

Interim Report Quarter 1/2011



Verbund

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Highlights

- Operating result up 11% due to increased water supply and cost cutting measures
- Group result down round 10% due to decreased result from equity interests
- Operating cash flow increased by round 59%
- Positive free cash flow
- Purchase of POWEO Production S.A.S. closed
- €700m financing for four additional power plants in Turkey completed
- Günther Rabensteiner appointed as the fourth member of the Managing Board

Key figures

	Unit	Q1/2011	Q1/2010	Change
Revenue	€m	917.7	806.4	13.8%
Operating result	€m	215.8	194.3	11.0%
Return on sales (EBIT-Margin)	%	23.5%	24.1%	–
EBITDA	€m	273.6	250.4	9.3%
EBITDA-Margin	%	29.8%	31.0%	–
Group result	€m	108.5	119.8	–9.5%
Cash flow from operating activities	€m	357.0	225.1	58.6%
Additions to property, plant and equipment	€m	95.7	80.0	19.6%
Free cash flow	€m	97.7	92.3	5.9%
Number of employees		2,973.0	2,960.0	0.4%
Electricity sales ¹	GWh	14,547.0	12,609.0	15.4%
Hydro coefficient		0.99	0.92	–
	Unit	31.3.2011	31.12.2010	Change
Balance sheet total	€m	11,385.2	11,291.0	0.8%
Equity	€m	4,370.2	4,372.4	–0.1%
Equity ratio (adjusted)	%	39.4%	39.9%	–
Net debt	€m	4,593.0	4,233.9	8.5%
Gearing	%	105.1%	96.8%	–

¹ Electricity sales before netting for external electricity trading: Q1/2011: 44,436 GWh; Q1/2010: 33,787 GWh.

Report of the Managing Board

Focus on renewable energies

Dear shareholders, the energy market is in addition to the impact of the crisis in North Africa and the Middle East under the influence of the nuclear disaster in Japan. It has led to discussions around the globe on the further use of nuclear energy and changed the operating environment for the international electricity industry.

VERBUND is the largest producer of hydroelectricity in Austria and ranks among the top hydropower companies in Europe. Today, we obtain more than four-fifths of our electricity in Austria from hydropower. The nuclear crisis in Japan has also encouraged us to continue our consistent orientation on renewable energies. Our goal is to further strengthen our position as a leading generator of renewable energy in Europe. For this reason we are specifically driving investment in hydro and wind power.

The capital increase in November 2010 allowed us to expand hydropower in Austria quicker. The implementation of the first part of the test operation in the Limberg II pumped storage power plant represents a milestone. This facility will more than double the previous capacity of the Kaprun power plant site from September 2011.

We are focusing on modern high-efficiency combined cycle gas turbine power plants (CCGT) for our thermal power area. We are using this climate-friendly alternative to coal power plants to compensate for the volatile, supply-dependent electricity from renewable sources and to generate heat. In Mellach in Styria, we are currently building a CCGT with which we will be able to cover up to 7% of Austria's need for electricity starting in 2012.

In France, we completely took over the POWEO production subsidiary, POWEO Production S.A.S., in February 2011 for €120m. VERBUND had already held a 40% equity interest in the subsidiary since 2006. With the purchase of the remaining 60%, we can now also reinforce our concentration in France on our core business: generation and wholesale. The consumer business of POWEO S.A. will continue to be difficult and depends heavily on the reorganisation of the French Electricity Market Act.

In Turkey, we are continuing our successful orientation to strengthen our market position to 10% in connection with the investment in Enerjisa. At the end of March 2011, the Canakkale wind farm with 30 MW and the Hacininoglu hydropower plant with 142 MW were opened. A financing package in the amount of €700m was signed for four additional power plant projects that have already been approved. These projects include the second large Bandirma II CCGT, two medium-sized hydropower plants and a wind farm. The total capacity of these projects amounts to around 1,000 MW. Enerjisa has set the goal of achieving around 5,000 MW in Turkey by 2015; the recent steps taken contribute significantly to achieving that goal.

The operating result increased in quarter 1/2011 by 11.0% to €215.8m. This positive trend can be attributed above all to an increase in own generation from hydropower on the part of VERBUND. At 0.99, the hydro coefficient may have been 1% below the long-term average, but it was 7 percentage points above the previous year's level. Therefore, we were able to considerably increase generation at the run-of-river power plants compared to the same period in the previous year. In contrast, generation at the annual storage power plants

International equity interests

Development of results

[Effects of the nuclear crisis in Japan](#)

decreased as a result of the lower storage levels at the beginning of the year. We were also able to increase thermal generation. This can be attributed to a stronger use of the thermal power plants in Austria as well as the purchase of full electricity from the Pont-sur-Sambre power plant in France since 1 March 2011. Overall, VERBUND's own generation increased by 365 GWh.

Group result decreased by 9.5% to €108.5m. The decrease in the Group result can be attributed mainly to the positive one-off effect (tax benefits for investments) that affected the result from equity interests in Italian Sorgenia S.p.A. (Group) in the previous year, but did not apply in the current reporting period.

As a consequence of the nuclear crisis in Japan, Germany temporarily shut down its seven oldest nuclear power plants as well as the earlier disconnected power plant Krümmel in the middle of March. Other nations resolved to review existing and new nuclear reactors. This led to a considerable increase in wholesale prices for electricity in Europe, in particular with respect to futures market prices.

As part of our hedging strategy, we sell around 80% of our annual own generation on the futures market and in particular one year in advance, the remaining 20% are sold at spot market prices. Thus, the elevated wholesale prices hardly influenced our Q1/2011 results.

On 10 March 2011, the members of the Supervisory Board appointed Günther Rabensteiner as the fourth member of VERBUND's Managing Board. He is responsible for the International, Thermal Power and Renewable Energies divisions. Ulrike Baumgartner-Gabitzer was confirmed as Managing Board member responsible for the Hydropower and Grid divisions. The contracts of all the members of the Managing Board expire at the end of 2013.

On the basis of an average water supply, we expect the operating result and the Group result to remain more or less the same in the 2011 fiscal year. Dividends will continue to be oriented on a payout ratio of 45% to 50%.

