New opportunity – fresh perspective

Annual Financial Report 2013

Verbund
Power for the Future

Design concept for charts and tables

Column/bar width

Wide columns or bars represent measurement parameters that can be physically counted.
Examples: MW, GWh, employees

Medium columns or bars represent aggregated values.
Examples: €k, €m, €bn

Narrow columns or bars represent values in euros per unit.
Examples: €/share, €/MWh

Lines or dotted lines represent shares, quotients or indices.
Examples: dividend yield in %, indexed share price, GDP growth in %

Colours

- Current year
- Neutral
- Previous years
- Targets
- VERBUND
- Emphasis

Five-year comparison

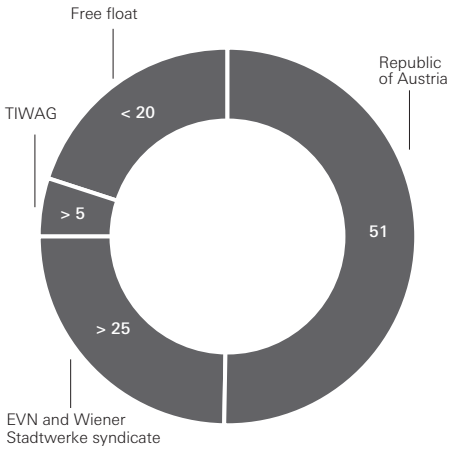
VERBUND Group 2013

	Unit	2009	2010	2011	2012[6]	**2013[6]**
Revenue[1]	€m	3,483.1	3,307.9	3,027.7	3,174.3	3,269.9
EBITDA[2]	€m	1,251.5	1,059.2	1,069.5	1,235.4	1,296.4
Adjusted EBITDA[3]	€m	–	–	–	1,277.9	1,154.5
Operating result (EBIT)[2]	€m	1,042.3	828.5	1,030.0	900.2	147.1
Operating result before effects from impairment tests[2]	€m	1,042.3	828.5	827.8	955.9	931.5
Result after tax from discontinued operations	€m	–	–	–	0.2	– 351.4
Group result[2]	€m	644.4	400.8	355.8	389.3	579.9
Adjusted Group result[3]	€m	–	–	–	625.4	384.5
Balance sheet total	€m	10,345.2	11,291.0	11,859.3	12,387.3	12,808.6
Equity[2]	€m	3,409.7	4,372.4	4,919.1	5,099.4	5,546.5
Net debt[2]	€m	4,788.9	4,233.9	4,050.1	3,311.7	3,665.9
Additions to property, plant and equipment (without business acquisition)	€m	471.9	635.7	581.4	680.3	575.0
Cash flow from operating activities	€m	968.0	778.2	829.9	1,034.7	837.4
Free cash flow[4]	€m	– 1,512.3	– 439.0	– 195.7	– 164.4	546.7
EBITDA margin[1, 2]	%	35.9	32.0	35.3	38.9	39.6
EBIT margin[1, 2]	%	29.9	25.0	34.0	28.4	4.5
Return on capital employed (ROCE)[2]	%	13.1	8.2	6.9	6.3	4.8
Return on equity (ROE)[2]	%	22.4	12.9	10.0	10.0	12.1
Equity ratio (adjusted)[2]	%	34.3	39.9	43.0	42.6	44.6
Gearing[2]	%	140.4	96.8	82.3	64.9	66.1
Gross debt coverage (FFO)[2]	%	20.2	17.6	19.5	20.6	26.0
Gross interest cover (FFO)[2, 5]	X	4.8	3.6	3.9	4.5	5.5
Closing price	€	29.71	27.88	20.74	18.76	15.52
Market capitalisation	€m	9,156.6	9,685.9	7,203.7	6,517.5	5,390.2
Earnings per share[2]	€	2.09	1.28	1.02	1.12	1.67
Cash flow per share	€	3.14	2.49	2.39	2.98	2.41
Carrying amount per share[2]	€	10.12	11.62	12.42	12.83	14.22
Price/earnings ratio (last trading day)[2]	X	14.21	21.71	20.25	16.74	9.30
Price/cash flow ratio	X	9.46	11.18	8.68	6.30	6.44
Price/book value ratio[2]	X	2.94	2.40	1.67	1.46	1.09
(Proposed) dividend per share	€	1.00	0.55	0.55	0.60	0.55
(Proposed) special dividend per share	€	0.25	–	–	–	0.45
Dividend yield	%	4.21	1.97	2.65	3.20	6.44
Payout ratio[2]	%	59.79	47.67	53.71	53.54	59.91
Average number of employees		2,820	3,015	3,045	3,100	3,256
Electricity sales volume[1]	GWh	51,289	55,729	46,887	47,483	50,276
Hydro coefficient		1.06	0.99	0.89	1.11	1.07

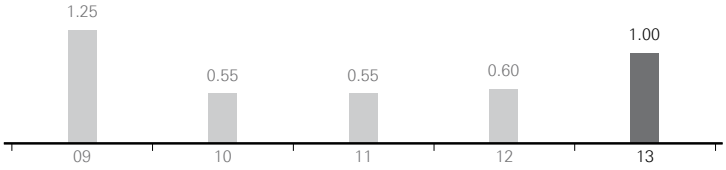
[1] The key figures were adjusted to reflect the changes in accounting treatment for energy derivatives in the wholesale portfolio. The change was implemented retrospectively effective 1 January 2011 in accordance with IAS 8. Amounts for the years prior to 2011 have not been adjusted. // [2] Key figures were adjusted to reflect the (early application of) changes in accounting treatment for employee benefits in accordance with IAS 19 (2011). The change was implemented retrospectively effective 1 January 2011 in accordance with IAS 8. Values for the years prior to 2011 have not been adjusted. // [3] Adjusted for extraordinary effects. (see glossary) // [4] The calculation was adjusted retrospectively in financial year 2013. (see glossary) // [5] Interest expenses without profit shares attributable to limited partners // [6] Result after tax from discontinued operations (equivalent to the results after tax of the French Pont-sur-Sambre and Toul combined cycle gas turbine power plants classified as held for sale) is included in the calculation of the key figures.

Investor relations

Shareholder structure %

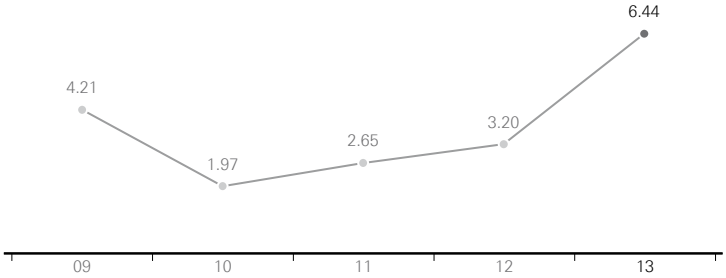


(Proposed) dividend per share €



2009 and 2013 including a special dividend of €0.25 and €0.45 per share respectively.

Dividend yield %



2009 and 2013 including a special dividend of €0.25 and €0.45 per share respectively.

Basic information

Share capital (€)	347,415,686
Stock (shares)	347,415,686
Official quotation	
Vienna	VER
Information systems	
Bloomberg	VER AV
Reuters	VERB.VI
ISIN	AT0000746409
Rating agencies	
Standard & Poor's	A–/stable outlook
Moody's	Baa1/negative outlook

Capital market calendar 2013

Event	Date
Annual result 2013	5/3/2014
Publication of Annual Report	5/3/2014
Annual general meeting	9/4/2014
Dividend ex-date	16/4/2014
Interim Report quarter 1/2014	7/5/2014
Dividend payment date	29/4/2014
Interim Report quarter 1– 2/2014	30/7/2014
Interim Report quarter 1– 3/2014	29/10/2014

VERBUND
Annual Financial Report 2013

Contents

Part 1
Group

Report of the Executive Board

Dear Shareholders, In the past year, there have once again been massive changes in the European electricity market. For VERBUND, this provides both challenges and motivation: the market situation is and will remain extremely difficult. At the same time, however, the transition to new energy sources is opening up new perspectives for electricity suppliers. We want to use this as an opportunity – in 2013, we set our course accordingly.

Change as an opportunity The electricity sector continues to experience far-reaching changes. More and more kilowatt hours are being generated from wind and solar power; these technologies are being massively oversubsidised. Modern gas power plants are needed to balance supply and demand, but these plants are not profitable, partly because of the failure of the CO_2 market. Demand for electricity is weak, with wholesale prices persisting at a low level. As a result, European electricity suppliers are having to develop new business models and improve their cost and capital structures in order to retain their market positions. VERBUND is meeting these challenges head-on. Last year, we implemented measures to ensure our ongoing economic success and continued to actively develop our strategic direction.

Tighter strategy, lower costs Our focus is on the generation of electricity from hydropower and wind power, the optimum marketing of our own generation in Austria and in Germany and the operation of the Austrian high-voltage grid. In 2013, we focused on these core activities and core markets. In April, we completed an asset swap in which VERBUND sold its 50% interest in Enerjisa Enerji A.S. in Turkey and in return acquired shares in 8 run-of-river power plants in Germany. This transaction reinforces our financial strength, reduces risk and underlines our position as a leading hydropower company in the heart of Europe. As far as capital expenditure is concerned, we are concentrating on the completion of the construction and increase in efficiency of our hydropower plants, as well as on regulated areas of business such as the Austrian high-voltage grid and wind power. In 2013, high priority was given to implementing our internal cost reduction and efficiency improvement programme.

A future with hydropower and wind power Hydropower will remain VERBUND'S greatest strength, accounting for more than four-fifths of our own generation. In the autumn of 2013, the Mur power plant in Styria was reopened after modernisation. In quarter 1/2013, the second stage of the Ashta run-of-river power plant went online. At the end of 2014, the Reisseck II/Carinthia pumped storage power plant will go into operation – our biggest project at present. We are also taking advantage of the opportunities provided by wind power: in the Lower Austrian region of Bruck an der Leitha, we are building 3 wind farms, and in Romania, the second part of the Casimcea wind farm has been completed. The 10 new wind farms in the German state of Rhineland-Palatinate are already operating at full capacity. Conditions remain extremely challenging for thermal power. VERBUND'S combined cycle gas turbine power plants – as with all European gas power plants – cannot currently be operated profitably. We are working to improve this by restructuring our gas portfolio. Important steps taken last year in this regard included the almost complete takeover of VERBUND Thermal Power, the optimisation of gas procurement and operational cost reductions. This gives us scope for further measures. We are currently evaluating all the options, including the sale, decommissioning and closure of individual power plant locations.

Market offensive and new business models We are significantly expanding our electricity distribution customer base. On 1 September 2013, VERBUND was the first supplier to lower electricity prices for retail customers in Austria. This together with a popular new advertising campaign led to us supplying in excess

of 305,000 customers in the household, agriculture and commercial segment at the end of December. We succeeded in further expanding our market position among commercial and industrial customers. In the energy trading business, we are one of the leading suppliers of green electricity. Our H2Ö electricity products were again successful last year, especially in the German market. We are also putting great effort into our forward-looking services and business models. Under the SMATRICS brand, we are, together with Siemens Österreich, offering a nationwide charging station infrastructure and mobility service for electric vehicles – and this with electricity generated 100% from hydropower. For our industrial customers, we have introduced innovative services such as the VERBUND Power Pool virtual power plant or the VERBUND ECO NET energy efficiency network.

Income trend The operating business was impacted by the good water supply in rivers in 2013. The hydro coefficient was 1.07, 7.0% above the long-term average but 4 percentage points below the prior-year comparative. The overall decline in wholesale electricity prices and the persistently difficult economic environment for gas power plants put pressure on operating activities. EBITDA improved by €61.0m to €1,296.4m. In addition, the result was impacted by significant non-recurring effects. Successful execution of the asset swap with E.ON had a positive effect. Impairment losses resulting from impairment tests, particularly for gas power plants and with regard to the minority interest in Sorgenia S.p.A. (Group) in Italy, had a negative effect. The Group result rose by €190.6m to €579.9m, particularly as a result of the non-recurring effects.

Making progress responsibly The market environment for electricity suppliers remains challenging. Cost-effective, profitable action, financial stability and sustainability are more important than ever for VERBUND. We are growing intelligently in our core areas: electricity generation and transmission, trading and sales. In doing so, we are affirming our commitment to value-based management. We will continue to increase efficiency, reduce costs and develop new business models. Our goal is clear: to safeguard the success of our Group for you, our shareholders, and for our employees and customers over the long term.

Dividend and outlook As announced, at the Annual General Meeting on 9 April 2014 we will propose a dividend of €1 per share for financial year 2013. The dividend will consist of a basic dividend of €0.55 per share and a special dividend of €0.45 per share. The special dividend is being proposed as a result of the successful completion of the asset swap in 2013. We want our shareholders to participate in the profits as planned. For 2014, we are planning a payout ratio of around 50% of the Group result after adjustment for non-recurring effects. Based on average own generation from hydropower, we expect EBITDA for financial year 2014 to be approximately €850m and the Group result to be approximately €150m.

We would like to thank you and all our employees for accompanying and supporting us on our journey. Here's to a successful future!

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

Report of the Supervisory Board

Financial year 2013 was another year in which VERBUND – Austria's leading utility – was faced with a difficult environment. However, thanks to comprehensive restructuring and cost reduction measures, as well as an above-average water supply, VERBUND was able to systematically pursue its strategy of profitable and sustainable growth despite unfavourable conditions in the market and the sector, and to again generate satisfactory earnings. The Supervisory Board actively monitored and supported these positive developments.

Discharging responsibilities The Supervisory Board discharged the responsibilities and exercised the powers incumbent upon it by virtue of the law and the Articles of Association in 5 plenary meetings. The overall attendance rate of all Supervisory Board members was 87%. In addition, the Chairman maintained regular contact with the members of the Supervisory Board concerning important matters, so that all members were always involved in every matter of significance. The Executive Board informed the Supervisory Board regularly and comprehensively, on a real-time basis, both verbally and in writing, of all relevant questions relating to the Group's performance and its position and strategy, including the position and strategy of important Group companies, and the Group's risk position and risk management activities. The Supervisory Board advised the Executive Board on key questions concerning the future, particularly as regards structure and strategy, and monitored the Executive Board's management activities continuously based on its extensive reporting. Supervision, which took place in open and constructive discussions between the Executive Board and the Supervisory Board, did not reveal any grounds for criticism. In addition, the Chairman of the Supervisory Board held discussions with the members of the Executive Board, particularly the Chairman of the Executive Board, on a regular basis.

Significant Supervisory Board resolutions In addition to approving the annual financial statements and the Group budget, one of the Supervisory Board's most important functions is to appoint or reappoint Executive Board members. The Supervisory Board extended the Executive Board appointments of Dipl.-Ing. Wolfgang Anzengruber, Dr. Johann Sereinig and Dipl.-Ing. Dr. Günther Rabensteiner for another 5 years. The Supervisory Board also appointed Dr. Peter Kollman as a member of the Executive Board and Chief Financial Officer effective 1 January 2014. Dr. Ulrike Baumgartner-Gabitzer left the Executive Board on 30 June 2013 to take up another management function in the Group from 1 January 2014. The Supervisory Board would like to thank Dr. Ulrike Baumgartner-Gabitzer for her successful work on the Executive Board.

Code of Corporate Governance, Supervisory Board Committees As a leading listed Group, VERBUND made an early commitment to comply with the Austrian Code of Corporate Governance. VERBUND'S Supervisory Board also views compliance with the Code as obligatory and endeavours to consistently comply with the provisions relating to the Supervisory Board. In this spirit, all rules relating to the Supervisory Board's collaboration with the Executive Board, and to the Supervisory Board itself, are complied with in full, with the exception of one minor, explained deviation. Pursuant to the requirement of the Code (Rule 36), the Supervisory Board again conducted a self-evaluation during the reporting year. This consisted primarily of an extensive, open discussion of the procedures and organisation of the Supervisory Board and its committees. The implementation of improvements decided upon in the previous year was also approved and additional suggestions were made. Moreover, the Supervisory Board again discussed possible conflicts of interest, including those arising from the approval of contracts with companies where individual Supervisory Board members are related parties, and did not identify any

conflicts of interest. As provided for in the Code of Corporate Governance, meetings were held as needed, without the participation of the Executive Board. The Supervisory Board's Working Committee met 4 times during the year under review, above all to plan plenary meetings, though also to discuss restructuring (particularly in the thermal area). The Audit Committee – which is an offshoot from the Working Committee and was set up as an independent committee – also met 3 times. It dealt above all with the semi-annual financial statements and preparation of the approval of the annual financial statements, the appointment of the auditor and approval of the auditor's work. In addition, it concentrated on the control, audit and risk management system and on the audits performed by internal audit. In accordance with the Code of Corporate Governance and the rules of procedure, two other Supervisory Board committees – a Nomination Committee and a Remuneration Committee – were again formed in the past financial year. These committees performed the duties assigned to them by the rules of procedure. The Remuneration Committee held 3 meetings. The Nomination Committee met 3 times in order to prepare the appointments to the Executive Board. There were no changes to the composition of the Supervisory Board apart from a change in one employee representative. Further information about the composition, the operation and the meetings of the Supervisory Board and its committees and about the remuneration of its members is contained in the corporate governance report.

Annual financial statements and consolidated financial statements The annual financial statements, together with the management report, the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRSs) and the management report for financial year 2013 were audited by Deloitte Audit Wirtschaftsprüfungs GmbH and given an unqualified auditor's report. The auditor reported on the results in writing and found that the Executive Board had provided the explanations and evidence that had been requested, that the accounts, annual financial statements and consolidated financial statements were in accordance with the legal requirements and, in conformity with the principles of proper accounting, gave a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group and that the management report and the Group management report were consistent with the annual financial statements and the consolidated financial statements. Following their in-depth examination and discussion by the Audit Committee and the Supervisory Board, the Supervisory Board approved the annual financial statements for financial year 2013 as presented by the Executive Board. As a result, they are final for the purposes of Section 96(4) of the Austrian Stock Corporation Act (Aktiengesetz, AktG). The management report by the Executive Board was approved, as was the profit appropriation proposal. The consolidated financial statements and the Group management report were also acknowledged and approved by the Supervisory Board, as was the corporate governance report submitted by the Executive Board, which was audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. In conclusion, the Supervisory Board would like to thank the Executive Board and all employees for their high level of dedication and their successful work during financial year 2013. The Supervisory Board would also like to thank the Group's shareholders, customers and business associates for their trust.

Vienna, March 2014

Dr. Gilbert Frizberg
Chairman of the Supervisory Board

Strategy

VERBUND's vision is "energising the future with clean electricity". To achieve this, we regularly review our corporate strategy and adapt it to changing conditions.

Strategic principles

- Our corporate actions are intended to be cost-effective and profitable and to lead to financial stability and sustainability.
- We are striving for an "A" level credit rating over the long term.
- Free cash flow less dividends should be positive.
- We are adding energy-related services to our value chain; with investments in research and development form the basis for future business models.

Markets

- Austria and Germany are our home markets.
- We take a long-term view of our activities in Southeast Europe – assuming the underlying conditions are secure.
- Italy and France are no longer among VERBUND's strategic growth markets.

Electricity generation

- Hydropower and wind power are our most important energy generation technologies.
- We no longer invest in carbon-emitting technologies and are optimising existing thermal power plants.

Electricity transmission

- We secure the power supply in Austria by means of our high-performance transmission grid.
- We are committed to the national Network Development Plan.

Electricity trading and sales

- Our electricity trading activities serve primarily to secure and market our own generation.
- Innovative green electricity products enhance the value of our electricity.
- We are developing new commercial products and expanding our services.
- In the consumer market, we are positioning ourselves as a leading Austrian supplier of quality electricity. Our customers receive clean electricity in combination with innovative products and services.

The transition to new forms of energy is bringing new challenges for trading and sales. We view this as an opportunity for innovative products and services.

Investor relations

International stock markets

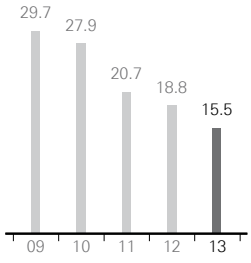
2013 brought significant price gains in the main international stock exchanges amidst expectations of continued expansive monetary policies, low long-term interest rates and a moderate economic revival in the industrial countries. The US Dow Jones Industrial stock index registered its largest gain in nearly 20 years to close trading on 31 December 2013 at a record level of 16,576.7 points, 26.5% above the level at the end of 2012. Prices skyrocketed in Tokyo as well. The clearly expansionist policies of the Japanese government led to an increase in the leading Nikkei 225 index of 56.7% compared with 31 December 2012. The leading European index – the Euro Stoxx 50 – also made considerable gains with growth of 17.9%. There was nonetheless no global bull market in 2013 due to the fact that a number of smaller stock exchanges, and especially those in emerging markets, registered only modest gains or even losses. The ATX underperformed the Euro Stoxx 50, a development that was attributable to investors' focus on the major stock exchanges. At 31 December 2013, the ATX was only up by 2,546.5 points, or 6.1%, compared with 31 December 2012.

Upcoming dates
Annual General Meeting: 9 April 2014
Dividend ex date: 16 April 2014
Dividend pay date: 29 April 2014
Results for quarter 1/2014: 7 May 2014

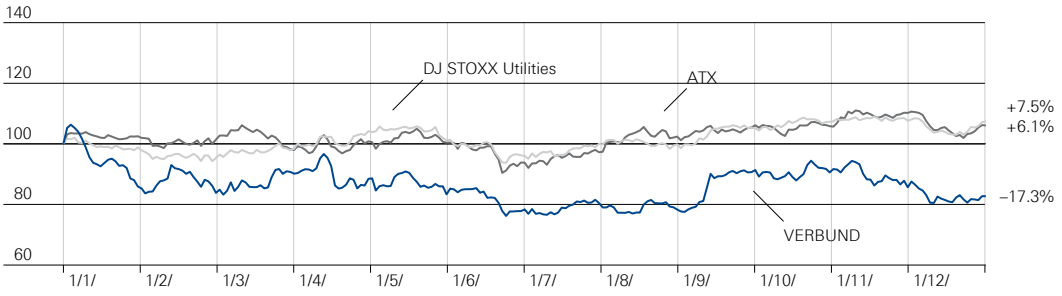
VERBUND shares

After a brief upward trend culminating in the annual high of €19.9 on 3 January, the rest of 2013 proved to be another difficult year for VERBUND shares. Sustained uncertainty regarding the future performance of the German electricity market and low wholesale prices for electricity put pressure on our share price, which reached its lowest point since 2004 at the end of June at €14.3. Starting in September, VERBUND shares began rising based on expectations of improvements in electricity market design in the run-up to the German elections, which led to a brief rise in wholesale electricity prices. By the end of the year, however, VERBUND shares had lost considerably in value and closed at €15.5 on 31 December 2013, 17.3% below the price on 31 December 2012. By contrast, the DJ STOXX Utilities sector index rose by 7.5%, due above all to the massive price gains by Iberian and French utilities.

Closing prices
VERBUND shares €/share



Share price 2013 (indexed)



Shares: key figures

	Unit	2012	**2013**	Change
Share price high	€	23.0	19.9	– 13.3%
Share price low	€	14.5	14.3	– 1.4%
Closing price	€	18.8	15.5	– 17.3%
Performance	%	– 9.5	– 17.3	–
Market capitalisation	€m	6,517.5	5,390.2	– 17.3%
ATX weighting	%	3.4	2.6	–
Value of shares traded	€m	1,344.7	1,844.7	37.2%
Shares traded per day	Shares	288,203	456,952	58.6%

Activities of VERBUND's investor relations team

Contact:
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Head of Group Finance
and Investor Relations
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investor-
relations@verbund.com

We place value on active, open communication with investors, analysts and individual shareholders at road shows, on conference calls and in one-on-one conversations. The VERBUND investor relations team conducted road shows in Europe and the USA in 2013 and participated in several major investor conferences. Together with the Executive Board, the team met with investors from all over the world and provided them with information on VERBUND's key figures and operational and strategic performance.

At an analysts' event in London last June, top management informed more than 30 analysts of the Group's strategy, its current results and future performance expectations.

To allow us to better adapt our financial communications to the needs of analysts and investors, in July we carried out a perception analysis in which 12 sell-side analysts and 13 investors were asked about their opinions on topics such as strategy, market environment and our investor relations work.

Comprehensive information is available on the "Investor Relations" pages of our website at www.verbund.com, including our annual and interim reports, the schedule of events, current press releases, presentations and Excel spreadsheets as well as documents relating to the Annual General Meetings.

Coverage by 19 renowned Austrian and international investment banks ensured the visibility of VERBUND shares in the capital markets. The following investment banks cover VERBUND:

Barclays Capital *(Peter Bisztyga)*
Berenberg Bank *(Lawson Steele)*
Citigroup *(Andrew Simms)*
Commerzbank *(Tanja Markloff)*
Credit Suisse *(Zoltan Fekete)*
Deutsche Bank *(Alexander Karnick)*
Erste Group *(Thomas Unger)*
Exane BNP Paribas *(Olivier van Doosselaere)*
Goldman Sachs *(Deborah Wilkens)*
HSBC *(Adam Dickens)*
Kepler Cheuvreux *(Ingo Becker)*
Macquarie Research *(Robert Schramm-Fuchs)*
Mainfirst *(Andreas Thielen)*
BofA Merrill Lynch *(Christopher Kuplent)*
Morgan Stanley *(Anne Azzola Lim)*
Raiffeisen Centrobank AG *(Teresa Schinwald)*
Raymond James *(Emmanuel Retif)*
UBS *(Patrick Hummel)*
Warburg Research *(Stephan Wulf)*

Group management report

Group

The Group management report refers to the consolidated financial statements of VERBUND, which have been prepared in accordance with Section 245a(1) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB) in compliance with the IFRSs as endorsed by the European Union. No liability is assumed for any links or references to external sources contained in the Group management report.

General conditions

The general conditions for electricity suppliers in Europe continued to deteriorate in 2013. Electricity prices continued their dive due to the weak economy, excess capacities in the European electricity market, massive subsidisation of new renewables and the freefall in prices for coal and CO_2 emission rights. Efforts to date to intervene in the oversaturated CO_2 market have not succeeded in propping up prices for emission rights. At the same time, gas prices have persisted at a high level based on long-term purchase agreements that stipulate quantities and are linked to the price of oil. As a consequence of the price trends in electricity, gas and CO_2 emission rights, gas power plants can now no longer be operated profitably. The decrease in electricity prices is also directly impacting the profitability of hydropower plants and wind farms.

Conditions are changing extremely rapidly in the energy sector at present. This provides both a challenge and an opportunity.

Future performance of the energy markets is heavily dependent on the evolution of the regulatory framework. Following the elections that took place in the autumn of 2013, policymakers in Austria as well as in Germany expressed their commitment to overcoming the main challenges posed by the transition to a new energy age. These include developing an effective emission trading system at European level, evaluating and adapting the regime for green energy subsidisation and integrating new renewables into the European energy market. These cornerstones are a first step in enlarging the market and increasing competition.

General economic situation

Global economic output continued to weaken in 2013. The following factors are having a severe impact on the economy: budget consolidation in the eurozone, sustained uncertainty regarding the development of the US government budget and the increasingly slow growth of emerging economies. Major emerging economies such as China, Brazil and India – which boosted the world economy for many years with their strong performance – are growing at an ever slower pace. According to forecasts of the International Monetary Fund (IMF), from January 2014, real economic growth will only amount to 1.3% in industrial countries in 2013 after 1.4% a year earlier. In the eurozone, the debt crisis led to another decline in real economic output of 0.4% following a drop of 0.7% in the previous year. However, the economic decline was no longer restricted to the EU periphery but was also seen in the core eurozone countries such as France and the Netherlands. Germany and Austria, by contrast, registered comparatively positive economic trends in 2013 with growth in real GDP of 0.5% and 0.3%, respectively.

Energy market environment

Economic trend depresses demand for energy

Energy consumption in Austria is likely to lie somewhat over the prior-year level in 2013, due primarily to the cold weather conditions that existed during several months of the first half of the year. Viewed over the year as a whole, total heating degree days increased by 1.1%. This indicator is generally used as a temperature-independent indication for the use of heating energy. The economic trend, however, had hardly any effect on energy consumption.

Natural gas consumption decreased by 3.6% in 2013 (January to November). A colder January and March, as well as the cooler spring months, led to higher natural gas consumption for heating. The use of natural gas for energy generation in power plants saw a significant price-related drop below the previous year's level (January to November: –31.3%). The reason for this was the inability to operate gas power plants profitably due to low wholesale prices for electricity and expensive gas supply agreements that are linked to the price of oil. Industrial gas demand was in turn characterised by weak production.

Consumption of hard coal rose, most likely due to high capacity utilisation in the steel industry. By contrast, electricity generation decreased by 2.0% (January to November).

Mineral oil consumption likewise registered an increase in 2013. Demand for fuels was stable on the whole, with higher sales of gas oil for heating purposes (extra light heating oil) contributing in particular to the overall trend.

Renewables maintained their share in the total. Although hydropower saw a decline of 3.9% (January to November), the new renewable energy sources – especially wind power and solar power – were able to sustain their upward trend.

Electricity demand rises slightly, dependency on imports increases significantly

The slow economy made its mark in weak growth of electricity consumption. According to preliminary figures from E-Control, electricity consumption in Austria increased by a mere 0.7% year-on-year in 2013 (January to November).

Due to the poor water supply compared with the previous year, hydropower plants supplied 3.9% less electricity between January and November. Utilisation of thermal power plants decreased by 15.5% in this period, with gas power plants in particular being increasingly forced off the market. These plants generated 31.3% less electricity between January and November.

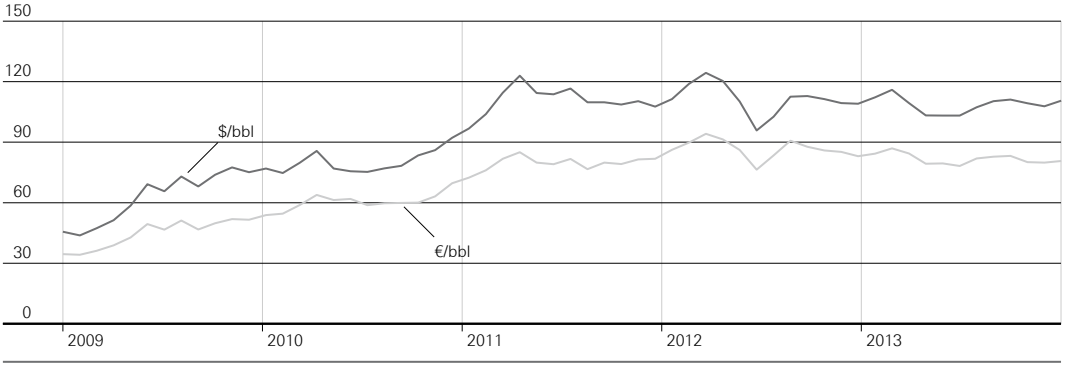
"Other generation" recorded a 10.0% rise in this period. This figure includes electricity production from other renewable energy sources (excluding biomass, which falls into the category of thermal generation) and from plants that cannot yet be allocated for statistical purposes. All in all, electricity generation decreased by 5.2% in Austria in 2013 (January to November). The decline in generation was compensated by a significant increase in net imports.

Oil prices fall back slightly

The average price for one barrel of Brent crude oil (front month) was $108.7/bbl in 2013 compared with $111.7/bbl a year earlier. This represents a decrease of 2.7%. In euro terms, Brent crude was 5.7% cheaper due to the appreciation of the euro against the US dollar. The oil price trend showed a high level of fluctuations in 2013. At the start of the year, signs of global economic recovery and expectations of rising demand for oil triggered price hikes up to approximately $119/bbl. The geopolitical situation in the Near East (Syria, Egypt, Iran, Gaza) also contributed to uncertainty. The situation in the oil market then relaxed somewhat, only to return to a more tense state in the summer. Especially from mid-August

onward, strike-related drilling disruptions in Libya as well as production disruptions in Southern Sudan and the North Sea led to a rise in front month prices to more than $110/bbl. The threat of military intervention by the USA following the chemical weapons attack in Syria resulted in a price rise to nearly $117/bbl by the end of August. Not until the end of quarter 3/2013 did crude oil become cheaper due to the improved supply situation – some Libyan facilities were able to start producing again – as well as signs of relaxation in Syria and Iran.

Crude oil price development (Brent front month)



Average monthly prices

Source: ICE

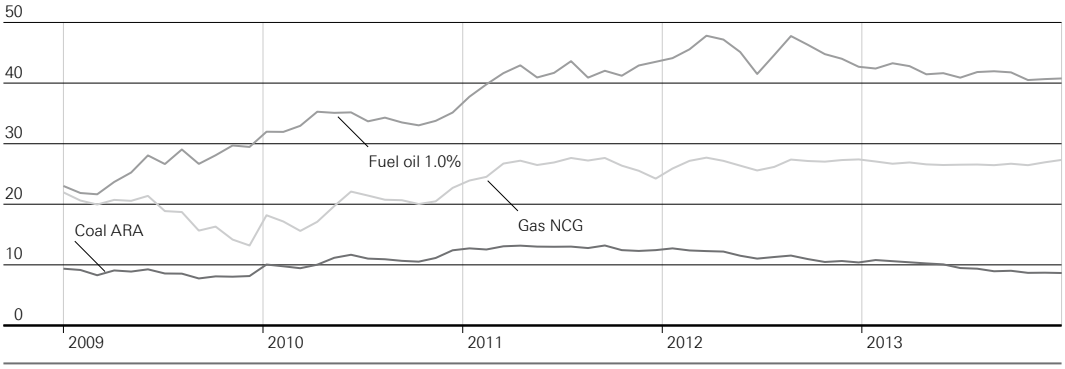
Gas prices at a high level, sustained price erosion in the hard coal market

The majority of natural gas imports in the European Union is based on long-term contracts linked to oil prices and quantities. For this reason, trends in the oil market also impact gas prices after a lag of several months. However, wholesale markets such as the Title Transfer Facility (TTF) hub in the Netherlands and the Net Connect Germany (NCG) hub – where oil prices do not directly impact pricing – are becoming increasingly important. Recent 2013 prices in the gas trading markets were well below those for long-term contracts linked to the price of oil. Long-term purchase obligations and the practice of linking contracts to oil prices are not compatible with a liberalised, competitive energy market. For some time now, gas importers and large-scale gas consumers – including VERBUND – have therefore been attempting to effect an adaptation of the market.

Prices for gas imports to Austria increased by an average of 3.2% in the first 9 months of 2013, whereby the gas import prices recorded by Statistik Austria largely reflect the price situation in long-term contracts linked to the price of oil. The spot price in the European NCG trading point increased by €2.0/MWh in 2013 to €27.1/MWh. The main reasons for this were the cold first half of the year and low gas reserves. The price increase did not affect the futures market. Supply contracts for 2014 (NCG front year) decreased by just under 1% to €26.7/MWh.

Coal deliveries in the ARA area (Amsterdam, Rotterdam, Antwerp) recently became much less expensive. Coal prices were down 14.6% in the spot market in 2013 and 16.4% in the futures market year-on-year (ARA front year; both on a euro basis). The reason is the persistently weak economy plus a surplus arising from the defection of US coal manufacturers to the export market due to heightened competition from lower-priced shale gas in the domestic market.

Coal, oil and gas price development €/MWh thermal



Average monthly prices, futures market (front year)

Source: ICE, EEX

Political and regulatory framework conditions at an European level

Electricity market out of balance

The current mismanagement of energy markets is negatively impacting conventional power plant portfolios all over continental Europe. In addition to the non-functioning state of the CO_2 market, the problems arise from the fact that new renewable energy sources are being developed without heed to the market. Wind power and photovoltaics development in particular is being massively subsidised by governments, with the power generated being given priority when it is fed into the grid. This puts conventional power plants in a difficult market position given the competition they face from the subsidised technologies. The situation is even worse for gas power plants as gas purchase prices are far too high due to non-market-compliant purchase agreements. As a result, state-of-the-art power plants are being forced to shut down across Europe because they cannot be operated profitably. However, a balanced mix of power plants is urgently needed to ensure the future security of supply, for example when the wind is not blowing or the sun is not shining. Integration of new renewable energy therefore calls for mechanisms to ensure that a competitive market design is compatible with security of supply.

The guidelines presented by the European Commission for state intervention in the electricity market are a first step towards making the market more competitive. Additional steps are indispensable, however, such as those presented in VERBUND's 6-point programme to improve the market system. Some of the main points of the programme are an ambitious environmental target for 2030, the reform of emissions trading as a key instrument in long-term European energy and environmental policies and market integration of renewables.

For information on VERBUND's 6-point programme: www.verbund.com

The EU plans to limit state intervention in order to build an integrated market

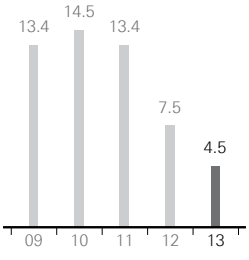
In November 2013 the European Commission published a Communication giving guidance for state intervention. The Communication notes with criticism that uncoordinated public interventions are not compatible with realising an integrated European energy market. The guidelines presented by the European Commission relate to support schemes for renewable technologies and to the introduction of capacity mechanisms. For instance, the Commission calls for replacing feed-in tariffs for renewable energy with market-oriented mechanisms. Capacity mechanisms should only be implemented when

absolutely necessary to secure the energy supply. These principles are to be put into effect by mid-2014 by means of binding state aid provisions. In addition, the European Commission intends to reinforce demand response in the integrated energy market and has announced the corresponding measures in the guidelines. VERBUND supports the Commission in its efforts to achieve a truly integrated European energy market.

Emission trading reform needs more than back-loading

The EU emission trading system is only fulfilling its purpose of promoting low-emission technologies to an insufficient extent. The reason is that prices for CO_2 emission rights have persisted at a very low level because too many allowances have been issued. As a short-term measure to rebalance supply and demand, the European Commission, the European Parliament and the EU Member States spoke out in favour of "back-loading" at the end of 2013 after much hesitation. This involves temporarily reducing the number of CO_2 emission rights to be auctioned in the third trading phase (2013-2020) by 900 million. VERBUND does not expect this measure to impact carbon prices. Given the existing surplus of around 2.5bn emission rights, market participants had assumed a greater, longer-lasting shortage of supply. Rather than back-loading, far-reaching reforms are what is needed to establish EU emissions trading as a control mechanism for reducing CO_2 emissions. In addition to permanently retiring CO_2 emission rights, a mechanism should be implemented to adjust the volume of future auctions on an ongoing basis to target levels for emission reductions, in line with the development of renewable energy sources, efficiency increases and the trend in electricity demand.

CO_2-
emission rights prices €/tCO_2



Average yearly prices; futures market *Source: EUA*

Coalition agreement in Germany: cornerstone for successful transition to a new energy age

The coalition agreement between the CDU, CSU and SPD for the 18th legislative period is entitled "Shaping the Future of Germany". The section on "growth, innovation and prosperity" discusses the challenges in terms of energy policy brought about by the transition to alternative energies. In this section, the coalition partners state their commitment to giving equal priority to the goals of the energy policy triangle: security of supply, cost-effectiveness and sustainability. Building on these goals, the agreement refers to stronger integration with the European electricity market and aligning subsidy conditions with the rest of Europe.

The agreement also states that the Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz, EEG) will undergo fundamental reform by the summer of 2014, with existing installations being grandfathered ("Bestandschutz"). With regard to the further development of renewables, a corridor will be determined (40–45% by 2025 and 55–60% by 2030) and reviewed annually. Development is to be synchronised with the grid and coordinated between the federal government and the German states to an increased extent. In addition, the agreement reaffirms the commitment to conventional power plants and the necessity of creating reliable framework conditions. According to the agreement, energy efficiency is the second pillar of sustainable energy transition. The objective for environmental protection is to reduce carbon levels by 40% by 2030 at a European level. In terms of electromobility, Germany wants to become a leading market and a top supplier. The agreement reaffirms the goal of 1 million electrically powered vehicles by 2020 with prioritisation for developing the charging infrastructure. In general, the coalition agreement touches on all main topics relating to energy policy. The effect of these measures on the electricity market will depend heavily on the specific manner in which the objectives are put into practice and the time scale for implementation. An "energy transition

forum" will be established in which the federal government and the parliament can consult and all key players can engage in dialogue.

Energy policy in Austria

New legal framework for the energy sector

In December 2012, the Federal Energy Efficiency Act went to committee in connection with the energy efficiency package in Austria. The draft bill was subject to intense public debate and was passed by the Council of Ministers on 3 April 2013. However, the negotiations on adopting the bill into law failed at the start of June 2013, with further debate postponed until after the National Council elections. Hence adoption by parliament will not be possible until 2014. The Federal Energy Efficiency Act is high on the agenda of the new government as the EU-level directive prescribes implementation by the summer of 2014. However, amendments to the Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG), the Natural Gas Act (Gaswirtschaftsgesetz, GWG) and the E-Control Act (Energie-Control-Gesetz, E-ControlG), which are also part of the energy efficiency package, were adopted. Now complete documentation of electricity deliveries with proof of origin is obligatory in energy labelling. Other factors of relevance for VERBUND are the changes in the consumer area (especially those facilitating changes in supplier) and in rates (for new pumped storage power plants).

Energy efficiency is a key pillar of energy transition, and a great opportunity for Europe.

Government programme in Austria

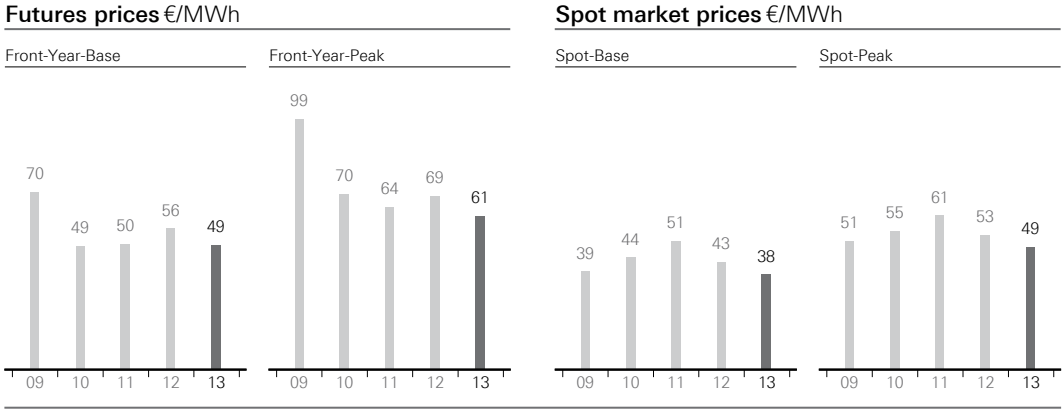
The coalition talks between the SPÖ and the ÖPV following the National Council elections in September were concluded in December 2013. The ruling parties stated that their joint objective in the area of energy was an efficient, affordable and socially responsible energy system. In addition to security of supply, prosperity, competitiveness and an environment that is worth living in, the government programme explicitly refers to Austria's pioneering role in the anti-nuclear movement. Preparation of an "Energy Strategy 2030" that involves all relevant stakeholders, as well as the ongoing evaluation and monitoring of energy policy, can become key instruments in reaching these goals.

Finance

Factors affecting the result

Wholesale prices for electricity

VERBUND had already entered into contracts for the majority of its own electricity generation for 2013 in the futures market in 2012. At an average of €49.3/MWh for base load and €60.9/MWh for peak load, wholesale prices were below the prices for the 2012 supply year by 12.0% and 11.8% respectively. The futures market was subject to enormous pressure due to scaled-back expectations for the economy, lower prices for coal and CO_2 emission rights, surpluses in the European electricity market and the continued development of subsidised renewable energy. For next day deliveries (spot market), wholesale trading prices for electricity were also well below the prior-year level in 2013. Prices for base load decreased by 11.3% to €37.8/MWh and prices for peak load fell by 8.9% to €48.7/MWh.



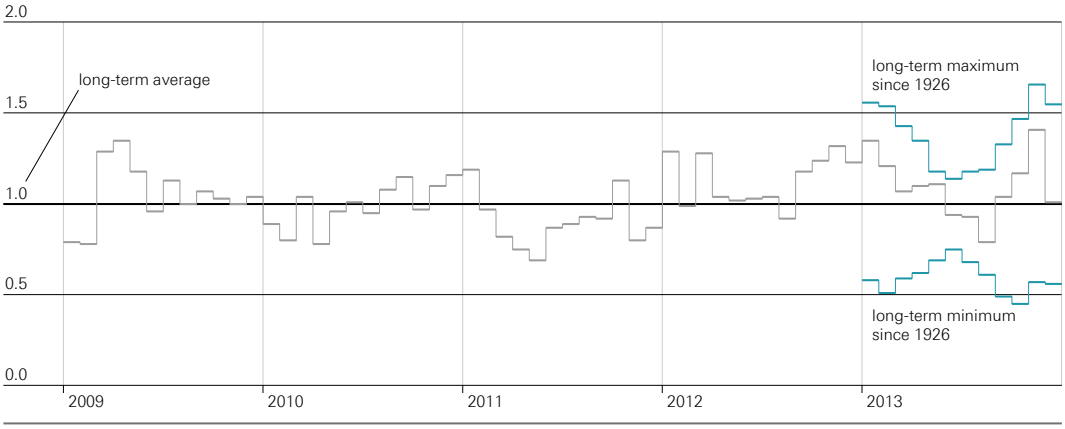
Futures prices traded in the year before the supply. The years shown are the respective years of supply. Yearly averages.

Source: EEX, EPEX Spot

Water supply performance

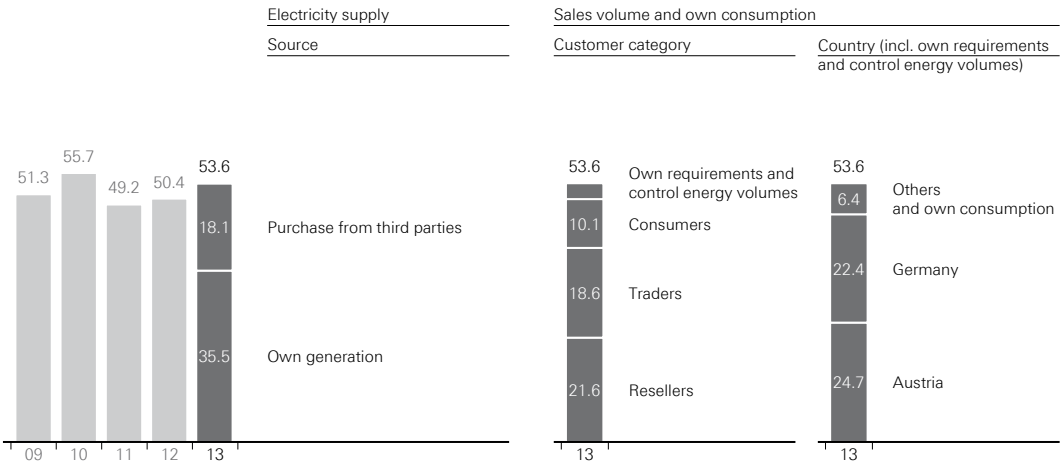
Water supply is of particular significance for VERBUND since more than four-fifths of its electricity is produced using hydropower. The water supply is measured by means of a hydro coefficient. The value of 1.00 stands for the long-term average. 2013 was a good year for water. At 1.07, the hydro coefficient for run-of-river and pondage power plants was 7% above the long-term average, but 4 percentage points below the previous year's level. The hydro coefficients for the individual quarters were as follows: quarter 1: 1.20; quarter 2: 1.05; quarter 3: 0.92; quarter 4: 1.20.

Hydro coefficient (monthly averages)



Electricity supply and sales volumes

Electricity supply and sales volumes TWh



In 2012 there was a change of accounting method. Figures before 2011 have not been adjusted.

At 35,539 GWh, VERBUND's own generation was 311 GWh higher in 2013 than in 2012. Generation from hydropower rose by 458 GWh in 2013. Most of the increase was due to newly acquired power plant interests in Germany (+1,563 GWh). At 1.07, the hydro coefficient was 4 percentage points below the previous year's level. The decrease of 210 GWh in generation from annual and pumped storage power plants also had a negative impact. This is attributable to the decline in the water inflow amount despite having emptied reservoirs and stepped up reverse operation. Generation from wind power rose by 323 GWh to 565 GWh due to the commissioning of installations in Romania and Germany. A total of 425 GWh came from wind farms in Germany and Romania. However, generation from thermal power

plants decreased by 469 GWh. The Mellach/Styria CCGT generated only 394 GWh in 2013 due to market factors (2012: 1,048 GWh). Generation from other VERBUND thermal power plants in Austria decreased by 211 GWh from the previous year to 2,362 GWh. The two French CCGTs produced 396 GWh more electricity than in 2012 after the Toul power plant was commissioned in quarter 4/2012.

The purchase of electricity from third parties for the trading and sales business increased by 2,845 GWh. Electricity purchased from third parties for grid losses and balancing energy was nearly unchanged.

Group electricity supply GWh

	2012	**2013**	Change
Hydropower[1]	30,485	30,943	1.5%
Wind/solar power	242	565	133.4%
Thermal power	4,500	4,031	– 10.4%
Own generation	35,228	**35,539**	0.9%
Electricity purchased for trade	12,029	14,874	23.6%
Electricity purchased for grid loss and balancing energy volumes	3,142	3,175	1.1%
Electricity supply	50,398	**53,589**	6.3%

[1] Including purchase rights.

Electricity sales volume increased by 2,793 GWh in 2013 compared to the previous year. The increase in sales to resellers (+1,095 GWh) is attributable to higher sales to German municipal utilities. Quantities supplied to Austrian provincial utilities were nearly unchanged. Electricity deliveries to trading firms rose by 1,174 GWh primarily due to increased sales via power exchanges as a result of marketing the electricity from newly acquired power plant shares in Germany. VERBUND also succeeded in increasing sales to consumers, both domestically and internationally (+525 GWh). Internationally, the volumes sold to industrial consumers increased significantly due to successful marketing activities in the German market. VERBUND's own use for electricity also increased (+228 GWh), above all due to greater utilisation of pumped storage power plants.

Group electricity sales volume and own use GWh

	2012	**2013**	Change
Consumers	9,568	10,093	5.5%
Resellers	20,506	21,601	5.3%
Traders	17,409	18,583	6.7%
Group sales	47,483	**50,276**	5.9%
Own use	2,457	2,685	9.3%
Balancing energy volumes	459	627	36.7%
Electricity sales volume and own use	50,398	**53,589**	6.3%

In 2013, approximately 49% of the electricity sold by VERBUND went to the Austrian market. The focus of international trading and distribution activities is the German market, which accounts for 88% of all volumes sold abroad.

Electricity sales volume by country GWh

	2012	**2013**	Change
Austria	24,316	24,722	1.7%
Germany	20,211	22,433	11.0%
France	2,179	2,252	3.4%
Romania	97	286	194.8%
Other	680	583	– 14.3%
Group electricity sales volume	47,483	**50,276**	5.9%

Effects from impairment tests

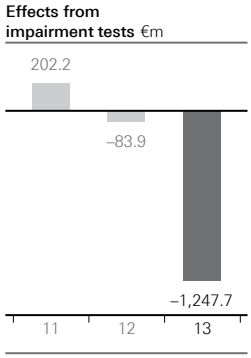
In financial year 2013, both the operating result and the financial result suffered from the effects from impairment tests.

The main indications of impairment of the generation portfolio in the first half of 2013 were the poor market environment as well as the decline in wholesale electricity prices below the level defined by VERBUND for the early pricing in of own generation. Against this backdrop, the generation portfolio of VERBUND was tested for impairment as at 30 June 2013.

New indications of impairment are seen in the market prices for electricity futures, which fell steadily after a brief recovery in quarter 3/2013, and the sustained low forecasts for electricity prices from a renowned market research institute and information service provider. The generation portfolio of VERBUND was therefore again tested for impairment at the end of the 2013 reporting period. In addition, non-current assets in the "Grid" segment were tested for impairment for the first time as at 31 December 2013 due to indications of impairment.

The effects from impairment tests on the operating result amounted to €–784.4m in 2013 and resulted mainly from the impairment of the Mellach/Styria (€–269.8m), Pont-sur-Sambre (€–172.5m) and Toul (€–145.9m) CCGTs, certain power plants of the Grenzkraftwerke hydropower group (€–86.8m), the Bruck/Hollern/Petronell-Carnuntum wind farms in Lower Austria (€–25.7m), the Gössendorf and Kalsdorf run-of-river power plants in Styria (€–18.0m) and the non-current assets in the "Grid" segment (€–47.5m).

The effects from impairment tests on the financial result amounted to €–463.3m in 2013 and resulted from the impairment of Shkodra Region Beteiligungsholding GmbH (€–25.7m), Sorgenia S.p.A. (Group) (€–396.0m) and Energie AG Oberösterreich (€–41.6m). Further details on the effects from impairment tests are presented in the notes to the consolidated financial statements.



Impact of the asset swap with E.ON

The asset swap with German utility E.ON was completed on 24 April 2013. This transaction involved VERBUND selling its 50% interest in Enerjisa Enerji A.S. in Turkey to E.ON and acquiring E.ON shares in 8 run-of-river power plants in Germany in return. As described in the relevant sections below, the transaction had a significant effect on the Group's assets and liabilities, financial position and profit or loss for 2013. The business acquisitions had a positive effect on the financial result in particular in the amount of €+1,184.4m. Further details on the effects of the asset swap are presented in the notes to the consolidated financial statements.

Discontinued operations

Effective 11 December 2013, the two French Pont-sur-Sambre and Toul CGGTs were classified as "held for sale", including the intangible assets and other receivables closely associated with them. Since these CGGTs additionally represent a geographical area of operation, the results attributable to them are presented separately from continuing operations. The result after tax from discontinued operations amounted to €–351.4m (2012: €0.2m).

Financial performance

Although the result attributable to the French CGGTs is to be presented separately from continuing operations in accordance with IFRS 5 (see Note 31), to enhance comparability the analysis of financial performance relates to the combined result from the Group's continuing and discontinued operations.

Result €m

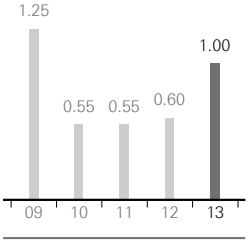
	2012	**2013**	Change
EBITDA	1,235.4	1,296.4	4.9%
Operating result	900.2	147.1	–83.7%
Group result	389.3	579.9	49.0%
Earnings per share	1.12	1.67	49.1%
(Proposed) dividend per share in €	0.60	1.00	66.7%

Income trend

Despite lower sales prices and a decreased water supply, EBITDA rose by €61m to €1,296.4m due to non-recurring income. The operating result decreased by €753.1m to €147.1m as a result of negative effects from impairment tests. The Group result rose by €190.6m to €579.9m due to the positive effects from the asset swap.

Dividend

Dividend per share €



The separate 2013 financial statements of exchange-listed VERBUND AG, which are relevant for the distribution of the dividend, were prepared in accordance with the provisions of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB). The separate financial statements show a net profit of €347.4m. As announced in the 2012 Annual Report, a dividend of €1.00 per share for financial year 2013 will be proposed to the Annual General Meeting on 9 April 2014. The dividend will be made up of a basic dividend of €0.55 per share plus a special dividend of €0.45 per share. The reason for distributing a special dividend is the successful completion of the asset swap with E.ON in 2013. The baic dividend will be based on a payout ratio of approximately 50% (49.7%) on the basis of the Group result of €384.5m after adjustment for non-recurring effects. The non-recurring effects in 2013 related in particular to the effects from impairment tests, the primary effects of the asset swap, the negative result from the interest in Sorgenia S.p.A. (Group) in Italy accounted for using the equity method and the positive effects in the area of income taxes. The payout ratio for 2013 will thus amount to 59.9% based on the reported Group result. In 2012, a dividend of €0.60 per share was paid out to shareholders; the payout ratio amounted to 53.5%.

Revenue €m

	2012	**2013**	Change
Electricity revenue	2,773.7	2,720.8	– 1.9%
Grid revenue	343.8	385.2	12.0%
Other revenue	56.9	163.9	–
Revenue	3,174.3	**3,269.9**	3.0%

Electricity revenue

VERBUND's electricity revenue decreased by 1.9% to €2,720.8m in 2013 compared with the previous year. Electricity sales volumes rose by 5.9%, or 2,793 GWh. However, this was counteracted by a significantly negative price variation as a result of generally low wholesale price levels.

Electricity revenue by customer areas €m

	2012	**2013**	Change
Consumers	720.9	737.7	2.3%
Resellers	971.2	948.2	–2.4%
Traders	1,081.5	1,034.9	–4.3%
Electricity revenue	2,773.7	**2,720.8**	–1.9%
Of which in Austria	1,310.5	1,248.2	–4.8%
Of which foreign countries	1,463.1	1,472.6	0.7%

Grid revenue

External grid revenue increased by 12.1% in 2013 to €385.2m. The provision recognised in 2012 for a possible rescission of the 2012 System Charges Order (Systemnutzungsentgelte-Verordnung, SNE-VO 2012) was adjusted, with most of it being reversed. No further provisions are necessary due to the findings of the Austrian Constitutional Court confirming the grid loss/grid usage fees for pumped storage power plants as well as the confirmation of the fees for system services based on the 2013 System Charges Order (SNE-VO 2013). The reversal of the provision was able to more than compensate for the substantial decline in international revenues.

Other revenue and other operating income

Other revenue increased by €107.0m to €163.9m. The rise is attributable above all to revenue from gas deliveries and revenue from the sale of green electricity certificates (particularly from Romanian wind farms). Other operating income rose by €157.2m to €238.9m. Most of this significant increase (€166.6m) was due to the repurchase of 60% of the electricity supply commitment from the Zemm/Ziller (Tyrol) storage power plant group as a result of the asset swap with E.ON (for details please refer to the Notes to the consolidated financial statements). However, other operating income was negatively impacted by the fact that certain positive effects experienced in 2012 did not reoccur, such as the capitalisation of costs associated with the trial operation of the Mellach/Styria CCGT and revenue from loss settlements.

Expenses €m

	2012	**2013**	Change
Expenses for electricity, grid and gas purchases as well as purchases of emission rights (trade)	1,261.5	1,327.0	5.2%
Fuel expenses and other usage-dependent expenses	168.5	205.0	21.7%
Personnel expenses	319.6	361.3	13.0%
Depreciation of property, plant and equipment and amortisation of intangible assets	278.0	355.9	28.0%
Other operating expenses	272.5	328.0	20.4%

Expenses for electricity, grid, gas and emission rights purchases

Expenses for electricity, grid, gas and emission rights purchases increased by 5.2% to €1,327.0m. The purchase of electricity from third parties for the trading and sales business as well as for grid losses and control energy increased by a total of 2,878 GWh. This increase was mostly compensated by reduced purchase prices as well as lower reimbursements of expenses for purchase rights. Total expenses for electricity purchases thus increased by €29.2m compared with 2012.

Expenses for grid purchases increased by €22.8m. Expenses for gas purchases increased by €17.0m. Since quarter 3/2012, the natural gas supply agreement for the Mellach/Styria CCGT has had to be recognised at fair value through profit or loss. In 2013, the resulting effect on profit was €–5.2m (2012: €–60.4m).

Use of fuels

Fuel and other usage-dependent expenses rose by 21.7% to €205.0m. The increase can be mainly attributed to the first-time consolidation of the French Pont-sur-Sambre and Toul CCGTs on 31 October 2012. Expenses for the purchase of CO_2 emission rights also increased. A counteracting effect resulted from the reduced operation of the Mellach CCGT (–654 GWh).

Personnel expenses

Personnel expenses rose by €41.7m to €361.3m. The increase in wages, salaries and ancillary expenses (€13.3m) resulted above all from the consolidation of POWEO Pont-sur-Sambre Production S.A.S., POWEO Toul Production S.A.S., Grenzkraftwerke GmbH and Innwerk AG. With regard to severance payments and pensions, the additional expense (€28.4m) resulted predominantly from provisions recognised for entering into part-time retirement in connection with the implementation of the Group's programme to reduce costs and increase efficiency.

Depreciation and amortisation

Amortisation of intangible assets and depreciation of property, plant and equipment rose by €78.0m to €355.9m. The increase was mainly due to the acquisition of interests in Bavarian hydropower plants as a result of the asset swap with E.ON as well as the consolidation of French power plant companies POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. that occurred in quarter 4/2012. In addition, commissioning of the wind farms in Romania and Germany also increased expenses.

Other operating expenses

Other operating expenses rose by €55.6m to €328.0m. The increase resulted in particular from the recognition of a provision for an onerous gas storage lease agreement, the consolidation of French power plant companies POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. that occurred in quarter 4/2012, the acquisition of interests in Bavarian hydropower plants as a result of the asset swap with E.ON, increased costs for maintenance in the area of hydropower and expenses related to the flooding in quarter 2/2013.

Effects from impairment tests on the operating result

The effects from impairment tests are described in the section entitled "Factors affecting the result". In total, impairment tests had a negative impact of €784.4m on the operating result (2012: €–55.8m).

Operating result

As a consequence of the above developments, the operating result decreased by €753.1m to €147.1m. The operating result before effects from impairment tests declined by €24.4m to €931.5m.

Financial result €m

	2012	**2013**	Change
Result from interests accounted for using the equity method	–56.9	**–215.5**	–
Other result from equity interests	8.5	**4.2**	–50.6%
Interest income	37.3	**32.6**	–12.6%
Interest expenses	–183.3	**–187.8**	2.5%
Other financial result	20.1	**22.9**	13.9%
Financial result	–174.3	**–343.6**	97.1%

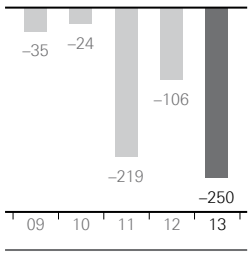
Result from equity interests

The result from interests accounted for using the equity method decreased by €158.6m to €–215.5m. The contribution from foreign interests fell by €144.3m to €–250.4m.

The decline was mainly attributable to the lower contribution from Sorgenia S.p.A. (Group) in Italy in the amount of €–230.7m (2012: €–81.2m). The result from the interest in Sorgenia was impacted in particular by the following factors: impairment losses recognised on Sorgenia's interest in Tirreno Power S.p.A., which had been accounted for using the equity method, impairment losses on goodwill of Sorgenia Green S.r.l., impairment losses on capitalised E&P project costs and impairment losses on receivables in the consumer business. Added to this were impairment losses recognised by VERBUND on fair value adjustments due to hidden reserves that were released as a result of capital increases and share acquisitions with respect to the equity-accounted interest in Tirreno Power S.p.A.

The result from the interest in Shkodra Region Beteiligungsholding GmbH, which was accounted for using the equity method, amounted to €–20.2m (2012: €+8.9m). The result was impacted in particular by the impairment loss recognised on intangible assets and financial assets accounted for by Energji Ashta Shpk (a subsidiary of Shkodra Region Beteiligungsholding GmbH) in connection with the hydropower plant concession for a 2-stage Hydromatrix power plant in northern Albania that was conceived as an

Equity result - foreign €m



operator model. The impairment loss was caused by payment defaults on the part of Korporata Elektroenergjetike Shqiptare (KESH) and the lowered forecasts for electricity prices.

The contribution of French power plant companies POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. to the result from interests accounted for using the equity method had amounted to €–86.2m in 2012. Both of these companies have been consolidated since quarter 4/2012. The contribution of Turkish Enerjisa Enerji A.S. was €50.2m in 2012. This equity-accounted interest was sold effective 24 April 2013.

Income from domestic interests accounted for using the equity method amounted to €34.9m in 2013 (2012: €49.3m). This included in particular the earnings contribution from KELAG in the amount of €34.0m (2012: €33.5m). The contribution of SSG was zero in 2013 (2012: €9.8m) due to the sale of SSG to Energie Steiermark effective 18 January 2013. The 34.57% equity interest in SSG had already been classified as "held for sale" at 31 December 2012.

Interest income and expenses

Interest income decreased by €4.7m compared with 2012 to €32.6m. Interest expenses increased by €4.4m to €187.8m, above all due to a reduced transfer of losses to the other partners of VERBUND Thermal Power GmbH & Co KG as well as lower capitalised borrowing costs pursuant to IAS 23. Lower interest on other liabilities from electricity supply commitments had a counteracting effect and resulted in particular from the repurchase of 60% of the electricity supply commitment from the Tyrolean Zemm/Ziller storage power plant group as part of the asset swap with E.ON.

Other financial result

The other financial result improved by €2.8m in 2013 to €22.9m. In 2012, the other financial result had been characterised by measurement effects relating to the Group's French operations (measurement of an overall short position, measurement of guarantee liabilities). The fact that these effects were no longer applicable in 2013 led to an increase of €5.1m. By contrast, the other financial result was negatively impacted by the year-on-year decrease of €1.5m in the balance of foreign exchange gains and losses (both measurement-related and realised).

Effects from impairment tests on the financial result

The effects from impairment tests are described in the section entitled "Factors affecting the result". In total, impairment tests had a negative impact of €463.3m on the financial result (2012: €–28.2m).

Effects from business acquisitions

The effects from business acquisitions in the amount of €+1,184.4m resulted from the asset swap with E.ON. This is described in the section entitled "Factors affecting the result".

Financial result

The financial result rose by €617.2m, increasing from €–239.7m to €377.5m. The financial result before effects from impairment tests and from business acquisitions decreased by €169.3m to €–343.6m.

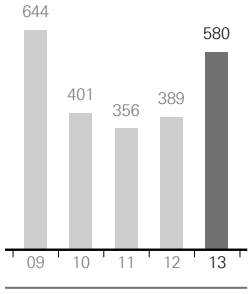
Taxes on income

Income taxes changed by €282.5m to €+121.0m. Expenses for current income taxes decreased by €120.9m to €61.5m. The main reason for the decline was the deterioration in the operating result. Deferred taxes increased by €161.6m, rising from €21.0m to €182.6m. The change was predominantly due to the recoverable tax losses from the liquidation of VERBUND Italia S.p.A. initiated in the reporting year.

Group result

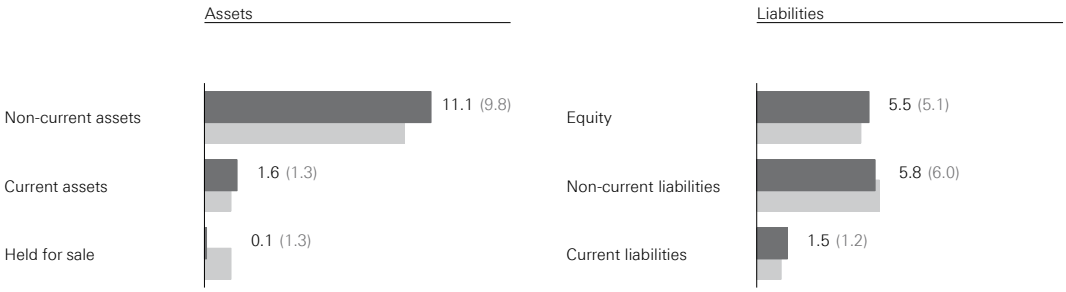
After deducting non-controlling interests in the amount of €65.7m, the Group result amounted to €579.9m. This is an increase of €190.6m compared with the previous year. Earnings per share amounted to €1.67 (2012: €1.12) for 347,415,686 shares.

Group result €m



Financial position

Balance sheet €bn



Figures in brackets are previous year's figures.

Consolidated balance sheet (short version)

€m

	2012	Percent	**2013**	**Percent**	Change
Non-current assets	9,781.9	79%	11,044.7	86%	12.9%
Current assets	1,273.6	10%	1,626.4	13%	27.7%
Non-current assets held for sale	1,331.8	11%	137.5	1%	–
Total assets	12,387.3	100%	**12,808.6**	**100%**	3.4%
Equity	5,099.4	41%	5,546.5	43%	8.8%
Non-current liabilities	6,046.3	49%	5,750.3	45%	–4.9%
Current liabilities	1,241.7	10%	1,511.8	12%	21.8%
Total liabilities	12,387.3	100%	**12,808.6**	**100%**	3.4%

Assets

The acquisition of interests in Bavarian hydropower plants had the most significant impact on VERBUND's assets development in 2013. This transaction led to an increase in goodwill of €161.1m and in property, plant and equipment of €2,694.2m.

Capital expenditure for property, plant and equipment amounted to €575.0m. This figure includes investments of €156.6m in the wind power plants in Romania, €92.7m in the Reisseck II/Carinthia pumped storage power plant, €43.3m in the Austrian wind power plants and €36.0m in the German wind power plants. Impairment losses reduced the value of property, plant and equipment by €766.8m. Of that amount, €277.5m related to the Mellach/Styria CCGT, €172.5m to the Pont-sur-Sambre CCGT, €145.9m to the Toul CCGT and €19.3m to the Gössendorf and Kalsdorf run-of-river power plants in Styria. Property, plant and equipment of €132.5m was reclassified to non-current assets held for sale due to the intended sale of the Pont-sur-Sambre and Toul power plants. Depreciation on property, plant and equipment amounted to €349.2m.

The decline in the carrying amount of interests accounted for using the equity method is attributable above all to the Group's share in the loss of Sorgenia S.p.A. (Group) recognised in the amount of €–230.7m and impairment of the equity interest in Sorgenia S.p.A. (Group) amounting to €396.0m. The consolidation of Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH in quarter 2/2013 caused a reduction in the carrying amount of €30.8m.

The decrease in the carrying amount of other equity interests is mainly due to the impairment loss recognised on the equity interest in Energie AG.

Current receivables and other assets increased by a total of 42.1%. The increase resulted primarily from the rise in loans (€+550.0m). A decrease in current investments with banks (€–65.4m) and effects related to the measurement of energy derivatives (€–43.5m) had the opposite impact.

In addition to the reclassification of the Pont-sur-Sambre and Toul CGGTs, the change in non-current assets held for sale related to the disposal of the equity interests in Enerjisa Enerji A.S. (Group) in Turkey amounting to €1,054.9m and in SSG in the amount of €275.9m.

We are streamlining our balance sheet to meet future challenges. This will enable us to take even better advantage of opportunities in the market.

Equity and liabilities

As at 31 December 2013, the adjusted equity ratio was 44.6% (31 December 2012: 42.6%). Financial liabilities decreased by €307.3m, in particular due to scheduled and unscheduled repayments (€–318.1m) and changes in money market transactions (€–60.5m). Long-term borrowings amounted to €210.0m and resulted above all from the issue of a promissory note.

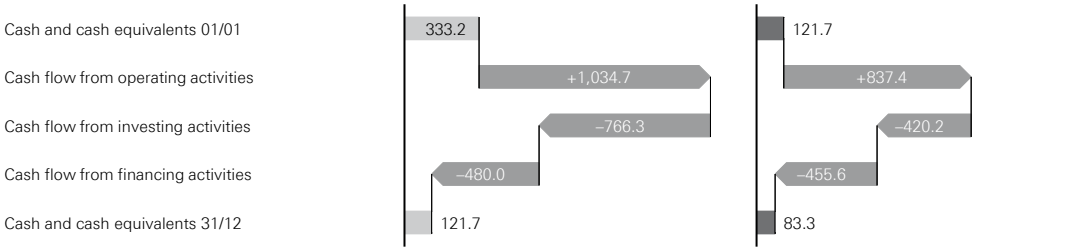
The increase in deferred tax liabilities is attributable to the fair value measurement of hydropower plants as part of the asset swap with E.ON. Deferred tax assets from the liquidation initiated for VERBUND Italia S.p.A. had a negative effect.

The 17.7% increase in non-current and current provisions occurred for 2 main reasons: an increase in personnel-related provisions as a result of consolidation of the Bavarian companies acquired in quarter 2/2013 and recognition of a provision for an onerous lease agreement for a gas storage facility. The opposite trend was seen in provisions for expected losses from district heating supply obligations to the City of Graz as well as for dismantling costs and contamination costs with regard to thermal power plants.

Trade payables, including other payables, decreased by a total of 26.5%. Reasons for this decrease included, in particular, the repurchase of 60% of the electricity supply commitments from the Tyrolean Zemm/Ziller storage power plant group in the amount of €282.4m. An increase resulted from a non-current other liability with respect to the obligation to transfer the newly acquired 50% interest in Donaukraftwerk Jochenstein AG back to the Federal Republic of Germany (the Free State of Bavaria) without exchange of consideration effective 31 December 2050.

Cash flows

Cash flow statement €m



Cash flow statement (short version)

€m

	2012	**2013**	Änderung
Cash flow from operating activities	1,034.7	837.4	– 19.1%
Cash flow from investing activities	– 762.1	– 420.2	– 44.9%
Cash flow from financing activities	– 484.2	– 455.6	– 5.9%
Change in cash and cash equivalents	– 211.6	**– 38.4**	– 81.9%
Cash and cash equivalents at the end of the period	121.7	83.3	– 31.6%

Cash flow from operating activities

Cash flow from operating activities amounted to €837.4m and was thus €197.3m lower than in the previous year (€1,034.7m). The change resulted above all from the lower contribution margins from generation (€–202.6m), decreases in the variation margins for futures contracts in the energy sector (€–20.0m), increases in other cash inflows and outflows from operations due mainly to expansion of the group of consolidated companies (€–57.2m) and lower inflows from equity investments. The French CCGT companies were consolidated for the first time for the full year, and the Grenzkraftwerke group companies were consolidated as at 30 April 2013. The decrease in income tax payments (€+75.8m) had the opposite effect.

Cash flow from investing activities

Cash flow from investing activities declined by €341.9m to €420.2m. The change resulted mainly from the payment of the difference relating to the asset swap with E.ON (€+405m). In addition, cash and cash equivalents were taken into account, less costs from acknowledgements, declarations of approval and cancellation notices from partners and costs from the partial reimbursement of refinancing costs. Cash flow from investing activities was positively impacted by lower investments in intangible assets and property, plant and equipment (€+99.9m), cash inflows from the disposal of the equity-accounted interest in SSG (€+270.9m) and lower cash outflows for capital increases and acquisitions of equity-accounted interests (€+190.5m). The opposite effect resulted from increased cash outflows for financial investments (€–601.6m) from the temporary investment of liquidity surpluses in time deposits with varying terms to maturity.

Cash flow from financing activities

Cash flow from financing activities amounted to €–455.6m, a change of €+28.6m compared with 2012. The change resulted mainly from new loans and other financial liabilities (€+157.0m), especially the promissory note issued in November 2013. The opposite effect resulted from cash inflows and outflows from money market transactions as well as higher dividend payments (€–46.1m).

Key figures and value-based management

The most important key figures are the EBIT margin and the gearing ratio. VERBUND measures value-based management using EVA® (Economic Value Added) and the weighted average cost of capital (WACC).

EBIT margin

Return on sales (EBIT margin) fell from 28.4% to 4.5% in 2013. The decline is due primarily to the negative non-recurring effects from impairment tests.

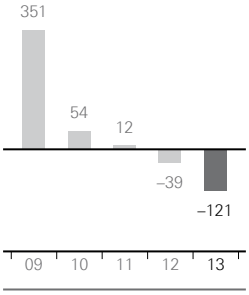
Gearing

Gearing is determined as following:

Interest-bearing net debt (short version) €m

	2012	**2013**	Change
Current and non-current financial liabilities	3,879.7	3,651.6	–5.9%
Current and non-current financial liabilities – closed items on the balance sheet	408.6	360.0	–11.9%
Capital attributable to limited partners	32.7	2.2	–93.3%
Other interest-bearing debts	1,250.2	1,118.6	–10.5%
Financial assets – closed items on the balance sheet	–408.6	–360.0	–11.9%
Interest-bearing gross debt	5,162.5	**4,772.2**	–7.6%
Cash and cash equivalents	–121.5	–83.2	–31.5%
Securities and loans	–351.7	–834.4	137.2%
Non-current assets held for sale	–1,331.8	–137.5	–89.7%
Other	–45.8	–51.3	–
Interest-bearing net debt	3,311.7	**3,665.9**	10.7%
Gearing in %	64.9%	**66.1%**	–

EVA® €m



EVA®

EVA® (Economic Value Added) amounted to €–120.8m in 2013. EVA® is an indication of yields generated using capital employed that are either above or below the cost of capital. Unlike EBIT and cash flow or margin-based performance indicators, EVA® also takes risk-assessed opportunity costs with respect to total capital into account. EVA® is determined as the net figure resulting from deducting the cost of average capital employed (capital charge) from net operating profit after taxes (NOPAT).

NOPAT refers to profits derived from a company's operations before financing costs, including the result from equity interests, and after deducting adjusted income taxes. In 2013, NOPAT amounted to €462.1m (2012: €594.3m). The reduction was due to the decline in electricity price levels and the generally difficult market climate. For that reason, the Group return remained below the weighted average cost of capital.

Capital employed corresponds to average total assets, net of those assets that do not yet contribute to performance and commercialisation, and less non-interest-bearing debt. Average capital employed totalled €9,715.6m in 2013 (2012: €9,388.5m).

Weighted average cost of capital (WACC)

The capital charge is calculated by multiplying capital employed by the weighted average cost of capital (WACC). WACC is the rate of return a company pays on average to investors and lenders in order to finance assets. It is derived from the return expectations observed in the capital market. The capital asset pricing model (CAPM) is used to calculate equity risk premiums. Borrowing costs are based on market data. Cost of equity and borrowing costs are weighted on the basis of the capital structure derived from the market. In 2013, VERBUND's WACC amounted to 6.00% (2012: 6.75%). It was determined as follows:

Weighted average cost of capital (WACC)

Market risk premium	6.48%		2.59%	Risk-free interest rate
	x		+	
Beta factor	0.90		0.93%	Credit spread
	=		=	
	5.86%		3.52%	
	+		–	
Risk-free interest rate	2.59%		26.48%	Income tax rate
	=		=	
	8.46%		2.59%	
	x		x	
Equity ratio	60%		40%	Debt rate
WACC		**6.00%**		**WACC**

Financing

Financing strategy

In today's volatile energy market environment in which planning is difficult, VERBUND bases its financing strategy on 3 pillars: securing liquidity and ensuring suitable liquidity reserves, securing a solid credit rating over the long term and optimising the capital structure.

Securing liquidity and ensuring suitable liquidity reserves

For VERBUND, ensuring that liquidity is secure at all times has the highest priority. As at 31 December 2013, VERBUND had a syndicated credit line in the amount of €750.0m at its disposal that had not been drawn upon. This facility runs until 2018. It was taken out on 17 October 2011 with 25 domestic and international banks. VERBUND also had uncommitted lines of credit amounting to €591.5m, primarily with Austrian banks. In addition, we hold cash equivalents with maturities of 3 to 6 months.

As at 31 December 2013, VERBUND had invested a total of €705.0m in money market time deposits with a variety of banks. These investments serve to cover the high level of funds needed in 2014, primarily for the repayment of a bond in the amount of €500.0m in June 2014.

