the basis of EBITDA. Since quarter 1/2016, the Group Executive Board has also measured performance at segment level, categorised as follows: Renewable generation, Sales, Grid, Energy services, Thermal generation, Services and Equity interests.

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). In the Energy services segment, we are reporting on the new services for the electricity market of the future (e.g. convenience services, energy optimisation and electromobility). 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 is currently only 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 table 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/or 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. As a result of the restructuring of Group management, this goodwill was 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 primarily divided between the Renewable generation and Sales segments, the Renewable generation segment was allocated goodwill in the amount of €287.0m and the Sales segment was allocated goodwill in the amount of €13.0m.

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

| | €m | | | | | |
|---|----------------------|--------------|----------------|--------------------|------------------------------|----------------|
| | Renewable generation | Sales | Grid | All other segments | Reconciliation/consolidation | Total Group |
| Q1/2016 | | | | | | |
| External revenue | 32.8 | 583.5 | 178.3 | 10.4 | 1.4 | 806.3 |
| Internal revenue | 169.3 | 48.3 | 19.1 | 46.6 | -283.3 | 0.0 |
| Total revenue | 202.0 | 631.7 | 197.4 | 57.0 | -281.9 | 806.3 |
| EBITDA | 113.1 | 32.6 | 72.6 | 0.5 | -5.2 | 213.5 |
| Depreciation and amortisation | -63.0 | -0.5 | -18.0 | -2.5 | -0.2 | -84.1 |
| Effects from impairment tests (operating result) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other material non-cash items | 12.0 | -10.4 | 2.4 | -4.6 | 0.6 | 0.0 |
| Result from interests accounted for using the equity method | 0.1 | 0.0 | 0.0 | 7.2 | 0.0 | 7.4 |
| Capital employed | 7,406.5 | 458.7 | 1,217.7 | 253.9 | -512.1 | 8,824.6 |
| of which carrying amount of interests accounted for using the equity method | 2.4 | 0.0 | 1.3 | 273.5 | 0.0 | 277.3 |
| Additions to intangible assets and property, plant and equipment | 24.4 | 0.1 | 11.6 | 0.6 | 0.1 | 36.6 |
| Additions to interests accounted for using the equity method | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 0.5 |

| | €m | | | | | |
|---|----------------------|--------------|----------------|--------------------|------------------------------|----------------|
| | Renewable generation | Sales | Grid | All other segments | Reconciliation/consolidation | Total Group |
| Q1/2015 | | | | | | |
| External revenue | 30.1 | 511.6 | 174.6 | 10.8 | 0.0 | 727.2 |
| Internal revenue | 220.8 | 66.4 | 8.5 | 59.1 | -354.7 | 0.0 |
| Total revenue | 250.9 | 578.1 | 183.1 | 69.9 | -354.7 | 727.2 |
| EBITDA | 145.3 | 34.0 | 44.5 | -0.2 | -5.8 | 217.8 |
| Depreciation and amortisation | -72.5 | -0.4 | -18.1 | -3.1 | 0.0 | -94.0 |
| Effects from impairment tests (operating result) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other material non-cash items | 12.9 | -12.6 | 1.0 | 8.1 | -1.3 | 8.1 |
| Result from interests accounted for using the equity method | 0.2 | 0.0 | 0.1 | 3.1 | 0.0 | 3.4 |
| Capital employed | 7,425.6 | 428.0 | 1,065.8 | 395.7 | -62.0 | 9,253.1 |
| of which carrying amount of interests accounted for using the equity method | 2.3 | 0.0 | 1.5 | 256.0 | 0.0 | 259.8 |
| Additions to intangible assets and property, plant and equipment | 27.1 | 0.0 | 13.5 | 0.5 | 0.3 | 41.5 |
| Additions to interests accounted for using the equity method | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 0.5 |

Notes to the income statement

Electricity revenue by customer area

| | €m | | | | | |
|---|------------------|------------------|-----------|-----------------|-----------------|-----------|
| | Q1/2015 Domestic | Q1/2016 Domestic | Change | Q1/2015 Foreign | Q1/2016 Foreign | Change |
| Electricity deliveries to traders | 13.2 | 17.4 | 32% | 226.6 | 109.8 | -52% |
| Electricity deliveries to resellers | 140.8 | 139.6 | -1% | 50.1 | 140.3 | 180% |
| Electricity deliveries to consumers | 101.5 | 111.8 | 10% | 47.2 | 91.2 | 93% |
| Electricity revenue by customer area¹ | 255.5 | 268.7 | 5% | 323.8 | 341.3 | 5% |

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 €550.5m higher in quarter 1/2016 (quarter 1/2015: €517.0m).