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

Dr. Johann Sereinig
Vice-Chairman of the Managing Board

Dr. Ulrike Baumgartner-Gabitzer
Member of the Managing Board

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

Investor relations

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Andreas Wollein

Head of Group Finance

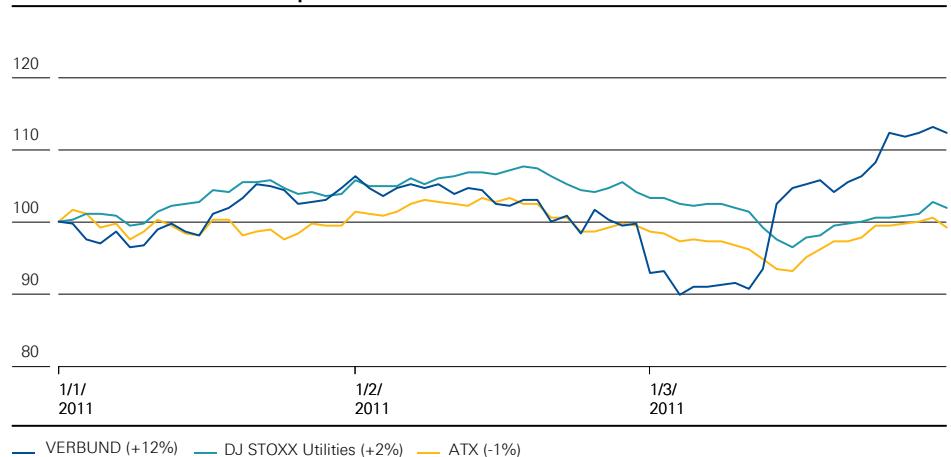
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Despite political uncertainties in North Africa and the Middle East and a varying situation with respect to macroeconomic development in industrial nations, market sentiment was thoroughly positive until the middle of quarter 1/2011. However, the nuclear disaster in Japan led to considerable stock price losses on international stock exchanges. At the end of quarter 1/2011, these losses had been largely recouped. For instance, as of 31 March 2011, the US stock index Dow Jones Industrial closed at 6.4% over the closing value at the end of 2010. The Eurostoxx 50 recorded an increase of 4.2%, while the Nikkei 225 lost 4.6%.

VERBUND share: Relative performance 1/1/2011 to 31/3/2011



Upcoming dates:

Dividend payment date:
3 May 2011

Half-year result for 2011:
27 July 2011

The VERBUND share was among those securities that was able to profit from the nuclear crisis in Japan. After the onset of the crisis, Germany resolved to temporarily shut down its seven oldest nuclear power plants. The resulting rise in wholesale prices for electricity brought about a rapid increase for the VERBUND share. The VERBUND share closed at €31.4 on 31 March 2011, up 12.4% over 31 December 2010, and thus performed in quarter 1/2011 considerably better than the ATX (-0.8%) and the industry index DJ STOXX Utilities (+2.1%).

Shares: key figures

	Unit	Q1/2011	Q1/2010	Change
Share price high	€	31.5	32.1	-1.9%
Share price low	€	25.0	27.3	-8.4%
Closing price	€	31.4	29.4	6.8%
Performance	%	12.4	-1.1	-
Market capitalisation	€m	10,891.5	9,058.0	20.2%
ATX weighting	%	5.1	5.9	-
Value of shares traded	€m	1,009.4	722.8	39.7%
Shares traded per day	Shares	565,949	395,951	42.9%

Group Interim Management Report

Business development

Earnings analysis

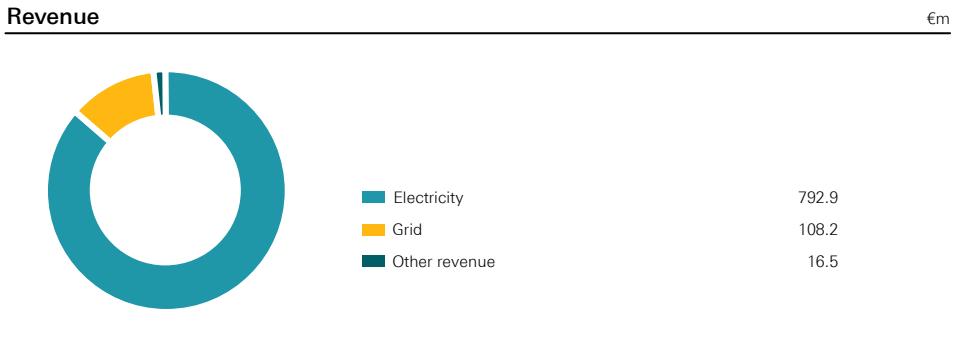
Results	€m		
	Q1/2011	Q1/2010	Change
Revenue	917.7	806.4	13.8%
EBITDA	273.6	250.4	9.3%
Operating result	215.8	194.3	11.0%
Group result	108.5	119.8	-9.5%
Earnings per share in € ¹	0.31	0.39	-19.7%

¹ Number of shares in Q1/2011: 347,415,686, Q1/2010: 308,200,000

Revenue

Electricity revenue increased by €80.1m compared to the same period in 2010 due to a 15.4% increase in electricity sales in quarter 1/2011. The increased electricity sales were covered by a year-on-year increase in own generation as well as by an increase in electricity purchased from third parties. Despite generation from annual storage power plants, which was down 18.7%, we were able to increase generation from hydropower by 152 GWh compared to quarter 1/2010. The reason for this was the hydro coefficient, which was up 7 percentage points year-on-year (quarter 1/2011: 0.99; quarter 1/2010: 0.92), and the associated increase in generation from run-of-river power plants. We were also able to increase generation from thermal power by 210 GWh, which can be attributed on the one hand to the increase in generation from domestic power plants (+140 GWh) and on the other hand to an increase in electricity purchased from the French Pont-sur-Sambre CCGT (+70 GWh). Since 1 March 2011, VERBUND has been purchasing all of the electricity from the Pont-sur-Sambre power plant as a result of the purchase of the remaining 60% interest in POWEO Production S.A.S. in February 2011. The positive effect from the increase in sales volume was partially compensated by a slight overall reduction in prices.

Grid revenue increased by 50.7% to €108.2m compared to quarter 1/2010. This considerable increase can be attributed in particular to the fact that Austrian Power Grid AG took over central procurement of grid loss energy volumes for a better part of Austrian network operators as of 1 January 2011. The increase in revenue from the sale of grid loss energy volumes amounts to €37.1m in quarter 1/2011.



Expense items

Expenses for the purchase of electricity in quarter 1/2011 increased by 27.1% to €481.9m compared to quarter 1/2010. This considerable increase can be attributed to higher electricity sales (+1,938 GWh), compared to the relatively low increase in own generation (+365 GWh). In addition, the purchase of grid loss energy described above also had a negative impact on these expenses.

The increase in production in the thermal plants led to a slight increase in the use of fuel and other usage-dependent expenses by €1.8m to €32.4m.

Personnel expenses increased to €81.6m in quarter 1/2011 compared to quarter 1/2010 mainly as a result of increases in collective wage agreements. The average number of personnel in quarter 1/2011 was essentially the same as in quarter 1/2010.

We were able to record a considerable €16.5m decrease in other operating expenses to €27.6m compared to quarter 1/2010. The reasons for this were Group-wide cost-saving measures and the lack of non-recurring expenses for maintenance such as were incurred in the previous year. As a consequence of the deconsolidation of Energji Ashta Shpk in quarter 3/2010, expenses no longer included construction expenses related to the Albanian hydropower plant concession; however, there was also no associated other revenue from construction services.

Operating result

As a consequence of these developments, the operating result increased by 11.0% to €215.8m. However, since revenue increased by 13.8%, the EBIT margin decreased slightly, falling from 24.1% to 23.5%.