Securing a solid credit rating over the long term

The better the company's credit rating, the easier and more inexpensive it is to access international markets. A solid credit rating gives VERBUND access to various financing instruments, including those in the capital market. VERBUND has been awarded a long-term rating of A– from Standard & Poor's (S&P) and Baa1 from Moody's, both with a stable outlook. S&P's rating remained stable throughout 2013. Moody's, however, reduced its rating by a total of 2 steps: in April from A2 to A3 and in August from A3 to Baa1. The rating reductions followed the negative performance of the utilities sector. The difficult sector environment resulted in a deterioration in the capital structure and the cash flow of many European utility companies.

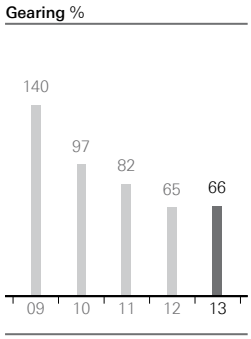
As at 31/12/2013:
S&P: A–/stable outlook
Moody's: Baa1/stable outlook

For the long term, VERBUND is aiming for a solid "A" category rating. For that reason, our Group management is focusing among other things on 2 key rating ratios: FFO/net debt and RCF/net debt. For an "A" level rating, both S&P and Moody's expect FFO/net debt of at least 20% and RCF/net debt of 10–15%.

Optimising the capital structure

VERBUND manages its capital structure using a gearing ratio that corresponds to net debt divided by equity. Net debt is calculated from gross debt less cash and cash equivalents, short-term investments and securities held in current and non-current assets. The goal is to keep the gearing ratio below 80%. To this end, VERBUND implemented numerous measures in 2013. We divested ourselves of non-strategic activities as well as non-controlling interests.

Moreover, it is necessary to maintain a long-term, balanced dividend policy towards our shareholders and lenders.



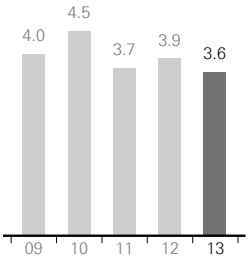
Financing measures

In 2013, VERBUND was again able to take advantage of its strong internal funding options to finance its ongoing investment programme. Cash flow from operating activities amounted to €837.4m. Free cash flow amounted to €546.7m. Thanks to our good internal funding options, only one loan was taken out in the form of a promissory note in the amount of €200.0m in November 2013. Of that amount, €138.0m bears a fixed all-in interest rate of 1.75% over a 5-year term. The variable rate portion is based on the 6-month Euribor plus a risk premium of 70 basis points.

As at 31 December 2013, VERBUND's borrowing portfolio was composed as follows: 60.3% bonds, 39.0% loans (of which 6.6% consist of export credit financing) and 0.7% other financial liabilities.

The following key figures refer to purely external financial liabilities, excluding former cross-border leasing transactions, financial guarantees and limited partnership interests. The carrying amount of VERBUND's financial liabilities was €3,651.6m. Of those liabilities, 98.9% were financed in EUR and 1.1% in JPY. As at 31 December 2013, the duration of all liabilities was approximately 3 years and the average term to maturity was 4.6 years. The effective interest rate was 4.2%, with 92.2% of the financial liabilities having a fixed interest rate and 7.8% a variable interest rate as at 31 December 2013.

Non-current financial liabilities €bn



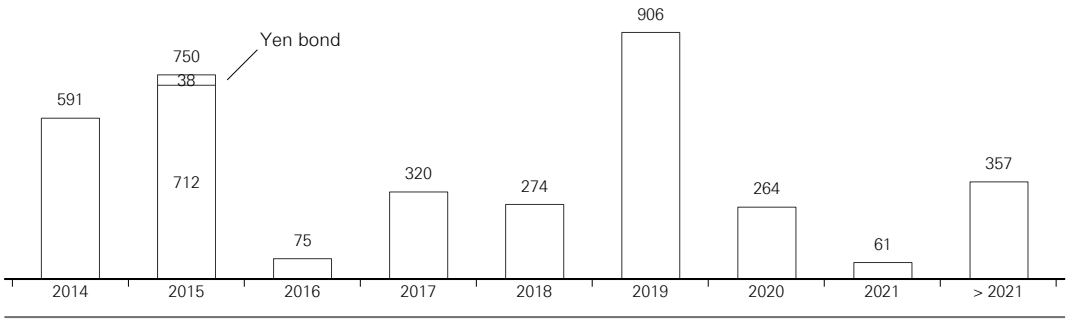
Carrying amounts

A balanced capital structure is necessary to allow the flexible exploitation of opportunities in the future.

Repayments and repayment structure

In 2013, long-term borrowing amounting to €168.4m was repaid. A total of €590.6m is due in 2014 and €749.7m in 2015. All amounts due in 2014 can be repaid from free cash flow and available liquidity reserves.

Repayments €m



Human resources

With their commitment and their knowledge, our employees make an essential contribution to the goals and to the development of our Group. We place value on highly qualified and dedicated employees to secure our long-lasting economic success. We invest in people by rewarding them in line with their performance and market conditions, and by offering consistent, needs-based continuing education.

Key figures – employees

	Unit	2012	**2013**
Average number of employees	Persons	3,100	3,256[1]
Of which apprentices	Persons	172	188
New hires	Persons	190	144
Attrition rate	Percent	2	2.6
Average age of employees	Years	43.9	44.1
Training per employee	Hours	36.8	38.4

[1] Increase due to the expansion of the group of consolidated companies.

Market situation necessitates personnel measures

2013 was marked by a persistently difficult situation in European energy markets. To lower costs and remain competitive, VERBUND initiated various measures such as a freeze on hiring external personnel from mid-April and a reorganisation programme.

Even in the previous years we had only allowed personnel levels to rise minimally, and hiring was tightened in the past year. The number of employees nonetheless rose by 5% compared with 2012 due to the purchase of Grenzkraftwerke GmbH and Innwerk AG, which involved taking on 216 employees. The number of new hires decreased compared with 2012. The focus in 2013 was on filling apprenticeship positions, positions relevant to succession planning and positions that had been advertised in the first quarter.

The reorganisation gives top priority to continued employment for the employees concerned. Necessary personnel reductions will be carried out in a socially responsible manner by offering some employees retirement and others part-time retirement opportunities. Enforced redundancies will be avoided. To achieve these goals, VERBUND implemented key initiatives such as the creation of an “internal employment market” and the conclusion of a social compensation plan.

Internal employment market promotes continued employment

Priority is given to filling vacant positions with personnel from the internal employment market. This is where our many years of investing in comprehensive continuing education pay off, as the employees affected by restructuring are able to work in many different areas. Targeted retraining programmes offer further prospects for participants in the internal employment market. VERBUND is therefore acknowledging the principle of continuous employment as part of its long-term personnel development.

Social plan supports transition

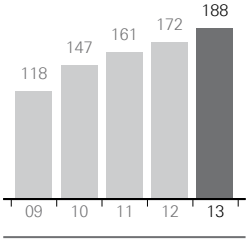
A detailed social plan was drawn up conjointly with the employee representatives. The plan provides for several measures. In addition to the legally stipulated part-time retirement models, the social plan will provide bridging payments for employees seeking new challenges in the external employment market. Employees interested in switching careers can take advantage of a labour foundation co-financed by VERBUND. For the duration of the stipend, they receive unemployment payments as provided by law. Additional internal retraining and advanced training programmes, some of which can be combined with the statutory educational leave options, enable us to provide all affected employees with solutions that are socially responsible and adapted to individual needs.

We create new opportunities for our employees in order to guarantee them lasting employment.

Apprentice training secures future talent

We are continuing the apprentice training initiative we introduced some years ago. Our goal in this is to counteract the demographically based wave of retirements that will occur during the next 5 years. Ongoing, quality-based human resources planning on the basis of "job families" has shown that the coming retirements will primarily involve skilled workers and master craftsmen.

Number of apprentices



Our employees in the trade professions are strategically important to our core business. For this reason, we pay special attention to securing their knowledge. We make significant investments in training our own apprentices and in ensuring structured succession planning.

For more than 60 years, apprenticeship training has been of great significance to our Group. The competence and skills needed to meet future challenges at VERBUND are conveyed to young talent at 3 apprentice workshops and at approximately 23 locations in Austria and Germany. Each year, over 40 dedicated men and women begin their 4-year training programme to become "electrical engineering and metalworking technicians" or "electronic and electrical engineering technicians". These dual professional qualifications are in high demand and offer excellent opportunities for the future. The results of the final apprenticeship examinations confirm the high quality of the training offered at VERBUND. In 2013, all apprentices passed this examination and about one-third of them with distinction.

In recent years, we have formed a pool of "skilled young workers" from the ranks of our apprentices. These workers receive additional training at the power plants. This will allow us to fill most of the technical positions opening up in the coming years from our own ranks.

Sustainability

Sustainable business management is particularly important in economically challenging times. We see our opportunity in environmentally friendly, renewable and socially acceptable energy generation. This is how VERBUND is making a key contribution to the future. In 2013, the new sustainability reporting guidelines were published by the Global Reporting Initiative. The guidelines foresee a focus on significant corporate topics and call for greater integration of stakeholders.

Maintaining a dialogue with our stakeholders

We engage in an open and objective dialogue with our stakeholders and ensure that our actions are comprehensible and clear. In 2013, we conducted a structured survey of our stakeholders in Austria and Germany (with a focus on Bavaria). The questions related to VERBUND in general as well as to our sustainability communications. Suggestions and requests were gathered in an online survey as well as in interviews with individuals from a variety of interest groups. The objectives were to evaluate our previous communications and to point out possible topics for future reporting as well as new areas on which to focus our work.

Code of Conduct of VERBUND: www.verbund.com >About us

VERBUND's stakeholders appreciate our open communication. Their feedback provides us with opportunities for further development.

The survey indicated that more than 60% of our Austrian and Bavarian stakeholders are (very) satisfied with their exchange of information with VERBUND. The stakeholders named one of our main strengths as being quick provision of high-quality information and the high level of competence of the contact persons in individual discussions. Moreover, the German stakeholders also appreciated the respectful and confident tone of the communications and the high level of service offered. A direct ranking of the topics covered showed that, from the perspective of the Austrian stakeholders, the most important ones were the provision of a secure power supply for VERBUND customers, an increase in the value of the Group and protection of the environment, nature and climate, as well as innovation.

Systemic measurement of sustainability

Since 2002, VERBUND has published sustainability reports in accordance with Global Reporting Initiative guidelines. One of our main challenges is collecting up-to-date, auditable data. To this end, in 2013 we set up a new central data collection system for all sustainability figures. Central data collection also increases our efficiency, since transferring data from previous systems decreases the effort involved in collection and review. Structured collection using uniform definitions and identifiable processes reduces error rates and increases transparency. Enhanced auditability of our sustainability data forms the basis for a higher level of quality and credibility of our reported figures. Other advantages of the new system are better data security and faster access times, which greatly facilitate the preparation of multiple reports.

Sustainability reports of VERBUND: www.verbund.com >Responsibility

VERBUND in sustainability indices

See also:
www.voenix.at
www.ftse.com
www.stoxx.com

Our approach to sustainable business management is proving effective. We are assessed by several specialised sustainability agencies and are represented in a number of indices, such as:

- VÖNIX (VBV Österreichischer Nachhaltigkeitsindex): this sustainability index is made up of listed Austrian companies that lead the field in the areas of social responsibility and ecological achievements. The assessment is made by rfu sustainability research consulting.
- FTSE4Good Europe Index and Global Index: these are a series of stock exchange indices that specialise in ethical investments. The ratings institution is Ethical Investment Research Services (EIRIS).
- STOXX Europe Sustainability Index: this stock index is part of the Dow Jones Sustainability Index (DJSI). In addition to economic criteria, ecological and social criteria are also taken into account. The ratings are performed by Sustainalytics (head office in Amsterdam).

For VERBUND, climate and environmental protection are of course a necessity for ensuring the basis for life on our planet.

Emissions further reduced

Further success in Carbon Disclosure Project:
www.cdp.net

In 2013, VERBUND again received recognition for its comprehensive reporting on greenhouse gas emissions and climate protection. The Carbon Disclosure Project assesses listed companies all over the world. As in 2012, VERBUND was singled out as the best Austrian company and the best energy company in the D-A-CH region. Total emissions are reported in accordance with the Greenhouse Gas Protocol. The majority of emissions were direct emissions from electricity generation from coal and gas as well as indirect emissions from purchased electricity. Due to its high share of renewable energy and low emissions, VERBUND is one of Europe's most environmentally friendly energy companies. In 2013, we lowered our greenhouse gas emissions to 104 t/GWh by reducing generation from thermal power. This reduction will continue over the next few years, and we will remain among the best in our peer group.

Environmental management system and certification

Since 1995, we have been using our environmental management system to improve the environmental performance of our sites on an ongoing basis. Our demand for high quality is supported by external certification in accordance with international standards. At the end of 2013, approximately 80% of all power plant locations were either EMAS or ISO 14001 certified, including 116 of 127 hydropower plants. All Austrian thermal power plants are equipped with an environmental management system certified to EMAS and ISO 14001. To allow better monitoring of the environmental impact of wind power plant operation, VERBUND's 3 Austrian wind farms are likewise being included in a certified environmental management system. The wind farms in Germany and Romania will follow during the next few years. Since 2008, all of our grid locations and lines have complied with the following standards: ISO 9001, ISO 14001, ISO 27001, OHSAS 18001 and EMAS. Since 1999, TÜV SÜD has been inspecting the origin of our hydropower electricity using strict criteria. The seal of approval confirms that the green electricity ordered

by consumers is generated by our hydropower plants in the appropriate quality and quantities prior to being fed into the grid. VERBUND is thus a pioneer among Europe's electricity companies.

Key figures – environment

Electricity generation	Unit	2012	2013
Electricity generation (total net)	GWh	35,228	35,539
Of which hydropower	GWh	30,485	30,943
Of which wind and solar power	GWh	242	565
Of which sewage sludge	GWh	2	2
Of which hard coal	GWh	2,568	2,312
Of which natural gas	GWh	1,927	1,685
Of which oil	GWh	5	32
Share generation from renewable energy (hydropower, wind, solar power and sewage sludge)	%	87.2	88.7

Direct energy consumption	Unit	2012	2013
Hard coal	t	907,990	820,522
Lignite	t	-	-
Oil (heavy heating oil)	t	1,110	10,156
Natural gas	1,000 Nm^3	246,472	313,067
Biomass and solid recovered fuels (sewage sludge)	t	17,256	12,987
Electricity (grid purchase)	GWh	2,455	2,372

Greenhouse gas emissions	Unit	2012	2013
Total Emissions (Scope 1–3 according to Greenhouse Gas Protocol)	t/GWh	3,975	3,697
Of which Scope 1 (direct emissions)	kt CO_2e	2,903	2,777
Of which Scope 2 (indirect emissions)	kt CO_2e	1,072	919
Of which Scope 3 (other indirect emissions)	kt CO_2e	0.6	0.3
Emissions per unit of total electricity generated (Scope 1–3)	t/GWh	113	104

Emissions avoided by generation from renewable energy[1]	Unit	2012	2013
CO_2	kt	24,890	25,523

Energy efficiency of transmission grid[2]	Unit	2012	2013
Electricity transmitted in APG grid	GWh	42,144	43,137
Grid loss	GWh	615	595
Percentage of grid loss in total electricity transmitted	%	1.5	1.4

[1] Calculation of avoided emissions based on the emissions from a modern hard coal power plant (Dürnrohr model). // [2] APG grid level 1.

Innovation, research and development

Innovation is and has always been the driving force behind the development of society. For this reason, VERBUND promotes research and development with a clear goal in mind: to promote future technologies and areas of business at an early stage and to develop them until they are ready for the market. With the help of our Competence Centre for Innovation, we dedicate ourselves to the topics of tomorrow – such as energy management, renewable electricity generation and electromobility. We do this because we want a smart future for Austria and for all of Europe.

Key figures – R & D

	Unit	2012	**2013**
Number of R & D projects	Number	81	82
Total project volume[1]	€m	149.8	203.2
Of which EU projects[1]	€m	93.3	125.4
VERBUND's total share[1]	€m	14.3	15.8
Annual VERBUND expenses[1]	€m	5.2	6.1

[1] Over the entire duration of the projects.

Smart Energy – the energy system of the future

Solar electricity packages: www.verbund.at > Households

We have increased the access to our customers by developing new products and services with our "Energy Management and Services" programme. By innovatively linking reservoir solutions with a photovoltaics installation or heat pump, we enable households to meet their energy needs themselves to a greater degree. This enhances the role of customers as "prosumers". Electricity consumers also gain both an energy and financial advantage from the development of the energy system of the future.

Intelligent energy products and services provide our customers with new opportunities in the electricity market.

New electricity solutions: www.verbund.at > Corporate customers

In the area of business, we are offering access to electricity trading to both small- and medium-sized enterprises and industrial operations. We are taking on a new role in the control energy market with our VERBUND Power Pool, which allows facilities' load potentials and flexibilities to be combined and jointly marketed. Demand response enables us to render system services that would not be accessible to individual customers. VERBUND ECO NET provides a scientific basis for energy efficiency, making it available for systemic use. The idea is for businesses to learn from each other so that everyone can save energy.

Priority for electromobility with 100% renewable energy

Electromobility can make a key contribution to meeting Austria's energy and climate targets for 2020. It also supports stabilisation of the grid, which is subject to stress due to the integration of volatile energy from wind and solar power. 100% of the additional electricity requirements come from renewable sources, above all hydropower as a proven source. To make optimum use of the positive effects from electromobility for the economy, Austria as a business location and the employment market, political signals must be set:

- A cross-regional, nationwide concept with links to Europe
- Transparent, non-prohibitive market regulations
- Fiscal, procurement-based market stimulation

We regard electromobility as an opportunity that will bring Austria closer to its energy and climate targets for 2020.

We have already successfully completed EMPORA, Austria's biggest research project led by VERBUND, and the EMPORA2 project is in the final stages. In addition, we are coordinating the cross-border VIBRATe electromobility region, we are working on "Green eMotion", the EU's biggest electromobility project, and we have initiated an international flagship project called "Crossing Borders". More than 30 major Austrian companies have already joined the Austrian Mobile Power platform initiated by VERBUND.

After years of research and development, electromobility is now coming to the streets of Austria. Under the brand name of SMATRICS, E-Mobility Provider Austria – which we established together with Siemens – is building a nationwide, high-performance charging network to be completed at the end of 2014. In addition, attractive electromobility packages will be offered to corporate and retail customers.

Further information:
www.smartrics.at

Energy trading: new strategies for a difficult climate

The current market situation continues to be marked by sideways movement in wholesale electricity prices as well as stagnating long-term price levels. Short-term prices show high volatility, mainly as a result of the high levels of fluctuation in electricity generation from wind and solar installations. Our electricity traders respond to this by using new, option-based hedging products and fine-tuning their existing optimisation and forecasting tools.

Hydropower: efficient and environmentally friendly

We are continuing on our path of using innovative solutions to make our installations even more efficient and environmentally friendly. One good example of this is our test facility at the Retznei/Styria run-of-river power plant, which uses a HydroConnect hydrodynamic fish transport screw intended to combine fish passage with electricity generation. We are also working on improvements in upstream and downstream fish migration as well as fish protection in general.

Wind power: pioneer in optimising operations

We expanded our wind power portfolio by about 400 MW within a short period of time. More than 140 wind turbines with capacities of between 1.8 and 7.5 MW are monitored in real time. The data they supply is processed immediately. We are currently developing an analysis tool for automatically identifying any variations in performance from the multitude of data sets generated and deriving measures to prevent damage. This technology makes VERBUND a pioneer in the optimisation of wind farms in Austria.

Thermal power: electricity generation on demand

The high level of volatility in electricity generated from new renewable energy sources requires us to operate our thermal power plant flexibly as well. To this end, we are investigating minimum load reductions and "load gradient" increases. An additional challenge is posed by the temporal separation of electricity and heat generation for facilities with cogeneration (district heating storage). We are also focusing on the lifecycle of components subject to severe stresses, preventing damage through structured component analysis and constant efficiency improvements to power plants.

Power grid: ensuring effective transmission

Further information on APG projects: www.apg.at

APG, our innovative grid subsidiary, is working on innovative grid expansion and improved utilisation of the power grid infrastructure. In numerous energy market scenarios, the effects of new energy systems on the grid and the network have been analysed. Among other uses, the results form the basis for grid planning and support the planning of the electricity transmission system at a European level. Last year, in addition to the 2013 Network Development Plan, the APG 2030 Master Plan was completed. The Master Plan is intended to establish a stable basis for long-term planning.

By optimising our infrastructure we ensure grid stability and reduce risks.

Our innovation work also focused on the topic of the "smart grid". One of the projects – Active Demand Side Management – is leading to the establishment of an improved feed-in forecast for solar electricity. This will help to improve the distribution of loads in the power grid.

In its grid system management, APG is increasingly confronted with critical load situations that approach stability thresholds. To maintain grid security, new monitoring systems are therefore constantly being developed, such as thermal rating, ice-line monitoring, and wide-area measurement systems. Some of these have already been integrated into active operations.

Risk and opportunity management

The importance of a functioning risk and opportunity management system becomes particularly evident in times of transition. Such a system can support the decision-making process, reduce possible effects from risk, and identify potential. VERBUND installed risk management centrally in 2000; beginning in 2001, tasks and functions were set up throughout the Group. Today, the system is an established component of the comprehensive management concept. We define risk management as the repeated sequence of the following processes: risk identification, analysis, measurement, elimination of possible causes for deviations, derivation of rules for measurement, monitoring of specific developments, and implementation of measures.

Principles, structures, and processes

Risk and opportunity management at VERBUND is based upon guiding principles such as the increase in value, security of supply and sustainability. As part of the management and control system, risk management is being refined continuously. Assessments of the risk position are incorporated into strategic decisions, into the analyses that are periodically updated during implementation of projects, and into the management of ongoing business. The thorough quantitative analysis of risks and opportunities facilitates the incorporation of risk management into the value-based management philosophy of VERBUND. The presentation of risks in reporting is based on 2 principles: completeness and a clear traceability of contexts and changes.

Financial instruments and risk management: see Notes

A company such as VERBUND is exposed to particular risks. Our strategic risk management offers the opportunity to manage developments.

VERBUND has established various Risk Management Committees (RMCs). These bodies deal with topics such as energy management, business management and financial management, regulatory conditions, or information security and data protection. Under the leadership of Group Risk Management, they analyse the risk position in the operating units and make decisions on specific risks. Since 2008, a Chief Information Security Officer (CISO) organisationally assigned to Risk Management has been coordinating all information security and data protection issues within the Group. To deal with extraordinary events, VERBUND has established a Group Crisis Management system, which is constantly being adapted to changing conditions and increasing requirements. The VERBUND subsidiary APG was certified as an independent transmission system operator in 2012, and has had its own independent risk organisation ever since.

Risk and opportunity management is a significant part of the business processes at VERBUND. Risk management is based upon result, inventory, and liquidity parameters. Within an ongoing monitoring process, we collect information on possible hazards and opportunities, model cause-effect relationships, determine deviations, and take the necessary actions based upon this information. All significant processes within the Group are run through this control loop. When making strategic

decisions, business plans are supplemented by the consideration of risks and opportunities. The most important decision-making criterion is the expected return on capital invested, taking risk into account.

Energy transition and the economic crisis are increasing the risk of required re-evaluation of assets or liabilities. Normal business performance is significantly driven by market price risks. These include, for example, trends in wholesale prices for electricity, prices for gas, coal, or emission rights, interest, and exchange rates. These risks are evaluated using statistical valuation methods. The measurement of operating risks is based upon estimates by experts. The measurements are subject to a continuous improvement process. Risks from potential bad debts arise from the financial processing of business processes. These are measured based upon credit rating criteria available in the market.

During the implementation phase of projects the risk of unplanned payments due to deviations in time, costs, or quality is assessed and reported. The valuation includes the entire remaining project runtime and presents the possible financial effects, while considering unplanned payments and countermeasures.

Current risk position of VERBUND

The business activities of VERBUND tie up significant financial resources. They require the use and the availability of technically complex systems and operating procedures. They are also part of the socio-political discussion. The construction of property, plant and equipment is generally preceded by lengthy approval proceedings. The operation and maintenance of assets used over many years require highly qualified employees.

Opportunity always goes hand-in-hand with risk.
Identifying risk factors helps us to build a safety net.

Risks in the economic environment and the sector

The current economic crisis is leading to a deterioration in external risk factors, i.e. risk factors that cannot be directly influenced. These originate from politics, the economy, the energy sector and social issues. As a result, planning security for VERBUND is reduced. This may have negative consequences on pending investment decisions and could affect the recoverability of the capital charge. The expansion of the Austrian electricity supply is occurring within the context of pan-European developments. The EU growth strategy “Europe 2020” and the growth targets defined therein provide the guidelines for this expansion.

The risk department at the “Trading and Sales” level of the value chain secures compliance with prescribed limits in the electricity business. The subsidised expansion of electricity generation from wind power and photovoltaics has overridden existing competitive and market mechanisms. The underpinnings established in the liberalisation of the energy market, such as the use of power plants based upon variable production costs (merit order) or the distinction between base and peak loads, have lost a great deal of their importance within a short period of time. The development of a sustainable market design is currently the topic of intensive technical discussions, in which VERBUND is actively participating.

As the leading power generation company with a dominant share of hydropower, VERBUND is heavily dependent upon trends in water supply, which cannot be influenced. Output from run-of-river plants can be controlled only to a very minor extent (hydropeaking). By contrast, storage power plants are operated with daily, monthly or yearly retention periods respectively. The economic efficiency of VERBUND's pumped storage is based upon the flexibility of the overall system, which has been built up over decades. Additional operating hours to cover unplanned changes in demand also provide more revenue opportunities. The earnings contribution depends largely upon the frequency and absolute extent of short-term price fluctuations in the electricity markets.

Information and communication systems form the backbone of VERBUND's business activities. Given the increasing size and complexity of international electronic networks, cybercrime is also an increasing potential threat to VERBUND. The Group is therefore implementing appropriate activities in this area.

VERBUND places high priority on the security of its control systems. VERBUND's crisis management system was also activated during the disruption of the control system network that occurred on 2 May 2013 at individual distribution grid and power plant operators in Austria. This allowed a very rapid restoration of secure normal operating conditions.

Over the long term climate change is another risk. This has a possible influence on both, the seasonal distribution and the fundamental water supply.

Risks caused by the legal environment

No agreement on a National Energy Efficiency Act was reached during the last session of the legislature. This is therefore a priority for the new federal government. Its programme discusses "binding industry obligations on a statutory basis for all energy sources" while offsetting existing programmes. Given the period for implementation established under European law, VERBUND expects a national law to be enacted by the middle of 2014.

Following months of delay at the EU level, the European Commission, European Council, and European Parliament agreed on the text of the revised "Markets in Financial Instruments Directive" (MiFiD) in January 2014. In contrast to the interim drafts of "MiFID II," which had different wording, wholesale energy providers will not be required to hold securities or banking licenses in the future.

When certain threshold values are exceeded, the "European Market Infrastructure Regulation" (EMIR) specifies that over-the-counter (OTC) derivatives transactions must be cleared through a central counterparty. Contrary to original assumptions, VERBUND is not currently affected by this. Nevertheless, such transactions must be reported in a transaction register beginning in 2014.

The introduction of a financial transaction tax in Austria would tax trading in shares and bonds as well as derivatives. This could be relevant for VERBUND, not least in view of possible mergers, sales, and company takeovers.

Other risk factors

The asset swap performed in 2013 with E.ON was the most far-reaching financial transaction in VERBUND's corporate history. Changing conditions in the energy markets led to impairment losses in 2013 as well as a more extensive reorganisation of the gas portfolio. This also includes the initiation of legal steps. The implementation of possible options for action can significantly influence the Group result.

VERBUND has entered into long-term agreements to facilitate the conduct of its business. Changes in economic conditions have influenced the profitability of some of these agreements. Possible contract amendments reduce the risks. The risk of re-evaluation needs for facilities remains high. Previously

unplanned contributions to Group companies could also be necessary. In accordance with the International Financial Reporting Standards (IFRSs), VERBUND creates provisions for contractually agreed expenses from ongoing reorganisation programmes, for pensions and severance payments, and for the post-use phase of generation facilities (e.g. for their dismantling). Deviations from the assumptions for the creation of these provisions may produce fluctuations in the result.

Within the scope of financial management, an effective monitoring of counterparty risks minimises defaults in performance and/or payment by business partners. Limits are centrally assigned and continuously monitored. Stable cash flows from operating results secure debt servicing. In addition, VERBUND possesses sufficient credit lines for accessing cash and cash equivalents at short notice. Ongoing measures are taken to counter the possible crystallisation of collateral provided. These also include possible effects of a further change in the rating of VERBUND AG on the off-balance-sheet cross border leasing transaction.

Management of the VERBUND investment programme is also associated with risks. Early inclusion of interest groups, compliance with regulatory conditions and good management of simultaneously managed projects should ensure the success of the implementation. Risk management is incorporated into the entire project cycle.

Natural events such as floods, storms or avalanches could cause an unscheduled outage of electricity generation or transmission facilities as well as consequential damage.

Outlook: Risks and Opportunities for 2014

Sensitivities for fair values and financial instruments: see Notes for details

The planned operating results for 2014 may fluctuate as a result of re-evaluation needs, volume and price risk of own generation, and default risks. All else remaining equal, a change of 1.0% either way in the following factors would be reflected as follows (annual power generation priced in as at the 31 December 2013 reporting date):

- Generation from hydropower plants: +/– € 9.3m
- Wholesale electricity prices (hydropower plants and thermal power plants): +/– €3.8m

The financial result fluctuates based upon the reporting date measurement of a yen liability to be repaid as planned in 2015 as well as other changes in market prices and interest rates. All else remaining equal, a variation of 1.0% either way in the following factors would be reflected in the financial result for 2014 as indicated below:

- JPY–EUR exchange rate (financial result): +/– €0.4m

Outlook

The expansion of the global economy will remain moderate in 2014. Even though prospects have brightened recently in the industrialised nations, economic growth is still moderate and risks to the outlook remain.

Economic climate improves at a moderate pace

The debt crisis in the eurozone remains unresolved and setbacks are possible. The budget dispute in the USA was recently settled with a compromise. The fundamental conflict over spending policies and measures to reduce government debt have not been finally resolved, however. Uncertainties also exist about the economic prospects of the large emerging nations, which have been the drivers of the global economy for some time. A distinct weakening of growth in these countries would put a noticeable brake on the global economy.

In Europe, the International Monetary Fund (IMF) is seeing the first indications of an economic recovery. The pace of revitalisation should nevertheless remain moderate. The structural adjustment processes in the crisis countries will continue to burden the economy for some time. According to the IMF, the eurozone may return to economic growth in 2014 with a positive growth of 1.0%. The Austrian economy may grow by 1.7% in 2014 according to the forecast by the Austrian Institute of Economic Research (Österreichisches Institut für Wirtschaftsforschung, WIFO).

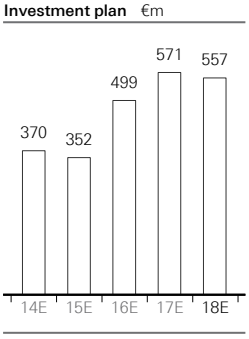
The energy transition is creating opportunities, but also risks. A functioning European electricity market will be required to manage these risks successfully.

The challenge of energy transition

The electricity market is undergoing the most far-reaching changes since deregulation in 1999. New renewable energy is receiving enormous subsidies. Demand for electricity, on the other hand, is weak or even declining due to the economy. For these reasons, the futures market is providing no investment incentive for the next few years, with electricity prices remaining low and stagnant. Given a further strong expansion of renewable energy, investments over the medium term in new flexible power plants and efficient grids are necessary in order to ensure security of supply.

Moreover, the CO_2 market is not currently functioning. The low prices provide no incentive to move towards low-carbon generation technologies. As a result, profitable operation of gas power plants is impossible due to their high fuel costs (mostly because of long-term contracts tied to volumes and the price of oil). By contrast, power plants with the highest specific CO_2 emissions, namely lignite-fired power plants, are profitable.

Energy transition requires sound judgement and a holistic approach. There is a need to create a functioning, shared European domestic electricity market that takes into account the 3 central goals of European energy policy: security of supply, cost-effectiveness, and sustainability.



Investments in hydropower and regulated business areas

VERBUND's investment plan has been adapted to the changing conditions in the European electricity market: €2.3bn will be invested during the 2014–2018 period. Of this total, €1.5bn will be spent on growth investments and €0.8bn on maintenance. The investments will almost exclusively involve our core markets of Austria and Germany. We will complete ongoing construction projects and increase the efficiency of existing hydropower plants. We will also be investing in regulated operating segments: wind power and the Austrian high-voltage grid. In financial year 2014, we plan to invest a total of €369.5m; €207.3m in growth and €162.2m in maintenance.

We see our opportunity in electricity generation from hydropower and wind power in the domestic markets of Austria and Germany.

Dividend policy

We plan to distribute a dividend of €1 per share for financial year 2013. This dividend consists of a basic dividend of €0.55 per share and a special dividend of €0.45 per share. The distribution of the special dividend is due to the successfully completed asset swap with E.ON in 2013. For 2014, we are planning a payout ratio of approximately 50% – based upon the Group result adjusted for non-recurring effects.

Earnings projection 2014

The development of the VERBUND result is significantly affected by the following factors: wholesale prices for electricity, the Group's own generation, and further energy management developments in gas power plants. The 2013 result was significantly influenced by extraordinary effects such as impairment losses in gas power plants or equity interests, as well as book profits from the asset swap. On the basis of average own generation from hydropower, we expect an EBITDA of approximately €850m and a Group result of approximately €150m for financial year 2014.

Internal control and risk management system

According to Section 243a(2) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB), the internal control and risk management systems for the accounting process must be described. VERBUND's internal control system (ICS) includes all measures for ensuring the reliability, effectiveness, and efficiency of this process, as well as the compliance with external regulations. The risk management system is explained separately in the section entitled "Risk and opportunity management".

Organisational framework

VERBUND has responsibilities towards many interest groups and the environment. Group management acts in accordance with the principles defined in the corporate mission statement. The Executive Board bears responsibility for developing and implementing the ICS, whose effectiveness is monitored by the Supervisory Board's Audit Committee.

Corporate Mission Statement of VERBUND: www.verbund.com > About us

Fundamentals of the internal control system

VERBUND's accounting process is governed by Group-wide guidelines and requirements. In its practical implementation, the performance, monitoring, and supervision of business transactions are kept structurally separate. This prevents any single employee from acting alone in performing all the process steps of a transaction from the beginning to the end.

The review of authorisations is integrated into the technical processing of transactions. Compliance with and the effectiveness of these checks is reviewed on a periodic basis. Based upon VERBUND's process map, business processes and the risks that they entail are systematically analysed and documented, as are checks of the accounting process. The documentation of the time schedule for the checks, flow charts and the process map together constitute the process manual, which is updated regularly. VERBUND's organisational structure is continually adapted as needed to address changing internal and external conditions.

Reporting in compliance with unbundling provisions

The internal quarterly and annual reports consolidate information from management accounting, financial management, and risk management. All reports are based upon uniform Group-wide rules for preparation and measurement. The VERBUND subsidiary APG has been operating in the market since 2012 as an independent transmission system operator. An external equal opportunities officer monitors compliance with the contractually specified unbundling provisions.

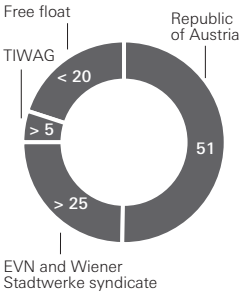
Periodic monitoring

Internal audit reviews the handling of business processes as well as the internal control and risk management system. Audits are performed according to the audit schedule approved by the VERBUND Executive Board, supplemented by short audits and special audits. The audit reports include recommendations and measures. A periodic follow-up ensures implementation of the proposed improvements. As an independent transmission system operator, APG has had its own internal audit function since March 2012.

Shareholder structure and capital information

in accordance with Section 243a(1) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB)

Shareholder structure %



1. At the balance sheet date, the share capital comprised:
   170,233,686 no-par shares (bearer shares category A), equivalent to 49% of share capital; 177,182,000 no-par shares (registered shares category B), equivalent to 51% of share capital, authenticated by an interim certificate deposited with the Federal Ministry of Finance and made out in the name of the Republic of Austria. Thus, there were 347,415,686 shares in circulation at the balance sheet date. With the exception of the voting restriction described under point 2, all shares have the same rights and obligations.

2. In accordance with constitutional law, which regulates the ownership structure of companies in the Austrian electricity sector (Federal Law Gazette [BGBl] I 1998/143 (2)), and in accordance with the provision of the Articles of Association based upon this, the following voting restriction applies: "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." We are unaware of any other restrictions that affect voting rights or the transfer of shares.

3. The shareholder structure of VERBUND AG is largely defined by the majority holding of the Republic of Austria. In accordance with constitutional law, 51% of the share capital is owned by the Republic of Austria. A syndicate of the state energy companies Wiener Stadtwerke Holding AG and EVN AG owns more than 25% of the share capital. More than 5% of the share capital is owned by TIWAG-Tiroler Wasserkraft AG. Less than 20% of the share capital is in free float.

4. There are no shares with special control rights.

5. VERBUND does not have any employee participation programmes.

6. In accordance with the rules of procedure for the Supervisory Board, the last nomination to the Executive Board must be prior to the nominee's 65th birthday. Pursuant to the Austrian Code of Corporate Governance, a Nomination Committee has been established within the Supervisory Board and makes arrangements for the appointment of Executive Board members on behalf of the Supervisory Board. The rules of the Code with respect to the appointment and dismissal of the members of the Executive Board and the Supervisory Board are complied with (see corporate governance report 2013). Apart from the above, there are no other regulations derived directly from law that relate to the members of the Executive Board and the Supervisory Board, or to the amendment of the Articles of Association.

7. **Authorised capital:** In the Extraordinary General Meeting held on 24 September 2010, the Executive Board was authorised under Section 169 of the Stock Corporation Act (Aktiengesetz, AktG) to increase the share capital with the approval of the Supervisory Board by 23 September 2015 by up to €154,100,000.00 by issuing up to 154,100,000.00 new bearer or registered ordinary shares (no-par shares) against a cash contribution – made in several instalments, if applicable. The issue amount, the

terms of issue and the further details of the implementation of the capital increase are to be determined with the approval of the Supervisory Board. The prerequisite is that the Republic of Austria subscribes for new shares within the scope of a capital increase from the authorised capital, and that the shareholding of the federal government in the Company thereby does not fall below 51% of the Company's share capital even after completion of such a capital increase from authorised capital.
Subsequently, the Executive Board resolved a capital increase with the Supervisory Board's approval on 24 November 2010 by issuing 39,215,686 no-par shares, whereby the share capital rose to €347,415,686.00. After this capital increase, the Executive Board is authorised to increase the share capital with the approval of the Supervisory Board by 23 September 2015 from the current nominal value of €347,415,686.00 by up to €114,884,314.00 through the issue of up to 114,884,314.00 new bearer or registered ordinary shares (no-par shares).

Share buyback: The 66th Annual General Meeting of VERBUND AG held on 17 April 2013 authorised the Executive Board under Section 65(1) Item 8 as well as Sections (1a) and (1b) of the Stock Corporation Act (AktG) to purchase no-par value bearer shares of the Company in the amount of up to 10% of the Company's share capital during a period of 30 months beginning on 17 April 2013, both in an exchange market and in over-the-counter trading, whereby the transaction value must not be more than 15% below or above the average quoted price of the last five trading days prior to purchase of the shares. The purchase may not be for the purpose of trading in the Company's own shares. The authorisation may be exercised in whole or in part by the Company, by a subsidiary, or by third parties on account of the Company.
The Executive Board is authorised for a period of 5 years from the adoption of the resolution under Section 65(1b) of the Stock Corporation Act (AktG), with the approval of the Supervisory Board, to decide upon a different type of sale of its own shares other than in an exchange market or through a public offering, also with exclusion of the right of repurchase (reverse preemptive right) of the shareholders, and to determine the terms of sale. Finally, the Executive Board is authorised, with the approval of the Supervisory Board, to reduce the share capital if necessary by redeeming these own shares without an additional resolution by the General Meeting.

Apart from the above, there are no authorisations of the Executive Board within the meaning of Section 243a (7) of the Austrian Commercial Code (UGB)

8. The Company is not involved in any significant agreements that contain provisions referring to the stipulations under Section 243a(8) of the Austrian Commercial Code (UGB). Furthermore, a public takeover bid is improbable under constitutional law.

9. There are no compensation agreements within the meaning of Section 243a(9) of the Austrian Commercial Code (UGB).

Events after the balance sheet date

There were no events requiring disclosure between the balance sheet date of 31 December 2013 and authorisation for issue on 18 February 2014.

Operating segments

Electricity

In 2013, 87% of the electricity generated by VERBUND came from climate-friendly hydropower. With this high share, we are a guarantee for clean energy in Austria and in Germany, our second most important sales market. Our generation portfolio is supplemented by wind power, photovoltaics and thermal plants for producing electricity and heat. VERBUND is active at every level of value creation: from generation and transmission to trading and sales of electricity.

Business performance in the Electricity segment

External revenue in the Electricity segment fell by 0.7% to €2,642.7m in 2013. The Electricity segment accounted for 83.1% of external sales in the Group. The operating result in this segment decreased by 44.5%, however, to €497.1m. The main reasons for this decline were impairment losses as a result of impairment tests, particularly with gas power plants.

Electricity supply

Continued strong expansion of market position in renewable electricity generation

On 24 April 2013, we completed the asset swap agreed upon at the end of 2012 with the German electricity supplier E.ON. VERBUND exchanged its 50% interest in the Turkish company Enerjisa Enerji A.S. for E.ON shares of 8 run-of-river power plants on the border sections of the Inn and Danube rivers between Germany and Austria. Through this transaction, the Company acquired additional proportional and average annual generation of 2,011 GWh. VERBUND had previously held direct or indirect interests in these binational plants, and also held electricity purchase rights. We now have full ownership of these power plants.

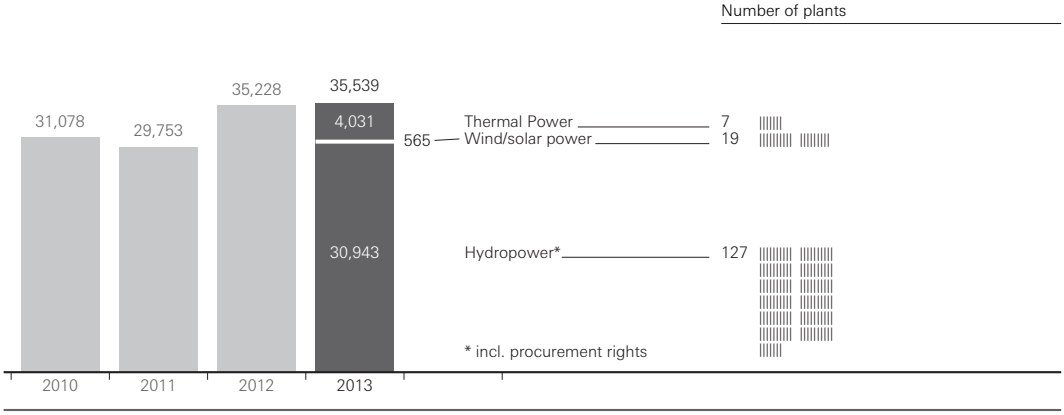
Technologically mature, economically promising: hydropower and wind power have the greatest potential among renewable energy sources.

Together with the plants that went online in 2013 – the Mur power plant in Kalsdorf/Styria and the Inn power plant in Gars/Bavaria – we now own 94 run-of-river power plants and 21 storage power plants. We also hold purchase rights to 12 run-of-river power plants owned by Ennskraftwerke AG. As at 31 December 2013, the maximum electrical capacity (maximum capacity for sustained operations) of electricity generation from hydropower was 7,745 MW. The mean energy capability – the generation potential in one year with average water supply (standard year) – was 28,778 GWh.

2013 saw the largest growth thus far in wind power at VERBUND. In Romania, the Casimcea II (102 MW) and Casimcea III (25 MW) wind farms went online. In Germany, the last plants of the newly acquired 86 MW wind power portfolio went into operation. We therefore have 17 wind farms in 4 countries, with a total capacity of 377 MW. 2 photovoltaic power plant complexes in Spain with 3 MW round off our renewable generation portfolio.

Thermal power plants in Austria and France complete VERBUND's electricity generation portfolio. With the 6 commercially operated thermal power plants (2,505 MW) and the decommissioned Korneuburg steam power plant (285 MW), we have a total capacity of 2,790 MW from thermal power.

Electricity generation GWh



Electricity generation

	Number	Maximum electrical capacity MW	Mean energy capability GWh	2010 GWh	2011 GWh	2012 GWh	**2013 GWh**
Hydropower[1]	127	7,745	28,778	26,708	24,216	30,485	30,943
Wind/solar power	19	380		112	127	242	565
Thermal power	7	2,790		4,258	5,410	4,500	4,031
Total	153	10,915	28,778	31,078	29,753	35,228	**35,539**

[1] incl. purchase rights

Expansion in electricity generation

At 35,539 GWh, VERBUND's own power generation in 2013 was 0.9% higher than in the previous year. A total of 30,943 GWh or 87% of the electricity originated from hydropower plants. This is 1.5% more than in 2012. Generation by run-of-river, pondage and daily storage power plants alone increased by 2.6%. The hydro coefficient, the measure of generation for run-of-river and pondage power plants, was 1.07. This is 7% above the long-term average, but 4% below the previous year's level. Generation nevertheless increased due to the interests in German power plants purchased in 2013. Despite the increased use of pumping and a higher water level, the annual storage power plants produced 4.5% less electricity in 2013. Lower natural water inflows were the determining factor for this decline.

Other renewables (wind and solar power) contributed 565 GWh to electricity. Generation from thermal power plants was reduced by an additional 10.4% in 2013. Market conditions have continued to deteriorate for gas power plants in particular.

In addition to own generation, VERBUND purchases electricity from external suppliers. In 2013, VERBUND increased this electricity volume by 23.6%. This was largely due to the following factors: the marketing of generation from the newly purchased hydropower plants in Germany until April 2013 (owned since 24 April 2013) and buybacks of hedges on generation due to unprofitable conditions for thermal power plants and, in particular, the lower water supply in some cases in quarter 3/2013.

Electricity supply – Electricity segment GWh

	2012	**2013**	Change
Hydropower[1]	30,485	30,943	1.5%
Wind/solar power	242	565	133.4%
Thermal power	4,500	4,031	– 10.4%
Own generation	35,228	**35,539**	0.9%
Electricity purchased from third parties	12,029	14,874	23.6%
Intragroup	282	219	– 22.4%
Electricity supply	47,539	**50,632**	6.5%

[1] incl. purchase rights

Electricity sales

In 2013, VERBUND sold 50,632 GWh of electricity (including own use), an increase of 6.5% over the previous year. Supply volumes to resellers increased by 5.2%, primarily due to higher sales to German municipal utilities. Electricity deliveries to trading firms were 7.0% higher than in the previous year. This was due to increased sales through electricity exchanges based upon the marketing of German hydropower. Customers purchased 5.5% more electricity than in the previous year. This was a positive effect from the acquisition of new customers in the Austrian and German markets.

Electricity sales volume and own use – Electricity segment GWh

	2012	**2013**	Change
Consumers	9,568	10,093	5.5%
Resellers	18,378	19,342	5.2%
Traders	17,228	18,441	7.0%
Intragroup	677	896	32.2%
Electricity sales volume	45,851	**48,772**	6.4%
Own use	1,688	1,861	10.2%
Electricity sales volume and own use	47,539	**50,632**	6.5%

In the domestic market of Austria, VERBUND sold 25,077 GWh of electricity (including own use), an increase of 2.9% over 2012. Domestically supplied electricity accounted for 50% of total sales (including own use). The export markets were supplied with 25,555 GWh, or 10.3% more electricity. Germany, by far our most important international market, accounted for 88% of the volume sold abroad. Here we were able to acquire additional customers, above all with our premium brand $H_2Ö$ – high-quality electricity from renewable sources produced by TÜV SÜD certified VERBUND hydropower plants – and to expand our market position as a leading supplier of green electricity.

Sales to consumers

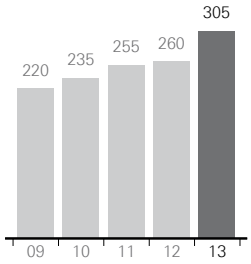
Further expansion of customer base

Since entering the retail market (household/agriculture and commercial segment), VERBUND has become one of the most cost-effective providers in the domestic market, despite supplying premium electricity from Austrian hydropower. The liberalisation of the consumer market would not have been as successful had VERBUND not been involved: VERBUND is responsible for approximately 60% of all consumers in Austria who have switched electricity suppliers since 2005.

Customer numbers continued to grow in 2013: at the end of the year, 305,000 customers in the household/agriculture and commercial segment were already purchasing VERBUND electricity from 100% Austrian hydropower. We now have a market share of 6.6% in the household customer segment. The product selection for customers was simplified by focusing on 2 clearly distinguishable $H_2Ö$ products.

As the first electricity company in Austria, we reduced the energy prices of $H_2Ö$ products on 1 September 2013 due to lower purchase costs. An average private household with approximately 3,500 kWh electricity consumption per year can therefore save around 10%. The price reduction is based upon the pure energy price, not including grid costs, taxes, and charges. Concurrently, we began a multimedia, Austria-wide advertising campaign with the popular comedy duo of Stermann & Grissemann. They promote electricity generated from hydropower and show how easy it is to change the electricity supplier.

Consumers k



Household/agriculture and commercial

Competition in the domestic consumer market is stronger than ever. This is a challenge, but also an opportunity for innovation.

During the reporting year, we made gains not only in acquiring new customers, but also as a service-oriented company. In March 2013, the Association for Consumer Information (VKI) once again chose VERBUND as the clear winner for quality of service among all electricity suppliers.

Also worth mentioning is VERBUND's social commitment during the disastrous flooding in Austria in June 2013. To support affected residents, we offered 2 months of free electricity (energy price exclusive of basic price – not including grid costs, taxes, charges) to existing customers.

VERBUND has also positioned itself as an innovative and service-oriented supplier for business and industrial customers in Austria and Germany. Staying close to our customers offers enormous opportunities for expanding our range of products. Here we benefit from our position as the market leader in Austria. Customers want to have an expert whom they can contact for all of their questions about energy. We can take advantage of our long-standing partnerships and offer customers innovative solutions to improve their energy efficiency.

Energy-related services become a mainstay of business

We continued to expand our offering of energy-related services in financial year 2013. These supplement our electricity-related product offerings and will be expanded to become a mainstay of our business in future. When developing new products, we are placing equal focus on business and industrial customers as well as household customers.

In mid-2013, we introduced VERBUND ECO-NET – an innovative method for increasing energy efficiency. Several companies have joined forces in order to learn from one another and save energy together. Supported by experienced practitioners, they are exploiting synergies, creating a shared knowledge base, decreasing energy consumption and costs, and reducing CO_2 emissions.

With the VERBUND Power Pool, we are the first supplier in Austria to act as a virtual power plant operator. In this system, the load potentials and flexibilities of plants are bundled and jointly sold in the balancing energy market. Companies from a wide variety of industries can participate in the VERBUND Power Pool. Through their participation, these companies can reduce their energy costs and generate additional savings.

Household customers are playing an increasingly important role in the energy system. They are evolving from pure consumers into sustainability-oriented, energy-efficient market participants. In the process, they are increasing the importance of self-generated electricity. We have been supporting our customers for many years with offerings of photovoltaic systems. The VERBUND Eco Solar package, which bundles photovoltaic systems with attractive electricity rates, was expanded in 2013 through the addition of a battery storage unit (Eco Solar Plus). This can significantly increase the proportion of self-used electricity. Both packages have won over many customers. VERBUND Eco Kombi, which becomes available in the market from 2014, provides an expanded solution with a heat pump.

The short-term markets are offering additional opportunities – above all for the marketing of our flexible power plant generation.

Electricity trading

The focus of our electricity trading is to achieve the best possible marketing of the Group's own generation (asset-based trading) and to optimise electricity purchasing for sales. We also engage in proprietary trading, subject to strict risk guidelines. Through its electricity trading, VERBUND has created a strong presence in the most important OTC markets and in the exchange markets in Europe. This is also a decisive competitive advantage for our core business of electricity generation. The know-how we have acquired strengthens our position in the electricity market and enables us to respond directly to changes in the market.

As European electricity markets continue their integration and the proportion of renewable electricity generation rises, the significance of electricity trading is constantly growing. The energy market is changing ever more dramatically and is becoming more dynamic. As a result, short-term marketing and optimal management of power plant capacities are becoming increasingly important. The spot market and particularly short-term intraday trading as well as the balancing energy market are becoming more significant. VERBUND recognised this trend at an early stage, optimised the marketing of its own generation, and had already increased its intraday trading staff at the beginning of 2012.

In the area of electricity trading, we offer a comprehensive range of products and services, which are continuously adapted to meet changing market requirements. These include market access through flexible marketing and hedging offers, forecasting services and processing of transactions. One particularly

important area involves innovative products designed to meet individual customer requirements, such as optional products, virtual power plants and the direct marketing of renewable energy.

The portfolio also includes trading in emission rights and guarantees of origin for electricity. In this way, we are taking account of increased awareness of energy production types and energy sources. This is also in line with the trend towards renewable energy and sustainable generation technologies. VERBUND is already one of Europe's leading suppliers of green electricity.

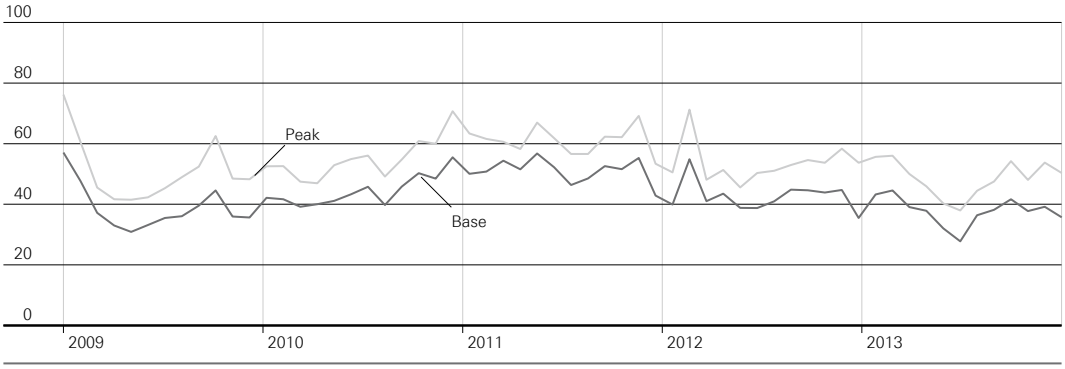
Electricity prices

In order to reduce short-term selling and price risks, VERBUND sells most of its generated electricity in the futures market. The price trend in this market in 2013 had only a minor influence on revenue during the year under review. It primarily affects the results of subsequent periods.

Further decline in wholesale electricity prices

In the wholesale market for electricity, prices for immediate deliveries (spot market) continued to decline in 2013. The primary reasons for this were price deterioration in the hard coal market and in emission rights, as well as the increasing supply of subsidised electricity from wind and solar power. Weak economic conditions also had a negative effect on electricity prices. In the spot market at the Paris electricity exchange EPEX Spot, the prices for base-load electricity for the German/Austrian market were €37.8/MWh on average for 2013, approximately 11.3% below those of the previous year. The peak-load prices were €48.7/MWh, 8.9% lower than the average prices of 2012.

Spot market electricity price performance in €/MWh

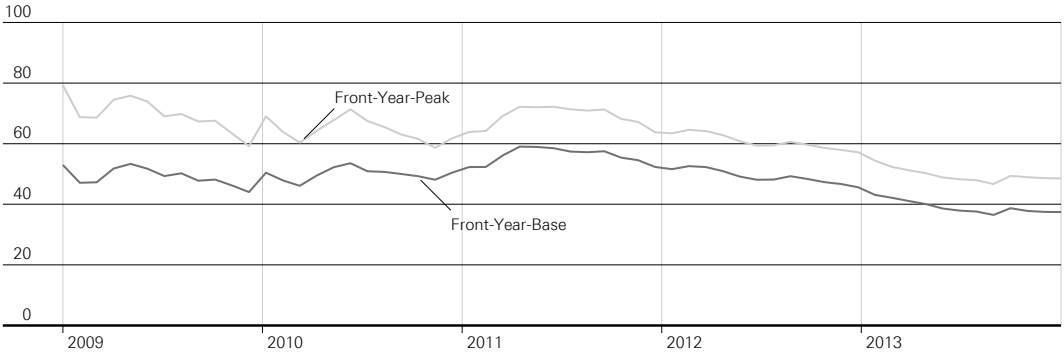


Market region Germany/Austria; monthly average prices

Source: EPEX Spot

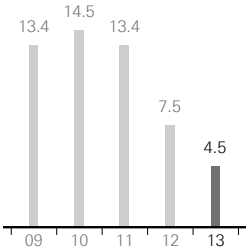
In the futures market at the Leipzig electricity exchange EEX in 2013, base-load was traded at an average price of €39.1/MWh for 2014 (front year base) for the Germany/Austria market region, and peak-load (front year peak) was traded at €49.7/MWh. In 2012, front year base contracts paid €49.3/MWh on average and front year peak contracts paid €60.9/MWh. The lowered expectations for the economy, lower prices for coal and CO_2 emission rights, excess capacities in the European electricity market, and the expectation of higher supply volumes from renewable energy due to the construction of new plants exerted enormous pressure on the futures market.

Futures market electricity price performance €/MWh



Market region Germany/Austria; the axis refers to the period of trading, delivery in the following year; monthly average prices *Source: EEX*

CO_2-emission rights prices €/tCO_2



Average yearly prices; futures market *Source: EUA*

Prices for CO_2 emission rights significantly below prior-year level

Because of the oversupply of emission rights in the CO_2 market, prices in European trading of 2013 emission rights recently experienced a significant decline. CO_2 emission rights (EUA - European Union Allowance) with delivery in December 2013 (EUA-13) were traded at an average of €4.5 per tonne CO_2. This is 40.0% less than was paid in the previous year for 2012 emission rights. The uncertainty regarding backloading – the temporary withdrawal of CO_2 emission rights from emission trading – led to a renewed fall in prices. CO_2 prices stabilised at a low level only after a commitment to this measure had been given in November 2013 – on 8 November 2013, a majority of the Committee of Permanent Representatives of the EU Member States approved the assumption of trialogue negotiations with the European Parliament following a long period in which the Council of Ministers was unable to agree on a position.

Certified emission reductions (CERs, credits from emission-reducing measures in developing countries and emerging markets) still cost on average only €0.4/t (2012: €0.3/t). CER-13 emission rights can be used only to a limited extent in EU emission trading, and thus demand was low.

Expansion in electricity generation

Hydropower will always be our DNA

VERBUND's strategy is to increase electricity generation from renewable energy. In doing so, we will continue to focus primarily on hydropower. We were able to continue and complete important projects in 2013.

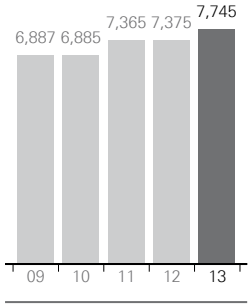
Installation work was in full swing at the construction site for the Reisseck II pumped storage power plant in Carinthia. All major components were installed in the power plant's caverns according to schedule during the year under review. Following the scheduled commissioning in 2014, the new power plant will increase the turbine capacity of the Malta/Reisseck power plant group by 430 MW to 1,459 MW.

We also focused on increasing efficiency for existing power plants. The revitalisation of the Pernegg power plant on the Mur River in Styria was completed after a multiyear renovation phase, with the third and last new generator set going online in spring 2013. The Mayrhofen and Rosshag power plants in Zillertal/Tyrol are also being updated to the latest technology as part of a four-year renovation programme that has been ongoing since May 2011. In addition, Austria's oldest Danube power plant at Ybbs-Persenbeug has been undergoing modernisation since October 2012. One generator set is being renewed every year until 2020. This will increase mean energy capability by approximately 60 GWh.

The Kalsdorf power plant on the Mur River in Styria – a cooperation project between VERBUND and SSG (50% each) – with annual generation of 81.2 GWh went online in 2013.

Following an international agreement, the notices of approval in Austria and Switzerland came into effect as of 1 July 2013 for the cross-border joint power plant on the Inn River with annual generation of more than 440 GWh of electricity. VERBUND (50%), TIWAG-Tiroler Wasserkraft AG (36%), and Engadiner Kraftwerke AG (14%) are involved in this project.

Hydro capacities MW



incl. purchase rights

Hydropower will always be our DNA. Being a leading hydropower company in Europe is both an opportunity and a responsibility.

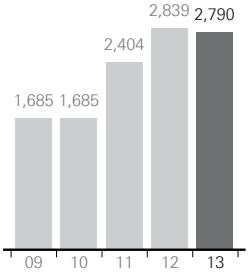
In Albania, the Ashta I and II hydropower plants on the Drin River have been in full operation since quarter 1/2013. The two barrages with a total capacity of 53 MW and 242 GWh mean energy capability were constructed under the direction of VERBUND. The Albanian issuer of the concession confirmed completion by issuing the "final completion certificate" at the beginning of July 2013.

As part of the value-enhancing expansion of hydropower, VERBUND is evaluating a series of additional projects for run-of-river and (pumped) storage power plants in Austria and Germany. These countries will also invest around €200m in the coming years to implement the requirements of the European Water Framework Directive regarding the construction of fishways to ensure passable rivers, as well as ecological structuring (for example, with the LIFE+ Danube and Traisen grid projects).

Damage from flooding in 2013

In early June 2013, water rose to extreme levels on the Danube and Inn rivers, and on many of their tributaries. The extent of the flooding and its consequences, particularly in the section of the Danube upstream of the mouth of the Enns River, significantly exceeded the great flood of 2002. Floodwaters were discharged to the VERBUND power plants on the Salzach, Inn, and Donau rivers in accordance with government regulations. In extreme events, discharge via the sluices of the Danube power plants is also necessary. As a result, there were severe washouts in the lower approaches to the sluices at some of the plants. Additional flood damage affected the overflow sections in the Eferding basin and in Machland. There was no relevant damage to dams, however.

Thermal capacities MW



Difficult market environment for gas power plants

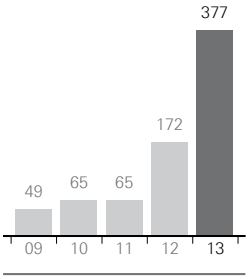
Securing the electricity supply during the energy transition will require thermal power plants that can ensure reliable availability and flexible operation. Combined cycle gas turbine power plants are particularly well suited for this purpose and also offer low-carbon technology. These plants provide an optimal balance for weather-related fluctuations from the new renewables. Moreover, they are efficient, flexible, and allow energy to be captured for district heating.

The Mellach/Styria CCGT, Austria's most modern and powerful thermal power plant, went into operation in May 2012. It can contribute to the required flexibility of the power plant portfolio. Operating this highly efficient and climate-friendly gas power plant is unprofitable, however, due to the subsidised expansion of renewable energy, low electricity wholesale prices and long-term gas supply agreements linked to volume and the price of oil. In May 2013, VERBUND therefore filed an application for redress for competition law infringements by EconGas with the Austrian Cartel Court. Because the acceptance and payment of natural gas were halted simultaneously, EconGas initiated an arbitration proceeding for payment and for a declaratory judgement to uphold the gas supply agreement. Both proceedings are currently under way.

The situation of the French Toul and Pont-sur-Sambre CCGTs remains difficult. They were classified as "held for sale" with effect from 31 December 2013.

We continue to work on the restructuring of our gas portfolio. In doing so, we are evaluating all the options, including the sale, decommissioning, and closure of individual power plant locations.

Wind capacities MW



Rapid expansion of wind power

We are accelerating the expansion of wind power in productive locations as a primary supplement to hydropower. Construction of the Hollern II and Petronell-Carnuntum II wind farms in Lower Austria, with a total capacity of 36 MW, is already well under way. The start of construction for another wind farm (21 MW) is scheduled for quarter 1/2014. When these plants are completed, our wind power capacity in Austria will be more than doubled. In the final stage, the VERBUND wind turbines in this region will supply clean wind-generated electricity for approximately 70,000 households.

The 5 German wind farms with 86 MW capacity in the the German state of Rhineland-Palatinate have been in full operation since the end of 2013.

The second section of the Romanian Casimcea wind farm was also completed. VERBUND therefore now has 226 MW of capacity from wind power in Romania.

Wind power is also important to VERBUND. We are exploiting the opportunities which wind and hydropower offer as clean and renewable energy sources.

Grid

Our 3,500 km transmission grid forms the backbone of Austria's electricity supply. According to the Green Electricity Act (Ökostromgesetz, ÖSG), an additional capacity of approximately 2,000 MW from wind power should be brought online by 2020. Projects such as the 380 kV Salzburg line and the 380 kV connection with Germany are a basic prerequisite for achieving this goal. A rapid expansion of infrastructure, and optimisation measures in particular, will be decisive factors in the success of the energy transition.

For further information on the transmission grid, visit: www.apg.at

Expansion of the transmission grid enables the growth of renewable energy in Europe. This increases the chances of a successful energy transition.

Business performance in the Grid segment and grid loss energy

In 2013, external revenue in the Grid segment grew by 8.6% to €523.2m. The provisions recognised in 2012 for a possible rescission of the 2012 System Charges Order (SNT-VO 2012) were adjusted and largely reversed. There is no need for additional provisions, given the past confirmational Austrian Constitutional Court recognition of the grid loss fee, grid usage fee for pumped storage power plants, and the confirmation of the system service fee based upon SNE-VO 2013. Because of the reversal of the provisions, the significant decline in international revenue as well as the impairment loss of property, plant and equipment were overcompensated, which increased the EBIT in the Grid segment to €84.4m.

Electricity supply – Grid segment GWh

	2012	**2013**	Change
Electricity purchased for grid loss and balancing energy volumes	3,142	3,175	1.1%
Intragroup	677	896	32.2%
Electricity supply	3,819	**4,071**	6.6%

Electricity sales volume and own use – Grid segment GWh

	2012	**2013**	Change
Resellers	2,128	2,259	6.1%
Traders	182	142	– 22.1%
Intragroup	282	219	– 22.4%
Electricity sales volume	2,592	**2,619**	1.1%
Own use	768	824	7.3%
Balancing energy volumes	459	627	36.7%
Electricity sales and own use	3,819	**4,071**	6.6%

2013 tariff review and new system charges for 2014

2 particularly important points were reached in the 2013 tariff review:

- a generally fixed return on capital of 6.42% before taxes until 2017 and
- discounting of the costs of capital for investments in the approved Network Development Plan, similar to the procedure used in previous years

The 2014 System Charges Order (SNE-VO 2014) was published on 20 December 2013. The tariff basis for the gross and net tariffs is declining by 15% to €124.4m, due to the cost-reducing consideration of international revenue and other factors. The total tariff-setting basis (including grid level 3, loss fees, and system services) is decreasing by 8.5% to €263.0m. Fees for pumped storage remain unchanged. Grid usage fees similar to those for pumped storage will be charged beginning in 2014 for use of energy from the grid for purposes of negative balancing energy. Because of higher generation volumes, the system service fees and grid loss fees decreased by 9–10%.

Investments in the Grid segment still at a high level

In 2013, a total of €106.9m was invested in intangible assets and plant, property and equipment. Of this total, €21.0m was allocated for the changeover of the Danube line to 380 kV operation. Additional large investments in grid expansion included the installation of the third and fourth systems of the 380 kV Dürnrohr-Sarasdorf line in Lower Austria (€13.4m) as well as the construction of an additional transformer at the Zell substation in Ziller/Tyrol (€11.9m). Operating investments (investments in existing facilities) included €6.9m in the renovation of secondary facilities, €4.8m in the conversion of the Bisamberg substation in Lower Austria, and €2.7m in the renovation of own use facilities and UPS facilities.

Security of supply

Secure supply without interruptions

No interruptions of service were recorded in 2013 and thus the statutory duty of secure grid operation was fulfilled without restrictions, despite critical grid situations and incidents. To achieve this level of security, a number of measures were undertaken for grid expansion, coordinated grid operation, training and continuing education of employees, and research and innovation. In the course of converting the Danube line to 380 kV operation, grid security first required ordering the provision of a thermal power plant (redispatch option) for a grid conversion project.

In May 2013, a major fire broke out in the St. Peter substation in Upper Austria due to a production error during the commissioning of a new 380/220 kV transformer. Despite the delays caused by this fire, grid security was ensured through extensive technical grid measures and the rapid construction of a temporary solution. As a result, the acceptance procedure for the 380 kV Danube line under the laws governing right-of-way for high-voltage lines was successfully completed on 25 September 2013.

In June 2013, the 380 kV line from Tauern/Salzburg to Lienz/East Tyrol was shut down due to a mudslide. Electricity supply was ensured through special switching operations and interventions in the power plant operation, primarily through the rapid setup of a single-system 380 kV temporary line solution. The line was successfully recommissioned in October 2013.

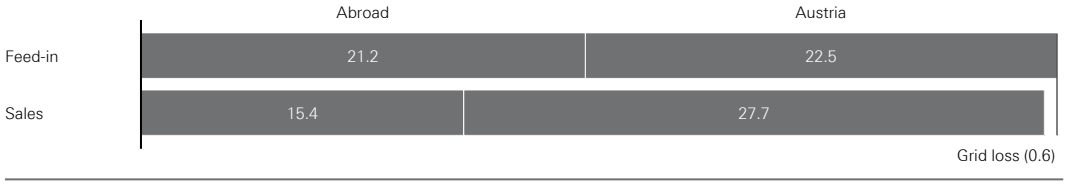
In the second half of 2013, extensive and cost-intensive measures on power plants had to be undertaken (re-dispatch) in order to counteract the impermissibly high loads on the 380 kV Slavetice/CZ – Dürnrohr line. This overload was caused by high green electricity exports from Germany, high electricity imports into Austria due to lower thermal and hydraulic generation, and necessary plant shutdowns in the Czech grid.

Implementation of the extensive grid expansions, maintenance activities and inspections were particularly challenging. These activities had to be performed during ongoing operation. Thanks to far-sighted operational shutdown planning and various temporary solutions for lines, APG was able to complete the necessary work in 2013 without any interruptions to supply.

2.4% more electricity transmitted

Based upon the reported transmission schedules, the APG control area imported 44,606 GWh and exported 34,454 GWh in 2013. On balance, this results in an import surplus of 10,152 GWh. Consumption in this control area is approximately 60,000 GWh (sales to the public grid, including pump usage and grid loss). The transportation volume at grid level 1 (220/380 kV grid) increased by 2.4% over the previous year.

Electricity transmission TWh



APG is part of European grid security

International cooperation with other transmission system operators makes an important contribution to maintaining the security of supply. This includes, among other noteworthy efforts, the close cooperation between the 12 transmission system operators (TSO) who currently make up the TSC (TSO Security Cooperation) initiative. The Danish transmission system operator also joined this initiative in 2013.

Through the implementation of the international system operator collaboration and its further development, including the creation of a TSC Joint Office (in Munich), extensive measures are being taken at the European level. The goal is to enable the further expansion of renewable energy and to provide the highest possible grid capacity to the electricity market.

Grid loads continue to increase. Well-coordinated international cooperation provides the opportunity to protect against supply bottlenecks.

Line construction projects

For project information on the 380 kV Salzburg line, visit: www.apg.at

For the expansion of the grid, both the Master Plan Grid and the Network Development Plan (NDP) were prepared. These plans analyse the urgently required projects based upon extensive energy management development scenarios.

The 2030 Master Plan published in 2013 is the basis for strategic long-term planning for the grid. Building upon future energy management development scenarios, it defines the necessary expansion steps for the 2030 target grid.

The Network Development Plan is a statutory obligation (pursuant to Section 37 of the Austrian Electricity Industry and Organisation Act (2010) (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG 2010)). It is based upon long-term strategic planning in the 2030 Master Plan, detailed grid analyses, and the requested grid connection and/or grid networking projects. The NDP keeps all market participants informed as to which important long-term transmission infrastructures in the grid need to be expanded. It contains a list of already completed investments as well as projects that must be implemented within the next 3 years. It also includes additional grid expansion planning for the next 10 years.

The 380 kV Salzburg line is critically important for supporting the regional distribution networks in Salzburg and Upper Austria. It is an important section of the Austrian 380 kV safety ring and is the prerequisite for the further expansion of electricity generation from renewable energy in Austria. The project is subsidised from European Union funds as a TEN-E Project (Trans-European Energy Grids). The European significance was reinforced by the project's inclusion in the list of European PCIs (Projects of Common Interest).

By the end of 2013, the environmental impact reports had been prepared by the experts responsible for government liaison and statements had been drafted in response to all objections. The EIA report was published by edict on 8 January 2014. The oral EIA negotiations will take place from 2–5 June 2014. Given the expected procedural process, the beginning of construction is expected no earlier than the end of 2015. Commissioning is therefore scheduled for 2019.

The completion of the 380 kV ring is an essential contribution to a secure electricity supply in the future and an opportunity for more renewable energy.

Projects of Common Interest (PCI)

The enormous need for investments in energy infrastructure was one of the reasons for the submission of an EU regulation for guidelines on the trans-European energy infrastructure (TEN-E Guidelines). These guidelines form the strategic framework for the long-term ideas of the EU in the area of energy infrastructure and introduce the concept of "Projects of Common Interest". In October 2013, the European Commission published a list of 250 projects (approximately 140 projects in the area of electricity transmission and storage), which they defined as "Projects of Common European Interest". A total of 7 master plan projects were prioritised by the EU Commission as "Projects of Common Interest".

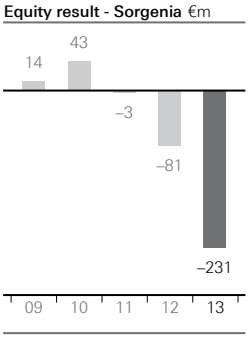
Equity interests

Energy market conditions for Europe's energy utilities have fundamentally changed in recent years. As a result, we have focused our strategy and restructured our investment portfolio. There are currently plans to sell the equity interest in Italy. Further restructuring of the domestic equity interest portfolio is also planned.

VERBUND has fine-tuned its market strategy: by selling non-strategic equity interests, we are increasing the opportunities for our future areas of focus.

Foreign equity interests

Italy



equity method

In 2013, the contribution from Sorgenia S.p.A. (Group) to the result from interests accounted for using the equity method was €–230.7m (2012: €–81.2m). An impairment loss was also recorded for the equity interest. The impairment test resulted in a negative measurement of the fair value less costs to sell. This resulted in a €396.0m write-down of the equity interest. As at 31 December 2013, the carrying amount of Sorgenia S.p.A. (Group) was zero.

The difficult market climate in 2013 had a particularly detrimental effect on the profitability of the combined cycle gas turbine power plants in the day-ahead market. The recognised impairment loss of Tirreno Power and Sorgenia Green, as well as impairment losses in customer receivables further reduced the result. Growth in the consumer business remained below expectations. Because of the tense macroeconomic situation and the significant deterioration in Sorgenia's financial position, further measures for financial stabilisation and reduction of net debt are planned for 2014. The goal is to secure liquidity and reduce debt as well to continue to focus on our core business. We are currently evaluating further restructuring options with regard to Sorgenia Green and the consumer business.

The Italian equity interest was classified as "held for sale" as at 31 December 2013 (see Notes for details).

Turkey

The closing for the sale of the 50% interest in the Turkish Enerjisa Enerji A.S. to the German firm of E.ON took place on 24 April 2013. This transaction involved VERBUND selling its interest in Enerjisa Enerji A.S. to E.ON and acquiring E.ON shares in 8 run-of-river power plants in Germany in return (see Notes for details). The effects from business acquisitions in the amount of €+1,243.8m resulted from this asset swap.

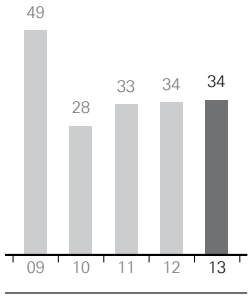
Domestic equity interests

KELAG-Kärntner Elektrizitäts-Aktiengesellschaft

KELAG increased its contribution to the result from interests accounted for using the equity method from €33.5m in the previous year to €34.0m. The dividend attributable to VERBUND was €14.1m. KELAG expanded its activities in 2013, especially in electricity and natural gas trading in Austria and abroad.

KELAG provides electricity, gas and heat to customers throughout Austria. It also operates internationally in the field of hydropower and wind power. As at 31 December 2013, VERBUND held a 35.17% interest in KELAG.

Equity result - KELAG €m



equity method

Vienna, 18 February 2014
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

Consolidated financial statements

Income statement

of VERBUND

€k

In accordance with IFRSs	Notes	2012[1]	2013
Revenue		3,159,919	**3,181,583**
Electricity revenue	1	2,759,550	2,632,710
Grid revenue	2	343,757	385,240
Other revenue	3	56,612	163,633
Other operating income	4	79,840	238,575
Expenses for electricity, grid, gas and certificates purchases	5	–1,260,625	–1,326,114
Fuel expenses and other usage-dependent expenses	6	–160,448	–121,866
Personnel expenses	7	–318,956	–357,635
Amortisation of intangible assets and depreciation of property, plant and equipment	8	–275,330	–346,337
Other operating expenses	9	–268,712	–303,686
Operating result before effects from impairment tests		955,687	964,520
Effects from impairment tests	10	–55,755	–466,073
Operating result		899,932	**498,447**
Result from interests accounted for using the equity method	11	–56,891	–215,490
Other result from equity interests	12	8,459	4,189
Interest income	13	37,337	32,589
Interest expenses	14	–183,340	–187,763
Other financial result	15	20,102	22,856
Financial result before effects from impairment testing and business acquisitions		–174,333	–343,620
Effects from impairment tests	16	–28,244	–463,262
Effects from business acquisitions	17	–37,085	1,184,372
Financial result		–239,662	**377,491**
Profit before tax		660,270	**875,937**
Taxes on income	18	–161,453	121,042
Profit of continued operations after tax		498,816	**996,979**
Result after tax of discontinued operations[2]	19	219	**–351,390**
Profit for the period		499,036	**645,589**
Attributable to shareholders of VERBUND AG (Group result)		389,326	579,939
Attributable to non-controlling interests		109,710	65,650
Earnings per share in €[3]	20	1.12	**1.67**

[1] The comparative figures were adjusted retrospectively in accordance with IFRS 5. // [2] The results after tax from discontinued operations correspond to net income after tax attributable to the French Pont-sur-Sambre and Toul combined cycle gas turbine power plants held for sale. // [3] Diluted earnings per share correspond to basic earnings per share.