(1) Electricity revenue

| (2) Grid revenue | Grid revenue by customer area | | | | | | €m |
|--------------------------|-------------------------------|---------------------|-------------|--------------------|--------------------|--------------|----|
| | Q1/2015 Domestic | Q1/2016 Domestic | Change | Q1/2015 Foreign | Q1/2016 Foreign | Change | |
| Electric power companies | 63.3 | 69.6 | 9.9% | 0.0 | 0.4 | n.a. | |
| Industrial clients | 5.3 | 4.9 | -8.1% | 0.0 | 0.0 | n.a. | |
| Other | 16.6 | 16.2 | -2.3% | 21.4 | 26.4 | 23.5% | |
| Grid revenue | 85.2 | 90.7 | 6.4% | 21.4 | 26.8 | 25.3% | |

| (3) Expenses for electricity, grid, gas and certificate purchases | Expenses for electricity, grid, gas and certificate purchases | | | €m |
|---|---|--------------|--------------|----|
| | Q1/2015 | Q1/2016 | Change | |
| Expenses for electricity purchases (including control power) | 291.3 | 332.0 | 13.9% | |
| Expenses for grid purchases (system use) | 42.6 | 58.0 | 36.0% | |
| Expenses for gas purchases ¹ | 30.1 | 58.9 | 95.7% | |
| Purchases of emission rights (trade) | 0.1 | 1.6 | n.a. | |
| Purchases of proof of origin and green certificates | 0.1 | 2.2 | n.a. | |
| Expenses for electricity, grid, gas and certificate purchases | 364.2 | 452.6 | 24.3% | |

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 (see: (11) Additional disclosures for financial instruments). In quarter 1/2016, the resulting impact on profit or loss amounted to €-5.9m (quarter 1/2015: €-8.5m).

| (4) Fuel expenses and other usage- dependent expenses | Fuel expenses and other usage-dependent expenses | | | €m |
|--|--|-------------|---------------|----|
| | Q1/2015 | Q1/2016 | Change | |
| Fuel expenses | 27.8 | 21.0 | -24.6% | |
| Emission rights acquired in exchange for consideration | 5.9 | 3.7 | -37.0% | |
| Other usage-dependent expenses | 3.6 | 3.8 | 5.5% | |
| Fuel expenses and other usage-dependent expenses | 37.3 | 28.5 | -23.6% | |

| (5) Personnel expenses | Personnel expenses | | | €m |
|--|--------------------|-------------|--------------|----|
| | Q1/2015 | Q1/2016 | Change | |
| Wages and salaries | 62.7 | 61.6 | -1.9% | |
| Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions | 14.3 | 13.3 | -7.2% | |
| Other social expenses | 1.0 | 0.9 | -3.9% | |
| Subtotal | 78.1 | 75.8 | -2.9% | |
| Expenses for termination benefits | 0.7 | 0.4 | -32.7% | |
| Expenses for pensions and similar obligations | 1.5 | 1.6 | 7.4% | |
| Personnel expenses | 80.2 | 77.9 | -2.9% | |

Result from interests accounted for using the equity method

| | Q1/2015 | | Change | Q1/2016 | | Change |
|--------------------|----------|------------|--------|---------|-------------|--------|
| | Domestic | Domestic | | Foreign | Foreign | |
| Income or expenses | 3.4 | 7.6 | 126.3% | 0.1 | -0.3 | n.a. |

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

Interest income

| | Q1/2015 | Q1/2016 | Change |
|---|------------|------------|---------------|
| Interest from investments under closed items on the balance sheet | 7.1 | 7.2 | 1.4% |
| Interest from money market transactions | 0.5 | 0.0 | -92.2% |
| Other interest and similar income | 0.7 | 0.8 | 26.1% |
| Interest income | 8.3 | 8.1 | -13.8% |