Financial result

The result from equity interests fell by €34.7m compared to quarter 1/2010 to €1.4m, whereby the negative development can be attributed in particular to foreign interests accounted for using the equity method. Foreign exchange losses from the measurement of liabilities denominated in foreign currency on the part of the Turkish joint venture, the lack of positive effects on earnings from tax benefits for investments at the Italian company Sorgenia Holding S.p.A. (Group) and the difficult market situation as well as the

restructuring programme at the French company POWEO S.A. (Group) and its subsidiaries resulted in a €39.2m decrease in the contribution to the result of foreign equity interests. The €3.1m increase in income from Austrian equity interests recognised using the equity method was not enough to fully offset these negative effects.

Interest income increased in quarter 1/2011 compared to quarter 1/2010 by 3.0% to €9.4m. In contrast, interest expenses increased by 10.1% as a result of the increase in profits attributable to the limited partners of VERBUND Thermal Power GmbH & Co KG and higher interest rates for loans bearing variable interest.

The other financial result increased by €13.7m to €12.8m in quarter 1/2011 mainly as a result of foreign exchange gains (foreign exchange losses in the quarter 1/2010) from a ¥-bond (+€14.6m).

Thus, the financial result decreased by a total of €27.7m to €-52.1m and the Group result decreased by 9.5% to €108.5m.

Balance sheet analysis

Consolidated balance sheet (short version)			€m		
	31.3.2011	Percent	31.12.2010	Percent	Change
Total assets	11,385.2	100%	11,291.0	100%	0.8%
Non-current assets	10,218.9	90%	9,722.2	86%	5.1%
Current assets	1,166.3	10%	1,568.7	14%	-25.7%
Liabilities	11,385.2	100%	11,291.0	100%	0.8%
Equity	4,370.2	38%	4,372.4	39%	-0.1%
Non-current liabilities	5,835.6	51%	6,041.7	54%	-3.4%
Current liabilities	1,179.4	10%	876.8	8%	34.5%

Assets

The development of assets in quarter 1/2011 was driven mainly by the investment programme and by the shift from current interim investments to financial investments.

Capital expenditure for property, plant and equipment amounted to €95.7m in quarter 1/2011. A total of €33.9m of this amount can be attributed to the Reisseck II and Limberg II pumped storage power plants and €25.7m to the Mellach CCGT.

Interests accounted for using the equity method increased in quarter 1/2011 as a result of the acquisition of an additional 60% interest in POWEO Production S.A.S. for €120m and as a result of capital increases on the part of Enerjisa Enerji Üretim A.S. in the amount of €61.5m. However, the carrying amount decreased in particular as a result of the negative contributions to results on the part of foreign interests and as a result of foreign exchange losses recognised in other comprehensive income in the amount of €45.6m from currency translation related to the Turkish joint venture. In addition, the interest in POWEO S.A. (Group) was reclassified as a current asset with a carrying amount of €35.4m.

Liabilities

Financial liabilities decreased by 3.5% compared to 31 December 2010 and amounted to a total of €4,339.5m. This decrease can be attributed in particular to the early repayment of loans and was offset by the raising of new loans and changes in money market transactions.

However, net debt increased by 8.5% to €4,593.0m in quarter 1/2011. Compared to the decrease in financial liabilities, this increase in net debt was the result of the shifting of current interim investments to financial investments. As a result, near-liquid financial assets deducted from the calculation of net debt decreased. Gearing as at 31 March 2011 was 105.1%.

The considerable increase in other current liabilities was the result in particular of the fair value measurement of derivative financial instruments used as energy hedges.

Financial position

Cash flow statement (short version)

	Q1/2011	Q1/2010	Change
Cash flow from operating activities	357.0	225.1	58.6%
Cash flow from investing activities	-259.3	-132.8	95.2%
Cash flow from financing activities	-173.4	-18.1	-
Change in cash and cash equivalents	-75.7	74.2	-
Cash and cash equivalents as at 31/3/	413.3	200.2	106.5%

Cash flow from operating activities

Cash flow from operating activities increased considerably compared to quarter 1/2010. The slightly lower contribution margin from generation (-4.6%) and higher net interest payments were more than compensated by variation margins received from futures contracts used as energy hedges (change in cash flows: +€80.2m). Compared to quarter 1/2010, contributions to building costs received were recognised in cash flow from operating activities (+€18.8m) as a consequence of the application of IFRIC 18 in quarter 1/2011.

Cash flow from investing activities

Cash flow from investing activities changed in quarter 1/2011 by €-126.5m. This change was the result in particular of payments for capital increases on the part of interests accounted for using the equity method as well as the acquisition of interests accounted for using the equity method in the amount of €181.5m. There were no such payments in quarter 1/2010. Capital expenditure for property, plant and equipment and intangible assets amounted to 91.5% of the corresponding payments in quarter 1/2010. In addition, this includes cash inflow from changes from interim investments in the amount of +€40.0m.

Cash flow from financing activities

Cash flow from financing activities changed by €-155.3m and was in particular the result of €369.4m higher repayments of financial liabilities. This was offset by the raising of more financial liabilities in the amount of €127.0m and increased cash inflow from money market transactions.

Free cash flow was positive in quarter 1/2011, despite the considerable investment volume. It amounted to €97.7m.

Risk management

VERBUND is confronted with numerous opportunities and risks during the course of its operations in Austria and abroad. The methods and models implemented in the following risk analysis do not serve to forecast future results, but to estimate the potential spectrum of results.

VERBUND's operating result is significantly influenced by volume and price risks associated with own generation. Electricity generation depends in the area of hydropower directly on meteorological factors which are reflected in the water supply of rivers and in storage management. The fluctuation of wholesale prices also has a material impact on earnings. A 1.0% change in the following factors would have the following effect on operating result for 2011:

- Generation of more or less electricity from hydropower: +/- €10.8m
- Wholesale prices: +/- €4.6m

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

Strategic risks affecting international equity interests include the integration of new acquisitions as well as the realisation of divestments. Opportunities and risks are revealed in potential fluctuations of investment income (including foreign currency effects). As a result of the volatile development of the energy markets and other factors of influence, there is the latent risk of an impairment loss on recognised equity investments. VERBUND's liabilities and issued guarantees can also have a negative impact in this context.

In order to secure sufficient liquidity, reserves are set aside as necessary. High requirements with respect to the creditworthiness of business partners ensure a relatively low default risk. A large part of VERBUND's financial liabilities bear interest at fixed rates. A 1.0% increase in interest rates would have a €3.3m negative impact on profit before tax in 2011 with the current loan portfolio.

If the ¥-exchange rate compared to the € prevailing at the balance sheet date were to increase by 1.0%, earnings before tax 2011 would decrease by around €1.1m as a result of an unhedged financial liability.