Statement of comprehensive income

of VERBUND

€k

In accordance with IFRSs	Notes	2012	2013
Profit for the period		499,036	**645,589**
Remeasurements of the net defined benefit liability	39	–42,550	–42,187
Other comprehensive income from interests accounted for using the equity method		–5,907	–807
Total of items that will not be reclassified subsequently to the income statement		–48,456	**–42,994**
Differences from currency translation	21	33,895	126,918
Measurements of available-for-sale financial instruments	21	11,180	–5,088
Measurements of cash flow hedges	21	–39,787	–45,822
Other comprehensive income from interests accounted for using the equity method	21	–30,087	47,170
Total of items that will be reclassified subsequently to the income statement		–24,799	**123,179**
Other comprehensive income before tax		–73,255	**80,184**
Taxes on income	22	18,636	23,885
Other comprehensive income after tax		–54,620	**104,069**
Total comprehensive income for the period		444,416	**749,658**
Attributable to shareholders of VERBUND AG (Group result)		338,823	687,791
Attributable to non-controlling interests		105,593	61,867

Balance sheet

of VERBUND

In accordance with IFRSs	Notes	31/12/2012	31/12/2013
			€k
Non-current assets		9,781,921	**11,044,728**
Intangible assets	23	662,130	798,930
Property, plant and equipment	24	7,385,833	9,398,608
Interests accounted for using the equity method	25	908,786	264,125
Other equity interests	26, 38	134,567	87,127
Investments and other receivables	27, 29, 38	690,605	495,937
Current assets		1,273,647	**1,626,420**
Inventories	28	129,197	84,799
Trade receivables and other receivables	29, 38	1,022,780	1,458,336
Cash and cash equivalents	30, 38	121,670	83,285
Non-current assets held for sale	31	1,331,759	**137,481**
Total assets		12,387,327	**12,808,628**

In accordance with IFRSs		31/12/2012	31/12/2013
			€k
Equity		5,099,394	**5,546,540**
Attributable to shareholders of VERBUND AG	32 – 35	4,458,405	4,940,918
Attributable to non-controlling interests	36	640,989	605,622
Non-current liabilities		6,046,254	**5,750,246**
Financial liabilities	37, 38	3,935,301	3,359,528
Provisions	39	654,024	705,233
Deferred tax liabilities	40	200,830	613,721
Contributions to building costs and grants	41	649,584	685,124
Deferred income – cross-border leasing	42	53,598	52,003
Other liabilities	38, 43	552,917	334,637
Current liabilities		1,241,679	**1,511,843**
Financial liabilities	37, 38	385,763	654,240
Provisions	39	189,198	287,505
Current tax liabilities	44	37,240	36,150
Trade payables and other liabilities	38, 45	629,479	533,948
Total liabilities		12,387,327	**12,808,628**

Statement of changes in equity

of VERBUND

In accordance with IFRSs	Share capital	Capital reserves	Retained earnings	Remeasurements of net defined benefit liability
Notes	32	33	34	39
As at 1/1/2012	347,416	954,327	3,299,235	–97,728
Change in the group of consolidated companies	–	–	107	–
Shift between shareholder groups	–	–	–4,183	–
Total comprehensive income for the period	–	–	389,326	–32,758
Dividend	–	–	–191,079	–
As at 31/12/2012	347,416	954,327	3,493,407	–130,486
As at 1/1/2013	347,416	954,327	3,493,407	–130,486
Shift between shareholder groups	–	–	241	–
Total comprehensive income for the period	–	–	579,939	–27,789
Dividend	–	–	–208,529	–
Other changes in equity	–	–	1,391	–
As at 31/12/2013	347,416	954,327	3,866,449	–158,275

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	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
	35	26, 27	21			36	
	–165,032	–1,988	–28,528	7,033	4,314,736	604,352	4,919,088
	–	–	–	–	107	–	107
	–	–	–	–	–4,183	–651	–4,833
	36,083	8,742	–62,598	28	338,823	105,593	444,416
	–	–	–	–	–191,079	–68,306	–259,384
	–128,948	6,754	–91,126	7,061	4,458,405	640,989	5,099,394
	–128,948	**6,754**	**–91,126**	**7,061**	**4,458,405**	**640,989**	**5,099,394**
	–	–	–	–	241	–241	0
	125,461	–3,603	12,856	927	687,791	61,867	749,658
	–	–	–	–	–208,529	–96,994	–305,523
	–	–	–	1,620	3,011	0	3,011
	–3,487	**3,151**	**–78,270**	**9,608**	**4,940,918**	**605,622**	**5,546,540**

Cash flow statement

of VERBUND

€k

In accordance with IFRSs	Notes	2012	2013
Profit for the period		499,036	645,589
Amortisation of intangible assets and depreciation of property, plant and equipment (net of reversals of impairment losses)		335,221	1,149,313
Impairment losses on investments (net of reversals of impairment losses)		4,463	76,733
Result from interests accounted for using the equity method (net of dividends received)		108,177	628,398
Result from the disposal of non-current assets		–12,741	–7,686
Change in non-current provisions and deferred tax liabilities		–48,038	–275,990
Change in contributions to building costs and grants		75,318	33,389
Income from the reversal of deferred income from cross-border leasing transactions		–1,595	–1,595
Other non-cash expenses and income		12,658	–1,463,350
Subtotal		972,499	**784,800**
Change in inventories		–22,083	44,792
Change in trade receivables and other receivables		–203,752	–28,655
Change in trade payables and other liabilities		222,882	–44,168
Change in current provisions and current tax liabilities		65,163	80,648
Cash flow from operating activities	46	1,034,709	**837,418**

€k

In accordance with IFRSs	Notes	2012	**2013**
Cash outflow from capital expenditure for intangible assets and property, plant and equipment		–659,997	–560,094
Cash inflow from the disposal of intangible assets and property, plant and equipment		28,742	18,013
Cash outflow from capital expenditure for investments		–32,706	–634,298
Cash inflow from the disposal of investments		420,644	132,600
Cash inflow (previous year: outflow) from capital expenditure for subsidiaries	47	–33,440	382,021
Cash outflow from capital expenditure for interests accounted for using the equity method		–328,063	–137,500
Cash inflow from the disposal of interests accounted for using the equity method	48	53,540	313,600
Cash inflow (previous year: outflow) from the disposal of (capital expenditure for) current investments		–210,820	65,447
Cash flow from investing activities		–762,100	**–420,211**
Cash outflow from shifts beween shareholder groups		–4,200	0
Cash outflow (previous year: inflow) from money market transactions		60,486	–60,547
Cash inflow from the assumption of financial liabilities (excluding money market transactions)		53,000	228,560
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		–334,083	–318,081
Dividends paid		–259,385	–305,523
Cash flow from financing activities	49	–484,182	**–455,592**
Change in cash and cash equivalents		–211,573	**–38,385**
Cash and cash equivalents as at 1/1		333,243	**121,670**
Cash and cash equivalents as at 31/12		121,670	**83,285**

Notes

of VERBUND

VERBUND AG with its registered office at Am Hof 6a, 1010 Vienna, Austria, is the parent company of the VERBUND energy group, which operates in Austria and abroad. VERBUND AG is entered in the commercial register at the Commercial Court of Vienna under number FN 76023z.

VERBUND generates, trades and sells electricity to market participants from energy exchanges, traders, energy supply companies and industrial companies as well as households and commercial customers. Furthermore, VERBUND operates the Austrian transmission grid through Austrian Power Grid AG and holds equity interests in foreign and domestic energy supply companies.

Financial reporting principles

Basic principles

VERBUND prepares its consolidated financial statements in accordance with Section 245a(1) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB) in compliance with the International Financial Reporting Standards (IFRSs) as endorsed by the European Union. The separate financial statements of the consolidated subsidiaries included in VERBUND's consolidated financial statements are based on uniform accounting policies. The balance sheet date is 31 December 2013 for all consolidated companies.

VERBUND's consolidated financial statements comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the notes. With the exception of the notes, in which amounts are generally indicated in millions of euros (€m), VERBUND's consolidated financial statements are prepared in thousands of euros (€k).

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

Consolidation methods

All material companies controlled by VERBUND AG (subsidiaries) are included in the consolidated financial statements of VERBUND by means of consolidation. VERBUND AG asserts control when it is in a position to directly or indirectly govern a subsidiary's financial and operating policies in order to obtain benefits from its activities. Inclusion in the consolidated financial statements begins when control is achieved and ends when it ceases.

First-time consolidation of a subsidiary is effected upon acquisition by employing the acquisition method. The identifiable intangible and tangible assets, liabilities and contingent liabilities belonging to the acquiree as well as any non-controlling interest in the acquiree are recognised and measured. Positive consolidation differences between the consideration transferred plus any non-controlling interest and – in the case of a business acquisition in stages – plus any equity interest in the acquiree previously held by VERBUND and the fair value of the net assets are recognised as goodwill. Negative consolidation differences are recognised immediately in profit or loss.

Companies controlled jointly with another company (joint ventures) and companies over which VERBUND AG has a significant direct or indirect influence (associates) are accounted for using the equity method. The equity method is a method of consolidation or measurement in which the equity interest is initially recognised at cost. The equity interest is subsequently adjusted for changes in VERBUND's share of the investee's net assets; the result is a "one-line consolidation". As a rule, significant influence is presumed if the share of voting rights directly or indirectly attributable to VERBUND AG is at least 20 %, but less than 50 %. Investees accounted for using the equity method are recognised with their proportional IFRS profit or loss taken from (consolidated) interim or annual financial statements

for which the reporting date is not more than three months prior to VERBUND's balance sheet date. Significant events or transactions at investees accounted for using the equity method occurring between this reporting date and VERBUND's balance sheet date result in corresponding adjustments.

Intragroup transactions, receivables, liabilities and intercompany profits are eliminated taking account of deferred taxes. The carrying amounts of the transferred company are carried forward in intragroup acquisitions and mergers of joint ventures – so-called transactions under common control.

Group of consolidated companies

A list of all of VERBUND's subsidiaries, joint ventures and associates is presented in the "Group companies" table at the end of the notes. The subsidiaries, joint ventures and associates included in VERBUND's consolidated financial statements changed as follows in the 2013 reporting period:

Group of consolidated companies

	Full consolidation	Accounted for using the equity method
As at 31/12/2012	40	12
Additions from new entities established as spin-offs	1	0
Additions and disposals from business acquisitions	4	–3
Disposals from disinvestments	0	–2
As at 31/12/2013	45	7
Of which domestic companies	18	6
Of which foreign companies	27	1

The addition from new entities established as spin-offs relates to the Romanian entity Ventus Renew Romania S.R.L. newly established effective 22 May 2013 as a 90% subsidiary of VERBUND. The new entity was established by spinning off 23 wind power plants under construction (installed capacity: 69 MW) from Alpha Wind S.R.L.

The additions and disposals from business acquisitions relate to the 100% equity interest in the German company Innwerk AG acquired effective 24 April 2013. At the beginning of the year, Innwerk AG received 50% interests in Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH from E.ON Wasserkraft GmbH (now E.ON Kraftwerke GmbH) by means of a spin-off (among other things). As a result, Innwerk AG and the 50% interests in Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH previously accounted for using the equity method were consolidated for the first time (see: Business acquisitions).

Disposals from disinvestments of interests accounted for using the equity method relate to the 34.57% equity-accounted interest in STEWEAG-STEG GmbH sold effective 18 January 2013 and the 50% equity-accounted interest in the Turkish entity Enerjisa Enerji A.S. (Group) (see: (31) Non-current assets held for sale and Business acquisitions) sold effective 24 April 2013.

Business acquisitions

Acquisition of (additional) Bavarian hydropower plant capacities (Grenzkraftwerke)

(Additional) Bavarian hydropower plant capacities with an average annual generation of around 2,000 GWh were acquired effective 24 April 2013. These Bavarian hydropower plant capacities are represented by 50 % interests in Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH, a 47 % co-ownership interest in the Nußdorf run-of-river power plant, and by the facilities of the Ering-Frauenstein and Obernberg-Egglfing run-of-river power plants located on German state territory (including a right to purchase 50 % of the electricity generated in the power plants). Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH were previously managed by VERBUND AG and/or VERBUND Hydro Power AG and E.ON Wasserkraft GmbH (now E.ON Kraftwerke GmbH) as joint ventures; the 50 % equity interests already held by VERBUND were previously accounted for using the equity method. The Ering-Frauenstein and Obernberg-Egglfing run-of-river power plant facilities on Austrian state territory were the share of the jointly managed assets of VERBUND Hydro Power AG and E.ON Wasserkraft GmbH (now E.ON Kraftwerke GmbH) that were previously attributable to VERBUND. At the beginning of the year, the Bavarian hydropower plant capacities were spun off by E.ON Wasserkraft GmbH (now E.ON Kraftwerke GmbH) into the (newly formed) Innwerk AG in which VERBUND acquired a total of 100 % of the interest after receiving all competition-related and other (regulatory) approvals.

The business acquisition of Innwerk AG was part of a transaction to be viewed in its entirety (asset swap), under which 20.28 % of the capacity of the Tyrolean Zemm/Ziller storage power plant group was (re)acquired and 50 % of the interest in Turkish Enerjisa Enerji A.S. (Group) was sold to DD Turkey Holdings S.à.r.l., a 100 % subsidiary of E.ON SE. In quarter 3/2009, capacities of the Tyrolean Zemm/Ziller storage power plant group were assigned to E.ON Wasserkraft GmbH (now E.ON Kraftwerke GmbH) in the form of a long-term electricity supply agreement as part of the consideration transferred for the acquisition of 13 run-of-river power plants on the Inn River in Bavaria. The transaction, which is to be viewed in its entirety, was a consequence of VERBUND's strategic focus on majority interests focusing on electricity generation from hydropower and on the Austrian and German market.

The total consideration transferred comprises the fair value of the 50 % equity-accounted interest in Enerjisa Enerji A.S. (Group), classified as held for sale as at 31 December 2012 (carrying amount as at 24 April 2013: €1,192.4m), the fair value of the equity interests previously held in Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH (carrying amount as at 24 April 2013: €30.8m), the fair value of receivables and liabilities extinguished as a result of confusion, the reacquisition of 60 % of the electricity supply commitment from the Tyrolean Zemm/Ziller storage power plant group and a payment of the difference of €405.0m by E.ON to VERBUND. No contingent consideration was agreed. The fair value measurements of the equity interests in Enerjisa Enerji A.S. (Group), Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH were also recognised in profit or loss, just as the recognition of gains or losses determined from previously existing relationships between VERBUND and Innwerk AG or its investees (see: (17) Effects from business acquisitions).

The (final) fair values of the identifiable assets and liabilities of the Bavarian hydropower plant capacities were as follows as at the acquisition date:

Assets acquired and liabilities assumed	€m
	Fair value as at the acquisition date
Intangible assets	1.8
Property, plant and equipment	2,694.2
Investments and non-current other receivables	9.0
Inventories	0.4
Trade receivables and current other receivables[1]	6.2
Cash and cash equivalents	9.5
Total assets acquired	**2,721.1**
Non-current provisions	102.4
Deferred tax liabilites[2]	622.8
Non-current other liabilities[3]	81.9
Current provisions	11.1
Current tax liabilities	5.7
Trade payables and current other liabilities	5.0
Total liabilities assumed	**829.0**
Total identifiable net assets at fair value	**1,892.1**
Goodwill[4]	161.1
Total consideration transferred	**2,053.2**
Of which from the equity interest in Enerjisa Enerji A.S. (Group)	1,671.1
Of which from previously held equity interests	949.2
Of which receivables forfeited as a result of confusion	0.3
Of which liabilities extinguished as a result of confusion	–46.7
Of which from the redemption of electricity supply commitments	–115.8
Of which in cash	–405.0

[1] For trade receivables and current other receivables, the carrying amounts represented a realistic estimate of their fair values (due to the short maturities); they also correspond to the gross value of the receivables. // [2] The deferred tax liabilities assumed were netted with the deferred tax assets in the amount of €59.0m. // [3] This item relates to the obligation to transfer the newly acquired 50 % interest in Donaukraftwerk Jochenstein AG back to the Federal Republic of Germany or the Free State of Bavaria without exchange of consideration effective 31 December 2050. // [4] Goodwill from this transaction to be viewed in its entirety (asset swap) results solely from the different measurement of the tax amortisation benefit in the fair value of the acquired assets and the deferred tax liabilities assumed that are attributable to the acquired assets. While the tax amortisation benefit is discounted to present value, deferred tax liabilities are recognised in non-discounted amounts.

In view of the complexity of the accounting policy issues related to this transaction, which is to be viewed in its entirety, the initial accounting treatment of this business acquisition was classified as "provisional" in the interim consolidated financial statements published since 24 April 2013. As at 31 December 2013, adjustments were mainly made in the measurement of the consideration received, the asset acquired and the current tax liability assumed. For the measurement of the consideration received and the asset acquired, the prices (starting in 2020) in the energy market were calculated based on the average electricity price forecasts of 2 reputable market research institutes and information service providers in the energy market. At the beginning of the planning period (2013 to 2016), however, prices were determined using price quotations for energy futures; the price levels were then brought up to the energy price level forecasts by 2020 (through linear interpolation). The current tax liabilities previously recognised were incomplete. They now correspond to the tax liabilities incurred in the

acquired companies until 24 April 2013. The accounting treatment of the business acquisition can now be regarded as final.

The adjustments resulted in the following effects on the "provisional" acquired assets and liabilities assumed, the total consideration transferred and the goodwill:

Effects of adjustments to assets acquired and liabilities assumed classified as "provisional"	€m
Property, plant and equipment	–128.9
Total assets acquired	–128.9
Deferred tax liabilities	–31.4
Current provisions	0.0
Current tax liabilities	5.7
Total liabilities assumed	–25.7
Total identifiable net assets at fair value	–103.2
Goodwill	52.8
Total consideration transferred	–50.4
Of which from previously held equity interests	–59.4
Of which from the redemption of electricity supply commitments	9.0

As a result of the adjustment of the measurement of the consideration received, the effects from business acquisitions decreased by €59.4m; the effect on current taxes on income was €5.7m.

VERBUND's new subsidiaries contributed €118.8m to its revenue in the 2013 reporting period; their contribution to VERBUND's profit for the period was €–55.3m. If the business acquisitions had taken place at the beginning of the reporting period, the new subsidiaries would have contributed €178.2m to revenue and €–52.8m to profit for the period under the corresponding line items in VERBUND's income statement. However, it should be noted that de facto 50% of revenue and profit for the period were attributed to VERBUND prior to the first-time consolidation due to the previously existing electricity supply agreements with Österreichisch-Bayerische Kraftwerke AG and Donaukraftwerk Jochenstein AG, which entitled VERBUND to purchase half of the electricity generated in exchange for the contractually specified reimbursement of expenses plus a return on equity (as well as due to the holding of a 50% interest accounted for using the equity method).

Currency translation

In the separate financial statements of Group companies, all transactions denominated in foreign currency are measured at the spot exchange rate on the transaction date. Monetary items of the balance sheet are subsequently measured at the respective spot exchange rate at the balance sheet date. Exchange gains and losses are recognised through profit or loss under other financial result.

The functional currency of VERBUND AG and the presentation currency of the Group is the euro. With the exception of the Romanian subsidiaries (Alpha Wind S.R.L., CAS Regenerabile S.R.L., Ventus Renew Romania S.R.L. and VERBUND Trading Romania S.R.L.) and the Bulgarian company Haos Invest EAD, the functional currency of the consolidated subsidiaries is also the euro. For the consolidated financial statements of VERBUND, the annual financial statements of these foreign subsidiaries are translated into euros using the functional currency method. For carrying forward the proportional share in the net assets of investees accounted for using the equity method, currency translation is effected accordingly. With the exception of the Turkish company Enerjisa Enerji A.S. (Group), the functional currency of investees accounted for using the equity method is also the euro. However, VERBUND classified this equity-accounted interest as held for sale effective 3 December 2012, whereby the difference from currency translation was "frozen". These currency translation differences were reclassified to profit or loss when the equity-accounted interest was sold on 24 April 2013 (see: (17) Effects from business acquisitions).

Assets and liabilities of foreign Group companies with a functional currency other than the euro are translated using the foreign exchange reference rate of the European Central Bank (ECB) prevailing at the balance sheet date. The expenses and income of consolidated subsidiaries are translated using average monthly rates, while those of investees accounted for using the equity method are translated using average quarterly rates. Translation differences at the reporting date are recognised in other comprehensive income and presented separately in equity.

The exchange rates underlying the currency translation changed as follows:

Foreign exchange rates used for currency translation

Country	Currency	31/12/2012 ECB foreign exchange reference rate	**31/12/2013** ECB foreign exchange reference rate	2012 Average rate	**2013** Average rate
Bulgaria[1]	€1 = BGN	1.9558	1.9558	1.9558	1.9558
Romania	€1 = RON	4.4445	4.4710	4.4471	4.4172
Turkey	€1 = TRY	2.3551	–	2.3246	–

[1] The Bulgarian lev (BGN) is pegged to the euro; therefore, the exchange rate does not fluctuate.

Accounting policies

Newly applicable or applied accounting standards

When preparing the consolidated financial statements, all International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as well as all interpretations by the Standing Interpretations Committee (SIC) and the IFRS Interpretations Committee (IFRS IC) that have been endorsed by the European Union and whose application was mandatory as at 31 December 2013 have been applied.

In the 2013 reporting period, the following new or amended standards and interpretations had to be applied for the first time or were applied early by VERBUND:

Newly applicable or applied accounting standards

Standard or interpretation		Published by the IASB (endorsed by the EU)	Mandatory application for VERBUND	Effects on the consolidated financial statements of VERBUND
IAS 36	Amendments: Recoverable Amount Disclosures for Non-Financial Assets	29/5/2013 (19/12/2013)	1/1/2014	The recoverable amount of a cash-generating unit is only indicated if impairment losses are incurred or reversed
IAS 32	Amendments: Offsetting Financial Assets and Financial Liabilities	16/12/2011 (13/12/2012)	1/1/2014	None
IAS 39	Amendments: Novation of Derivatives and Continuation of Hedge Accounting	27/6/2013 (19/12/2013)	1/1/2014	None
IFRS 1	Amendments: Government Loans	13/3/2012 (4/3/2013)	1/1/2013	None
IFRS 7	Amendments: Offsetting Financial Assets and Financial Liabilities	16/12/2011 (13/12/2012)	1/1/2013	additional note disclosures
IFRS 13	Fair Value Measurement	12/5/2011 (11/12/2012)	1/1/2013	additional note disclosures
Various	Annual Improvements to IFRSs 2009 – 2011 Cycle	17/5/2012 (27/3/2013)	1/1/2013	None

The amendments to IAS 36 limit the mandatory disclosure of the recoverable amount. Based on the amendments to IAS 36 as a result of IFRS 13, the recoverable amount had to be disclosed for cash-generating units for which the carrying amount of goodwill or intangible assets with an indefinite useful life assigned to this unit was significant compared to the unit's total carrying amount. Now, as a result of the amendments to the standard, the recoverable amount of the cash-generating unit need only be disclosed if an impairment or reversal of impairment losses has taken place in the reporting period. Therefore, this amendment has an impact on the note disclosures in these consolidated financial statements of VERBUND.

The amendments to IFRS 7 relate to additional note disclosures for offset financial instruments and for financial instruments that may not have been offset but are subject to a master netting arrangement or similar agreement. The amendments to IFRS 7 led to additional note disclosures in VERBUND's consolidated financial statements.

IFRS 13 provides a global definition of the concept of the fair value of assets, liabilities and equity instruments. Fair value is standardised as the price that an entity would receive on the measurement date if an asset were sold, or the price it would have to pay to transfer a liability. As a rule, this presumes an orderly transaction between any market participants on the most liquid market. Fair value must be determined based on a hypothetical transaction; the existence of an actual intent to sell or transfer is generally of no consequence. In addition, IFRS 13 contains specifications regarding basic rules for certain facts and circumstances relevant to measurement, defines a hierarchy of input factors relevant to measurement (whereby the so-called "levels" are actually taken from IFRS 7), describes measurement techniques and standardises and/or expands the required note disclosures. The application of this new standard led to additional note disclosures in these consolidated financial statements of VERBUND.

New accounting standards not yet applicable or applied

The IASB issued new standards that were not (yet) applied by VERBUND in the 2013 reporting period, because they have either not yet been endorsed by the European Union or their application is not yet mandatory:

New accounting standards not yet applicable or applied

Standard or interpretation		Published by the IASB (endorsed by the EU)[1]	Mandatory application for VERBUND	Expected effects on the consolidated financial statements of VERBUND
IAS 19	Amendments: Defined Benefit Plans: Employee Contributions	21/11/2013 (expected Q3/2014)	1/1/2015	None
IAS 27	Separate Financial Statements	12/5/2011 (11/12/2012)	1/1/2014	None
IAS 28	Investments in Associates and Joint Ventures	12/5/2011 (11/12/2012)	1/1/2014	None
IFRS 9	Financial instruments	12/11/2009, 28/10/2010, 16/12/2011 and 19/11/2013 (postponed)	not before 1/1/2017	currently being examined
IFRS 10	Consolidated Financial Statements	12/5/2011 (11/12/2012)	1/1/2014	None

New accounting standards not yet applicable or applied

Standard or interpretation		Published by the IASB (endorsed by the EU)[1]	Mandatory application for VERBUND	Expected effects on the consolidated financial statements of VERBUND
IFRS 11	Joint Arrangements	12/5/2011 (11/12/2012)	1/1/2014	Classification of an independent vehicle previously treated as a joint venture as a joint operation and thus the transition from recognition using equity-method accounting to inclusion based on the share of assets, liabilities, income and expenses.
IFRS 12	Disclosures of Interests in Other Entities	12/5/2011 (11/12/2012)	1/1/2014	additional note disclosures
IFRS 10 IFRS 11 IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	28/6/2012 (4/4/2013)	1/1/2014	None
IFRS 10 IFRS 12 IAS 27	Investment Entities	31/10/2012 (20/11/2013)	1/1/2014	None
IFRS 14	Regulatory Deferral Accounts	30/1/2014 (expected for Q1/2015)	1/1/2016	None
IFRIC 21	Levies	20/5/2013 (expected Q2/2014)	1/1/2014	None
Various	Annual Improvements to IFRSs 2010 – 2012 Cycle	12/12/2013 (expected for Q3/2014)	1/1/2015	None
Various	Annual Improvements to IFRSs 2011 – 2013 Cycle	12/12/2013 (expected for Q3/2014)	1/1/2015	None

[1] Basis: EU Endorsement Status Report dated 30 January 2014

IFRS 11 replaces the accounting policies for joint ventures, joint operations and jointly controlled assets under IAS 31 as well as those for non-monetary contributions by venturers under SIC 13; as a consequence, IAS 28 is being renamed. IFRS 11 eliminates the option of proportionately consolidating equity interests in joint ventures; in the future, these must be accounted for using the equity method. In addition, joint ventures are more clearly contrasted with joint operations, which now also include jointly controlled assets. If the parties of a jointly controlled entity have direct rights to the assets of the jointly controlled entity and/or obligations arising from the entity's liabilities based on the legal form, the contractual agreement, or other facts and circumstances, this will not represent a joint venture in the future, but instead a joint operation. The assets and liabilities of a joint operation as well as its income and expenses are to be recognised proportionately in the joint operator's consolidated IFRS financial statements. Until now, VERBUND has accounted for all equity interests in entities that are controlled jointly with one or more parties using the equity method. However, the existence of

electricity supply agreements that essentially entitle the parties of jointly controlled entities to proportionately purchase the electricity generated by the entity suggests the existence of a joint operation (and not a joint venture). Based on the criteria of IFRS 11, all equity-accounted interests in companies that are managed jointly with one or more parties – with the exception of one investment – are to be classified even in the future as joint ventures and will therefore be recognised using equity method accounting. Due to the circumstances and fact that Ennskraftwerke Aktiengesellschaft's operations are oriented solely on supplying both parties with the electricity produced at production cost (including a fixed profit margin) and therefore the liabilities entered into by Ennskraftwerke Aktiengesellschaft can essentially only be settled through the payments flowing to it as a result of the sale of the electricity to the parties, the equity-accounted interest in Ennskraftwerke Aktiengesellschaft (equity interest VERBUND : Energie AG at a ratio of 50:50) is to be classified as a joint operation. As a consequence, Ennskraftwerke Aktiengesellschaft may no longer be recognised using equity method accounting in the future. The share of assets and liabilities and/or revenue and expenses attributable to VERBUND is to be included in VERBUND's consolidated financial statements, whereby the size of the share is determined by the ratio of electricity deliveries to both parties. Ennskraftwerke Aktiengesellschaft owns and operates 12 hydropower plants along the Enns und Steyr rivers. The ratio of electricity deliveries to the two parties differs from power plant to power plant. From a cost-benefit standpoint, the assets and liabilities and/or revenue and expenses of Ennskraftwerke Aktiengesellschaft based on the average ratio of total electricity deliveries (VERBUND 62 % and Energie AG 38 %) are included in VERBUND's consolidated financial statements. The method of recognition is to be changed retrospectively in 2014. The following adjustments are expected for the current reporting period (similar adjustments are expected for the 2014 reporting period):

Adjustments for income statement items

	€m
	2013
Revenue	**– 1.6**
Operating result	**3.0**
Financial result	**– 1.3**
Profit before tax	**1.8**
Profit for the period	**1.1**
Attributable to shareholders of VERBUND AG (Group result)	1.1
Earnings per share in €	**0.0**

Adjustments for balance sheet items		€m
	1/1/2013	**31/12/2013**
Non-current assets	**25.6**	**47.4**
Current assets	**0.4**	**–22.6**
Total assets	**26.0**	**24.8**
Equity	**6.7**	**8.5**
Non-current liabilities	**16.2**	**16.2**
Current liabilities	**3.1**	**0.1**
Total liabilities	**26.0**	**24.8**

IFRS 12 consolidates the note disclosures regarding equity interests in subsidiaries, joint ventures and associates as well as structured entities into a comprehensive standard. The note disclosures required under IAS 27, IAS 28 and IAS 31 are extended in particular by the addition of disclosures regarding the significant assumptions and discretionary decisions used for determining the group of consolidated companies. The application of this new standard will lead to additional note disclosures in VERBUND's consolidated financial statements.

Change in classification

In order to improve the presentation of liabilities, the accruals for outstanding invoices for capital expenditure were reclassified from miscellaneous other provisions to other liabilities. This resulted in the following adjustments in the reporting and prior periods:

Adjustments for balance sheet items		€m
	31/12/2012	**31/12/2013**
Current liabilities	0.0	**0.0**
Provisions	–96.1	–101.0
Trade payables and other liabilities	96.1	101.0

Goodwill and other intangible assets

When accounting for business combinations, the consideration transferred (plus any non-controlling interests and any equity interest previously held by VERBUND) is to be compared with the net assets acquired, in order to ascertain any consolidation difference arising from the business combination. If the consolidation difference is positive, it is treated as goodwill; if it is negative, the value determination of the influencing factors on the consolidation difference arising from the business combination must be reassessed. If the consolidation difference is still negative following the reassessment, a gain is recognised in profit or loss.

In accordance with IFRS 3, goodwill is not subject to scheduled amortisation, but must be tested for impairment at least annually. For this purpose, goodwill is allocated to those cash-generating units expected to profit from the synergies resulting from a business combination. These cash-generating units correspond to the lowest organisational level at which VERBUND's management monitors goodwill for internal management purposes. If goodwill cannot be allocated to individual cash-generating units except on an arbitrary basis, this lowest level can also include multiple cash-generating units to which the goodwill may be related, but to which it cannot be allocated. The impairment test of goodwill compares a cash-generating unit's recoverable amount with its carrying amount, including goodwill.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount falls below the carrying amount of the cash-generating unit, goodwill is impaired first; any remaining impairment losses reduce the carrying amounts of other assets proportionately. Impairments of goodwill may not be reversed in subsequent periods. As a rule, VERBUND conducts its annual impairment tests of goodwill at the level of the cash-generating units on the basis of medium-term planning in the fourth quarter of each reporting period. In addition to the annually conducted impairment test, a qualitative analysis is conducted as at the balance sheet date of each of the consolidated interim financial statements (and also at the end of the reporting period, if necessary) to determine whether there is any indication of impairment. If there are indications of impairment, an (additional) impairment test is conducted.

Intangible assets acquired separately are measured at cost in accordance with IAS 38, net of any impairment losses, and amortised according to the straight-line method if their useful life is not classified as indefinite. The useful lives are mainly between 10 to 20 years; software is amortised over 4 years. Intangible assets with indefinite useful lives are recognised at cost and tested annually for impairment; however, they are not material in VERBUND's consolidated financial statements.

VERBUND's research and development costs in the 2013 reporting period amounted to €6.1m (previous year: €5.2m). Research costs are expensed as incurred. In contrast, development costs are to be recognised under certain conditions as internally generated intangible assets in accordance with IAS 38 and subsequently amortised over their useful lives. Development costs are expensed as incurred in the consolidated financial statements of VERBUND, as either the corresponding recognition criteria have not been met or the amounts are not material. As long as intangible assets are not yet available for use, they must be tested annually for impairment.

Property, plant and equipment

Property, plant and equipment used for more than one year in business operations is measured at cost (including dismantling and decommissioning costs that must be capitalised), net of straight-line depreciation charges and any impairment losses.

In addition to direct material and production costs, the cost of internally generated plant and equipment also includes appropriate indirect material and production costs. Borrowing costs are capitalised for qualifying assets. According to VERBUND's accounting policies, a project results in a qualifying asset only if the construction period lasts at least 12 months. The effective borrowing costs (less investment income from any temporary investments) are to be capitalised to the extent that the qualifying asset is financed by specific outside financing. In contrast, if the Group has arranged for general financing, the average borrowing costs are capitalised. VERBUND's average monthly borrowing costs in the 2013 reporting period were around 4.2 % (previous year: around 4.4 %).

Depreciation charges on property, plant and equipment are based on the expected useful lives of its components. In detail, the following useful lives are applied:

Useful life	In years
Residential, office, plant and other plant facilities	20 – 50
Hydroplant buildings	75
Machinery	6 – 75
Electrical installations	5 – 33
Power lines	50
Office and plant equipment	4 – 10

Total assets leased

If substantially all risks and rewards associated with a leased asset are carried by VERBUND, an asset is recognised under non-current assets at the present value of the minimum lease payments (or the lower fair value, if applicable). A lease liability is recognised in the same amount. The asset is depreciated over the shorter of its useful life or the lease term. The lease liability is carried forward in subsequent periods according to the effective interest method.

All other lease agreements for which VERBUND acts as the lessee are accounted for as operating leases. As a rule, the lease payments are recognised as income or expense proportionately over the term of the lease.

Recoverability of non-financial assets

In accordance with IAS 36, the carrying amounts, in particular, of property, plant and equipment and intangible assets are tested for impairment if there are indications thereof. Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually – regardless of whether there are indications of impairment (see: Goodwill and other intangible assets). An asset or a cash-generating unit is impaired when the carrying amount exceeds the recoverable amount of the asset or the cash-generating unit.

The recoverable amount is the higher of fair value less costs to sell and value in use. Fair values are to be determined primarily based on market prices and can for example be based on existing binding offers, secondary price formation on active markets or comparable recent transactions within the industry according to the measurement hierarchy in IFRS 13. If fair value cannot be determined based on market prices, methods used to determine the net present value can be applied. If net present value methods are applied, the discounted cash flow method (DCF method) is used. Future investments to enhance or improve performance and restructuring expenditure are taken into account when determining fair value. Price listings for energy futures are used as prices for the first 3 years of the planning period. Starting with the seventh year of the planning period, the average forecasts of 2 reputable market research institutes and information service providers in the energy market are used. In the period between, the price level for electricity, natural gas and emission rights are brought up to the energy price forecasts (by means of linear interpolation). The extrapolation of electricity price forecasts (from the 23rd year of the planning period onwards) was based on the assumption of a sustained rate of increase of 2.0 %. As a rule, value in use is determined using methods to determine the net present values. The discounted cash flow method (DCF) is used for determining these. The prices are determined using the VERBUND Energy Market Model (VEMM). The VEMM is an energy simulation tool for the development of medium and long-term electricity and natural gas price scenarios for energy markets. The cash flows are generally derived from the recent medium-term plans approved by

management. Consistent with IAS 36, neither future investments to enhance or improve the performance, nor restructuring expenditure (not including existing obligations) are included in the calculation of value in use. The discount rate is an after-tax interest rate which reflects current market estimates, the time value of money and the specific risks associated with the asset (or cash-generating unit); the corresponding pre-tax interest rate is calculated iteratively. If the reasons for impairment no longer apply in a subsequent period, a reversal is to be recognised in profit or loss. Both impairment as well as reversals of impairment losses are recognised in profit or loss, presented in the income statement and segment reporting under the effects from impairment testing and explained in the notes. If impairment losses or their reversal do not relate to continuing operations, they are presented in the results after tax from discontinued operations and discussed in the notes.

Equity interests

Equity interests in non-consolidated subsidiaries (due to a lack of materiality), associates and joint ventures not accounted for using the equity method, as well as other equity interests, are classified as financial assets available for sale measured at fair value with the effect in other comprehensive income in accordance with IAS 39.

Those interests for which fair value cannot be derived from comparable recent transactions in the reporting period or for which fair value cannot be determined using the discounted cash flow method (DCF), as cash flows cannot be reliably estimated, are recognised at cost, net of any impairment losses.

The carrying amounts of interests accounted for using the equity method are adjusted based on VERBUND's ownership interest to reflect changes in the investee's net assets in accordance with IAS 28. Carrying forward of the proportionate net assets is effected no later than one quarter following the underlying changes (see: Financial reporting principles). The carrying amount of the interest is increased or decreased by the share in the profit or loss for the period and other comprehensive income attributable to VERBUND, as well as by dividends, the elimination of material intercompany profits or losses and by carrying forward the fair value adjustments for hidden reserves and liabilities identified upon share acquisitions. Goodwill included in the carrying amount of the interest is not amortised (see: Goodwill and other intangible assets) and is neither presented separately in accordance with IAS 28, nor tested annually for impairment in accordance with IAS 36. If VERBUND's share of losses from an investee accounted for using the equity method corresponds to or exceeds the carrying amount of the investment, additional losses are only taken into account and recognised as a liability to the extent that legal or constructive obligations were undertaken or payments were made for the equity-accounted interest. The carrying amount of the equity-accounted interest includes the share calculated based on equity method accounting plus all long-term equity interests that are to be allocated to the net investment in the equity-accounted interest based on their economic substance.

Recoverability of equity interests

At the balance sheet date, net investments in associates and joint ventures as well as other equity interests are reviewed for indications of impairment as defined under IAS 39 (see: Recoverability of financial assets). If there are any such indications, an impairment test must be conducted for interests accounted for using the equity method in accordance with IAS 36.

Impairment is tested based on the recoverable amount, which represents the higher of fair value, less costs to sell, and value in use. The primary methods used to determine the fair value of an equity interest are based on market prices; as an alternative, methods to determine the net present value are applied. If alternative methods are applied, VERBUND bases the determination of fair value on the best available information that a hypothetical buyer would apply in an arm's length transaction. As a rule, the proportionate present value of all estimated cash flows to be generated in the future from associates or joint ventures attributable to VERBUND is used to determine the value in use.

Investments and loans

Investments and non-current other receivables mainly include debt instruments and investment fund units as well as investments related to early terminated cross-border leasing transactions whose B-loans were nevertheless continued. Interest income calculated using the effective interest method is recognised in the financial result.

Debt instruments and investment fund units are classified as available for sale. As a rule, financial instruments fall under this category if they do not represent loans and receivables and are neither held to maturity nor measured at fair value through profit or loss. Acquisitions and disposals of investments are recognised at the trade date. Balance sheet recognition is at fair value, which, as a rule, is determined on the basis of quoted prices. These are Level-1 measurements as defined under IFRS 13. If prices are not available from active markets, fair value is determined on the basis of either directly (on the basis of market prices) or indirectly (derived from market prices) observable input data using accepted valuation models (Level 2 measurements). Market-induced changes in value are recognised in accordance with IAS 39 without effect on profit or loss in other comprehensive income until disposal or impairment is incurred. In contrast, any impairment losses are recognised in profit or loss (see: Recoverability of financial assets).

Interest-bearing loans are classified as loans and receivables and measured at amortised cost, net of any impairment losses, using the effective interest method. In the case of impairment, measurement is based on the present value of expected payments using the original effective interest method. The medium-term notes once acquired in connection with cross-border leasing transactions are also classified as loans and receivables.

The securities and loans related to the early terminated cross-border leasing transactions – whose B-loans, however, were continued – are presented as closed items on the balance sheet together with the associated financial liabilities in the consolidated financial statements of VERBUND (see: Cross-border leasing transactions).

Trade receivables and other receivables

Trade receivables, receivables from non-consolidated subsidiaries and receivables from investees are classified as loans and receivables and recognised in accordance with IAS 39 at cost, net of any allowance for anticipated uncollectable amounts. As part of an impairment test, receivables which may need to be written down are tested collectively for impairment based on comparable default risk characteristics (in particular the ageing of accounts receivable) and any impairment losses are recognised in profit or loss. Impairment losses recognised in the form of specific valuation allowances via allowance accounts sufficiently reflect expected default risks; specific defaults result in the derecognition of the relevant receivables.

Current other receivables include derivatives and hedging instruments from the finance and energy area as well as temporary investments in the form of money market transactions. The latter are classified as loans and receivables. The other assets included in other current receivables are recognised at amortised cost. In addition, other current receivables include emission rights (see: Emission rights).

Recoverability of financial assets

At every balance sheet date, the carrying amounts of financial assets not classified as at fair value through profit or loss are reviewed for objective substantial indications of impairment as defined under IAS 39. Such indications would include for example significant financial difficulties on the part of the debtor or issuer, the high probability of insolvency proceedings initiated against the debtor or issuer, the loss of an active market for the financial asset or a considerable detrimental change in the debtor's or issuer's technological, economical, legal environment and/or market environment.

In the case of equity instruments classified as available for sale, a significant (more than 20 %) or long-term (more than 9 months) persistent decrease in fair value below cost is to be regarded as an objective indication of impairment. Any impairment is recognised in profit or loss.

Emission rights

Emission rights held by VERBUND in connection with CO_2 emissions at thermal power plants are accounted for in accordance with accounting requirements set forth under IAS 38, IAS 20 and IAS 37.

Emission rights are recognised on the allocation date at fair value (in the case of emission rights allocated without exchange of consideration) or at cost (in the case of emission rights acquired for a consideration). For emission rights allocated without exchange of consideration, an item of deferred income for the grant received is recognised at fair value (Level 1) – as a rule, based on the quoted price on the European Energy Exchange (EEX) – and reversed to profit or loss under fuel expenses as emission rights are consumed, amortised, or sold. CO_2 emissions result in the "consumption" of emission rights, which is measured based on the weighted average price method and recognised in profit or loss under fuel expenses. The obligation to return is taken into account by recognising an other liability in the corresponding amount. In the case of insufficient cover, VERBUND recognises an additional provision in the amount of the fair value of the inadequate emission rights.

Emission rights held for trading by VERBUND are measured through profit or loss under other revenue. According to the brokerage exemption for raw materials and commodity dealers, the measurement benchmark is fair value less costs to sell.

Inventories

Inventories of primary energy sources such as natural gas, coal and heating oil as well as additives and consumables are measured at the lower of cost or net realisable value as at the balance sheet date. The latter is determined based on planned electricity revenue, net of production costs to be incurred. The use of primary energy sources and raw materials, additives and consumables is determined using the moving average price method.

Inventories of natural gas held for trading by VERBUND are measured through profit or loss under other revenue. According to the brokerage exemption for raw materials and commodity dealers, the measurement benchmark is fair value (Level 1) less costs to sell. The fair value corresponds to the quoted price for front-month gas forwards on the Central European Gas Hub (CEGH) or NetConnect Germany (NCG).

Guarantees of origin and green electricity certificates

Guarantees of origin and green electricity certificates that are held for sale by VERBUND in the normal course of business are recognised in accordance with accounting requirements set forth under IAS 2 and IAS 20. Guarantees of origin and green electricity certificates are recognised as inventories when the legally enforceable rights are acquired (as a rule, production of electricity in certified power plants). Income from the allocation of certificates is presented under other operating income offset with the change in inventories from the disposal of certificates. Subsequent measurements are carried out at the lower net realisable value if necessary. Proceeds from the sale of guarantees of origin or green electricity certificates are recognised under other revenues.

Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups that include assets and liabilities are classified as held for sale if it is highly probable that their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The assets or components of a disposal group are remeasured immediately before classification as held for sale in accordance with the Group's other accounting methods. Afterwards, the assets and/or disposal groups are recognised at the lower of their carrying amount and their fair value less costs to sell.

A component of VERBUND that (including its cash flows) can be clearly separated from the Group and which represents a separate major line of business or geographical area of operation, is part of an individual coordinated plan to sell a separate major line of business or geographical area of operation, or which represents a subsidiary that was acquired solely with the intention of resale, is designated as a discontinued operation. The activities are classified as a discontinued operation when they are sold or as soon as the component of VERBUND meets the criteria for classification as held for sale if this is the case sooner. If a component of VERBUND is classified as a discontinued operation, the comparative information is adjusted in the income statement and statement of comprehensive income as if the component of VERBUND had been classified as a discontinued operation from the beginning of the prior period.

Financial liabilities

Financial liabilities are recognised at their fair value (including transaction costs directly attributable to their issue), which as a rule corresponds to the actual amount received. Any premiums, discounts or other differences between the amount received and the redemption amount are allocated over the financing term and presented in interest expenses on an accruals basis using the effective interest method.

Individual financial liabilities originally incurred in connection with cross-border leasing transactions (see: Cross-border leasing transactions) were classified at fair value through profit or loss upon initial recognition using the fair value option. As a result, measurement inconsistencies that would have otherwise arisen could be eliminated (see: Financial instruments and risk management).

Financial guarantee contracts

A financial guarantee as defined under IAS 39 is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

If VERBUND is the issuer, the receivable due from the debtor is recognised at fair value based on the guarantee payments due; a guarantee liability is also recognised in the same amount. The receivables from guarantee payments due are classified as loans and receivables and carried forward according to the effective interest method. The guarantee liabilities are measured at the higher of the amount to be recognised based on the accounting requirements for provisions set forth in IAS 37 and the initial measurement amount, net of accumulated amortisation already recognised in profit or loss in accordance with IAS 18 (amortised cost).

In contrast, if VERBUND is the holder, there is normally a contingent asset which may not be recognised.

Regulatory assets and liabilities

If grid rates are determined by a regulator on the basis of estimates of costs and/or revenues and lower or higher costs and/or revenues in the past are taken into account when determining rates in the future, the grid operator is entitled to charge the grid users higher prices as compensation for higher costs and/or lower revenues in future years; the grid operator is also obligated to refund the grid users for lower costs and/or higher revenues by charging lower prices. Such entitlements and/or obligations are referred to as regulatory assets and liabilities. Regulatory assets and liabilities may not be recognised in most cases because they mostly do not meet the general criteria for recognition under IFRSs.

With its Grid segment, VERBUND is subject to such a rate structure regulated by Energie-Control Austria für die Regulierung der Elektrizitäts- und Erdgaswirtschaft (E-Control). If the general criteria for recognition under IFRSs are not met, neither regulatory assets nor regulatory liabilities are recognised in the consolidated financial statements of VERBUND.

Pensions and similar obligations, statutory severance payments and partial retirement obligations

Due to labour-management agreements and contracts, VERBUND is obligated under certain conditions to make pension payments to (former) employees after they retire based on their final salary. Until 31 December 2013, these defined benefit obligations were partially covered by pension plan assets earmarked for this purpose by BAV Pensionskassen AG (pension fund). Effective 1 January 2014, the pension plan assets were transferred to APK Pensionskasse AG, which has been responsible for them ever since. A contractual trust arrangement (CTA) was set up in order to secure the entitlements from the company pension plan for the employees of VERBUND-Innkraftwerke GmbH and Innwerk AG. VERBUND is obliged to provide additional funding to the extent the obligations are to be fulfilled through the pension fund; there is no such obligation for the CTA. Both pension plan assets as well as the CTA are recognised as plan assets as defined under IAS 19 and offset with the provision for current pensions, vested pension benefits and similar obligations.

Provisions for current pensions, vested pension benefits and similar obligations are determined based on the projected unit credit method (PUC method) in accordance with IAS 19; remeasurements of the net liability – actuarial gains and losses and/or returns on plan assets, excluding expected interest income – are recognised under other comprehensive income in the year in which they arise.

With the exception of net interest expense, all expenses (and returns) related to these obligations are recognised under personnel expenses. Net interest expense is reported under interest expenses.

The pension obligations are determined on the basis of actuarial reports as at 31 December 2013; the determinations are based on "AVÖ 2008-P – Actuarial Assumptions for Pension Insurance – Pagler & Pagler".

Plan assets are invested through the pension fund mainly in shares of various investment funds in compliance with the provisions of the Austrian Pension Fund Act (Pensionskassengesetz, PKG) or the corresponding regulations of the Austrian Financial Market Authority (FMA). Helaba Pensions Trust e.V. also invests trust fund assets in investment fund units.

Similar obligations relate to employer contributions for supplementary health insurance premiums to be paid after retirement. The provisions are determined in the same manner as provisions for pension obligations.

Employees whose service began on or before 31 December 2002 receive a lump sum severance payment if their employment is terminated by the employer or when they retire, based on obligations under Austrian labour law. The amount of this payment depends on the number of years of service and the salary drawn at the time of termination or retirement. This obligation is measured in accordance with IAS 19 based on the PUC method with an accumulation period of 25 years, whereby remeasurements of the net liability are recognised immediately in other comprehensive income.

Employees whose service began in Austria after 31 December 2002 are no longer entitled to a direct claim against their employer for a statutory severance payment. For these employment contracts, the employer pays 1.53 % of gross salary on a monthly basis into an employee pension fund in which the contributions are deposited in an account of the employee. The employer is only obliged to make regular contributions under this severance payment model; therefore, it is recognised as a defined contribution plan in accordance with IAS 19.

In connection with partial retirement models, employees are offered the opportunity to retire from the Company before they are entitled to draw a pension under the Austrian General Social Security Act (Allgemeines Sozialversicherungsgesetz, ASVG) and continue receiving a salary until they reach the statutory retirement age. This obligation is measured in accordance with IAS 19 based on the PUC method, whereby remeasurements of the net liability are recognised immediately through profit or

loss. The measurement parameters mainly correspond to those for obligations similar to pension obligations. The resulting expenses to be recognised are presented under pension expenses.

There are also contractual trust arrangements (CTAs) for the purpose of securing credit balances from partial retirement models of employees of VERBUND Innkraftwerke GmbH and Innwerk AG. There is no obligation to provide additional funding. The CTA is recognised as plan assets as defined under IAS 19 and offset from the provision for partial retirement.

Provisions

In accordance with IAS 37, provisions are recognised for legal and constructive obligations to external third parties resulting from past events whose settlement will probably lead to a future outflow of economic resources. There must be a reliable estimate for the amount of the obligation. Otherwise, a provision is not recognised. Provisions are measured at the expected settlement amount. The settlement amount represents the best estimate of the expenditure with which a current obligation could be settled or transferred to a third party as at the balance sheet date. Future cost increases that are foreseeable and probable as at the balance sheet date are taken into account.

Provisions for dismantling costs are recognised at the discounted settlement amounts for obligations resulting from the dismantling or decommissioning of thermal power plants and wind power plants in the reporting period in which they are incurred; at the same time, generally, the carrying amounts for the power plants are increased (see: Property, plant and equipment). In subsequent periods, the capitalised costs for dismantling or decommissioning are depreciated over the (remaining) useful life of the power plant facilities; interest is accrued on the provisions annually.

Provisions are recognised for expected losses from so-called onerous contracts in accordance with IAS 37 and measured in the amount of unavoidable outflow of economic resources. This is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it. However, impairment losses on assets associated with the “onerous” contract are recognised before provisions for onerous contracts are recognised.

Non-current provisions are discounted if the present value of the expected settlement amount differs materially from the nominal value. In accordance with VERBUND’s accounting policies, all provisions to be utilised more than 12 months in the future are discounted as a general rule. The discount rate is a pre-tax interest rate adjusted to the specific risks of the liability. Accrued interest amounts are presented as interest expenses; any effects from changes in the interest rate are recognised in the operating result.

Other liabilities

Other liabilities are measured at amortised cost. This also applies to the obligation to supply electricity under a 20-year electricity supply agreement that was incurred in connection with the acquisition of Kraftwerksgruppe Inn GmbH (now VERBUND Innkraftwerke GmbH) in the 2009 reporting period. This obligation is increased periodically by accrued interest and redeemed on an ongoing basis to the extent in which VERBUND is released from the commitment to supply electricity through delivery and/or the passage of time. An unscheduled repayment of 60 % of the obligation was made in the course of acquiring (additional) Bavarian hydropower plant capacities (see: Business acquisitions).

The obligation to transfer the 50 % interest in Donaukraftwerk Jochenstein AG to the Free State of Bavaria without exchange of consideration assumed as part of the acquisition of (additional) Bavarian hydropower plant capacities is also measured at amortised cost. The expected fair value of the interest at the transfer date (31 December 2050) is calculated periodically and discounted based on the original effective interest rate (corresponding to the average weighted capital costs at the acquisition date). Changes in the expected fair value of the interest are recognised in the other financial result.

Government grants

Investment grants do not reduce the cost of assets for which they were granted, but instead lead to the recognition of an item of deferred income. They are recognised at fair value if it is sufficiently certain that VERBUND will meet the requirements for receiving the grant and that the grant will actually be provided. Amounts recognised as deferred income are reversed to profit or loss over the expected useful life of the respective asset.

Government grants related to income or expenses also lead to the recognition of a liability which is reversed to profit or loss in the periods in which the costs associated with the grant are incurred.

Contributions to building costs

Contributions to building costs received by VERBUND (in particular from provincial energy companies), for example for power plant projects, are recognised in accordance with IFRIC 18. The rights to purchase electricity and the rights of use granted in return result in the recognition of an item of deferred income which is either reversed to profit or loss over the period of the agreement or (if no period is specified) over the useful life of the assets. The amounts reversed to profit or loss are presented under revenue.

Cross-border leasing transactions

VERBUND entered into several cross-border leasing transactions in the reporting periods from 1999 to 2001. Power plants were leased to US investors and simultaneously leased back under finance leases.

Obligations under these transactions were entirely covered, i.e. both the equity portions and the loan portions, by a corresponding acquisition of securities (zero coupons, medium-term notes) or through loans to financial institutions.

With the beginning of the financial market crisis during the 2008 reporting period, the risk profile of the cross-border leasing transactions changed – mainly as a result of the deterioration in credit rating of contractual parties (banks and insurance companies). At the same time, the willingness of these investors to terminate individual transactions early increased due to the increased liquidity requirements of American cross-border leasing investors and the agreements between these investors and the American tax authorities regarding the tax benefits to be approved.

A total of around 85 % of the original volume of cross-border leasing transactions was terminated in the 2009 and 2010 reporting periods. VERBUND's last remaining transaction has an off-balance sheet financing structure (see: Other liabilities and risks). An item of deferred income was recognised for the present value of the economic benefit associated with this transaction and is reversed to profit or loss over the contractual term. Reversals are presented under other operating income.

Some of the cross-border leasing transactions were terminated early in their entirety; that is, all associated liabilities (A-loans and B-loans) and investments were repaid. Some of the cross-border leasing transactions were only partially terminated, whereby the transactions with the investors and the associated A-loans were repaid, while VERBUND continued the existing B-loans. Consequently, the corresponding B-payment undertaking agreements and the corresponding investments were also continued. Therefore, cover is still provided on the balance sheet. The accounting balances denominated in foreign currency (exclusively US dollar) are measured at the exchange rate prevailing at the balance sheet date. Expenses and income from the measurement correspond to one another both in terms of value as well as with respect to the value date and are netted.

The financial investments and liabilities resulting from the cross-border leasing transactions that were terminated early continue to be presented separately in the notes to VERBUND's consolidated financial statements in order to improve clarity; all items are closed on the balance sheet.

Taxes on income

The income tax expense presented in the income statement for the reporting period includes current taxes on income calculated for (consolidated) subsidiaries based on their taxable income and the respective income tax rate as well as changes in deferred tax liabilities and deferred tax assets.

In accordance with the balance sheet-oriented liability method in IAS 12 for the determination of deferred taxes, deferred taxes are recognised for temporary differences between the carrying amounts of assets and liabilities in the IFRS consolidated financial statements and their tax bases at the level of the subsidiary. Deferred tax liabilities and deferred tax assets are recognised for temporary differences leading to taxable or deductible amounts in the determination of taxable income in future reporting periods. Tax benefits from unused loss carryforwards are included in the determination of deferred taxes. Goodwill recognised upon first-time consolidation of subsidiaries does not result in deferred taxes; in contrast, temporary differences which arise or change as a result of the amortisation of goodwill for tax purposes in subsequent periods are deferred. Temporary differences with respect to the carrying amounts of equity interests represent another exception to this comprehensive tax deferral as long as they do not result from impairment losses under tax law.

The income tax rates expected to apply when the temporary differences are likely to reverse are applied in the determination of deferred taxes. The corporate income tax rate applying to VERBUND AG is 25 %. The following income tax rates are applied by consolidated subsidiaries (depending on the country in which they are located):

Income tax rates applicable to subsidiaries in %

	2012	**2013**
Austria	25.0	25.0
Bulgaria	10.0	10.0
Germany – partnerships [1]	12.26 – 12.89	12.25 – 12.95
Germany – limited companies [2]	27.5	27.5 – 28.92
France	33.33	33.33
Italy[3]	27.5 (+ 5.57)	27.5 (+ 5.57)
Romania	16.0	16.0
Spain[4]	20.0 / 25.0 / 30.0	20.0 / 25.0 / 30.0

[1] The trade tax depends on the local multiplier, which varies from one municipiality to another. // [2] The corporate income tax rate shown also includes the solidarity surcharge and municipal trade tax. // [3] In addition to corporate income tax, there is also a regional tax (Imposta regionale sulle attività produttive, IRAP) // [4] In Spain there is a staggered tax rate.

As of the 2005 reporting period, VERBUND took advantage of the option to form a group of companies for tax purposes as granted by legislators with the 2005 Austrian Tax Reform Act (Steuerreformgesetz 2005); VERBUND AG is the parent of the tax group.

The parent of the tax group charges members of the tax group their attributable corporate tax amounts by means of tax allocation. Domestic group members receive a credit in the event of a loss. The allocated tax amounts are only adjusted subsequently if there are material differences. A liability from current tax liabilities is recognised in the amount of the expected future tax payment for the transfer of losses incurred by foreign group members if the requirements for subsequent taxation in the future are fulfilled. The expected future tax payment is not discounted.

Derivative financial instruments

Derivative financial instruments are recognised at fair value when the contract is concluded and are subsequently measured at fair value. As a rule, unrealised gains or losses are recognised in the income statement if the requirements for the accounting for hedging relationships (hedge accounting) in accordance with IAS 39 are not met. In this case, these special accounting standards are applied. The requirements under IAS 39 for hedge accounting include, in particular, the documentation of hedging relationships between the hedged item and hedging instrument and the hedging strategy as well as the regular measurement of both prospective and retrospective effectiveness. A hedging relationship qualifies as highly effective if the fair value changes of the hedging instrument fluctuate within a range of 80 % to 125 % of the opposite changes in fair value of the hedged item.

In the case of the accounting treatment of so-called fair value hedges, the derivative hedging instrument and the hedged item with respect to the hedged risk are measured at fair value through profit or loss. However, if a derivative financial instrument is used as a hedging relationship in a cash flow hedge, the unrealised gains or losses from the financial instrument are recognised in other comprehensive income for the time being. They are only reclassified (“recycled”) to the income statement when the hedged item affects profit or loss. If highly probable future transactions are hedged and these transactions lead to the recognition of a financial asset or a financial liability in subsequent

periods, the amounts previously recognised in other comprehensive income are reclassified to the income statement in accordance with IAS 39 in the same period in which the asset or liability affects profit or loss for the period. If the transaction leads to the recognition of non-financial assets or liabilities, the amounts recognised in other comprehensive income are included in the initial measurement of the asset or liability (basis adjustment), which does not affect profit or loss at the initial recognition date.

Derivative financial instruments with positive fair value are recognised under trade receivables and other receivables; those with negative fair value are recognised under other financial liabilities or trade payables and other liabilities.

Own-use contracts concluded and held by VERBUND for the purpose of receiving or delivering non-financial items based on expected purchase, sales or usage requirements are not recognised as derivative financial instruments, but instead as executory contracts (own-use exemption). If the unavoidable costs of fulfilling such an own-use contract are higher than the economic benefits expected therefrom, a provision is to be recognised for the own-use contract in accordance with IAS 37. If, however, supplier contracts that previously represented own-use contracts lead to a net settlement within the meaning of IAS 39, the exemptions for own-use contracts no longer apply and the supplier contracts are to be qualified as freestanding derivatives and recognised at fair value through profit or loss.

Hedging relationships in the finance area

In order to limit and control existing foreign exchange and interest rate risks, individual derivative financial instruments are used in the finance area (in particular forward exchange transactions and interest rate swaps). With the exception of derivative financial instruments related to closed items on the balance sheet (see: Cross-border leasing transactions), interest rate swaps (swaps from variable to fixed interest) were entered into in order to hedge the existing interest level for the long term. These interest rate swaps were designated as cash flow hedges (see: Derivative financial instruments). In contrast, those interest rate swaps that hedge intragroup financing at the subsidiary level are recognised as freestanding derivatives in VERBUND's consolidated financial statements.

With respect to individual closed items on the balance sheet (see: Cross-border leasing transactions), the investments result in variable income that has to be seen alongside fixed expenses. In order to avoid risk, interest rate swaps were entered into for the corresponding financial liabilities. These interest rate swaps exhibit a risk profile with respect to interest rate and foreign exchange risk that perfectly opposes the corresponding profile of the associated balance sheet items. Therefore, the carrying amount of the associated financial liabilities is adjusted according to the hedged risk to balance out the fair value measurement of the interest rate swaps.

Determination of the fair value of derivative financial instruments in the finance area

The fair value of forward exchange transactions is based on respective rates (foreign exchange rates and interest rate curves) prevailing at the balance sheet date. These are Level-2 measurements as defined under IFRS 13.

The fair value of interest rate swaps corresponds to the amount that VERBUND would receive or have to pay if the transaction were terminated as at the balance sheet date, whereby current market conditions – in particular current interest rates, yield curves and counterparty credit risk – are taken into account. These are Level-2 measurements as defined under IFRS 13.

Hedging relationships in the energy area; electricity and gas contracts in the wholesale portfolio

Within the framework of cash flow hedge accounting, VERBUND employs derivative financial instruments to hedge the price risk of future sales and procurement transactions. Forward or futures contracts are used as hedging instruments as defined under IAS 39.

VERBUND assesses on a monthly basis whether the cumulative changes in the hedged item in relation to those of the hedging instrument lie within the range of 80 % to 125 % specified under IAS 39 for hedge accounting. Any ineffective portions of fair value changes in the hedging instrument lying in this range, but deviating from 100 %, are recognised in profit or loss.

Electricity, gas and CO_2 derivatives not designated as hedging instruments are allocated to the wholesale portfolio and measured at fair value through profit or loss.

The fair value changes of hedging instruments used within the framework of cash flow hedges are recognised without effect on profit or loss in other comprehensive income until the hedged item is realised. If a framework agreement with a netting arrangement has been concluded with a counterparty, the positive and negative fair values of the transaction are offset on the balance sheet (see: Financial instruments and risk management). Subsequently, measurement effects are netted with the results from the hedged item; thus, profit for the period is not expected to be affected.

Fair value changes in (freestanding) electricity and gas derivatives in the wholesale portfolio that were not designated as hedging instruments are recognised in profit or loss net of previously realised futures and following the netting of positive and negative fair values (see: Financial instruments and risk management). These derivatives also include put options to hedge revenue from own generation against price declines.

Energy trading contracts

VERBUND must be present in the trading markets in order to best optimise own generation. In addition to the marketing of own electricity generation, which dominates in terms of value creation, third party transactions are also carried out under strict risk management specifications. Energy trading contracts involving third party trading (futures and forward contracts for electricity, gas and CO_2) are measured at fair value through profit or loss. The result from the measurement and realisation of these derivative energy trading contracts is presented net in electricity or gas revenue or in other revenue (CO_2).

Determination of the fair value of derivative financial instruments in the energy area

The fair values of futures and forward contracts employed by VERBUND can be reliably measured at each balance sheet date, because quoted prices are available for futures contracts at the respective exchanges (European Energy Exchange (EEX), Intercontinental Exchange (ICE), Central European Gas Hub (CEGH)) and forward contracts are measured with forward price curves derived from quoted prices based on a risk-free yield curve and taking counterparty credit risk into account. The options used by VERBUND are measured on the basis of market information provided by brokers (ICAP) at the respective closing date. The measurements of electricity, gas and CO_2 futures contracts as well as options are Level-1 measurements as defined under IFRS 13; as a general rule, the measurements of electricity, gas and CO_2 forward contracts and gas swaps are Level-2 measurements. Only the measurement of the free-standing derivative from the long-term natural gas supply agreement for the Mellach combined cycle gas turbine power plant is a Level-3 measurement as defined under IFRS 13.

Revenue recognition

As a rule, revenue is realised at the time of delivery to the customer or when the service has been rendered. A delivery is regarded as having been performed when the significant risks and rewards associated with ownership are transferred to the buyer in accordance with the contractual agreement, payment – this is the fair value of the consideration received or receivable – has been specified by contract and the settlement of the trade receivable is probable. Revenue results mainly from the sale of electricity to industrial and domestic customers, to energy supply companies, traders and electricity exchanges, as well as grid services. Revenue from the delivery of electricity to large customers is realised in the same way as revenue from energy trading and grid services; that is, at the performance date. In the small customer area, revenue is recognised when the customer can be billed for receipt of a partial delivery. Revenue from grid services includes revenue from national grid rates granted by order of Energie-Control Austria für die Regulierung der Elektrizitäts- und Erdgaswirtschaft (E-Control) to cover grid costs, revenue from the auctioning of bottlenecked cross-border capacities and revenue from inter-TSO compensation (ITC) to compensate for the costs of international electricity delivery.

The realisation of standard futures contracts with traders where the main purpose is not the final physical delivery of energy, but the management of a trading position, is presented under revenue, whereby the underlying revenues and purchase costs are presented together as net amounts under revenue; this corresponds to the result from trading with derivative financial instruments in the energy area.

Revenue is presented net of any sales deductions, exclusive of value added tax and after the elimination of intragroup transactions.

Discretionary judgements and key assumptions concerning the future

The preparation of IFRS consolidated financial statements requires discretionary judgements on the application of accounting policies as well as the determination of assumptions regarding future developments on the part of management which can significantly influence the recognition and measurement of assets and liabilities, the disclosure of other commitments as at the balance sheet date and the presentation of income and expenses during the reporting period.

In particular with respect to the following assumptions and estimates, there is considerable risk that the carrying amounts of assets and liabilities will require significant adjustment in subsequent reporting periods.

Determination of the weighted average cost of capital

The weighted average cost of capital (WACC) is used to determine the recoverable amounts when applying net present value methods. These correspond to the average weighted cost of equity and debt. The weighting of the cost of equity and debt – which corresponds to a capital structure at market values – was derived from an adequate peer group.

The cost of equity is determined using the capital asset pricing model (CAPM) from a reference rate, market risk premium and beta factor. The reference rate represents a de facto risk-free rate for an investment with matching maturities and is determined based on the yield curve for government bonds issued by the Deutsche Bundesbank ("Svensson Method"). The market risk premium corresponds to the premium that an equity investor requires over and above the reference rate as compensation for the risk associated with holding the market portfolio; VERBUND uses the arithmetic mean of long-term time series to estimate the market risk premium. The beta factor measures the relationship between the price trend of an equity instrument and the market as a whole, and thus is a measure of its systematic risk. Equity shares of electricity producers and transmission system operators generally exhibit different beta factors. Beta factors from electricity producers are normally less volatile than the market as a whole, while those of transmission system operators are even more stable.

The cost of debt before tax corresponds to the return on debt instruments traded on the market with an equivalent risk of default and matching maturities.

In order to adequately reflect country risk, corresponding premiums are taken into account on the cost of equity and debt. Every country exhibits a more or less high risk of default. The capital market reflects this default risk through different returns on government bonds and credit default swaps.

Considering the currently volatile financial market environment, the development of capital costs (and in particular the country risk premiums) is under constant observation.

Purchase price allocations

Acquisition of (additional) Bavarian hydropower plant capacities (Grenzkraftwerke)

The purchase price allocation for the acquisition of (additional) Bavarian hydropower plant capacities effective 24 April 2013 includes the fair value measurement of previously held equity interests (i.e. the 50 % previously equity-accounted interests in Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH), the fair value measurement of the equity interest in Enerjisa Enerji A.S. (Group), the calculation of gains or losses from previously existing relationships between VERBUND and the Bavarian power plant companies, the fair value measurement of

the reacquired electricity supply commitment (60 %) from the Tyrolean Zemm/Ziller power plant group and the identification and fair value measurement of all acquired assets and all liabilities assumed.

The measurement of the 50 % interests in Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerke Jochenstein AG and Grenzkraftwerke GmbH resulted in a fair value of €949.2m; that of the disposed 50 % equity-accounted interest in Enerjisa Enerji A.S. (Group) in a fair value of €1,671.1m; the effects on earnings from these measurements, €918.4m and €478.7m respectively, were recognised in effects from business acquisitions. The fair value of the reacquired portion of the electricity supply commitment from the Tyrolean Zemm/Ziller power plant group amounted to €115.8m. The carrying amount of the reacquired portion recognised at amortised cost was €282.4m at the transaction date. The income from the repayment of €166.6m is presented in other operating income.

The identifiable assets mainly comprise the cash-generating units of the run-of-river power plants Braunau-Simbach, Eggelfing-Obernberg, Ering-Frauenstein, Jochenstein, Nußdorf, Oberaudorf-Ebbs, Passau-Ingling and Schärding-Neuhaus. The main components of the power plants were identified by technical experts; the component approach applied to comparable run-of-river power plants already owned by VERBUND served as the basic benchmark for the allocation. The fair values (Level 3) of the assets were determined using a net present value method (DCF method). The discount rate after tax was 6.75 % (Austria) and 6.25 % (Germany).

First, the interests in the run-of-river power plants and the individual capital shares were measured. The value of the capital shares was subsequently allocated to the individual power plant interests. Since the acquired company Grenzkraftwerke GmbH is a plant management company and service provider for all other run-of-river power plants acquired and does not hold any power plants, the value of the capital shares was allocated to the power plants of the other acquired companies. Accordingly, the fair value of the permanent staff based was deducted. If possible, the individual power plant components were subsequently measured separately. The fair value of the remaining power plant components was determined using an allocation method. The fair value of the power plants remaining after deducting the separately measured power plant components was allocated to the other power plant components based on notional costs and the remaining useful lives. In addition, the tax amortisation benefit was taken into account at the level of the power plant components to the extent depreciable.

The liabilities assumed mainly comprise mainly deferred tax liabilities, provisions for employee benefits and the obligation to transfer the newly acquired 50 % interest in Donaukraftwerk Jochenstein AG back to the Federal Republic of Germany or the Free State of Bavaria without exchange of consideration effective 31 December 2050. The deferred tax liabilities result mainly from the fair value measurement of the acquired assets, carrying forward the carrying amounts under tax law. The provisions for employee benefits were calculated based on actuarial reports. The obligation to transfer the acquired 50 % interest in Donaukraftwerk Jochenstein AG back was recognised at the discounted fair value (in 2050) of consolidated net assets to be transferred.

The cash flows relevant for determining the fair value of the acquired assets were derived from the companies' current budgets. The basis of the measurement was a constant output over the planning period corresponding to the mean energy capability (the average annual generation of all power plants is around 3,900 GWh). Prices (beginning in 2020) were determined using the average electricity price forecasts of 2 reputable market research institutes and information service providers in the energy market. At the beginning of the planning period (2013 to 2016), however, prices were determined using price quotations for energy futures; the price levels were then brought up to the energy price level forecasts by 2020 (through linear interpolation). The forecast electricity revenue was reduced by

discounts for electricity generation characteristics and hydrological forecast and availability risk. These discounts, which were derived from experience, correspond to the percentage difference from the pure base price and serve to model the generation value. A surcharge derived from price quotations was assumed for each MWh of mean energy capability for the realisable increase in revenue due to the sale of "certified" electricity (with guarantees of origin from hydropower). The network service costs were estimated based on the applicable System Charges Order (SNE-VO). The material annual expenses from the planning were carried forward with price increases of 2.0 % to 4.3 %.

The planning period was divided into a detailed planning phase and a rough planning phase. The detailed planning phase comprised a period of 6 years. The rough planning phase had a horizon of approximately 94 years, reflecting the long-term reinvestment, repair and maintenance cycles of run-of-river power plants. Planning is therefore based on a finite reinvestment cycle that reflects investments in replacements based on experience.

The equity-accounted interest in Enerjisa Enerji A.S. (Group), the previously held equity interest (50 % of the interests in Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH that had been previously accounted for under the equity method) and the reacquired electricity supply commitment (60 %) from the Tyrolean Zemm/Ziller power plant group represent portions of the consideration transferred based on significant discretionary judgements and key assumptions concerning the future.

The fair value (Level 3) of the equity-accounted interest in Enerjisa Enerji A.S. (Group) was determined using a net present value method (DCF method). Enerjisa Enerji A.S. (Group) includes the three Generation, Trading and Distribution operating segments. The discount rate after taxes was 9.25 % for the Generation and Trading segments and 7.25 % for the Distribution segment.

The cash flows relevant for determining the fair value were derived from the current budgets of Enerjisa Enerji A.S. (Group). The measurement of the Generation and Trading segments was based on expected output. At the measurement date, Enerjisa Enerji A.S. (Group) reported a capacity 1,700 MW (6 combined cycle gas turbine power plants, 6 hydropower plants and 2 wind-solar power plants), which the management of Enerjisa Enerji A.S. (Group) expects to increase to a targeted portfolio with an installed capacity of around 5,000 MW by 2015. The prices (due to the lack of an active market for energy futures in Turkey) were calculated based on the average price forecasts of 2 reputable market research institutes and information service providers in the energy market. The extrapolation of these electricity price forecasts (beginning in 2029, 2031 and 2036 respectively depending on the generation technology and/or the market research institute and information service provider in the energy market) was based on an assumed sustained price increase of 1.7 % to 2.0 %. The planning period was determined in the Generation segment based on the respective license period (no longer than 2062). It was determined up to and including 2055 for the Trading segment. The cash flows relevant for the measurement of the Distribution segment were determined based on the expected tariff revenue (incentive-based regulation system). Planning after the end of the planning period (beginning in 2037) was based on the presumed indefinite continuation of the segment's customer base at a constant annual growth rate of 2.0 %.

The measurement of previously held equity interests was performed in a similar to the determination of the fair value of the assets acquired. Therefore, the fair value of the previously held equity interests comprises the fair value of the previously held interest in the run-of-river power plants and the previously held capital shares of Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH. However, in contrast to the measurement of the acquired assets, the permanent staff and the tax amortisation benefit were not factored into the calculation.

The fair value of the reacquired electricity supply commitment (60 %) from the Tyrolean Zemm/Ziller power plant group was determined using a net present value method (DCF method). The discount rate after tax was 6.75 %. The principle repayments relevant for the measurement of the electricity supply commitment were derived from VERBUND AG's current budgets. The measurement basis was determined based on the monthly electricity volumes to be delivered. Prices (beginning in 2020) were determined using the average electricity price forecasts (peak price) of 2 reputable market research institutes and information service providers in the energy market. At the beginning of the planning period (2013 to 2016), however, prices were determined using price quotations for energy futures; the price levels were then brought up to the energy price level forecasts by 2020 (through linear interpolation). In order to account for the optimisation within the peak times and the increase of the natural inflow as a result of pumping, a premium was also added to the forecast peak prices based on values experienced in the last 12 months. The planning horizon comprises the limited duration of the electricity supply commitment (August 2029).

Therefore, the key valuation assumptions underlying the determination of fair values in connection with this purchase price allocation are the electricity price forecasts, the development of the clean spark spreads, the discount rate and the expected tariff revenue.

Since there were indications that VERBUND's generation portfolio was impaired at the end of the 2013 reporting period (see: Indications of impairment in the generation portfolio), the recoverability of the (additional) Bavarian hydropower plant capacities acquired as part of these transactions was tested (see: Impairment testing of power plants).

Indications of impairment in the generation portfolio

VERBUND hedges its future own generation against price risks by means of a pricing-in strategy determined in advance, which calls for the use of derivative financial instruments in the energy area, in particular forward and futures contracts. If certain trigger prices are reached, VERBUND's pricing-in strategy provides for the early pricing in of future generation volumes in order to hedge against falling prices. Such a strategy of early pricing in facilitates the capture of a price level that is already regarded as high when the upper trigger price is exceeded and therefore secures (unexpected) high margins for future generation volumes. If prices fall below the lower trigger price, such a strategy of early pricing in enables facilitates the capture of a price level that is already regarded as low and therefore secures (unexpected) low, but acceptable margins for future generation volumes against a further decrease in price quotations.

The price quotation trends for emission rights and electricity futures are exhibiting a very strong positive correlation. As a result of the decision by the European Parliament dated 16 April 2013 against backloading in the EU-emission trading scheme ("backloading" refers to delaying the auctioning of emission rights in order to bring about an increase in their prices after first adjusting the excess supply), the price quotations for emission rights and electricity futures recorded significant declines. Consequently, prices fell below VERBUND's lower trigger prices several times in May 2013, which led to the early pricing in of future generation volumes. After a long debate, the European Parliament decided on 3 July 2013 in favour of "backloading" in the amount of €900m emission rights in the trading periods starting 2019. However, this decision at best only had a temporary (insignificant) influence on the price quotation trend for emission rights and electricity futures.

Considering these indications of impairment, VERBUND's generation portfolio was tested for impairment as at 30 June 2013.

The market prices for electricity futures that fell again in quarter 4/2013 following a brief recovery in quarter 3/2013 and the permanently lower electricity price forecasts by a reputable market research institute and information service provider in the energy market once again represented indications of impairment in the generation portfolio. For this reason, the recoverability of VERBUND's generation portfolio was tested once again at the end of the 2013 reporting period.

Change in the method of estimating prices with respect to determining fair value

For recoverable amounts determined based on fair value less costs to sell, the prices (starting 2020) were calculated as from quarter 2/2013 using the average forecasts of 2 reputable market research institutes and information service providers in the energy market. For the beginning of the planning period (2013 to 2016), however, the prices were determined using the price quotations for energy futures; the price levels for electricity, natural gas and emission rights were then brought up to the energy price level forecasts by 2020 (through linear interpolation). Previously, only one of these two forecasts was used to determine fair value. The extrapolation of electricity price forecasts (from 2036 onwards) was based on the assumption of a sustained rate of increase of 2.0 %. Without this change in accounting estimate, the recoverable amounts (of the impaired assets) would have been around €614.2m higher as at 31 December 2013 and the effects from impairment tests would have been around €610.5m less negative.