(7)
Interest income

Interest expenses

| | Q1/2015 | Q1/2016 | Change |
|---|-------------|-------------|---------------|
| Interest on bonds | 20.7 | 12.5 | -39.4% |
| Interest on bank loans | 7.7 | 5.4 | -29.6% |
| Interest on financial liabilities under closed items on the balance sheet | 7.1 | 7.2 | 1.4% |
| Net interest expense on personnel-related liabilities | 3.9 | 3.8 | -3.1% |
| Interest on other liabilities from electricity supply commitments | 4.4 | 4.3 | -2.1% |
| Interest on other non-current provisions | 0.7 | 0.6 | -14.5% |
| Profit or loss attributable to limited partners | 0.1 | -0.1 | n.a. |
| Borrowing costs capitalised in accordance with IAS 23 | -4.6 | -3.9 | 15.6% |
| Other interest and similar expenses | 3.9 | 3.5 | -10.7% |
| Interest expenses | 43.8 | 33.3 | -24.0% |

(8)
Interest expenses

Other financial result

| | Q1/2015 | Q1/2016 | Change |
|---|-------------|------------|---------------|
| Foreign exchange gains | 3.4 | 2.3 | -31.6% |
| Measurement of long position: Gemeinschaftskraftwerk Inn GmbH | 1.2 | 1.9 | 57.4% |
| Income from securities and loans | 0.6 | 0.6 | 6.0% |
| Foreign exchange losses | -4.8 | -0.1 | 98.5% |
| Measurement of derivatives in the finance area | -1.7 | -3.2 | -89.4% |
| Other | 0.3 | 0.0 | -96.7% |
| Other financial result | -1.1 | 1.6 | 139.6% |

(9)
Other financial result

Notes to the balance sheet

| (10) Inventories | Inventories | | | €m |
|---|-------------|------------------|---------|----|
| | 31/12/2015 | 31/3/2016 | Change | |
| Inventories of primary energy sources held for generation | 5.7 | 4.6 | – 19.2% | |
| Natural gas held for trading | 0.0 | 0.0 | n.a. | |
| Measurements of natural gas held for trading | 0.0 | 0.0 | n.a. | |
| Natural gas held for trading | 0.0 | 0.0 | n.a. | |
| Emission rights held for trading | 5.1 | 5.0 | – 1.0% | |
| Measurements of emission rights held for trading | 3.9 | 0.7 | – 82.7% | |
| Fair value of emission rights held for trading | 9.0 | 5.7 | – 36.7% | |
| Proof of origin and green electricity certificates | 0.2 | 0.1 | – 60.9% | |
| Other | 4.1 | 4.2 | 3.3% | |
| Inventories | 19.1 | 14.7 | – 23.1% | |

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.

Carrying amounts and fair values by measurement categories 31/3/2016

| | | | | €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 | 130.1 | 130.1 |
| Securities | FAAC | – | 3.5 | – |
| Securities – closed items on the balance sheet | LAR | 2 | 58.8 | 53.2 |
| Other loans – closed items on the balance sheet | LAR | 2 | 271.6 | 310.5 |
| Derivatives in the finance area – closed items on the balance sheet | FAHFT | 2 | 119.8 | 119.8 |
| Loans to investees | LAR | 2 | 56.7 | 59.7 |
| Other loans | LAR | 2 | 5.5 | 5.5 |
| Other | – | – | 18.2 | – |
| Other non-current investments and non-current other receivables | | | 664.3 | |
| Trade receivables | LAR | – | 246.3 | – |
| Receivables from investees | LAR | – | 41.9 | – |
| Loans to investees | LAR | 2 | 3.5 | 3.8 |
| Other loans | LAR | 2 | 1.0 | 1.0 |
| Derivatives in the energy area | FAHFT | 2 | 301.2 | 301.2 |
| Long position: Gemeinschaftskraftwerk Inn GmbH | FAHFT | 3 | 19.9 | 19.9 |
| Money market transactions | LAR | 2 | 0.0 | 0.0 |
| Emission rights | IAS 38, IAS 2 | – | 12.6 | – |
| Other | LAR | – | 32.0 | – |
| Other | – | – | 73.2 | – |
| Trade receivables and current other receivables | | | 731.6 | |
| Cash and cash equivalents | LAR | – | 70.4 | – |
| Aggregated by measurement categories | | | | |
| Financial assets at cost | FAAC | | 25.6 | |
| Loans and receivables | LAR | | 787.7 | |
| Financial assets available for sale | FAAFS | | 216.9 | |
| Financial assets held for trading | FAHFT | | 440.9 | |