Business segments

Electricity

Procurement	GWh		
	Q1/2011	Q1/2010	Change
Hydro power ¹	5,409	5,257	2.9%
Wind/solar power	35	32	10.1%
Thermal power ¹	1,526	1,317	15.9%
Own generation	6,970	6,605	5.5%
Electricity purchased from third parties	7,577	6,004	26.2%
Group procurement	14,547	12,609	15.4%

¹ including procurement rights

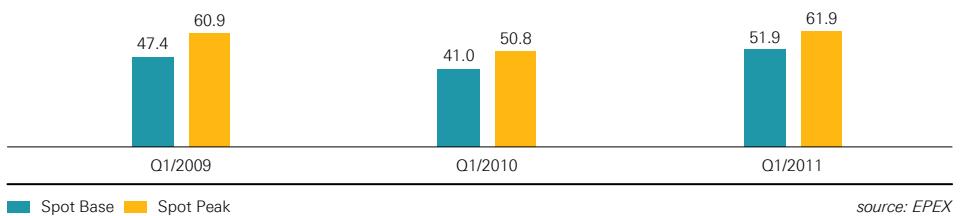
Electricity generation

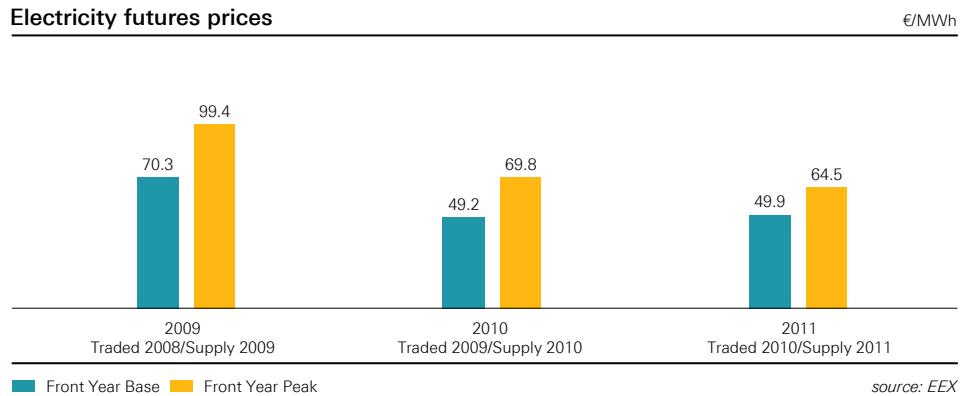
At 6,970 GWh, VERBUND's total power generation in quarter 1/2011 was up 5.5% compared to quarter 1/2010. At 0.99, the hydro coefficient of the run-of-river power plants in quarter 1/2011 was 1% below the long-term average, but 7 percentage points above the previous year's level. In contrast, generation at the annual storage power plants decreased considerably by 18.7% as a result of lower storage levels at the beginning of the year compared to the previous year. In quarter 1/2011, hydropower plants were responsible for a total of around 78% of VERBUND's own generation.

Thermal generation showed a considerable increase of 15.9% as a result of the purchase of full electricity from the Pont-sur-Sambre CCGT in France since March and more favourable conditions for production in Austria. The purchase of electricity from third parties increased by 26.2% and amounted to 52.1% of total procurement.

Electricity spot prices

€/MWh





Electricity prices

The prices for electricity futures contracts, year base 2011, traded in 2010 averaged €49.9/MWh, up 1.4% from the previous year's level. The electricity spot market price level in quarter 1/2011 showed an increase of 26.6% to €51.9/MWh compared to the same period in the previous year. The trend was driven in particular by the increase in prices for primary energy sources and emission rights (among other things through the crisis in Northern Africa and the Middle East) as well as the temporary shutdown of seven nuclear plants in Germany starting in the middle of March.

The price for Brent crude oil rose since the beginning of 2011 from \$94/bbl to \$117/bbl on 31 March 2011. The price for hard coal deliveries CIF ARA (6,000 kcal/kg) showed sideways movement since the beginning of January 2011 with \$131/t and \$129/t at the end of March 2011, with \$117/t being the lowest price recorded in quarter 1/2011 in February 2011. Daily spot prices on the gas hub Net Connect Germany (NCG) rose continually since the beginning of 2011 from €23.2/MWh to €24.2/MWh on 31 March 2011. In contrast, the price trend on the gas forward market showed a strong rising tendency. At the trading point NCG, the price for the Front-year Future for 2012 (Cal12 contract) rose since January 2011 from €24.4/MWh to €27.9/MWh at the end of March. This price also represents the highest price for the year in quarter 1/2011.

Electricity sales

	Electricity sales by customer category		
	Q1/2011	Q1/2010	Change
Consumers	2,694	2,763	-2.5%
Resellers	6,001	6,023	-0.4%
Traders	5,484	3,455	58.7%
Own consumption	368	369	-0.3%
Electricity sales	14,547	12,609	15.4%

VERBUND's electricity sales increased 15.4% in quarter 1/2011 compared to quarter 1/2010.

The portion of the business with domestic resellers showed a 3.2% decrease, which can be attributed to a decrease in electricity purchased by provincial utilities. In contrast, we were able to increase sales from foreign resellers. In particular, stronger engagement in the supply of German municipalities had an impact here. Sales from electricity deliveries to trading firms was also increased.

On the consumer market, sales volumes were increased by 3.0% in Austria, while the volume sold on foreign markets decreased. In Austria, VERBUND has around 246,000 consumers in the Household/Agriculture and Commercial segment consuming up to 100,000 kWh of electricity annually.

Electricity sales by country (all customer categories)		GWh
	Q1/2011	Q1/2010
Austria	5,956	6,034
Germany	6,010	4,042
France	1,905	2,032
Hungary	239	81
Italy	196	183
Bulgaria	89	82
Switzerland	30	20
Others	122	135
Total	14,547	12,609

The share of business on foreign markets was 60.6%, not taking own consumption into account. This can be attributed in particular to international operations in the German and French electricity markets. With 70% of the volume sold abroad, the German market represents the focus of VERBUND's foreign engagement.

Expansion of generation from hydropower

The implementation of the first part of the test operation of the first of the two machine units in the Limberg II pumped storage power plant was completed in quarter 1/2011. The commissioning of the power plant is planned for July and September 2011.

With respect to the Reisseck II project – the expansion of the existing power plant by a new pumped storage power plant with 430 MW – the main excavation work was completed as scheduled.

With respect to the revitalisation project of the Pernegg power plant in Styria, machine unit 1 was successfully put into operation as planned. Machine units 2 and 3 will be modernised in the winter months of 2012 and 2013.

Expansion of generation from thermal power

For the cross-border “Inn joint venture power plant” project (89 MW), the tender designs were prepared following the issue of permits by the court of first instance. Currently, we expect to receive a legally valid notice of approval in the autumn of 2011. A construction decision would then be possible at the beginning of 2012.

In northern Albania on the Drin River, construction work on the Ashta power plant project is progressing quickly. The hydromechanical assembly work has already begun parallel to the main construction work.

The construction of the Mellach CCGT near Graz with a total output of 832 MW is proceeding according to plan and is expected to be completed on schedule at the end of 2011.

The administrative environmental impact assessment (EIA) process for the 400 MW strong CCGT project managed jointly with Energie Klagenfurt in Klagenfurt is at the environmental tribunal in the second instance after objections to the decision of first instance.

Expansion of generation from wind power

The Casimcea wind farm (200 MW) is being constructed in Romania. The main contracts have been awarded and the building permit has been received for the first part of this project (100 MW). Road construction to optimise the infrastructure and the construction of the 400/110-kV-substation started at the beginning of March. The project is proceeding according to plan. Approval for the construction of the second part of this project (100 MW) is expected at the beginning of the second half of 2011. The first facilities are planned to be put into operation in 2012.