Impairment testing of goodwill

For the purpose of impairment testing, VERBUND's goodwill was allocated to the following cash-generating units or groups of cash-generating units:

Goodwill €m

	2012	**2013**
Bruck/Hollern/Petronell-Carnuntum wind farms	25.3	0.0
Grenzkraftwerke run-of-river power plant group	–	161.1
Run-of-river power plants group on the Inn River	280.4	280.4
Electricity segment	300.0	300.0
Goodwill in VERBUND	605.7	**741.5**

Bruck/Hollern/Petronell-Carnuntum wind farms

The recoverable amount for the Bruck/Hollern/Petronell-Carnuntum wind farms (installed capacity in operation: 49 MW; capacity under construction: 57 MW) was determined on the basis of fair value (Level 3) less costs to sell. This was calculated using a net present value method (DCF method). The discount rate after tax was 6.00 % (30 June 2013) and 6.25 % (31 December 2013).

The cash flows relevant to measurement were derived from the recent planning of VERBUND Wind Power Austria GmbH and/or VERBUND Renewable Power GmbH and are based primarily on near-market data. The expansion of the wind farms was reflected in the planning data accordingly. The new Petronell-Carnuntum and Hollern wind power plants are scheduled to be commissioned at the beginning of 2014, while the new Bruck wind power plants should go online at the beginning of 2015. The fair value measurement of the wind farms in operation was based on an annual feed-in of 100 GWh based on multiple years of experience. The wind power plants to be newly constructed as part of the expansion of the wind farms were measured based on an annual expected feed-in of 139.8 GWh. Prices were determined based on fixed feed-in rates in accordance with the Green Electricity Act (Ökostromgesetz, ÖSG) for the first period up to four and a half years for the wind power plants in operation (depending on the wind farm) and for the first 13 years following commissioning for the wind power plants to be newly constructed. The forecast electricity revenue was reduced by 13.0 % to reflect balance energy costs after the end of the fixed feed-in rate. The network service costs were estimated based on the applicable System Charges Order (SNE-VO). The material annual expenses from the planning were carried forward with price increases of 2.0 % to 2.7 %.

The planning period lasted until the end of the useful life in 2039, based on the assumption that there would be no reinvestment. The repair and maintenance cycles were determined based on the maintenance agreements entered into with the wind power plant manufacturers.

The key valuation assumptions underlying the determination of the recoverable amount were the electricity price forecasts, the forecast annual generation volumes of the existing plants under operation and wind power plants yet to be constructed and the discount rate.

The recoverable amount was compared to the carrying amount of the Bruck/Hollern/Petronell-Carnuntum wind farms, including goodwill. The impairment previously recognised as at 30 June 2013 was confirmed for the 2013 reporting period. The recoverable amount as at 30 June 2013 was €65.1m and the recognised impairment was €25.7m.

Grenzkraftwerke run-of-river power plants group

The acquisition of (additional) Bavarian hydropower plant capacities took place effective 24 April 2013 (see: Business acquisitions). The total consideration transferred under these transactions was €2,053.2m. Goodwill of €161.1m was recognised in connection with the first-time consolidation. The Grenzkraftwerke power plant group comprises the Braunau-Simbach, Eggelfing-Obernberg, Ering-Frauenstein, Jochenstein, Nußdorf, Oberaudorf-Ebbs, Passau-Ingling and Schärding-Neuhaus run-of-river power plants group (each power plant represents a separate cash-generating unit). The goodwill was allocated to this group of cash-generating units because it is monitored (or managed) by management at this level.

The goodwill results solely from the different measurement of the tax amortisation benefit in the fair value of the run-of-river power plants and the deferred tax liabilities taken over which can be allocated to the run-of-river power plants. While the tax amortisation benefit is discounted to present value, deferred tax liabilities are recognised undiscounted.

The recoverable amount for the Grenzkraftwerke power plant group was determined in the 2013 reporting period on the basis of fair value (Level 3) less costs to sell. Fair value less costs to sell was determined in a similar way to the Grenzkraftwerke power plant group's impairment testing of cash-generating units (see: Impairment testing of power plants).

In order to account for the origin of goodwill, the deferred tax liabilities attributed to the run-of-river power plants were taken into account when comparing the recoverable amount and carrying amount. Goodwill can only be impaired with this method if the difference between the fair value of the tax amortisation benefit attributed to the run-of-river power plants and the deferred tax liabilities attributed to the run-of-river power plants no longer exceeds goodwill.

In the course of the two-step impairment test of the Grenzkraftwerke power plant group, an impairment loss of €86.8m on the run-of-river power plants was recognised as at 31 December 2013 in the first step (in the impairment test of the individual cash-generating units) (see: Impairment testing of power plants). In the second step, the recoverability of the goodwill was tested as described above. The difference between the tax amortisation benefit (carried forward since the date of initial consolidation) (€237.2m) and (amortised) deferred tax liabilities (€656.8m) exceeded goodwill (€161.1m) by €258.6m. Thus, the recoverability of the Grenzkraftwerke power plant group was confirmed.

Since the recoverability of the goodwill depends directly on the recoverable amount and/or carrying amount of the cash-generating units of the Grenzkraftwerke power plant group, the key valuation assumptions were the electricity price forecasts and discount rates.

According to management, the carrying amount of the Grenzkraftwerke power plant group (less deferred tax liabilities) plus the goodwill does not exceed the recoverable amount as a result of changes in key valuation assumptions.

Run-of-river power plants group on the Inn River

Effective 31 August 2009, 99.7% of the shares in Kraftwerksgruppe Inn GmbH (now VERBUND-Innkraftwerke GmbH) were acquired at a cost of €1,430.3m (for 100% of the shares, 0.3% of which were attributable to non-controlling interests). The power plant group comprises 13 run-of-river power plants on the Bavarian Inn River. Goodwill of €580.4m was recognised in connection with the first-time consolidation; the run-of-river power plants group on the Inn River comprise the Aubach, Feldkirchen, Gars, Jettenbach I, Jettenbach II, Neuötting, Perach, Rosenheim, Stammham, Teufelsbruck, Töging, Wasserburg and Wasserburg Triebwerk run-of-river power plants (each power plant represents a separate cash-generating unit). €280.4m of goodwill was allocated to this group of cash-generating units because it is monitored (or managed) by management at this level.

In the 2010 and 2011 reporting periods, a total of 29.73% of the interest in VERBUND Innkraftwerke GmbH was sold to Innkraft Bayern GmbH & Co KG, which is managed as a holding company, as well as to evn naturkraft Beteiligungs- und Betriebs-GmbH and WIEN ENERGIE GmbH. The goodwill did not change as a result of these transactions.

The recoverable amount for the Inn River power plant group was determined in the 2013 reporting period on the basis of fair value (Level 3) less costs to sell. This was calculated using a net present value method (DCF method). The discount rate after tax was 6.25% (30 June 2013 and 31 December 2013).

The cash flows of relevance to measurement were derived from the recent planning of VERBUND Innkraftwerke GmbH and are based on near-market data. The fair value measurement was based on constant generation volumes of around 1,900 GWh over the planning period, corresponding to the mean energy capability. The forecast electricity revenue was reduced by discounts for electricity generation characteristics and hydrological forecast and availability risk. These discounts, which were derived from experience, correspond to the percentage difference from the pure base price and serve to model the generation value. A surcharge derived from price quotations was assumed for each MWh of mean energy capability for the realisable increase in revenue due to the sale of “certified” electricity (with guarantees of origin from hydropower). The water charges were taken into account based on the notices from the respective regional government offices. The material annual expenses from the planning were carried forward with price increases of 2.0% to 4.3%.

The planning period was divided into a detailed planning phase and a rough planning phase. The detailed planning phase comprised a period of 6 years. The rough planning phase had a horizon of approximately 94 years, reflecting the long-term reinvestment, repair and maintenance cycles of run-of-river power plants. Planning is therefore based on a finite reinvestment cycle that reflects investments in replacements based on experience. The determination of the fair value of the run-of-river power plant group on the Inn River reflects both the (theoretical) possibility that the Free State of Bavaria will exercise its reversion rights as well as the present generation value of electricity generation. The agreement entered into with the Free State of Bavaria to convert the existing reversion rights to the run-of-river power plants in Wasserburg, Teufelsbrück and Gars to so-called contingent reversion rights (see: Other liabilities and risks) was accordingly taken into account.

The key valuation assumptions underlying the determination of the recoverable amount included the electricity price forecasts and the discount rate.

The recoverable amount was compared to the carrying amount of the run-of-river power plant group on the Inn River, including goodwill. The recoverability of goodwill allocated to the power plant group was confirmed for the 2013 reporting period. According to the present valuation assumptions, the recoverable amount of the run-of-river power plant group on the Inn River exceeds the carrying amount including (scaled up to 100 %) goodwill by €156.9m.

The table below shows the values assigned to the key valuation assumptions as well as the changes in value that would be necessary for the recoverable amount of the run-of-river power plant group on the Inn River to equal the carrying amount including goodwill:

Sensitivity analysis for the run-of-river power plant group on the Inn River

	Value assigned to the key valuation assumption	Change in value for the recoverable amount to equal the carrying amount
Price of electricity[1]	€53.8/MWh	– 9.00 %
Discount rate	6.25 %	+ 0.75 pp

[1] The electricity price shown relates to the year 2020. This is the first year in which the price is determined using the average price forecasts of 2 reputable market research institutes and information service providers in the energy market. The sensitivity analysis varies the price of electricity constantly over time up to the planning horizon.

Electricity segment

Effective 31 August 2009, 99.7 % of the shares in Kraftwerksgruppe Inn GmbH (now VERBUND Innkraftwerke GmbH), which operates 13 run-of-river power plants on the Inn River in Bavaria, were acquired at a cost of €1,430.3m (for 100 % of the shares, 0.3 % of which were attributable to non-controlling interests). Goodwill totalling €580.4m was recognised upon first-time consolidation, of which €300.0m was allocated to the Electricity segment.

As a result of shifts between shareholder groups in the 2010 and 2011 reporting periods, VERBUND's interest in VERBUND Innkraftwerke GmbH decreased from 99.7 % to 70.27 %. The goodwill did not change as a result of these transactions.

The recoverable amount for the Electricity segment was determined on the basis of fair value, less costs to sell. In addition to VERBUND's entire generation portfolio, the Electricity segment also includes electricity trading and distribution (see: Segment reporting). Thus, the entire goodwill from the acquisition of 13 run-of-river power plants on the Inn River in Bavaria was ultimately tested for impairment in a top-down test.

The fair value for the Electricity segment was determined based on market price. The starting point was VERBUND's quoted price, which was €15.52 per share on the last trading day of the year (previous year: €18.76). The fair value of the Electricity segment was determined by applying analogy methods that place operating and/or value-based performance figures in relation to VERBUND's overall entity value (market capitalisation plus net debt).

The recoverable amount was compared to the carrying amount of the Electricity segment, including goodwill. The recoverability of goodwill allocated to the Electricity segment was confirmed for the 2013 reporting period.

The table below shows the values assigned to the key valuation assumptions as well as the changes in value that would be necessary for the recoverable amount to equal the carrying amount of the Electricity segment, including goodwill:

Sensitivity analysis for the Electricity segment

	Value assigned to the key valuation assumption	Change in value for the recoverable amount to equal the carrying amount
Share price	15.52 €/Aktie	–9.07 %

Impairment testing of power plants

Mellach combined cycle gas turbine power plant

The recoverable amount for the Mellach combined cycle gas turbine power plant (installed capacity (electrical): 848 MW) was determined based on fair value (Level 3) less costs to sell. The discount rate after tax was 6.75 % (30 June 2013 and 31 December 2013).

The cash flows relevant to measurement were derived from the recent planning of VERBUND Thermal Power GmbH & Co KG in Liqu. and are based primarily on near-market data. The fair value measurement was determined on the basis of the installed capacity of the combined cycle gas turbine power plant; the maximum heat extraction was assumed to be 400 MW (thermal). The presumed level of efficiency at full capacity was 58.8 %. Utilisation of the power plant was determined with the help of an optimisation model, taking account of the energy market and technical environment and/or restrictions. In light of the current market situation, planning for the medium term was based on the assumption that generation would be shut down or only very low. Moreover, the planning takes into account a heat extraction of up to 200 GWh per year; for the period in which generation is suspended, it is assumed that the district heating supply and purchase agreement for the district heating requirements of the Graz metropolitan area would be fulfilled by the Mellach coal-fired district heating plant. The network service costs were estimated based on the applicable System Charges Order (SNE-VO). The costs of upkeep incurred in addition to the costs from the maintenance agreement were estimated by the technical managers, as were the costs of idling the plant. The material annual expenses from the planning were carried forward with price increases of 1.9 % to 2.5 %.

The planning period was determined based on the total capacity of 150,000 equivalent operating hours (EOHs). The end of the planning period was reached between 2045 and 2051, depending on the electricity and gas price scenario as well as the utilisation scenario for the power plant. The reinvestment, repair and maintenance cycles were determined based on the maintenance agreement entered into with Siemens AG Austria.

The key valuation assumptions underlying the determination of the recoverable amount were the development of the clean spark spreads and the discount rate.

The recoverable amount was compared to the carrying amount of the Mellach combined cycle gas turbine power plant. The impairment previously recognised as at 30 June 2013 was confirmed for the 2013 reporting period; no additional impairment was ascertained. The impairment recorded over the course of the year amounted to €277.5m (previous year: €53.7m). The reversal of deferred government grants reduced the impairment by €7.6m (previous year: €1.5m). The net effect on profit or loss from the impairment loss thus totalled €269.9m (previous year: €52.2m).

The table below shows the key valuation assumptions for which it is considered possible that changes in value within the next reporting period would result in significant impairment losses or reversals of impairment losses; the table also shows their impact on the carrying amounts of the assets:

Sensitivity analysis for the Mellach combined cycle gas turbine power plant

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
Clean-Spark-Spread[1]	€33.8/MWh	± 5 %	€+ 30,5m €– 27,4m
Discount rate	6.75 %	± 0.25 pp	€– 7,5m €+ 11,1m

[1] The clean spark spread shown relates to the year 2020. This is the first year in which the price is determined using the average price forecasts of 2 reputable market research institutes and information service providers in the energy market. The sensitivity analysis varies the clean spark spread constantly over time up to the planning horizon.

Pont-sur-Sambre and Toul combined cycle gas turbine power plants

The recoverable amount for the Pont-sur-Sambre and Toul combined cycle gas turbine power plants (installed capacities: 420 MW and 422 MW respectively) was determined on the basis of fair value (Level 3) less costs to sell. The discount rate after tax was 6.25 % (30 June 2013) and 6.50 % (31 December 2013).

The cash flows relevant to measurement were derived from the current planning of POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. and are based primarily on near-market data. The fair value measurement was based on the installed capacities of the combined cycle gas turbine power plants. In each case, the presumed level of efficiency at full capacity was 52.0 %. Utilisation of the power plants was determined while taking account of the energy market and technical environment and/or restrictions with the help of an optimisation model. Planning was based on the assumption that a capacity market mechanism would be introduced for France starting in 2017 to create operating and investment incentives for (necessary) “conventional” back-up power plants. Annual capacity premiums per MW were estimated by power generation managers based on various scenarios. Network service costs were estimated based on the applicable rates of the Réseau de Transport d’Electricité S.A. (RTE). Material annual expenses from the planning were carried forward with a 1.9 % rate of increase.

The planning period was determined for both combined cycle gas turbine power plants based on a total capacity of 150,000 equivalent operating hours (EOHs). The end of the planning period was reached between 2032 and 2035, depending on the power plant, the electricity and gas price scenarios, and the power plant utilisation scenarios. The reinvestment, repair and maintenance cycles were determined based on the maintenance agreements entered into with Siemens S.A.S.

The key valuation assumptions underlying the determination of the recoverable amount were the performance of the clean spark spreads, the capacity premiums and the discount rate.

The recoverable amount was compared to the carrying amount of the Pont-sur-Sambre and Toul combined cycle gas turbine power plants. The impairment losses recognised as at 30 June 2013 amounted to €198.7m (Pont-sur-Sambre) and €191.8m (Toul). In the updated electricity price forecasts of one of the two market research institutes and information service providers in the energy market, the assumptions regarding the capacity premiums were significantly revised. This led to a decrease in the impairment loss recognised over the course of the year of €26.2m (Pont-sur-Sambre) and €45.9m (Toul)

as at 31 December 2013. Thus, the impairment losses recognised in the 2013 reporting period were €172.5m (Pont-sur-Sambre) and €145.9m (Toul).

As at 11 December 2013, the Pont-sur-Sambre and Toul combined cycle gas turbine power plants were classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell (see: (31) Non-current assets held for sale).

The table below shows the key valuation assumptions for which it is considered possible that changes in value within the next reporting period would result in significant impairment losses or reversals of impairment losses; the table also shows their impact on the carrying amounts of the assets:

Sensitivity analysis for the Pont-sur-Sambre and Toul combined cycle gas turbine power plants

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
Clean-Spark-Spread[1]	€19.5/MWh	– 5 %	€– 29.8m
Capacity premium[2]	€0.3m/MW	– 10 %	€– 15.8m
Discount rate	6.50 %	+ 0.25 pp	€– 7.1m

[1] The clean spark spread shown relates to the year 2020. This is the first year in which the price is determined using the average price forecasts of 2 reputable market research institutes and information service providers in the energy market. The sensitivity analysis varies the clean spark spread constantly over time up to the planning horizon. // [2] The indicated capacity premium relates to the year 2020. The capacity premium is only taken into account in one of the two price forecasts of the reputable market research institutes and information service providers in the energy market. The sensitivity analysis varies the capacity premium constantly over time up to the planning horizon.

Grenzkraftwerke run-of-river power plants group

The Grenzkraftwerke power plant group comprises the Braunau-Simbach, Eggelfing-Obernberg, Ering-Frauenstein, Jochenstein, Nußdorf, Oberaudorf-Ebbs, Passau-Ingling and Schärding-Neuhaus run-of-river power plants (each power plant represents a separate cash-generating unit). The fair value of the individual run-of-river power plants was determined on the basis of fair value (Level 3) less costs to sell. The discount rate after tax was 6.75 % (Austria) and 6.25 % (Germany).

The cash flows relevant for measurement were derived from the current planning of Grenzkraftwerke GmbH, the operator and service provider of all of the power plant group's run-of-river power plants, and are based primarily on near-market data. Fair value measurement was based on constant generation volumes totalling around 3,900 GWh over the planning period, corresponding to the mean energy capability. The forecast electricity revenue was reduced by discounts for electricity generation characteristics and hydrological forecast and availability risk. These discounts, which were derived from experience, correspond to the percentage difference from the pure base price and serve to model the generation value. A surcharge derived from price quotations was assumed for each MWh of mean energy capability for the realisable increase in revenue due to the sale of "certified" electricity (with guarantees of origin from hydropower). The network service costs were estimated based on the applicable System Charges Order (SNE-VO). The material annual expenses from the planning were carried forward with price increases of 2.0 % to 4.3 %.

The planning period was divided into a detailed planning phase and a rough planning phase. The detailed planning phase comprised a period of 6 years. The rough planning phase had a horizon of approximately 94 years, reflecting the long-term reinvestment, repair and maintenance cycles of run-of-river power plants. Planning is therefore based on a finite reinvestment cycle that reflects investments in replacements based on experience.

The key valuation assumptions underlying the determination of the recoverable amount included the electricity price forecasts and the discount rate.

The recoverable amounts of the run-of-river power plants were compared to their carrying amounts. The carrying amount exceeded the recoverable amount for 5 of the new run-of-river power plants (Braunau-Simbach, Jochenstein, Oberaudorf-Ebbs , Passau-Ingling and Schärding-Neuhaus). Therefore, an impairment loss totalling €86.8m was recognised as at 31 December 2013.

The table below shows the key valuation assumptions for which it is considered possible that changes in value within the next reporting period would result in significant impairment losses or reversals of impairment losses; the table also shows their impact on the carrying amounts of the assets:

Sensitivity analysis for the Grenzkraftwerke run-of-river power plant group

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amounts of assets
Price of electricity[1]	€53.8/MWh	± 5 %	€+ 86.8m €– 168.0m
Discount rate	6.75 % and 6.25 %	± 0.25 pp	€– 200.9m €+ 86.8m

[1] The electricity price shown relates to the year 2020. This is the first year in which the price is determined using the average price forecasts of 2 reputable market research institutes and information service providers in the energy market. The sensitivity analysis varies the price of electricity constantly over time up to the planning horizon.

Gössendorf and Kalsdorf run-of-river power plants

The recoverable amount for the Gössendorf and Kalsdorf run-of-river power plants in Styria (each power plant represents a separate cash-generating unit) was determined on the basis of fair value (Level 3) less costs to sell. The discount rate after tax was 6.75 % (30 June 2013 and 31 December 2013).

The cash flows relevant to measurement were derived from the recent planning of VERBUND Hydro Power AG and are based primarily on near-market data. Fair value measurement was based on constant generation volumes of 88.6 GWh and 81.2 GWh respectively over the planning period, corresponding to the mean energy capability. The forecast electricity revenue was reduced by discounts for electricity generation characteristics and hydrological forecast and availability risk. These discounts, which were derived from experience, correspond to the percentage difference from the pure base price and serve to model the generation value. A surcharge derived from price quotations was assumed for each MWh of mean energy capability for the realisable increase in revenue due to the sale of “certified” electricity (with guarantees of origin from hydropower). The network service costs were estimated based on the applicable System Charges Order (SNE-VO). The material annual expenses from the planning were carried forward with price increases of 2.0 % to 4.3 %.

The planning period was divided into a detailed planning phase and a rough planning phase. The detailed planning phase comprised a period of 6 years. The rough planning phase had a horizon of approximately 94 years, reflecting the long-term reinvestment, repair and maintenance cycles of run-of-river power plants. Planning is therefore based on a finite reinvestment cycle that reflects investments in replacements based on experience.

The key valuation assumptions underlying the determination of the recoverable amount included the electricity price forecasts and the discount rate.

The recoverable amount was compared to the carrying amount of the Gössendorf and Kalsdorf run-of-river power plants. The impairment previously recognised as at 30 June 2013 was confirmed for the 2013 reporting period. The impairment loss recognised over the course of the year amounted to €19.3m. The reversal of accrued contributions to building costs and grants reduced the impairment by €1.3m.

Kavarna wind farm

The recoverability of the wind farm operated by the Bulgarian entity Haos Invest EAD, which is subject to a sustained bottleneck in the upstream grid, was tested as at 31 March 2013 and 31 December 2013 due to indications of impairment. The current phase of political instability in Bulgaria and the legal uncertainties with respect to the financing of the Bulgarian grid led to the assumption that the possibility of feeding all the generated electricity into the grid would be further delayed. Since December 2013, there is also a new energy tax that was approved as part of the 2014 budget law. Although grid fees were abolished, it had to be assumed that this rule would be replaced. In addition, wind power producers could expect considerably higher costs (e.g. for balancing energy) as a consequence of the implementation of a (new) financing scheme. Values from past experience in Romania were used as a reference.

The recoverable amount was determined as at 31 March 2013 and 31 December 2013 based on value in use. The discount rate before tax was 8.00 % (31 March 2013) and 7.50 % (31 December 2013).

The cash flows relevant to measurement were derived from Haos Invest EAD's current planning. Value in use was determined on the basis of output estimated based on wind assessment reports. The installed capacity amounts to 16 MW; however, due to the sustained bottleneck in the upstream grid, the feed-in ratio was expected to average only 65 % until the beginning of 2017. Prices until 2025 were determined based on fixed feed-in rates in accordance with Bulgarian rules for renewable electricity. The forecast electricity revenue was reduced by balance energy costs of 15.0 % after the end of fixed feed-in rates (31 March 2013: 10.0 %). Material annual expenses from the planning were carried forward with a 2.0 % rate of increase.

The planning period lasted until the end of the useful life in 2030, based on the assumption that there would be no reinvestment. The repair and maintenance cycles as well as their costs were determined on the basis of maintenance contracts entered into or offered by wind power plant producers.

The key valuation assumptions on which the determination of the recoverable amount was based were the electricity price forecasts, the point in time from which it would be possible to feed all the generated electricity into the grid, the wind power plants' forecast annual power generation and the discount rate.

The recoverable amount was compared to the carrying amount of the wind farm in Kavarna. The impairment loss already recognised over the course of the year amounted to €3.1m. An additional impairment loss of €5.3m was recognised as at 31 December 2013.

Impairment test of Grid segment assets

The Grid segment corresponds to Austrian Power Grid AG (APG), which operates and maintains the Austrian grid area, the majority of the 220/380 kV high-voltage grid and parts of the 110 kV grid as a control area manager and as a separate and independent transmission system operator under corporate law.

APG carries out its activities as part of a natural monopoly regulated on the basis of a cost-based rate scheme by Energie-Control Austria für die Regulierung der Elektrizitäts- und Erdgaswirtschaft (E-Control). E-Control conducts annual cost reviews of APG based on which the annual grid costs are officially determined. The annual grid revenue thus derived comprises compensation for approved costs plus a return on the recognised capital employed (regulatory asset base).

The starting point for determining regulatory capital is the capital employed according to APG's GAAP-based annual financial statements. The regulatory account and regulatory reserve are deducted (or added back if necessary). The costs are also subject to various adjustments. As a result, there is normally a discrepancy between the assets according to the IFRS balance sheet and the regulatory asset base. The expenses and income shown on the IFRS income statement also deviate from the approved grid costs and grid revenue.

In addition, the weighted average cost of capital in line with the market currently exceeds the cost of capital established by E-Control. The cumulative interaction of all these factors was indicative of impairment, which is why the recoverability of the Grid segment's assets was tested as at 31 December 2013. The recoverable amount was determined based on value in use. The discount rate before tax was 7.00 %.

The cash flows relevant to measurement were derived from APG's current planning. Prices and volumes were determined based on the planned costs in connection with the planned electricity sales volume, whereby the cost adjustment factor represented a cost-reducing factor and the grid operator price index a cost-increasing factor. Investments were taken into account based on the legally binding 2013 Network Development Plan. Furthermore, planning was based on the assumption that provisions related to the System Charges Orders (SNE-VO) and/or System Usage Rates Regulation (SNT-VO) would no longer be recognised as of 2014 and that the payments to the challenging parties would be made in 2014 (see: Measurement of provisions). The material annual expenses were carried forward at price rate increases of 2.0 % to 4.3 %.

The detailed planning phase includes the period of validity for the 2013 Network Development Plan, which establishes the important transmission infrastructures in the next ten years (2014 – 2023) in APG's grid. Planning after the end of the detailed planning period (beginning 2024) was based on the assumption that APG would continue indefinitely as a going concern. It was based on the assumption that the owners will be entitled to market-level weighted average return on the regulatory asset base in the long term over the regulation system, less standardised discounts applied based on the length of time. Growth was not taken into account in the rough planning phase.

The recoverable amount was compared to the carrying amount of Grid segment assets. Since the carrying amount exceeded the recoverable amount, an impairment loss of €47.5m was recognised.

The key valuation assumptions underlying the determination of the recoverable amount were on the one hand, the difference between the weighted average capital costs in line with the market and the capital costs determined by E-Control in the detailed planning phase, and on the other hand the nearly complete reimbursement of the regulatory asset base at an average weighted cost of capital in line with the market in the rough planning phase.

The table below shows the key valuation assumptions for which it is considered possible that changes in value within the next reporting period would result in significant impairment losses or reversals of impairment losses; the table also shows their impact on the carrying amounts of the assets:

Sensitivity analysis for the assets of the "Grid" segment

	Value assigned to the key valuation assumption	Change in key valuation assumptions	Effects on the carrying amount of assets
Difference between the weighted average capital costs in line with the market and the capital costs determined by E-Control	0.50 %		€– 22.8m
		± 0.25 pp	€+ 22.8m

Impairment testing of equity-accounted interests

Shkodra Region Beteiligungsholding GmbH

Shkodra Region Beteiligungsholding GmbH is a joint venture of VERBUND and EVN AG. It holds (indirectly) a 100 % interest in Energji Ashta Shpk. Energji Ashta Shpk constructed and operates a two-stage Hydromatrix power plant (installed capacity: 53 MW), conceived within the framework of an operator model, on the Drin River in Northern Albania.

During the construction phase, the power plant suffered flood-related damage, a delay in construction and corresponding additional costs. Albanian government representatives held out the prospect of an extension of the concession as economic compensation; however, in light of changes in the political landscape, an extension beyond 2043 is highly uncertain. In addition, the assumptions with respect to the discount rate had to be revised upwards due to an increase in market risk. Considering these indications of impairment, the 50.01 % equity-accounted interest in Shkodra Region Beteiligungsholding GmbH was already tested for impairment as at 30 June 2013.

The recoverable amount was determined based on value in use. The amount was calculated based on the DCF method. The discount rate before tax was 13.00 % (30 June 2013).

The cash flows relevant to measurement were derived from Energji Ashta Shpk's current planning. The determination of the value in use was based on a constant generation volume of 242 GWh over the planning period, corresponding to the mean energy capability. Prices for the first 15 years after commissioning were based on the electricity purchase agreement with Korporata Elektroenergjetike Shqiptare (KESH). For the subsequent period, the electricity price forecasts of the VERBUND and EVN AG partners were determined jointly; they correspond approximately to those of the VERBUND energy market model (VEMM). The material annual expenses from the planning were carried forward starting in 2014 with a 2.0 % rate of increase. The planning period equated to the term of the hydropower plant concession.

The payments defaulted by KESH in quarters 3–4/2013 represented new indications of impairment. Therefore, the recoverability of the 50.01% equity-accounted interest in Shkodra Region Beteiligungsholding GmbH was once again tested as at 31 December 2013. Contrary to the impairment test conducted on 30 June 2013, the assumptions with respect to pricing and the planning period were fundamentally different due to developments in quarters 3–4/2013. As at 31 December 2013, the assumptions with respect to sales prices for the first 15 concession years were reduced. In exchange, it was assumed that the power plant concession will be extended for at least 100 years. The electricity price forecasts were determined solely based on the VEMM. In addition, the assumptions with respect to the discount rate had to be revised upwards due to another increase in market risk. The discount rate applied before tax was 14.75%.

The key valuation assumptions underlying the determination of the recoverable amount included the electricity price forecasts, the duration of the power plant concession and the discount rate.

In the 2013 reporting period, the carrying amount of the equity-accounted interest in Shkodra Region Beteiligungsholding GmbH was reduced to zero. However, VERBUND also holds long-term loans to Shkodra Region Beteiligungsholding GmbH, which, based on their economic substance, represent an increase in the net investment in Shkodra Region Beteiligungsholding GmbH.

Therefore, the recoverable amount was compared to the carrying amount of the net investment in the equity-accounted interest in Shkodra Region Beteiligungsholding GmbH. The impairment loss already recognised over the course of the year amounted to €8.5m. An additional impairment loss of €17.2m was recognised as at 31 December 2013.

Sorgenia S.p.A. (Group)

Sorgenia S.p.A. (Group) is an associate of VERBUND, with the majority being held by the Italian company CIR S.p.A. With a generation portfolio mainly comprising 4 combined cycle gas turbine power plants (installed capacity: 3,170 MW) and wind farms (installed capacity: 121 MW), it is among the leading privately owned Italian energy groups. Furthermore, Sorgenia S.p.A. (Group) holds a (calculated) 39% equity interest in Tirreno Power S.p.A., an Italian power plant company with a generation portfolio (also) dominated by combined cycle gas turbine power plants, as well as a 50% equity interest in Sorgenia France S.A., a French wind farm company. In addition, Sorgenia S.p.A. (Group) is active to a small extent in the exploration and production (E&P) of crude oil and natural gas.

The situation in the Italian market is currently characterised by decreasing demand for electricity due to the negative macroeconomic trend and/or excess capacities on the electricity market as well as decreasing clean spark spreads. In addition, the assumptions for the discount rate had to be revised upwards due to an increase in market risk. Considering these indications of impairment, the equity-accounted interest in Sorgenia S.p.A. (Group) was tested for impairment as at 30 June 2013. The recoverable amount was determined on the basis of fair value (Level 3) less costs to sell. This was calculated based on a sum-of-the-parts measurement of the operating segments using the discounted cash flow and multiples methods. The after-tax discount rates for the specific business areas were 7.25% and 8.00% respectively.

The cash flows relevant to measurement were derived from current planning for Sorgenia S.p.A. (Group) and are based primarily on near-market data. Fair value measurement was based on the installed capacities of the power plants. The assumed efficiency of the combined cycle gas turbine power plants operating at full capacity averaged 49.0%. Utilisation of the combined cycle gas turbine power plants was determined while taking account of the energy market and technical environment and/or restrictions with the help of optimisation models. The fair value measurement of the wind farms was based on an annual feed-in of between 233 GWh and 408 GWh, whereby an additional expansion of 79 MW in installed capacity was assumed for the years 2017 to 2019. Prices were determined using the average forecasts of 2 reputable market research institutes and information service providers in the energy market. Material annual expenses from the planning reflected cost savings and were carried forward at a 2.0% rate of increase. The fair value measurement of the consumer electricity and gas business was carried out by multiplying the number of customers with the typical costs incurred to attract new customers. The carrying amounts of E&P project and equity interests temporarily remaining with Sorgenia S.p.A. (Group) were applied as a realistic estimate of their fair values; project and equity interests that have already been sold were reflected in the fair value measurement by including the present value of expected earn-outs.

The planning period was determined for the combined cycle gas turbine power plants based on a total capacity of between 120,000 and 150,000 equivalent operating hours (EOHs). The planning period was generally assumed to end in 2035.

Key valuation assumptions underlying the determination of the recoverable amount included the performance of clean spark spreads, the discount rate and the sales proceeds for E&P project and equity interests.

The impairment loss recognised over the course of the year amounted to €396.0m. As a result of the periodic recognition of proportionate net profit, the carrying amount of the equity-accounted interest in Sorgenia S.p.A. (Group) was reduced to zero (see: (11) Result from interests accounted for using the equity method). As at 11 December 2013, the investment in Sorgenia S.p.A. (Group) was classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell (see: (31) Non-current assets held for sale).

Measurement of other equity interests

The 5.18% equity interest in Energie AG Oberösterreich is recognised as an available-for-sale financial asset in VERBUND's consolidated financial statements (see: (38) Additional disclosures regarding financial instruments in accordance with IFRS 7).

The disadvantageous changes in the economic environment (see: Indications of impairment in the generation portfolio) also represented an objective indication of impairment of the equity-accounted interest in Energie AG Oberösterreich in accordance with IAS 39. Fair value (Level 2) was determined using the multiples method. The fair value of €69.1m as at 30 June 2013 was determined with the help of a trading multiple derived from a peer group. As a consequence of the decrease in fair value, €3.7m in measurements recognised in other comprehensive income (and thus directly in equity) was derecognised with no effect on net income, and impairment losses of €41.6m were recognised in profit or loss.

Measurement of the natural gas supply agreement for the Mellach combined cycle gas turbine power plant

VERBUND Thermal Power GmbH & Co KG in Liqu. and EconGas GmbH have entered into a long-term natural gas supply agreement. The mode of operation resulting from the optimisation of the Mellach combined cycle gas turbine power plant leads 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.

The fair value (Level 3) of the free-standing derivative from the long-term natural gas supply agreement for the Mellach combined cycle gas turbine power plant was determined using a net present value method (DCF method). The measurement was carried out based on a risk-free yield curve under consideration of the contractual party's credit risk.

The fair value was determined on the basis of the contractual take-or-pay volume optimised according to utilisation for a monthly period over the term of the agreement (to 2026). The prices were determined as the difference between a forecast wholesale price for natural gas and the forecast (oil-indexed) contract price; the prices were determined based on the forecasts of 2 reputable market research institutes and information service providers in the energy market. In addition, the difference between the contractually agreed charge and the customary demand charge was taken into account.

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

The important unobservable input factors underlying the determination of fair value included the term of the natural gas supply agreement, the take-or-pay volumes, price forecasts for natural gas and crude oil and the scenarios for the outcome of the proceedings for anti-competitive conduct.

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

	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[1]	€ 28.8/MWh	± 10 %	–37.7	33.6
Forecast wholesale price for natural gas[2]	€ 27.3/MWh	± 10 %	36.4	–33.2
Term[3]	2026	n/a	n/a	n/a
Annual take-or-pay volume[4]	3125 GWh	n/a	n/a	n/a
Scenarios related to the outcome of the proceedings for anti-competitive conduct[5]	n/a	n/a	n/a	n/a

[1] The contractual price shown relates to the year 2020. This is the first year in which the price is determined using the average price forecasts of 2 reputable market research institutes and information service providers in the energy market. The sensitivity analysis varies the price of electricity constantly over time up to the planning horizon. The sensitivity analysis varies the forecast price constantly over the duration of the natural gas supply agreement. // The wholesale price shown for natural gas relates to the year 2020. This is the first year in which the price is determined using the average price forecasts of 2 reputable market research institutes and information service providers in the energy market. The sensitivity analysis varies the price of electricity constantly over time up to the planning horizon. The sensitivity analysis varies the forecast price constantly over the duration of the natural gas supply agreement. // [3] 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. // [4] 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. // [5] The note disclosures on 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.

Measurement of pensions and similar obligations and statutory severance payments

Existing provisions for pensions and similar obligations as well as obligations from severance payments (carrying amount as at 31 December 2013: €628.8m; previous year: €501.0m) were measured based on assumptions and estimates as at the balance sheet date. The key factors of influence included the discount rate, the estimated retirement age and the estimated life expectancy as well as future increases in salaries and pension benefits:

Actuarial assumptions for pensions

	2012	**2013**
Discount rate or expected rate of return from plan assets	4.00 %	3.50 %
Pension increases	2.25 %	2.25 %
Salary increases	2.75 %	2.75 %
Fluctuation	none	none
Longevity based on life table	Pagler & Pagler AVÖ 2008-P	Pagler & Pagler AVÖ 2008-P

Actuarial assumptions for obligations similar to pensions

	2012	**2013**
Discount rate	4.00 %	3.50 %
Fluctuations (depending on duration of employment)	0.0 %–4.0 %	0.0 %–4.0 %
Trend of contributions based on hospital cost index for new contracts (with participation) / old contracts (without participation)	4.5 % / 7.5 %	4.0 % / 7.0 %
Longevity based on life table	Pagler & Pagler AVÖ 2008-P	Pagler & Pagler AVÖ 2008-P

Actuarial assumptions for severance obligations

	2012	**2013**
Discount rate	4.00 %	3.50 %
Salary increases	2.75 %	2.75 %
Fluctuations (depending on duration of employment)	0.0 %–4.0 %	0.0 %–4.0 %
Longevity based on life table	Pagler & Pagler AVÖ 2008-P	Pagler & Pagler AVÖ 2008-P

VERBUND is exposed to investment risk, interest rate risk, life expectancy risk and salary risk as well as the risk of price increases and fluctuation risk based on the existing pension and similar obligations as well as obligations from statutory severance payments. Investment risk is reduced by the investment strategy, which is based on the requirements of the Austrian Pension Fund Act (Pensionskassengesetz, PKG) and the corresponding regulations of the Austrian Financial Market Authority (FMA). Nevertheless, investment income below the level of returns on first class fixed interest corporate bonds can lead to an increase in obligations. A decrease in returns on first class fixed interest corporate bonds, an increase in life expectancy, salary increases and price increases in the area of medical care would also lead to an increase in obligations. Furthermore, obligations would increase if the actual fluctuation rate in the future were to be lower than currently anticipated.

The following sensitivity analyses for pensions and similar obligations as well as obligations from severance payments show the effects resulting from changes in significant actuarial assumptions on the obligations. One significant factor of influence was changed in each case, while the remaining factors were held constant. In reality, however, these factors of influence are more likely to be correlated. The change in the obligation was calculated similar to the calculation of the actual obligation based on the projected unit credit method (PUC method) in accordance with IAS 19.

Sensitivity analysis for net pension liability 2013

	Change in assumption in percentage points or years	If assumption increases, change in net liability by	If assumption decreases, change in net liability by
Discount rate	± 0.25	– 2.70 %	2.85 %
Pension increases	± 0.50	5.22 %	– 4.81 %
Longevity based on life table	± 1 year	4.49 %	– 4.71 %

Sensitivity analysis for obligations similar to pensions 2013

	Change in assumption in percentage points or years	If assumption increases, change in obligation by	If assumption decreases, change in obligation by
Discount rate	± 0.25	– 4.23 %	4.54 %
Trend of contributions based on hospital cost index	± 0.50	9.09 %	– 8.06 %
Longevity based on life table	± 1 year	5.52 %	– 5.56 %

Sensitivity analysis for severance obligations 2013

	Change in assumption in percentage points or years	If assumption increases, change in obligation by	If assumption decreases, change in obligation by
Discount rate	± 0.25	– 2.11 %	2.18 %
Salary increases	± 0.50	4.34 %	– 4.10 %
Longevity based on life table	± 1 year	0.13 %	– 0.15 %

Sensitivity analysis for net pension liability 2012

	Change in assumption in percentage points or years	If assumption increases, change in net liability by	If assumption decreases, change in net liability by
Discount rate	± 0.25	– 2.42 %	2.53 %
Pension increases	± 0.50	4.84 %	– 4.50 %
Longevity based on life table	± 1 year	4.75 %	– 4.78 %

Sensitivity analysis for obligations similar to pensions 2012

	Change in assumption in percentage points or years	If assumption increases, change in obligation by	If assumption decreases, change in obligation by
Discount rate	± 0.25	– 4.15 %	4.46 %
Trend of contributions based on hospital cost index	± 0.50	9.20 %	– 7.96 %
Longevity based on life table	± 1 year	5.07 %	– 5.12 %

Sensitivity analysis for severance obligations 2012

	Change in assumption in percentage points or years	If assumption increases, change in obligation by	If assumption decreases, change in obligation by
Discount rate	± 0.25	– 2.11 %	2.19 %
Salary increases	± 0.50	4.38 %	– 4.13 %
Longevity based on life table	± 1 year	0.03 %	– 0.24 %

Measurement of provisions

The Austrian Constitutional Court cancelled the System Usage Rates Directives (Systemnutzungstarife-Verordnungen, SNT-VO) for 2009, 2010 and 2011 with its decisions dated 27 September 2011. As a consequence of these decisions, Austrian Power Grid AG is faced in 2014 with the possibility of the (provisional) repayment of usage fees for pumped storage power plants, as well as grid loss fees and fees for system services in all proceedings that were qualified as affected cases and/or were included in the expansion of the affected cases. Provisions were recognised for these impending repayment obligations. These provisions (carrying amount as at 31 December 2013: €46.5m; previous year: €41.7m) were measured based on assumptions and estimates as at the balance sheet date. The System Charges Order (SNE-VO) for 2012 was also challenged by the generation companies with respect to the above-mentioned fee components; the Austrian Constitutional Court has already confirmed that the SNE-VO conforms to the law with respect to the grid loss fees and the usage fees for pumped storage power plants. With respect to the fees for system services, the Austrian Constitutional Court annulled the challenged provisions of the SNE-VO for 2012; the SNE-VO for 2013 was confirmed with respect to the fees for system services with reference to the supplementary definition of the term “outage reserve” as a part of secondary control under the Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und organisationsgesetz, ElWOG) in Federal Legal Gazette (Bundesgesetzblatt, BGBl) part I no. 174/2013.

The (remaining) impending repayment obligations with respect to the SNE-VO for 2012 now relate to the proceedings for fees for system services. For this reason, some of the provisions were reversed as at 31 December 2013. These provisions (carrying amount as at 31 December 2013: €4.0m; previous year: €31.9m) were measured based on assumptions and estimates as at the balance sheet date. The primary factors influencing the provisions for electricity and grid deliveries resulting from the SNT-VO and SNE-VO were in each case the estimated loss of revenue, the statutory interest on arrears, the repayment period and the discount rate of 3.50 % (previous year: 4.35 %).

Provisions for onerous contracts (carrying amount as at 31 December 2013: €38.4m; previous year: €56.2m) were measured based on assumptions and estimates as at the balance sheet date. Provisions for onerous contracts were recognised for onerous rental and electricity supply agreements and the (constructive) obligation to carry out a restoration project. The primary factors of influence were the future seasonal natural gas price spreads, the prices for electricity and primary energy, the cost of emission rights, the expected cost of the restoration project and the discount rate of 3.50 % (previous year: 4.35 %).

Provisions for dismantling and decontamination costs (carrying amount as at 31 December 2013: €25.4m; previous year: €39.8m) were measured based on assumptions and estimates as at the balance sheet date. Compared to the prior year, the reversal of provisions for dismantling costs for thermal power plants was carried out on the basis of current expert reports. The primary factors of influence were the expected dismantling dates (mainly in the period from 2025 – 2045 for thermal power plants and in the period from 2026 – 2038 for wind power plants), any expert reports calculating the dismantling and decontamination costs, the valorisation of these costs and the discount rate of 3.50 % (previous year: 4.35 %).

Contingent liabilities

Contingent liabilities not recognised in VERBUND's balance sheet are assessed quarterly with respect to their probability of occurrence. If the outflow of resources embodying economic benefits is neither sufficiently probable to justify recognition of a provision nor unlikely, the relevant obligations are reported as contingent liabilities. The assessment is carried out by the managers responsible, taking account of market-related inputs (to the extent possible) and reports (in individual cases).

Segment reporting

In VERBUND's segment reporting, business activities are allocated to the Electricity, Grid and Equity Interests & Services segments. The identification of operating segments and the report contend corresponds to the structure of internal reporting to the Executive Board as the chief operating decision maker.

Segmentation

In accordance with Section 8(3) of the Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und organisationsgesetz, ElWOG), integrated electricity companies must publish separate balance sheets and income statements for electricity generation, electricity trading and supply activities as well as for transmission activities. However, in accordance with IFRS 8, VERBUND's segment reporting must be based on internal management and reporting (management approach), resulting in the following separate operating segments:

Electricity

The Electricity segment includes all VERBUND subsidiaries and profit centres whose business activities are related to the construction, operation and maintenance of hydrologic and thermal as well as photovoltaic or wind power plants. In addition, the Electricity segment includes energy trading and the distribution of electricity to consumers (household, commercial, business and industrial customers). In the 2013 reporting period, Innwerk AG, Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke GmbH (see: Financial reporting principles), which were consolidated for the first time on 24 April 2013, were assigned to the Electricity segment.

Grid

The Grid segment equates to Austrian Power Grid AG, which operates and maintains the Austrian grid area, the majority of the 220/380 kV high-voltage grid and parts of the 110 kV grid as a control area manager and as a separate and independent transmission system operator under corporate law.

Equity Interests & Services

The Equity Interests & Services segment includes, in particular, the management and control functions related to VERBUND's foreign and domestic equity interests. These include in particular the equity-accounted interest held directly in KELAG-Kärntner Elektrizitäts-AG and Ennskraftwerke AG as well as the equity-accounted interest held (indirectly) by VERBUND International GmbH in the Italian entity Sorgenia S.p.A. (Group) (classified effective 11 December 2013 as held for sale). Furthermore, the equity-accounted interest held (indirectly) by VERBUND Hydro Power AG in the Albanian entity Energji Ashta Shpk is assigned to the Equity Interests & Services segment. In addition, VERBUND's (foreign) project companies are assigned to this operating segment until the construction of generation capacities begins, after which they are reclassified to the Electricity segment. Therefore, VERBUND Renewable Power GmbH – the lead company for project developments in the renewable energy sector – is also included in the Equity Interests & Services segment. Those subsidiaries and profit centres that provide corporate functions such as financing services, shared-service-centre services and telecommunications services are also assigned to this operating segment.

Notes to the operating segment data

The internal measurement of the operating segments' performance is based primarily on the operating result. The operating result for each operating segment corresponds to the total operating result of the subsidiaries included in the respective segment, taking intersegmental revenue and expenses into account. Transactions between the segments are carried out at arm's length.

In addition, the result from equity interests, which is entirely allocated to the Equity Interests & Services segment, is also of significance for this segment. Due to the fact that some interests accounted for using the equity method and other equity interests are held by subsidiaries assigned to the Electricity and Grid segments, the allocation of assets and results is (negligibly) asymmetric.

The measure used internally for reporting of segment assets is the capital employed. Capital employed corresponds to the total assets of an operating segment, net of those assets that do not (yet) contribute to VERBUND's performance and commercialisation processes (for instance, advance payments made, plants under construction, investments under closed items on the balance sheet) and less non-interest-bearing debt.

Other material non-cash items included in the operating result in addition to depreciation of property, plant and equipment and amortisation of intangible assets include, in particular, measurement effects from derivatives and hedging relationships in the energy area, reversals of the deferred income item from contributions to building costs, non-cash changes in provisions and any write-downs of primary energy sources in inventory.

Additions to intangible assets and property, plant and equipment include capital expenditure as well as increases due to any business acquisitions. Additions to equity interests accounted for using the equity method and other equity interests include capital increases as well as any share purchases. Capital increases for equity interests held for sale are not recognised in additions (see: (31) Non-current assets held for sale).

All segment data are measured in accordance with IFRSs.

Operating segment data

Operating segment data

€m

	Electricity	Grid	Equity Interests & Services	Elimination	Total Group
2013					
External revenue	2,642.7	523.2	15.8	0.0	3,181.6
Internal revenue	177.7	110.2	92.2	–380.0	0.0
Total revenue	2,820.3	633.4	108.0	–380.0	3,181.6
Operating result	**497.1**	**84.4**	**–46.6**	**–36.5**	**498.4**
Depreciation	–263.1	–68.4	–16.1	1.2	–346.3
Effects from impairment tests	–416.0	–47.5	–2.6	0.0	–466.1
Other material non-cash items	257.8	77.1	–2.4	–37.9	294.6
Result from equity interests	–	–	509.8	–	509.8
Of which result from interests accounted for using the equity method	–	–	–215.5	–	–215.5
of which effects from impairment tests	–	–	–463.3	–	–463.3
of which effects from business combinations	–	–	1,184.4	–	1,184.4
Capital employed	**7,975.1**	**1,008.2**	**8,437.7**	**–7,676.2**	**9,744.8**
Of which carrying amount of interests accounted for using the equity method	2.2	1.1	260.8	0.0	264.1
Additions to intangible assets and property, plant and equipment	3,157.7	106.9	13.4	0.0	3,278.0
Additions to equity interests	0.2	0.0	1.2	0.0	1.3

Operating segment data €m

	Electricity	Grid	Equity Interests & Services	Elimination	Total Group
2012					
External revenue	2,661.2	481.7	17.0	0.0	3,159.9
Internal revenue	145.8	58.6	93.2	–297.5	0.0
Total revenue	2,806.9	540.3	110.2	–297.5	3,159.9
Operating result	**896.1**	**2.6**	**–47.8**	**49.0**	**900.0**
Depreciation	–202.3	–64.8	–9.5	1.3	–275.3
Effects from impairment tests	–55.8	0.0	0.0	0.0	–55.8
Other material non-cash items	17.8	–74.5	2.8	48.3	–5.5
Result from equity interests	–	–	–113.7	–	–113.7
Of which result from interests accounted for using the equity method	–	–	–56.9	–	–56.9
of which effects from impairment tests	–	–	–28.2	–	–28.2
of which effects from business combinations	–	–	–37.1	–	–37.1
Capital employed	**6,568.1**	**1,079.8**	**6,918.5**	**–4,879.9**	**9,686.4**
Of which carrying amount of interests accounted for using the equity method	16.6	1.3	890.9	0.0	908.8
Additions to intangible assets and property, plant and equipment	535.6	142.5	15.1	0.0	693.1
Additions to equity interests	0.0	0.0	309.1	0.0	309.1

Reconciliation

The operating result in the total column corresponds to the operating result in VERBUND's income statement; therefore, the reconciliation to profit before tax can be taken from the income statement.

The reconciliation from the total amount for capital employed to VERBUND's balance sheet total is shown below:

Reconciliation from capital employed to the balance sheet total €m

	2012	**2013**
Capital employed	9,686.4	9,744.8
Assets not used in the performance and commercialisation process	1,016.1	927.0
Non-interest-bearing debt	1,684.8	2,136.8
Total assets of VERBUND	12,387.3	**12,808.6**

Entity-wide disclosures

In accordance with IFRS 8, entity-wide disclosures include geographical segment reporting for revenue (based on the point of delivery) and non-current assets. In addition, information regarding major customers is required.

VERBUND does not have any customers for whom revenue equals or exceeds 10% of total revenue.

Geographical segment reporting: revenue €m

	2012	**2013**
Domestic deliveries of electricity	1,310.5	**1,248.2**
Electricity deliveries abroad	1,463.1	**1,472.5**
Of which in Germany	1,276.9	1,279.4
Of which in France	132.2	137.4
Of which in other EU countries	45.1	46.6
Of which in other countries	9.0	9.1
Electricity deliveries to discontinued operations	4.4	**11.9**
Electricity deliveries of discontinued operations	–18.5	**–99.9**
Electricity revenue	2,759.6	**2,632.7**
Domestic grid services	236.7	**318.4**
Foreign grid services	107.1	**66.9**
Of which in EU member states	106.9	65.9
Of which in other countries	0.2	1.0
Grid revenue	343.8	**385.2**
Domestic other revenue	56.0	**147.2**
Foreign other revenue	1.0	**16.7**
Other revenues of discontinued operations	–0.3	**–0.3**
Other revenue	56.6	**163.6**
Total revenue	3,159.9	**3,181.5**

Geographical segment reporting: non-current assets €m

	2012	**2013**
Intangible assets and property, plant and equipment	8,048.0	**10,197.5**
Of which in Austria	5,871.2	6,773.1
Of which in Germany	1,473.6	3,045.1
Of which in France	460.2	0.0
Of which in other EU countries	243.0	379.3
Interests accounted for using the equity method	908.8	**264.1**
Of which in Austria and Germany	274.0	264.1
Of which in Italy	620.5	–
Of which in other countries[1]	14.3	0.0

[1] This includes the interest in (Austrian) Shkodra Region Beteiligungsholding GmbH which indirecty holds the interest in Albanian Energji Ashta Shpk.

Notes to the income statement

(1) Electricity revenue

Electricity revenue by customer areas €m

	2012 Domestic	**2013 Domestic**	2012 Foreign	**2013 Foreign**	2012 Total	**2013 Total**
Electricity deliveries to traders	39.9	31.8	1,041.6	1,003.1	1,081.5	1,034.9
Electricity deliveries to resellers	815.2	772.3	156.1	175.9	971.2	948.2
Electricity deliveries to end consumers	455.5	444.2	265.4	293.5	720.9	737.7
Electricity revenue by customer areas	1,310.5	**1,248.2**	1,463.1	**1,472.6**	2,773.7	**2,720.8**
Electricity deliveries to discontinued operations					4.4	11.9
Electricity deliveries of discontinued operations					–18.5	–99.9
Electricity revenue					2,759.6	**2,632.7**

(2) Grid revenue

Grid revenue by customer areas €m

	2012 Domestic	**2013 Domestic**	2012 Foreign	**2013 Foreign**
Electric power companies	177.2	244.1	4.3	–1.6
Industrial clients	14.4	16.6	0.0	0.0
Other	45.0	57.6	102.9	68.5
Grid revenue	236.6	**318.3**	107.2	**66.9**

(3) Other revenue

Other revenue €m

	2012	**2013**
Revenue from gas deliveries or trading	1.9	65.6
Revenue from the sale of proof of origin and green electricity certificates	0.8	38.0
Revenue from district heating deliveries	15.8	18.7
Revenue from consulting or planning services as well as from other services	13.0	17.3
Provision of personnel	9.8	8.2
User and management fees	6.3	6.7
Revenue from the sale of emission rights	2.1	3.1
Revenue from the sale of waste products	2.3	1.5
Other	4.6	4.5
Other revenue	56.6	**163.6**

Other operating income

(4) Other operating income

	2012	2013
		€m
Income from the reacquired of 60 % of the electricity supply commitment from the Tyrolean Zemm/Ziller storage power plant group	0.0	166.6
Changes in inventory and own work capitalised	35.2	26.3
Income from various goods and services	14.2	17.1
Income from the disposal of property, plant and equipment and intangible assets	7.2	14.4
Rent and lease income	2.8	3.3
Changes in inventory of proof of origin and green electricity certificates	2.8	2.9
Income from insurance compensation	11.1	1.7
Planned reversals of the deferred income item from cross-border leasing	1.6	1.6
Reversals of contributions to building costs	1.7	1.6
Other (< €1.0m)	3.1	3.1
Other operating income	79.8	**238.6**

Expenses for electricity, grid, gas and certificates purchases

(5) Expenses for electricity, grid, gas and certificates purchases

	2012	2013
		€m
Expenses for electricity purchases	1,047.2	1,076.7
Expenses for grid purchases (system use)	145.1	167.5
Expenses for gas purchases	64.1	81.1
Expenses for proof of origin and green electricity certificate purchases	0.0	1.5
Purchase of emission rights (trade)[1]	4.2	–0.7
Expenses for electricity, grid, gas and certificates purchases	1,260.6	**1,326.1**

[1] The negative expenses for gas purchases in the 2013 reporting period mainly result from the measurement of emission rights.

Fuel expenses and other usage-dependent expenses

(6) Fuel expenses and other usage-dependent expenses

	2012	2013
		€m
Use of natural gas	77.4	36.0
Use of coal and heating oil[1]	73.1	63.5
Emission rights acquired in exchange for consideration	0.6	8.5
Other usage-dependent expenses	9.3	13.8
Fuel expenses and other usage-dependent expenses	160.4	**121.9**

[1] Use of coal and heating oil included a write-down of coal inventories to net realisable value in the amount of €5.1m.

(7) Personnel expenses

Personnel expenses		€m
	2012	**2013**
Wages and salaries	244.4	251.7
Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	52.8	55.4
Other social expenses	4.0	4.3
Subtotal	301.1	**311.4**
Expenses for pensions and similar obligations	14.8	40.7
Expenses for severance payments	3.0	5.6
Personnel expenses	319.0	**357.6**

The pension fund contributions to the defined contribution investment and risk association amounted to €7.7m (previous year: €7.8m) in the 2013 reporting period. Expenses for severance payments included a total of €1.1m (previous year: €1.0m) in contributions to an employee provision fund.

(8) Amortisation of intangible assets and depreciation of property, plant and equipment

Amortisation of intangible assets and depreciation of property, plant and equipment		€m
	2012	**2013**
Amortisation of intangible assets	5.3	6.6
Depreciation of property, plant and equipment	270.1	339.7
Amortisation of intangible assets and depreciation of property, plant and equipment	275.3	**346.3**

(9) Other operating expenses

Other operating expenses		€m
	2012	**2013**
Third-party maintenance of power plants and line systems	93.6	120.3
Rent, lease expenses[1]	12.0	40.1
Advertising expenses	17.7	20.3
Other third-party services received	21.0	17.3
Material costs for motor vehicle operation and maintenance	14.1	15.0
Compensation payments	7.5	13.1
Expenses for supervision by E-Control	12.5	13.0
Legal, consulting and audit expenses	16.7	12.7
Costs for personnel provided, temporary personnel	12.5	10.9
Travel expenses, advanced training	10.3	10.2
IT expenses	9.0	10.2
Concession fees	11.3	6.8
Insurance	5.4	5.3
Fees	4.0	4.6
Operating costs	3.9	4.0
Membership fees	2.9	3.7
Purchased telecommunication services	3.4	3.7
Other fees	1.6	2.3
Reversal of provisions[2]	–2.5	–20.7
Other (< €1.0m)	11.9	11.1
Other operating expenses	268.7	**303.7**

[1] The increase in rent in the 2013 reporting period is mainly due to the recognition of a provision for an onerous rental agreement in connection with a fictitious gas storage facility. // [2] The reversal of provisions in the 2013 reporting period is related mainly to provisions for the dismantling of thermal power plants.

(10) Effects from impairment tests

Effects from impairment tests		€m
	2012	**2013**
Impairment loss of the Mellach combined cycle gas turbine power plant	–53.7	**–277.5**
Reversal of deferred government grants for the Mellach combined cycle gas turbine power plant	1.5	**7.6**
Impairment of the Braunau-Simbach, Jochenstein, Oberaudorf-Ebbs, Passau-Ingling, and Schärding-Neuhaus run-of-river power plants	–	**–86.8**
Impairment of assets in the Grid segment	0.0	**–47.5**
Impairment loss of the Bruck/Hollern/Petronell-Carnuntum wind farms (of which goodwill: €–25.3m)	0.0	**–25.7**
Reversal of deferred grants for the Bruck/Hollern/Petronell-Carnuntum wind farms	0.0	**0.0**
Impairment of the Gössendorf and Kalsdorf run-of-river power plants	0.0	**–19.3**
Reversal of deferred grants for the Gössendorf and Kalsdorf run-of-river power plants	0.0	**1.3**
Impairment loss of the Kavarna wind farm	0.0	**–8.5**
Other	–3.5	**–9.8**
Effects from impairment tests	–55.8	**–466.1**

In addition, impairment losses were recognised for the French combined cycle gas turbine power plants in Pont-sur-Sambre (€172.5m) and Toul (€145.9m) in the 2013 reporting period. These were presented in result after taxes from discontinued operations (see: Discretionary judgements and key assumptions concerning the future or (19) Result after taxes from discontinued operations).

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

In the 2013 reporting period, the carrying amount of the 45.75% equity interest in Sorgenia S.p.A. (Group) was reduced to zero due to current losses and impairment losses (see: Discretionary judgements and key assumptions concerning the future). Off-balance sheet losses for which recognition was discontinued amounted to €7.8m.

The carrying amount of the 50.01% equity interest in Shkodra Region Beteiligungsholding GmbH was also reduced to zero due to current losses and impairment losses (see: Discretionary judgements and key assumptions concerning the future). In addition, however, VERBUND holds non-current loans to Shkodra Region Beteiligungsholding GmbH, which in their economic substance represent an increase in the net investment in Shkodra Region Beteiligungsholding GmbH. VERBUND therefore recognised further current losses and impairment losses even after the carrying amount of the equity interest in Shkodra Beteiligungsholding GmbH was reduced to zero.

The proportional IFRS results from the interim and annual financial statements of associates or joint ventures were influenced in particular by the following effects:

The result from the equity-accounted interest in Sorgenia S.p.A. (Group) was influenced in particular by impairment losses recognised for its equity-accounted interest in Tirreno Power S.p.A., impairment losses for goodwill attributable to Sorgenia Green S.r.l., impairment losses for capitalised E&P project costs and impairment losses for receivables in the area of consumer business as well as impairment losses recognised by VERBUND due to fair value adjustments from hidden reserves that were released as a result of capital increases and share acquisitions with respect to the equity-accounted interest in Tirreno Power S.p.A.

The result from the equity-accounted interest in the Shkodra Region Beteiligungsholding GmbH was influenced in particular by impairment losses for (in connection with the hydropower plant concession conceived within the framework of an operator model for a two-stage Hydromatrix power plant in Northern Albania) intangible and financial assets of Energji Ashta Shpk. Non-payment by Korporata Elektroenergjetike Shqiptare (KESH) was the cause of the impairment.

The following tables show a summary of aggregated income statement data for joint ventures and associates of VERBUND accounted for using the equity method. All companies accounted for using the equity method are recognised at their proportional IFRS profit or loss for the period, taken from interim or annual financial statements, the reporting date of which is no more than three months prior to the balance sheet date of the parent company (see: Financial reporting principles). The reference date for the investee income statement data is the period from 1 October 2012 to 30 September 2013; data are based on disclosed financial statements or data updated to the best of VERBUND's knowledge.

The differences between the pro rata-profit or loss for the period and the result from interests accounted for using the equity method are, in particular, attributable to the fair value adjustments identified upon share acquisitions that are carried forward, impairment losses on equity interests, adjustments to VERBUND's accounting policies and in the previous year also to adjustments resulting from events and transactions between the balance sheet date of the last (consolidated) interim or annual financial statements of the investee and the balance sheet date of VERBUND.

Joint ventures 2013 €m

	Austria and Germany	Other[1]
Revenue	54.7	27.6
Profit or loss for the period – 100 %	3.2	– 40.5
Profit or loss for the period – VERBUND's share	1.5	– 20.3
Differences due to the application of the equity method of accounting	0.0	0.0
Result from joint ventures accounted for using the equity method	1.5	– 20.2

[1] This includes the equity interest in (Austrian) Shkodra Region Beteiligungsholding GmbH, which indirectly holds an equity interest in the Albanian company Energji Ashta Shpk.

Joint ventures 2013: Income statements – VERBUND's share €m

	Austria and Germany	Other[1]
Income	28.5	20.5
Expenses	– 27.0	– 40.7
Profit or loss for the period – VERBUND's share	1.5	– 20.3

[1] This includes the equity interest in (Austrian) Shkodra Region Beteiligungsholding GmbH, which indirectly holds an equity interest in the Albanian company Energji Ashta Shpk.

Joint ventures 2012

€m

	Austria and Germany	Turkey	Other[1]
Revenue	201.8	1,911.1	94.6
Profit or loss for the period – 100 %	11.6	99.1	– 36.6
Profit or loss for the period – VERBUND's share	5.6	49.6	– 18.3
Differences due to the application of the equity method of accounting	– 0.6	0.7	27.2
Result from joint ventures accounted for using the equity method	5.1	50.2	8.9

[1] This includes the equity interest in (Austrian) Shkodra Region Beteiligungsholding GmbH, which indirectly holds an equity interest in the Albanian company Energji Ashta Shpk.

Joint ventures 2012: Income statements – VERBUND's share

€m

	Austria and Germany	Turkey	Other[1]
Income	102.6	986.6	61.9
Expenses	– 97.0	– 937.1	– 80.2
Profit or loss for the period – VERBUND's share	5.6	49.6	– 18.3

[1] This includes the equity interest in (Austrian) Shkodra Region Beteiligungsholding GmbH, which indirectly holds an equity interest in the Albanian company Energji Ashta Shpk.

Associates 2013

€m

	Austria	Italy
Revenue	1,602.2	2,548.4
Profit or loss for the period – 100 %	96.3	– 553.9
Profit or loss for the period – VERBUND's share	33.9	– 252.9
Differences due to the application of the equity method of accounting	0.0	22.2
Result from associates accounted for using the equity method	33.9	– 230.7

Associates 2012

€m

	Austria	Italy	France[1]
Revenue	2,669.1	2,366.4	70.5
Profit or loss for the period – 100 %	130.5	– 74.1	0.5
Profit or loss for the period – VERBUND's share	46.3	– 33.8	0.5
Differences due to the application of the equity method of accounting	0.0	– 47.4	– 86.6
Result from associates accounted for using the equity method	46.3	– 81.2	– 86.2

[1] The reversal of previously off-balance sheet losses for which recognition was discontinued was taken into account in differences due to the application of the equity method of accounting.

(12) Other result from equity interests

Other result from equity interests		€m
	2012	**2013**
Result from the disposal of investments or other equity interests	4.9	–4.1
Income from other equity interests	4.3	3.7
Income from non-consolidated subsidiaries	4.5	6.8
Expenses arising from other equity interests	–5.2	–2.3
Other	0.0	0.0
Other result from equity interests	8.5	**4.2**

In the 2013 reporting period, €–4.1m of effects on profit or loss were recognised as a result of reclassification adjustments from other comprehensive income to the result from the disposal of investments or other equity interests as part of the disposal of the equity interest held for sale in STEWEAG-STEG GmbH.

In the comparison period, effects on profit or loss in the amount of €5.4m were recognised in the result from the disposal of investments or other equity interests from the disposal of the interests accounted for using the equity method in Kärntner Restmüllverwertungs GmbH, Gletscherbahnen Kaprun AG and Energie Klagenfurt GmbH. This results in total reclassification adjustments of €–1.0m from other comprehensive income to the income statement.

(13) Interest income

Interest income		€m
	2012	**2013**
Interest from investments under closed items on the balance sheet	27.6	27.8
Interest from money market transactions	2.6	1.4
Other interest and similar income	7.1	3.4
Interest income	37.3	**32.6**

(14) Interest expenses

Interest expenses		€m
	2012	**2013**
Interest for bonds	104.7	103.2
Interest for bank loans	41.3	43.7
Interest for financial liabilities under closed items on the balance sheet	27.6	27.8
Interest for other liabilities from electricity supply commitments	45.5	26.6
Net interest expense on personnel-related liabilities	22.5	22.8
Interest for other non-current provisions	6.2	6.0
Repayment of non-current financial liabilities from capital shares attributable to limited partners[1]	–19.3	–16.5
Borrowing costs capitalised in accordance with IAS 23	–23.7	–16.6
Profit or loss attributable to limited partners	–39.7	–32.6
Other interest and similar expenses	18.2	23.3
Interest expenses	183.3	**187.8**

[1] In the 2013 reporting period, VERBUND Beteiligungsholding GmbH and STEWEAG-STEG GmbH implemented a capital increase in VERBUND Thermal Power GmbH & Co KG in Liqu. As part of this, the limited partnership interest of STEWEAG-STEG GmbH in VERBUND Thermal Power GmbH & Co KG in Liqu. was reduced to 10.01 %. VERBUND Beteiligungsholding GmbH then acquired the 10.01 % limited partnership interest in VERBUND Thermal Power GmbH & Co KG in Liqu. from STEWEAG-STEG GmbH. In the previous year, KELAG-Kärntner Elektrizitäts-Aktiengesellschaft contributed its 6.51 % limited partnership interest in VERBUND Thermal Power GmbH & Co KG in Liqu. against a capital share consideration into VERBUND Thermal Power GmbH. In addition, VERBUND Beteiligungsholding GmbH acquired limited partnership interests amounting to 14.71 % from STEWEAG-STEG GmbH, 0.08 % from TIWAG-Tiroler Wasserkraft AG and 0.06 % from the state of Burgenland. Thus, the capital shares attributable to limited partners presented under non-current financial liabilities were reduced in the 2013 reporting period and in the previous year.

(15) Other financial result

This line item mainly includes income from dividends distributed by investment funds, income from investments in securities and measurement results from financial instruments recognised in profit or loss. Investments in investment funds were originally made, in particular, to cover provisions for pension obligations; in the meantime, however, they also include investments for the establishment of liquidity reserves. In addition, income from loans and foreign exchange gains and losses were recognised in other financial result.

Other financial result €m

	2012	**2013**
Foreign exchange gains	20.2	25.3
Income from financial instruments	14.9	6.7
Measurement of an obligation to return an interest	–	4.7
Measurement of an overall short position	13.4	0.0
Measurement of guarantee liabilities	–18.5	0.0
Foreign exchange losses	–9.9	–11.8
Other	0.0	–2.1
Other financial result	20.1	**22.9**

The result from the measurement of the obligation to return an interest concerns the obligation to transfer the 50% interest acquired in Donaukraftwerk Jochenstein AG back to the Federal Republic of Germany, specifically to the Free State of Bavaria. It results from the discounted change (with original effective interest rate) in fair value of the interest as at 31 December 2050.

The result of the measurement of guarantee liabilities in the previous year concerns the financial liability for financial guarantees for construction financing of the Toul combined cycle gas turbine power plant and the financial guarantee for the liabilities of POWEO Pont-sur-Sambre Production S.A.S to ENI S.p.A. from a natural gas supply agreement. Both financial guarantees were eliminated upon first-time consolidation of POWEO Toul Production S.A.S. and POWEO Pont-sur-Sambre Production S.A.S. (17) Effects from business acquisitions).

As a rule, the changes in value of derivative financial instruments related to closed items on the balance sheet and the liabilities measured at fair value through profit or loss are, in principle, also recognised in other financial result. However, the net effects on profit or loss of these two items balance each other out and were therefore not included in the above table.

(16) Effects from impairment tests

Effects from impairment tests		€m
	2012	**2013**
Impairment loss on the equity-accounted interest in Sorgenia S.p.A. (Group)	0.0	–396.0
Impairment loss on the other equity interest in Energie AG Oberösterreich	0.0	–41.6
Impairment loss on the equity-accounted interest in Shkodra Region Beteiligungsholding GmbH	0.0	–25.7
Impairment loss on the equity-accounted interest in STEWEAG-STEG GmbH	–15.6	0.0
Impairment loss on the other equity interest in Burgenland Holding AG	–4.2	0.0
Impairment loss on the equity-accounted interest in Gletscherbahnen Kaprun AG	–5.3	–
Impairment loss on the equity-accounted interest in Energie Klagenfurt GmbH	–2.5	–
Other impairment losses	–0.6	0.0
Effects from impairment tests	–28.2	**–463.3**

(17) Effects from business acquisitions

Effects from business acquisitions		€m
	2012	**2013**
Fair value measurement of previously held equity interests in new subsidaries	0.0	918.4
Fair value measurement of the exchanged equity interest in Enerjisa Enerji S.A. (Group)	0.0	478.7
Reclassification adjustment of differences from currency translation of Enerjisa Enerji A.S. (Group)	0.0	–127.9
Reclassification of other components of other comprehensive income of Enerjisa Enerji A.S. (Group) to be recycled	0.0	–36.2
Costs from acknowledgements, declarations of approval and waivers	0.0	–32.5
Success fees of investment banks	0.0	–11.3
Costs from the reimbursement of refinancing costs of Enerjisa Enerji A.S. (Group)	0.0	–5.0
Gains and losses from pre-existing relationships	0.0	0.1
Fair value measurement and elimination of guarantee liabilities for POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S.	–31.2	–
Reclassification adjustment of other comprehensive income to be recycled of POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S.	–5.9	–
Effects from business acquisitions	–37.1	**1,184.4**

(18) Taxes on income

Taxes on income €m

	2012	**2013**
Current tax expenses[1]	182.5	65.0
Future tax expense for subsequent taxation of transfers of losses from foreign members of the tax group	3.8	4.3
Changes in deferred income taxes	–24.9	–190.3
Taxes on income	161.5	**–121.0**

[1] Current tax expenses include income from prior periods of €2.5m (previous year: income €1.1m).

The reasons for the difference between VERBUND's computed and recognised tax expense are as follows:

Tax reconciliation €m

	2012	**2013**
Computed income tax expense	165.1	219.0
Effects from impairment testing of interests accounted for using the equity method	0.0	105.4
Differences from interests accounted for using the equity method	10.8	50.5
Acquisition of French combined cycle gas turbine power plants (including outside-basis differences)	30.5	8.3
Effects from impairment testing of the Bruck/Hollern/Petronell wind farms	0.0	6.3
Differences from unrecognised tax losses and deferred tax assets	9.6	4.4
Effects from the repayment of non-current financial liabilities from capital shares attributable to limited partners	–4.8	–4.1
Differences from tax-exempt premiums	–0.1	0.0
Differences from amortisation of goodwill in accordance with Section 9–7 of the Austrian Corporate Income Tax Act	–0.5	–0.5
Effects from intragroup impairment losses on equity interests	–19.3	–1.0
Differences from the disposal of interests accounted for using the equity method	–1.6	–1.3
Differences due to different foreign tax rates	–0.5	–1.4
Differences from tax-exempt results from equity interests	–2.8	–1.6
Effects from intragroup restructuring	–22.0	–11.8
Differences from previously unrecognised tax losses and deferred tax assets	0.0	–31.8
Differences from the liquidation of subsidiaries[1]	0.0	–158.4
Effects from business combinations	0.0	–298.9
Differences from other items	5.8	–1.8
Income tax expenses for the period	170.1	**–118.8**
Income tax expenses or income from prior periods (current and deferred)	–8.7	–2.3
Recognised income tax expenses	161.5	**–121.0**
Effective tax rate	24.5%	**–13.8%**

[1] These differences were the result of recognition from deferred tax assets for tax deductible losses from the liquidation of VERBUND Italia S.p.A. in liquidazione, which was initiated in the 2013 reporting period.

(19) Result after taxes from discontinued operations

Effective 11 December 2013, both French combined cycle gas turbine power plants in Pont-sur-Sambre and Toul including intangible assets and other receivables (closely) related to the combined cycle gas turbine power plants were classified as held for sale (see: (31) Non-current assets held for sale). Because the French combined cycle gas turbine power plants represent a geographical area of operation the result attributable to it is to be presented separately from ongoing activities. Prior-year figures in the income statement were adjusted accordingly.

Result after tax of discontinued operations[1] €m

	2012	**2013**
Revenue	18.9	**100.2**
Electricity revenue	18.5	99.9
Other revenue	0.3	0.3
Other operating income	1.8	0.3
Expenses for electricity, grid, gas and certificates purchases	–5.3	–12.8
Fuel expenses and other usage-dependent expenses	–8.1	–83.2
Personnel expenses	–0.6	–3.6
Amortisation of intangible assets and depreciation of property, plant and equipment	–2.6	–9.6
Other operating expenses	–3.8	–24.4
Operating result before effects from impairment tests	0.2	–33.0
Effects from impairment tests[2]	0.0	–318.3
Operating result	0.2	**–351.4**
Taxes on income	0.0	0.0
Result after tax of discontinued operations[3]	0.2	**–351.4**
Diluted earnings per share correspond to basic earnings per share[4]	0.0	**–1.0**

[1] Result after tax of discontinued operations were calculated using the incremental approach. This shows which income and expenses are still or are no longer expected after completion of the sale. // [2] The effects from impairment tests include the results of impairment testing as at 30 June 2013 and testing to be conducted directly prior to classification of the French Pont-sur-Sambre and Toul combined cycle gas turbine power plants as held for sale. No further impairment losses and/or reversals had to be recognised since its classification as held for sale. // [3] Result after tax of discontinued operations was completely attributable to the shareholders of VERBUND AG in the 2013 reporting period and in the previous year. // [4] Diluted earnings per share correspond to basic earnings per share.

(20) Earnings per share

Determination of earnings per share €m

	2012	**2013**
Profit for the period	499.0	645.6
Profit for the period attributable to non-controlling interests	–109.7	–65.7
Group result	389.3	**579.9**
Weighted average number of shares in circulation	347,415,686	347,415,686
Earnings per share in €[1]	1.12	**1.67**

[1] There were no options on the issue of new shares or other facts or circumstances that could have a diluting effect; therefore, basic and diluted earnings per share were the same.