**(11)
Additional disclosures for financial instruments**

Carrying amounts and fair values by measurement categories 31/3/2016

€m

| Liabilities – balance sheet items | Measurement category under IAS 39 | Level | Carrying amount | Fair value |
|--|--|--------------|------------------------|-------------------|
| Bonds | FLAAC | 2 | 1,418.4 | 1,581.0 |
| Financial liabilities to banks and to others | FLAAC | 2 | 1,061.3 | 1,112.5 |
| Financial liabilities to banks – closed items on the balance sheet | FLAAC | 2 | 105.6 | 150.4 |
| Financial liabilities to banks – closed items on the balance sheet | FLAFVPL | 2 | 344.5 | 344.5 |
| Capital shares attributable to limited partners | IAS 32 | – | 3.9 | – |
| Non-current and current financial liabilities | | | 2,933.8 | |
| Electricity supply commitment | – | – | 175.8 | – |
| Obligation to return an interest | FLAAC | 3 | 118.6 | 178.6 |
| Derivatives in the energy area | FLHFT | 3 | 69.5 | 69.5 |
| Trade payables | FLAAC | – | 4.4 | – |
| Deferred income for grants (emission rights) | IAS 20 | – | 0.3 | – |
| Other | FLAAC | – | 25.0 | – |
| Non-current other liabilities | | | 393.6 | |
| Trade payables | FLAAC | – | 119.6 | – |
| Derivatives in the energy area | FLHFT | 2 | 105.2 | 105.2 |
| Derivatives in the energy area | FLHFT | 3 | 8.2 | 8.2 |
| Derivatives in the finance area | FLHFT | 2 | 37.3 | 37.3 |
| Other | FLAAC | – | 85.4 | – |
| Other | – | – | 117.0 | – |
| Trade payables and current other liabilities | | | 472.9 | |
| Aggregated by measurement categories | | | | |
| Financial liabilities at amortised cost | FLAAC | | 2,938.3 | |
| Financial liabilities at fair value through profit or loss | FLAFVPL | | 344.5 | |
| Financial liabilities held for trading | FLHFT | | 220.5 | |

Carrying amounts and fair values by measurement categories 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 | FAAFS | 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 categories | | | | |
| 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 categories 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 categories | | | | |
| 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 €200.6m (31 December 2015: €85.2m) and negative fair values of €58.9m (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 | Non-listed energy forwards (natural gas supply contract for the Mellach combined cycle gas turbine power plant) | Net present value approach | Price forecasts for natural gas and crude oil, take-or-pay volumes optimised according to utilisation for a monthly period, contractual term, yield curve, credit risk of the contracting parties, customary demand charge, likelihood of winning the competition law proceedings |
| 3 | Return obligation (obligation to transfer back the 50% interest acquired in Donaukraftwerk Jochenstein AG) | Net present value approach | Price forecasts for electricity, weighted average cost of capital after taxes |
| 3 | Long position: Gemeinschaftskraftwerk Inn GmbH (GKI) | Net present value approach or Black Scholes Model | Price forecast for electricity and discount rate for calculating the value of the underlying asset (weighted average cost of capital after taxes), volatility of the underlying asset, yield curve |
| - | Cash and cash equivalents, trade receivables and payables, current other receivables, other borrowing within current credit lines as well as current other liabilities | - | Carrying amounts as a realistic estimate of fair value |
| - | Interests in 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

| | 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) | 8.5 | 5.9 |
| Carrying amount as at 31/3/ | 71.9 | 77.7 |

VERBUND and EconGas GmbH signed a long-term natural gas supply agreement on 24 June 2008. The mode of operation resulting from the optimisation of the Mellach combined cycle gas turbine power plant led to the resale of significant volumes of natural gas. Such management of the natural gas supply agreement is regarded as a net settlement of the natural gas supply agreement under IFRSs; as a consequence, the exemption for own-use contracts in IAS 39 (own-use exemption) was no longer applicable. Therefore, the natural gas supply agreement has been classified as a freestanding derivative and recognised at fair value through profit or loss since 2012.

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

Sensitivity analysis for significant, non-observable input factors¹

| | Assumption | Change in assumption | If assumption increases, operating result changes by | If assumption decreases, operating result changes by |
|--|------------|----------------------|--|--|
| Forecast (oil-indexed) contract price for natural gas ² | €32.2/MWh | ± 5% | - 11.6 | 13.9 |
| Forecast wholesale price for natural gas ³ | €29.4/MWh | ± 5% | 13.3 | -9.8 |
| Term ⁴ | 2026 | n.a. | n.a. | n.a. |
| Annual take-or-pay volume ⁵ | 3,125 GWh | n.a. | n.a. | n.a. |
| Customary demand charge ⁶ | n.a. | n.a. | n.a. | n.a. |
| Scenarios relating to the outcome of the anti-competitive conduct proceedings ⁶ | n.a. | n.a. | n.a. | n.a. |