Grid

The transported energy volume relevant to billing in the 220/380-kV grid (excluding pumped electricity) showed a decrease in of 2.7% to 4,553 GWh in quarter 1/2011.

Allocation of marginal capacities (auctions)

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

International proceeds for transit costs

APG expects proceeds of approximately €6.0m for 2011 (2010: €15.8m) from so-called Inter-TSO-Compensation (ITC) for the compensation of international electricity transport costs (considerable decrease as a result of the integration of the TIWAG Grid control area).

Rate regulation

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

Completion of the first part of the 380-kV Salzburg line

The construction which started in August 2009 on the section of the 380-kV Salzburg line from the St. Peter grid hub to the Salzburg substation has been proceeding full-time since 3 March 2011 on the first expansion (220-kV plant). Acceptance negotiations have been agreed for the end of June 2011. The total investment volume amounts to around €119m.

Security of supply, management of bottleneck capacities

In quarter 1/2011, we were able to ensure the security of supply in the APG control area, despite shutdowns and high exchanges with Germany. The St. Peter – Salzach bottleneck was successfully eased by putting the first part of the 380-kV Salzburg line from the St. Peter grid hub to the Salzburg substation into operation.

Second system of the 380-kV Vienna – Hungary line

The expansion of the Sarasdorf substation has been completed. A transformer tower and tension tower were also constructed in order to integrate the existing line system. The total cost amounts to €21.1m. The interim report for the grant received in the amount of €6.5m was communicated to the European Commission.

Equity interests

Foreign

Italy

The 800 MW Lodi CCGT went into operation in quarter 1/2011. The 800 MW Aprilia CCGT is scheduled to be put into operation at the beginning of 2012.

At the end of February 2011, Sorgenia S.p.A. (Group) presented its new business plan for 2011–2016. The plan continues to focus on the sale of electricity and gas to a wide ranging customer portfolio as well as on production from renewable energies and efficient CCGTs. In addition, it gets involved in the area of exploration and production.

France

At the beginning of 2011, VERBUND purchased a 60% interest in POWEO Production S.A.S. from the POWEO S.A. (Group). Thus, VERBUND holds 100% of POWEO Production S.A.S. The transaction was completed on 21 February 2011. POWEO S.A. (Group) received a time-limited buyback option until the middle of 2013.

The French law to reform the electricity market (Loi NOME) has been resolved in parliament, but the implementation orders which specify terms and prices are not expected before the middle of 2011. Only then will it be possible to predict the further development of the consumer market in France – until then, the consumer business of POWEO S.A. (Group) will not run profitable. The restructuring measures for the sustainable nature of the business in France that were already initiated last year will be continued.

Turkey

At the end of March 2011, the Canakkale wind farm with 30 MW and the Hacininoglu hydropower plant with 142 MW were opened. Thus, the total installed capacity of Enerjisa Enerji Üretim A.S. (Group) as at the end of quarter 1/2011 amounts to 1,557 MW.

In addition, licenses were acquired for the Pervari and Incir storage plants (combined 560 MW) and the Bares wind farm (142 MW) and the construction decision was made for the Tufanbeyli thermal power plant (450 MW). A financing package in the amount of €700m was signed for four additional power plant projects that have already been approved.

In addition, Enerjisa Enerji Üretim A.S. (Group) plans to unite its companies Enerjisa GenCo, Enerjisa TradeCO, Enerjisa GasCo and the distribution network company Baskent under a holding company starting in the middle of 2011. The goal of this restructuring is to create a typical international corporate structure for the Enerjisa Group.

Domestic

STEWEAG-STEG GmbH

STEWEAG-STEG GmbH's result for the 2010 fiscal year improved significantly compared to the previous year. The reasons for this are increased energy sales to industrial customers and material and personnel cost reductions.

KELAG-Kärntner
Elektrizitäts-
Aktiengesellschaft

KELAG's result for the 2010 fiscal year increased considerably as forecast compared to 2009 as a result of the increase in energy sales in the area of Trading and Sales.

The trial operation of the Feldsee pumped storage power plant was successfully completed in quarter 1/2011 and the machines are now in normal operation.

Energie Klagenfurt GmbH

The positive effects from the increased volumes sold in 2010 as well as the reversal of provisions were largely offset again by increased expenses for heating oil. However, we succeeded in holding result for the 2010 fiscal year at the same level as in 2009.

Vienna, 19 April 2011

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

Dr. Johann Sereinig
Vice-Chairman of the Managing Board

Dr. Ulrike Baumgartner-Gabitzer
Member of the Managing Board

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

Consolidated interim financial statements

Income statement

In accordance with IFRSs	Notes	Q1/2011	Q1/2010	€m
Revenue		917.7	806.4	
Electricity revenue	1	792.9	712.8	
Grid revenue		108.2	71.8	
Other revenue	2	16.5	21.8	
Other operating income		8.7	9.9	
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	3	-511.2	-415.5	
Fuel expenses and other usage-dependent expenses	4	-32.4	-30.7	
Personnel expenses	5	-81.6	-75.6	
Amortisation of intangible assets and depreciation of property, plant and equipment		-57.8	-56.1	
Other operating expenses		-27.6	-44.1	
Operating result		215.8	194.3	
Result from interests accounted for using the equity method	6	-4.0	32.0	
Result from equity interests – other		5.4	4.1	
Interest income	7	9.4	9.2	
Interest expenses	8	-75.7	-68.8	
Other financial result	9	12.8	-0.9	
Financial result		-52.1	-24.4	
Profit before tax		163.7	169.9	
Taxes on income		-38.4	-32.9	
Profit for the period		125.3	137.0	
Attributable to the shareholders of VERBUND AG (Group result)		108.5	119.8	
Attributable to non-controlling interests		16.8	17.2	
Earnings per share in €¹		0.31	0.39	

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

Statement of comprehensive income

	Notes	€m	Q1/2011	Q1/2010
In accordance with IFRSs				
Profit for the period		125.3	137.0	
Other comprehensive income from				
Foreign exchange differences	10	-45.3	35.8	
Available-for-sale financial instruments		-3.1	3.9	
Cash flow hedges		-59.8	-18.0	
Interests accounted for using the equity method		27.8	2.9	
Other comprehensive income before tax		-80.5	24.6	
Taxes on income	11	8.0	1.3	
Other comprehensive income after tax	12	-72.5	25.9	
Total comprehensive income for the period		52.8	162.9	
Attributable to the shareholders of VERBUND AG		36.0	145.5	
Attributable to non-controlling interests		16.8	17.4	