Notes to the statement of comprehensive income

(21) Reclassification adjustments to the income statement

Reclassification adjustments to the income statement €m

	2012	2012	**2013**	**2013**
Differences from currency translation				
Measurement gains or losses recognised in equity	33.9		–0.9	
Reclassification adjustment to the income statement	0.0	33.9	127.9	126.9
Measurements of available-for-sale financial instruments				
Measurement gains or losses recognised in equity	11.2		–4.2	
Reclassification adjustment to the income statement	0.0	11.2	–0.8	–5.1
Measurements of cash flow hedges				
Measurement gains or losses recognised in equity	102.4		80.4	
Reclassification adjustment to the income statement	–142.2		–126.2	
Basis adjustments	0.0	–39.8	0.0	–45.8
Other comprehensive income from interests accounted for using the equity method				
Measurement gains or losses recognised in equity	–46.6		6.8	
Reclassification adjustment to the income statement	11.6		40.3	
Basis adjustments	4.9	–30.1	0.0	47.2
Other comprehensive income		–24.8		**123.2**

(22) Taxes on income on other comprehensive income

Taxes on income on other comprehensive income €m

	2012 Before taxes	2012 Taxes	2012 After taxes	**2013** Before taxes	**2013** Taxes	**2013** After taxes
Remeasurements of the net defined benefit liability	–42.5	11.5	–31.1	–42.2	11.2	–31.0
Other comprehensive income from interests accounted for using the equity method	–5.9	–	–5.9	–0.8	–	–0.8
Total of items that will not be reclassified subsequently to the income statement	–48.5	11.5	–37.0	**–43.0**	**11.2**	**–31.8**
Differences from currency translation	33.9	–	33.9	126.9	–	126.9
Measurements of available-for-sale financial instruments	11.2	–2.8	8.4	–5.1	1.2	–3.9
Measurements of cash flow hedges	–39.8	9.9	–29.8	–45.8	11.5	–34.4
Other comprehensive income from interests accounted for using the equity method	–30.1	–	–30.1	47.2	–	47.2
Total of items that will be reclassified subsequently to the income statement	–24.8	7.2	–17.6	**123.2**	**12.7**	**135.9**
Other comprehensive income	–73.3	18.6	–54.6	**80.2**	**23.9**	**104.1**

Notes to the balance sheet

(23) Intangible assets

Concessions, industrial property rights, electricity purchase rights, water rights, software, user rights for facilities owned by third parties, as well as licences derived therefrom and goodwill are recognised under intangible assets.

Intangible assets €m

	Concessions, rights, licences	Goodwill	Total
2013			
Acquisition costs as at 1/1	104.8	605.7	710.6
Additions from business combinations	1.8	161.1	162.9
Additions	7.6	0.0	7.6
Disposals	–2.7	0.0	–2.7
Classification as held for sale	–0.4	0.0	–0.4
Reclassifications	0.1	0.0	0.1
Acquisition costs as at 31/12	111.2	766.8	878.0
Accumulated amortisation as at 1/1	48.4	0.0	48.4
Depreciation	6.6	–	6.6
Depreciation (discontinued operations)	0.1	–	0.1
Impairment losses	1.3	25.3	26.6
Disposals	–2.6	0.0	–2.6
Classification as held for sale	–0.1	0.0	–0.1
Reclassifications	–0.1	0.0	–0.1
Accumulated amortisation as at 31/12	53.7	25.3	79.0
Net carrying amount as at 31/12	57.5	741.5	798.9
Net carrying amount as at 1/1	56.4	605.7	662.1

Intangible assets €m

	Concessions, rights, licences	Goodwill	Total
2012			
Acquisition costs as at 1/1	72.3	605.7	678.1
Additions from business combinations	21.2	0.0	21.2
Additions	12.9	0.0	12.9
Disposals	–3.0	0.0	–3.0
Reclassifications	1.4	0.0	1.4
Acquisition costs as at 31/12	104.8	605.7	710.6
Accumulated amortisation as at 1/1	45.9	0.0	45.9
Depreciation	5.3	–	5.3
Impairment losses	0.0	0.0	0.0
Disposals	–2.8	0.0	–2.8
Accumulated amortisation as at 31/12	48.4	0.0	48.4
Net carrying amount as at 31/12	56.4	605.7	662.1
Net carrying amount as at 1/1	26.4	605.7	632.1

(24) Property, plant and equipment

Land and buildings, machinery and electrical installations, power lines, office and plant equipment as well as plants under construction and projects are recognised under property, plant and equipment.

Property, plant and equipment €m

	Land and buildings	Machinery	Electrical installations	Power lines	Office and plant equipment	Plants under construction and projects	Total
2013							
Acquisition and production costs as at 1/1	5,967.1	3,451.7	2,605.8	1,262.5	158.4	611.4	14,057.0
Foreign exchange differences	–0.2	–0.7	–0.1	0.0	0.0	–0.3	–1.2
Additions from business combinations	1,098.7	947.5	618.3	0.2	1.2	28.3	2,694.2
Additions	63.7	176.1	72.6	8.5	12.6	241.6	575.0
Disposals	–5.1	–3.1	–40.3	–0.3	–7.9	–0.1	–56.7
Classification as held for sale	–93.1	–315.7	–51.1	–3.0	–0.1	0.0	–462.9
Reclassifications	73.8	156.6	78.1	5.0	0.2	–313.7	0.0
Acquisition and production costs as at 31/12	**7,104.9**	**4,412.6**	**3,283.2**	**1,272.9**	**164.4**	**567.2**	**16,805.2**
Accumulated depreciation as at 1/1	2,560.0	1,671.8	1,756.1	576.3	103.0	4.0	6,671.1
Foreign exchange differences	0.0	–0.1	0.0	0.0	0.0	0.0	–0.1
Depreciation	99.3	102.3	101.0	25.6	11.6	0.0	339.7
Depreciation (discontinued operations)	2.5	6.4	0.4	0.1	0.0	0.0	9.5
Impairment losses	102.9	217.7	85.3	41.1	0.3	1.2	448.5
Impairment losses (discontinued operations)	63.3	217.1	35.8	2.1	0.0	0.0	318.3
Disposals	–3.3	–2.5	–36.7	–0.2	–7.3	0.0	–50.0
Classification as held for sale	–66.3	–225.3	–36.6	–2.2	0.0	0.0	–330.4
Reclassifications	2.2	0.0	0.1	0.0	0.0	–2.3	0.0
Accumulated depreciation as at 31/12	**2,760.5**	**1,987.4**	**1,905.4**	**642.7**	**107.7**	**2.9**	**7,406.6**
Net carrying amount as at 31/12	**4,344.4**	**2,425.2**	**1,377.8**	**630.2**	**56.8**	**564.3**	**9,398.6**
Net carrying amount as at 1/1	3,407.1	1,779.9	849.8	686.2	55.4	607.4	7,385.8

Property, plant and equipment €m

	Land and buildings	Machinery	Electrical installations	Power lines	Office and plant equipment	Plants under construction and projects	Total
2012							
Acquisition and production costs as at 1/1	5,695.6	2,645.9	2,353.4	1,207.8	151.0	986.7	13,040.4
Foreign exchange differences	0.0	0.0	0.0	0.0	0.0	–2.5	–2.6
Additions from business combinations	56.8	153.3	29.0	1.7	0.1	226.3	467.2
Additions	51.5	131.4	103.3	14.8	16.2	363.2	680.3
Disposals	–6.8	–65.2	–44.1	–0.1	–10.7	0.0	–126.9
Reclassifications	170.0	586.4	164.3	38.3	1.9	–962.4	–1.4
Acquisition and production costs as at 31/12	5,967.1	3,451.7	2,605.8	1,262.5	158.4	611.4	14,057.0
Accumulated depreciation as at 1/1	2,459.4	1,547.4	1,689.9	544.8	102.4	117.8	6,461.7
Depreciation	81.1	72.9	80.2	25.5	10.4	0.0	270.1
Depreciation (discontinued operations)	0.5	1.8	0.3	0.0	0.0	0.0	2.6
Impairment losses	7.4	36.5	11.4	1.9	0.0	0.0	57.3
Reversals of impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	–4.3	–64.3	–42.1	0.0	–9.9	0.0	–120.5
Reclassifications	15.9	77.4	16.4	4.1	0.0	–113.8	0.0
Accumulated depreciation as at 31/12	2,560.0	1,671.8	1,756.1	576.3	103.0	4.0	6,671.1
Net carrying amount as at 31/12	3,407.1	1,779.9	849.8	686.2	55.4	607.4	7,385.8
Net carrying amount as at 1/1	3,236.2	1,098.5	663.5	663.0	48.5	869.0	6,578.7

Additions (excluding those from business acquisitions) are analysed as follows:

Additions €m

	2012	**2013**
Casimcea wind farms (Romanian Black Sea Coast)	106.7	156.6
Reisseck II power plant	88.9	92.7
Expansion of Austrian wind farms	11.1	43.3
Rhineland-Palatinate wind farms	136.9	36.0
Ernsthofen and St. Peter substations: Danube line changeover to 380 kV	21.5	21.0
Zemm/Ziller power plant (revitalisation)	7.3	20.3
Sarasdorf substation: 3+ 4th System, 380 kV line	1.8	13.4
Zell/Ziller substation: 2nd 380/220 kV transformer	5.6	11.9
380 kV Tauern – Pongau – Salzach – St. Peter line	14.3	8.8
Automation of hydropower plants	13.6	8.0
Kalsdorf power plant	14.6	6.7
Pernegg power plant (revitalisation)	11.7	6.1
Zurndorf substation	22.6	2.6
Mellach Combined cycle gas turbine power plant	48.5	0.2
Lienz substation: Qadrature booster	10.0	0.1
Other additions (< €10.0m)	165.2	147.3
Total additions to property, plant and equipment	106.7	156.6

In the 2002 reporting period, the Triebenbach power plant was taken over on the basis of a finance lease arrangement. As at 31 December 2013 it was recognised under property, plant and equipment with a net carrying amount of €13.0m (previous year: €14.0m). This is allocated to the following asset groups: land and buildings €8.9m (previous year: €9.2m), machinery €2.3m (previous year: €2.7m) and electrical installations €1.8m (previous year: €2.1m).

Early termination of the lease and thus the repayment in full of the finance lease liability took place in the 2013 reporting period.

Reconciliation from the lease payments to their 2012 present value €m

	2014	2014 – 2017	From 2018
Lease payments	1.6	14.1	–
Effect of discounting	– 0.1	– 1.3	–
Present value of the lease liability as at 31/12/2012	1.5	12.8	–

(25) Interests accounted for using the equity method

In the 2013 reporting period, the (other) 50 % interest in Österreichisch-Bayerische Kraftwerke AG, Donaukraftwerk Jochenstein AG and Grenzkraftwerke AG (see: Financial reporting principles) were acquired (see: Financial reporting principles). The first-time consolidation of these three equity interests resulted (following remeasurement of the previously held equity interests with the effect recognised in profit or loss) in the “disposal” of the previously held equity interests accounted for using the equity method (see: Financial reporting principles).

In the previous year, capital increases were carried out at the Turkish company Enerjisa Enerji A.S. (Group) and at the French POWEO Toul Production S.A.S. In addition, shares were acquired in the Italian Sorgenia S.p.A. (Group).

The disposals in the previous year related to equity interests in POWEO Pont-sur-Sambre Production S.A.S and POWEO Toul Production S.A.S., which were consolidated for the first time, and the sale of the equity interests in Kärntner Restmüllverwertungs GmbH, Gletscherbahnen Kaprun AG and Energie Klagenfurt GmbH. In addition, the equity interests in the Turkish company Enerjisa Enerji A.S. (Group) and STEWEAG-STEG GmbH were classified as held for sale.

Interests accounted for using the equity method €m

	2012	**2013**
Amortised acquisition costs as at 1/1	2,205.2	961.1
Additions	309.1	0.0
Dividends	–27.9	–14.4
Result from equity accounting[1]	–56.9	–201.0
Other comprehensive income from equity accounting	–42.9	6.0
Other comprehensive income from foreign exchange differences	37.4	0.0
Disposals or classification as held for sale	–1,462.9	–30.8
Amortised acquisition costs as at 31/12	961.1	**721.0**
Accumulated value adjustments as at 1/1	89.9	52.3
Impairment losses[1]	23.4	404.5
Disposals	–61.0	0.0
Accumulated value adjustments as at 31/12	52.3	**456.8**
Net carrying amount as at 31/12	908.8	**264.1**
Net carrying amount as at 1/1	2,115.3	908.8

[1] In the 2013 reporting period, the carrying amount of the equity interest in Shkodra Beteiligungsholding GmbH was reduced to zero by the recognition of negative results from interests accounted for using the equity method and impairment losses. VERBUND still holds non-current loans to Shkodra Region Beteiligungsholding GmbH, which in their economic substance represent an increase of the net investment in Shkodra Region Beteiligungsholding GmbH. The additional negative results from interests accounted for using the equity method (€– 14.5m) and an impairment loss (€– 17.2m) reduced the carrying amount of these non-current loans and were therefore not included in the above table.

The following tables show a summary of aggregated balance sheet data for VERBUND's joint ventures and associates accounted for using the equity method. The reference date for investee balance sheet data is 30 September 2013 (see: Financial reporting principles); data are based on disclosed financial statements and/or on data updated to the best of VERBUND's knowledge.

The difference between the proportionate share in equity and the equity interest recognised is due primarily to fair value adjustments identified upon acquisition of interests that are carried forward, goodwill, accumulated impairment losses on equity interests, adjustments to VERBUND's accounting policies and adjustments resulting from events and transactions between the balance sheet date of the last (consolidated) interim financial statement or annual financial statement of the investee and the balance sheet date of VERBUND.

Joint ventures 2013

€m

	Austria and Germany	Other[1]
Total assets	130.9	170.4
Total liabilities	82.5	165.1
Equity – 100 %	48.4	5.3
Equity – VERBUND's share	23.1	2.6
Differences due to the application of the equity method of accounting	0.0	– 2.6
Carrying amount of joint ventures accounted for using the equity method as at 31/12/2013	23.1	0.0

[1] This includes the equity interest in (Austrian) Shkodra Region Beteiligungsholding GmbH, which indirectly holds an equity interest in the Albanian company Energji Ashta Shpk.

Joint ventures 2013: balance sheets – VERBUND's share

€m

	Austria and Germany	Other[1]
Non-current assets	58.2	69.4
Current assets	5.4	15.8
Non-current liabilities	14.6	20.1
Current liabilities	25.8	62.5
Equity – VERBUND's share	23.1	2.6

[1] This includes the equity interest in (Austrian) Shkodra Region Beteiligungsholding GmbH, which indirectly holds an equity interest in the Albanian company Energji Ashta Shpk.

Joint ventures 2012

€m

	Austria and Germany	Other[1]
Total assets	273.3	200.1
Total liabilities	164.6	154.3
Equity – 100 %	108.7	45.8
Equity – VERBUND's share	53.2	22.9
Differences due to the application of the equity method of accounting	0.0	– 8.6
Carrying amount of joint ventures accounted for using the equity method as at 31/12/2012	53.2	14.3

[1] This includes the equity interest in (Austrian) Shkodra Region Beteiligungsholding GmbH, which indirectly holds an equity interest in the Albanian company Energji Ashta Shpk.

Joint ventures 2012: balance sheets – VERBUND's share

€m

	Austria and Germany	Other[1]
Non-current assets	119.1	71.8
Current assets	15.5	28.2
Non-current liabilities	66.7	44.3
Current liabilities	14.7	32.9
Equity – VERBUND's share	53.2	22.9

[1] This includes the equity interest in (Austrian) Shkodra Region Beteiligungsholding GmbH, which indirectly holds an equity interest in the Albanian company Energji Ashta Shpk.

Associates 2013

€m

	Austria	Italy
Total assets	1,674.0	2,968.7
Total liabilities	871.5	2,598.4
Equity – 100 %	685.9	370.3
Equity – VERBUND's share	240.7	169.4
Differences due to the application of the equity method of accounting	0.3	– 169.4
Carrying amount of associates accounted for using the equity method as at 31/12/2013	**241.0**	**0.0**

Associates 2012

€m

	Austria	Italy
Total assets	1,967.1	3,708.9
Total liabilities	1,338.5	2,804.6
Equity – 100 %	628.6	904.3
Equity – VERBUND's share	220.5	412.8
Differences due to the application of the equity method of accounting	0.3	207.7
Carrying amount of associates accounted for using the equity method as at 31/12/2012	**220.8**	**620.5**

(26) Other equity interests

Other equity interests

€m

	Interests in non-consolidated subsidiaries	Other equity interests	Total
2013			
(Amortised) acquisition costs as at 1/1	1.0	138.3	139.3
Additions from acquisitions of interests and capital increases	0.2	1.2	1.3
Disposals	0.0	0.0	– 0.1
(Amortised) acquisition costs as at 31/12	**1.2**	**139.4**	**140.6**
Accumulated value adjustments as at 1/1	0.0	4.8	4.8
Impairment losses	0.0	41.6	41.6
Fair value measurement in OCI	0.0	7.1	7.1
Accumulated value adjustments as at 31/12	**0.0**	**53.5**	**53.5**
Net carrying amount as at 31/12	**1.2**	**85.9**	**87.1**
Net carrying amount as at 1/1	1.0	133.5	134.6

Other equity interests €m

	Interests in non-consolidated subsidiaries	Other equity interests	Total
2012			
(Amortised) acquisition costs as at 1/1	1.4	137.5	138.8
Additions from acquisitions of interests and capital increases	0.0	1.5	1.5
Disposals	–0.1	–0.7	–0.8
Change in consolidation method	–0.3	0.0	–0.3
(Amortised) acquisition costs as at 31/12	1.0	138.3	139.3
Accumulated value adjustments as at 1/1	0.0	8.9	8.9
Impairment losses	0.0	4.7	4.7
Fair value measurement in OCI	0.0	–8.3	–8.3
Disposals	0.0	–0.5	–0.5
Accumulated value adjustments as at 31/12	0.0	4.8	4.8
Net carrying amount as at 31/12	1.0	133.5	134.6
Net carrying amount as at 1/1	1.4	128.5	129.9

The additions of other equity interests for the 2013 reporting period mainly concerned the capital increases in E-Mobility Provider Austria GmbH & Co KG (€1.1m) and VERBUND Trading Serbia d.o.o. (€0.2m).

The impairment losses all relate to impairment testing of the equity interest in Energie AG Oberösterreich classified as available for sale (see: Discretionary judgements and key assumptions concerning the future).

In the previous year, the additions related to the capitalisation of E-Mobility Provider Austria GmbH as well as E-Mobility Provider Austria GmbH & Co KG and a capital increase by POWEO Blaringhem Production S.A.R.L. Impairment losses were recognised for Burgenland Holding AG and POWEO Blaringhem S.A.R.L. The change in consolidation method for non-consolidated subsidiaries affected VERBUND Trading Romania S.R.L.

(27) Investments and non-current other receivables

Investments and non-current other receivables €m

	2012	**2013**
Investments – closed items on the balance sheet	284.6	275.7
Interest rate swaps – closed items on the balance sheet	124.0	84.3
Other investments and other receivables	282.0	135.9
Total	690.6	**495.9**

Investments – cross-border leasing and closed items on the balance sheet €m

	Securities (loan stock rights) under closed items on the balance sheet	Other loans under closed items on the balance sheet	Total
2013			
Amortised acquisition costs as at 1/1	51.5	233.1	284.6
Foreign exchange differences	–2.8	–13.8	–16.6
Additions	2.3	1.7	4.0
Capitalised interest	0.0	10.0	10.1
Disposals	–1.3	–5.0	–6.3
Amortised acquisition costs as at 31/12	49.7	226.0	275.7
Of which non-current assets	49.7	226.0	275.7
Of which current assets	0.0	0.0	0.0

Investments – cross-border leasing and closed items on the balance sheet €m

	Securities (loan stock rights) under closed items on the balance sheet	Other loans under closed items on the balance sheet	Total
2012			
Amortised acquisition costs as at 1/1	52.0	236.4	288.4
Foreign exchange differences	–1.5	–8.0	–9.5
Additions	2.3	1.5	3.8
Capitalised interest	0.0	10.0	10.0
Disposals	–1.3	–6.8	–8.1
Amortised acquisition costs as at 31/12	51.5	233.1	284.6
Of which non-current assets	51.5	233.1	284.6
Of which current assets	0.0	0.0	0.0

As at 31 December 2013, securities consisted of medium-term notes with a nominal value of $66.1m (previous year: $65.5m) or €49.7m (previous year: €51.5m).

€59.7m (previous year: €51.5m) of securities and €226.0m (previous year: €233.1m) of loans have been pledged. Securities and loans all serve banks as collateral for borrowing.

Other non-current investments and non-current other receivables €m

	Loans to investees	Securities (loan stock rights)	Other loans	Total
2013				
Acquisition costs as at 1/1	107.1	155.6	1.1	263.7
Additions from business combinations	0.0	9.0	0.0	9.0
Additions	67.3	0.1	560.3	627.7
Disposals	–67.2	–50.0	0.0	–117.2
Reclassifications	–37.6	0.0	–560.2	–597.8
Acquisition costs as at 31/12	**69.6**	**114.6**	**1.2**	**185.4**
Accumulated value adjustments as at 1/1	0.0	25.7	0.0	25.7
Impairment losses	0.0	0.0	0.0	0.0
Reversals of impairment losses	0.0	0.0	0.0	0.0
Fair value measurement in OCI	0.0	–3.1	0.0	–3.1
Reclassification adjustments ("recycling")	0.0	0.9	0.0	0.9
Result from interests accounted for using the equity method[1]	14.5	–	–	14.5
Impairment losses on interests accounted for using the equity-method[1]	17.2	–	–	17.2
Disposals	0.0	–0.2	0.0	–0.2
Reclassifications	0.0	0.0	0.0	0.0
Accumulated value adjustments as at 31/12	**31.7**	**23.4**	**0.0**	**55.1**
Net carrying amount as at 31/12	**37.9**	**91.2**	**1.2**	**130.3**
Net carrying amount as at 1/1	107.1	129.8	1.1	238.0
Net carrying amount of other non-current receivables as at 31/12				**89.9**
Net carrying amount of other non-current receivables as at 1/1				168.0
Net carrying amount total as at 31/12				**220.3**
Net carrying amount total as at 1/1				406.0

[1] The carrying amount of the equity interest in Shkodra Beteiligungsholding GmbH was reduced to zero in the 2013 reporting period. In its economic substance, the non-current loan to Shkodra Region Beteiligungsholding GmbH represents an increase of the net investment in Shkodra Region Beteiligungsholding GmbH. For this reason, the negative result from interests accounted for using the equity method and the recognised impairment losses of the net investment in Shkodra Region Beteiligungsholding GmbH (see: Discretionary judgements and key assumptions concerning the future) decreased the carrying amount of non-current loans to investees.

Other non-current investments and non-current other receivables €m

	Loans to investees	Securities (loan stock rights)	Other loans	Total
2012				
Acquisition costs as at 1/1	242.7	156.9	17.9	417.6
Additions	16.3	0.7	0.8	17.8
Disposals	–137.7	–2.0	–0.3	–140.0
Reclassifications	–14.2	0.0	–17.4	–31.6
Acquisition costs as at 31/12	107.1	155.6	1.1	263.7
Accumulated value adjustments as at 1/1	0.0	29.3	0.0	29.3
Impairment losses	0.0	0.0	0.0	0.0
Reversals of impairment losses	0.0	0.0	0.0	0.0
Fair value measurement in OCI	0.0	–3.1	0.0	–3.1
Reclassification adjustments ("recycling")	0.0	0.0	0.0	0.0
Disposals	0.0	–0.5	0.0	–0.5
Reclassifications	0.0	0.0	0.0	0.0
Accumulated value adjustments as at 31/12	0.0	25.7	0.0	25.7
Net carrying amount as at 31/12	107.1	129.8	1.1	238.0
Net carrying amount as at 1/1	242.7	127.6	17.9	388.3
Net carrying amount of other non-current receivables as at 31/12				168.0
Net carrying amount of other non-current receivables as at 1/1				168.0
Net carrying amount total as at 31/12				406.0
Net carrying amount total as at 1/1				556.2

Securities amounting to €91.2m (previous year: €129.8m) primarily included shares in investment funds and government bonds (Austria) and were classified as available for sale. As of 31 December 2013, no securities were pledged as collateral in connection with trading on the power exchanges and balance energy management (previous year: €53.9m). These pledges in the previous year were replaced by cash deposits in the 2013 reporting period.

Non-current other receivables contain derivative financial instruments measured at fair value in the amount of €84.3m (previous year: €124.1m), which relate to financial liabilities under closed items on the balance sheet.

(28) Inventories

Inventories		€m
	2012	**2013**
Heating oil	7.3	5.3
Coal	85.7	69.2
Natural gas	19.1	3.6
Net of write downs	–3.9	–19.8
Inventories of primary energy sources held for generation	108.3	**58.2**
Natural gas held for trading	8.1	5.8
Measurements of natural gas held for trading	0.5	0.2
Fair value of natural gas held for trading	8.6	**6.0**
Emission rights held for trading	6.2	8.7
Measurements of emission rights held for trading	0.0	1.6
Fair value of emission rights held for trading	6.1	**10.3**
Proof of origin and green electricity certificates	2.8	**5.7**
Additives and consumables	3.3	**4.3**
Other	0.0	**0.3**
Inventories	129.2	**84.8**

(29) Trade receivables and other receivables

Trade receivables and other receivables				€m
	2012 Non-current	**2013** Non-current	2012 Current	**2013** Current
Trade receivables	0.0	0.0	295.8	304.7
Receivables from investees	0.0	0.0	91.1	75.3
Other loans	–	–	10.2	560.3
Loans to investees	–	–	0.9	38.5
Receivables from non-consolidated subsidiaries	0.0	0.0	3.4	1.3
Other receivables and assets	168.0	89.9	621.3	478.3
Trade receivables and other receivables	168.0	**89.9**	1,022.8	**1,458.3**

Other receivables with a maturity of more than one year were recognised under investments and non-current other receivables (see: (27) Investments and non-current other receivables).

Other receivables and assets €m

	2012 Non-current	**2013** Non-current	2012 Current	**2013** Current
Derivatives in the energy area	0.0	0.0	206.2	160.2
Money market transactions	0.0	0.0	210.8	145.4
Receivables from tax clearing	0.0	0.0	60.3	78.1
Guarantees in electricity trading	0.0	0.0	13.4	35.8
Emission rights	–	–	32.7	14.8
Receivables from accrued interest	0.0	0.0	1.5	3.7
Derivatives in the finance area	124.1	84.3	0.0	2.5
Receivables from disposals of equity interests	0.0	0.0	61.6	0.0
Electricity costs prepayment Österreichisch-Bayerische Kraftwerke AG	39.0	0.0	2.9	0.0
Other	4.9	5.6	31.8	37.7
Other receivables and assets	168.0	**89.9**	621.3	**478.3**

The most significant allowances and/or payment defaults (overdue payments) were as follows:

Allowances €m

	Receivables net (carrying amount)	Of which: impaired as at balance sheet date	Allowances	Receivables gross
2013				
Trade receivables	304.7	8.3	5.5	310.1
Receivables from investees	75.3	0.0	0.0	75.3
Receivables from non-consolidated subsidiaries	1.3	0.0	0.0	1.3
Loans	598.8	0.0	0.0	598.8
Other receivables and assets	478.3	0.0	0.0	478.3
Total	1,458.3	8.3	5.5	1,463.8

Allowances

€m

	Receivables net (carrying amount)	Of which: impaired as at balance sheet date	Allowances	Receivables gross
2012				
Trade receivables	295.8	0.9	6.9	302.8
Receivables from investees	91.1	0.0	0.0	91.1
Receivables from non-consolidated subsidiaries	3.4	0.0	0.0	3.4
Loans	11.1	0.0	0.0	11.1
Other receivables and assets	621.3	0.0	0.0	621.3
Total	1,022.8	0.9	7.0	1,029.7

Overdue amounts 2013

€m

	Carrying amount	Of which not impaired or overdue as at balance sheet date	Of which not impaired but overdue in the periods shown			
			up to 30 days	31 to 120 days	121 to 360 days	> 360 days
Trade receivables	304.7	280.2	14.6	0.5	0.5	0.5
Receivables from investees	75.3	71.3	4.0	0.0	0.0	0.0
Receivables from non-consolidated subsidiaries	1.3	1.3	0.0	0.0	0.0	0.0
Loans	598.8	598.8	0.0	0.0	0.0	0.0
Other receivables and assets	478.3	478.2	0.0	0.0	0.1	0.0
Total	1,458.3	1,429.8	18.6	0.6	0.5	0.5

Overdue amounts 2012 €m

	Carrying amount	Of which not impaired or overdue as at balance sheet date	Of which not impaired but overdue in the periods shown			
			up to 30 days	31 to 120 days	121 to 360 days	> 360 days
Trade receivables	295.8	281.8	10.9	0.6	1.6	0.1
Receivables from investees	91.1	86.8	4.3	0.0	0.0	0.0
Receivables from non-consolidated subsidiaries	3.4	3.4	0.0	0.0	0.0	0.0
Loans	11.1	11.1	0.0	0.0	0.0	0.0
Other receivables and assets	621.3	620.5	0.6	0.0	0.0	0.1
Total	1,022.8	1,003.7	15.8	0.6	1.6	0.2

The non-current other receivables were neither overdue nor impaired in the 2013 and 2012 reporting periods.

(30) Cash and cash equivalents

Cash and cash equivalents €m

	2012	**2013**
Cash at banks	121.6	83.2
Cash in hand	0.1	0.1
Cash and cash equivalents	121.7	**83.3**

The lock-in period for all current financial investments was less than three months at the time the investment was made. Cash and cash equivalents correspond to the fund of cash and cash equivalents in the cash flow statement in accordance with IAS 7.

(31) Non-current assets held for sale

Non-current assets held for sale €m

	2012	**2013**
Intangible assets	0.0	0.3
Property, plant and equipment	0.0	132.5
Interests accounted for using the equity method[1]	1,331.8	1.0
Investments and other receivables	0.0	3.7
Non-current assets held for sale	1,331.8	**137.5**

[1] The cumulative income and expenses recognised in other comprehensive income which are related to the interests accounted for using the equity method classified as held for sale amount to €0.0m (previous year: €– 168.2m).

The 50.1 % equity interest in POWEO Outre-mer Solaire S.A.S. (Group) continued to be classified as held for sale as at 31 December 2013 and was measured at the lower of its carrying amount and fair value less costs to sell. Unforeseen delays in completing photovoltaic power plants and outstanding questions relating to tax law meant that the interest could not be sold within the one-year period. The equity interest is now to be sold in the form of a share deal in the first half of 2014. POWEO Outre-mer Solaire S.A.S. (Group) is active in project development and in the operation of photovoltaic farms and rooftop photovoltaic systems in French overseas territories. This equity interest will temporarily remain with VERBUND merely as an interim step to enable the best possible disposal of the renewable energy projects of (former) POWEO Production S.A.S. The transaction was a consequence of VERBUND's strategic focus on majority interests which focus on electricity generation from hydropower and on the Austrian and German market.

The 45.75 % equity interest in Italian Sorgenia S.p.A. (Group) was classified as held for sale effective 11 December 2013 and measured at the lower of its carrying amount and fair value less costs to sell. The sale is to be carried out within one year in the form of a share deal. Sorgenia S.p.A. (Group) holds a significant position in the Italian energy market. It builds and operates gas power plants, is active in the development and expansion of capacities from renewable energy sources and is a supplier of electricity and gas. The sale of this equity interest was a consequence of VERBUND's strategic focus on majority interests which focus on electricity generation from hydropower and on the Austrian and German market.

Effective 11 December 2013, both French combined cycle gas turbine power plants in Pont-sur-Sambre and Toul including intangible assets and other receivables closely related to the combined cycle gas turbine power plants were classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell. The sale is to be carried out within one year in the form of an asset deal. The Pont-sur-Sambre and Toul combined cycle gas turbine power plants have installed capacities of 420 and 422 MW respectively and have been in operation since 2009 and 2012 respectively. The sale of both of the French combined cycle gas turbine power plants was a consequence of VERBUND's strategic focus on majority interests which focus on electricity generation from hydropower and on the Austrian and German market.

The 34.57 % equity interest in STEWEAG-STEG GmbH and the 50 % equity interest in Enerjisa Enerji A.S. (Group) were classified as held for sale in the previous year. The equity interest in STEWEAG-STEG GmbH was sold effective 18 January 2013. The equity interest in Enerjisa Enerji A.S. (Group) was disposed of effective 24 April 2013 as part of a transaction that is to be viewed in its entirety, whereby (additional) Bavarian hydropower plant capacities were acquired (see: Financial reporting principles).

All equity interests classified by VERBUND as held for sale in the reporting period and in the previous year were assigned to the Equity Interests & Services segment. The Pont-sur-Sambre and Toul combined cycle gas turbine power plants were part of the Electricity segment.

(32) Share capital

Just as in the previous year, the share capital comprised 170,233,686 no-par shares in the form of bearer shares (category A) and 177,182,000 no-par shares in the form of registered shares (category B). Category B represents 51 % of the share capital, authenticated by an interim certificate deposited with the Federal Ministry of Finance and made out in the name of the Republic of Austria. The share capital was paid in full.

(33) Capital reserves

The amount of €954.3m (previous year: €954.3m), which represents the portion of the reserves that was not retained from profit for the period in previous reporting periods, is recognised under capital reserves.

(34) Retained earnings

Retained earnings comprise the retained profits and the effects on equity attributable to the shareholders of VERBUND AG from the shift between shareholder groups. Of the retained earnings, the amount that can be distributed to the shareholders of VERBUND AG is the item presented as profit for the period in the (separate) annual financial statements of VERBUND AG as at 31 December 2013 prepared in accordance with the Austrian Commercial Code (Unternehmensgesetzbuch, UGB). For financial year 2013, this profit for the reporting period that had not yet been approved amounted to €347.4m (previous year: €208.4m). A dividend of €0.55 per share (previous year: €0.60) plus a special dividend of €0.45 per share (previous year: €0.00) will be proposed at the Annual General Meeting.

(35) Reserve for differences from currency translation

In the previous year, the reserve for foreign exchange differences primarily contained the currency translation of the equity-accounted interest in Enerjisa Enerji A.S. (Group). The cumulative differences resulting from currency translation were reclassified to the income statement (see: (21) Reclassification adjustments to the income statement) as a result of the sale of this equity-accounted interest.

(36) Non-controlling interests

Non-controlling interests in %

	2012	**2013**
VERBUND-Innkraftwerke GmbH	29.73	29.73
VERBUND Hydro Power AG	19.67	19.67
Alpha Wind S.R.L.	10.00	10.00
Ventus Renew Romania S.R.L.	–	10.00
VERBUND Thermal Power GmbH	20.00	0.00

The shifts between the shareholder groups in the reporting period are related to the acquisition of 20.00 % of the interest in VERBUND Thermal Power GmbH from Energie Steiermark AG and the intragroup sale of 50 % of the shares in Grenzkraftwerke GmbH from VERBUND Hydro Power GmbH to VERBUND AG.

Capital shares in VERBUND Thermal Power GmbH & Co KG in Liqu. attributable to limited partners of 0.00 % (previous year: 24.28 %) were presented under non-current financial liabilities in accordance with IAS 32. The same applied to the capital shares attributable to limited partners in the 10 wind farm companies and 2 infrastructure companies in the Hunsrück area of Rhineland-Palatinate acquired in the previous year.

(37) Non-current and current financial liabilities

Non-current and current financial liabilities

€m

	2012 Non-current	**2013** Non-current	2012 Current	**2013** Current
Bonds	2,141.7	1,584.0	62.9	553.8
Financial liabilities to banks	1,266.4	1,413.4	280.2	71.5
Financial liabilities to others	85.8	0.0	42.7	28.9
Capital shares attributable to limited partners	32.7	2.2	0.0	0.0
Subtotal	3,526.7	**2,999.6**	385.8	**654.2**
Financial liabilities to banks – closed items on the balance sheet	408.6	360.0	0.0	0.0
Non-current and current financial liabilities	3,935.3	**3,359.5**	385.8	**654.2**

Non-current and current financial liabilities[1]

€m

	2012	**2013**
Carrying amount as at 1/1	3,825.1	3,912.5
Additions from business combinations	381.1	0.0
Net change in money market transactions	60.5	–60.5
Borrowings	53.0	210.0
Changes in interest accruals	7.5	–5.2
Foreign exchange gains or losses	–10.8	–10.5
Changes in guarantee liabilities	–42.9	0.0
Unscheduled repayments	–69.0	–73.3
Changes in capital shares attributable to limited partners	–75.4	–30.5
Scheduled repayments	–216.6	–244.7
Liabilities extinguished as a result of confusion	0.0	–44.0
Carrying amount as at 31/12	3,912.5	**3,653.8**
Of which non-current liabilities	3,526.7	2,999.6
Of which current liabilities	385.8	654.2

[1] excluding finanical liabilities from closed items on the balance sheet

Financial liabilities – closed items on the balance sheet €m

	2012	**2013**
Carrying amount as at 1/1	408.5	408.6
Foreign exchange gains or losses	– 12.2	– 19.5
Capitalisation	27.6	27.8
Repayments and/or disposals	– 19.1	– 17.2
Market value changes	3.8	– 39.8
Carrying amount as at 31/12	408.6	**360.0**
Of which non-current liabilities	408.6	360.0
Of which current liabilities	0.0	0.0

Capital shares attributable to limited partners €m

	2012	**2013**
Carrying amount as at 1/1	108.2	**32.7**
Additions	0.0	18.6
Profit or loss attributable to limited partners	– 39.7	– 32.6
Disposals	– 34.0	– 16.5
Other changes	– 1.8	0.1
Carrying amount as at 31/12	32.7	**2.2**

On the one hand, additions to the shares attributable to limited partners concerned capital increases in VERBUND Thermal Power GmbH & Co KG in Liqu. On the other hand, capital increases were carried out in the 10 wind farm companies and 2 infrastructure companies acquired in the previous year in the Hunsrück area of Rhineland-Palatinate. The disposals resulted from the acquisition of the remaining limited partner shares of VERBUND Thermal Power GmbH & Co KG in Liqu. from STEWEAG-STEG GmbH by VERBUND Beteiligungsholding GmbH.

The shares in VERBUND Thermal Power GmbH & Co KG in Liqu. attributable to limited partners declined in the previous year on the one hand due to the contribution by KELAG-Kärntner Elektrizitäts-AG of 6.51 % of the limited partner shares into VERBUND Thermal Power GmbH. In addition, VERBUND Beteiligungsholding GmbH acquired limited partnership interests amounting to 14.71 % from STEWEAG-STEG GmbH, 0.08 % from TIWAG-Tiroler Wasserkraft AG and 0.06 % from the state of Burgenland.

In the 2013 reporting period, new non-current financial liabilities in the total amount of €210.0m (previous year: €53.0m) were incurred. These borrowings were in the form of promissory notes in an amount of €138.0m from the Landesbank Hessen-Thüringen Girozentrale (fixed interest rate) and in an amount of €62.0m at the same bank (variable interest rate). In addition, loans in the amount of €5.0m were taken out from Raiffeisenbank Bruck-Carnuntum Gen.m.b.H. (fixed interest rate) and in the amount of €5.0m from Sparkasse Hainburg-Bruck-Neusiedl AG (fixed interest rate).

In addition, scheduled repayments of financial liabilities (excluding financial liabilities connected to early terminated cross-border leasing transactions) were made in the amount of €244.7m (previous year: €216.6m); unscheduled early repayments were made in the amount of €73.3m (previous year: €69.0m). This also includes the early repayment of a finance lease liability in the amount of €14.7m (Triebenbach power plant finance lease; see: (24) Property, plant and equipment).

In addition, current financial liabilities (cash advances) were repaid in the amount of €60.5m (previous year: €0.1m). No new financial liabilities were entered into the money market (previous year: €60.5m).

In the underlying terms of the existing financial liabilities, there were slight adjustments to the interest rates of individual borrowing due to the downgrading of the credit rating by Moody's in the 2013 reporting period; the maturities remained unchanged.

With regard to financial liabilities from cross-border leasing transactions that were early terminated, capitalisations in the amount of €27.8m (previous year: €27.6m) were recognised. Repayments and disposals came to €17.2m (previous year: €19.2m).

VERBUND had no mortgage-backed liabilities as at 31 December 2013 and 31 December 2012.

Non-current and current financial liabilities 2013

	Longest Maturity	Issue volume	Carrying amount as at 31/12	1 year or less
Bonds				
Euro currency	2020	2,112.7	2,098.5	553.0
Foreign currencies (¥)	2015	126.1	39.3	0.8
Total bonds		2,238.8	2,137.8	553.8
Of which at a fixed interest rate	2020	2,238.8	2,137.8	553.8
Financial liabilities to banks				
Euro currency	2037	1,688.2	1,484.8	71.5
Total financial liabilities to banks		1,688.2	1,484.8	71.5
Of which at a fixed interest rate	2037	1,157.7	1,200.1	48.9
Of which at a variable interest rate	2030	530.4	284.7	22.5
Financial liabilities to others				
Euro currency	2021	28.9	28.9	28.9
Total financial liabilities to others		28.9	28.9	28.9
Of which at a fixed interest rate	2021	28.9	28.9	28.9
Financial liabilities to banks – closed items on the balance sheet[1]				
Foreign currencies ($)	2030		360.0	0.0
Total financial liabilities to banks – closed items on the balance sheet			360.0	0.0
Of which at a fixed interest rate	2030		360.0	0.0
Capital shares attributable to limited partners	–	–	2.2	0.0
Total financial liabilities			4,013.7	654.2

[1] For these financial liabilities there is balance sheet cover on the asset side. Therefore, some disclosures are of limited informative value.

€m

	› 1 to 2 years	› 2 to 3 years	› 3 to 4 years	› 4 to 5 years	› 5 years	Weighted nominal interest rate	Weighted effective interest rate	Fair value as at 31/12
	499.1	0.0	0.0	14.5	1,031.9	4.88%	4.97%	2,288.6
	38.3	–	–	–	–	4.10%	4.10%	41.2
	537.4	0.0	0.0	14.5	1,031.9	4.86%	4.83%	2,329.8
	537.4	0.0	0.0	14.5	1,031.9	4.86%	4.83%	2,329.8
	211.4	75.4	273.7	305.7	547.0	2.89%	3.31%	1,505.1
	211.4	75.4	273.7	305.7	547.0	2.89%	3.31%	1,505.1
	189.3	53.4	189.7	283.7	435.3	3.38%	3.55%	1,126.1
	22.1	22.1	84.1	22.1	111.8	0.81%	1.79%	379.0
	0.0	0.0	0.0	0.0	0.0	4.25%	4.47%	29.2
	0.0	0.0	0.0	0.0	0.0	4,25%	4,47%	29.2
	0.0	0.0	0.0	0.0	0.0	4.25%	4.47%	29.2
	0.0	0.0	0.0	0.0	360.0			374.2
	0.0	0.0	0.0	0.0	360.0			374.2
	0.0	0.0	0.0	0.0	360.0			374.2
	2.2	0.0	0.0	0.0	0.0	–	–	–
	751.0	75.4	273.7	320.3	1,938.9			

Non-current and current financial liabilities 2012

	Longest Maturity	Issue volume	Carrying amount as at 31/12	1 year or less
Bonds				
Euro currency	2020	2,112.7	2,154.6	61.7
Foreign currencies (¥)	2015	126.1	50.0	1.2
Total bonds		2,238.8	2,204.6	62.9
Of which at a fixed interest rate	2020	2,238.8	2,204.6	62.9
Financial liabilities to banks				
Euro currency	2037	1,687.7	1,546.6	280.2
Total financial liabilities to banks		1,687.7	1,546.6	280.2
Of which at a fixed interest rate	2037	1,159.3	1,129.2	188.4
Of which at a variable interest rate	2030	528.4	417.4	91.8
Financial liabilities to others				
Euro currency	2021	135.6	128.6	42.7
Total financial liabilities to others		135.6	128.6	42.7
Of which at a fixed interest rate	2021	111.6	113.8	41.3
Of which at a variable interest rate	2015	24.0	14.7	1.1
Financial liabilities to banks – closed items on the balance sheet[1]				
Foreign currencies ($)	2030		408.6	0.0
Total financial liabilities to banks – closed items on the balance sheet			408.6	0.0
Of which at a fixed interest rate	2030		408.6	0.0
Capital shares attributable to limited partners	–	–	32.7	0.0
Total financial liabilities			4,321.1	385.8

[1] For these financial liabilities there is balance sheet cover on the asset side. Therefore, some disclosures are of limited informative value.

€m

	› 1 to 2 years	› 2 to 3 years	› 3 to 4 years	› 4 to 5 years	› 5 years	Weighted nominal interest rate	Weighted effective interest rate	Fair value as at 31/12
	498.6	498.5	72.7	0.0	1,023.0	4.88%	4.97%	2,447.9
	0.0	48.9	0.0	0.0	0.0	1.10%	4.43%	54.0
	498.6	**547.4**	**72.7**	**0.0**	**1,023.0**	**4.86%**	**4.88%**	**2,501.9**
	498.6	547.4	72.7	0.0	1,023.0	4.86%	4.88%	2,501.9
	63.1	211.4	305.7	75.4	610.8	2.66%	3.34%	1,635.2
	63.1	**211.4**	**305.7**	**75.4**	**610.8**	**2.66%**	**3.34%**	**1,635.2**
	32.0	180.3	274.6	44.3	409.4	3.38%	3.79%	1,227.5
	31.1	31.1	31.1	31.1	201.4	0.68%	1.55%	407.7
	73.5	12.4	0.0	0.0	0.0	2.08%	3.77%	130.5
	73.5	**12.4**	**0.0**	**0.0**	**0.0**	**2.08%**	**3.77%**	**130.5**
	72.3	0.0	0.0	0.0	0.0	1.94%	3.37%	115.8
	1.2	12.4	0.0	0.0	0.0	3.19%	4.60%	14.7
	0.0	0.0	0.0	0.0	408.6			438.1
	0.0	**0.0**	**0.0**	**0.0**	**408.6**			**438.1**
	0.0	0.0	0.0	0.0	408.6			438.1
	32.7	**0.0**	**0.0**	**0.0**	**0.0**	**–**	**–**	**–**
	667.9	**771.2**	**378.4**	**75.4**	**2,042.4**			

(38) Additional disclosures regarding financial instruments in accordance with IFRS 7

Carrying amounts and fair values by measurement categories 2013 €m

Assets – balance sheet items	Measurement categories in accordance with IAS 39 or measurement in accordance with other IFRSs	Level	Carrying amount as at 31/12	Fair value as at 31/12
Interests in non-consolidated subsidiaries	FAAC	–	1.2	–
Other equity interests	FAAFS	2	69.1	69.1
Other equity interests	FAAC	–	16.8	–
Other equity interests			87.1	
Securities	FAAFS	1	85.5	85.5
Securities	FAAFS	2	2.7	2.7
Securities	FAAC	–	3.0	–
Securities – closed items on the balance sheet	LAR	2	49.7	43.2
Other loans – closed items on the balance sheet	LAR	2	226.0	227.4
Derivatives in the finance area – closed items on the balance sheet	FAHFT	2	84.3	84.3
Loans to investees	LAR	2	37.9	41.2
Other loans	LAR	2	1.2	1.2
Other	–	–	5.6	–
Other non-current investments non-current other receivables			495.9	
Trade receivables	LAR	–	304.7	304.7
Receivables from investees	LAR	–	75.3	75.3
Receivables from non-consolidated subsidiaries	LAR	–	1.3	1.3
Loans to investees	LAR	2	38.5	38.8
Other loans	LAR	2	560.3	563.5
Derivatives in the energy area	FAHFT	2	160.2	160.2
Derivatives in the finance area	FAHFT	2	2.5	2.5
Money market transactions	LAR	2	145.4	144.9
Emission rights	IAS 38 / IAS 2	–	14.8	–
Other	LAR	–	55.3	55.3
Other	–	–	100.0	–
Trade receivables and current other receivables			1,458.3	
Cash and cash equivalents	LAR	–	83.3	83.3
Aggregated by measurement categories				
Financial assets at cost	FAAC		21.0	
Loans and receivables	LAR		1,578.9	
Available-for-sale financial assets	FAAFS		157.4	
Financial assets held for trading	FAHFT		247.1	

[1] Financial Assets at Cost // [2] Loans and Receivables // [3] Financial Assets Available for Sale // [4] Financial Assets Held for Trading

Carrying amounts and fair values by measurement categories 2013

€m

Liabilities – balance sheet items	Measurement categories in accordance with IAS 39 or measurement in accordance with other IFRSs	Level	Carrying amount as at 31/12	Fair value as at 31/12
Bonds	FLAAC	2	2,137.8	2,329.8
Financial liabilities to banks and to others	FLAAC	2	1,513.8	1,534.3
Financial liabilities to banks – closed items on the balance sheet	FLAAC	2	86.0	100.3
Financial liabilities to banks – closed items on the balance sheet	FLAFVPL	2	273.9	273.9
Capital shares attributable to limited partners	IAS 32	–	2.2	–
Non-current and current financial liabilities			4,013.8	
Electricity supply commitment	–	–	183.7	–
Obligation to return an interest	FLAAC	3	80.6	80.6
Derivatives in the energy area	FLHFT	3	54.9	54.9
Trade payables	FLAAC	–	2.6	2.6
Deferred income for grants (emission rights)	IAS 20	–	0.0	–
Other	FLAAC	–	12.8	12.8
Other	–	–	0.0	–
Other non-current liabilities			334.6	
Trade payables	FLAAC	–	164.7	164.7
Derivatives in the energy area	FLHFT	1	1.0	1.0
Derivatives in the energy area	FLHFT	2	132.8	132.8
Derivatives in the energy area	FLHFT	3	10.5	10.5
Derivatives in the finance area	FLHFT	2	32.3	32.3
Other	FLAAC	–	134.7	134.7
Other	–	–	57.8	–
Trade payables and current other liabilities			533.9	
Aggregated by measurement categories				
Financial liabilities at amortised cost	FLAAC		4,133.1	
Financial liabilities at fair value through profit or loss	FLAFVPL		273.9	
Financial liabilities held for trading	FLHFT		231.6	

[5] Financial Liabilities at Amortised Cost // [6] Financial Liabilities at Fair Value through Profit or Loss // [7] Financial Liabilities Held for Trading

Carrying amounts and fair values by measurement categories 2012

€m

Assets – balance sheet items	Measurement categories in accordance with IAS 39 or measurement in accordance with other IFRSs	Level	Carrying amount as at 31/12	Fair value as at 31/12
Interests in non-consolidated subsidiaries	FAAC	–	1.0	–
Other equity interests	FAAFS	2	114.4	114.4
Other equity interests	FAAC	–	19.1	–
Other equity interests			**134.6**	
Securities	FAAFS	1	124.2	124.2
Securities	FAAFS	2	2.7	2.7
Securities	FAAC	–	3.0	–
Securities – closed items on the balance sheet	LAR	2	51.5	43.2
Other loans – closed items on the balance sheet	LAR	2	233.1	245.3
Derivatives in the finance area – closed items on the balance sheet	FAHFT	2	124.0	124.0
Loans to investees	LAR	2	107.1	102.5
Other loans	LAR	2	1.1	1.1
Other	–	–	44.0	–
Other non-current investments non-current other receivables			**690.6**	
Trade receivables	LAR	–	295.8	295.8
Receivables from investees	LAR	–	91.1	91.1
Receivables from non-consolidated subsidiaries	LAR	–	3.4	3.4
Loans to investees	LAR	2	0.9	0.8
Other loans	LAR	2	10.2	10.2
Derivatives in the energy area	FAHFT	2	206.2	206.2
Money market transactions	LAR	2	210.8	211.1
Emission rights	IAS 38 / IAS 2	–	32.7	–
Other	LAR	–	75.1	75.1
Other	–	–	96.5	–
Trade receivables and current other receivables			**1,022.8**	
Cash and cash equivalents	**LAR**	**–**	**121.7**	**121.7**
Aggregated by measurement categories				
Financial assets at cost	FAAC		23.1	
Loans and receivables	LAR		1,201.8	
Available-for-sale financial assets	FAAFS		241.3	
Financial assets held for trading	FAHFT		330.2	

[1] Financial Assets at Cost // [2] Loans and Receivables // [3] Financial Assets Available for Sale // [4] Financial Assets Held for Trading

Carrying amounts and fair values by measurement categories 2012 €m

Liabilities – balance sheet items	Measurement categories in accordance with IAS 39 or measurement in accordance with other IFRSs	Level	Carrying amount as at 31/12	Fair value as at 31/12
Bonds	FLAAC	2	2,204.6	2,501.9
Financial liabilities to banks and to others	FLAAC	2	1,675.1	1,765.7
Financial liabilities to banks – closed items on the balance sheet	FLAAC	2	88.3	117.7
Financial liabilities to banks – closed items on the balance sheet	FLAFVPL	2	320.4	320.4
Capital shares attributable to limited partners	IAS 32	–	32.7	–
Non-current and current financial liabilities			4,321.0	
Electricity supply commitment	–	–	464.3	–
Derivatives in the energy area	FLHFT	3	53.9	53.9
Trade payables	FLAAC	–	1.7	1.7
Deferred income for grants (emission rights)	IAS 20	–	10.1	–
Other	FLAAC	–	5.4	5.4
Other	–	–	17.5	–
Other non-current liabilities			552.9	
Trade payables	FLAAC	–	207.5	207.5
Derivatives in the energy area	FLHFT	1	1.5	1.5
Derivatives in the energy area	FLHFT	2	150.6	150.6
Derivatives in the energy area	FLHFT	3	6.5	6.5
Derivatives in the finance area	FLHFT	2	47.1	47.1
Other	FLAAC	–	117.2	21.1
Other	–	–	99.0	–
Trade payables and current other liabilities			629.5	
Aggregated by measurement categories				
Financial liabilities at amortised cost	FLAAC		4,299.8	
Financial liabilities at fair value through profit or loss	FLAFVPL		320.4	
Financial liabilities held for trading	FLHFT		259.6	

[5] Financial Liabilities at Amortised Cost // [6] Financial Liabilities at Fair Value through Profit or Loss // [7] Financial Liabilities Held for Trading

For financial liabilities (under closed items on the balance sheet) classified as FLAFVPL in the above table, the difference between the carrying amount as at 31 December 2013 and the amount which VERBUND would have to pay upon maturity is €50.1m (previous year: €72.2m). The amount due upon maturity was translated at the rate (€1=$) on the balance sheet date of 1.3791 (previous year: 1.31940). In the event of insolvency, derivative financial instruments in the finance area (under closed items on the balance sheet) can be netted against the financial liabilities classified as FLAFVPL (under closed items on the balance sheet) (see: Financial instruments and risk management).

Of the derivative financial instruments in the energy area classified as FAHFT and FLHFT in the above table, positive fair values in the amount of €51.8m (previous year: €108.7m) and negative fair values in the amount of €94.6m (previous year: €93.1m) relate 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 (see: Financial instruments and risk management), cash flow hedges can no longer be isolated.

Level 3 measurement of financial instruments: natural gas supply contract[1] €m

	2012	**2013**
Carrying amount as at 1/1	–	**60.4**
Additions	58.2	–
Measurement gains or losses (recognised under expenses for electricity, grid, gas and certificates purchases)	2.2	5.1
Disposals	–	–
Carrying amount as at 31/12	60.4	**65.4**

[1] The fair value of the freestanding derivative from the long-term natural gas supply agreement for the Mellach combined cycle gas turbine power plant was determined using a Level 3 measurement (see: Discretionary judgements and key assumptions concerning the future).

Level 3 measurement of financial instruments: short position[1] €m

	2012	**2013**
Carrying amount as at 1/1	13.4	**–**
Additions	–	–
Measurement gains or losses (recognised in other financial result)	–13.4	–
Disposals	0.0	–
Carrying amount as at 31/12	–	**–**

[1] Until the cancellation notice of POWEO Direct Energie management in the previous year, the fair value of the overall short position with respect to the former subsidiaries and second-tier subsidiaries of POWEO Production S.A.S. vis-à-vis POWEO Direct Energie (including the financing and guarantees provided by VERBUND) was determined using a Level 3 measurement.

Valuation methods and input factors for determining fair values

Level	Financial instruments	Valuation method	Input factors
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, loans to investees, money market transactions, 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	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, 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
–	Cash and cash equivalents, trade receivables, 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 non-consolidated subsidiaries and other equity interests	–	Reliable estimate of future cash flows mostly not possible; no comparable transactions for fair value measurement using analogy methods

Analysis of contractual cash outflows

The contractual (non-discounted) cash outflows on VERBUND's financial liabilities in accordance with IFRS 7 are as follows:

Cash outflows as at 31/12/2013 €m

Maturity	2014	2015	2016–2018	From 2019
Bonds	600.9	617.9	165.0	1,099.4
Financial liabilities to banks	108.9	254.4	736.2	625.1
Financial liabilities to others	29.3	0.0	0.0	0.0
Financial liabilities to banks - closed items on the balance sheet[1]	16.2	16.7	50.1	457.5
Capital shares attributable to limited partners	0.0	2.2	0.0	0.0
Cash outflows on financial liabilities	755.3	891.2	951.3	2,182.0
Trade payables	165.4	0.5	1.2	0.2
Liabilities to investees	9.3	0.0	0.0	0.0
Liabilities to non-consolidated subsidiaries	1.7	0.0	0.0	0.0
Derivatives in the energy area[2]	690.7	314.6	375.6	896.7
Derivatives in the finance area[3]	4.1	3.5	0.4	0.0
Other	134.7	1.8	1.6	7.5
Cash outflows on trade payables and other payables	1,006.0	320.5	378.9	904.5
Cash outflows on liabilities in accordance with IFRS 7	1,761.3	1,211.7	1,330.1	3,086.5

Cash outflows as at 31/12/2012 €m

Maturity	2013	2014	2015–2017	From 2018
Bonds	104.0	604.0	783.3	1,141.3
Financial liabilities to banks	297.5	93.6	670.0	710.8
Financial liabilities to others	45.2	77.5	12.4	0.0
Capital shares attributable to limited partners	17.2	17.4	52.3	495.7
Financial liabilities to banks - closed items on the balance sheet[1]	0.0	32.7	0.0	0.0
Cash outflows on financial liabilities	463.9	825.1	1,518.0	2,347.7
Trade payables	207.5	0.3	1.2	0.1
Liabilities to investees	21.1	0.0	0.0	0.0
Liabilities to non-consolidated subsidiaries	1.6	0.0	0.0	0.0
Derivatives in the energy area[2]	872.9	344.0	389.4	957.1
Derivatives in the finance area[3]	1.8	1.9	2.6	–0.4
Other	112.6	2.0	4.0	5.6
Cash outflows on trade payables and other payables	1,217.6	348.2	397.2	962.5
Cash outflows on liabilities in accordance with IFRS 7	1,681.5	1,173.3	1,915.2	3,310.2

[1] Cash outlows under closed items on the balance sheet have to be seen alongside the corresponding cash inflows from associated investments. // [2] With and without hedging relationships // [3] without hedging relationships; cash outflows of derivative financial instruments in the finance area with hedging relationship are presented as offset with the cash outflow of the corresponding underlying transaction.

Net results by measurement categories

The net results in accordance with IFRS 7 mainly comprise impairment losses and reversals of impairment losses, foreign exchange gains and losses and realised gains or losses on disposal.

Net results by measurement categories €m

	2012 Net result	2012 Of which impairment losses	**2013** Net result	**2013** Of which impairment losses
Financial assets at cost	–3.4	–4.2	0.0	0.0
Available-for-sale financial assets	0.0	0.0	–42.5	–41.6
Loans and receivables	–10.4	–0.9	–16.1	0.5
Financial liabilities at amortised cost	8.0	–	1.1	–
Financial liabilities at fair value through profit or loss	0.9	–	49.2	–
Financial assets and/or liabilities held for trading	–66.2	–	–33.6	–
Total interest expenses		–190.8		**–197.5**
Total interest income		52.2		**39.3**
Measurements in other comprehensive income[1]		11.2		–4.2
Reclassifications from other comprehensive income recognised in the income statement[1]		0.0		–0.8

[1] This net result relates to available-for-sale financial assets

The net result in the financial assets at cost category was recognised under result from equity interests; dividend income from financial assets at cost and available-for-sale financial assets was not included in the net result.

The net result in the available-for-sale financial assets category was recognised primarily in other financial result.

Insofar as the net result in the loans and receivables category contains write-downs of trade receivables, it was recognised in the operating result; foreign exchange effects from loans under closed items on the balance sheet were recognised in other financial result.

The net results in the financial liabilities at amortised cost and financial liabilities at fair value through profit or loss categories included foreign exchange effects related to financial liabilities and were recognised under other financial result.

On the one hand, the net results in the financial assets and/or liabilities held for trading category arose from the measurement of derivative financial instruments in the energy area (wholesale and trading); this part was recognised in the operating result (electricity revenue). On the other hand, the net result also arose from the measurement of the (other) derivative financial instruments in the finance area; these net results were recognised under other financial result.

Total interest expenses were recognised under interest expenses; total interest income was recognised in part in interest income and in part under other financial result.

(39) Non-current and current provisions

Non-current and current provisions

€m

	2012 Non-current	**2013** Non-current	2012 Current	**2013** Current
Provisions for pensions	239.2	346.9	–	–
Provisions for severance payments	141.3	147.3	–	–
Provisions for obligations similar to pensions	120.5	134.6	–	–
Provisions for partial retirement	13.1	27.8	3.4	18.5
Other personnel-related provisions	7.4	7.8	53.9	55.7
Other provisions	132.6	40.8	131.9	213.3
Non-current and current provisions	654.0	**705.2**	189.2	**287.5**

Provisions for pensions and similar obligations

Reconciliation from defined benefit obligation to provisions

€m

	2012 Pension obligations	**2013** Pension obligations	2012 Obligations similar to pensions	**2013** Obligations similar to pensions
Defined benefit obligation covered by plan assets	190.4	206.4	–	–
Fair value of plan assets	– 155.7	– 154.6	–	–
Net value of obligations covered by plan assets	34.7	**51.8**	–	**–**
Defined benefit obligation not covered by plan assets	204.5	295.1	120.5	134.6
Carrying amount of provisions as at 31/12	239.2	**346.9**	120.5	**134.6**

Pension expenses €m

	2012 Pension obligations	**2013** Pension obligations	2012 Obligations similar to pensions	**2013** Obligations similar to pensions
Service costs (vested claims)	1.0	2.0	2.3	2.0
Net interest expense	10.0	11.6	5.6	4.8
Pension expenses (recognised in profit for the period)	11.0	**13.6**	7.9	**6.8**
Remeasurements of the net liability	35.7	28.7	–3.6	7.6
Pension expenses (recognised in total comprehensive income for the period)	46.7	**42.3**	4.3	**14.4**

Reconciliation of defined benefit obligation €m

	2012 Pension obligations	**2013** Pension obligations	2012 Obligations similar to pensions	**2013** Obligations similar to pensions
Defined benefit obligation as at 1/1	373.0	394.9	119.3	120.5
Additions from business combinations	0.0	91.6	0.0	3.0
Service costs (vested claims)	1.0	2.0	2.3	2.0
Pension payments or contributions to supplementary health insurance (benefit payments)	–31.7	–34.3	–3.1	–3.3
Interest expenses	16.9	17.9	5.6	4.8
Remeasurements based on experience adjustments	8.7	2.8	–8.8	–3.4
Remeasurements arising from changes in financial assumptions	27.0	26.7	5.2	11.0
Defined benefit obligation as at 31/12	394.9	**501.6**	120.5	**134.6**

As at 31 December 2013, the average duration of the pension obligation is 13 years (previous year: 14 years) and that of the obligations similar to pensions is 15 years (previous year: 16 years).

Reconciliation of plan assets €m

	2012 Pension obligations	**2013** Pension obligations	2012 Obligations similar to pensions	**2013** Obligations similar to pensions
Fair value of plan assets as at 1/1	147.8	155.7	–	–
Additions from business combinations	0.0	0.4	–	–
Contributions by VERBUND	10.6	1.6	–	–
Payouts (benefit payments)	–9.9	–10.0	–	–
Interest income	6.9	6.2	–	–
Other gains (+) or losses (–)	0.3	0.7	–	–
Fair value of plan assets as at 31/12	155.7	**154.6**	–	**–**

In the 2013 reporting period, the pension fund recorded a profit of €7.0m (previous year: profit of €7.7m). The deficit represents that part of the pension obligations that are not covered by plan assets; these relate primarily to direct commitments to pension recipients. In the 2014 reporting period, current contributions to the pension fund for coverage of defined contribution plans in the amount of €1.8m (previous year: €0.2m) are expected.

Plan assets in %

			2012			**2013**
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Bonds – euro	30.0	–	30.0	33.6	–	33.6
Bonds – euro corporates	15.8	3.2	19.0	16.5	–	16.5
Shares – euro	12.7	–	12.7	15.6	–	15.6
Shares – non-euro	12.4	–	12.4	14.3	–	14.3
Bonds – euro high yield	11.2	–	11.2	8.0	–	8.0
Shares – emerging markets	6.8	–	6.8	3.7	–	3.7
Cash	4.6	–	4.6	6.8	–	6.8
Alternative investments	2.4	–	2.4	1.5	–	1.5
Bonds – euro money market	0.9	–	0.9	0.0	–	0.0
Total	96.8	3.2	100.0	**100.0**	**–**	**100.0**

On 1 January 2014, the pension fund responsible for investing plan assets was changed. The above list refers to Investments by BAV Pensionskassen AG as at 10 December 2013. After that date, BAV Pensionskassen AG began to sell the securities. Plan assets were held exclusively as cash as at December 2013 and effective 1 January 2014 this was transferred to APK Pensionskasse AG, which has been responsible for its investment since that time.

VERBUND coordinates the general investment guidelines with BAV Pensionskassen AG – and in the future with APK Pensionskasse AG – on a regular basis. Risk management in BAV Pensionskassen AG and APK Pensionskasse AG is guided by the provisions of the Austrian Pension Fund Act (Pensionskassengesetz, PKG) and the corresponding directives of the Financial Market Authority (FMA).

Provisions for severance payments

Analysis of provisions for severance payments		€m
	2012	**2013**
Provisions for statutory severance payments	138.8	144.3
Provisions for severance payments from special agreements in accordance with social plan	2.5	3.0
Carrying amount of provisions as at 31/12	141.3	**147.3**

Expense for severance payment costs		€m
	2012	**2013**
Service costs	1.8	1.8
Net interest expense	6.0	5.6
Expense for severance payment costs (recognised in profit for the period)	7.8	**7.4**
Remeasurements of severance payment obligations	12.4	5.6
Expenses for severance payments cots (recognised in in total comprehensive income for the period)	20.2	**13.0**

Reconciliation of defined benefit obligation		€m
	2012	**2013**
Defined benefit obligation as at 1/1	130.1	138.8
Additions from business combinations	0.0	5.7
Service costs (vested claims)	1.8	1.8
Interest expenses	6.0	5.6
Severance payments (benefit payments)	–11.5	–13.2
Remeasurements based on experience adjustments	3.9	–0.4
Remeasurements arising from changes in financial assumptions	8.5	6.0
Defined benefit obligation as at 31/12	138.8	**144.3**

The average duration of the severance payments is 18 years as at 31 December 2013 (previous year: 18 years).

Provisions for partial retirement

Reconciliation from defined benefit obligation to provisions		€m
	2012	**2013**
Defined benefit obligation covered by plan assets	18.6	48.9
Fair value of plan assets	–2.1	–2.6
Carrying amount of provisions as at 31/12	16.5	**46.3**

Expenses for partial retirement		€m
	2012	**2013**
Service costs	–3.9	0.1
Net interest expense	–0.5	0.6
Reduction from the provision for reorganisation expenses[1]	–1.3	–0.2
Remeasurements	9.2	30.9
Expenses for partial retirement (recognised in profit for the period)	3.5	**31.4**

[1] This reduction comes from the intended use of the provision for reorganisation expenses recognised under other personnel-related provisions.

Reconciliation of defined benefit obligation		€m
	2012	**2013**
Defined benefit obligation as at 1/1	20.5	18.6
Additions from business combinations	0.0	7.5
Service costs (vested claims)	–3.9	0.1
Net interest expense	0.5	0.6
Payments for early retirement	–7.7	–8.8
Remeasurements	9.2	30.9
Defined benefit obligation as at 31/12	18.6	**48.9**

Reconciliation of plan assets		€m
	2012	**2013**
Fair value of plan assets as at 1/1	2.0	2.1
Additions from business combinations	0.0	0.4
Contributions by VERBUND	0.0	0.0
Other gains (+) or losses (–)	0.1	0.1
Fair value of plan assets as at 31/12	2.1	**2.6**

Plan assets		in %
	2012	**2013**
Bonds – euro	100.0	100.0
Total	100.0	**100.0**

Other personnel-related provisions

Analysis of other personnel-related provisions

€m

	2012 Non-current	**2013** Non-current	2012 Current	**2013** Current
Provision for holiday entitlements	–	–	20.3	21.1
Provision for reorganisation expenses	–	–	1.3	1.1
Provision for bonuses from the performance-based remuneration system	–	–	18.9	18.9
Provision for anniversary bonuses	5.4	7.1	–	–
Other	2.0	0.7	13.4	14.6
Other personnel-related provisions	7.4	**7.8**	53.9	**55.7**

Reconciliation of other personnel-related provisions

€m

	2012	**2013**
Carrying amount as at 1/1	56.4	**61.3**
Of which non-current	6.7	7.4
Of which current	49.7	53.9
New provisions	53.3	55.7
Interest accrued	0.3	0.3
Appropriation	–46.7	–53.2
Reversal	–0.7	–0.3
Reclassifications	–1.4	–0.3
Carrying amount as at 31/12	61.3	**63.5**
Of which non-current	7.4	7.8
Of which current	53.9	55.7

Other provisions

Reconciliation of other provisions

€m

	Provisions for onerous contracts	Other	Total
Carrying amount as at 1/1/2013	56.2	208.3	264.5
Of which non-current	55.7	76.9	132.6
Of which current	0.6	131.4	131.9
Additions or disposals from acquisitions	0.0	1.5	1.5
New provisions	26.9	123.0	149.9
Interest accrued	2.3	3.8	6.2
Appropriation	–3.7	–68.1	–71.8
Reversal	–43.3	–52.7	–96.1
Carrying amount as at 31/12/2013	**38.4**	**215.8**	**254.2**
Of which non-current	7.8	33.0	40.8
Of which current	30.6	182.8	213.3

Reconciliation of other provisions

€m

	Provisions for onerous contracts	Other	Total
Carrying amount as at 1/1/2012	64.8	162.7	227.4
Of which non-current	63.0	73.9	136.9
Of which current	1.8	88.8	90.6
Additions or disposals from acquisitions	0.0	4.7	4.7
New provisions	8.1	121.4	129.5
Interest accrued	2.8	3.4	6.2
Appropriation	–0.6	–70.6	–71.2
Reversal	–18.8	–13.3	–32.2
Carrying amount as at 31/12/2012	**56.2**	**208.3**	**264.5**
Of which non-current	55.7	76.9	132.6
Of which current	0.6	131.4	131.9

Reconciliation of other non-current and current provisions

€m

	Dismantling and decontamination costs	Maintenance expenses	Legal, audit and consulting expenses	Electricity and grid delivery	Other	Total
Carrying amount as at 1/1/2013	39.8	50.8	7.9	97.7	12.1	208.3
Of which non-current	39.8	0.5	0.0	31.9	4.6	76.9
Of which current	0.0	50.3	7.9	65.8	7.4	131.4
Additions or disposals from acquisitions	0.0	1.3	0.0	0.0	0.2	1.5
New provisions	4.5	55.3	4.5	27.7	31.1	123.0
Interest accrued	1.6	0.3	0.0	1.7	0.3	3.8
Appropriation	0.0	–41.9	–4.5	–19.9	–1.8	–68.1
Reversal	–20.5	–1.7	–1.3	–29.1	0.0	–52.7
Carrying amount as at 31/12/2013	25.4	64.0	6.5	77.9	41.9	215.8
Of which non-current	25.4	0.5	0.0	0.0	7.0	33.0
Of which current	0.0	63.5	6.5	77.9	34.8	182.8

Reconciliation of other non-current and current provisions

€m

	Dismantling and decontamination costs	Maintenance expenses	Legal, audit and consulting expenses	Electricity and grid delivery	Other	Total
Carrying amount as at 1/1/2012	29.0	45.8	5.9	59.8	22.2	162.7
Of which non-current	29.0	0.5	0.0	39.4	4.9	73.9
Of which current	0.0	45.3	5.9	20.4	17.2	88.8
Additions or disposals from acquisitions	4.1	0.0	0.0	–1.7	2.3	4.7
New provisions	5.6	48.9	6.2	57.0	3.7	121.4
Interest accrued	1.3	0.1	0.0	1.7	0.2	3.4
Appropriation	0.0	–43.1	–3.9	–18.6	–5.0	–70.6
Reversal	–0.2	–0.9	–0.3	–0.5	–11.4	–13.3
Carrying amount as at 31/12/2012	39.8	50.8	7.9	97.7	12.1	208.3
Of which non-current	39.8	0.5	0.0	31.9	4.6	76.9
Of which current	0.0	50.3	7.9	65.8	7.4	131.4

(40) Deferred tax liabilities

The differences between the tax bases and the carrying amounts in the IFRS balance sheet result in the following deferred taxes:

Deferred taxes €m

	2012	**2013**
Deferred tax refund claims	190.1	**447.2**
Of which from the liquidation of subsidiaries[1]	0.0	158.4
Of which from provisions for pensions and severance payments	72.6	95.2
Of which from loss carryforwards	29.8	78.3
Of which from impairment losses from equity interests	60.6	56.1
Of which from derivative financial instruments	11.8	23.1
Of which from other items	15.3	36.1
Deferred tax liabilities	–390.9	**–1,060.9**
Of which from property, plant and equipment (different useful lives, fair value adjustments on purchase price allocations)	–242.5	–844.8
Of which from special tax deductions	–99.8	–96.1
Of which other liabilities	0.0	–33.6
Of which from tax-deductible goodwill	–5.3	–18.6
Of which from derivative financial instruments	–1.2	–2.0
Of which from other items	–42.1	–65.8
Deferred tax refund claims (+) or tax liabilities (-) netted	–200.8	**–613.7**

[1] These differences were the result of recognition of deferred tax assets for tax deductible losses from the liquidation of VERBUND Italia S.p.A. in liquidazione, which was initiated in the 2013 reporting period.

In the 2013 reporting period and in the previous year, the net position for deferred taxes changed as follows:

Deferred taxes €m

	2012	**2013**
As at 1/1	–243.2	**–200.8**
Changes recognised in profit or loss	24.9	186.1
Changes recognised in other comprehensive income	18.6	23.9
Changes from business acquisitions	0.0	–622.8
Other changes	–1.2	0.0
As at 31/12	–200.8	**–613.7**

The changes recognised in other comprehensive income mainly concerned the measurements of available-for-sale financial instruments, the measurements of cash flow hedges and remeasurements of the net defined benefit liability.

No deferred tax assets were recognised for the following tax losses and deductible temporary differences because it is not probable that taxable earnings will be available in the future against which VERBUND will be able to utilise the deferred tax assets:

Tax losses and deductable temporary differences for which no defered tax asset has been recognised

€m

	2012	**2013**
Tax losses[1]	158.5	207.4
Deductible temporary differences[2]	210.7	393.7
Total	369.2	**601.1**

[1] Of the tax losses, €25.8m (previous year: €17.5m) relate to non-deductible interest (interest barrier). While it is possible to carry forward the full amount into the following year, 5 % is deducted from the amount carried forward each year beginning in the second year. Under applicable tax law, the remaining tax losses do not expire. // [2] Under applicable tax law, deductible temporary differences do not expire.

As at 31 December 2013, it could be assumed under present tax rules that the differences between the tax base of equity interests and the proportional share of equity (outside basis differences) of the consolidated subsidiaries included in VERBUND's consolidated IFRS financial statements, which result in particular from retained earnings and uncovered losses, will remain tax-free in the foreseeable future; therefore, no tax deferrals have been recognised.

In addition, it could be assumed as at 31 December 2013 that the differences between the tax base of the equity interests and the carrying amount of interests accounted for using the equity method (outside basis differences) will remain tax-free in the foreseeable future; tax deferrals have therefore not been recognised.

(41) Contributions to building costs and grants

This deferred income item includes deferred contributions to building costs, particularly those paid by provincial energy companies, e.g. for power plant projects, and deferred government grants (see: Accounting policies).

Contributions to building costs and grants

€m

	2012	**2013**
Contributions to building costs	609.6	650.6
Government grants	39.9	34.5
Contributions to building costs and grants	649.6	**685.1**

(42) Deferred income – cross-border leasing

This item shows the deferred cash inflow in the amount of the present value of the economic benefits from cross-border leasing transactions. As at 31 December 2013, this item still amounted to €52.0m (previous year: €53.6m).

The scheduled reversals recognised under other operating income totalled €1.6m (previous year: €1.6m).

(43) Other non-current liabilities

Other non-current liabilities		€m
	2012	**2013**
Electricity supply commitment[1]	464.3	183.7
Obligation to return an interest[2]	–	80.6
Derivatives in the energy area	53.9	54.9
Trade payables	1.7	2.6
Deferred income for grants (emission rights)	10.1	0.0
Other	22.9	12.8
Other non-current liabilities	552.9	**334.6**

[1] The electricity supply commitment corresponds to the obligation arising from a 20-year electricity supply agreement, which was entered into in the 2009 reporting period as part of the consideration for the acquisition of Kraftwerksgruppe Inn GmbH (now VERBUND Innkraftwerke GmbH). // [2] This return obligation refers to the obligation to transfer the 50 % interest in Donaukraftwerk Jochenstein AG newly acquired in the 2013 reporting period back to the Federal Republic of Germany or the Free State of Bavaria without exchange of consideration effective 31 December 2050.

(44) Current tax liabilities

Current tax liabilities		€m
	2012	**2013**
Corporate tax	37.2	29.0
Other taxes	0.0	7.1
Current tax liabilities	37.2	**36.1**

(45) Trade payables and current other liabilities

Trade payables and current other liabilities		€m
	2012	**2013**
Trade payables	207.5	164.7
Derivatives in the energy area	158.7	144.3
Outstanding receipts for investments	96.1	101.0
Liabilities to tax authorities	42.0	35.7
Derivatives in the finance area	47.1	32.3
Liabilities to ECRA	16.9	10.8
Liabilities to investees	21.1	8.7
Liabilities from social security (including social insurance institutions)	5.2	5.2
Electricity supply commitment	7.2	3.5
Electricity payments received in advance	2.9	2.9
Other	24.8	24.8
Trade payables and current other liabilities	629.5	**533.9**

Notes to the cash flow statement

The indirect method has been used to prepare VERBUND's cash flow statement. The composition of the fund of cash and cash equivalents is disclosed in the notes to the balance sheet (see: Notes to the balance sheet).

Non-cash transactions

Material non-cash transactions in the 2013 reporting period mainly include non-cash fair value measurements in the course of acquiring (additional) Bavarian hydropower plant capacities, the related reclassification adjustments from other comprehensive income to the income statement (see: (17) Effects from business acquisitions) as well as the income from the reacquisition of 60% of the electricity supply commitment from the Tyrolean Zemm/Ziller storage power plant group (see: (4) Other operating income).

Outstanding current liabilities of €13.4m arose in connection with additions to intangible assets as well as property, plant and equipment (previous year: €7.6m).