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

Level 3 measurement of financial instruments: long position: GKI

| | €m | |
|--|------|------|
| | 2015 | 2016 |
| Carrying amount as at 1/1/ | 17.1 | 18.0 |
| Measurement gains or losses (recognised in other financial result) | 1.2 | 1.9 |
| Carrying amount as at 31/3/ | 18.3 | 19.9 |

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

Sensitivity analysis for significant, non-observable input factors¹

| | €m | | | |
|------------------------------------|------------|----------------------|--|--|
| | Assumption | Change in assumption | If assumption increases, operating result changes by | If assumption decreases, operating result changes by |
| Electricity price ² | €71.1/MWh | ± 5% | 4.3 | -3.7 |
| Discount rate | 5.25% | ± 0.25 PP | -4.1 | 5.4 |
| Volatility of the underlying asset | 16.00% | ± 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**Purchase commitments for property, plant and equipment, intangible assets and other services**

| | €m | | |
|------------------|--------------|----------------------|------------------------|
| | 31/3/2016 | of which due in 2016 | of which due 2017–2021 |
| Total commitment | 463.3 | 249.0 | 209.9 |

Purchase commitments

VERBUND's last remaining cross-border leasing transaction has an off-balance sheet financing structure. As at 31 March 2016, VERBUND's subsidiary liability for the non-redeemed portion of lease liabilities from cross-border leasing transactions amounted to €514.0m (31 December 2015: €575.4m). Of the rights of recourse against primary debtors, a total of €345.8m (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, €231.6m (31 December 2015: €239.1m) was covered by off-balance sheet investments.

Contingent liabilities

As at 31 March 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

There have been no major developments since the status update as at 31 December 2015 in connection with the proceedings between VERBUND and EconGas GmbH, VERBUND and Energie Steiermark Wärme GmbH and VERBUND and EVN AG (the initial examination of witnesses took place, for example). 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 quarter 1/2016, other parties asserted claims for damages in connection with the flooding of the Drau River in 2012. The damages claimed currently amount to a total of around €105.1m (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 proceedings because it is likely that such note disclosures would seriously prejudice VERBUND's position in the proceedings.

On 18 February 2016, VERBUND was served with a petition for declaratory judgement from Energie Steiermark Wärme GmbH by the Cartel Court of Vienna. Energie Steiermark Wärme GmbH alleges vis-à-vis VERBUND that the closing of the Neudorf/Werndorf II district heating power plant was improper within the meaning of 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 claims for damages because it is likely that such note disclosures would seriously prejudice VERBUND's position in these proceedings.

With respect to the possibility of recognising the amortisation of goodwill for foreign equity interests upon their accedence to a tax group as described on 31 December 2015, the decision of the Austrian Supreme Administrative Court (VwGH) regarding the matter pending before the court was issued on 10 February 2016. The VwGH decided that goodwill amortisation was permissible even with respect to the acquisition of foreign EU equity interests. VERBUND had filed complaints related to this in the past for the years 2010 to 2012, the processing of which was postponed until the final settlement of the VwGH proceedings. So far, the notices in the continued proceedings have not yet been served. In the event of positive notices for VERBUND, goodwill amortisation will be recognised in the amount of €98.8m (this corresponds to a tax refund in the amount of €24.7m plus interest claimed) for the years 2010 to 2012. The application to set aside the notice for 2013 is being submitted on time (goodwill amortisation of €32.9m and/or tax refund in the amount of €8.2m). For 2014 and beyond, the amortisation of goodwill is being claimed by means of complaints and/or in the tax returns. Beginning with the assessment for 2014, it must also be noted that the further charging of goodwill amortisation has been made more complicated. If the goodwill amortisation is accepted without limitation, this means that VERBUND can charge goodwill amortisation of up to €580.5m for a total of two foreign equity interests (thus, a reduction of future tax payments of €145.1m). This will be recognised in accordance with VERBUND's accounting policies as soon as the possibility to assert the claim is reasonably certain.