Balance sheet

		€m		
In accordance with IFRSs	Notes	31/3/2011	31/12/2010	
Non-current assets		10,218.9	9,722.2	
Intangible assets		625.7	623.6	
Property, plant and equipment		5,993.9	5,958.7	
Interests accounted for using the equity method	13	2,358.8	2,261.9	
Equity interests		135.9	138.9	
Investments and other receivables	14	1,104.6	739.1	
Current assets		1,166.3	1,568.7	
Inventories		69.1	92.3	
Trade receivables and other receivables		648.5	987.5	
Non-current assets held for sale	15	35.4	0.0	
Cash and cash equivalents		413.3	489.0	
Total assets		11,385.2	11,291.0	
<hr/>				
In accordance with IFRSs	Notes	31/3/2011	31/12/2010	
Equity		4,370.2	4,372.4	
Attributable to the shareholders of VERBUND AG		4,073.8	4,036.0	
Attributable to non-controlling interests	16	296.4	336.4	
Non-current liabilities		5,835.6	6,041.7	
Financial liabilities	17	4,055.6	4,267.4	
Provisions		613.4	631.3	
Deferred tax liabilities		154.6	168.3	
Contributions to building costs and grants		444.9	430.2	
Deferred income – cross-border leasing		56.4	56.8	
Other liabilities		510.7	487.7	
Current liabilities		1,179.4	876.8	
Financial liabilities		283.8	228.8	
Provisions		215.6	274.3	
Current tax liabilities		70.9	49.7	
Trade payables and other liabilities		609.1	324.1	
Total liabilities		11,385.2	11,291.0	

Statement of changes in equity

In accordance with IFRSs	Share capital	Capital reserves	Retained earnings
Notes			
As at 1/1/2010	308.2	10.9	2,845.1
Total comprehensive income for the period	–	–	119.8
Dividends	–	–	0.0
As at 31/3/2010	308.2	10.9	2,965.0
As at 1/1/2011	347.4	954.3	2,880.5
Shift between shareholder groups	–	–	1.8
Total comprehensive income for the period	–	–	108.5
Dividends	–	–	0.0
As at 31/3/2011	347.4	954.3	2,990.7

Difference from currency translation	Measurement of available-for-sale financial instruments	Measurement of cash flow hedges	Other components of other comprehensive income	Equity attributable to the shareholders of VERBUND AG	Equity attributable to non-controlling interests	Total equity	€m
						16	
-59.8	3.6	4.6	5.2	3,117.9	291.8	3,409.7	
35.8	2.7	-9.5	-3.3	145.5	17.4	162.9	
-	-	-	-	0.0	-68.8	-68.8	
-24.0	6.3	-4.9	1.9	3,263.4	240.4	3,503.8	
-35.7	4.1	-114.4	-0.2	4,036.0	336.4	4,372.4	
-	-	-	-	1.8	2.2	4.0	
-45.2	-2.0	-17.8	-7.4	36.0	16.8	52.8	
-	-	-	-	0.0	-59.0	-59.0	
-80.9	2.1	-132.2	-7.6	4,073.8	296.4	4,370.2	

Cash flow statement

In accordance with IFRSs	Notes	Q1/2011	Q1/2010
Profit for the period		125.3	137.0
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		57.8	56.1
Impairment losses on investments (net of reversals of impairment losses)		0.0	–0.2
Result from interests accounted for using the equity method (net of dividends received)		23.7	–23.7
Result from the disposal of non-current assets		–1.8	–1.9
Change in non-current provisions and deferred tax liabilities		–15.9	–21.6
Income from the reversal of deferred income from contributions to building costs and grants		–4.1	–4.1
Cash inflow from contributions to building costs and grants received		18.8	0.0
Income from the reversal of deferred income from cross-border leasing transactions		–0.4	–0.5
Other non-cash expenses and income		40.1	46.9
		243.4	187.9
Change in inventories		23.2	24.6
Change in trade receivables and other receivables		–56.0	–46.3
Change in trade payables and other liabilities		141.4	44.0
Change in current provisions and current tax liabilities		5.1	14.9
Cash flow from operating activities	18	357.0	225.1

In accordance with IFRSs	Notes	Q1/2011	Q1/2010	€m
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		– 129.4	– 141.4	
Cash inflow from the disposal of intangible assets and property, plant and equipment		0.8	0.2	
Cash outflow from capital expenditure for financial investments		– 363.3	– 1.2	
Cash inflow from the disposal of financial investments		7.6	7.7	
Cash outflow from capital expenditure for interests accounted for using the equity method		– 181.5	– 1.8	
Cash inflow (outflow) from the disposal of (capital expenditure for) current financial investments		406.5	5.6	
Cash inflow (outflow) from decreases (increases) in non-current receivables		0.0	– 1.9	
Cash flow from investing activities		– 259.3	– 132.8	
Cash inflow from shifts between shareholder groups		4.2	0.0	
Cash inflow (outflow) from money market transactions		88.8	4.2	
Cash inflow from the assumption of financial liabilities (excluding money market transactions)		127.0	0.0	
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		– 393.3	– 23.9	
Cash outflow from capital expenditure for financial investments under cross-border leasing transactions		0.0	– 0.5	
Cash inflow (outflow) from the disposal (repayment) of financial investments (liabilities) under cross-border leasing transactions		0.0	1.5	
Cash inflow from contributions to building costs received and grants		0.0	0.7	
Cash flow from financing activities		– 173.4	– 18.1	
Change in cash and cash equivalents		– 75.7	74.2	
Cash and cash equivalents as at 1 January		489.0	126.0	
Cash and cash equivalents as at 31 March		413.3	200.2	

Selected explanatory notes

Financial reporting principles

Basic principles

These consolidated interim financial statements of VERBUND as at 31 March 2011 were prepared in accordance with International Financial Reporting Standards (IFRSs) applicable to interim financial reports as endorsed by the European Union.

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

Due to the use of EDP devices, rounding differences may arise in the addition of rounded amounts and the calculation of percentages.

Group of consolidated companies

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

Accounting policies

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

New accounting rules

Newly applicable or applied IFRSs and IFRICs

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

Segment reporting

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

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

	Electricity	Grid	Equity Interests & Services	Elimination	€m Total Group
Q1/2011					
External revenue	805.4	109.9	2.3	–	917.7
Internal revenue	29.2	14.0	21.3	–64.4	0.0
Total revenue	834.6	123.9	23.6	–64.4	917.7
Operating result	202.0	23.5	–9.1	–0.7	215.8
Depreciation and amortisation	–41.0	–14.9	–2.2	0.3	–57.8
of which impairment losses	0.0	0.0	0.0	0.0	0.0
Other material non-cash items	–48.2	3.1	0.1	–0.1	–45.2
Result from equity interests	–	–	1.3	0.0	1.3
of which result from interests accounted for using the equity method	–	–	–4.0	0.0	–4.0
Capital employed	4,605.3	902.2	7,371.0	–4,333.8	8,544.6
of which carrying amount of interests accounted for using the equity method	24.0	1.3	2,333.4	0.0	2,358.8
Additions to intangible assets and property, plant and equipment	84.3	11.2	3.3	0.0	98.8
Additions to equity interests	0.0	0.0	181.5	0.0	181.5