Cash flow from operating activities of discontinued operations

Effective 11 December 2013, both French combined cycle gas turbine power plants in Pont-sur-Sambre and Toul including intangible assets and other receivables closely related to the combined cycle gas turbine power plants were classified as held for sale (see: (31) Non-current assets held for sale). The cash flow from operating activities attributable to both of these combined cycle gas turbine power plants amounted to €–52.6m (previous year: €–7.5m).

(46) Additional information on cash flow from operating activities

Additional information on cash flow from operating activities €m

	2012	**2013**
Paid (–) or received (+) variation margins on futures contracts in the energy area	–12.9	–20.0
Paid taxes on income[1]	–161.7	–103.8
Interest received	22.5	36.1
Interest paid	–159.6	–171.4
Dividends received	36.7	24.9

[1] Paid taxes on income relate primarily to cash flows from operating activities.

(47) Cash inflows from capital expenditure for subsidiaries

Cash inflows for investments in subsidiaries (€+382.0m) resulted mainly from the payment of the difference relating to the asset swap of the Turkish equity interest for shares in Bavarian hydropower plants. In addition, cash and cash equivalents less the costs from acknowledgements, declarations of approval and cancellation notices of the partner and the costs from the reimbursement of refinancing costs were taken into account.

(48) Cash inflow from the disposal of interests accounted for using the equity method

Cash inflow from the disposal of interests accounted for using the equity method in the 2013 reporting period resulted mainly from the sale of the equity interest in STEWEAG-STEG GmbH. There were cash inflows amounting to €40m in the reporting period from the sale of the equity interest in Energie Klagenfurt GmbH in the previous year.

(49) Additional information on cash flow from financing activities

Additional information on cash flow from financing activities €m

	2012	**2013**
Dividends paid to non-controlling interests	–68.3	–97.0
Dividends paid to the shareholders of VERBUND AG	–191.1	–208.5

Financial instruments and risk management

VERBUND also uses primary and derivative financial instruments in both the finance and energy area for the purpose of risk management.

Finance area

VERBUND is exposed to considerable financial risks in its operating activities and the related financing transactions. These comprise mainly interest rate and liquidity risks, counterparty risks, price risks from securities, foreign exchange risks and the risk of a change in VERBUND's rating.

Therefore, in the finance area, VERBUND focuses on identifying, analysing and measuring risks and opportunities as well as on determining measures to be implemented in this context, which can secure profits and/or mitigate the adverse effects in the event a risk should materialise.

In the finance area, the Group has defined its own rules as part of its framework of Group guidelines in order to be able to correspondingly monitor and manage financial risks. Among other things, this refers to the calculation and measurement of key figures in line with market conditions with respect to locking in interest rates, currency diversification and the duration of financial liabilities in order to suggest and introduce appropriate measures as needed. Sufficient liquidity is ensured at all times through liquidity planning, which is generally focused on the current and subsequent reporting period, and the resulting corresponding investments and/or borrowings.

Financial instruments

The primary financial instruments held by VERBUND include, in particular, investments such as securities, loans, equity interests, trade receivables, cash at banks, securitised and non-securitised financial liabilities and trade payables.

The derivative financial instruments used in the finance area comprise the following and are recognised under the balance sheet items listed:

Derivative financial instruments in other receivables €m

	Reference value[1]	Positive fair values 31/12/2012	**Positive fair values 31/12/2013**
Interest rate swaps – closed items on the balance sheet (fixed interest recipient)	$245.9m (previous year: $241.1m)	124.1	84.3
Interest rate swap relating to financial liabilites (freestanding)	€257.0m (previous: €0.0m)	0.0	2.5
Forward exchange transactions in electricity trading	HUF 0.0m (previous year: HUF 63.2m)	0.0	0.0

[1] The reference value includes the reference basis of the derivative instruments. The actual cash flows only represent a fraction of these values.

Derivative financial instruments in other liabilities €m

	Reference value[1]	Negative fair values 31/12/2012	**Negative fair values 31/12/2013**
Interest rate swaps – closed items on the balance sheet (fixed interest recipient)	€447.8m (previous year: €413.9m)	41.1	28.5
Interest rate swap relating to financial liabilites (freestanding)	€53.5m (previous year: €99.2m)	6.0	3.8

[1] The reference value includes the reference basis of the derivative instruments. The actual cash flows only represent a fraction of these values.

The derivative financial instruments listed serve exclusively to hedge financially against existing currency and interest rate risks.

The fluctuations in the value of interest rate swaps related to the closed items on the balance sheet (see: Accounting policies) serve to balance the fluctuations in the value of the corresponding liabilities which are measured at fair value through profit or loss.

There are interest rate swaps in the amount of €447.8m (previous year: €413.9m) to hedge increases in interest rates for financial liabilities bearing variable interest. These interest rate swaps are recognised as cash flow hedges. The future interest payments hedged by these hedging instruments will occur in the following 13 years (2014 to 2026) and will be recognised in profit or loss accordingly.

In the 2013 reporting period and in the previous year, additional interest rate swaps (from variable to fixed interest rate) were entered into with an outstanding nominal value of €257.0m as at 31 December 2013 (previous year: €40.8m) as part of (intragroup) project financing. From a financial perspective, these interest rate swaps also serve to hedge increases in interest rates, but from the Group perspective, these are freestanding derivatives and recognised at fair value through profit or loss. The same applies for an interest rate swap (from variable to fixed interest rate) with a nominal value of €53.5m (previous year: €58.4m) added as part of the business acquisition of POWEO Pont-sur-Sambre Production S.A.S. in the previous year.

HUF forward exchange transactions were entered into in previous years in order to hedge electricity trading transactions and cross-border capacities; measurement was recognised in profit or loss. These transactions are no longer hedged at the balance sheet date.

Liquidity risk

In order to secure sufficient liquidity reserves, a five-year syndicated credit line in the amount of €750.0m with two renewal options to extend the term for one year each was entered into in the 2011 reporting period. The credit line was granted to VERBUND International Finance GmbH as part of an international banking syndication. This credit line was not drawn down. In addition, there are also liquidity reserves related to securities and investment funds.

For the contractually agreed (non-discounted) cash outflows from financial liabilities in accordance with IFRS 7, see: (38) Additional disclosures regarding financial instruments in accordance with IFRS 7.

Credit risk

The amounts reported on the asset side also represent the maximum credit and default risk. The counterparty risk in the electricity and grid business as well as in the finance area is measured and monitored uniformly as part of Group-wide risk management. As a rule, transactions – with the exception of petty amounts – are only entered into with customers of sufficient creditworthiness either on the basis of an external investment grade rating from an international rating agency (Moody's, Standard & Poor's) or following an internal credit assessment to determine an equivalent rating. An individual limit is established for each counterparty and monitored Group-wide. Money market investments are also only entered into with financial partners with confirmed creditworthiness. All counterparty risks and the customer structure portfolio are monitored on the basis of default probabilities calculated by international rating agencies. As a rule, if the credit assessment or the rating does not meet the requirements – i.e. an investment grade rating is not achieved – transactions are only entered into if sufficient collateral is provided (advance payments, bank guarantees, letters of comfort). Default risks are minimised as a result of this counterparty requirement. Risk is further reduced by concluding netting arrangements.

In the past, counterparty risk was generally not insured. A credit insurance policy for Europe in the area of consumer business (10% insurance excess) was entered into in the 2013 reporting period with an initial term of one year. As at 31 December 2013, €32.9m in trade receivables was covered by this insurance (previous year: 0.0m), whereby there was a maximum cover ratio of €10.0m per year.

The table below provides an overview of the material financial instruments with credit risk by credit rating group:

Financial instruments with credit risk by assigned rating group €m

Credit rating group	Equivalent Moody's rating	Securities and loans under closed items on the balance sheet	Other securities and investment funds	Non-current and current other receivables	Derivatives in the finance area	Trade receivables	Derivatives in the energy area	Money market transactions as well as cash and cash equivalents
A	up to Aa3	0.0	2.4	3.9	0.0	10.8	3.8	0.1
B	up to A3	204.9	0.0	0.0	1.9	116.8	72.0	573.2
C	up to Baa3	70.8	0.0	0.0	85.0	97.5	55.7	214.9
D	below Baa3	0.0	0.0	0.0	0.0	3.9	28.7	0.0
Not rated		0.0	88.8	73.7	0.0	75.7	0.0	0.7
Total		275.7	91.2	77.6	86.8	304.7	160.2	789.0

Securities and loans related to closed items on the balance sheet are not exposed to price or foreign exchange risk from VERBUND's perspective. These investments were either carried out on the basis of matching currencies and maturities, or they were adjusted to maturity, interest rates and currencies of the corresponding financial liabilities through corresponding derivatives. The remaining risk is thus a credit risk or default risk of the partner with whom the investments were carried out. This was in turn minimised in that investments were only carried out with partners with original first-class ratings (group A), whereby the credit rating and the solvency of the partner is constantly monitored in order to be able to react in a quick and timely manner according to the terms of the agreement in the event of impending default (see also: Accounting policies; Other liabilities and risks).

The other securities without assigned rating are, in particular, domestic investment funds (funds for institutional investors) acquired to cover personnel-related provisions.

The amounts presented as "not rated" under non-current and current other receivables mainly include loans to investees accounted for using the equity method in addition to various small amounts (see: Transactions with related parties). In light of the close interconnections with VERBUND, it does not seem sensible to have credit ratings for investees.

With respect to trade receivables, the amounts presented as "non-rated" related in particular to the expansion of the consumer business, which led to a large number of receivables that individually lie below the de minimis limit (< €0.1m). Also included in this amount are companies for which credit assessments may not have been conducted, but to which nevertheless credit limits have been granted due to special circumstances (e.g. legal obligations to accept contracts).

Interest rate risk

VERBUND regards fluctuations in interest rates as a significant cash flow risk. As at 31 December 2013, the portion of financial liabilities (taking interest rate swaps into account) for which VERBUND was exposed to a corresponding interest rate risk was 7.8 % (previous year: 9.9 %).

A 1.0 % increase in the interest rate would result in a decrease of €2.8m p.a. (previous year: €4.3m p.a.) in profit before taxes with the loan portfolio in existence as at the balance sheet date. As a rule, hedging instruments are used in an attempt to further reduce the effects of short-term market price fluctuations on profit or loss. However, prolonged negative market price changes can have a negative impact on performance.

As at 31 December 2013, there were interest rate swaps (nominal value of $245.9m) related to closed items on the balance sheet. The fair value of these derivatives, together with the related securities, loans and receivables, in each case form a micro measurement unit that exactly equates to the fair value recognised for the related financial liability. The changes in fair value of the interest rate swaps correspond to the fluctuations in value of the hedged financial liabilities measured at fair value induced by changes in interest rates.

As at 31 December 2013, there were additional interest rate swaps for a total nominal value of €447.8m (previous year: €413.9m). These swaps exchange variable interest for a fixed interest rate in order to also secure the existing low interest level for the longer term. These interest rate swaps were designated to hedging instruments as part of cash flow hedges in accordance with IAS 39.

Additional interest rate swaps (from variable to fixed interest rate) were entered into in the reporting period for a nominal value of €218.3m as part of project financing; from a Group perspective, no hedging relationship can be established for these, and they were therefore measured at fair value in profit or loss. The same applies for an interest rate swap (from variable to fixed interest rate) with a nominal value of €53.5m (previous year: €58.4m) added as part of the business acquisition of POWEO Pont-sur-Sambre Production S.A.S. in the previous year. Interest rate swaps with a total nominal value of €310.5m (previous year: €99.2m) were measured through profit or loss.

For fair values of financial liabilities, see: (38) Additional disclosures regarding financial instruments in accordance with IFRS 7. The average remaining term for the entire portfolio is 4.6 years (previous year: 4.9 years).

Foreign exchange risk

There are no assets exposed to significant foreign exchange risks because deliveries are settled almost entirely in euros; the same generally applies to other primary financial instruments.

Since securities and loans under closed items on the balance sheet as well as the associated liabilities are denominated exclusively in US dollars, no foreign exchange risk is incurred.

As at 31 December 2013, the foreign exchange risk of all financial liabilities (in yen) can be presented as follows:

Liability		€m
Foreign currency	31/12/2012	**31/12/2013**
5,550 Mio. ¥ (previous year: 5,550.0 Mio. ¥)	48.9	38.3

The financial liability in yen listed above is exposed to unhedged foreign exchange risk in the amount of ¥5,550.0m. An increase of 1.0% in the foreign exchange rate of yen to euro would have a negative effect on profit before taxes of about €0.4m (previous year: €0.5m).

Risk from cross-border leasing transactions

With the beginning of the financial market crisis during the 2008 reporting period, the risk profile of cross-border leasing transactions changed for VERBUND – mainly as a result of the deterioration in the credit rating of contractual parties (banks and insurance companies). At the same time, due to the increased liquidity requirements of American cross-border leasing investors and the agreements between these investors and the American tax authorities regarding tax benefits to be approved, their willingness to terminate individual transactions early increased. VERBUND took advantage of these opportunities and was able to terminate a total of about 85% of the original volume of cross-border leasing transactions in the 2009 and 2010 reporting periods. The remaining transaction volume amounts to around $966.0m, corresponding to around 15% of the original transaction volume. The original net present value benefit associated with this transaction was about €76.0m. This last remaining transaction has an off-balance sheet financing structure. Any potential liabilities on the part of VERBUND that could arise from this transaction – which is highly unlikely from a current perspective – are still secured in part through counter-guarantees (see: Other liabilities and risks).

Some of the cross-border leasing transactions had been terminated in their entirety; that is, all associated liabilities (A-loans and B-loans) and investments were also repaid. However, some of the cross-border leasing transactions were only partially terminated, whereby the transactions with the investors and the associated A-loans were repaid, while VERBUND continued the existing B-loans. For these transactions that are designated as partially terminated, the existing B-payment undertaking agreements and the corresponding investments as well as the related derivatives (interest rate swaps, fair value hedges) were continued. Therefore, cover is still provided on the balance sheet. Expenses and income from the measurement of these items correspond to one another in terms of both value and value date, and are offset. The reference value of the interest rate swaps amounts to $245.9m (previous year: $241.9m).

The financial assets and liabilities related to closed items on the balance sheet are not netted on the balance sheet (if there is no current legally enforceable right to recharge the amounts recognised). In the event of insolvency, the interest rates swaps (€84.3m, previous year: €124.0m) can be netted against the financial liabilities to banks recognised at fair value (€273.9m, previous year: €320.4m). The net liability from both of these items therefore amounted to €189.6m (previous year: €196.4m) as at 31 December 2013.

With respect to the one remaining cross-border leasing transaction, the risk remains that a head lease filing will be carried out if VERBUND's rating falls below a certain threshold. This head lease filing trigger was not activated by the downgrading of the VERBUND credit rating by Moody's in the year under review, but the equity investor will be required to provide security presumably in the form of a bank guarantee. A provision was recognised for the estimated future expense required. There is still a risk that the investment must be exchanged or additional securities must be provided in the event that the rating of an issuer of an investment drops below a certain threshold value. The same applies to 2 transactions that had been terminated early for which the financial liabilities were continued if the rating of either VERBUND or the issuer of the investment deteriorates by a certain amount. In this case, corresponding measures must be implemented.

The ratings of contractual parties as well as VERBUND's rating exceeded the contractually agreed thresholds as at 31 December 2013 (with the exception of the security that the equity investor will be required to provide in the last remaining transaction described). Thus, there is currently no need for VERBUND to exchange individual contractual parties or investments. This risk is also reduced not least of all by guarantor's liabilities on the part of regional authorities for individual contractual parties.

Energy area

Within its core business, VERBUND is active in international energy markets and is thus exposed to market, counterparty and operational risks which have to be seen alongside corresponding opportunities. Sustained economic activity in these markets requires appropriate structures and processes as well as strict intragroup regulations. Dealing with market risks is managed by means of rule books and the limits established in them. Counterparty risk is approached using separate guidelines both at the Group level as well as at the level of the subsidiaries. There is a process manual for the management of operational risks.

The current utilisation of the various limits for market risk (value at risk, stress limit, stop-loss limits and exposure limits) is monitored, managed and reported on a daily basis, as is the risk position of the (derivative) financial instruments in the energy area.

As at 31 December 2013, the derivative financial instruments in the energy area (electricity futures, electricity forwards and options; gas forwards, gas swaps and the freestanding derivative from the long-term natural gas supply contract for the Mellach combined cycle gas turbine power plant; CO_2 futures) can be broken down as follows:

Cash flow hedges (sales and procurement) as at 31/12/2013 €m

	Positive fair values	Negative fair values	Net
Futures	38.4	55.9	–17.5
Forwards	13.4	38.8	–25.4
Swaps	0.0	0.0	0.0
Total before netting	51.8	94.6	–42.8
Of which current	51.6	82.7	–31.1
Of which non-current	0.2	11.9	–11.7
Of which in other comprehensive income			–42.8

Wholesale as at 31/12/2013 €m

	Positive fair values	Negative fair values	Net
Futures	57.8	71.6	–13.8
Forwards	129.1	76.4	52.7
Swaps	0.0	0.0	0.0
Options	0.0	2.5	–2.5
Natural gas supply agreement	0.0	65.4	–65.4
Total before netting	**187.0**	**216.0**	**–29.0**
Of which current	143.6	183.1	–39.5
Of which non-current	43.4	32.9	10.5
Futures already realised			–53.0
Total			**–82.0**

Trading as at 31/12/2013 €m

	Positive fair values	Negative fair values	Net
Futures	0.1	0.7	–0.6
Forwards	442.1	442.0	0.1
Total before netting	**442.2**	**442.7**	**–0.5**
Of which current	252.5	253.3	–0.7
Of which non-current	189.7	189.4	0.2

Total as at 31/12/2013 €m

	Positive fair values	Negative fair values	Net
Futures	96.3	128.1	–31.8
Forwards	584.7	557.2	27.5
Swaps	0.0	0.0	0.0
Options	0.0	2.5	–2.5
Natural gas supply agreement	0.0	65.4	–65.4
Total before netting	**681.0**	**753.3**	**–72.3**
Including netting agreements	–520.8	–520.8	0.0
Total after netting	**160.2**	**232.5**	**–72.3**
EEX/ECX clearing variation margins of futures	0.0	–33.2	33.2
Recognised under other current receivables or liabilities	**160.2**	**199.3**	**–39.0**

As at 31 December 2012, the derivative financial instruments in the energy area (electricity futures and electricity forwards; gas forwards, gas swaps and the freestanding derivative from the long-term natural gas supply contract for the Mellach combined cycle gas turbine power plant; CO_2 forwards and CO_2 futures) can be broken down as follows:

Cash flow hedges (sales and procurement) as at 31/12/2012 €m

	Positive fair values	Negative fair values	Net
Futures	84.1	61.9	22.2
Forwards	24.6	31.3	–6.7
Swaps	0.0	0.0	0.0
Total before netting	108.7	93.1	15.5
Of which current	107.3	76.5	30.7
Of which non-current	1.4	16.6	–15.2
Of which in other comprehensive income			15.5

Wholesale as at 31/12/2012 €m

	Positive fair values	Negative fair values	Net
Futures	24.5	79.5	–55.0
Forwards	130.5	70.9	59.6
Swaps	1.4	0.2	1.1
Natural gas supply agreement	0.0	60.4	–60.4
Total before netting	156.4	211.1	–54.7
Of which current	114.6	137.5	–22.9
Of which non-current	41.9	73.6	–31.7
Futures already realised			–19.8
Total			–74.5

Trading as at 31/12/2012 €m

	Positive fair values	Negative fair values	Net
Futures	0.2	0.4	–0.2
Forwards	834.5	832.0	2.5
Total before netting	834.8	832.4	2.3
Of which current	659.6	657.7	2.0
Of which non-current	175.1	174.7	0.4

Total as at 31/12/2012 €m

	Positive fair values	Negative fair values	Net
Futures	108.9	141.8	–33.0
Forwards	989.6	934.2	55.4
Swaps	1.4	0.2	1.1
Natural gas supply agreement	0.0	60.4	–60.4
Total before netting	1,099.8	1,136.6	–36.8
Including netting agreements	–893.6	–893.6	0.0
Total after netting	206.2	243.0	–36.8
EEX/ECX clearing variation margins of futures	0.0	–30.5	30.5
Recognised under other current receivables or liabilities	206.2	212.5	–6.3

Derivative financial instruments in the energy area with positive fair values are recognised under trade receivables and other receivables; those with negative fair values are recognised under trade payables and other liabilities. If a framework agreement with a netting clause has been concluded with a counterparty, the positive and negative fair values of the transactions for this counterparty are netted for accounting purposes, because the aim is to settle on a net basis.

The effects of potential price fluctuations on the electricity market (–10.0% to +10.0%) on the operating result (wholesale portfolio, trading portfolio) as well as on equity (cash flow hedges) were measured by means of a sensitivity analysis (for effects in connection with the freestanding derivative from the long-term natural gas supply contract for the Mellach combined cycle gas turbine power plant see: Discretionary judgements and key assumptions concerning the future). At present, a 10.0% increase in the market price would have an impact on the operating result in the amount of €–0.5m (previous year: €+4.0m) and on equity (excluding deferred taxes) in the amount of €–47.9m (previous year €–49.2m). At present, a 10.0% drop in the market price would have an impact on the operating result in the amount of €+0.5m (previous year: €–4.0m) and on equity (excluding deferred taxes) in the amount of €+47.9m (previous year: €+49.2m). The future sales and procurement transactions hedged by cash flow hedges will occur over the next 4 years (2014 to 2017) and be recognised in profit or loss accordingly. As at 31 December 2013, there were no ineffective portions of cash flow hedges to be recognised in profit or loss in accordance with IAS 39.

In the 2013 reporting period, €78.1m (previous year: €120.3m) was recognised in other comprehensive income with a resulting increase in equity; €136.4m (previous year: €147.6m) was reclassified to the income statement as income.

Capital management

The goals of VERBUND's capital management are to ensure liquidity, to guarantee adequate liquidity reserves, to optimise the capital structure (balance sheet equity and debt) and to ensure a strong rating in the long term. As part of capital management, the Executive Board regularly monitors the following key figures: gearing, net debt/EBITDA and FFO/net debt, as well as the dividend distributed to the shareholders of VERBUND AG.

To secure a rating in the A range, the Group therefore aims to achieve gearing of < 80 %, net debt/EBITDA < 3.5 and an FFO/net debt ratio of > 25 %.

In the 2013 reporting period and in the previous year, these three targets were met:

Gearing €m

	2012	**2013**
Net debt	3,311.7	3,665.9
Equity	5,099.4	5,546.5
Gearing	64.9 %	**66.1 %**

Net debt/EBITDA €m

	2012	**2013**
Net debt	3,311.7	3,665.9
EBITDA	1,235.4	1,296.4
Net debt/EBITDA	2.7	**2.8**

FFO/net debt €m

	2012	**2013**
FFO	1,062.6	1,239.6
Net debt	3,311.7	3,665.9
FFO/net debt	32.1 %	**33.8 %**

The long-term balanced dividend policy represents a further important aspect of VERBUND's capital management. It focuses on a payout ratio of approximately 50 % of the Group result net of non-recurring effects.

Other liabilities and risks

Contingent liabilities

As at 31 December 2013, around 85.0 % of the original volume of cross-border leasing transactions had been terminated. The last remaining transaction has an off-balance sheet financing structure. As at 31 December 2013, VERBUND's subsidiary liability amounted to €478.6m (previous year: €511.5m) for the non-redeemed portion of the leasing liability from this cross-border leasing transaction. Of the rights of recourse against the primary debtors, €349.7m (previous year: €384.3m) is secured through counter-guarantees from financial institutions, entities entitled to purchase electricity and regional authorities (from guarantors' liabilities). In addition, €179.5m (previous year: €178.3m) is covered by off-balance sheet investments in zero coupons of the European Investment Bank, which are also secured by a guarantee from the Financial Security Assurance Inc. (FSA).

Contracts and purchase commitments

Contracts and purchase commitments 2013 €m

	Total commitment as at 31/12/2013	Commitment within one year	Commitment within five years
Rent, lease and insurance agreements	n/a[1]	34.2	170.3
Purchase commitment for property, plant and equipment, intangible assets and other services	497.5	373.7	474.2

Contracts and purchase commitments 2012 €m

	Total commitment as at 31/12/2013	Commitment within one year	Commitment within five years
Rent, lease and insurance agreements	n/a[1]	24.4	107.5
Purchase commitment for property, plant and equipment, intangible assets and other services	599.2	450.2	575.0

[1] The amount of the total commitment cannot be determined due to unspecified contract periods.

Purchase contracts

As part of a basic contract which can be terminated yearly, Weglokoks S.A. offers VERBUND Thermal Power GmbH & Co KG in Liqu. 450,000 t of hard coal annually at negotiable prices. There is also a basic contract which can be terminated yearly with OKD S.A. for an annual volume of at least 600,000 t hard coal at negotiable prices. A purchase contract for a volume of 450,000 t was concluded with Weglokoks S.A. for delivery in the 2014 reporting period. In addition, the supply of 60,000 t of Columbian hard coal was agreed with the supplier ICT Coal GmbH.

There is a contract with EconGas GmbH to supply natural gas which can be terminated 15 years after deliveries commence for the Mellach combined cycle gas turbine power plant. In connection with this long-term natural gas supply agreement, an application for redress for competition law infringements by EconGas GmbH was filed with the Higher Regional Court of Vienna on 29 May 2013. Gas purchases and payment were discontinued at the same time.

In addition, there are further customary purchase contracts for business activities that include, in particular, the delivery of electricity and primary energy sources, but also property, plant and equipment, as well as maintenance and repair services.

Other commitments

Provincial energy companies have acquired (pro-rata) electricity purchase rights by providing contributions to building costs for power plants on the Danube and Drau rivers and for the Malta power plant group. Due to these electricity supply agreements, VERBUND is obligated to deliver a portion of the electricity generated in these power plants to the provincial energy companies in exchange for reimbursement of the contractually predetermined recognised expenses (excluding depreciation, amortisation and interest).

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

There is a district heating supply and purchase agreement between VERBUND Thermal Power GmbH & Co KG in Liqu. and Steirische Gas-Wärme GmbH to meet the district heating demand of the metropolitan area of Graz. The Mellach and Neudorf-Werndorf district heating power stations as well as the Mellach combined cycle gas turbine power plant are authorised to meet the supply commitment resulting from this contract.

As is typical for the energy industry, payments for damages are made to land owners for economic disadvantages associated with the construction of power plants and lines. The total present value of these commitments is not material to VERBUND.

Average number of employees

Average number of employees

	2012	**2013**	Change
Salaried employees	2,850	2,986	136
Wage earners	78	82	5
Apprentices	172	188	15
Average number of employees[1]	3,100	**3,256**	156

[1] Part-time employees were taken into account proportionately based on their working hours.

As at the balance sheet date, 222 (previous year: 289) employees had a letter of loyalty granting them a higher degree of employment protection. The prerequisite was at least 20 years of service at VERBUND and a minimum age of 45 .

Provision of personnel

In the 2013 reporting period, an average of 48 (previous year: 60) employees were assigned to PÖYRY Energy GmbH to complete various engineering and consulting tasks. VERBUND holds an interest of 25.1 % in PÖYRY Energy GmbH (see: Group companies). These assignments are remunerated at standard rates, based on the qualifications of the respective employees and the hourly rates prevailing in the market.

In the 2013 reporting period, there were, in addition, on average 38 assignments (previous year: 10) in total to non-consolidated subsidiaries of VERBUND.

Expenses for services provided by the Group auditor

The expenses for services provided by the Group auditor refer to VERBUND's consolidated subsidiaries that are audited by the Group auditor/the Group auditor's network; the corresponding expenses for subsidiaries that are not consolidated due to lack of materiality are not included here. VERBUND's Group auditor in both 2012 and 2013 was Deloitte Audit Wirtschaftsprüfungs GmbH.

Expenses for services provided by the Group auditor €k

	Deloitte[1] 2012	**Deloitte[1] 2013**	Network 2012	**Network 2013**
Audit services relating to consolidated and seperate financial statements	340.5	341.7	201.3	263.5
Other assurance services	208.9	213.2	8.0	34.4
Tax consulting services	8.0	7.4	0.0	0.0
Other advisory services	14.8	143.9	0.0	0.0
Total expenses	572.2	**706.2**	209.3	**297.9**

[1] Deloitte Audit Wirtschaftsprüfungs GmbH

The following expenses for Group auditor/Group auditor network services were incurred by VERBUND's joint ventures: €9.0k (previous year: €62.9k) for audit services relating to the consolidated and separate financial statements (of which to Deloitte Audit Wirtschaftsprüfungs GmbH: €9.0k; previous year: €62.9k) and €11.2k (previous year: €8.3k) for other assurance services (of which to Deloitte Audit Wirtschaftsprüfungs GmbH: €11.2; previous year: €8.3k).

Transactions with related parties

Related parties of VERBUND include all subsidiaries, associates and joint ventures. In addition, related parties include the members of VERBUND's Executive Board and Supervisory Board, companies controlled or significantly influenced by them or their close family members. Due to its position as the majority shareholder, the Republic of Austria is a related party. Consequently, companies over which the Republic of Austria has a controlling or significant influence are also considered to be related parties. These include, in particular, Österreichische Bundesbahnen (ÖBB), Autobahnen- und Schnellstraßen-Finanzierungs-Aktiengesellschaft (ASFINAG), Bundesbeschaffungs GmbH (BBG), OMV and Telekom Austria as well as Energie-Control Austria für die Regulierung der Elektrizitäts- und Erdgaswirtschaft (E-Control).

Transactions between related parties are carried out at arm's length. Transactions with non-consolidated subsidiaries, joint ventures or associates are not presented due to lack of materiality.

Transactions with joint ventures

There is an electricity supply agreement with Ennskraftwerke AG under which VERBUND is entitled to purchase the electricity generated in their power plants, net of electricity purchases of other entitled partners, in exchange for reimbursement of contractually predetermined recognised expenses plus a reasonable return on equity.

Material transactions with equity-accounted joint ventures had the following effect on VERBUND's income statement and balance sheet:

Transactions with joint ventures		€m
	2012	**2013**
Income statement		
Electricity revenue	32.0	0.4
Grid revenue	5.3	5.7
Other revenue	11.1	4.1
Other operating income	1.4	0.1
Expenses for electricity, grid, gas and certificates purchases	–47.8	–28.8
Fuel expenses and other usage-dependent expenses	–0.7	–0.7
Other operating expenses	–0.9	–0.5
Interest expenses	–2.0	–0.1
Interest income	1.9	2.2
Other financial result	1.8	2.1

Transactions with joint ventures		€m
	31/12/2012	**31/12/2013**
Balance sheet		
Investments and non-current other receivables	106.3	38.7
Trade receivables and current other receivables	43.8	86.2
Non-current financial liabilities	44.0	0.0
Current provisions	2.5	1.9
Trade payables and current other liabilities	16.4	0.6

Österreichisch-Bayerische Kraftwerke AG, Donaukraft Jochenstein AG and Grenzkraftwerke GmbH were still classified as related parties until their first-time consolidation and Enerjisa Enerji A.S. (Group) until its deconsolidation, effective in each case as at 24 April 2013 (see: Financial reporting principles). For part of comparison period 2012, Energie Klagenfurt GmbH was still classified as a related party in accordance with IAS 24.

In the 2013 reporting period, VERBUND purchased electricity based on electricity purchase agreements in the amount of €20.6m (previous year: €23.8m) from Ennskraftwerke AG, in the amount of €5.7m (previous year: €16.3m) from Österreichisch-Bayerische Kraftwerke AG until its first-time consolidation and in the amount of €2.0m (previous year: €5.5m) from Donaukraftwerk Jochenstein AG until its first-time consolidation.

Investments as at 31 December 2013 included a non-current loan to Energji Ashta Shpk in the amount of €33.9m (previous year: €67.3m) as well as a current other receivable in the amount of €39.4m (previous year: €28.2m). Both mainly served the financing of construction services relating to an Albanian hydropower plant concession. In order to provide security for the companies providing construction services, guarantees (in favour of ANDRITZ HYDRO GmbH) and letters of comfort in favour of the Albanian Energy Regulatory Entity (ERE) and the Albanian Ministry of Economy, Trade and Energy (METE) issued by VERBUND existed at the balance sheet date.

In the previous year, VERBUND provided letters of comfort for the Turkish joint venture Enerjisa Enerji A.S. (Group). With the sale of the equity interest in Enerjisa Enerji A.S. (Group) effective 24 April 2013, all securities were terminated (see also: Financial reporting principles).

Transactions with associates

KELAG-Kärntner Elektrizitäts-AG has acquired (pro-rata) electricity purchase rights by providing contributions to building costs for power plants on the Danube and Drau rivers and for the Malta power plant group. Due to these electricity supply agreements, VERBUND is obligated to deliver a portion of the electricity generated in these power plants to KELAG-Kärntner Elektrizitäts-AG in exchange for reimbursement of contractually predetermined recognised expenses (excluding depreciation, amortisation and interest).

Material transactions with equity-accounted associates had the following effect on VERBUND's income statement and balance sheet:

Transactions with associates €m

	2012	**2013**
Income statement		
Electricity revenue	375.7	75.6
Grid revenue	50.0	22.8
Other revenue	–10.3	3.2
Other operating income	5.1	10.6
Expenses for electricity, grid, gas and certificates purchases	–98.2	–25.6
Fuel expenses and other usage-dependent expenses	0.0	0.0
Other operating expenses	–1.7	–0.8
Interest expenses	–0.5	0.0
Interest income	3.3	0.0
Other financial result	6.0	0.0

	31/12/2012	**31/12/2013**
Balance sheet		
Investments and non-current other receivables	0.1	0.0
Trade receivables and current other receivables	31.8	4.9
Current provisions	0.4	0.1
Trade payables and current other liabilities	9.1	2.0

When establishing the above disclosures it was correspondingly taken into account that STEWEAG-STEG GmbH was still a related party as defined under IAS 24 for at least part of the reporting period 2013 (see: Financial reporting principles), as were Kärntner Restmüllverwertungs GmbH and Gletscherbahnen Kaprun AG for at least part of the comparison period 2012. In the comparison period, POWEO Pont-sur-Sambre Production S.A.S. and POWEO Toul Production S.A.S. were also classified as related parties until their first-time consolidation in quarter 4/2012.

Electricity revenue was generated mainly with KELAG-Kärntner Elektrizitäts-AG (€45.2m; previous year: €69.6m) and STEWEAG-STEG GmbH (€23.2m until the equity interest was sold; previous year: €285.7m). In contrast to this electricity revenue, was to be seen alongside the electricity purchased from KELAG-Kärntner Elektrizitäts-AG amounted to €23.9m (previous year: €20.9m). Grid revenue was generated with KELAG-Kärntner Elektrizitäts-AG (€20.0m; previous year: €20.6m).

KELAG-Kärntner Elektrizitäts-AG made contributions to building costs of €38.6m (previous year: €47.6m) in the 2013 reporting period.

VERBUND will provide a guarantee to Eni North Africa BV that Sorgenia S.p.A. (Group) will fulfil its obligations from a natural gas supply agreement between Sorgenia S.p.A. (Group) and Eni North Africa BV.

Contingent liabilities to investees

As at 31 December 2013, other liabilities included contingent liabilities in the amount of €29.9m (previous year: €29.9m) in the form of guarantees issued by VERBUND for Verbundplan Birecik Baraji Isletme Ltd. Sti. (VBOC), which is not consolidated. VBOC is entrusted with the operation of the Birecik hydropower plant on the Euphrates River in Turkey as part of an operator model (build operate transfer, BOT) over 15 years. The guarantees relate to the commitments on the part of VBOC arising from its management activities for Birecik Baraj ve Hidroelektrik Santrali Tesis ve Isletme A.S. in Turkey.

Other commitments to investees

The outstanding contribution commitments to investees include equity contributions, provided that the corresponding shareholder resolutions have already been adopted. As at 31 December 2013, there were no outstanding contribution commitments to investees (previous year: €0.0m).

Sorgenia S.p.A. (Group) operates a share-based remuneration programme in which stock options are issued to members of management. For the shares of Sorgenia S.p.A. (Group) acquired as part of this share-based remuneration programme, members of management have put options which enable them to sell the shares proportionately to the shareholders of Sorgenia S.p.A. (Group). Currently, VERBUND holds a 45.75 % interest in Sorgenia S.p.A. (Group).

Transactions with the Republic of Austria and companies under its controlling influence

Electricity deliveries from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €56.6m (previous year: €93.7m) in the 2013 reporting period. The primary buyers of this electricity were Bundesbeschaffungs GmbH, OMV and Telekom Austria. Electricity purchased from companies controlled or significantly influenced by the Republic of Austria amounted to a total of €0.7m in the 2013 reporting period (previous year: €0.9m). The electricity deliveries were carried out primarily by ÖBB.

Gas purchased from companies significantly influenced by the Republic of Austria and included under fuel expenses amounted to a total of €22.3m in the 2013 reporting period (previous year: €72.3m). These gas purchases occurred as a result of the long-term natural gas supply agreement with EconGas GmbH for the Mellach combined cycle gas turbine power. In the 2013 reporting period, the effect on profit or loss from the fair value measurement of this natural gas supply agreement, which qualifies as a free-standing derivative, was €– 5.1m (previous year: €– 60.4m; see also: (37) Non-current and current financial liabilities). The corresponding derivative financial instrument in the energy area was recognised in non-current other liabilities in the amount of €54.9m (31 December 2012: €53.9m) and in current other liabilities in the amount of €10.5m (31 December 2012: €6.5m). In connection with this long-term natural gas supply agreement, an application for redress for competition law infringements by EconGas GmbH was filed with the Higher Regional Court of Vienna on 29 May 2013. Gas purchases and payments were discontinued at the same time. As at 31 December 2013, there is a risk that

unpurchased volumes of natural gas from the take-or-pay contract will be invoiced. A provision has been recognised for this risk. The amount is not disclosed because it is likely that its disclosure will seriously prejudice VERBUND's position in the proceedings for anti-competitive conduct.

VERBUND's expense for monitoring by E-Control amounted to a total of €13.0m (previous year: €12.5m) in the 2013 reporting period.

Disclosures regarding the Boards of the Group

Detailed disclosures regarding the Boards of VERBUND AG are presented in the corporate governance report. The following disclosures focus on the remuneration of members of the Executive Board and the Supervisory Board.

Current remuneration of the Executive Board €

	Fixed remuneration	Variable remuneration
Dipl.-Ing. Wolfgang Anzengruber	665,954	465,256
Dr. Johann Sereinig	634,407	401,385
Dipl.-Ing. Dr. Günther Rabensteiner	447,920	247,568
Dr. Ulrike Baumgartner-Gabitzer (until 30/6/2013)		
Pro-rated remuneration to 30 June 2013	222,698	159,900
Other remuneration	–	370,000

Remuneration of the members of the Executive Board totalled €3,615,088 in 2013 (previous year: €3,274,545). This amount includes remuneration amounting to €190,000 due to the termination of the contract with Dr. Baumgartner-Gabitzer (pull-forward effect in the payment of the variable remuneration components for 2012 and 2013) as well as €180,000 (contractual settlement payment), thus a total of €370,000 disclosed as "other remuneration".

Because it is only possible to ascertain at the end of the year whether targets have been reached, variable remuneration components are paid out in the following year. Consequently, the variable remuneration components granted to members of the Executive Board in the 2013 reporting period relate to the 2012 reporting period.

Variable remuneration depends upon performance and is limited to a certain percentage of fixed remuneration. This percentage rate was between 50% and 70% for the 2012 reporting period. The level of performance-based remuneration components depends on the extent to which the targets agreed for the financial year are reached. 50% of the target agreement for 2012 related to attainment of the planned Group result and 50% related to the attainment of qualitative (and, in part, medium-term) targets (e.g. in the areas of innovation, research and development and in the consolidation and restructuring of the equity interest portfolio and the rationalisation measures and efficiency improvements). In addition, the successful realisation of the asset swap (sale of the Turkish equity interest and acquisition of the Inn and Danube run-of-river power plants) was taken into account. The principles underlying the Executive Board's share of profit were unchanged from the previous year.

A company pension plan has been set up for members of the Executive Board in the form of a defined contribution pension fund agreement. In the 2013 reporting period, contributions to the pension fund were paid for the Executive Board in the amount of €130,892 (previous year: €148,552).

With regard to claims by members of the Executive Board when their position is terminated, the statutory regulations apply, taking account of the requirements of the Austrian Code of Corporate

Governance (Rule 27a). In the 2013 reporting period, €622,259 (previous year: €507,589) was paid out for pensions and severance payments in favour of beneficiaries.

Profit or loss for the period included expenses for severance payments and pensions and similar obligations – i.e. post-employment benefits – in the amount of €137,153 (previous year: €107,451). Expenses for pensions and similar obligations for former members of the Executive Board and their surviving dependants included in the profit or loss for the period amounted to a total of €183,423 (previous year: €666,635). In addition, remeasurement expenses amounting to €276,313 (previous year: €624,983) were recognised in other comprehensive income.

Remuneration for members of the Supervisory Board amounted to a total of €314,969 (previous year: €203,679). As in the previous year, no loans or advances were paid out to any Board members of the Group or the subsidiaries. As in the previous year, neither the members of the Executive Board nor senior management staff of VERBUND have stock options.

Group companies

The following list of Group companies prepared in accordance with Section 245a(1) in conjunction with Section 265(2) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB) comprises VERBUND's subsidiaries, joint ventures and associates. In addition, this list also includes non-consolidated subsidiaries and other joint ventures and equity interests of VERBUND not accounted for using the equity method with an interest of ≥ 20%.

Group companies

	2012				**2013**			
Company	Head-quarters	Consoli-dation method	Parent company	Parent company's share of equity in %	Head-quarters	Consoli-dation method	Parent company	Parent company's share of equity in %
VERBUND AG (VH)	Vienna	FC	–	–	Vienna	FC	–	–
Austrian Power Grid AG (APG)	Vienna	FC	VH	100.00%	Vienna	FC	VH	100.00%
CAS Regenerabile S.R.L.	Bucha-rest	FC	VRP VRP-AT	99.90% 0.10%	Bucha-rest	FC	VRP VRP-AT	99.90% 0.10%
Donaukraftwerk Jochenstein Aktiengesellschaft	Passau	EM[2]	VH	50.00%	Passau	FC	VH VHP-IW	50.00% 50.00%
Grenzkraftwerke Gesellschaft mit beschränkter Haftung	Simbach	EM[2]	VHP	50.00%	Simbach	FC	VH VHP-IW	50.00% 50.00%
Haos Invest EAD	Sofia	FC	VRP	100.00%	Sofia	FC	VRP	100.00%
Innwerk AG (VHP-IW)	–	–	–	–	Landshut	FC	VH	100.00%

Group companies

Company	2012 Head-quarters	2012 Consoli-dation method	2012 Parent company	2012 Parent company's share of equity in %	2013 Head-quarters	2013 Consoli-dation method	2013 Parent company	2013 Parent company's share of equity in %
Österreichisch-Bayerische Kraftwerke Aktiengesellschaft	Simbach	EM[2]	VH	50.00 %	Simbach	FC	VH VHP-IW	50.00 % 50.00 %
POWEO Pont-sur-Sambre Production S.A.S.	Boulogne Billan-court	FC	VIN-FR VIN	60.00 % 40.00 %	Boulogne Billan-court	FC	VIN-FR VIN	60.00 % 40.00 %
POWEO Toul Production S.A.S.	Boulogne Billan-court	FC	VIN-FR VIN	60.00 % 40.00 %	Boulogne Billan-court	FC	VIN-FR VIN	60.00 % 40.00 %
VERBUND Beteiligungsholding GmbH (VBH)	Vienna	FC	VH	100.00 %	Vienna	FC	VH	100.00 %
VERBUND Finanzierungs-service GmbH	Vienna	FC	VH	100.00 %	Vienna	FC	VH	100.00 %
VERBUND International Finance GmbH	Vienna	FC	VH	100.00 %	Vienna	FC	VH	100.00 %
VERBUND International Frankreich GmbH (VIN-FR)	Vienna	FC	VIN	100.00 %	Vienna	FC	VH	100.00 %
VERBUND International GmbH (VIN)	Vienna	FC	VBH	100.00 %	Vienna	FC	VBH	100.00 %
VERBUND Italia S.p.A. in liquidazione (VIT)	Milan	FC	VIN	100.00 %	Milan	FC	VIN	100.00 %
VERBUND Management Service GmbH	Vienna	FC	VH	100.00 %	Vienna	FC	VH	100.00 %
VERBUND Photovoltaics Ibérica S.L.	Madrid	FC	VRP	100.00 %	Madrid	FC	VRP	100.00 %
VERBUND Renewable Power GmbH (VRP)	Vienna	FC	VBH	100.00 %	Vienna	FC	VBH	100.00 %
VERBUND Sales GmbH (VSA)	Vienna	FC	VH	100.00 %	Vienna	FC	VH	100.00 %

Group companies

Company	2012 Head-quarters	2012 Consoli-dation method	2012 Parent company	2012 Parent company's share of equity in %	2013 Head-quarters	2013 Consoli-dation method	2013 Parent company	2013 Parent company's share of equity in %
VERBUND Telekom Service GmbH	Vienna	FC	VH	100.00 %	Vienna	FC	VH	100.00 %
VERBUND Thermal Power GmbH & Co KG in Liqu.	Graz	FC	VBH VTP GmbH	70.51 % 6.51 %	Graz	FC	VBH	100.00 %
VERBUND Thermal Power GmbH (VTP GmbH)	Graz	FC	VBH	80.00 %	Graz	FC	VBH	100.00 %
VERBUND Tourismus GmbH	Vienna	FC	VH VBH	99.90 % 0.10 %	Vienna	FC	VH VBH	99.90 % 0.10 %
VERBUND Trading Romania S.R.L.	Bucha-rest	FC	VTR VH	99.00 % 1.00 %	Bucha-rest	FC	VTR VH	99.00 % 1.00 %
VERBUND Umwelttechnik GmbH	Klagen-furt	FC	APG	100.00 %	Klagen-furt	FC	APG	100.00 %
VERBUND Wind Power Austria GmbH (VRP-AT)	Vienna	FC	VRP VBH	99.75 % 0.25 %	Vienna	FC	VRP VBH	99.75 % 0.25 %
VERBUND Wind Power Deutschland GmbH (VRP-DE)	Wörr-stadt	FC	VRP-AT	100.00 %	Wörr-stadt	FC	VRP-AT	100.00 %
VERBUND Trading AG	Vienna	FC	VH	100.00 %	Vienna	FC	VH	100.00 %
Windpark Dichtelbach GmbH & Co. KG	Wörr-stadt	FC	VRP-AT	95.00 %	Wörr-stadt	FC	VRP-AT	95.00 %
Windpark Dörrebach GmbH & Co. KG	Wörr-stadt	FC	VRP-AT	95.00 %	Wörr-stadt	FC	VRP-AT	95.00 %
Windpark Eichberg GmbH & Co. KG	Wörr-stadt	FC	VRP-AT	95.00 %	Wörr-stadt	FC	VRP-AT	95.00 %
Windpark Ellern GmbH & Co. KG	Wörr-stadt	FC	VRP-AT	95.00 %	Wörr-stadt	FC	VRP-AT	95.00 %
Windpark Hochfels GmbH & Co. KG	Wörr-stadt	FC	VRP-AT	95.00 %	Wörr-stadt	FC	VRP-AT	95.00 %
Windpark Rheinböllen GmbH & Co. KG	Wörr-stadt	FC	VRP-AT	95.00 %	Wörr-stadt	FC	VRP-AT	95.00 %
Windpark Schönborn GmbH & Co. KG	Wörr-stadt	FC	VRP-AT	95.00 %	Wörr-stadt	FC	VRP-AT	95.00 %

Group companies

Company	2012 Head-quarters	2012 Consoli-dation method	2012 Parent company	2012 Parent company's share of equity in %	2013 Head-quarters	2013 Consoli-dation method	2013 Parent company	2013 Parent company's share of equity in %
Windpark Seibersbach GmbH & Co. KG	Wörr-stadt	FC	VRP-AT	95.00 %	Wörr-stadt	FC	VRP-AT	95.00 %
Windpark Stetten I GmbH & Co. KG	Wörr-stadt	FC	VRP-AT	95.00 %	Wörr-stadt	FC	VRP-AT	95.00 %
Windpark Utschenwald GmbH & Co. KG	Wörr-stadt	FC	VRP-AT	95.00 %	Wörr-stadt	FC	VRP-AT	95.00 %
Alpha Wind S.R.L.	Bucha-rest	FC	VRP	90.00 %	Bucha-rest	FC	VRP	90.00 %
Ventus Renew Romania S.R.L.	–	–	–	–	Bucha-rest	FC	VRP	90.00 %
Infrastruktur Oberheimbach I GmbH & Co. KG	Wörr-stadt	FC	VRP-AT	81.00 %	Wörr-stadt	FC	VRP-AT	81.00 %
VERBUND Hydro Power AG (VHP)	Vienna	FC	VH	80.33 %	Vienna	FC	VH	80.33 %
Infrastruktur Bischheim GmbH & Co. KG	Wörr-stadt	FC	VRP-AT	76.00 %	Wörr-stadt	FC	VRP-AT	76.00 %
VERBUND-Innkraftwerke GmbH	Töging	FC	VH	70.27 %	Töging	FC	VH	70.27 %
Shkodra Region Beteiligungsholding GmbH (VHP-AL-HI)	Vienna	EM[2]	VHP	50.01 %	Vienna	EM[2]	VHP	50.01 %
Ennskraftwerke Aktiengesellschaft	Steyr	EM[2]	VH	50.00 %	Steyr	EM[2]	VH	50.00 %
Sorgenia S.p.A.	Milan	EM	VIT SOR-GENIA	17.22 % 81.30 %	Milan	EM	VIT SOR-GENIA	17.22 % 81.57 %
KELAG-Kärntner Elektrizitäts-Aktiengesellschaft	Klagen-furt	EM	VH	35.17 %	Klagen-furt	EM	VH	35.17 %
Sorgenia Holding S.p.A. (SORGENIA)	Milan	EM	VIT	34.97 %	Milan	EM	VIT	34.97 %
Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH & Co KG	Vienna	EM[2]	VHP	33.33 %	Vienna	EM[2]	VHP	33.33 %
Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH	Vienna	EM[2]	VHP	33.33 %	Vienna	EM[2]	VHP	33.33 %

Group companies

Company	2012 Head-quarters	2012 Consoli-dation method	2012 Parent company	2012 Parent company's share of equity in %	**2013** Head-quarters	**2013** Consoli-dation method	**2013** Parent company	**2013** Parent company's share of equity in %
OeMAG Abwicklungsstelle für Ökostrom AG	Vienna	EM	APG	24.40 %	Vienna	EM	APG	24.40 %
POWEO Blaringhem Production S.A.R.L.	Paris	NC	VIN-FR VIN	60.00 % 40.00 %	Paris	NC	VIN-FR VIN	60.00 % 40.00 %
VERBUND EcoSales GmbH	Vienna	NC	VSA	100.00 %	Vienna	NC	VSA	100.00 %
VERBUND Trading & Sales Deutschland GmbH	Munich	NC	VTR	100.00 %	Munich	NC	VTR	100.00 %
VERBUND Trading Croatia d.o.o. u likvidaciji	Zagreb	NC	VTR	100.00 %	Zagreb	NC	VTR	100.00 %
VERBUND Trading Czech Republic s.r.o.	Prague	NC	VTR	100.00 %	Prague	NC	VTR	100.00 %
VERBUND Trading Hungária Kft. "végelszámolás"	Budapest	NC	VTR	100.00 %	Budapest	NC	VTR	100.00 %
VERBUND Trading Serbia d.o.o.	Belgrade	NC	VTR	100.00 %	Belgrade	NC	VTR	100.00 %
VERBUND Trading Slovakia s.r.o.	Bratislava	NC	VTR	100.00 %	Bratis-lava	NC	VTR	100.00 %
Lestin & Co Tauch-, Bergungs- und Sprengunterneh-men Gesellschaft m.b.H. (LESTIN)	Vienna	NC	VHP	82.35 %	Vienna	NC	VHP	82.35 %
VERBUND Mobile Power Region GmbH	Vienna	NC	VH AL- MEN- LAND	75.10 % 24.90 %	Vienna	NC	VH	75.10 %
Verbundplan Birecik Baraji Isletme Ltd. Sti.	Birecik	NC	VHP	70.00 %	Birecik	NC	VHP	70.00 %
POWEO Outre-mer Solaire S.A.S.	Paris	NC[1]	VIN-FR	50.10 %	Paris	NC[1]	VIN-FR	50.10 %
E-Mobility Provider Austria GmbH	Vienna	NC[2]	VBH	50.00 %	Vienna	NC[2]	VBH	50.00 %
E-Mobility Provider Austria GmbH & Co KG	Vienna	NC[2]	VBH	50.00 %	Vienna	NC[2]	VBH	50.00 %

Group companies

Company	2012 Head-quarters	2012 Consoli-dation method	2012 Parent company	2012 Parent company's share of equity in %	2013 Head-quarters	2013 Consoli-dation method	2013 Parent company	2013 Parent company's share of equity in %
Gemeinschafts-kraftwerk Inn GmbH	Landeck	NC	VH	50.00 %	Landeck	NC[2]	VH	50.00 %
smart Energy Services GmbH	–	–	–	–	Vienna	NC[2]	VSA	50.00 %
PÖYRY Energy GmbH	Vienna	NC	VH	25.10 %	Vienna	NC	VH	25.10 %
Enerjisa Enerji A.S. (VIN-TR-HI)	Istanbul	EM[1, 2]	VIN	50.00 %	–	–	–	–
STEWEAG-STEG GmbH	Graz	EM[1]	VH	34.57 %	–	–	–	–
Almenland Energie GmbH (ALMENLAND)	Fladnitz	NC	VRP	50.00 %	–	–	–	–
VERBUND Trading Macedonia DOOEL	Skopje	NC	VTR	100.00 %	–	–	–	–

FC = Fully consolidated subsidiary / EM = Investee accounted for using the equity method / NC = Non-consolidated company due to immateriality

[1] Classified as held for sale // [2] Joint ventures

Events after the balance sheet date

There were no events requiring disclosure between the balance sheet date of 31 December 2013 and authorisation for issue on 18 February 2014.

Vienna, 18 February 2014
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

Responsibility statement of the legal representatives

We confirm that, to the best of our knowledge, the consolidated financial statements of VERBUND, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, give a true and fair view of the assets and liabilities, financial position and profit or loss of VERBUND.

We also confirm that, to the best of our knowledge, the Group management report of VERBUND presents the development of the business, performance of the business and position of the Group so as to give a true and fair view of the assets and liabilities, financial position and profit or loss of VERBUND, and that the Group management report describes the significant risks and uncertainties to which VERBUND is exposed.

Vienna, 18 February 2014
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

Auditor's report

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of VERBUND AG, Vienna, for the financial year from 1 January 2013 to 31 December 2013. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the reporting period ended 31 December 2013 as well as the notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements and for the accounting system

The Company's management is responsible for the Group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union and the additional requirements of Section 245a of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and description of type and scope of the statutory audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and with the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These standards require that we comply with professional guidelines and that we plan and perform the audit so as to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement in the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Audit opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at 31 December 2013 and of its financial performance and its cash flows for the financial year from 1 January 2013 to 31 December 2013 in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union.

Comments on the consolidated management report

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report of the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB) are appropriate.

In our opinion, the consolidated management report is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a of the Austrian Commercial Code (UGB) are appropriate.

Vienna, 18 February 2014
Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Maximilian Schreyvogl
Certified Public Accountant

MMag. Dr. Klaus-Bernhard Gröhs
Certified Public Accountant

The consolidated financial statements may only be published or duplicated together with our auditor's report in the version audited by us. This auditor's report only relates to the complete consolidated financial statements in German, including the consolidated management report. Section 281(2) of the Austrian Commercial Code (UGB) applies to versions differing from the version audited by us.

Corporate governance report

Corporate governance report

in accordance with Section 243b of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB)

Corporate governance – framework

VERBUND AG is a listed stock corporation domiciled in Austria. Its corporate governance framework is derived from Austrian law, including, in particular, stock corporation and capital market law, the Austrian Commercial Code (UGB) and the regulations governing employee co-determination, the Company's Articles of Association, the rules of procedure for the Company's Boards and, finally, the Austrian Code of Corporate Governance (Österreichischer Corporate Governance Kodex, ÖCGK).

Declaration of commitment to the Austrian Code of Corporate Governance

General

VERBUND declares its unconditional commitment to the Austrian Code of Corporate Governance as currently amended. It actively implements the requirements of the Code to ensure responsible management and control of the Group directed at the sustainable and long-term creation of value and the creation of a high level of transparency for every stakeholder.

During financial year 2013, the Executive Board and Supervisory Board saw it as their primary duty to act in compliance with all the rules of the Code as fully as possible and to maintain and continue to develop the Group's high internal standards. As in previous years, an independent auditor externally evaluated the application of and adherence to the Code, and approved the present corporate governance report.

The Austrian Code of Corporate Governance is available from the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at. This was most recently revised in 2012.

More detailed information about the composition and operation of the Executive Board and Supervisory Board as well as the Supervisory Board's committees is provided in the sections on "Executive Board" and "Supervisory Board".

Important events during 2013

The most important events in the area of corporate governance in financial year 2013 were changes in the Executive Board and a change in the committees of the Supervisory Board.

In the Executive Board, three Executive Board members were reappointed, one previous Executive Board member departed, and there was a new appointment of an Executive Board member (CFO). Because of the new composition of the Executive Board, responsibilities have been reallocated.

Within the Supervisory Board, the Audit Committee was separated from the Working Committee in order to form an independent committee, and new members were appointed. The rules of procedure of the Supervisory Board were amended accordingly.

Deviations

VERBUND complies with almost all the rules in the Austrian Code of Corporate Governance, including the R Rules. The deviations in financial year 2013 that remained the same as in the previous year relate to the Code as amended in July 2012, which applied for financial year 2013. There was a partial and minor deviation in the handling of 2 C Rules out of the total 83 rules in the Code. In accordance with the "comply or explain" principle, these deviations are explained below:

C Rule 2:
The principle of "one share – one vote" is generally adhered to with respect to VERBUND shares. The sole exception is based on a restriction on voting rights embodied in the "federal constitutional act regulating the ownership structure of enterprises in the Austrian electricity industry" and in the provision of the Articles of Association based upon this. This reads, "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 General Meeting are restricted to 5% of the share capital."

C Rule 45:
The rule according to which Supervisory Board members may not assume any functions on the boards of other companies that are competitors of the Group was adhered to by all the members of the Supervisory Board, with two exceptions.

If a conflict of interest exists in a specific case with the two Supervisory Board members in question, then the chairperson will institute appropriate measures (e.g. withholding of certain information or documents, abstention from voting or departure from the meeting.) This was required during the year under review for only two agenda items in one meeting.

Executive Board

Composition of the Executive Board

During financial year 2013, the Executive Board had four members, and, from 1 July 2013, three members. On 5 March 2013, the Supervisory Board resolved an extension of the Executive Board offices held by Dipl.-Ing. Wolfgang Anzengruber, Dr. Johann Sereinig, and Dipl.-Ing. Dr. Günther Rabensteiner for a further five-year period. At the same time, it appointed Dr. Peter Kollmann as a member of the Executive Board and Chief Financial Officer, effective 1 January 2014. Dr. Ulrike Baumgartner-Gabitzer left the Executive Board on 30 June 2013 and on 1 January 2014 she assumed another management position within the Group.

Executive Board

Name	Year of birth	Date of initial appointment	End of current term of office
CEO Dipl.-Ing. Wolfgang Anzengruber, Chairman	1956	1/1/2009	31/12/2018
Deputy CEO Dr. Johann Sereinig, Vice-Chairman	1952	1/1/1994	31/12/2018
Dr. Ulrike Baumgartner-Gabitzer, Member of the Executive Board	1957	1/1/2007	30/6/2013
Dipl.-Ing. Dr. Günther Rabensteiner, Member of the Executive Board	1953	1/4/2011	31/12/2018

Supervisory board mandates of Executive Board members outside the Group

Name	Company	Function
Dipl.-Ing. Wolfgang Anzengruber	Palfinger AG	Member
Dr. Johann Sereinig	FK Austria Wien AG	Member
Dr. Ulrike Baumgartner-Gabitzer	FIMBAG-Finanzmarktbeteiligung AG	Member

Operation and allocation of responsibilities

The rules of procedure regulate the allocation of responsibilities and how the members of the Executive Board must work together. In addition, they lay down the Executive Board's duties to inform and its reporting duties, and contain a catalogue of measures that require approval by the Supervisory Board or its Working Committee. These also include material business transactions at the most important subsidiaries.

The allocation of responsibilities within the Executive Board is part of the rules of procedure, and defines the range of duties of the Executive Board members without prejudice to the overall responsibility of the Executive Board. Responsibilities were reallocated following the departure of Dr. Baumgartner-Gabitzer.

Allocation of responsibilities

Dipl.-Ing. Wolfgang Anzengruber	Strategy, M&A and corporate development, corporate affairs, legal, communication, innovation, finance, management accounting, risk management Hydropower generation (from 1/7/2013), tourism (from 1/7/2013) Audit, Human Resources Committee
Dr. Johann Sereinig	Business management and marketing, strategic human resources Electricity trading, electricity distribution Telekom services, management services Audit, Human Resources Committee
Dr. Ulrike Baumgartner-Gabitzer (until 30/6/2013)	Transmission grid Hydropower generation Competence Centre for hydropower Tourism
Dipl.-Ing. Dr. Günther Rabensteiner	International equity interests Thermal generation, renewable energy Transmission grid (from 1/7/2013) Competence Centre for hydropower, thermal power and renewables

Remuneration of the members of the Executive Board

The remuneration of the members of the Executive Board totalled €3,615,088 in 2013 (previous year: €3,274,545). This also includes remuneration in the amount of €190,000 caused by the rescinding of the agreement with Dr. Baumgartner-Gabitzer (pull-forward effect in the disbursement of the variable remuneration for 2012 and 2013) as well as €180,000 for a contractual settlement payment, thus a total of €370,000, which is recognised below as "other remuneration".

Remuneration of the members of the Executive Board

Name	Fixed remuneration in €	Variable remuneration in €
Dipl.-Ing. Wolfgang Anzengruber	665,954	465,256
Dr. Johann Sereinig	634,407	401,385
Dipl.-Ing. Dr. Günther Rabensteiner	447,920	247,568
Dr. Ulrike Baumgartner-Gabitzer (until 30/6/2013)		
pro rata remuneration (until 30/6/2013)	222,698	159,900
other remuneration		370,000

Because it is only possible to ascertain at the end of the year whether targets have been reached, variable remuneration components are paid out in the following year. Consequently, the variable remuneration components granted to the members of the Executive Board in 2013 were paid in respect of financial year 2012. Variable remuneration depends upon performance and is limited to a certain percentage of fixed remuneration. This percentage rate was between 50% and 70% for financial year 2012. The level of performance-based remuneration components depends on the extent to which the targets agreed for the financial year are reached. 50% of the target agreement for the 2012 reporting period related to attainment of the planned Group result and 50% related to the attainment of qualitative, and, in part, medium-term, targets in areas such as innovation, research and development, consolidation and restructuring of the equity interest portfolio, as well as rationalisation and increasing efficiency. The successful completion of the asset swap (sale of the Turkish equity interest and acquisition of shares in run-of-river power plants on the Inn and Danube rivers) were also taken into account. The principles underlying the Executive Board's share of profit were unchanged from the previous year.

A company pension plan has been set up for members of the Executive Board in the form of a defined contribution pension fund agreement. In financial year 2013, contributions to the pension fund were paid for the Executive Board in the amount of €130,892 (previous year: €148,552). Statutory regulations apply, under consideration of the requirements of Rule 27a of the Austrian Code of Corporate Governance, with respect to the claims of members of the Executive Board upon termination of their position.

In 2013, €622,259 (previous year: €507,589) was paid out for pensions and severance payments in support of beneficiaries. Profit or loss for the period included expenses in the amount of €137,153 (previous year: €107,451) for severance payments as well as for pensions and similar obligations (post-employment benefits). Expenses for pensions and similar obligations for former members of the Executive Board and their surviving dependants included in the profit or loss for the period amounted to a total of €183,423 (previous year: €666,635). In addition, expenses relating to remeasurements in the amount of €276,313 (previous year: €624,983) were recognised in other comprehensive income.

As in the previous year, no loans or advances were paid out to members of the Group's or subsidiaries' Boards. Neither the members of the Executive Board nor senior management staff of VERBUND have stock options.

D&O insurance

VERBUND has taken out pecuniary loss liability insurance in favour of its Boards. This insurance covers the members of the Executive Board and Supervisory Board and the senior management staff of VERBUND AG, as well as all the members of the managing boards, supervisory boards, advisory boards and management, and the authorised signatories and other senior management staff of subsidiaries. The costs are borne by the Group.

Supervisory Board

The Supervisory Board has also explicitly affirmed its commitment to the Austrian Code of Corporate Governance. Consequently, the Code, together with the Austrian Stock Corporation Act (Aktiengesetz, AktG) and the Austrian Commercial Code (UGB), the Company's Articles of Association and the rules of procedure for the Executive Board and Supervisory Board, have become the basis for the Supervisory Board's actions.

Personal details, chairpersons and functions on the Board

The Supervisory Board has a total of 15 members. Ten are shareholder representatives elected by the General Meeting, and five are employee representatives appointed by the Works Council. In financial year 2013, there was one change among the employee representatives on the Supervisory Board, and no changes in the shareholder representatives.

Name	Year of birth	Date of initial appointment	End of current term of office
Dr. Gilbert Frizberg Chairman CEO of FI Beteiligungs- und Finanzierungs GmbH, CEO of Transfer Industries GmbH, managing partner of Franz Heresch & Co GmbH	1956	16/3/2000	AGM in 2015
Dkfm. Peter Püspök 1st Vice-Chairman Member of the supervisory boards of Semper Constantia Privatbank (vice-chairman), of Mareto Kunststoffverarbeitung GmbH and of TUPACK Verpackungen GmbH	1946	16/3/2000	AGM in 2015
Mag. Dr. Reinhold Süßenbacher 2nd Vice-Chairman Member of the supervisory boards of KSV 1870 Holding AG (vice-chairman), of Richter Pharma AG, of Bene AG (vice-chairman), of Voglauer Möbelwerk Gschwandtner & Zwilling GesmbH, of UMDASCH AG, of LISEC Holding GmbH and of LISEC Austria GmbH	1949	7/4/2010	AGM in 2015
Dipl.-Betriebswirt Alfred H. Heinzel Managing partner in several companies of the Heinzel Group; member of the supervisory boards of Miba AG (vice-chairman), of Allianz Elementar Versicherungs AG, of Zellstoff Pöls AG (chairman), of Wilfried Heinzel AG (chairman), of Europapier AG (chairman), of Europapier International AG (chairman), of Laakirchen Papier AG (chairman), of Mitterbauer Beteiligungs-AG (vice-chairman) and of Estonian Cell A.S. in Kunda/Estonia	1947	16/3/2000	AGM in 2015

Name	Year of birth	Date of initial appointment	End of current term of office
Mag. Harald Kaszanits General Secretary and Head of Cabinet of the Federal Ministry of Economy, Family and Youth	1963	7/4/2010	AGM in 2015
Mag. Herbert Kaufmann Member of the supervisory boards of Letisco Kosice-Airport Kosice a.s., of Ksc Holding a.s. and of Flughafen Friedrichshafen GmbH, Board of VIE Malta Limited and of MMLC-Malta Mediterranean Link Consortium Limited	1949	26/3/2008	AGM in 2015
Dipl.-Ing. Dr. Peter Layr Spokesman of the managing board of EVN AG; vice-chairman of the supervisory board of Burgenland Holding AG, chairman of the supervisory boards of Netz Niederösterreich GmbH, of Rohöl-Aufsuchungs AG and of RAG-Beteiligungs-AG	1953	13/4/2011	AGM in 2015
Dr. Gabriele Payr Chairwoman of the managing board of WIENER STADTWERKE Holding AG (until 31/12/2013); chairwoman of the supervisory boards of WIEN ENERGIE GmbH (until 20/9/2013), of WIEN ENERGIE Gasnetz GmbH (until 27/7/2013), of WIENER NETZE GmbH (until 20/9/2013), of WIPARK Garagen GmbH (until 31/12/2013), of Aktiengesellschaft der Wiener Lokalbahnen, of B&F WIEN – Bestattung und Friedhöfe GmbH, of Gemeinnützige Wohnungs- und Siedlungsgesellschaft der Wiener Stadtwerke Gesellschaft m.b.H.; member of the supervisory board of WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, member of the General Council of Oesterreichische Nationalbank	1959	13/4/2011	AGM in 2015
Christa Wagner Managing partner of several companies of the JOSKO Group	1960	7/4/2010	AGM in 2015
Ing. Siegfried Wolf Chairman of the Board of Russian Machines LLC; Chairman of the supervisory boards of GAZ Group, of Glavstroy OJSC, of SBERBANK Europe AG (formerly Volksbank Int. AG), member of the supervisory board of Österreichische Industrieholding AG (vice-chairman), of Siemens Aktiengesellschaft Österreich, of STRABAG SE, of Banque Baring Brothers Sturdza SA and of Continental AG	1957	16/3/2000	AGM in 2015

Supervisory Board mandates in publicly listed companies and significant comparable companies are listed with respect to (ancillary) functions. Full-time functions are listed where appropriate.

Employee representatives

Name	Year of birth		
Anton Aichinger Chairman of the Group's employee representatives	1955	since 25/10/2006	appointed by the employee representatives
Kurt Christof Chairman of the Central Works Council Member of the supervisory boards of Stadtwerke Voitsberg GmbH (vice-chairman) and of Sparkasse Voitsberg/Köflach Bankaktiengesellschaft	1964	since 8/3/2004	appointed by the employee representatives
Ing. Wolfgang Liebscher Chairman of the Central Works Council	1966	since 1/11/2013	appointed by the employee representatives
Harald Novak Chairman of the Central Works Council	1952	27/9/1991–9/5/1993 15/12/2000–31/10/2013	appointed by the employee representatives
Dipl.-Ing. Ingeborg Oberreiner Chairwoman of the Works Council, member of the supervisory board of BAV Pensionskassen AG	1951	since 29/8/2006	appointed by the employee representatives
Ing. Joachim Salamon Member of the Central Works Council	1956	since 25/10/2006	appointed by the employee representatives

Independence

Criteria for independence

During its meeting on 23 February 2010, the Supervisory Board of VERBUND AG defined the following criteria for its independence (pursuant to C Rule 53 of the Austrian Code of Corporate Governance):

- "The Supervisory Board member shall not have served as a member of the Executive Board or as a member of the senior management staff of the Company or one of its subsidiaries in the past 5 years.
- The Supervisory Board member shall not maintain or have maintained in the past year any business relations with the Company or one of its subsidiaries to an extent of significance for the member of the Supervisory Board. This shall also apply to relationships with companies in which the member of the Supervisory Board has a considerable economic interest, but not to exercising functions in the boards of the Group. The approval of individual transactions by the Supervisory Board pursuant to L Rule 48 shall not automatically mean that the person is deemed not to be independent.
- The Supervisory Board member shall not have acted as auditor of the Company or have owned a share in the audit firm or have worked there as an employee in the past 3 years.
- The Supervisory Board member shall not be a member of the managing board of another company in which a member of the Executive Board of the Company is a supervisory board member.
- The Supervisory Board member may not remain on the Supervisory Board for more than 15 years. This shall not apply to Supervisory Board members who are shareholders with a direct equity interest in the Company or who represent the interests of such a shareholder.

- The Supervisory Board member shall not be a close relative (direct offspring, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the Executive Board or of persons who hold one of the aforementioned positions."

Based upon these guidelines for independence (Annex to the Austrian Code of Corporate Governance), all ten shareholder representatives have issued a written declaration of their independence. Eight of them have declared their independence, and two members of the Supervisory Board (Layr, Payr) have classified themselves as not being independent (with respect to one criterion in each case). In addition, the following shareholder representatives on the Supervisory Board meet the criteria for independence contained in C Rule 54 (not representing the interests of a shareholder with a holding of more than 10%): Frizberg, Püspök, Süßenbacher, Heinzel, Kaufmann, Wagner and Wolf.

Meetings of the Supervisory Board

5 plenary meetings of the Supervisory Board were held during financial year 2013. The overall attendance rate of all the members of the Supervisory Board was 87%. One member of the Supervisory Board attended fewer than half of the meetings in person. One of the meetings was held in the power plant group Malta and was accompanied by a guided tour of the construction site for the Reißeck II power plant. In addition, an all-day informational event was held for the Supervisory Board members.

The activities of the Supervisory Board focused primarily on resolutions related to the following topics:

- Consolidated financial statements and annual financial statements of VERBUND AG for 2012
- Motions for the General Meeting
- Appointment or reappointment of Executive Board members
- Election of the General Committee of the Supervisory Board and constitution of the committees
- Appointment of auditor
- Authorisation for sale of the Graz district heating power plant
- Capital increase at Austrian Power Grid AG
- Authorisation for the ending or collateralisation of the Freudenau Cross-Border Leasing Transaction
- Implementation of investments in VERBUND Hydro Power AG
- Borrowing and assumption of guarantees and liabilities
- Changes at VERBUND Thermal Power, including accompanying measures
- Structural changes at equity interests, including consolidation of companies
- Authorisation for sale of the Sorgenia shares
- Approval of the Group's budget for 2014

(Please also refer to the activities focused upon by the Supervisory Board's committees).

Self-evaluation of Supervisory Board activity

Pursuant to the requirement of the Austrian Code of Corporate Governance (Rule 36), the Supervisory Board once again conducted a self-evaluation during the last meeting of the past financial year. In a detailed discussion without the participation of the Executive Board, the Supervisory Board addressed the efficiency of its activities, and above all its organisational and operational efficiency. Implementation of the improvements adopted in the previous year was also determined and additional suggestions were discussed.

Composition and operation of the Committees

According to the Supervisory Board's rules of procedure, following the Annual General Meeting the Supervisory Board shall annually elect a Working Committee, which will simultaneously function as the Emergencies Committee, and shall also elect an Audit Committee, a General and Remuneration Committee and a Nomination Committee. In the past year, the Supervisory Board separated the Audit Committee from the Working Committee, set it up as an independent committee, and appointed a new chairman. In this sense, the rules of procedure of the Supervisory Board were amended.

Every chairperson of a committee is required to report to the Supervisory Board on the work of the committee he or she heads and on its decisions. In urgent cases, the chairperson of a committee is required to report in advance to the Chairman of the Supervisory Board.

Working Committee, which also functions as the Emergencies Committee

4 years ago, the number of members on the Working Committee was reduced from six to four elected members. It consists of the chairperson, the two vice-chairpersons, and an additional member of the Supervisory Board. The membership of employee representatives is governed by Section 92(4) of the Austrian Stock Corporation Act (AktG).

The Working Committee

- is required to prepare the meetings of the Supervisory Board and to assist the Supervisory Board in the continuous monitoring of the Company's management without prejudice to the rights of the Supervisory Board pursuant to Section 95 of the Austrian Stock Corporation Act (AktG), and
- acts as the Emergencies Committee (Rule 39 of the Austrian Code of Corporate Governance).

The Supervisory Board has permanently assigned to the Working Committee responsibility for the matters that are subject to approval as laid down in Annex 2 of the Executive Board's rules of procedure.

The chairperson is required to create the prerequisites for rapid decision making on matters that fall within the scope of competence of the Emergencies Committee or are referred to that committee for a decision (calling of a meeting within a shorter period, video conferences). The grounds for urgency must be stated. If necessary, the Working Committee can assign decision-making competence to its chairperson in a specific individual case.

The Emergencies Committee makes decisions on all matters in which an immediate Supervisory Board decision is needed to gain economic advantages or to fend off the threat of financial damage.

The Chairman of the Supervisory Board chairs the Working Committee, and in the event he or she is unable to attend, the vice-chairpersons chair the Committee in the selected sequence.

Members of the Working Committee

Name	Function
Dr. Gilbert Frizberg	Chairman
Dkfm. Peter Püspök	1st Vice-Chairman
Mag. Dr. Reinhold Süßenbacher	2nd Vice-Chairman
Mag. Harald Kaszanits	Member
Anton Aichinger	Employee representative
Dipl.-Ing. Ingeborg Oberreiner	Employee representative

The Supervisory Board's Working Committee met 4 times during financial year 2013. The activities of the Working Committee focused on:

- preparing meetings of the Supervisory Board
- sale of shares in Almenland Energie GmbH
- contract with Executive Board member in Austrian Power Grid AG (circular resolution)
- reports of the Executive Board pursuant to rules of procedure

Audit Committee

The Audit Committee was established pursuant to Section 92(4a) of the Austrian Stock Corporation Act (AktG) and was included in the Supervisory Board's rules of procedure in 2013 as an independent committee within the Supervisory Board (an offshoot from the Working Committee). It consists of the chairperson, the two vice-chairpersons, and an additional member of the Supervisory Board. The membership of employee representatives is governed by Section 92(4) of the Austrian Stock Corporation Act (AktG).

The Audit Committee performs the tasks pursuant to Section 92(4a) of the Austrian Stock Corporation Act (AktG) and Rule 40 of the Austrian Code of Corporate Governance. It has the financial expert required by law and by the Code at its disposal, who is also the chairperson of the committee.

Members of the Audit Committee

Name	Function
Dkfm. Peter Püspök	Chairman
Dr. Gilbert Frizberg	1st Vice-Chairman
Mag. Dr. Reinhold Süßenbacher	2nd Vice-Chairman
Mag. Harald Kaszanits	Member
Anton Aichinger	Employee representative
Dipl.-Ing. Ingeborg Oberreiner	Employee representative

The Supervisory Board's Audit Committee met 3 times during financial year 2013. The activities of the Audit Committee focused on:

- preparing the resolution on the annual financial statements for 2012, including appropriation of profit
- making a proposal for the election of the auditor
- the semi-annual financial statements for 2013
- monitoring financial reporting processes
- internal control, audit and risk management systems
- coordinating the audit priorities for 2013 with the auditor
- internal audit's audit programme and audit reports

The General and Remuneration Committee

According to its rules of procedure, the Supervisory Board is required to appoint a General and Remuneration Committee made up of the chairperson and the two vice-chairpersons. The Supervisory Board has permanently assigned responsibility for the following matters to the Remuneration Committee:

- conclusion and amendment of contracts with members of the Executive Board
- determination of Executive Board member remuneration
- decisions on management bonuses and premiums for members of the Executive Board

Members of the General and Remuneration Committee

Name	Function
Dr. Gilbert Frizberg	Chairman
Dkfm. Peter Püspök	1st Vice-Chairman
Mag. Dr. Reinhold Süßenbacher	2nd Vice-Chairman

The expert required by Rule 43 of the Code (ÖCGK) is at the Remuneration Committee's disposal in the person of Dr. Frizberg. The Remuneration Committee met 3 times during financial year 2013. The meetings dealt with the target agreements and the variable remuneration components of the members of the Executive Board as well as the contract for the newly appointed Executive Board member. In addition, the General Committee met regularly to discuss current issues. In part, it did so with the Executive Board or individual members of the Executive Board.