| Transactions with investees accounted for using the equity method | | | €m |
|---|---------|---------|---------|
| | Q1/2015 | Q1/2016 | Change |
| Income statement | | | |
| Electricity revenue | 13.5 | 15.5 | 14.5% |
| Grid revenue | 6.5 | 6.7 | 2.7% |
| Other revenue | 0.3 | -0.2 | -178.5% |
| Other operating income | 0.1 | 0.1 | -17.0% |
| Expenses for electricity, grid, gas and certificate purchases | -9.1 | -9.1 | -1.1% |
| Other operating expenses | -0.7 | 0.0 | 92.6% |
| Interest income | 0.5 | 0.4 | -17.0% |
| Interest expenses | 0.0 | 0.0 | 34.4% |
| Other financial result | 0.6 | 0.6 | 0.5% |

Transactions with related parties

| Transactions with investees accounted for using the equity method | | | €m |
|---|------------|-----------|--------|
| | 31/12/2015 | 31/3/2016 | Change |
| Balance sheet | | | |
| Investments and other non-current receivables | 40.4 | 39.6 | -1.9% |
| Trade receivables and other current receivables | 24.0 | 33.9 | 41.5% |
| Contributions to building costs and grants | 286.5 | 287.3 | 0.3% |
| Trade payables and other current liabilities | 2.7 | 3.0 | 12.3% |

Electricity revenue with equity-accounted investees primarily came from KELAG-Kärntner Elektrizitäts-AG (€9.2m; quarter 1/2015: €8.4m) and OeMAG Abwicklungsstelle für Ökostrom AG (€5.4m; quarter 1/2015: €5.1m). Electricity revenue was offset by electricity purchases from KELAG-Kärntner Elektrizitäts-AG in the amount of €6.6m (quarter 1/2015: €8.9m) and OeMAG Abwicklungsstelle für Ökostrom AG (€1.8m; quarter 1/2015: €0.0m).

Electricity revenue from companies controlled or significantly influenced by the Republic of Austria in quarter 1/2016 totalled €6.9m (quarter 1/2015: €8.0m). The electricity was purchased primarily by Bundesbeschaffungs GmbH (BBG), Autobahnen- und Schnellstraßen-Finanzierungs-AG (ASFINAG) and Telekom Austria Group. Electricity purchased from companies controlled or significantly influenced by the Republic of Austria totalled €0.0m in quarter 1/2016 (quarter 1/2015: €0.1m). The electricity was supplied primarily by Österreichische Bundesbahnen (ÖBB).

There is a long-term natural gas supply agreement with EconGas GmbH for the Mellach combined cycle gas turbine power plant. The effect on profit or loss of the fair value measurement of the natural gas supply agreement with EconGas GmbH which is to be qualified as a free-standing derivative that is being called into question under competition laws amounted to €- 5.9m in quarter 1/2016 (quarter 1/2015: €-8.5m; see (11) Additional disclosures for financial instruments). The corresponding derivative financial instrument in the energy area was recognised in non-current other liabilities in the amount of €69.5m (31 December 2015: €66.5m) and in current other liabilities in the amount of €8.2m (31 December 2015: €5.3m). No disclosures have been provided for any contingent liabilities or provisions that may arise in relation to the competition law proceedings because it is expected that such note disclosures would seriously prejudice VERBUND's position in the proceedings.

VERBUND's expenses for monitoring by E-Control in quarter 1/2016 amounted to a total of €1.9m (quarter 1/2015: €1.7m).

Audit and/or review

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

Events after the reporting date

There were no events requiring disclosure between the reporting date of 31 March 2016 and the authorisation for issue on 28 April 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 31 March 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 interim Group management report of VERBUND gives a true and fair view of the assets and liabilities, cash flows and profit or loss of the Group with respect to the important events during the first three months of the financial year and their effects on the condensed consolidated interim financial statements as at 31 March 2016 and with respect to the principal risks and uncertainties in the remaining nine months of the financial year.

Vienna, 28 April 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

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Shareholder structure:

– Republic of Austria (51.0%)

– Syndicate (>25.0 %) consisting of EVN AG

(the shareholders of which are:

Niederösterreichische

Landes-Beteiligungsholding GmbH, 51%,

EnBW Energie Baden-Württemberg AG,

32.5 %) and Wiener Stadtwerke (whose sole

shareholder is the City of Vienna)

– TIWAG-Tiroler Wasserkraft AG (>5.0%,

the sole shareholder is the province of Tyrol)

– Free float (<20.0%): no further information is available concerning 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, Ingeborg Oberreiner, Kurt Christof,

Wolfgang Liebscher, Joachim Salamon

Purpose of publication:

Information for customers, partners and the general public about the utilities sector and the Group.

Specific laws applicable:

Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und organisationsgesetz, EIWOG) 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.