	Electricity	Grid	Equity Interests & Services	Elimination	Total Group	€m
Q1/2010						
External revenue	723.4	73.6	9.4	–	806.4	
Internal revenue	32.8	15.2	20.7	– 68.7	0.0	
Total revenue	756.2	88.9	30.1	– 68.7	806.4	
Operating result	178.8	23.6	– 7.1	– 1.0	194.3	
Depreciation and amortisation	– 40.3	– 13.8	– 2.1	0.2	– 56.1	
of which impairment losses	0.0	0.0	0.0	0.0	0.0	
Other material non-cash items	51.6	1.1	– 0.5	– 0.1	52.1	
Result from equity interests	–	–	36.2	0.0	36.2	
of which result from interests accounted for using the equity method	–	–	32.0	0.0	32.0	
Capital employed	4,817.9	811.2	6,271.2	– 3,957.3	7,943.0	
of which carrying amount of interests accounted for using the equity method	2.1	1.3	2,232.6	0.0	2,236.1	
Additions to intangible assets and property, plant and equipment	63.6	16.0	6.9	0.0	86.5	
Additions to equity interests	0.0	0.0	1.8	0.0	1.8	

Notes to the income statement

(1) Electricity revenue

	Electricity revenue by customer areas					
	Q1/2011 Domestic	Q1/2010 Domestic	Change	Q1/2011 Foreign	Q1/2010 Foreign	Change
Electricity deliveries to consumers	111.3	140.2	– 20.6%	66.0	72.0	– 8.3%
Electricity deliveries to resellers	182.9	183.6	– 0.4%	127.1	124.2	2.3%
Electricity deliveries to traders	5.8	5.4	7.4%	299.8	187.6	59.8%
Total electricity revenue	300.0	329.2	– 8.9%	492.9	383.8	28.4%

(2) Other revenue

As a consequence of the deconsolidation of Energi Ashta Shpk effective 27 August 2010, other revenue in quarter 1/2011 did not include any more revenue from construction services related to the Albanian hydropower plant concession recognised in accordance with IFRIC 12 (quarter 1/2010: €5.3m).

(3) Electricity, grid and gas purchases as well as purchases of emission rights (trade)

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

	Q1/2011	Q1/2010	Change
Expenses for electricity purchases	481.9	379.2	27.1%
Expenses for grid purchases (system use)	31.9	33.4	-4.3%
Expenses for gas purchases ¹	-4.5	1.6	n/a
Purchases of emission rights (trade)	1.7	1.4	27.3%
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	511.2	415.5	23.0%

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

(4) Fuel expenses and other usage-dependent expenses

Fuel expenses and other usage-dependent expenses

	Q1/2011	Q1/2010	Change
Fuel expenses	27.1	27.7	-2.1%
Emission rights acquired in exchange for consideration	3.7	1.6	124.9%
Other usage-dependent expenses	1.6	1.3	23.2%
Fuel expenses and other usage-dependent expenses	32.4	30.7	5.8%

(5) Personnel expenses

Personnel expenses

	Q1/2011	Q1/2010	Change
Wages and salaries	58.3	56.0	4.1%
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	12.5	12.0	3.9%
Other social expenses	1.0	0.9	9.8%
Subtotal	71.8	68.9	4.2%
Expenses for pensions and similar obligations	7.5	7.3	1.8%
Expenses for severance payments	2.3	-0.6	n/a
Personnel expenses	81.6	75.6	7.9%

A total of €1.6m was paid into the pension fund in quarter 1/2011 (quarter 1/2010: €1.6m) as part of defined contribution schemes. For pension plan assets to cover defined benefit schemes, expected returns remain at 2.0% p.a.

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

	Result from interests accounted for using the equity method						€m
	Q1/2011 Domestic	Q1/2010 Domestic	Change	Q1/2011 Foreign	Q1/2010 Foreign	Change	
Income or expenses from interests accounted for using the equity method	14.2	11.1	28.1%	-28.8	20.9	n/a	
Impairment losses or reversals of impairment losses	0.0	0.0	n/a	10.5	0.0	n/a	
Result from interests accounted for using the equity method	14.2	11.1	28.1%	-18.3	20.9	-187.2%	

Impairment losses totalling €56.2m were recognised for the equity interest in the POWEO S.A. (Group) in the 2010 reporting period. The recoverable amount was determined on the basis of fair value less (estimated as not material) cost to sell. The measurement benchmark was the price of shares in the investee quoted on the Euronext Paris exchange; this was €4.14 per share as at 31 December 2010.

In quarter 1/2011, the carrying amount of the equity interest in POWEO S.A. (Group) was carried forward in accordance with the accounting policies of VERBUND. The quoted price of POWEO S.A. (Group) as at 31 March 2011 was €4.69 per share. The resulting reversal of impairment losses in the amount of €10.5m was recognised in the result from interests accounted for using the equity method in the Equity Interests & Services segment.

(7) Interest income

	Interest income			€m
	Q1/2011	Q1/2010	Change	
Interest from investments under closed items on the balance sheet (or cross-border leasing transactions)	6.2	8.0	-22.2%	
Interest from money market transactions	2.3	0.3	n/a	
Other interest and similar income	0.9	0.8	19.6%	
Interest income	9.4	9.2	3.0%	

(8) Interest expenses

Interest expenses	€m		
	Q1/2011	Q1/2010	Change
Interest for bonds	26.1	26.4	– 1.1%
Interest for bank loans	20.1	12.9	55.6%
Interest for financial liabilities under closed items on the balance sheet (or cross-border leasing transactions)	6.2	8.9	–30.1%
Interest for other liabilities from electricity supply commitments	11.4	11.2	1.5%
Interest for other non-current provisions	1.8	1.9	–6.3%
Profit or loss attributable to limited partners	14.0	7.1	96.7%
Borrowing costs capitalised in accordance with IAS 23	–6.7	–2.9	–133.9%
Other interest and similar expenses	2.8	3.2	–11.6%
Interest expenses	75.7	68.8	10.1%

(9) Other financial result

Other financial result	€m		
	Q1/2011	Q1/2010	Change
Income from financial instruments	3.6	3.6	0.0%
Income from disposal of financial instruments	0.0	1.3	–100.0%
Impairment losses on financial instruments	0.0	–0.2	100.0%
Foreign exchange gains	9.3	0.1	n/a
Foreign exchange losses	–0.1	–5.6	98.4%
Other financial result	12.8	–0.9	n/a

Notes to the statement of comprehensive income

(10) Foreign exchange differences

The ECB euro reference exchange rate for the Turkish lira (TRY) as at 31 March 2011 was TRY 2.1947 (31 December 2010: TRY 2.0694). The exchange rate trend in quarter 1/2011 led to losses in the amount of €45.6m from the currency translation of the Turkish joint ventures accounted for using the equity method. These translation losses were recognised in other comprehensive income.

(11) Taxes on other comprehensive income

Of the income taxes on other comprehensive income (OCI), €0.8m (quarter 1/2010: €–1.0m) can be attributed to the measurement of available-for-sale financial instruments, €14.9m (quarter 1/2010: €4.5m) to the measurement of cash flow hedges and €–7.7m (quarter 1/2010: €–2.3m) to other comprehensive income from interests accounted for using the equity method.