Nomination Committee

According to its rules of procedure, the Supervisory Board is required to appoint a Nomination Committee made up of the chairperson and the two vice-chairpersons. Employee co-determination is governed by Section 92(4) of the Austrian Stock Corporation Act (AktG).

The Nomination Committee submits proposals to the Supervisory Board for filling mandates in the Executive Board. The Nomination Committee is required to take account of the fact that a candidate's final nomination for the Executive Board must take place before the nominee's 65th birthday and to prepare the election of members of the Supervisory Board.

Members of the Nomination Committee

Name	Function
Dr. Gilbert Frizberg	Chairman
Dkfm. Peter Püspök	1st Vice-Chairman
Mag. Dr. Reinhold Süßenbacher	2nd Vice-Chairman
Anton Aichinger	Employee representative
Dipl.-Ing. Ingeborg Oberreiner	Employee representative

The Nomination Committee met 3 times during financial year 2013 in order to prepare for Executive Board appointments.

Contracts requiring consent – conflicts of interest

The following contracts or transactions in the financial year 2013 between the VERBUND Group and individual Supervisory Board members or companies where a related party relationship with Supervisory Board members exists, which were approved by the Supervisory Board of VERBUND AG in accordance with the Austrian Stock Corporation Act (AktG) and the Austrian Code of Corporate Governance (Rule 49), and which are reported on an annual basis in the Supervisory Board, were as follows:

Supervisory Board member Dr. Gilbert Frizberg

Hereschwerke Regeltechnik GmbH, a company over which Supervisory Board member Dr. Gilbert Frizberg exercises a degree of economic influence, provided services in 2013 and billed for orders from Group companies from the previous years that were approved by the Supervisory Board. Based upon the billing statement, payments totalling €115,673 (incl. VAT and payout of a retention of invoice on account) were made in 2013. In addition, two small follow-up orders with a total value of €3,900 were issued and billed.

Supervisory Board member Dr. Gabriele Payr

A number of contractual relationships, some of many years standing, exist between VERBUND and the Wiener Stadtwerke Group, of which Dr. Gabriele Payr was chairwoman of the managing board until 31 December 2013. These had already been entered into even before Dr. Payr became a member of the Supervisory Board. In financial year 2013, an order volume totalling €645k was processed on the basis of existing contracts. This primarily involved invoices for electricity, transmission losses, system fees, and other services for VERBUND companies. In addition, contractual relationships for electricity supply exist with e&t Energie HandelsgmbH, in which Wiener Stadtwerke holds a 45% interest.

Supervisory Board member Dr. Peter Layr

A number of contractual relationships, some of which have been in existence for many years, exist between VERBUND and EVN, of which Dr. Peter Layr is spokesman of the executive board. These had already been entered into even before Dr. Layr became a member of the Supervisory Board. In financial year 2013, an order volume totalling €5.63m was processed on the basis of the existing contracts. These primarily involved electricity, gas, or grid purchases, operational management, usage fees, grid access fees and other payments and recharging of costs for various VERBUND companies. (The largest individual item was a gas purchase in the amount of €3.42m). In addition, contractual relationships for electricity supply exist with e&t Energie HandelsgmbH, in which EVN holds a 45% interest.

In addition, the Supervisory Board also thoroughly addressed possible (other) conflicts of interest involving Supervisory Board members in financial year 2013, which could have resulted in particular from activities or equity interests in the energy area. In this process, individual members referred to involvements or equity interests already disclosed in the previous year, primarily in the area of small hydropower plants and wind power projects. There were no new notifications or disclosures. In the assessment of the Supervisory Board, none of the disclosed activities involve a fundamental conflict of interest that would require further measures. Should such conflicts arise in future, suitable measures, such as withholding of voting rights or non-participation in providing advice and voting on individual agenda items, will have to be taken in a timely manner.

Remuneration of members of the Supervisory Board

Remuneration of the members of the Supervisory Board totalled €314,969 in financial year 2013 (previous year: €203,679). This includes reimbursements of recharged costs (travel expenses).

Since the remuneration of the Supervisory Board members had remained unchanged since 2006, an increase was resolved at the 66th Annual General Meeting held on 17 April 2013 in light of the increased demands with respect to scope of duties and responsibility of the Supervisory Board. In this resolution, the following remuneration scheme for the members of the Supervisory Board was established, which

regulates the annual remuneration for the members elected by the General Meeting and the attendance fees (for all members).

Remuneration scheme for the Supervisory Board	in €
Annual remuneration	
Chairman	25,000
Vice-Chairman	15,000
Member	10,000
Attendance fee	500

This remuneration also applies to work in the Working Committee and to work in the Audit Committee. As previously, there is no separate remuneration for work carried out in the other committees.

In detail, the following remuneration was paid to the members of the Supervisory Board for financial year 2013:

Remuneration of members of the Supervisory Board		in €
Name (without title)	Annual remuneration	Attendance fees
Gilbert Frizberg, Chairman	65,000	5,500
Peter Püspök, Vice-Chairman	55,000	5,500
Reinhold Süßenbacher, Vice-Chairman	45,000	5,500
Alfred Heinzel	10,000	0
Harald Kaszanits	30,000	5,500
Herbert Kaufmann	10,000	2,500
Peter Layr	10,000	1,500
Gabriele Payr	10,000	2,500
Christa Wagner	10,000	2,000
Siegfried Wolf	10,000	1,500
Employee representatives		
Anton Aichinger	–	5,500
Kurt Christof	–	2,500
Wolfgang Liebscher	–	500
Harald Novak	–	2,000
Ingeborg Oberreiner	–	5,500
Joachim Salamon	–	2,500

No loans or advances were paid out to members of the Supervisory Board. All members of the Supervisory Board are covered by the D&O insurance taken out by VERBUND.

Measures for the promotion of women

(Section 243b(2)(2) of the Austrian Commercial Code UGB))

In accordance with its commitment to sustainable management, VERBUND addresses issues of social relevance such as equal opportunity in the workplace. VERBUND treats all its employees equally, regardless of their gender, age, religious beliefs, culture, skin colour, social origins, sexual orientation or nationality. Decisive action is taken against any form of discrimination or harassment.

Because choosing the members of the Supervisory Board is solely the responsibility of the shareholders (i.e. the General Meeting), the Executive Board has little influence over whether there are women in the Supervisory Board of VERBUND AG. With Dr. Gabriele Payr, Christa Wagner, and Dipl.-Ing. Ingeborg Oberreiner (as employee representative), the Supervisory Board of VERBUND AG has three female members.

As at 31 December 2013, 15 women held management positions within the Group (first and second tiers of management). The percentage of women in management positions is therefore 11.8%. The percentage of women among employees throughout the Group is 18.4%. Since 2012, female executives have been able to perform their duties on a part-time basis.

To promote the subject matter of equal treatment (diversity management) at VERBUND, responsibility for all existing measures was centralised and given to the equal opportunities officer; these measures will be continually refined going forward. For example, the VERBUND Women's Network was launched in 2012. The medium-term focus is primarily on guaranteeing equal treatment of male and female employees. Over the long-term, the network should cover all aspects of diversity management, particularly when these involve the transformation of socio-political conditions.

Participation in the "Zukunft.Frauen" (Women.Future) executive personnel programme is another specific measure in this direction. This programme was initiated by the Austrian Federal Ministry of Economy, Family and Youth, the Austrian Federal Economic Chamber and the Federation of Austrian Industries. Its goal is to give women support on their way to the top and to strengthen their confidence in their ability to hold management positions.

As part of its efforts to actively promote equal treatment, VERBUND has been committed for years to the deliberate promotion of highly qualified women. The goal is to create enthusiasm among a greater number of qualified women, above all technicians, to join the Company. For this reason, in the spring of 2013, VERBUND awarded women's scholarships for the fifth time to three outstanding female students at Vienna University of Technology. A jury chose a first-year student of Mechanical Engineering/Management, a masters student of Mechanical Engineering/Management, and a PhD student in Electrical Engineering and Energy Technology. They will receive support in the form of made-to-measure scholarship packages worth €5,000 each.

The first alumni meeting of VERBUND women's scholarship recipients was also held in 2013. All recipients of VERBUND scholarship packages since 2009 were invited. This initial alumni event was another step in not only providing individual support to women in technology, but also promoting the exchange of knowledge between them and giving them a networking opportunity.

In 2013, VERBUND was bestowed the amaZone Award in the "Public and Quasi-Public Companies" category. This award from the Sprungbrett Association recognises companies who are involved in training women for the trades and the technical professions. The award is a confirmation that VERBUND is committed to the training of young women in the technical professions and is the sign of a progressive personnel policy that is focused on equal opportunities for all. In addition, each year, VERBUND takes part

in Take Your Daughter to Work Day ("Töchtertag") and in the Women in Technology ("Frauen in die Technik", FIT) information days. This allows us to address a female target group when they are still very young and to foster their interest in the fascinating technical professions. The Group is delighted to have a growing number of female apprentices each year commencing their training in a unique dual profession with good prospects, namely electrical engineering and metalworking.

VERBUND is serious in its commitment to the goal of maintaining work-life balance, and has already successfully implemented a number of measures such as flexible working hours or the option of claiming a third year of parental leave. Since being awarded the basic "Work and Family Audit" certificate in 2009, the many activities available have been supplemented each year by adding targeted measures, such as the introduction of an Employee Assistance Programme, which helps employees with family and career-related problems by providing advice and coaching. In 2013, for example, the Company for the first time supported holiday child care initiated by the Works Council and set up parent-child rooms in two office locations which can be used to overcome short-term difficulties with childcare arrangements.

Executive Board's Declaration of Conformity to the Austrian Code of Corporate Governance

The Austrian Code of Corporate Governance was applied within VERBUND AG during financial year 2013 and was adhered to in accordance with the explanatory notes above. There were only 2 rules in the Code from which partial deviations occurred. These were in part the result of legislative circumstances and were explained and justified accordingly. VERBUND will continue to adhere to the Code during financial year 2014 and will continue to endeavour to comply with all rules as fully as possible. From the outset, VERBUND has given very high priority to applying the Code of Corporate Governance. Its application is an essential building block in strengthening the trust of shareholders, business associates, employees and the public in the Group.

Vienna, 18 February 2014

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

External audit

As in previous years, an independent auditor carried out a voluntary external evaluation of adherence to the provisions of the Austrian Code of Corporate Governance for financial year 2013.

Summary of the results of the evaluation of adherence to the Austrian Code of Corporate Governance during financial year 2013

We evaluated adherence to the recommendations of the Austrian Code of Corporate Governance as amended in July 2012 (ÖCGK; issued by the Austrian Working Group for Corporate Governance) at VERBUND AG during financial year 2013, and also whether the Corporate Governance Report of VERBUND AG for the financial year ended 31 December 2013 complies with the legal requirements in Section 243b of the Austrian Commercial Code (UGB) as well as the requirements of the Austrian Code of Corporate Governance and whether the statements made therein are accurate.

Management's responsibility: The Executive Board of VERBUND AG is responsible for reporting on the implementation of and adherence to corporate governance principles within the Group ("Declaration of Conformity") and for the proper preparation of the Corporate Governance Report pursuant to Section 243b of the Austrian Commercial Code (UGB) and the Austrian Code of Corporate Governance.

Auditor's responsibility: Our task is to ascertain, based on our evaluation, whether the statements in the Declaration of Conformity are accurate and whether the Corporate Governance Report for the financial year ended 31 December 2013 complies with the legal requirements in Section 243b of the Austrian Commercial Code (UGB) as well as the requirements of the Austrian Code of Corporate Governance and whether the statements made therein are accurate. We performed our evaluation in accordance with the Austrian professional standards for other audits (KFS/PG 13). According to these standards, we must maintain our professional obligations, including requirements of independence, and must plan and perform the mandate in accordance with the principle of materiality in such a way that we can issue our opinion with sufficient certainty. The procedures selected depend on the auditor's judgement, and include in particular the following activities: we carried out our evaluation on the basis of the questionnaire for the voluntary external evaluation of adherence to the Code (ÖCGK) published by the Austrian Working Group for Corporate Governance. The evaluation was carried out by questioning the Boards of the Company and the employees of the Company named by them and by inspecting the documents made available to us by the Company. Our evaluation also included the random sample-based auditing of the proofs presented to us and the statements made. The subject matter of our mandate is neither an audit nor a review of financial statements. Similarly, our mandate does not include either the discovery and clarification of criminal offences, e.g. misappropriations or other breaches of trust and violations of law, nor does it include an assessment of the effectiveness and economic efficiency of the Company's management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion concerning the adequacy of the Declaration of Conformity.

Audit opinion: In our opinion, based upon the results of our evaluation, the Executive Board's Declaration of Conformity correctly represents the implementation of the recommendations in the Code at VERBUND AG during financial year 2013. Furthermore, the Corporate Governance Report of VERBUND AG for the financial year ended 31 December 2013 complies with the legal requirements in Section 243b of the Austrian Commercial Code (UGB) as well as the requirements of the Austrian Code of Corporate Governance, and the statements made therein are accurate.

Vienna, 18 February 2014
Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Erich Lehner
Certified Public Accountant

Mag. Elfriede Baumann
Certified Public Accountant

Glossary

Glossary

Adjusted EBITDA

The adjustments include – in addition to effects from impairment tests in the area of business operations – effects from restructuring expenses from a Group-wide cost-cutting programme as well as other expenses and income of a non-recurring or rare nature in the operating result. In addition, the operating result from discontinued operations is taken into account in the adjusted EBITDA. EBITDA is our most important internal earnings performance indicator and an indicator for the sustainable earnings power of our businesses.

Adjusted Group result

The adjustments include – in addition to effects from impairment tests and effects from business acquisitions – effects from corporate restructuring and restructuring expenses from a Group-wide cost-cutting programme as well as other expenses and income of a non-recurring or rare nature (after taxes and minority interests). Furthermore, special tax effects are not taken into account in the adjusted Group result.

Average number of employees

Calculated according to actual start an leaving dates and number of hours worked.

Base load

Base-power deliveries are quantities supplied in constant amounts, 24 hours a day.

Capital employed

Total assets less those assets that do not (yet) contribute to the performance and commercialisation processes (e.g. advance payments, plants under construction, investments under closed items on the balance sheet) and less non-interest-bearing debt.

Cash flow

Net balance of the inflow and outflow of cash and cash equivalents; broken down into cash flow from operating activities, from investment activities and from financing activities.

Clean dark spread

Difference between the price of fuel (coal) including the price of CO_2 and electricity.

Clean spark spread

Difference between the price of fuel (gas) including the price of CO_2 and electricity.

Closed items on the balance sheet

Closed items on the balance sheet include (continued) financial liabilities and related investments from cross-border leasing transactions that have been terminated early; previously, financial liabilities relating to cross-border leasing transactions and to the Republic of Austria, as well as associated investments, were treated in the same way.

Cross-border leasing

International leasing transactions in which the lessor and lessee are based in different countries.

Earnings before Interest and Tax (EBIT)

Operating result.

Earnings before interest, taxes, depreciation and amortisation (EBITDA)

Operating result before interest, taxes and depreciation of property, plant and equipment and amortisation of intangible assets taking into account effects from impairment tests.

EBIT margin

Earnings before Interest and Tax (EBIT) in relation to sales revenue.

E-Control (Energie-Control Austria)

Energie-Control GmbH (E-Control) was established in 2001. On 3 March 2011, E-Control was transformed into a public authority (Sections 2 and 43 of the Energy Regulatory Authorities Act or Energie-Control Gesetz); it is tasked with monitoring the implementation of the deregulation of the Austrian electricity and gas market and intervening for regulatory purposes if necessary.

ECRA (Emission Certificate Registry Austria GmbH)

Set up by the legislator as the emissions registry on the basis of the Emissions Allowance Trading Act (Emissionszertifikategesetz, EZG); it is tasked with the technical administration of issuing, holding, transferring and cancelling emission rights.

ElWOG

Austrian Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG). ElWOG implements the EU's Electricity Directive (2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC) in Austria.

Enterprise Value (EV)

The enterprise value corresponds to market capitalisation plus net debt and reflects the market value of the whole business.

Equity method

Method to account for investees upon which a significant influence can be exercised, and for joint ventures. Under the equity method, the carrying amount of the equity interest is basically adjusted for changes in the proportionate share in the investee's net assets; the result is a "one-line consolidation". The changes are either recognised in profit or loss or in other comprehensive income (i.e. directly in equity).

Equity ratio (adjusted)

Equity in relation to total capital adjusted for items closed on the balance sheet.

Fluctuation rate

The fluctuation rate is a percentage of employees who have left the company due to termination, mutual agreement, early retirement or dismissal during the probationary period. The percentage is calculated based on the actual number of employees as at the balance sheet date.

Free cash flow

Cash flow from operating activities plus cash flow from investment activities without cash inflows and outflows from investments in or disposals of financial investments less dividends distributed; available for financing activities (e.g. repayment of financial liabilities) and cash inflows and outflows for financial investments.

Funds from operations (FFO)

Operating result plus depreciation and amortisation, interest income and effective taxes.

Gearing

Net debt in relation to equity.

Gross debt

Non-current and current financial liabilities plus interest-bearing provisions and other interest-bearing liabilities net of closed items on the balance sheet.

Gross debt coverage

Relation of funds from operations (FFO) to gross debt.

Gross interest cover

Relation of FFO to interest expenses (including interest related to personnel expenses).

Hydro coefficient

The hydro coefficient is the quotient of the actual electricity generation of one (or a series of) hydropower plant(s) in a period and the average (calculated based on historical water supply) generation potential of the (series of) hydropower plant(s) in the same period. The long-term average = 1; consequently, 1.1 signifies a 10% increase in generation.

Inter-TSO compensation (ITC)

ITC is the compensation for transmission charges relating to cross-border flows of electricity in transmission grids.

Maximum electrical capacity

The maximum capacity at which a power plant can sustain operation under normal conditions.

Mean energy capability

Average generation potential of a hydropower plant calculated based on historical water supply.

Net debt

Gross debt less cash and cash equivalents, short-term investments and loans as well as securities held in current and non-current assets.

Operator model

Operator models are public private partnerships (PPPs) for which the planning, financing, construction and independent operation of the plant-specific infrastructure are assigned to an operating company.

Payout ratio

(Recommended) dividend payments in relation to Group result.

Peak load

Peak denotes the time period with high demand for electricity; generally during the day on weekdays. In Germany, France, Austria, Italy and Switzerland from 8 a.m. to 8 p.m. every weekday (Monday to Friday).

Performance

Describes the performance of a security or portfolio, e.g. over a period of one year, in relation to a specific measure of risk.

Return on capital employed (ROCE)

Net operating profit after tax (NOPAT) adjusted for interest expenses for tax purposes (including interest on personnel expenses) in relation to average capital employed.

Return on equity (ROE)

Net profit or loss for the period (adjusted for results from the termination of cross-border leasing transactions) in relation to average equity.

System Usage Rates Directive (SNT-VO)

The System Usage Rates Directive (Systemnutzungstarife-Verordnung, SNT-VO) dictates the principles for determining and allocating costs, the criteria for calculating rates as well as the rates for grid usage fees. The Energy Control Commission issued the directive annually. From 2012, the E-Control Commission will issue the System Usage Rates Directive.

Total heating degree days

Sum of heating degree days for a certain period.

Value at risk (VaR)

A method applied to calculate the potential trading position loss arising from price changes. The loss potential is calculated based on an assumed probability (e.g. 95%) and on the basis of market-oriented price changes.

Variation margin

The variation margin represents an amount paid or credited daily on the price fluctuations of futures contracts (i.e. paid to or from the futures exchange). In contrast to the initial margin, the variation margin does not represent collateral. Although the amounts are debited or credited to a margin account on a daily basis, the variation margin represents unrealised gains or losses. The position per se remains pending.

Part 2
Parent company

Three-year comparison

€m, %

	2011	2012	**2013**
Revenue	3,422.2	2,667.4	2,726.7
Earnings before interest and taxes (EBIT)	462.3	556.9	–259.7
Profit or loss on ordinary activities before taxation	282.9	415.6	–672.6
Net income/net loss for the year	274.3	393.1	–546.9
Net profit	191.1	208.4	347.4
Balance sheet total	5,596.3	5,604.3	5,582.6
Fixed assets	4,652.6	4,385.1	4,753.8
Capital expenditure for property, plant and equipment	6.2	8.5	2.8
Depreciation of property, plant and equipment	1.4	1.8	1.8
Equity	2,889.9	3,092.1	2,336.8
Return on sales (ROS)	13.5%	20.9%	–9.5%
Return on equity (ROE)	10.1%	14.4%	–21.7%
Return on investment (ROI)	7.8%	10.0%	–4.6%
Return on capital employed (ROCE)	6.2%	7.8%	–3.6%
Equity ratio	51.7%	55.2%	41.9%
Debt repayment period	9.7	6.1	-
Cash flow from operating activities	288.2	377.0	–285.3
Gearing	71.4%	48.0%	128.8%
Share price high	32.5	23.0	19.9
Share price low	17.9	14.5	14.3
Closing price	20.7	18.8	15.5
(Proposed) dividend per share	0.55	0.60	1.00
Dividend yield	2.65%	3.20%	6.44%
Operational headcount	163	168	172.8
Group electricity sales volume (GWh)[1]	55,729	64,397	**53,589**

[1] Including system requirements

Board members

Executive Board

Name	Year of birth	Date of initial appointment	End of current term of office
Dipl.-Ing. Wolfgang Anzengruber CEO and Chairman of the Executive Board	1956	1/1/2009	31/12/2018
Dr. Johann Sereinig Deputy CEO and Vice-Chairman of the Executive Board	1952	1/1/1994	31/12/2018
Dipl.-Ing. Dr. Günther Rabensteiner Member of the Executive Board	1953	1/4/2011	31/12/2018
Dr. Ulrike Baumgartner-Gabitzer Member of the Executive Board (until 30/6/2013)	1957	1/1/2007	30/6/2013
Dr. Peter F. Kollmann CFO and Member of the Executive Board	1962	1/1/2014	31/12/2018

Supervisory Board

Name	Year of birth	Date of initial appointment	End of current term of office
Dr. Gilbert Frizberg Chairman CEO of FI Beteiligungs- und Finanzierungs GmbH, CEO of Transfer Industries GmbH, managing shareholder of Franz Heresch & Co GmbH	1956	16/3/2000	AGM 2015
Dkfm. Peter Püspök 1st Vice-Chairman Member of the supervisory boards of Semper Constantia Privatbank (vice-chairman), Mareto Kunststoffverarbeitung GmbH and TUPACK Verpackungen GmbH	1946	16/3/2000	AGM 2015
Mag. Dr. Reinhold Süßenbacher 2nd Vice-Chairman Member of the supervisory boards of KSV 1870 Holding AG (vice-chairman), Richter Pharma AG, Bene AG (vice-chairman), Voglauer Möbelwerk Gschwandtner & Zwilling GesmbH, UMDASCH AG, LISEC Holding GesmbH and LISEC Austria GmbH	1949	7/4/2010	AGM 2015
Dipl.-Betriebswirt Alfred H. Heinzel Managing partner in several companies of the Heinzel group, member of the supervisory boards of Miba AG (vice-chairman), Allianz Elementar Versicherungs AG, Zellstoff Pöls AG (chairman), Wilfried Heinzel AG (chairman), Europapier AG (chairman), Europapier International AG (chairman), Laakirchen Papier AG (chairman), Mitterbauer Beteiligungs-AG (vice-chairman) and Estonian Cell A.S. in Kunda/Estonia	1947	16/3/2000	AGM 2015
Mag. Harald Kaszanits Secretary-General and Head of Cabinet of the Federal Ministry of Economy, Family and Youth	1963	7/4/2010	AGM 2015

Name	Year of birth	Date of initial appointment	End of current term of office
Mag. Herbert Kaufmann Member of the supervisory board of Letisco Kosice-Airport Kosice A.S., Ksc Holding A.S. and Flughafen Friedrichshafen GmbH, Board of VIE Malta Limited and MMLC-Malta Mediterranean Link Consortium Limited	1949	26/3/2008	AGM 2015
Dipl.-Ing. Dr. Peter Layr Speaker of the managing board of EVN AG, vice-chairman of the supervisory board of Burgenland Holding AG, chairman of the supervisory boards of Netz Niederösterreich GmbH, Rohöl-Aufsuchungs AG and RAG Beteiligungs- AG	1953	13/4/2011	AGM 2015
Dr. Gabriele Payr Chairwoman of the managing board of WIENER STADTWERKE Holding AG (until 31/12/2013), chairwoman of the supervisory boards of WIEN ENERGIE GmbH (until 20/9/2013), WIEN ENERGIE Gasnetz GmbH (until 27/7/2013), WIENER NETZE GmbH (until 20/9/2013), Aktiengesellschaft der Wiener Lokalbahnen, B&F WIEN – Bestattung und Friedhöfe GmbH, Gemeinnützige Wohnungs- und Siedlungsgesellschaft der Wiener Stadtwerke Gesellschaft m.b.H., member of the supervisory board of WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, member of the General Council of Oesterreichische Nationalbank	1959	13/4/2011	AGM 2015
Christa Wagner Managing shareholder in several companies of JOSKO group	1960	7/4/2010	AGM 2015
Ing. Siegfried Wolf Chairman of the board of Russian Machines LLC, chairman of the supervisory boards of GAZ Group, Glavstroy Corporation LCC, SBERBANK Europe AG (former Volksbank Int. AG), member of the supervisory boards of Österreichische Industrieholding AG (vice-chairman), Siemens Aktiengesellschaft Österreich, STRABAG SE, Banque Baring Brothers Sturdza S.A. and Continental AG	1957	16/3/2000	AGM 2015

Employee representatives

Name	Year of birth		
Anton Aichinger Chairman of the Group's employee representatives	1955	since 25/10/2006	appointed by the employee representatives
Kurt Christof Chairman of the Central Works Council, Member of the supervisory boards of Stadtwerke Voitsberg GmbH (vice-chairman) and of Sparkasse Voitsberg/Köflach Bankaktiengesellschaft	1964	since 8/3/2004	appointed by the employee representatives
Ing. Wolfgang Liebscher Chairman of the Central Works Council	1966	since 1/11/2013	appointed by the employee representatives
Harald Novak Chairman of the Central Works Council	1952	27/9/1991 to 9/5/1993, 15/12/2000 to 31/10/2013	appointed by the employee representatives
Dipl.-Ing. Ingeborg Oberreiner Chairwoman of the Works Council, member of the supervisory board of BAV Pensionskassen AG	1951	since 29/8/2006	appointed by the employee representatives
Ing. Joachim Salamon Member of the Central Works Council	1956	since 25/10/2006	appointed by the employee representatives

Report of the Supervisory Board

Financial year 2013 was another year in which VERBUND – Austria's leading utility – was faced with a difficult environment. However, thanks to comprehensive restructuring and cost reduction measures, as well as an above-average water supply, VERBUND was able to systematically pursue its strategy of profitable and sustainable growth despite unfavourable conditions in the market and the sector, and to again generate satisfactory earnings. The Supervisory Board actively monitored and supported these positive developments.

Discharging responsibilities The Supervisory Board discharged the responsibilities and exercised the powers incumbent upon it by virtue of the law and the Articles of Association in 5 plenary meetings. The overall attendance rate of all the members of the Supervisory Board was 87%. In addition, the Chairman maintained regular contact with the members of the Supervisory Board concerning important matters, so that all members were always involved in every matter of significance. The Executive Board informed the Supervisory Board regularly and comprehensively, on a real-time basis, both verbally and in writing, of all relevant questions relating to the Group's performance and its position and strategy, including the position and strategy of important Group companies, and the Group's risk position and risk management activities. The Supervisory Board advised the Executive Board on key questions concerning the future, particularly as regards structure and strategy, and monitored the Executive Board's management activities continuously based on its extensive reporting. Supervision, which took place in open and constructive discussions between the Executive Board and the Supervisory Board, did not reveal any grounds for criticism. In addition, the Chairman of the Supervisory Board held discussions with the members of the Executive Board, particularly the Chairman of the Executive Board, on a regular basis.

Significant Supervisory Board resolutions In addition to approving the annual financial statements and the Group budget, one of the Supervisory Board's most important functions is to appoint or reappoint Executive Board members. The Supervisory Board extended the Executive Board appointments of Dipl.Ing. Wolfgang Anzengruber, Dr. Johann Sereinig and Dipl.-Ing. Dr. Günther Rabensteiner for another 5 years. The Supervisory Board also appointed Dr. Peter Kollmann as a member of the Executive Board and Chief Financial Officer effective 1 January 2014. Dr. Ulrike Baumgartner-Gabitzer left the Executive Board on 30 June 2013 to take up another management function in the Group from 1 January 2014. The Supervisory Board would like to thank Dr. Ulrike Baumgartner-Gabitzer for her successful work on the Executive Board.

Code of Corporate Governance, Supervisory Board Committees As a leading listed Group, VERBUND made an early commitment to comply with the Austrian Code of Corporate Governance. VERBUND'S Supervisory Board also views compliance with the Code as obligatory and endeavours to consistently comply with the provisions relating to the Supervisory Board. In this spirit, all rules relating to the Supervisory Board's collaboration with the Executive Board, and to the Supervisory Board itself, are complied with in full, with the exception of one minor, explained deviation. Pursuant to the requirement of the Code (Rule 36), the Supervisory Board again conducted a self-evaluation during the reporting year. This consisted primarily of an extensive, open discussion of the procedures and organisation of the Supervisory Board and its committees. The implementation of improvements decided upon in the previous year was also approved and additional suggestions were made. Moreover, the Supervisory Board again discussed possible conflicts of interest, including those arising from the approval of contracts with companies where individual Supervisory Board members are related parties,

and did not identify any conflicts of interest. As provided for in the Code of Corporate Governance, meetings were held as needed, without the participation of the Executive Board. The Supervisory Board's Working Committee met 4 times during the year under review, above all to plan plenary meetings, though also to discuss restructuring (particularly in the thermal area). The Audit Committee – which is an offshoot from the Working Committee and was set up as an independent committee – also met 3 times. It dealt above all with the semi-annual financial statements and preparation of the approval of the annual financial statements, the appointment of the auditor and approval of the auditor's work. In addition, it concentrated on the control, audit and risk management system and on the audits performed by internal audit. In accordance with the Code of Corporate Governance and the rules of procedure, two other Supervisory Board committees – a Nomination Committee and a Remuneration Committee – were again formed in the past financial year. These committees performed the duties assigned to them by the rules of procedure. The Remuneration Committee held 3 meetings. The Nomination Committee met 3 times in order to prepare the appointments to the Executive Board. There were no changes to the composition of the Supervisory Board apart from a change in one employee representative. Further information about the composition, the operation and the meetings of the Supervisory Board and its committees and about the remuneration of its members is contained in the corporate governance report.

Annual financial statements and consolidated financial statements The annual financial statements, together with the management report, the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRSs) and the Group management report for financial year 2013 were audited by Deloitte Audit Wirtschaftsprüfungs GmbH and given an unqualified auditor's report. The auditor reported on the results in writing and found that the Executive Board had provided the explanations and evidence that had been requested, that the accounts, annual financial statements and consolidated financial statements were in accordance with the legal requirements and, in conformity with the principles of proper accounting, gave a true and fair view of the assets and liabilities, financial position and profit or loss of the Company and the Group and that the management report and the Group management report were consistent with the annual financial statements and the consolidated financial statements. Following their in-depth examination and discussion by the Audit Committee and the Supervisory Board, the Supervisory Board approved the annual financial statements for financial year 2013 as presented by the Executive Board. As a result, they are final for the purposes of Section 96(4) of the Austrian Stock Corporation Act (Aktiengesetz, AktG). The management report by the Executive Board was approved, as was the profit appropriation proposal. The consolidated financial statements and the Group management report were also acknowledged and approved by the Supervisory Board, as was the corporate governance report submitted by the Executive Board, which was audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. In conclusion, the Supervisory Board would like to thank the Executive Board and all employees for their high level of dedication and their successful work during financial year 2013. The Supervisory Board would also like to thank the Group's shareholders, customers and business associates for their trust.

Vienna, March 2014

Dr. Gilbert Frizberg
Chairman of the Supervisory Board

Management report

Report on business performance and economic position

General conditions

The general conditions for electricity suppliers in Europe continued to deteriorate in 2013. Electricity prices continued their dive due to the weak economy, excess capacities in the European electricity market, massive subsidisation of new renewables and the freefall in prices for coal and CO_2 emission rights. Efforts to date to intervene in the oversaturated CO_2 market have not succeeded in propping up prices for emission rights. At the same time, gas prices have persisted at a high level based on long-term purchase agreements that stipulate quantities and are linked to the price of oil. As a consequence of the price trends in electricity, gas and CO_2 emission rights, gas power plants can now no longer be operated profitably. The decrease in electricity prices is also directly impacting the profitability of hydropower plants and wind farms.

Future performance of the energy markets is heavily dependent on the evolution of the regulatory framework. Following the elections that took place in the autumn of 2013, policymakers in Austria as well as in Germany expressed their commitment to overcoming the main challenges posed by the transition to a new energy age. These include developing an effective emission trading system at European level, evaluating and adapting the regime for green energy subsidisation and integrating new renewables into the European energy market. These cornerstones are a first step in enlarging the market and increasing competition.

General economic conditions

Global economic output continued to weaken in 2013. The following factors are having a severe impact on the economy: budget consolidation in the eurozone, sustained uncertainty regarding the development of the US government budget and the increasingly slow growth of emerging economies. Major emerging economies such as China, Brazil and India – which boosted the world economy for many years with their strong performance – are growing at an ever slower pace. According to forecasts of the International Monetary Fund (IMF), from January 2014, real economic growth will only amount to 1.3% in industrial countries in 2013 after 1.4% a year earlier. In the eurozone, the debt crisis led to another decline in real economic output of 0.4% following a drop of 0.7% in the previous year. However, the economic decline was no longer restricted to the EU periphery but was also seen in the core eurozone countries such as France and the Netherlands. Germany and Austria, by contrast, registered comparatively positive economic trends in 2013 with growth in real GDP of 0.5% and 0.3%, respectively.

Energy market environment

Economic trend depresses demand for energy

Energy consumption in Austria is likely to lie somewhat over the prior-year level in 2013, due primarily to the cold weather conditions that existed during several months of the first half of the year. Viewed over the year as a whole, total heating degree days increased by 1.1%. This indicator is generally used as a temperature-independent indication for the use of heating energy. The economic trend, however, had hardly any effect on energy consumption.

Natural gas consumption decreased by 3.6% in 2013 (January to November). A colder January and March, as well as the cooler spring months, led to higher natural gas consumption for heating. The use of natural gas for energy generation in power plants saw a significant price-related drop below the previous year's level (January to November: –31.3%). The reason for this was the inability to operate gas

power plants profitably due to low wholesale prices for electricity and expensive gas supply agreements that are linked to the price of oil. Industrial gas demand was in turn characterised by weak production.

Consumption of hard coal rose, most likely due to high capacity utilisation in the steel industry. By contrast, electricity generation decreased by 2.0% (January to November).

Mineral oil consumption likewise registered an increase in 2013. Demand for fuels was stable on the whole, with higher sales of gas oil for heating purposes (extra light heating oil) contributing in particular to the overall trend.

Renewables maintained their share in the total. Although hydropower saw a decline of 3.9% (January to November), the new renewable energy sources – especially wind power and solar power – were able to sustain their upward trend.

Electricity demand rises slightly, dependency on imports increases significantly

The slow economy made its mark in weak growth of electricity consumption. According to preliminary figures from E-Control, electricity consumption in Austria increased by a mere 0.7% year-on-year in 2013 (January to November).

Due to the poor water supply compared with the previous year, hydropower plants supplied 3.9% less electricity between January and November. Utilisation of thermal power plants decreased by 15.5% in this period, with gas power plants in particular being increasingly forced off the market. These plants generated 31.3% less electricity between January and November.

"Other generation" recorded a 10.0% rise in this period. This figure includes electricity production from other renewable energy sources (excluding biomass, which falls into the category of thermal generation) and from plants that cannot yet be allocated for statistical purposes. All in all, electricity generation decreased by 5.2% in Austria in 2013 (January to November). The decline in generation was compensated by a significant increase in net imports.

Oil prices fall back slightly

The average price for one barrel of Brent crude oil (front month) was $108.7/bbl in 2013 compared with $111.7/bbl a year earlier. This represents a decrease of 2.7%. In Euro terms, Brent crude was 5.7% cheaper due to the appreciation of the euro against the US dollar. The oil price trend showed a high level of fluctuations in 2013. At the start of the year, signs of global economic recovery and expectations of rising demand for oil triggered price hikes up to approximately $119/bbl. The geopolitical situation in the Near East (Syria, Egypt, Iran, Gaza) also contributed to uncertainty. The situation in the oil market then relaxed somewhat, only to return to a more tense state in the summer. Especially from mid-August onward, strike-related drilling disruptions in Libya as well as production disruptions in Southern Sudan and the North Sea led to a rise in front month prices to more than $110/bbl. The threat of military intervention by the USA following the chemical weapons attack in Syria resulted in a price rise to nearly $117/bbl by the end of August. Not until the end of quarter 3/2013 did crude oil become cheaper due to the improved supply situation – some Libyan facilities were able to start producing again – as well as signs of relaxation in Syria and Iran.

Gas prices at a high level, sustained price erosion in the hard coal market

The majority of natural gas imports in the European Union is based on long-term contracts linked to oil prices and quantities. For this reason, trends in the oil market also impact gas prices after a lag of several months. However, wholesale markets such as the Title Transfer Facility (TTF) hub in the Netherlands and the Net Connect Germany (NCG) hub – where oil prices do not directly impact pricing – are becoming increasingly important. Recent 2013 prices in the gas trading markets were well below those for long-term contracts linked to the price of oil. Long-term purchase obligations and the practice of linking contracts to oil prices are no longer compatible with a liberalised, competitive energy market. For some time now, gas importers and large-scale gas consumers – including VERBUND – have therefore been attempting to effect an adaptation of the market.

Prices for gas imports to Austria increased by an average of 3.2% in the first 9 months of 2013, whereby the gas import prices recorded by Statistik Austria largely reflect the price situation in long-term contracts linked to the price of oil. The spot price in the European NCG trading point increased by €2.0/MWh in 2013 to €27.1/MWh. The main reasons for this were the cold first half of the year and low gas reserves. The price increase did not affect the futures market. Supply contracts for 2014 (NCG front year) decreased by just under 1% to €26.7/MWh.

Coal deliveries in the ARA area (Amsterdam, Rotterdam, Antwerp) recently became much less expensive. Coal prices were down 14.6% in the spot market in 2013 and 16.4% in the futures market year-on-year (ARA front year; both on a euro basis). The reason is the persistently weak economy plus a surplus arising from the defection of US coal manufacturers to the export market due to heightened competition from lower-priced shale gas in the domestic market.

Political and regulatory framework conditions at an European level

Electricity market out of balance

The current mismanagement of energy markets is negatively impacting conventional power plant portfolios all over continental Europe. In addition to the non-functioning state of the CO_2 market, the problems arise from the fact that new renewable energy sources are being developed without heed to the market. Wind power and photovoltaics development in particular is being massively subsidised by governments, with the power generated being given priority when it is fed into the grid. This puts conventional power plants in a difficult market position given the competition they face from the subsidised technologies. The situation is even worse for gas power plants as gas purchase prices are far too high due to non-market-compliant purchase agreements. As a result, state-of-the-art power plants are being forced to shut down across Europe because they cannot be operated profitably. However, a balanced mix of power plants is urgently needed to ensure the future security of supply, for example when the wind is not blowing or the sun is not shining. Integration of new renewable energy therefore calls for mechanisms to ensure that a competitive market design is compatible with security of supply.

The guidelines presented by the European Commission for state intervention in the electricity market are a first step towards making the market more competitive. Additional steps are indispensable, however, such as those presented in VERBUND's 6-point programme to improve the market system. Some of the main points of the programme are an ambitious environmental target for 2030, the reform of emissions trading as a key instrument in long-term European energy and environmental policies and market integration of renewables.

The EU plans to limit state intervention in order to build an integrated market

In November 2013 the European Commission published a Communication giving guidance for state intervention. The Communication notes with criticism that uncoordinated public interventions are not compatible with realising an integrated European energy market. The guidelines presented by the European Commission relate to support schemes for renewable technologies and to the introduction of capacity mechanisms. For instance, the Commission calls for replacing feed-in tariffs for renewable energy with market-oriented mechanisms. Capacity mechanisms should only be implemented when absolutely necessary to secure the energy supply. These principles are to be put into effect by mid-2014 by means of binding state aid provisions. In addition, the European Commission intends to reinforce demand response in the integrated energy market and has announced the corresponding measures in the guidelines. VERBUND supports the Commission in its efforts to achieve a truly integrated European energy market.

Emission trading reform needs more than back-loading

The EU emission trading system is only fulfilling its purpose of promoting low-emission technologies to an insufficient extent. The reason is that prices for CO_2 emission rights have persisted at a very low level because too many allowances have been issued. As a short-term measure to rebalance supply and demand, the European Commission, the European Parliament and the EU Member States spoke out in favour of "back-loading" at the end of 2013 after much hesitation. This involves temporarily reducing the number of CO_2 emission rights to be auctioned in the third trading phase (2013–2020) by 900 million. VERBUND does not expect this measure to impact carbon prices. Given the existing surplus of around 2.5bn emission rights, market participants had assumed a greater, longer-lasting shortage of supply. Rather than back-loading, far-reaching reforms are what is needed to establish EU emissions trading as a control mechanism for reducing CO_2 emissions. In addition to permanently retiring CO_2 emission rights, a mechanism should be implemented to adjust the volume of future auctions on an ongoing basis to target levels for emission reductions, in line with the development of renewable energy sources, efficiency increases and the trend in electricity demand.

Coalition agreement in Germany: cornerstone for successful transition to a new energy age

The coalition agreement between the CDU, CSU and SPD for the 18th legislative period is entitled "Shaping the Future of Germany". The section on "growth, innovation and prosperity" discusses the challenges in terms of energy policy brought about by the transition to alternative energies. In this section, the coalition partners state their commitment to giving equal priority to the goals of the energy policy triangle: security of supply, cost-effectiveness and sustainability. Building on these goals, the agreement refers to stronger integration with the European electricity market and aligning subsidy conditions with the rest of Europe.

The agreement also states that the Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz, EEG) will undergo fundamental reform by the summer of 2014, with existing installations being grandfathered ("Bestandschutz"). With regard to the further development of renewables, a corridor will be determined (40–45% by 2025 and 55–60% by 2030) and reviewed annually. Development is to be synchronised with the grid and coordinated between the federal government and the German states to an increased extent. In addition, the agreement reaffirms the commitment to conventional power plants and the necessity of creating reliable framework conditions. According to the agreement, energy efficiency is the second pillar of sustainable energy transition. The objective for environmental protection is to reduce carbon levels by 40% by 2030 at a European level. In terms of electromobility, Germany wants to become a leading market and a top supplier. The agreement reaffirms the goal of 1

million electrically powered vehicles by 2020 with prioritisation for developing the charging infrastructure. In general, the coalition agreement touches on all main topics relating to energy policy. The effect of these measures on the electricity market will depend heavily on the specific manner in which the objectives are put into practice and the time scale for implementation. An "energy transition forum" will be established in which the federal government and the parliament can consult and all key players can engage in dialogue.

Energy policy in Austria

New legal framework for the energy sector

In December 2012, the Federal Energy Efficiency Act went to committee in connection with the energy efficiency package in Austria. The draft bill was subject to intense public debate and was passed by the Council of Ministers on 3 April 2013. However, the negotiations on adopting the bill into law failed at the start of June 2013, with further debate postponed until after the National Council elections. Hence adoption by parliament will not be possible until 2014. The Federal Energy Efficiency Act is high on the agenda of the new government as the EU-level directive prescribes implementation by the summer of 2014. However, amendments to the Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG), the Natural Gas Act (Gaswirtschaftsgesetz, GWG) and the E-Control Act (Energie-Control-Gesetz, E-ControlG), which are also part of the energy efficiency package, were adopted in 2013. Now complete documentation of electricity deliveries with proof of origin is obligatory in energy labelling. Other factors of relevance for VERBUND are the changes in the consumer area (especially those facilitating changes in supplier) and in rates (for new pumped storage power plants).

Government programme in Austria

The coalition talks between the SPÖ and the ÖVP following the National Council elections in September were concluded in December 2013. The ruling parties stated that their joint objective in the area of energy was an efficient, affordable and socially responsible energy system. In addition to security of supply, prosperity, competitiveness and an environment that is worth living in, the government programme explicitly refers to Austria's pioneering role in the anti-nuclear movement. Preparation of an "Energy Strategy 2030" that involves all relevant stakeholders, as well as the ongoing evaluation and monitoring of energy policy, can become key instruments in reaching these goals.

Finance

Factors affecting the result

Wholesale prices for electricity

VERBUND had already entered into contracts for the majority of its own electricity generation for 2013 in the futures market in 2012. At an average of €49.3/MWh for base load and €60.9/MWh for peak load, wholesale prices were below the prices for the 2012 supply year by 12.0% and 11.8% respectively. The futures market was subject to enormous pressure due to scaled-back expectations for the economy, lower prices for coal and CO_2 emission rights, surpluses in the European electricity market and the continued development of subsidised renewable energy. For next day deliveries (spot market), wholesale trading prices for electricity were also well below the prior-year level in 2013. Prices for base load decreased by 11.3% to €37.8/MWh and prices for peak load fell by 8.9% to €48.7/MWh.

Water supply performance

Water supply is of particular significance for VERBUND since more than four-fifths of its electricity is produced using hydropower. The water supply is measured by means of a hydro coefficient. The value of 1.00 stands for the long-term average. 2013 was a good year for water. At 1.07, the hydro coefficient for run-of-river and pondage power plants was 7% above the long-term average, but 4 percentage points below the previous year's level. The hydro coefficients for the individual quarters were as follows: quarter 1: 1.20, quarter 2: 1.05, quarter 3: 0.92 and quarter 4: 1.20.

At 35,539 GWh, VERBUND's own generation was 311 GWh higher in 2013 than in 2012. Generation from hydropower rose by 458 GWh in 2013. Most of the increase was due to newly acquired power plant interests in Germany (+1,563 GWh). At 1.07, the hydro coefficient was 4 percentage points below the previous year's level. The decrease of 210 GWh in generation from annual and pumped storage power plants also had a negative impact. This is attributable to the decline in the water inflow amount despite having emptied reservoirs and stepped up reverse operation. Generation from wind power rose by 323 GWh to 565 GWh due to the commissioning of installations in Romania and Germany. A total of 425 GWh came from wind farms in Germany and Romania. However, generation from thermal power plants decreased by 469 GWh. The Mellach/Styria CCGT generated only 394 GWh in 2013 due to market factors (2012: 1,048 GWh). Generation from other VERBUND thermal power plants in Austria decreased by 211 GWh from the previous year to 2,362 GWh. The 2 French CCGTs produced 396 GWh more electricity than in 2012 after the Toul power plant was commissioned in quarter 4/2012.

The purchase of electricity from third parties for the trading and sales business increased by 2,845 GWh. Electricity purchased from third parties for grid losses and balancing energy was nearly unchanged.

Group electricity supply GWh

	2012	**2013**	Change
Hydropower[1]	30,485	30,943	1.5%
Wind power and photovoltaics	242	565	133.4%
Thermal power[1]	4,500	4,031	–10.4%
Own generation	35,228	**35,539**	0.9%
Electricity purchased from third parties (trading)	12,029	14,874	23.6%
Electricity purchased for grid loss and control energy volumes	3,142	3,175	1.1%
Group electricity supply	50,398	**53,589**	6.3%

[1] Incl. purchase rights

Electricity sales volume increased by 2,793 GWh in 2013 compared to the previous year. The increase in sales to resellers (+1,095 GWh) is attributable to higher sales to German municipal utilities. Quantities supplied to Austrian provincial utilities were nearly unchanged. Electricity deliveries to trading firms rose by 1,174 GWh, primarily due to increased sales via power exchanges as a result of German marketing of the newly acquired power plant interests in Germany. VERBUND also succeeded in increasing sales to consumers, both domestically and internationally (+525 GWh). Internationally, the volumes sold to industrial consumers increased significantly due to successful marketing activities in the German market. VERBUND'S own use for electricity also increased (+228 GWh), above all due to greater utilisation of pumped storage power plants.

Group electricity sales volume and own requirements GWh

	2012	**2013**	Change
Consumers	9,568	10,093	5.5%
Resellers	20,506	21,601	5.3%
Retailers	17,409	18,583	6.7%
Electricity sales	47,483	**50,277**	5.9%
Own requirements	2,457	2,685	9.3%
Control energy volumes	459	627	36.7%
Electricity sales and own requirements	50,398	**53,589**	6.3%

In 2013, approximately 49% of the electricity sold by VERBUND went to the Austrian market. The focus of international trading and distribution activities is the German market, which accounts for 88% of all volumes sold abroad.

Financial performance

Revenue and result

	Unit	2012	**2013**
Revenue	€k	2,667,377.0	2,726,684.9
Earnings before interest and taxes (EBIT)	€k	556,875.9	–259,714.0
Profit or loss on ordinary activities before taxation	€k	415,593.5	–672,637.2
Net income/net loss for the year	€k	393,084.7	–546,931.0
Net profit	€k	208,449.4	347,415.7
Return on equity (ROE)	%	14.4	–21.7
Return on investment (ROI)	%	10.0	–4.6
Return on capital employed (ROCE)	%	7.8	–3.6
Return on sales (ROS)	%	20.9	–9.5

Revenue increased

Revenue increased mainly due to the expansion of the gas business by €119,467.0k and increased emission rights trading by €27,801.7k.

On the other hand, electricity revenue fell by €86,856.9k, whereby electricity revenue with energy supply companies decreased by 2.6% to €1,361,165.4k and electricity revenue with traders by 6.7% to €1,014,601.4k. The main factor of influence for this was that despite higher volumes sold, the electricity prices applicable for the year declined by approximately 12% in comparison to the previous year.

Electricity revenue generated in foreign countries, primarily Germany, was unchanged at 45.0% (previous year: 45.0%).

Electricity sales volume rose within the Group by 3,190.8 GWh or 6.3% compared to the previous year. The forward contracts that are not recognised in sales went down by 16.5% to 135,942 GWh.

Other operating income increased

Other operating income rose by 14.5% to €43,574.5k. For the most part, this is the result of higher income from billing of services to Group companies.

Expenses for the purchase of electricity decreased

Expenses for electricity purchases fell by 2.8% to €2,202,078.7k. The main reason for this was – as with revenue – that despite higher volumes, the electricity prices applicable for the year declined by approximately 12% in comparison to the previous year. Total expenses for electricity, grid and emission rights purchases (trading) increased by 3.8% to €2,449,111.4k.

Personnel expenses

Current personnel expenses increased insignificantly by €319.6k to €25,602.6k. The 3.0% increase in salaries and ancillary expenses under the collective agreement and the biennial pay rises under the collective agreement contributed to the increase in personnel expenses, as did the higher number of employees. This was offset by a decline in premiums, bonuses and remuneration. Expenses for employee benefits relating to pension and severance payments decreased by €3,466.4k. This decline was mainly the result of the fact that no non-recurring effects were recognised in 2012 such as the abolishment of the corridor method. This was offset by the interest rate reduction from 4% to 3.5% for pensions and severance payments, as well as the increase in pension benefits and the higher basis of calculation for severance payments. Overall, the operational headcount increased by 4 to 172.

Other operating expenses

Other operating expenses rose by €25,773.8k to €110,771.6k. This increase is primarily attributable to a provision for operating a fictitious gas storage facility.

Profit or loss on ordinary activities before taxation

Profit or loss on ordinary activities before taxation fell from €415,593.5k by 261.8% to €–672,637.2k as a result of the factors of influence described above and the highly negative financial result of €–802,332.0k (previous year: €+231,103.8k), largely due to transfers of losses in the amount of €694,463.6k, the provision for guarantee bonds of €285,245.0k and impairment of a loan to affiliated companies of €80,680.6k as well as of an equity interest of €45,003.0k.

Financial position

Financial position

	Unit	2012	**2013**
Fixed assets	€k	4,385,119.9	4,753,833.3
Current assets	€k	1,115,648.4	646,609.9
Working capital	€k	900,939.9	–686,408.5
Net debt	€k	1,484,151.0	3,011,659.5
Equity	€k	3,092,084.2	2,336,843.8
Current liabilities	€k	291,820.7	1,386,607.2
Current assets	€k	1,192,760.6	700,198.7
Equity ratio	%	55.2	41.9

Fixed assets

Intangible assets and property, plant and equipment increased by €1,754.9k, of which €1,223.7k was attributable to electricity purchase rights, €608.5k to software, €1,222.7k to office adaptations and €1,618.9k to office and plant equipment; amortisation and depreciation charges amounted to €2,848.1k and disposals to €70.8k.

Investments relating to investees increased by €+1,122,856.4k, primarily due to the acquisition of Innwerk AG (€+1,385,219.0k), the increase in equity interest in VERBUND Beteiligungsholding GmbH (€+53,399.7k) and the acquisition of shares in Grenzkraftwerke Gesellschaft mit beschränkter Haftung (€+840.0k); in contrast, shares in STEWEAG-STEG GmbH were sold (€–270,900.0k) and amortisation of equity interests amounted to €–45,702.3k.

Other investments declined in total by €755,897.9k. Loans were granted in the amount of €228,498.4k, while €854,450.8k of loans was repaid and an impairment loss of €80,680.6k was recognised. Securities decreased in total by €48,964.7k.

Current assets

The decrease in current assets by €469,038.5k to €646,609.9k is primarily the result of a reduction in receivables from VERBUND Finanzierungsservice GmbH in the amount of €736,998.0k for cash management and has to be seen alongside the short-term financing of Austrian Power Grid in the amount of €250,000.0k. Other receivables decreased primarily due to the receipt of an outstanding instalment from the sale of an equity interest in 2012 in the amount of €40,000.0k which has to be seen alongside the receivable from the tax authorities from excess corporate tax prepayments in the amount of €33,866.5k. Other receivables from the electricity trading business, energy exchanges, emission rights trading and security deposits for energy exchanges increased by €58,280.4k.

Equity

Due to the results for the year and the distribution for financial year 2012, equity decreased by €755,240.4k to €2,336,843.8k. The equity ratio fell as a result from 55.2% to 41.9%.

Liabilities

Non-current and current liabilities increased by €444,626.3k to €2,839,085.9k. In 2013, the net movement in borrowing from and repayments to banks was €184,666.7k. Trade payables remained nearly unchanged. Liabilities to affiliated companies rose by €562,555.4k to €2,003,478.2k. This increase resulted on the one hand from cash management in the amount of €277,826.8k and on the other hand from the sale of 60% of a non-current liability from an electricity supply agreement from E.ON Wasserkraft GmbH to VERBUND International GmbH as part of the acquisition of Innwerk AG (outstanding amount of €280,859.2k as at 31 December 2013). In addition to scheduled repayments, the other liabilities decreased accordingly for the reason presented above.

Cash flows

Financing strategy

In today's volatile energy market environment in which planning is difficult, VERBUND bases its financing strategy on 3 pillars: securing liquidity and ensuring suitable liquidity reserves, securing a solid credit rating over the long term and optimising the capital structure.

Securing liquidity and ensuring suitable liquidity reserves

For VERBUND, ensuring that liquidity is secure at all times has the highest priority.

As at 31 December 2013, VERBUND had a syndicated credit line in the amount of €750.0m at its disposal that had not been drawn upon. This facility runs until 2018. It was taken out on 17 October 2011 with 25 domestic and international banks. VERBUND also had uncommitted lines of credit amounting to €591.5m, primarily with Austrian banks. In addition, we hold cash equivalents with maturities of 3 to 6 months.

As at 31 December 2013, VERBUND had invested a total of €705.0m in money market time deposits with a variety of banks. These investments serve to cover the high level of funds needed in 2014, primarily for the repayment of a bond in the amount of €500.0m in June 2014.

Securing a solid credit rating over the long term

The better the company's credit rating, the easier and more inexpensive it is to access international markets. A solid credit rating gives VERBUND access to various financing instruments, including those in the capital market. VERBUND has been awarded a long-term rating of A– from Standard & Poor's (S&P) and Baa1 from Moody's, both with a stable outlook. S&P's rating remained stable throughout 2013. Moody's, however, reduced its rating by a total of 2 steps: in April from A2 to A3 and in August from A3 to Baa1. The rating reductions followed the negative performance of the utilities sector. The difficult sector environment resulted in a deterioration in the capital structure and the cash flow of many European utility companies.

For the long term, VERBUND is aiming for a solid "A" category rating. For that reason, our Group management is focusing among other things on 2 key rating ratios: FFO/net debt and RCF/net debt. For an "A" level rating, both S&P and Moody's expect FFO/net debt of at least 20% and RCF/net debt of 10–15%.

Optimising the capital structure

VERBUND manages its capital structure using a gearing ratio that corresponds to net debt divided by equity. Net debt is calculated from gross debt less cash and cash equivalents, short-term investments and securities held in current and non-current assets. The goal is to keep the gearing ratio below 80%. To this end, VERBUND implemented numerous measures in 2013. We divested ourselves of non-strategic activities as well as non-controlling interests.

Moreover, it is necessary to maintain a long-term, balanced dividend policy towards our shareholders and lenders.

Financial key figures

	Unit	2012	**2013**
Cash flow from operating activities	€k	377,031.6	–285,342.8
Cash flow from investing activities	€k	238,650.4	–458,334.4
Cash flow from financing activities	€k	–612,514.1	741,042.1
Financial result	€k	231,103.8	–802,332.0
Gearing	%	48.0	128.8
Debt repayment period	years	6.1	-

The financial result decreased by €1,033,435.8k in comparison to the previous year to €–802,332.0k mainly as a result of higher transfers of losses by €681,324.0k, while results from equity interests were higher by €84,930.2k. In addition, a provision of €286,809.5k was recognised for expected losses from investees. In the area of financial investments, income from disposals was also lower by €52,676.7k and impairment losses were higher by €100,376.2k.

An increase in interest-bearing net debt by €1,527,508.5k and the simultaneous reduction in adjusted equity by €755,345.4k resulted in an increase in gearing of 80.8 percentage points to 128.8%. The debt repayment period is negative due to a decrease in the surplus funds from ordinary activities and simultaneous rise in debt of €735,714.7k.

The composition of cash in hand and cash at banks (fund of cash and cash equivalents) is presented under note (5).

Cash flow statement

(1) Cash flow from operating activities

Cash flow from operating activities was determined using the indirect method and resulted in a cash outflow of €285,342.8k (previous year: cash inflow of €377,031.6k).

Inventories increased primarily as a result of an increase in the stock of emission rights in the amount of €2,605.3k, while gas storage decreased by €2,130.6k. Inventories of guarantees of origin in the amount of €235.0k are new.

The change in trade receivables and other receivables is primarily attributable to the decrease in trade receivables of €27,192.6k (of which from affiliated companies: €11,290.9k), the reduction of other receivables from affiliated companies in the amount of €2,398.5k, the increase in provisions of collateral for trading of electricity derivatives in the amount of €55,280.4k, the increase in deferred tax assets of €86,033.6k and the increase in other accruals and deferrals in the amount of €2,741.2k. In addition, the surplus in corporate tax prepayments compared to provisions for corporate tax resulted in an increase in other receivables of €33,866.5k.

The change in current provisions and tax liabilities is due to the reduction in other non-current provisions by €2,649.7k and the decline in provisions for taxes by €24,550.7k, compared to the increase in provisions for onerous contracts of €313,359.0k. Provisions from the electricity business remained largely unchanged.

The change in trade payables and other liabilities is the result of an increase in liabilities from the electricity business in the amount of €9,895.7k and the increase in other liabilities of €1,801.1k.

(2) Cash flow from investing activities

Net cash flow from investment activities resulted in a total cash outflow of €458,334.4k (previous year: cash inflow of €283,650.4k), resulting primarily from the acquisition of equity interests in the amount of €1,438,878.7k (of which shareholder contributions of €53,399.7k), the granting of loans amounting to €228,498.4k and the purchasing of securities totalling €1,408.9k. These have to be seen alongside the repayment of loans in the amount of €854,450.8k, the disposal of equity interests totalling €310,900.0k (of which €40,000.0k from a disposal in 2012 which only resulted in payment in 2013), as well as the disposal of securities totalling €50,373.6k.

Capital expenditure for intangible assets and property, plant and equipment primarily comprised capital expenditure relating to office and plant equipment in the amount of €1,978.7k, relating to office adaptations in the amount of €1,375.2k, relating to rights totalling €1,223.7k and relating to software in the amount of €763.3k.

(3) Cash flow from financing activities

As part of the dividend distribution approved for 2012, €208,449.4k was paid out to shareholders. This was equivalent to a dividend of €0.60 per share.

Within Group financing, granting short-term funding to Austrian Power Grid AG resulted in cash outflow of €250,000.0k (previous year: cash outflow of €32.7k).

Group clearing resulted in a cash inflow of €1,014,824.8k (previous year: cash outflow of €175,302.0k).

Loans in the amount of €200,000.0k were taken out and repayments in the amount of €15,333.3k were made.

Cash flow statement €k

	Notes	2012	**2013**
Net income/net loss for the year		393,084.7	–546,931.0
Amortisation of intangible assets and depreciation of property, plant and equipment		2,548.1	2,848.1
Amortisation of financial assets		26,006.6	126,382.8
Result from disposal of non-current assets		–39,132.0	302.8
Change in non-current provisions and deferred tax liabilities		4,604.8	1,847.6
Income from the reversal of contributions to building costs		–35.1	–35.1
Other non-cash expenses and income		3,345.5	–17,315.4
Change in inventories		–2,399.2	–762.9
Change in trade receivables and other receivables		–63,388.2	–150,069.5
Change in trade payables and other liabilities		26,346.6	11,696.8
Change in current provisions		26,050.0	286,692.9
Cash flow from operating activities	(1)	377,031.6	**–285,342.8**
Cash outflow from capital expenditure on intangible assets and property, plant and equipment		–10,344.8	–5,341.0
Cash inflow from the disposal of intangible assets and property, plant and equipment		2,135.6	68.1
Cash outflow from capital expenditure on investments		–452,682.3	–1,668,786.0
Cash inflow from the disposal of investments		699,541.9	1,215,724.5
Cash flow from investing activities	(2)	238,650.4	**–458,334.4**
Cash inflow (outflow) from money market transactions		–26.5	0.0
New non-current loans		0.0	200,000.0
Cash outflow from the repayment of financial liabilities (excluding money market transactions)		–246,086.2	–15,333.3
Cash inflow from contributions to building costs received and grants		12.0	0.0
Cash inflow (outflow) from increases (decreases) in Group financing		–32.7	–250,000.0
Cash inflow (outflow) from increases (decreases) in Group clearing balances		–175,302.0	1,014,824.8
Dividends paid		–191,078.6	–208,449.4
Cash flow from financing activities	(3)	–612,514.1	**741,042.1**
Change in cash and cash equivalents		3,168.0	–2,635.0
Cash and cash equivalents as at 1/1/		4,865.0	8,032.9
Cash and cash equivalents as at 31/12/[1]		8,032.9	**5,397.9**

[1] Also see note (5)

Report on research, development and the environment

Human Resources

With their commitment and their knowledge, our employees make an essential contribution to the goals and to the performance of our Group. We place value on highly qualified and dedicated employees to secure our long-lasting economic success. We invest in people by rewarding them in line with their performance and market conditions, and by offering consistent, needs-based continuing education.

Market situation necessitates personnel measures

2013 was marked by a persistently difficult situation in European energy markets. To lower costs and remain competitive, VERBUND initiated various measures such as a freeze on hiring external personnel from mid-April and a reorganisation programme.

Even in the previous years we had only allowed personnel levels to rise minimally, and hiring was tightened in the past year. The number of employees nonetheless rose by 5% compared with 2012 due to the purchase of Grenzkraftwerke GmbH and Innwerk AG, which involved taking on 216 employees. The number of new hires decreased compared with 2012. The focus in 2013 was on filling apprenticeship positions, positions relevant to succession planning and positions that had been advertised in the first quarter.

The reorganisation gives top priority to continued employment for the employees concerned. Necessary personnel reductions will be carried out in a socially responsible manner by offering some employees retirement and others part-time retirement opportunities. Enforced redundancies will be avoided. To achieve these goals, VERBUND implemented key initiatives such as the creation of an "internal employment market" and the conclusion of a social compensation plan.

Internal employment market promotes continued employment

Priority is given to filling vacant positions with personnel from the internal employment market. This is where our many years of investing in comprehensive continuing education pay off, as the employees affected by restructuring are able to work in many different areas. Targeted retraining programmes offer further prospects for participants in the internal employment market. VERBUND is therefore acknowledging the principle of continuous employment as part of its long-term personnel development.

Social plan supports transition

A detailed social plan was drawn up conjointly with the employee representatives. The plan provides for several measures. In addition to the legally stipulated part-time retirement models, the social plan will provide bridging payments for employees seeking new challenges in the external employment market. Employees interested in switching careers can take advantage of a labour foundation co-financed by VERBUND. For the duration of the stipend, they receive unemployment payments as provided by law. Additional internal retraining and advanced training programmes, some of which can be combined with the statutory educational leave options, enable us to provide all affected employees with solutions that are socially responsible and adapted to individual needs.

Apprentice training secures future talent

We are continuing the apprentice training initiative we introduced at VERBUND some years ago. Our goal in this is to counteract the demographically based wave of retirements that will occur during the next 5 years. Ongoing, quality-based human resources planning on the basis of "job families" has shown that the coming retirements will primarily involve skilled workers and master craftsmen.

Our employees in the trade professions are strategically important to our core business. For this reason, we pay special attention to securing their knowledge. We make significant investments in training our own apprentices and in ensuring structured succession planning.

For more than 60 years, apprenticeship training has been of great significance to our Group. The competence and skills needed to meet future challenges at VERBUND are conveyed to young talent at 3 apprentice workshops and at approximately 23 locations in Austria and Germany. Each year, over 40 dedicated men and women begin their 4-year training programme to become "electrical engineering and metalworking technicians" or "electronic and electrical engineering technicians". These dual professional qualifications are in high demand and offer excellent opportunities for the future. The results of the final apprenticeship examinations confirm the high quality of the training offered at VERBUND. In 2013, all apprentices passed this examination and about one-third of them with distinction.

In recent years, we have formed a pool of "skilled young workers" from the ranks of our apprentices. These workers receive additional training at the power plants. This will allow us to fill most of the technical positions opening up in the coming years from our own ranks.

Sustainability

Sustainable business management is particularly important in economically challenging times. We see our opportunity in environmentally friendly, renewable and socially acceptable energy generation. This is how VERBUND is making a key contribution to the future. In 2013, the new sustainability reporting guidelines were published by the Global Reporting Initiative. The guidelines foresee a focus on significant corporate topics and call for greater integration of stakeholders.

Maintaining a dialogue with our stakeholders

We engage in an open and objective dialogue with our stakeholders and ensure that our actions are comprehensible and clear. In 2013, we conducted a structured survey of our stakeholders in Austria and Germany (with a focus on Bavaria). The questions related to VERBUND in general as well as to our sustainability communications. Suggestions and requests were gathered in an online survey as well as in interviews with individuals from a variety of interest groups. The objectives were to evaluate our previous communications and to point out possible topics for future reporting as well as new areas on which to focus our work.

The survey indicated that more than 60% of our Austrian and Bavarian stakeholders are (very) satisfied with their exchange of information with VERBUND. The stakeholders named one of our main strengths as being quick provision of high-quality information and the high level of competence of the contact persons in individual discussions. Moreover, the German stakeholders also appreciated the respectful and confident tone of the communications and the high level of service offered. A direct ranking of the topics covered showed that, from the perspective of the Austrian stakeholders,

the most important ones were the provision of a secure power supply for VERBUND customers, an increase in the value of the Group and protection of the environment, nature and climate, as well as innovation.

Systematic measurement of sustainability

Since 2002, VERBUND has published sustainability reports in accordance with Global Reporting Initiative guidelines. One of our main challenges is collecting up-to-date, auditable data. To this end, in 2013 we set up a new central data collection system for all sustainability figures. Central data collection also increases our efficiency, since transferring data from previous systems decreases the effort involved in collection and review. Structured collection using uniform definitions and identifiable processes reduces error rates and increases transparency. Enhanced auditability of our sustainability data forms the basis for a higher level of quality and credibility of our reported figures. Other advantages of the new system are better data security and faster access times, which greatly facilitate the preparation of multiple reports.

VERBUND in sustainability indices

Our approach to sustainable business management is proving effective. We are assessed by several specialised sustainability agencies and are represented in a number of indices, such as:

- VÖNIX (VBV Österreichischer Nachhaltigkeitsindex): this sustainability index is made up of listed Austrian companies that lead the field in the areas of social responsibility and ecological achievements. The assessment is made by rfu sustainability research consulting.
- FTSE4Good Europe Index and Global Index: these are a series of stock exchange indices that specialise in ethical investments. The ratings institution is Ethical Investment Research Services (EIRIS).
- STOXX Europe Sustainability Index: this stock index is part of the Dow Jones Sustainability Index (DJSI). In addition to economic criteria, ecological and social criteria are also taken into account. The ratings are performed by Sustainalytics (head office in Amsterdam).

Emissions further reduced

In 2013, VERBUND again received recognition for its comprehensive reporting on greenhouse gas emissions and climate protection. The Carbon Disclosure Project assesses listed companies all over the world. As in 2012, VERBUND was singled out as the best Austrian company and the best energy company in the D-A-CH region. Total emissions are reported in accordance with the Greenhouse Gas Protocol. The majority of emissions were direct emissions from electricity generation from coal and gas as well as indirect emissions from purchased electricity. Due to its high share of renewable energy and low emissions, VERBUND is one of Europe's most environmentally friendly energy companies. In 2013, we lowered our greenhouse gas emissions to 104 t/GWh by reducing generation from thermal power. This reduction will continue over the next few years, and we will remain among the best in our peer group.

Environmental management system and certification

Since 1995, we have been using our environmental management system to improve the environmental performance of our sites on an ongoing basis. Our demand for high quality is supported by external certification in accordance with international standards. At the end of 2013, approximately 80% of all power plant sites were either EMAS or ISO 14001 certified, including 116 of 127 hydropower plants. All Austrian thermal power plants are equipped with an environmental management system certified to EMAS and ISO 14001. To allow better monitoring of the environmental impact of wind power plant operation, VERBUND's 3 Austrian wind farms are likewise being included in a certified environmental management system. The wind farms in Germany and Romania will follow during the next few years. Ever since 2008, all the grid locations and lines have complied with the following standards: ISO 9001, ISO 14001, ISO 27001, OHSAS 18001 and EMAS.

Since 1999, TÜV SÜD has been inspecting the origin of our hydropower electricity using strict criteria. The seal of approval confirms that the green electricity ordered by consumers is generated by our hydropower plants in the appropriate quality and quantities prior to being fed into the grid. VERBUND is thus a pioneer among Europe's electricity companies.

Innovation, research and development

Innovation is and has always been the driving force behind the development of society. For this reason, VERBUND promotes research and development with a clear goal in mind: to promote future technologies and areas of business at an early stage and to develop them until they are ready for the market. With the help of our Competence Centre for Innovation, we dedicate ourselves to the topics of tomorrow – such as energy management, renewable electricity generation and electromobility. We do this because we want a smart future for Austria and for all of Europe.

Key figures - R & D

	Unit	2012	**2013**
Number of R&D projects	Number	81	82
Total project volume[1]	€m	149.8	203.2
Of which EU projects[1]	€m	93.3	125.4
VERBUND's total share[1]	€m	14.3	15.8
Annual VERBUND expenses[1]	€m	5.2	6.1

[1] Over the whole duration of the projects.

Smart Energy – the energy system of the future

We have increased the access to our customers by developing new products and services with our "Energy Management and Services" programme. By innovatively linking reservoir solutions with a photovoltaics installation or heat pump, we enable households to meet their energy needs themselves to a greater degree. This enhances the role of customers as "prosumers". Electricity consumers also gain both an energy and financial advantage from the development of the energy system of the future.

In the area of business, we are offering access to electricity trading to both small- and medium-sized enterprises and industrial operations. We are taking on a new role in the control energy market with our VERBUND Power Pool, which allows facilities' load potentials and flexibilities to be combined and jointly

marketed. Demand response enables us to render system services that would not be accessible to individual customers. VERBUND ECO NET provides a scientific basis for energy efficiency, making it available for systematic use. The idea is for businesses to learn from each other so that everyone can save energy.

Priority for electromobility with 100% renewable energy

Electromobility can make a key contribution to meeting Austria's energy and climate targets for 2020. It also supports stabilisation of the grid, which is subject to stress due to the integration of volatile energy from wind and solar power. 100% of the additional electricity requirements come from renewable sources, above all hydropower as a proven source. To make optimum use of the positive effects from electromobility for the economy, Austria as a business location and the employment market, political signals must be set:

- A cross-regional, nationwide concept with links to Europe
- Transparent, non-prohibitive market regulations
- Fiscal, procurement-based market stimulation

We have already successfully completed EMPORA, Austria's biggest research project led by VERBUND, and the EMPORA2 project is in the final stages. In addition, we are coordinating the cross-border VIBRATe electromobility region, we are working on "Green eMotion", the EU's biggest electromobility project, and we have initiated an international flagship project called "Crossing Borders". More than 30 major Austrian companies have already joined the Austrian Mobile Power platform initiated by VERBUND.

After years of research and development, electromobility is now coming to the streets of Austria. Under the brand name of SMATRICS, E-Mobility Provider Austria – which we established together with Siemens – is building a nationwide, high-performance charging network to be completed at the end of 2014. In addition, attractive electromobility packages will be offered to corporate and retail customers.

Energy trading: new strategies for a difficult climate

The current market situation continues to be marked by sideways movement in wholesale electricity prices as well as stagnating long-term price levels. Short-term prices show high volatility, mainly as a result of the high levels of fluctuation in electricity generation from wind and solar installations. Our electricity traders respond to this by using new, option-based hedging products and fine-tuning their existing optimisation and forecasting tools.

Hydropower: efficient and environmentally friendly

We are continuing on our path of using innovative solutions to make our installations even more efficient and environmentally friendly. One good example of this is our test facility at the Retznei/Styria run-of-river power plant, which uses a HydroConnect hydrodynamic fish transport screw intended to combine fish passage with electricity generation. We are also working on improvements in upstream and downstream fish migration as well as fish protection in general.

Wind power: pioneer in optimising operations

We expanded our wind power portfolio by more than 400 MW within a short period of time. More than 140 wind turbines with capacities of between 1.8 and 7.5 MW are monitored in real time. The data they supply is processed immediately. We are currently developing an analysis tool for automatically identifying any variations in performance from the multitude of data sets generated and deriving

measures to prevent damage. This technology makes VERBUND a pioneer in the optimisation of wind farms in Austria.

Thermal power: electricity generation on demand

The high level of volatility in electricity generated from new renewable energy sources requires us to operate our thermal power plant flexibly as well. To this end, we are investigating minimum load reductions and "load gradient" increases. An additional challenge is posed by the temporal separation of electricity and heat generation for facilities with cogeneration (district heating storage). We are also focusing on the lifecycle of components subject to severe stresses, preventing damage through structured component analysis and constant efficiency improvements to power plants.

Power grid: ensuring effective transmission

Austrian Power Grid AG (APG), our innovative grid subsidiary, is working on innovative grid expansion and improved utilisation of the power grid infrastructure. In numerous energy market scenarios, the effects of new energy systems on the grid and the network have been analysed. Among other uses, the results form the basis for grid planning and support the planning of the electricity transmission system at a European level. Last year, in addition to the 2013 Network Development Plan, the APG 2030 Master Plan was completed. The Master Plan is intended to establish a stable basis for long-term planning.

Our innovation work also focused on the topic of the "smart grid". One of the projects – Active Demand Side Management (aDSM) – is leading to the establishment of an improved feed-in forecast for solar electricity. This will help to improve the distribution of loads in the power grid.

In its grid system management, APG is increasingly confronted with critical load situations that approach stability thresholds. To maintain grid security, new monitoring systems are therefore constantly being developed, such as thermal rating, ice-line monitoring and wide-area measurement systems. Some of these have already been integrated into active operations.

Report on branch offices

There were no branch offices in the financial year under review.

Report on significant risks and uncertainties

Risk and opportunity management

The importance of a functioning risk and opportunity management system becomes particularly evident in times of transition. Such a system can support the decision-making process, reduce possible effects from risk, and identify potential. VERBUND installed risk management centrally in 2000; beginning in 2001, tasks and functions were set up throughout the Group. Today, the system is an established component of the comprehensive management concept. We define risk management as the repeated sequence of the following processes: risk identification, analysis, measurement, elimination of possible causes for deviations, derivation of rules for measurement, monitoring of specific developments, and implementation of measures.

Principles, structures, and processes

Risk and opportunity management at VERBUND is based upon guiding principles such as the increase in value, security of supply and sustainability. As part of the management and control system, risk management is being refined continuously. Assessments of the risk position are incorporated into strategic decisions, into the analyses that are periodically updated during implementation of projects, and into the management of ongoing business. The thorough quantitative analysis of risks and opportunities facilitates the incorporation of risk management into the value-based management philosophy of VERBUND. The presentation of risks in reporting is based on 2 principles: completeness and a clear traceability of contexts and changes.

VERBUND has established various Risk Management Committees (RMCs). These bodies deal with topics such as energy management, business management and financial management, regulatory conditions, or information security and data protection. Under the leadership of Group Risk Management, they analyse the risk position in the operating units and make decisions on specific risks. Since 2008, a Chief Information Security Officer (CISO) organisationally assigned to Risk Management has been coordinating all information security and data protection issues within the Group. To deal with extraordinary events, VERBUND has established a Group Crisis Management system, which is constantly being adapted to changing conditions and increasing requirements. VERBUND subsidiary APG was certified as an independent transmission system operator in 2012, and has had its own independent risk organisation ever since.

Risk and opportunity management is a significant part of the business processes at VERBUND. Risk management is based upon result, inventory, and liquidity parameters. Within an ongoing monitoring process, we collect information on possible hazards and opportunities, model cause-effect relationships, determine deviations, and take the necessary actions based upon this information. All significant processes within the Group are run through this control loop. When making strategic decisions, business plans are supplemented by the consideration of risks and opportunities. The most important decision-making criterion is the expected return on capital invested, taking risk into account.

Energy transition and the economic crisis are increasing the risk of required re-evaluation of assets or liabilities. Normal business performance is significantly driven by market price risks. These include, for example, trends in wholesale prices for electricity, prices for gas, coal, or emission rights, interest, and exchange rates. These risks are evaluated using statistical valuation methods. The measurement of operating risks is based upon estimates by experts. The measurements are subject to a continuous improvement process. Risks from potential bad debts arise from the financial processing of business processes. These are measured based upon credit rating criteria available in the market.

During the implementation phase of projects, the risk of unplanned payments due to deviations in time, costs, or quality is assessed and reported. The valuation includes the entire remaining project runtime and presents the possible financial effects, while considering unplanned payments and countermeasures.

Current risk position of VERBUND

The business activities of VERBUND tie up significant financial resources. They require the use and the availability of technically complex systems and operating procedures. They are also part of the socio-political discussion. The construction of property, plant and equipment is generally preceded by lengthy approval proceedings. The operation and maintenance of assets used over many years require highly qualified employees.

Risks in the economic environment and the sector

The current economic crisis is leading to a deterioration in external risk factors, i.e. risk factors that cannot be directly influenced. These originate from politics, the economy, the energy sector and social issues. As a result, planning security for VERBUND is reduced. This may have negative consequences on pending investment decisions and could affect the recoverability of the business assets. The expansion of the Austrian electricity supply is occurring within the context of pan-European developments. The EU growth strategy "Europe 2020" and the growth targets defined therein provide the guidelines for this expansion.

The risk department at the "Trading and Sales" level of the value chain secures compliance with prescribed limits in the electricity business. The subsidised expansion of electricity generation from wind power and photovoltaics has overridden existing competitive and market mechanisms. The underpinnings established in the liberalisation of the energy market, such as the use of power plants based upon variable production costs (merit order) or the distinction between base and peak loads, have lost a great deal of their importance within a short period of time. The development of a sustainable market design is currently the topic of intensive technical discussions, in which VERBUND is actively participating.

As the leading power generation company with a dominant share of hydropower, VERBUND is heavily dependent upon trends in water supply, which cannot be influenced. Output from run-of-river plants can be controlled only to a very minor extent (hydropeaking). By contrast, storage power plants are operated with daily, monthly or yearly retention periods respectively. The economic efficiency of VERBUND's pumped storage is based upon the flexibility of the overall system, which has been built up over decades. Additional operating hours to cover unplanned changes in demand also provide more revenue opportunities. The earnings contribution depends largely upon the frequency and absolute extent of short-term price fluctuations in the electricity markets.

Information and communication systems form the backbone of VERBUND's business activities. Given the increasing size and complexity of international electronic networks, cybercrime is also an increasing potential threat to VERBUND. The Group is therefore implementing appropriate activities in this area.

VERBUND places high priority on the security of its control systems. VERBUND's crisis management system was also activated during the disruption of the control system network that occurred on 2 May 2013 at individual distribution grid and power plant operators in Austria. This allowed a very rapid restoration of secure normal operating conditions.

Over the long term, climate change is another risk. This has a possible influence on both the seasonal distribution and the fundamental water supply.

Risks caused by the legal environment

No agreement on a National Energy Efficiency Act was reached during the last session of the legislature. This is therefore a priority for the new federal government. Its programme discusses "binding industry obligations on a statutory basis for all energy sources" while offsetting existing programmes. Given the period for implementation established under European law, VERBUND expects a national law to be enacted by the middle of 2014.

Following months of delay at the EU level, the European Commission, European Council, and European Parliament agreed on the text of the revised "Markets in Financial Instruments Directive" (MiFID) in January 2014. In contrast to the interim drafts of "MiFID II," which had different wording, wholesale energy providers will not be required to hold securities or banking licenses in the future.

When certain threshold values are exceeded, the "European Market Infrastructure Regulation" (EMIR) specifies that over-the-counter (OTC) derivatives transactions must be cleared through a central counterparty. Contrary to original assumptions, VERBUND is not currently affected by this. Nevertheless, such transactions must be reported in a transaction register beginning in 2014.

The introduction of a financial transaction tax in Austria would tax trading in shares and bonds as well as derivatives. This could be relevant for VERBUND, not least in view of possible mergers, sales, and company takeovers.

Other risk factors

The asset swap performed in 2013 with E.ON was the most far-reaching financial transaction in VERBUND's corporate history. Changing conditions in the energy markets led to impairment losses in 2013 as well as a more extensive reorganisation of the gas portfolio. This also includes the initiation of legal steps. The implementation of possible options for action can significantly influence the Group result.

VERBUND has entered into long-term agreements to facilitate the conduct of its business. Changes in economic conditions have influenced the profitability of some of these agreements. Possible contract amendments reduce the risks. The risk that facilities may become impaired remains high. Previously unplanned contributions to Group companies could also be necessary. VERBUND recognises provisions for contractually agreed expenses from ongoing reorganisation programmes, for pensions and severance payments, and for the post-use phase of generation facilities (e.g. for their dismantling). Deviations from the assumptions for the creation of these provisions may produce fluctuations in the result.

Within the scope of financial management, an effective monitoring of counterparty risks minimises defaults in performance and/or payment by business partners. Limits are centrally assigned and continuously monitored. Stable cash flows from operating results secure debt servicing. In addition, VERBUND possesses sufficient credit lines for accessing cash and cash equivalents at short notice. Ongoing measures are taken to counter the possible crystallisation of collateral provided. These also include possible effects of a further change in the rating of VERBUND AG on the off-balance-sheet cross border leasing transaction.

Management of the VERBUND investment programme is also associated with risks. Early inclusion of interest groups, compliance with regulatory conditions and good management of simultaneously managed projects should ensure the success of the implementation. Risk management is incorporated into the entire project cycle.

Natural events such as floods, storms or avalanches could cause an unscheduled outage of electricity generation or transmission facilities as well as consequential damage.

Outlook: Risks and opportunities for 2014

The planned operating results for 2014 may fluctuate as a result of impairments, market valuations, volume and price risk of own generation, and default risks.

VERBUND AG's financial result is being increasingly influenced by the earnings contributions from its equity interests. The result from equity interests reflects the following factors: the operating business activities of the equity interests, changes in the market environment for the energy sector, restructuring expenses, the possible impairment of the carrying amounts of equity interests and the possible crystallisation of liabilities and guarantees. The financial result also fluctuates based upon the reporting date measurement of a yen liability to be repaid as planned in 2015.

Financial instruments

The primary financial instruments held by VERBUND include, in particular, investments such as securities, loans and equity interests, trade receivables, cash at banks, securitised and non-securitised financial liabilities and trade payables.

Finance area

Derivative financial instruments serve exclusively as hedges against existing currency and interest rate risks. The fluctuations in value of these hedging instruments are balanced out by the fluctuations in value of the hedged items. The change in value of those transactions to which hedge accounting is not applied is always recognised in profit or loss.

Additional information on accounting treatment and measurement can be found in Section III (2) of the notes.

Electricity sector

Derivative financial instruments relating to the electricity business comprise electricity futures, electricity forwards and swaps. Purpose of the derivative hedging transactions in the electricity sector is the conclusion of electricity transactions that are not physically reinsured.

Positive and negative fair values are presented separately. If a framework agreement with a netting clause has been entered into with the counterparty, the positive and negative fair values of the transaction for this counterparty are netted for accounting purposes.

The effects of potential market price fluctuations (–10% to +10%) on the overall portfolio or separated according to forwards and futures in the trading portfolio are measured by way of a sensitivity analysis.

Additional information on accounting treatment and measurement can be found in Section III (2) of the notes.

As at 18 February 2014, no risks were foreseeable for 2014, the effects of which – either individually or in interaction with other risks – could pose a threat to the continued existence of VERBUND AG.

Internal control and risk management system

in accordance with Section 243a(2) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB)

According to Section 243a(2) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB), the internal control and risk management systems for the accounting process must be described. VERBUND's internal control system (ICS) includes all measures for ensuring the reliability, effectiveness, and efficiency of this process, as well as the compliance with external regulations. The risk management system is explained separately in the section entitled "Risk and opportunity management".

Organisational framework

VERBUND has responsibilities towards many interest groups and the environment. Group management acts in accordance with the principles defined in the corporate mission statement. The Executive Board bears responsibility for developing and implementing the ICS, whose effectiveness is monitored by the Supervisory Board's Audit Committee.

Fundamentals of the internal control system

VERBUND's accounting process is governed by Group-wide guidelines and requirements. In its practical implementation, the performance, monitoring, and supervision of business transactions are kept structurally separate. This prevents any single employee from acting alone in performing all the process steps of a transaction from the beginning to the end.

The review of authorisations is integrated into the technical processing of transactions. Compliance with and the effectiveness of these checks is reviewed on a periodic basis. Based upon VERBUND's process map, business processes and the risks that they entail are systematically analysed and documented, as are checks of the accounting process. The documentation of the time schedule for the checks, flow charts and the process map together constitute the process manual, which is updated regularly. VERBUND's organisational structure is continually adapted as needed to address changing internal and external conditions.

Reporting in compliance with unbundling provisions

The internal quarterly and annual reports consolidate information from management accounting, financial management and risk management. All reports are based upon uniform Group-wide rules for preparation and measurement. The VERBUND subsidiary APG has been operating in the market since 2012 as an independent transmission system operator. An external equal opportunities officer monitors compliance with the contractually specified unbundling provisions.

Periodic monitoring

Internal audit reviews the handling of business processes as well as the internal control and risk management system. Audits are performed according to the audit schedule approved by the VERBUND Executive Board, supplemented by short audits and special audits. The audit reports include recommendations and measures. A periodic follow-up ensures implementation of the proposed improvements. As an independent transmission system operator, APG has had its own internal audit function since March 2012.

Shareholder structure and capital information

in accordance with Section 243a(1) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB)

1. At the balance sheet date, the share capital comprises:
   170,233,686 no-par shares (bearer shares category A), equivalent to 49% of share capital; 177,182,000 no-par shares (registered shares category B), equivalent to 51% of share capital, authenticated by an interim certificate deposited with the Federal Ministry of Finance and made out in the name of the Republic of Austria. Thus there were 347,415,686 shares in circulation at the balance sheet date. With the exception of the voting restriction described under point 2, all shares have the same rights and obligations.

2. In accordance with constitutional law, which regulates the ownership structure of companies in the Austrian electricity sector (Federal Law Gazette I [BGBl] 1998/143(2)), and in accordance with the provision of the Articles of Association based upon this, the following voting restriction applies: "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." We are unaware of any other restrictions that affect voting rights or the transfer of shares.

3. The shareholder structure of VERBUND AG is largely defined by the majority holding of the Republic of Austria. In accordance with constitutional law, 51% of the share capital of VERBUND AG is owned by the Republic of Austria. A syndicate of the state energy companies WIENER STADTWERKE Holding AG and EVN AG owns more than 25% of the share capital. More than 5% of the share capital is owned by TIWAG-Tiroler Wasserkraft AG. Less than 20% of the share capital is in free float.

4. There are no shares with special control rights.

5. VERBUND does not have any employee participation programmes.

6. In accordance with the rules of procedure for the Supervisory Board, the last nomination to the Executive Board must be prior to the nominee's 65th birthday. Pursuant to the Austrian Code of Corporate Governance, a Nomination Committee has been established within the Supervisory Board and makes arrangements for the appointment of Executive Board members on behalf of the Supervisory Board. The rules of the Code with respect to the appointment and dismissal of the members of the Executive Board and the Supervisory Board are complied with (see corporate governance report 2013). Apart from the above, there are no other regulations derived directly from law that relate to the members of the Executive Board and the Supervisory Board, or to the amendment of the Articles of Association.

7. **Authorised capital**: In the Extraordinary General Meeting held on 24 September 2010, the Executive Board was authorised under Section 169 of the Stock Corporation Act (Aktiengesetz, AktG) to increase the share capital with the approval of the Supervisory Board by 23 September 2015 by up to €154,100,000.00 by issuing up to 154,100,000.00 new bearer or registered ordinary shares (no-par shares) against a cash contribution – made in several instalments, if applicable. The issue amount, the terms of issue and the further details of the implementation of the capital increase are to be

determined with the approval of the Supervisory Board. The prerequisite is that the Republic of Austria subscribes for new shares within the scope of a capital increase from the authorised capital, and that the shareholding of the federal government in the Company thereby does not fall below 51% of the Company's share capital even after completion of such a capital increase from authorised capital. Subsequently, the Executive Board resolved a capital increase with the Supervisory Board's approval on 24 November 2010 by issuing 39,215,686 no-par shares, whereby the share capital rose to €347,415,686.00. After this capital increase, the Executive Board is authorised to increase the share capital with the approval of the Supervisory Board by 23 September 2015 from the current nominal value of €347,415,686.00 by up to €114,884,314.00 through the issue of up to 114,884,314.00 new bearer or registered ordinary shares (no-par shares).

Share buyback: The 66th Annual General Meeting of VERBUND AG held on 17 April 2013 authorised the Executive Board under Section 65(1) Item 8 as well as Sections (1a) and (1b) of the Stock Corporation Act (AktG) to purchase no-par value bearer shares of the Company in the amount of up to 10% of the Company's share capital during a period of 30 months beginning on 17 April 2013, both in an exchange market and in over-the-counter trading, whereby the transaction value must not be more than 15% below or above the average quoted price of the last five trading days prior to purchase of the shares. The purchase may not be for the purpose of trading in the Company's own shares. The authorisation may be exercised in whole or in part by the Company, by a subsidiary, or by third parties on account of the Company.

The Executive Board is authorised for a period of 5 years from the adoption of the resolution under Section 65(1b) of the Stock Corporation Act (AktG), with the approval of the Supervisory Board, to decide upon a different type of sale of its own shares other than in an exchange market or through a public offering, also with exclusion of the right of repurchase (reverse preemptive right) of the shareholders, and to determine the terms of sale. Finally, the Executive Board is authorised, with the approval of the Supervisory Board, to reduce the share capital if necessary by redeeming these own shares without an additional resolution by the General Meeting.

Apart from the above, there are no authorisations of the Executive Board within the meaning of Section 243a (7) of the Austrian Commercial Code (UGB).

8. The Company is not involved in any significant agreements that contain provisions referring to the stipulations under Section 243a(8) of the Austrian Commercial Code (UGB). Furthermore, in our opinion, a public takeover bid is not possible at this time under constitutional law.

9. There are no compensation agreements within the meaning of Section 243a(9) of the Austrian Commercial Code (UGB).

Report on the expected performance of the Company

Outlook

The expansion of the global economy will remain moderate in 2014. Even though prospects have brightened recently in the industrialised nations, economic growth is still moderate and risks to the outlook remain.

Economic climate improves at a moderate pace

The debt crisis in the eurozone remains unresolved and setbacks are possible. The budget dispute in the USA was recently settled with a compromise. The fundamental conflict over spending policies and measures to reduce government debt has not been finally resolved, however. Uncertainties also exist about the economic prospects of the large emerging nations, which have been the drivers of the global economy for some time. A distinct weakening of growth in these countries would put a noticeable brake on the global economy.

In Europe, the International Monetary Fund (IMF) is seeing the first indications of an economic recovery. The pace of revitalisation should nevertheless remain moderate. The structural adjustment processes in the crisis countries will continue to burden the economy for some time. According to the IMF, the eurozone may return to economic growth in 2014 with a positive growth of 1.0%. The Austrian economy may grow by 1.7% in 2014 according to the forecast by the Austrian Institute of Economic Research (Österreichisches Institut für Wirtschaftsforschung, WIFO).

The challenge of energy transition

The electricity market is undergoing the most far-reaching changes since deregulation in 1999. New renewable energy is receiving enormous subsidies. Demand for electricity, on the other hand, is weak or even declining due to the economy. For these reasons, the futures market is providing no investment incentive for the next few years, with electricity prices remaining low and stagnant. Given a further strong expansion of renewable energy, investments over the medium term in new flexible power plants and efficient grids are necessary in order to ensure security of supply.

Moreover, the CO_2 market is not currently functioning. The low prices provide no incentive to move towards low-carbon generation technologies. As a result, profitable operation of gas power plants is impossible due to their high fuel costs (mostly because of long-term contracts tied to volumes and the price of oil). By contrast, power plants with the highest specific CO_2 emissions, namely lignite-fired power plants, are profitable.

Energy transition requires sound judgement and a holistic approach. There is a need to create a functioning, shared European domestic electricity market that takes into account the 3 central goals of European energy policy: security of supply, cost-effectiveness, and sustainability.

Investments in hydropower and regulated business areas

VERBUND's investment plan has been adapted to the changing conditions in the European electricity market: €2.3bn will be invested during the 2014–2018 period. Of this total, €1.5bn will be spent on growth investments and €0.8bn on maintenance. The investments will almost exclusively involve our core markets of Austria and Germany. We will complete ongoing construction projects and increase the efficiency of existing hydropower plants. We will also be investing in regulated operating segments: wind power and the Austrian high-voltage grid. In financial year 2014, we plan to invest a total of €369.5m; €207.3m in growth and €162.2m in maintenance.

Dividend policy

We plan to distribute a dividend of €1 per share for financial year 2013. This dividend consists of a basic dividend of €0.55 per share and a special dividend of €0.45 per share. The distribution of the special dividend is due to the successfully completed asset swap with E.ON in 2013. For 2014, we are planning a payout ratio of around 50% – based upon the Group result adjusted for non-recurring effects.

Earnings projection 2014

The development of the VERBUND result is significantly affected by the following factors: wholesale prices for electricity, the Group's own generation, and further energy management developments in gas power plants. VERBUND AG's 2013 result was significantly influenced by extraordinary effects such as impairment losses from investees. Based on the forecast at the beginning of the year, VERBUND AG expects a profit on ordinary activities before taxation of around €370m for financial year 2014.

Events after the balance sheet date

On 1 January 2014, the pension fund responsible for investing plan assets was changed. BAV Pensionskassen AG began to sell the securities on 10 December 2013. As a result, plan assets were held exclusively as cash as at 31 December 2013 and effective 1 January 2014 transferred to APK Pensionskasse AG, which has been responsible for its investment since that time.

Vienna, 18 February 2014
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

Financial statements

Balance sheet

Assets			€k
	Notes	2012	**2013**
A. Fixed assets			
I. Intangible assets	(1)	5,409.3	6,235.0
II. Property, plant and equipment		31,733.5	32,662.7
III. Investments	(2)	4,347,977.1	4,714,935.6
		4,385,119.9	**4,753,833.3**
B. Current assets			
I. Inventories	(3)	14,241.9	15,004.8
II. Receivables and other assets	(4)	1,093,373.5	626,207.2
III. Cash in hand, cash at banks	(5)	8,032.9	5,397.9
		1,115,648.4	**646,609.9**
C. Prepayments and accrued income	(6)	103,565.8	**182,153.2**
		5,604,334.0	**5,582,596.4**
Rights of recourse	(7)	4,154,790.7	2,497,927.5
Less counter-guarantees from cross-border leasing		–456,673.9	–399,747.8
		3,698,116.9	**2,098,179.7**

Liabilities			€k
	Notes	2012	**2013**
A. Equity			
I. Share capital	(8)	347,415.7	347,415.7
II. Capital reserves		971,720.3	971,720.3
III. Revenue reserves	(9)	1,564,498.7	670,292.1
IV. Net profit of which profit carried forward €0.0k; previous year: €0.0k	(10)	208,449.4	347,415.7
		3,092,084.2	**2,336,843.8**
B. Untaxed reserves	(11)	3,112.1	**2,972.0**
C. Provisions	(12)	105,347.1	**393,800.5**
D. Liabilities	(13)	2,394,459.6	**2,839,085.9**
E. Accruals and deferred income	(14)	9,331.2	**9,894.2**
		5,604,334.0	**5,582,596.4**
Contingent liabilities	(15)	4,154,790.7	2,497,927.5
Less counter-guarantees from cross-border leasing		–456,673.9	–399,747.8
		3,698,116.9	**2,098,179.7**

Income statement

€k

	Notes	2012	**2013**
1. Revenue	(16)	2,667,377.0	2,726,684.9
2. Change in total services not yet billable		–50.0	61.4
3. Other operating income	(17)	38,050.6	43,574.8
4. Operating income (subtotal of lines 1 to 3)		2,705,377.5	**2,770,321.1**
5. Expenses for electricity, grid/gas purchases and purchases of emission rights and other purchased production services and other services		–2,399,223.3	–2,496,024.3
6. Personnel expenses	(18)	–34,118.6	–30,982.3
7. Depreciation and amortisation	(19)	–2,548.1	–2,848.1
8. Other operating expenses	(20)	–84,997.8	–110,771.6
9. Operating result (subtotal of lines 4 to 8)		184,489.7	**129,694.8**
10. Income from equity interests		305,374.2	390,304.4
11. Income from other securities and loans in financial assets		32,156.3	16,139.8
12. Other interest and similar income		36,294.2	25,293.7
12. Income from the disposal and reversal of impairment losses on investments		52,719.8	43.1
14. Expenses from investments		–54,158.3	–821,189.6
15. Interest and similar expenses		–141,282.4	–412,923.3
16. Financial result (subtotal of lines 10 to 15)	(21)	231,103.8	**–802,332.0**
17. Profit or loss on ordinary activities before taxation		415,593.5	**–672,637.2**
18. Taxes on income	(22)	–22,508.8	125,706.3
19. Net income/net loss for the year		393,084.7	**–546,931.0**
20. Reversal of untaxed reserves		210.8	140.1
21. Disposal of revenue reserves		0.0	894,206.6
22. Allocation to revenue reserves		–184,846.1	0.0
23. Net profit		208,449.4	**347,415.7**

Statement of changes in fixed assets

	As at 1/1/2013	Additions	Disposals	Reclassifications
I. Intangible assets				
1. Industrial property rights, electricity purchase rights, usage fees and similar rights and benefits as well as licences derived therefrom	327,885.7	1,832.2	13.3	0.0
	327,885.7	1,832.2	13.3	0.0
II. Property, plant and equipment				
1. Land, land rights and buildings, including buildings on third-party land				
a. With residential buildings	77.6	0.0	0.0	0.0
b. With plant and other plant facilities	27,113.9	518.8	2.1	0.0
c. Undeveloped land	7,208.4	0.0	0.0	0.0
2. Electrical installations	7,776.6	76.8	969.3	431.9
3. Office and plant equipment	18,028.5	1,613.9	289.7	0.0
4. Effected advance payments and plants under construction	431.9	632.1	0.0	–431.9
	60,637.0	2,841.6	1,261.0	0.0
Property, plant and equipment and intangible assets	388,522.7	4,673.8	1,274.4	0.0
III. Investments				
1. Shares in affiliated companies	2,678,575.5	1,439,458.7	0.0	26,461.9
2. Loans to affiliated companies	1,026,901.8	228,476.6	854,420.1	0.0
3. Equity interests	598,281.8	0.0	287,592.4	–26,461.9
4. Securities (loan stock rights) under fixed assets	73,528.6	1,408.9	50,764.1	0.0
5. Other loans	211.2	21.8	30.7	0.0
	4,377,498.9	1,669,366.0	1,192,807.3	0.0
Fixed assets	4,766,021.6	1,674,039.8	1,194,081.7	0.0

Base value of land as at 31/12/2013: €10.549.1k (previous year: €10,549.1k).

€k

	As at 31/12/2013	Accumulated depreciation, amortisation and write-downs	**Net carrying amount as at 31/12/2013**	Net carrying amount as at 31/12/2012	Impairment losses 2013	Depreciation and amortisation 2013
	329,704.6	323,469.6	6,235.0	5,409.3	0.0	1,006.6
	329,704.6	323,469.6	**6,235.0**	5,409.3	0.0	1,006.6
	77.6	75.6	2.0	2.6	0.0	0.6
	27,630.6	17,121.9	10,508.7	10,557.2	0.0	565.2
	7,208.4	0.0	7,208.4	7,208.4	0.0	0.0
	7,316.1	5,411.8	1,904.2	1,718.2	14.6	306.4
	19,352.7	6,945.5	12,407.2	11,815.1	0.0	954.8
	632.1	0.0	632.1	431.9	0.0	0.0
	62,217.5	29,554.8	**32,662.7**	31,733.5	14.6	1,827.0
	391,922.1	353,024.5	**38,897.7**	37,142.8	14.6	2,833.6
	4,144,496.0	719.3	4,143,776.7	2,678,555.5	699.3	0.0
	400,958.3	80,680.6	320,277.8	1,026,901.8	80,680.6	0.0
	284,227.5	54,316.3	229,911.2	572,276.0	45,003.0	0.0
	24,173.5	3,405.7	20,767.7	70,032.7	0.0	0.0
	202.2	0.0	202.2	211.2	0.0	0.0
	4,854,057.5	139,121.9	**4,714,935.6**	4,347,977.1	126,382.8	0.0
	5,245,979.7	492,146.4	**4,753,833.3**	4,385,119.9	126,397.4	2,833.6

Statement of changes in untaxed reserves

€k

	As at 1/1/2013	Additions/ reclassifications	Reversals/ disposals	**As at 31/12/2013**
Valuation reserve due to special tax deductions				
1. Early depreciation in accordance with Section 7a of the Austrian Income Tax Act (EStG) 1988				
1.1. Electrical installations	122.8	0.0	7.7	115.1
1.2. Office and plant equipment	108.9	0.0	19.8	89.1
	231.7	0.0	27.6	**204.1**
2. Transfer of hidden reserves in accordance with Section 12 of the Austrian Income Tax Act (EStG)				
2.1. Electrical installations	2.4	0.0	2.3	0.1
2.2. Office and plant equipment	1,034.5	0.0	110.2	924.3
2.3. Shares in affiliated companies	1,811.1	0.0	0.0	1,811.1
2.4. Securities	32.4	0.0	0.0	32.4
	2,880.4	0.0	112.5	**2,767.9**
Untaxed reserves	3,112.1	0.0	140.1	**2,972.0**

Maturity schedule 2013

€k

	Residual term to maturity as at 31/12/2013			
	< 1 year	> 1 year	> 5 years	Total
Loans				
1. Loans to affiliated companies	33,991.7	127,686.1	158,600.0	320,277.8
2. Other loans	36.9	164.1	1.2	202.2
	34,028.6	127,850.2	158,601.2	320,480.0
Receivables and other assets				
1. Trade receivables	176,474.5	0.0	0.0	176,474.5
2. Receivables from affiliated companies	290,511.6	0.0	0.0	290,511.6
3. Receivables from investees	2,861.5	0.0	0.0	2,861.5
4. Other receivables and assets	156,359.6	0.0	0.0	156,359.6
	626,207.2	0.0	0.0	626,207.2
Liabilities				
1. Bonds	939.0	46,645.6	127,823.0	175,407.6
2. Liabilities to banks	15,549.9	245,333.3	36,666.7	297,549.9
3. Financial liabilities to others	28,691.5	0.0	0.0	28,691.5
4. Trade payables	124,550.0	1.0	0.0	124,551.0
5. Liabilities to affiliated companies	837,870.2	81,901.9	1,083,706.1	2,003,478.2
6. Other liabilities	21,915.6	25,021.3	162,470.7	209,407.6
	1,029,516.2	398,903.2	1,410,666.5	2,839,085.9

Maturity schedule 2012

€k

	Residual term to maturity as at 31/12/2012			
	< 1 year	> 1 year	> 5 years	Total
Loans				
1. Loans to affiliated companies	70,418.5	546,016.7	410,466.7	1,026,901.8
2. Other loans	22.3	187.4	1.5	211.2
	70,440.8	546,204.0	410,468.1	1,027,113.0
Receivables and other assets				
1. Trade receivables	176,614.2	0.0	0.0	176,614.2
2. Receivables from affiliated companies	792,694.2	0.0	0.0	792,694.2
3. Receivables from investees	17,963.5	0.0	0.0	17,963.5
4. Other receivables and assets	106,101.7	0.0	0.0	106,101.7
	1,093,373.5	0.0	0.0	1,093,373.5
Liabilities				
1. Bonds	1,196.2	48,851.3	127,823.0	177,870.5
2. Liabilities to banks	15,333.3	45,333.3	52,000.0	112,666.7
3. Financial liabilities to others	1,191.5	27,500.0	0.0	28,691.5
4. Trade payables	125,211.2	36.6	0.0	125,247.8
5. Liabilities to affiliated companies	50,922.7	550,000.0	840,000.0	1,440,922.7
6. Other liabilities	28,078.7	53,011.1	427,970.6	509,060.4
	221,933.6	724,732.4	1,447,793.6	2,394,459.6

Notes
to the annual financial statements

Notes

I. Accounting policies

Note on rounding

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

Fixed assets

As a rule, depreciable fixed assets are measured at cost less depreciation and amortisation. VERBUND's schedule of uniform depreciation and amortisation rates specifies the following depreciation and amortisation rates:

	Rate of depreciation/ amortisation in %	Useful life in years
Intangible assets		
Rights to telecommunications installations	10	10
Rights to software products	25	4
Other rights	5	20
Buildings		
Residential and office buildings	2 or 3	33.3 or 50
Plant(s)	3	33.3
Technical installations and machinery		
Machinery	4 or 5	20 or 25
Electrical installations	5	20
Telecommunications installations	10	10
Office plant and equipment	10–25	4–10

Property, plant and equipment and intangible assets used for longer than 6 months of the financial year are depreciated or amortised at the full annual rate, whereas those that are used for less than 6 months are depreciated or amortised at half the annual rate.

Purchased intangible assets are recognised at cost and – to the extent that they are depreciable – amortised over their standard useful life.

In addition to direct material and production costs, the cost of internally generated plant and equipment also includes appropriate indirect material and production costs. The Company has chosen not to apply the optional method of measurement with respect to social security expenses, severance payments as well as pensions and similar obligations within the meaning of Section 203(3) of the Austrian Commercial Code (UGB) as well as not to capitalise borrowing costs (Section 203(4) of the Austrian Commercial Code (UGB)). Low-value assets are fully written off in the year of acquisition in accordance with Section 226(3) of the Austrian Commercial Code (UGB).

Shares in affiliated companies and equity interests are recognised at cost or at the lower fair value. Securities and loan stock rights under fixed assets are measured at cost or at the lower fair value; impairment is not reversed. Interest-bearing loans are recognised at nominal value. Impairment losses are recognised if the impairment is expected to be permanent; impairment is not reversed. Receivables with a maturity of more than one year are reported under investments as loans.

Current assets

Services not yet billable are recognised at production cost. Production cost includes direct material and production costs as well as appropriate indirect material and production costs. The Company has chosen not to apply the measurement option concerning the inclusion of social security expenses and borrowing costs (Sections 203(3) and (4) of the Austrian Commercial Code (UGB)).

Inventories recognised using the moving average price method are measured at cost in accordance with the strict lower-of-cost-or-market principle.

Receivables and other assets are measured at nominal value, unless a lower amount is to be recognised were there are identifiable individual risks. Receivables in foreign currencies are measured at the mean rate of exchange prevailing at the recognition date or the lower foreign exchange reference rate of the European Central Bank (ECB) prevailing at the balance sheet date (unless the exchange rate is otherwise hedged).

Cash at banks in foreign currency is also measured using the ECB foreign exchange reference rate in accordance to the strict lower-of-cost-or-market principle.

Prepayments and accrued income

If tax relief is expected in subsequent years, the option to recognise deferred tax assets is applied, whereby the deferred taxes attributable to Group members based on tax allocation are presented under the current result in their balance sheets.

This prepayment results from differences between the financial and tax accounts with respect to line items that can only be deducted as expenses for tax purposes in income statements of future periods.

Provisions

Provisions take all foreseeable risks into account that can be allocated to an already completed financial year and include those amounts that it was necessary to recognise based on prudent business judgement.

Provisions for severance payments are allocated at the full actuarial amount based on the projected unit credit method typically used in international accounting. The accumulation period for provisions for severance payments is 25 years. Employees whose service began after 31 December 2002 are no longer entitled to a direct claim against their employer for a statutory severance payment. For these employment contracts, the employer pays 1.53% of gross salary monthly into an employee pension fund in which the contributions are deposited in an account of the employee. Provisions of the collective bargaining agreement for energy supply companies in excess of the statutory claims are recognised in provisions for severance payments.

Due to labour management agreements and contracts, VERBUND is obligated under certain conditions to make pension payments to employees after they retire. These defined benefit obligations are partially covered by pension plan assets earmarked for this purpose by BAV Pensionskassen AG. The provision determined in accordance with the projected unit credit method typically used in international accounting is presented after netting with pension plan assets. The employer is obligated to provide additional funding to the extent that these defined benefit obligations are to be fulfilled by BAV Pensionskassen AG.

Provisions for current pensions, vested pension benefits and similar obligations are determined using the PUC method.

The interest expense is shown in financial result, in line with international practice.

The calculations are based on "AVÖ 2008-P – Actuarial Assumptions for Pension Insurance – Pagler & Pagler".

The calculations as at 31 December 2013 and 2012 are based on the following assumptions:

		%
	2012	**2013**
Interest rate		
Pensions and similar obligations	4.00	3.50
Severance payments	4.00	3.50
Trend		
Pension increases	2.25	2.25
Salary increases	2.75	2.75
Contributions to obligations similar to pensions – old contracts	7.00	7.00
Contributions to obligations similar to pensions – new contracts	4.00	4.00
Fluctuation	0.00–4.00	0.00–4.00
Retirement age – women	56.5-65 y.	56.5-65 y.
Retirement age – men	61.5-65 y.	61.5-65 y.
Expected non-current return on plan assets	4.00	3.50

The same interest rate is applied for the expected return on plan assets as is used to determine the corresponding provision. The discount rates differ according to the residual term of the commitments and in line with the total contained therein (employees and pensioners).

Liabilities

Liabilities are recognised at their redemption amount based on the principle of prudence. Trade payables denominated in foreign currency are measured at the ECB foreign exchange reference rate prevailing at the balance sheet date, provided that this rate is higher than the rate prevailing at the time of origination.

Liabilities from bonds and loans denominated in foreign currency are measured at the ECB foreign exchange reference rate prevailing at the balance sheet date, provided that this rate is higher than the rate prevailing at the time of origination. The result of this measurement is presented under the corresponding liabilities. Discounts and the cost of procuring credit were capitalised and repaid systematically until 1983 and in financial years 1994 to 1997 in accordance with Section 198(7) of the Austrian Commercial Code (UGB).

Derivative financial instruments

Sales transactions

Marketing of own generation. VERBUND AG hedges planned generation for generation subsidiaries and for purchase rights. In doing so, VERBUND AG buys electricity forwards from the respective generation subsidiary at market prices or with the purchase rights at cost plus a return on equity in accordance with the corresponding electricity supply agreement, and in turn resells them in the market by means of electricity forwards or electricity futures. VERBUND AG retains any margin between the purchase and sale price.

Transactions between VERBUND AG and the generation subsidiaries/purchase rights are classified either as derivatives (to the extent that optimisations take place) or as an own-use relationship (if delivery takes place only from the electricity provider/purchase right to VERBUND AG). The transactions between VERBUND AG and external partners constitute derivatives.

Hedging relationships exist between the transactions with generation subsidiaries/purchase rights (underlying transaction) and the transactions with external partners (derivative). Together, these are accounted for as hedging relationships.

These hedging relationships hedge against market price risk.

Other sales transactions VERBUND AG also engages in OTC transactions with external counterparties in the sales area. VERBUND AG retains the margins generated by these transactions. If there is a risk of a loss arising from an OTC transaction, i.e. if the sales price is below the hedging cost, a provision for onerous contracts is recognised.

The purchase and sale transactions between VERBUND AG and external counterparties (forwards and futures) constitute derivatives. The purchase and sale transactions – which are always closed in terms of volume – are declared to be the underlying transaction and hedging instrument as at the date of conclusion, and a hedging relationship is recognised in each case.

Measurement of effectiveness. Since fluctuations in the market value of the derivatives regularly compensate each other for purchase and sale positions which are almost entirely closed in terms of volume, material hedge ineffectiveness does not occur in the sales area. The realisation of derivative hedging relationships is recognised in profit or loss.

Trading area

The portfolio is measured annually in the trading area. Opposite changes in transaction value balance each other out within the annual portfolio. In accordance with the Austrian Commercial Code (UGB), provisions for onerous contracts are recognised only for annual portfolios which are negative overall. Positive annual portfolios may not be recognised in the balance sheet under the Austrian Commercial Code (UGB). Income from trading is presented net in electricity revenue.

Taxes on income

VERBUND AG is the parent of the tax group as defined by Section 9(8) of the Austrian Corporate Income Tax Act (Körperschaftsteuergesetz, KStG) 1988.

The parent of the tax group charges or (in the event of a loss) credits the group members with the corporate income tax amounts attributable to them by means of a tax allocation. The balancing of allocated tax amounts results in a corresponding up or down adjustment of the tax expense in the parent's income statement.

The tax recharges to Group members are only adjusted for subsequent deviations if they are material.

II. Notes to the balance sheet and to the income statement

General

In the interest of clear presentation, individual line items in the balance sheet and the income statement have been aggregated. These line items are explained separately in the notes to the annual financial statements. The individual line items of the balance sheet and income statement are presented in accordance with VERBUND's Group-wide requirements with respect to form and content.

In accordance with Section 223(7) of the Austrian Commercial Code (UGB), line items of the balance sheet and income statement with a carrying amount of zero in both the financial year and the previous year are not presented. The designations of the items have been shortened or expanded to reflect their actual content in accordance with Section 223(4) of the Austrian Commercial Code (UGB) to the extent this appeared expedient in order to present annual financial statements that are clear and easy to understand.

If the presentation has changed compared to the previous year, the previous year's amounts are adjusted in accordance with Section 223(2) of the Austrian Commercial Code (UGB) or explained separately in the corresponding item.

Notes to assets

A. Fixed assets

For details see separate "Statement of changes in fixed assets".

(1) I. Intangible assets

The net carrying amount of the rights of use of plants acquired by affiliated companies is €1,718.7k (previous year: €2,005.1k).

(2) III. Investments

The disclosures in accordance with Section 238(2) of the Austrian Commercial Code (UGB) are presented separately in "Disclosures of equity interests in accordance with Section 238(2) of the Austrian Commercial Code (UGB)".

Loans to affiliated companies: for details see separate "Maturity schedule". Securities (loan stock rights) under fixed assets: they consist primarily of Austrian investment fund units and bonds. Securities under fixed assets in the amount of €0.0k (previous year: €53,231.1k) are pledged as guarantees for energy trading. The impairment reversals not carried out in accordance with Section 208(3) of the Austrian Commercial Code (UGB) amount to €1,806.1k (previous year: €1,625.6k).

B. Current assets

(3) I. Inventories

€k

	2012	**2013**
Goods	14,241.9	14,943.4
Services not yet billable	0.0	61.4
	14,241.9	**15,004.8**

(4) II. Receivables and other assets

For details see separate "Maturity schedule".

€32,474.3k (previous year: €43,765.2k) of receivables from affiliated companies relate to trade receivables. Receivables from investees relate to trade receivables.

		€k
Other receivables and assets	2012	**2013**
Electricity trading activities	48,099.1	85,638.1
Security deposits electricity business	13,449.8	35,820.4
Interest accruals and commissions from bonds and loans	1,141.5	56.0
Tax authorities	14.1	33,876.5
Payroll	186.1	9.7
Effected advance payments	6.6	6.6
Emission rights trading	2,292.9	663.7
Other	40,911.6	288.5
	106,101.7	**156,359.6**

(5) III. Cash in hand, cash at banks

		€k
	2012	**2013**
Cash in hand	12.9	16.2
Cash at banks	8,020.0	5,381.7
	8,032.9	**5,397.9**

(6) C. Prepayments and accrued income

		€k
	2012	**2013**
Prepayments for electricity purchases	42,919.8	38,243.6
Deferred tax assets	7,304.4	93,338.0
Discounts, flotation costs and exchange rate differences relating to bonds and non-current loans	889.0	851.5
Auctions of cross-border capacities	104.8	29.7
Other	52,347.8	49,690.3
	103,565.8	**182,153.2**

Deferred tax assets are the result of differences between the financial and taxable result in respect of line items that can only be deducted as expenses for tax purposes in income statements of future periods. The calculation was based on a tax rate of 25%.

(7) Rights of recourse

Rights of recourse amount to a total of €2,497,927.5k (previous year: €4,154,790.7k). In addition to rights of recourse vis-à-vis Group companies, rights of recourse exist primarily vis-à-vis financial institutions, state energy companies and regional authorities from cross-border leasing transactions carried out at VERBUND Hydro Power AG in the amount of €399,747.8k (previous year: €456,673.9k). See also note (15) Contingent liabilities.

Equity

(8) I. Share capital

There were 347,415,686 shares in circulation at the balance sheet date.

Composition	Stock (shares)	Share
Bearer shares category A	170,233,686	49%
Registered shares category B	177,182,000	51%
Authenticated by an interim certificate made out in the name of the Republic of Austria (deposited with the Federal Ministry of Finance)		
	347,415,686	100%

Authorised capital: In the Extraordinary General Meeting held on 24 September 2010, the Executive Board was authorised under Section 169 of the Stock Corporation Act (Aktiengesetz, AktG) to increase the share capital with the approval of the Supervisory Board by 23 September 2015 by up to €154,100,000.00 by issuing up to 154,100,000.00 new bearer or registered ordinary shares (no-par shares) against a cash contribution – made in several instalments, if applicable. The issue amount, the terms of issue and the further details of the implementation of the capital increase are to be determined with the approval of the Supervisory Board. The prerequisite is that the Republic of Austria subscribes for new shares within the scope of a capital increase from the authorised capital, and that the shareholding of the federal government in the Company thereby does not fall below 51% of the Company's share capital even after completion of such a capital increase from authorised capital. Subsequently, the Executive Board resolved a capital increase with the Supervisory Board's approval on 24 November 2010 by issuing 39,215,686 no-par shares, whereby the share capital rose to €347,415,686.00. After this capital increase, the Executive Board is authorised to increase the share capital with the approval of the Supervisory Board by 23 September 2015 from the current nominal value of €347,415,686.00 by up to €114,884,314.00 through the issue of up to 114,884,314.00 new bearer or registered ordinary shares (no-par shares).

(9) III. Revenue reserves

€k

	2012	**2013**
Statutory reserves	19,884.0	19,884.0
Distributable reserves	1,544,614.8	650,408.1
	1,564,498.7	**670,292.1**

The allocated capital reserves and the statutory reserves amount to a total of €991,604.3k, which is more than 10% of the share capital.

(10) IV. Net profit

€k

As at 31/12/2012	208,449.4
Distribution of dividends	–208,449.4
Profit carried forward	0.0
Net loss	–546,931.0
Changes in reserves	894,346.7
As at 31/12/2013	347,415.7

(11) B. Untaxed reserves

For details see separate "Statement of changes in untaxed reserves".

Changes in untaxed reserves in the group of companies (as defined by Section 9(8) of the Austrian Corporate Income Tax Act (KStG)) resulted in a tax charge in the amount of €3,266.4k (previous year: tax charge in the amount of €18,363.5k).

(12) C. Provisions

1. Provisions for severance payments

€k

	2012	**2013**
Premium reserve based on actuarial calculations	8,448.3	9,302.9
Taxed proportion of provisions	8,448.3	9,302.9

In 2002, the provision permitted under Section 14 of the Austrian Income Tax Act (EStG) was transferred tax-free to a reserve qualifying as taxed (Section 124b(68) of the Austrian Income Tax Act (EStG)).

2. Provisions for pensions

€k

	2012	**2013**
Provisions for pension obligations	30,635.4	31,571.8
Of which obligations similar to pensions	4,995.4	5,541.1

3. Provisions for taxes

€k

	2012	**2013**
Corporate income tax (including prior reporting periods)	24,550.7	0.0
Other tax provisions	0.0	580.0
	24,550.7	**580.0**

4. Other provisions

€k

	2012	**2013**
Anticipated losses	24,001.2	337,360.2
Trade receivables not yet billed	7,453.4	4,657.3
Electricity/grid purchases	1,551.6	1,418.8
	33,006.2	**343,436.3**

Of the provisions, €0.0k (previous year: €460.0k) relate to affiliated companies.

Other personnel-related provisions	2012	2013
		€k
Premiums	3,637.7	3,394.2
Unused holidays	2,699.4	2,781.1
Early retirement benefits	1,322.2	1,575.5
Holiday allowance	701.8	760.0
Compensatory time credit	203.6	198.8
Other	141.8	199.9
	8,706.4	**8,909.5**

(13) D. Liabilities

For details see separate "Maturity schedule".

Of the liabilities to affiliated companies, €1,702,038.3k (previous year: €1,424,211.5k) relate to financial liabilities and €288,870.8k (previous year: €8,434.2k) to trade payables.

Other liabilities	2012	2013
		€k
Long-term electricity supply commitment	473,609.0	183,738.7
From taxes	17,466.3	12,859.9
Payroll	416.1	606.9
Related to social security	304.1	314.4
Other	17,264.9	11,887.8
	509,060.4	**209,407.6**

(14) E. Accruals and deferred income

	2012	2013
		€k
Guarantee payments from affiliated companies	6,784.9	7,509.6
Contributions to building costs	842.0	806.9
From electricity business	1,175.1	1,577.7
Other guarantee payments	529.2	0.0
	9,331.2	**9,894.2**

(15) Contingent liabilities

Contingent liabilities that are recognised below the line are surety bonds for other loans and credit facilities, including the required interest accruals as well as other assumptions of liabilities excluding contingent liabilities associated with cross-border leasing transactions totalling €1,743,719.5k (previous year: €3,358,737.5k), of which €1,724,360.2k (previous year: €2,413,706.5k) relate to affiliated companies and €0.0k (previous year: €0.0k) relate to investees. These contingent liabilities entail the corresponding rights of recourse in the same amount.

The subsidiary VERBUND Hydro Power AG entered into several cross-border leasing transactions during financial years 1999 to 2001. The figures reported in the balance sheet of VERBUND Hydro Power AG are all denominated in US dollars. With the exception of one transaction, there was originally full balance sheet cover for all obligations by way of corresponding acquisition of securities or through loans to financial institutions. Now all items are closed.

Beginning in 2009, and continuing during the 2010 reporting period, due also to the financial market crisis, about 85% of the original volume of the transactions were terminated. The last remaining transaction has an off-balance sheet financing structure. Some of the transactions were terminated early in their entirety; that is, all associated liabilities were repaid. However, some of the transactions were only partially terminated, whereby the transactions with the investors and the associated A-loans were repaid, while VERBUND Hydro Power AG continued the existing B-loans and the corresponding investments.

In connection with these cross-border leasing transactions, VERBUND AG issued guarantee bonds for VERBUND Hydro Power AG, which for the most part still exist for the transactions that have not been terminated as well as for the liabilities transferred to VERBUND Hydro Power AG totalling €754,208.0k (previous year: €796,053.2k). Of the rights of recourse against the primary debtors, €399,747.8k (previous year: €456,673.9k) is secured through counter-guarantees on the part of financial institutions, state energy companies and regional authorities (from guarantors' liabilities). These counter-guarantees are presented under total rights of recourse (see note (7)). Thus, a total of €354,460.2k (previous year: €339,379.3k) remains in contingent liabilities from cross-border leasing transactions after deducting these counter-guarantees.

With respect to the one remaining cross-border leasing transaction, the risk remains that a head lease filing will be carried out if VERBUND AG's rating falls below a certain threshold. This head lease filing trigger was not activated by the downgrading of VERBUND AG's credit rating by Moody's in the year under review, but the equity investor will be required to provide security presumably in the form of a bank guarantee. A provision was recognised by VERBUND Hydro Power AG for the estimated future expense required.

The ratings of contractual partners as well as VERBUND AG's rating exceeded the contractually agreed thresholds as at 31 December 2013 (with the exception of the security that the equity investor will be required to provide in the last remaining transaction described). Thus, there is currently no need for VERBUND AG or VERBUND Hydro Power AG to exchange individual contractual parties or investments.

As part of the restructuring of VERBUND's telecommunications segment, liabilities were assumed vis-à-vis former tele.ring Telekom Service GmbH and KELAG-Kärntner Elektrizitäts-Aktiengesellschaft.

Notes to the income statement

(16) 1. Revenue

€k

		2012	2013
Revenue from electricity deliveries			
Domestic[1]	Energy supply companies	1,266,993.7	1,220,007.8
	Industrial customers and consumers	164,669.0	185,379.5
	Other customers	21,305.7	45,990.6
		1,452,968.4	**1,451,377.9**
EU	Energy supply companies	131,016.0	141,157.7
	Industrial customers and consumers	18.8	1,987.9
	Other customers	1,056,974.5	959,488.0
		1,188,009.3	**1,102,633.6**
Third countries	Energy supply companies	– 19.7	0.0
	Other customers	9,033.0	9,122.8
		9,013.4	**9,122.8**
		2,649,991.1	**2,563,134.2**
Invoicing of grid tariffs; user and management fees		2,828.2	2,736.7
Other revenue (including emission rights and gas trading)		14,557.6	160,814.0
		2,667,377.0	**2,726,684.9**

[1] Of which €100,085.0k (previous year: €82,285.4k) from recharged grid fees.

(17) 3. Other operating income

€k

	2012	2013
a) Income from disposal of fixed assets with the exception of investments	2,056.1	3.8
b) Income from reversal of provisions	291.5	2,032.9
c) Other	35,702.9	41,538.1
	38,050.6	**43,574.8**

(18) 6. Personnel expenses

€k

	2012	**2013**
a) Salaries	21,481.8	21,705.6
b) Expenses for severance payments and payments to employee pension funds		
Severance payments	221.4	413.5
Contributions to employee pension funds	144.1	167.8
Change in the provision for severance payments	652.2	540.8
Expenses/income and takeovers/transfers within the Group	36.1	45.5
	1,053.8	**1,167.6**
c) Expenses for pensions and similar obligations		
Early retirement benefits and pension payments	2,849.5	3,009.4
Change in the provisions for pensions and similar obligations	2,476.0	–223.2
Expenses/income and takeovers/transfers within the Group	14.5	–10.4
Change in the provisions for early retirement benefits	405.4	210.8
Pension fund contributions (including obligation to provide additional funding)	1,808.9	987.6
	7,554.4	**3,974.2**
d) Expenses for social security contributions as required by law as well as income-based charges and compulsory contributions	3,801.2	3,897.0
e) Other social security expenses	227.4	237.9
	34,118.6	**30,982.3**

(19) 7. Depreciation and amortisation

€k

	2012	**2013**
a) Amortisation of intangible fixed assets and depreciation of property, plant and equipment		
Depreciation and amortisation	2,500.5	2,781.4
Impairment losses	0.0	14.6
Immediate write-off of low-value assets in accordance with Section 13 of the Austrian Income Tax Act (EStG)	47.6	52.1
	2,548.1	**2,848.1**

(20) 8. Other operating expenses

€k

	2012	**2013**
a) Taxes other than taxes on income	286.2	244.2
b) Other		
Operating costs for buildings, rent and leasing	8,990.9	36,488.3
Legal, audit and consulting expenses	7,303.1	19,031.9
Other administrative expenses	18,278.3	17,480.4
Advertising and market development costs	23,895.0	16,130.8
Reimbursement of costs for services	4,752.9	4,017.4
IT support, electronic data processing	3,510.6	3,841.4
Membership fees	1,272.4	1,489.7
Telecommunications services, data services	1,311.0	1,199.6
Training and further education	627.2	657.1
Temporary personnel and provision of personnel	533.1	472.8
Other	14,237.1	9,718.0
	84,711.6	**110,527.4**
	84,997.8	**110,771.6**

(21) 16. Financial result

€k

	2012	**2013**
Income from equity interests		
From affiliated companies	274,191.1	360,752.8
Of which from profit pools	21,756.6	16,657.5
Income from other securities and loans in financial assets		
From affiliated companies	29,949.1	15,051.1
Other interest and similar income		
From affiliated companies	24,682.9	22,355.9
Income from disposals and impairment loss reversals of investments		
Disposal of shares in affiliated companies	52,719.8	0.0
Expenses from investments		
From affiliated companies	13,151.7	775,144.2
Of which from profit pools	13,139.6	694,463.6
Interest and similar expenses		
Of which interest for long term personnel provisions	1,639.8	1,521.6
From affiliated companies	69,533.2	88,144.8

(22) 18. Taxes on income €k

	2012	**2013**
Consolidated taxes on income	175,346.4	43,491.9
Of which recharged to members of the Group	–175,708.1	–82,122.4
Additional amounts/credit notes from previous periods	10,983.3	–1,042.2
Deferred taxes	11,887.2	–86,033.6
	22,508.8	**–125,706.3**

III. Other disclosures

1. Total amount of other financial obligations

€k

Material items:	Total commitment	2014	2014–2018
Rent, lease and insurance agreements	[1]	10,922.3	46,479.7
Purchase commitments	10,240.3	8,685.0	10,240.3
Of which to affiliated companies	[1]	11.9	59.7

[1] Total commitment cannot be determined due to unspecified contract periods.

There is an electricity supply agreement with Ennskraftwerke AG according to which the energy generated in their power plants, less electricity purchase rights on the part of other participating partners, must be delivered to VERBUND AG in exchange for reimbursement of the recognised expenses plus a reasonable return on equity.

There are electricity supply agreements with Österreichisch-Bayerische Kraftwerke AG and Donaukraftwerk Jochenstein AG according to which half of the energy generated in their power plants must be delivered to VERBUND AG in exchange for reimbursement of recognised expenses plus a reasonable return on equity.

In accordance with an electricity supply agreement, Innwerk AG is obliged to deliver half of the energy generated in the Ering and Obernberg power plants to VERBUND AG at total production costs plus an agreed mark-up.

There is an agreement with VERBUND Management Service GmbH for the invoicing of services in the areas of IT, insurance, procurement, financial accounting, payroll and administrative services.

There is an agreement with VERBUND Finanzierungsservice GmbH for the invoicing of services for the performance of payment transactions and cash management.

In the area of electricity distribution and trading there are contractor agreements with VERBUND Trading AG and VERBUND Sales GmbH.

Due to labour management agreements and contracts, VERBUND is obligated under certain conditions to make pension payments to employees after they retire. The employer is obligated to provide additional funding to the extent that these defined benefit obligations are to be fulfilled through BAV Pensionskassen AG. Due to the developments on the financial markets, BAV Pensionskassen AG reported an obligation for additional funding in the amount of €133.3k (previous year: €17.7k) to cover defined retirement benefit obligations.

As at the balance sheet date, five employees had a letter of loyalty granting them a higher degree of employment protection. The prerequisites were at least 20 years of service at VERBUND and a minimum age of 45.

VERBUND AG has provided a guarantee in favour of EconGas GmbH that VERBUND Thermal Power GmbH & Co KG in Liqu. will meet its obligations from a long-term natural gas supply agreement. In connection with the long-term natural gas supply agreement, however, an application for redress for competition law infringements by EconGas GmbH was filed with the Higher Regional Court of Vienna by VERBUND Thermal Power GmbH & Co KG in Liqu. on 29 May 2013. In addition, VERBUND AG has committed to pay all costs in connection with handling the liquidation of VERBUND Thermal Power GmbH & Co KG in Liqu.

There are no outstanding contribution commitments to investees (previous year: €0.0k).

2. Disclosures regarding financial instruments

Electricity business

Derivative financial instruments (electricity/gas/CO_2 futures and forwards) relating to the electricity business comprise the following:

€k

Trading	Total – positive	Total – negative	Total – net
Futures	85.8	664.7	–578.9
Forwards	442,116.6	442,021.5	95.1
Total before netting	442,202.4	442,686.2	–483.8
Of which non-current	189,661.7	189,426.2	235.5

€k

Sales	Fair values – positive	Fair values – negative	Fair values – net
Futures	96,214.0	127,434.1	–31,220.1
Forwards[1]	140,167.2	117,964.9	22,202.3
Options	0.0	2,519.6	–2,519.6
Total before netting	236,381.3	247,918.6	–11,537.3
Of which non-current	42,426.7	47,627.7	–5,201.0

€k

Total	Fair values – positive	Fair values – negative	Fair values[2] – net
Futures	96,299.8	128,098.8	–31,799.0
Forwards	582,283.8	559,986.4	22,297.4
Options	0.0	2,519.6	–2,519.6
Total before netting	678,583.7	690,604.8	–12,021.1
Of which non-current	232,088.4	237,053.9	–4,965.5
Taking netting agreements into consideration[3]	–521,278.8	–521,278.8	0.0
	157,304.9	169,326.1	–12,021.1

[1] Positive fair values for forwards include €22,892.6k and negative fair values for forwards include €2,281.2k in respect to affiliated companies. // [2] The positive fair value amounting to €397.2k for the 2014 to 2020 annual portfolios is not recognised in the balance sheet. The negative fair value in the amount of €–11,047.5k has to be seen alongside underlying transactions with a positive fair value of the same amount, all of which constitute a hedge. // [3] If a framework agreement with a netting clause has been entered into with a counterparty, the positive and negative fair values of the transactions for this counterparty are netted for accounting purposes.

Derivative financial instruments (electricity/gas/CO_2 futures and forwards) relating to the electricity business comprised the following in the previous year:

€k

Trading	Fair values – positive	Fair values – negative	Fair values – net
Futures	249.6	423.8	–174.1
Forwards	834,502.9	831,979.7	2,523.2
Total before netting	834,752.5	832,403.4	2,349.1
Of which non-current	175,107.0	174,740.8	366.2

€k

Sales	Fair values – positive	Fair values – negative	Fair values – net
Futures	108,614.8	138,979.6	–30,364.8
Forwards[1]	152,864.9	116,804.9	36,059.9
Total before netting	261,479.6	255,784.5	5,695.1
Of which non-current	42,097.3	53,877.0	–11,779.7

€k

Total	Fair values – positive	Fair values – negative	Fair values[2] – net
Futures	108,864.4	139,403.3	–30,538.9
Forwards	987,367.7	948,784.6	38,583.1
Total before netting	1,096,232.1	1,088,188.0	8,044.2
Of which non-current	217,204.4	228,617.8	–11,413.5
Taking netting agreements into consideration[3]	–892,860.8	–892,860.8	0.0
	203,371.3	195,327.1	8,044.2

[1] Positive fair values for forwards include €19,892.4k and negative fair values for forwards include €15,094.4k in respect of affiliated companies. // [2] The positive fair value amounting to €2,283.1k for the 2013 to 2015 annual portfolios is not recognised in the balance sheet. The positive fair value amounting to €5,761.1k has to be seen alongside underlying transactions with a negative fair value of the same amount, all of which constitute a hedge. // [3] If a framework agreement with a netting clause has been entered into with a counterparty, the positive and negative fair values of the transaction for this counterparty are netted for accounting purposes.

3. Number of employees

Average	2012	2013
Salaried employees	168	172

4. Expenses for severance payments and pensions

€k

	2012	2013
Members of the Executive Board, former members of the Executive Board and their surviving dependants	889.8	–124.8
Other employees	7,718.4	5,266.7
	8,608.2	**5,141.8**

A company pension plan has been set up for members of the Executive Board in the form of a defined contribution pension fund agreement. In financial year 2013, contributions to the pension fund were paid for the Executive Board in the amount of €130,892 (previous year: €148,552).

Statutory regulations apply, under consideration of the requirements of Rule 27a of the Austrian Code of Corporate Governance, with respect to the claims of members of the Executive Board upon termination of their position. In financial year 2013, €622,259 (previous year: €507,589) was paid out for severance payments and pensions in support of beneficiaries.

Expenses for severance payments and pensions and similar obligations (post-employment benefits) amounted to €93,247 (previous year: €254,615). Expenses for pensions and similar obligations for former members of the Executive Board and their surviving dependants amounted to a total of €499,131 (previous year: €1,144,454).

5. Board members

Disclosures regarding the Boards of the Company (members of the Executive Board and the Supervisory Board) are presented before the management report.

Remuneration of the members of the Executive Board €

Name	Fixed remuneration	Variable remuneration	Total
Dipl.-Ing. Wolfgang Anzengruber	665,954	465,256	1,131,210
Dr. Johann Sereinig	634,407	401,385	1,035,792
Dipl.-Ing. Dr. Günther Rabensteiner	447,920	247,568	695,488
Dr. Ulrike Baumgartner-Gabitzer Member of the Executive Board (until 30/6/2013)			
Proportional remuneration until 30/6/2013	222,698	159,900	382,598
Other remuneration		370,000	370,000

Variable remuneration is always paid at the beginning of the following year, because whether or not goals have been achieved can only be determined at the end of the year. Consequently, the variable components paid to members of the Executive Board in 2013 were paid in respect of financial year 2012.

Remuneration of the four members of the Executive Board totalled €3,615,088 in 2013 (previous year: €3,274,545). This amount includes remuneration amounting to €190,000 due to the termination of the contract with Dr. Baumgartner-Gabitzer (pull-forward effect in the payment of the variable remuneration components for 2012 and 2013) as well as €180,000 (contractual settlement), thus a total of €370,000 disclosed as "other remuneration".

Variable remuneration depends upon performance and is limited to a certain percentage of fixed remuneration. In respect of financial year 2012, this percentage was no more than 50% and 70%. The level of performance-based remuneration components depends on the extent to which the targets agreed for the financial year are reached. 50% of the target agreement for the 2012 reporting period related to attainment of the planned Group result and 50% related to the attainment of qualitative, and, in part, medium-term, targets in areas such as innovation, research and development, consolidation and restructuring of the equity interest portfolio, as well as rationalisation and efficiency improvements. In addition, the successful realisation of the asset swap (sale of the Turkish equity interest and acquisition of the Inn and Danube run-of-river power plants) was taken into account. The principles underlying the Executive Board's share of profit were unchanged from the previous year.

As in the previous year, no loans or advances were paid out to any Board members of the Group or their subsidiaries. As in the previous year, neither the members of the Executive Board nor senior management staff of VERBUND have stock options.

Remuneration paid to members of the Supervisory Board amounted to a total of €314,969 (previous year: €203,679).

Remuneration scheme for the members of the Supervisory Board (in accordance with Rule 51 of the Austrian Code of Corporate Governance):

€

	2012	**2013**
Chairman	15,000	15,000
Vice-chairman (two)	11,250	11,250
Members	7,500	7,500
Attendance fee	400	400

These arrangements also apply mutatis mutandis for the Supervisory Board's Working Committee.

6. Transactions with related parties

Agreements with members of the Supervisory Board, or with businesses that are closely associated with individual members of the Supervisory Board, which require consent under Rule 49 of the Austrian Code of Corporate Governance:

During financial year 2013, no agreements which were not at arm's length were entered into with members of the Supervisory Board or with enterprises with which a member of the Supervisory Board is associated. Services were rendered for various companies in the VERBUND Group; these contracts were approved by the Supervisory Board.

7. Intra-Group relationships

VERBUND AG is the parent company within the VERBUND Group and therefore required to prepare consolidated financial statements.

There are profit and loss transfer agreements with VERBUND Beteiligungsholding GmbH, VERBUND Finanzierungsservice GmbH, VERBUND International Finance GmbH, VERBUND International Frankreich GmbH, VERBUND Management Service GmbH, VERBUND Mobile Power Region GmbH, VERBUND Sales GmbH, VERBUND Telekom Service GmbH and VERBUND Trading AG.

8. Unbundling

In addition to the already existing division into business areas (formal unbundling), in financial year 1999, VERBUND implemented legal unbundling as well by establishing independent enterprises under corporate law with separate managing entities and accounting departments.

Business transactions as defined by Section 8(3) of the Austrian Electricity Industry and Organisation Act (ElWOG) were entered into specifically with the following companies:

Electricity deliveries VERBUND Hydro Power AG, VERBUND Thermal Power GmbH & Co KG in Liqu., VERBUND Innkraftwerke GmbH, VERBUND International GmbH, VERBUND International Frankreich GmbH, Ennskraftwerke Aktiengesellschaft, Innwerk AG, Österreichisch-Bayerische Kraftwerke Aktiengesellschaft, Donaukraftwerk Jochenstein Aktiengesellschaft, KELAG-Kärntner Elektrizitäts-Aktiengesellschaft, STEWEAG-STEG GmbH, Austrian Power Grid AG, POWEO Pont-sur-Sambre Production S.A.S.
Electricity trading and sales VERBUND Trading AG, VERBUND Sales GmbH, VERBUND Trading & Sales Deutschland GmbH, VERBUND Trading Czech Republic s.r.o., VERBUND Trading Slovakia s.r.o., VERBUND Trading Romania S.R.L., VERBUND International GmbH
Grid services Austrian Power Grid AG
Telecommunications VERBUND Telekom Service GmbH
Services VERBUND Management Service GmbH
Financing VERBUND Finanzierungsservice GmbH, VERBUND International Finance GmbH
Provision of personnel VERBUND Trading AG, VERBUND International GmbH

9. Disclosures in accordance with Section 78 of the Austrian Electricity Industry and Organisation Act (ElWOG)

Result of the documentation of electricity by source	Share	2013 kWh
Hydropower	100.0%	1,152,945,000
Total volume of electricity supplied in Austria to consumers for their own use	100.0%	1,152,945,000

100% of the proofs of origin used for the documentation come from Austria.

Impact of electricity generation on the environment	2013
Radioactive waste (mg/kWh)	0.0
CO_2 emissions (g/kWh)	0.0

Vienna, 18 February 2014
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

Disclosures of equity interests

in accordance with section 238(2) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB)

€k

	Head-quarters	% Share-holding as at 31/12/2013	Most recent annual financial statements	(+) (–)	Net income/loss for the year	Equity[1]
Consolidated affiliated companies[2]						
Austrian Power Grid AG	Vienna	100.00	2013	+	37,661.8	312,967.8
Innwerk AG	Landshut	100.00	2013	+	86,668.0	214,227.7
VERBUND Beteiligungsholding GmbH	Vienna	100.00	2013	–	649,258.6	1,286,781.5
VERBUND Finanzierungsservice GmbH	Vienna	100.00	2013	+	2,120.2	218.1
VERBUND International Finance GmbH	Vienna	100.00	2013	–	5,109.1	2,035.0
VERBUND International Frankreich GmbH	Vienna	100.00	2013	–	40,085.2	7,852.2
VERBUND Management Service GmbH	Vienna	100.00	2013	+	1,769.2	3,120.7
VERBUND Sales GmbH	Vienna	100.00	2013	+	6,977.2	7,351.9
VERBUND Telekom Service GmbH	Vienna	100.00	2013	+	5,474.9	2,325.0
VERBUND Trading AG	Vienna	100.00	2013	+	399.3	2,167.0
VERBUND Tourismus GmbH	Vienna	99.90	2013	–	616.7	4,790.9
VERBUND Hydro Power AG	Vienna	80.33	2013	+	280,356.5	1,357,272.4
VERBUND Innkraftwerke GmbH	Töging	70.27	2013	+	34,281.4	334,235.1
Donaukraftwerk Jochenstein Aktiengesellschaft	Passau	50.00	2013	+	1,537.7	15,510.2
Grenzkraftwerke Gesellschaft mit beschränkter Haftung	Simbach	50.00	2013	+	3,537.3	3,587.3
Österreichisch-Bayerische Kraftwerke Aktiengesellschaft	Simbach	50.00	2013	+	10,482.2	58,571.4
Non-consolidated affiliated companies						
VERBUND Mobile Power Region GmbH	Vienna	75.10	2012	–	10.6	40.7
Associates						
Ennskraftwerke Aktiengesellschaft[3]	Steyr	50.00	2012	+	335.9	13,429.0
Gemeinschaftskraftwerk Inn GmbH	Landeck	50.00	2012	+	5.4	231.8
KELAG-Kärntner Elektrizitäts-Aktiengesellschaft[3]	Klagenfurt	35.17	2012	+	90,850.4	620,356.2
PÖYRY Energy GmbH	Vienna	25.10	2012	+	3,046.4	15,331.2

[1] Equity as defines by Section 224(3)A of the Austrian Commercial Code (UGB) or local law. // [2] Consolidation in accordance with Sections 253-261 of the Austrian Commercial Code (UGB). // [3] Accounted for using the equity method in accordance with Sections 263-264 of the Austrian Commercial Code (UGB).

Auditor's report

Report on the annual financial statements

We have audited the accompanying annual financial statements of VERBUND AG, Vienna, for the financial year from 1 January 2013 to 31 December 2013, including the accounting system. These annual financial statements comprise the balance sheet as at 31 December 2013, the income statement for the financial year ended 31 December 2013 and the notes to the annual financial statements.

Management's responsibility for the annual financial statements and for the accounting system

The Company's management is responsible for the accounting system and for the preparation, contents and fair presentation of the annual financial statements in accordance with Austrian corporate law and special legislation. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and description of type and scope of the statutory audit

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with the laws and regulations applicable in Austria and the principles of proper performance of audits of financial statements. These standards require that we comply with professional guidelines and that we plan and perform the audit so as to obtain reasonable assurance as to whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement in the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the annual financial statements and presentation of a true and fair view of the assets and liabilities, financial position and profit or loss in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Audit opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the annual financial statements comply with legal requirements and give a true and fair view of the financial position of VERBUND AG as at 31 December 2013 and its cash flows and profit or loss for the financial year from 1 January 2013 to 31 December 2013 in accordance with Austrian Generally Accepted Accounting Principles.

Comments on the management report

Pursuant to statutory provisions, the management report is to be examined as to whether it is consistent with the annual financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the annual financial statements and whether the disclosures pursuant to Section 243a of the Austrian Commercial Code (UGB) are appropriate.

In our opinion, the management report is consistent with the annual financial statements. The disclosures pursuant to Section 243a of the Austrian Commercial Code (UGB) are appropriate.

The annual financial statements may only be published or reproduced together with our auditor's report in the version audited by us. This auditor's report only relates to the complete annual financial statements in German, including the management report. Section 281(2) of the Austrian Commercial Code (UGB) applies to versions differing from the version audited by us.

Vienna, 18 February 2014
Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Maximilian Schreyvogl
Certified Public Accountant

MMag. Dr. Klaus-Bernhard Gröhs
Certified Public Accountant

Proposed appropriation of profits

The Executive Board proposes (in accordance with section 96(1) of the Austrian Stock Corporation Act (AktG)) to distribute a dividend of €0.55 per share and a special dividend of €0.45 per share to 347,415,686 no-par value shares from the distributable profit of financial year 2013, i.e. a total of €347,415,686.

Documentation of electricity by source

Documentation in accordance with Section 78 of the Austrian Electricity Industry and Organisation Act (ElWOG)

Result of the documentation of electricity by source	Share	2013 kWh
Hydropower	100.0%	1,152,945,000
Total volume of electricity supplied in Austria to consumers for their own use	100.0%	1,152,945,000

100% of the proofs of origin used for the documentation come from Austria.

Impact of electricity generation on the environment	2013
Radioactive waste (mg/kWh)	0.0
CO_2 emissions (g/kWh)	0.0

Audit opinion

We have fulfilled our audit obligations in accordance with Section 79(6) of the Austrian Electricity Industry and Organisation Act (ElWOG) and have audited the documentation prepared by VERBUND AG, Vienna, for financial year 2013 in accordance with Section 78 of the Austrian Electricity Industry and Organisation Act (ElWOG).

The statutory proof used for the documentation of electricity by source was provided by VERBUND AG. Within the scope of the performed audit procedures we have not found any facts that would lead us to assume that the submitted documentation as required under the law does not correspond to the actual circumstances.

Vienna, 18 February 2014
Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Maximilian Schreyvogl
Certified Public Accountant

MMag. Dr. Klaus-Bernhard Gröhs
Certified Public Accountant

Glossary

Glossary

Cash flow

Balance from the inflow and outflow of cash and cash equivalents; is usually broken down into cash flows from operating activities, investing activities and financing activities.

EBIT

Earnings before interest (including personnel-related interest) and taxes.

Equity ratio

Equity plus untaxed reserves and investment grants adjusted for deferred taxes in relation to total capital.

Gearing

Net debt in relation to equity plus untaxed reserves and investment grants adjusted for deferred taxes.

Net debt

Interest-bearing debt less cash and cash equivalents (including securities and shares held as current assets), adjusted for the asset and liability portions of closed items (e.g. in the case cross-border leasing transactions).

Notional debt repayment period

Ratio of debt to surplus funds from ordinary activities.

Return on capital employed (ROCE)

Earnings before interest (including personnel-related interest) less applicable taxes in relation to average capital employed.

Return on equity (ROE)

Profit or loss on ordinary activities before taxation in relation to equity including untaxed reserves and investment grants adjusted for deferred taxes at the beginning of the financial year.

Return on investment (ROI)

Earnings before interest (including personnel-related interest) and taxes in relation to total capital at the beginning of the financial year.

Return on sales (ROS)

Earnings before interest (including personnel-related interest) and taxes in relation to revenue.

Working capital

Current assets (including current loans and current prepayments and accrued income) less current liabilities (including current accruals and deferred income).

Part 3
Declaration of all legal representatives

Declaration of all legal representatives

according to para 82 (4) sec 3 Stock exchange act

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

We confirm to the best of our knowledge that the financial statements of the parent company give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the parent company, together with a description of the principal risks and uncertainties the parent company faces.

Vienna, March 2014
Executive Board

Dipl.-Ing. Wolfgang Anzengruber
Chairman

Dr. Johann Sereinig
Vice-Chairman

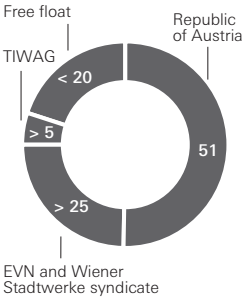
Dr. Ulrike Baumgartner-Gabitzer
Member

Dipl.-Ing. Dr. Günther Rabensteiner
Member

VERBUND AG Group structure

as at 31/12/2013

Shareholder structure %



- 80.33% VERBUND Hydro Power AG
  - 33.33% Kraftwerk Nußdorf Errichtungs- und Betriebs GmbH
  - 33.33% Kraftwerk Nußdorf, Errichtungs- und Betriebs GmbH & Co KG
  - 70.00% Verbundplan Birecik Baraji Isletme Ltd.Sti.
  - 50.01% Shkodra Region Beteiligungsholding GmbH
  - 82.35% Lestin & Co. Tauch-, Bergungs- und Sprengunternehmen Gesellschaft m.b.H
- 100.00% Innwerk AG
  - 50.00% Grenzkraftwerke Gesellschaft mit beschränkter Haftung (50.00%)
  - 50.00% Donaukraftwerk Jochenstein Aktiengesellschaft (50.00%)
  - 50.00% Österreichisch-Bayerische Kraftwerke Aktiengesellschaft (50.00%)
- 100.00% VERBUND Trading AG
  - 100.00% VERBUND Trading & Sales Deutschland GmbH
  - 100.00% VERBUND Trading Czech Republic s.r.o.
  - 100.00% VERBUND Trading Slovakia, s.r.o.
  - 100.00% VERBUND Trading Hungary Kft **)
  - 100.00% VERBUND Trading Croatia d.o.o. **)
  - 100.00% VERBUND Trading Serbia d.o.o.
  - 99.00% VERBUND Trading ROMANIA S.R.L.
- 1.00%
- 100.00% Austrian Power Grid AG
  - 24.40% OeMAG Abwicklungsstelle für Ökostrom AG
  - 100.00% VERBUND Umwelttechnik GmbH
- 100.00% VERBUND Telekom Service GmbH
- 100.00% VERBUND International Finance GmbH
- 100.00% VERBUND Management Service GmbH
- 25.10% PÖYRY Energy GmbH
- 100.00% VERBUND Finanzierungsservice GmbH
- 100.00% VERBUND Sales GmbH
  - 100.00% VERBUND EcoSales GmbH
  - 50.00% smart Energy Services GmbH
  - 50.10% POWEO Outre-mer Solaire *)
- 100.00% VERBUND International Frankreich GmbH
- 99.90% VERBUND Tourismus GmbH
- 0.10%
- 100.00% VERBUND Beteiligungsholding GmbH
  - 100.00% VERBUND Thermal Power GmbH
  - 100.00% VERBUND Thermal Power GmbH & Co KG **)
  - 100.00% VERBUND International GmbH
  - 50.00% E-Mobility Provider Austria GmbH
  - 50.00% E-Mobility Provider Austria GmbH & Co KG
  - 100.00% VERBUND Renewable Power GmbH
- 70.27% VERBUND-Innkraftwerke GmbH
- 50.00% Ennskraftwerke Aktiengesellschaft
- 35.17% KELAG-Kärntner Elektrizitäts-Aktiengesellschaft
- 50.00% Gemeinschaftskraftwerk Inn GmbH
- 75.10% VERBUND Mobile Power Region GmbH

Legend

- Full consolidation
- Equity method
- Joint Venture, Equity method

Not consolidated

*) held for sale
**) in liquidation

100.00% Ashta Beteiligungsverwaltung GmbH — 100.00% Energji Ashta Shpk

100.00% Lestin & Co. Tauch- und Bergungs-unternehmen Gesellschaft m.b.H

60.00% → 40.00% POWEO Toul Production S.A.S.

60.00% → 40.00% POWEO Pont-sur-Sambre Production S.A.S.

60.00% → 40.00% POWEO Blaringhem Production S.A.R.L. **)

100.00% VERBUND Italia S.p.A. **)

- 34.97% SORGENIA Holding S.p.A. *)
- 17.22% SORGENIA S.p.A. *)

81.57% → SORGENIA S.p.A. *)

0.25%

99.75% VERBUND Wind Power Austria GmbH

0.10% → 99.90% CAS Regenerabile S.R.L.

100.00% VERBUND-Photovoltaics Ibérica, S.L.

90.00% Alpha Wind S.R.L.

90.00% Ventus Renew Romania SLR

100.00% Haos Invest EAD

- 100.00% VERBUND Wind Power Deutschland GmbH
- 76.00% Infrastruktur Birschheim GmbH & Co KG
- 81.00% Infrastruktur Oberheimbach GmbH & Co KG
- 95.00% Windpark Utschenwald GmbH & Co KG
- 95.00% Windpark Seibersbach GmbH & Co KG
- 95.00% Windpark Eichberg GmbH & Co KG
- 95.00% Windpark Dörrebach GmbH & Co KG
- 95.00% Windpark Stetten I GmbH & Co KG
- 95.00% Windpark Schönborn GmbH & Co KG
- 95.00% Windpark Hochfels GmbH & Co KG
- 95.00% Windpark Dichtelbach GmbH & Co KG
- 95.00% Windpark Rheinböllen GmbH & Co KG
- 95.00% Windpark Ellern GmbH & Co KG

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 proprietors 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 Wirtschaft, Familie und Jugend
Wirtschaftskammer Österreich
Oesterreichs Energie

Object of the Group:
The Group focus is the generation, transportation, trading with and sales of electrical energy.

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

Supervisory Board:
Gilbert Frizberg (Chairman), Peter Püspök (1st Vice-Chairman), Reinhold Süßenbacher (2nd Vice-Chairman), Alfred H. Heinzel, Harald Kaszanits, Herbert Kaufmann, Peter Layr, Gabriele Payr, Christa Wagner, Siegfried Wolf, Anton Aichinger, Ingeborg Oberreiner, Kurt Christof, Harald Novak, 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, ElWOG) with associated regulations and implementation laws. These laws can be accessed via the legal information system of the Federal Chancellery of the Republic of Austria under www.ris.bka.gv.at.

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Verbund
Power for the Future