(12) Other comprehensive income after tax

Of other comprehensive income after taxes on income, €0.0m (quarter 1/2010: €0.2m) can be attributed to non-controlling interests.

(13) Interests accounted for using the equity method

Notes to the balance sheet

A 60% equity interest in French POWEO Production S.A.S. was acquired effective 21 February 2011 for €120.0m. Accordingly, VERBUND now holds 100% of the shares in POWEO Production S.A.S. However, for the shares acquired in quarter 1/2011, there are potential voting rights on the part of POWEO S.A. (Group) as mentioned under IAS 27 in the form of a call option exercisable any time until 30 June 2013. Consequently, VERBUND did not achieve control within the meaning of IFRSs; POWEO Production S.A.S. thus continues to be an associate of VERBUND accounted for using the equity method.

Turkish Enerjisa Enerji Üretim A.S. carried out capital increases in quarter 1/2011. The 50% share of VERBUND in these capital increases amounted to €61.5m.

(14) Investments and other receivables

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

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

Investments and other receivables	€ m		
	31/3/2011	31/12/2010	Change
Investments – closed items on the balance sheet	230.1	253.5	–9.3%
Interest rate swaps – closed items on the balance sheet	65.0	79.3	–18.0%
Other investments and other receivables	809.6	406.3	99.2%
Total	1,104.6	739.1	49.4%

(15) Non-current assets held for sale

The 46.01% equity interest in POWEO S.A. (Group) accounted for using the equity method was classified as held for sale effective 31 March 2011. The sale is to be effected, if possible, by the end of 2011.

POWEAO S.A. (Group) is an alternative electricity supplier to Électricité de France S.A. (EDF) on the French consumer market. We decided to sell the interest in POWEO S.A. (Group) as a result of persistent uncertainty regarding the effective date and the rate structure of the "Loi NOME", a law reorganising the French electricity market.

(16) Equity attributable to non-controlling interests

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

(17) Financial liabilities

	Non-current financial liabilities		€m Change
	31/3/2011	31/12/2010	
Financial liabilities – closed items on the balance sheet	294.6	332.5	-11.4%
Other financial liabilities	3,761.1	3,935.0	-4.4%
Total	4,055.6	4,267.4	-5.0%

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

Notes to the cash flow statement

(18) Cash flow from operating activities

Cash flow from operating activities in quarter 1/2011 includes variation margin payments from futures contracts in the energy area totalling €32.5m (quarter 1/2010: €-47.7m).

Other notes disclosures

Purchase commitment

	Purchase commitment for property, plant and equipment, intangible assets and other services		
	31/3/2011	of which payable in 2011	of which payable 2012-2017
Total commitment	725.3	471.0	253.3

Outstanding contribution commitments

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

As at 31 March 2011, there is a total of €98.5m in outstanding contribution commitments to investees. These relate to the Turkish joint venture Enerjisa Enerji Üretim A.S. and are payable entirely in 2011.

Contingent liabilities

VERBUND's last remaining cross-border leasing transaction has an off-balance sheet financing structure. As at 31 March 2011, VERBUND's subsidiary liability for the non-redeemed portion of leasing liabilities from cross-border leasing transactions amounts to €453.9m. Of the rights of recourse against the primary debtors, a total of €348.4m (31 December 2010: €412.6m) are secured through counter-guarantees on the part of financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €151.6m (31 December 2010: €159.1m) are covered by off-balance sheet investments.

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

Transactions with related parties

Transactions with investees accounted for using the equity method		€ m	
	Q1/2011	Q1/2010	Change
Income statement			
Electricity revenue	125.4	121.8	3.0%
Grid revenue	19.4	14.1	37.4%
Other revenue	1.6	0.6	156.0%
Other operating income	0.1	0.5	-74.7%
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	-66.5	-64.0	-3.9%
Other operating expenses	-0.5	-2.4	78.7%
Interest income	2.0	1.9	2.9%
	31/3/2011	31/12/2010	Change
Balance sheet			
Investments and other non-current receivables	248.0	202.5	22.5%
Trade receivables and other current receivables	150.3	155.8	-3.5%
Trade payables and other current liabilities	30.5	21.6	41.7%

In quarter 1/2011, revenue with POWEO S.A. (Group), which still includes POWEO Production S.A.S. and its subsidiaries, amounted to a total of €29.1m (quarter 1/2010: €15.6m). Electricity purchases from POWEO S.A. (Group) totalled €37.6m in quarter 1/2011 (quarter 1/2010: €26.4m). Interest income from POWEO S.A. (Group) totalled €1.6m in quarter 1/2011 (quarter 1/2011: €1.8m).

As at 31 March 2011, there was a total of €215.7m (31 December 2010: €213.1m) in receivables from POWEO S.A. (Group), €183.8m (31 December 2010: €172.8m) of which were non-current. Liabilities to POWEO S.A. (Group) as at 31 March 2011 amounted to a total of €13.4m (31 December 2010: €0.0m).

Effective 21 February 2011, VERBUND acquired a 60% equity interest in POWEO Production S.A.S. from POWEO S.A. for €120.0m. Consequently, the purchase of electricity based on the existing off-take agreement with POWEO Pont-sur-Sambre Production S.A.S. also increased by an additional 60%. As a result, VERBUND will continue to take delivery of 100% of the electricity generated in the Pont-sur-Sambre combined cycle gas turbine power plant, unless POWEO S.A. exercises the call option described under note (13).

In quarter 1/2011, VERBUND provided a financial guarantee for the pro rata construction financing of the combined cycle gas turbine power plant in Toul by the European Investment Bank (EIB). This was recognised under receivables at the present value of the

guarantee payments to be made by POWEO Toul Production S.A.S.; this receivable has to be seen alongside a guarantee liability in the same amount recognised under other financial liabilities. Collateral in the form of a mortgage on the power plant (currently under construction) was agreed in connection with the financial guarantee.

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

Electricity deliveries to companies controlled or significantly influenced by the Republic of Austria amounted to a total of €23.3m in quarter 1/2011 (quarter 1/2010: €18.5m). The primary recipients of these electricity deliveries were ÖBB, OMV and Telekom Austria. Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €10.5m in quarter 1/2011 (quarter 1/2010: €6.7m). The primary supplier of this electricity was ÖBB.

VERBUND's expenses for monitoring by Energie-Control Austria in quarter 1/2011 amounted to a total of €2.6m (quarter 1/2010: €2.3m).

Audit or review

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

Events after the balance sheet date

There were no events requiring notes disclosure between the balance sheet date on 31 March 2011 and authorisation for issue on 19 April 2011.

Responsibility statement of the legal representatives

We confirm according to the best of our knowledge that the consolidated interim financial statements of VERBUND as at 31 March 2011 prepared in accordance with the accounting rules for interim financial reports under International Financial Reporting Standards (IFRSs) give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.

We also confirm that the Group interim management report of VERBUND gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group with respect to the important events during the first three months of the fiscal year and their effects on the condensed consolidated interim financial statements of VERBUND as at 31 March 2011 and with respect to the principal risks and uncertainties in the remaining nine months of the fiscal year.

Vienna, 19 April 2011

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